Massachusetts Taxpayers Foundation

MTF LEGISLATIVE SESSION PREVIEW

2025-2026

CAPITAL INVESTMENT PLAN PROCESS 101

The Commonwealth's Capital Investment Plan (CIP) outlines the administration's capital spending priorities and details the specific projects and programs that the state will fund through borrowing over the next five years. It is also updated annually. Unlike the annual operating budget, the CIP is not a piece of legislation and does not require legislative approval. However, its development process does generally conform to the fiscal year schedule and it is impacted by legislatively approved bond bills.

The development of the Capital Investment Plan begins with recommendations from state finance experts and is informed by a number of statutory and administrative debt affordability policies.

Why Does the State Borrow Money?

Capital spending includes investments to maintain our physical assets – roads, bridges, buildings, software, and other systems – that will benefit the state and its residents for years to come. Because capital projects are typically large scale in nature and take multiple years to complete, the state primarily pays for them by selling bonds, which are repaid over the life of the project via debt service included in the annual operating budget.

How Does the State Borrow Money?

Under the State Constitution, the Commonwealth is authorized to borrow money by a two-thirds majority vote of members from the House and Senate. The pieces of legislation that provide the administration with the authority to borrow money are referred to as bond bills. Bond bills typically authorize the sale of bonds to support five years of capital spending in a specific policy area; meaning that at least every five years, or so, there is a new environmental bond bill, public safety bond bill, or transportation bond bill. Because the Legislature must approve most borrowing by a two-thirds majority vote, bond bills must be considered during legislative sessions when roll calls can be recorded.

However, while bond bills grant the administration the authority to borrow money for certain purposes, the Executive Branch has significant discretion over actual capital spending. This discretion allows the administration to ensure that state borrowing remains within the limits of several statutory and administrative debt affordability policies and does not jeopardize the state's long-term fiscal stability.

The administration's capital spending decisions are announced in the annual Capital Investment Plan (CIP), which must be released by July 1st of each year. Although the CIP is not a piece of legislation, its development does follow a specific process and timeline.

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Capital Investment Plan Development Process

The CIP process begins with recommendations from the State Treasurer and the Debt Affordability Committee on the total amount of outstanding direct debt that the state may carry on its books, how debt service payments compare to budgeted revenues, and the level of new borrowing that may be issued in the upcoming year.

Once these recommendations are provided to the Governor, state agencies and departments work closely with the Executive Office for Administration and Finance on their capital spending priorities and requests. Between January and July, the administration is actively preparing the Capital Investment Plan document, which must be finalized by July 1st.

After the CIP is published, the State Treasurer is directed to issue bonds to finance the identified capital projects and programs.

Role of Bond Bills

While the Legislature does not play a direct role in the development of the Capital Investment Plan, they are responsible for approving all borrowing by a two-thirds majority vote. Pieces of legislation that approve the sale of bonds to support borrowing are called "bond bills."

Bond bills authorize the maximum amount of bonds that may be sold by the State Treasurer to support capital spending, and they are typically organized by specific policy areas. Common bond bill topics include: transportation, housing, environmental, higher education, and general government. Because bond bills only establish an upper limit for new authorizations for programs, the administration is not required to spend up to a specific authorization amount. In fact, the administration may decide not to spend any amount of an authorization at all.

Bond Bill Process

As pieces of legislation, bond bills move through the traditional legislative process; however, due to their unique nature, there are also a few additional steps.

All bond bills must be filed by the Governor; however, unlike operating appropriation bills they do not expire if they are not acted upon during the first year of a legislative session.

Once the bill is filed, it is referred to the appropriate Joint Committee. For example, a transportation-focused bond bill would go first to the Joint Committee on Transportation

After it has received a hearing, the bill is then referred to the Joint Committee on Bonding. It receives another public hearing at that point, before it is sent to the House Ways and Means Committee. After the House has taken action on a bond bill, it moves to the Senate for consideration.

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