



**Massachusetts  
Taxpayers Foundation**

**MTF  
LEGISLATIVE  
SESSION  
PREVIEW**

**2025-2026**



# EDUCATION ~ K-12 EDUCATION

During the last legislative session, policy discussions in the K-12 education space were dominated by three main topics: 1) continued implementation of the Student Opportunity Act; 2) local budget pressures impacting municipal contributions towards public education costs; and 3) a ballot initiative to remove the statewide standard for high school graduation in Massachusetts. In addition, the last session was notable for the implementation of the new income surtax, which had direct implications for state spending on K-12 education.

Each of these topics are likely to remain central during the 2025 – 2026 legislative session, and this preview offers a primer on both what took place during last session and the key policy questions facing lawmakers in the months ahead.

## Background & Policy Context

### Public School Financing in Massachusetts

In Massachusetts, funding for public schools is constitutionally recognized as the shared responsibility of local municipalities and the state. Since 1993, the total amount of funding that is required to provide all students with an adequate and equitable education has been calculated by the ‘foundation budget formula.’ The foundation budget formula is calculated at the individual district and statewide level by multiplying student enrollment by per-pupil cost estimates across a range of educational spending categories and demographic factors. The cost of a district’s foundation budget is then split between the municipality and the state based on local wealth factors like property values and income. The funding that a municipality is required to contribute towards its foundation budget is known as its ‘required local contribution,’ and the state support they receive is known as ‘Chapter 70 state aid’.

Each year, the foundation budget formula is updated to reflect inflation and enrollment changes across school districts as of October 1st.[1] As further discussed below, since Fiscal Year (FY) 2022, the formula has also been updated annually according to the implementation schedule of the Student Opportunity Act.

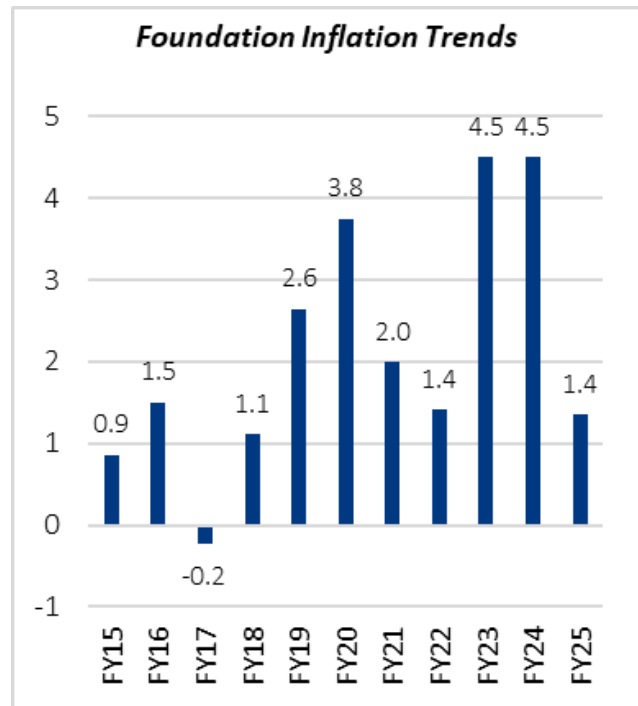
The inflation factor applied to the per-pupil rates within the foundation budget formula is known as the ‘foundation inflation index,’ and as the Chapter 70 statute dictates, the index is the lesser of a calculation of state and local government inflation based on Bureau of Economic Analysis data or 4.5 percent.[2]

[1] Due to the timing of the state budget development process, the foundation enrollment figures used to calculate Chapter 70 state aid through the foundation budget formula are one year behind the actual school year.

[2] The per-pupil rates for employee benefits and fixed charges within the foundation budget formula are increased by a unique inflation rate, based on an enrollment-weighted, three-year average premium increase for Group Insurance Commission plans. In FY 2025, the inflation rate applied to employee benefits and fixed charges was calculated at 5.03 percent.

In FY 2023 and FY 2024, as actual state and local government inflation reached 7 and 8 percent, respectively, many questions were raised regarding the efficacy of the 4.5 percent cap on the index. These concerns were heightened by growing pressures on local budgets as municipalities managed the phase-out of pandemic-era aid programs and faced constraints on their abilities to raise local revenues.

In addition, declining student enrollment has exacerbated some of the challenges faced by municipalities, because low and declining student enrollment trends depress overall foundation budget and Chapter 70 aid growth. At its core, the



foundation budget formula is an enrollment-based calculation, and between FY 2020 and FY 2023, statewide foundation enrollment decreased by over 30,000 students. While enrollment rebounded slightly in FY 2024 and FY 2025, it has yet to return to pre-pandemic levels. Across the state, 221 operating districts (69 percent) have seen their student enrollment number decrease compared to FY 2020.

During the 2023 – 2024 legislative session, these two factors: the divergence between the foundation inflation index and actual inflation, and the impacts of low and declining student enrollment growth dominated education finance policy discussions. They are likely to continue to be major areas of focus in the new legislative session; however, as policymakers consider taking action it will be important to remember that due to the unique mechanisms of the foundation budget formula, it can be challenging to make adjustments to the foundation budget formula that are sustainable over time and impact districts across the Commonwealth equitably and predictably.

### Student Opportunity Act

In November 2019, An Act Relative to Educational Opportunity for Students ([Chapter 132 of the Acts of 2019](#)) was signed into law. Better known as the Student Opportunity Act (SOA), the new law represented the first major reform to the calculation of the foundation budget in nearly 25 years.

The goals of the SOA were expansive, and the final bill included a range of education policy initiatives; from improving access to financial literacy curriculum to studying the unique financial challenges of rural school districts.

But above all else, the SOA aimed to dramatically increase the resources available for the highest need school districts across the state and create a data-driven accountability structure to accurately assess how these resources were being used to close persistent disparities in student achievement. Specifically, the new law overhauled the foundation budget formula to more accurately reflect the cost of providing all students with a high-quality education, including significant increases to the cost assumptions for low-income students, English learner students, employee health insurance, and mental health services for students.

To date, the Commonwealth has fully funded the first four years of the SOA, directing over \$1.6 billion in new Chapter 70 aid to school districts across the state. Notably, nearly 74 percent (\$1.2 billion) of the increased aid has been directed towards 61 districts, while the remaining 258 operating districts have seen their aid increase by a combined total of \$422 million.

*Student Opportunity Act Implementation Schedule*

Program	FY 2021 GAA	FY 2022 GAA	FY 2023 GAA	FY 2024 GAA	FY 2025 GAA
<b>Chapter 70 State Aid</b>	\$5,283.7	\$5,503.3	\$5,988.5	\$6,584.8	\$6,864.9
<i>Minimum Aid Supplement</i>	\$0.0	\$0.00	\$9.69	\$7.9	\$37.0
<b>Total State Aid</b>	<b>\$5,283.7</b>	<b>\$5,503.3</b>	<b>\$5,998.2</b>	<b>\$6,592.6</b>	<b>\$6,901.9</b>
<i>\$ Increase v. Prior Year</i>	\$107.6	\$219.6	\$494.9	\$594.4	\$309.3
<i>% Increase v. Prior Year</i>	2.1%	4.2%	9.0%	9.9%	4.7%
<b>SOA Implementation Schedule</b>	Base Year	Year 1	Year 2	Year 3	Year 4

For many of those 258 operating districts, the increases in state aid that they have received have been the result of ‘minimum aid,’ which guarantees districts an increase to their Chapter 70 state aid at least equal to their foundation enrollment multiplied by a per-pupil amount. In the FY 2024 budget, the per-pupil minimum aid amount was set at \$60 and 124 districts benefitted. In FY 2025, minimum aid was increased to \$104 and 229 districts across the state are designated as ‘minimum aid communities.’

Fiscal Year	# of Minimum Aid Communities
FY 2020	182
FY 2021	0
FY 2022	249
FY 2023	142
FY 2024	124
FY 2025	229

### K-12 Income Surtax Investments

Outside of Chapter 70 state aid, public schools in Massachusetts receive state support through a variety of other reimbursement and discretionary grant programs funded through the state budget, including the Special Education Circuit Breaker Program, Charter Tuition Reimbursement, and Student Transportation Reimbursement programs. For additional information on each of these programs, check out MTF’s earlier [budget deep dive on K-12 Education](#).

In addition to these programs, state investment in K-12 education and public schools during the 2023 – 2024 legislative session was considerably impacted by the implementation of the income surtax.[3]

The income surtax, which applies an additional four percent income tax on individuals whose income is \$1 million or more, went into effect in January 2023; and the revenues collected via the surtax are constitutionally obligated towards education and transportation. During the FY 2024 budget process, lawmakers created a process to collect, track, and spend these resources; and the FY 2024 and FY 2025 budgets cumulatively appropriated \$2.3 million in surtax revenue towards education and transportation initiatives.

*K-12 Income Surtax Investments, FY 2024 & FY 2025*

Program Name	FY 2024	FY 2025
<b>New Programs</b>		
Green School Works	\$50	\$10
MSBA Capital Supports	\$100	\$0
Mental Health Wrap-around Supports	\$0	\$5
Early Literacy Initiative	\$0	\$20
<b>Existing Programs</b>		
Early College and Innovation Pathways	\$5	\$3
Universal School Meals	\$69	\$170
Supplemental Minimum Aid	\$0	\$37
<b>Total Surtax Spending</b>	<b>\$224</b>	<b>\$245</b>

Of that total, \$469 million (20 percent) has been dedicated towards K-12 education; and investments to date can largely be grouped into two categories: new programs and existing state commitments. New programs supported by income surtax revenue over the last two years include a Green School Works program, a new MSBA Capital Supports program, an Early Literacy initiative to support evidence-based literacy instruction in pre-kindergarten through Grade 3, and Mental Health Wrap Around Services and Supports. Existing state programs that have been partially or fully supported by income surtax revenue include Early College and Innovation Pathways, Universal School Meals, and the minimum aid component of Chapter 70 state aid.

Heading into the 2025 – 2026 legislative session, one of the key decisions facing policymakers will be how to develop a long-term strategy for income surtax investments in the K-12 education sector.

### **Competency Determination Ballot Question**

In November, Massachusetts voters approved a ballot question to eliminate the statewide standard for high school graduation, known as the competency determination and achieved by earning a passing score on the Grade 10 Massachusetts Comprehensive Assistance System (MCAS) tests in English, Math, and Science.

[3] The income surtax imposes an additional 4 percent income tax on individuals whose income is \$1 million or greater. This surtax is in addition to the 5 percent flat income tax rate in Massachusetts.



The ballot question did not propose an alternative statewide standard for graduation, and so creates a patchwork of more than 300 different local standards across school districts. It's also important to note that this question does not eliminate the MCAS test and students in Massachusetts will still be required to take the MCAS in Grades 3 – 8, and Grade 10.

Additional information regarding this ballot question and the competency determination standard can be found in MTF's [brief](#) answering questions about the prior standard and the potential impact of the ballot question.

The Commonwealth's highest ranking elected officials and education policy leaders opposed the measure prior to Election Day; including Governor Maura Healey, House Speaker Ron Mariano, Senate President Karen Spilka, and Secretary of Education Patrick Tutwiler.

Considering this opposition, the confusion that the immediate change to the new system creates, and the dire educational consequences of eliminating the only consistent measure of student readiness for high school graduation in the state, policy action pertaining to a statewide standard during the 2025 – 2026 legislative session appears likely.

## Key Actions in the 2023-2024 Legislative Session

**Student Opportunity Act Implementation** – The FY 2024 and FY 2025 state budgets fully funded years 3 and 4 of SOA implementation, and the state remains on track to complete the phase-in schedule for the new law by FY 2027. To date, the SOA has increased Chapter 70 state aid by over \$1.6 billion, with nearly \$1.2 billion of that funding being directed towards the highest-need districts across the state. In recognition of the fact that not all districts have seen significant increases in state aid under the reforms of the SOA, and in acknowledgement of the local budget pressures facing municipalities, during the last two budget cycles policymakers have also approved large increases to per-pupil minimum aid. In the FY 2024 budget, minimum aid was set at \$60; and in FY 2025 it was increased to \$104.

**MCAS Ballot Question** – On November 5th, Massachusetts voters approved a ballot initiative that eliminated the statewide standard for high school graduation, known as the competency determination and achieved by earning a passing score on the Grade 10 MCAS tests in Math, English, and Science. The ballot initiative did not eliminate the MCAS; students remain required to take the MCAS test in Grades 3 through 8, and Grade 10 as required by federal law.

In the wake of the ballot initiative's passage, critical questions remain regarding its immediate impact on students preparing to graduate with the Class of 2025 and its long-term effects on maintaining a consistent and equitable standard for high school graduation across more than 300 different school districts. With the elimination of the statewide standard, Massachusetts becomes one of only a few other states across the country that does not maintain a uniform set of requirements for high school graduation.

**Income Surtax Investments in K-12 Education** – The FY 2024 and FY 2025 budgets were the first to include spending supported by income surtax revenue. Income surtax revenues are constitutionally obligated to fund investments in education and transportation; and cumulatively \$2.3 billion has been appropriated towards both new and existing state programs in these areas. Across both budgets, \$469 million of income surtax revenue has been directed towards K-12 education, equal to approximately 20 percent of total surtax spending. While the FY 2024 budget primarily used surtax revenues to support new programs, like Green School Works and MSBA Capital Supports, the FY 2025 budget was notable for using these resources to maintain existing state programs, like Universal School Meals and supplemental minimum aid.

**Permanent Universal School Meals** – During the pandemic, the federal government allowed all schools to provide universal free meals at no additional cost to the state. In FY 2023, after the federal waiver expired, the Legislature used state funds to continue the program for an additional year. The FY 2024 budget similarly continued funding for Universal School Meals, using both General Fund and income surtax revenues, and included an outside policy section making the program permanent in statute. In FY 2025, the entirety of the Universal School Meals program was funded using income surtax revenues, totaling \$170 million.

## Key Policy Questions for the 2025-2026 Legislative Session

### ***How might the state's fiscal position in FY 2026 and beyond impact implementation of the Student Opportunity Act?***

Heading into the FY 2026 budget development process, state budget writers face a major challenge: how do you support standard cost increases and sustain major new investments during a time of limited revenue growth? In FY 2026, as in FY 2025, budget writers may likely be building their budget proposals with fewer consensus tax revenues available to support budgeted spending than in the year before.

At the same time, they face significant expenses related to new programs and investments that have been incorporated into the operating budget, including implementation of the Student Opportunity Act, full-year funding of C3 Childcare Operational Grants, Universal Schools Meals, and Free Community College. Over the first four years of SOA implementation, funding for Chapter 70 state aid increased by \$1.6 billion – an average annual increase of 7 percent. There are few other programs in the state budget that have grown at the same rate, and similar increases are anticipated in the final two years of implementation (FY 2026 and FY 2027). Consider these cost increases alongside the other spending pressures faced by the state, and it is clear that difficult choices will need to be made to live within available resources. As those choices relate to SOA implementation, there are several options policymakers may consider, including covering a larger share of new SOA implementation costs with surtax revenue or adjusting the SOA implementation schedule. While the dedication of surtax revenue towards increased Chapter 70 costs may limit the availability of those resources for other types of investments, it would allow lawmakers to continue making meaningful progress towards full implementation of the SOA during challenging fiscal times. Additionally, the precedent for using surtax revenues to cover Chapter 70 costs was already established in the FY 2025 GAA, when \$37 million of surtax revenue was used to increase minimum aid to \$104 per-pupil.

***Will the administration and Legislature take action to establish a statewide standard for high school graduation?***

Prior to the passage of the ballot initiative that removed the statewide standard for high school graduation, the Commonwealth’s highest ranking elected officials and education policy leaders stated their opposition to the measure; including Governor Maura Healey, House Speaker Ron Mariano, Senate President Karen Spilka, and Secretary of Education Patrick Tutwiler. This opposition, combined with the confusion that the measure imposes on students and school districts, increases the likelihood that legislative action could be taken to ensure that all students graduating from high school in Massachusetts are held to a consistent, uniform, and equitable standard.

As next steps are considered, it is essential that policymakers agree on the following principles:

1. Voters in Massachusetts made clear that we need a new approach to our standards for high school graduation.
2. The immediate priority is to ensure that students in the Class of 2025 understand how this new measure impacts their plans to graduate, and to minimize disruption for students and families.



3. Massachusetts must maintain its status as a leader in public education, and all students – regardless of their zip code – deserve to be held to the same high-quality, uniform, and equitable standard for student readiness and success.

***What long-term strategies should policymakers consider when planning for K-12 income surtax investments in FY 2026 and beyond?***

As described in the [MTF's Legislative Session Preview: General Budget & Fiscal Update](#), heading into the 2025 – 2026 legislative session, policymakers will need to address two primary questions related to income surtax investments. First, how will new income surtax revenue be distributed in the operating budget? And second, how will excess surtax revenues currently held in the Education and Transportation Innovation and Capital Fund be appropriated for one-time and capital-related projects?

In the K-12 space, the first question carries the greater importance because the most impactful education-related investments are included in the state's operating budget. As lawmakers consider how to maximize the impact of surtax revenues in support of K-12 education, they must decide how these resources can be divided between existing state programs with increasing costs and new programs that address emerging needs. Given the substantial new costs the state faces related to implementation of the Student Opportunity Act and the permanent continuation of Universal School Meals, it is appropriate to use additional surtax revenues for these programs. And in fact, during a time of limited revenue growth, shifting a greater share of program costs onto the surtax may help to sustain these investments in the operating budget. To the extent that there are surtax revenues available to support new investments, opportunities that maximize the long-term impact of a dedicated revenue stream should be prioritized. For example, in the transportation sector, policymakers approved a \$250 million annual transfer of surtax revenue to the Commonwealth Transportation Fund, which unlocks more than \$1 billion in additional borrowing capacity for transportation-related capital projects.

To the second question, the Education and Transportation Innovation and Capital Fund offers policymakers an unique opportunity to deploy surtax revenues in support of education-related capital needs. One potential use for these funds could be new and innovative investments through the School Building Authority (SBA), which oversees the construction and renovation of school buildings across the state.

***Is it time to revisit the municipal contribution side of the Foundation Budget formula?***

The SOA was an historic overhaul of how the foundation budget formula estimates the actual cost of providing all students with a high-quality education. However, the reforms of the new law, combined with the pandemic-induced impacts of high inflation and declining student enrollment, have also had significant effects on the local share of that cost. As Chapter 70 state aid increases continue to impact a small subset of districts educating the highest-need students, more and more middle and high-income districts will experience increased local spending requirements that do not correlate with their ability to pay. At the same time, rural school districts are facing unique fiscal challenges. In the 2025 – 2026 legislative session, a priority for policymakers should be to better understand these challenges and how the foundation budget formula can be adjusted to make municipal contributions more equitable.

**Related Research from the Massachusetts Taxpayers Foundation**

- [FY 2025 Budget Deep Dive: Local Aid and K-12 Education Funding](#)
- [Understanding the Competency Determination Initiative Petition](#)

**Upcoming Research from the Massachusetts Taxpayers Foundation**

- Student Opportunity Act Progress Update - In 2025, MTF will publish original research that will serve as a progress report on Student Opportunity Act implementation between FY 2022 and FY 2024. The project will include in-depth analysis of the funding that has been distributed to districts, the evidence-based practices that districts have identified to close achievement gaps, and the metrics that have been proposed to measure student success.

For more information on K-12 policy and financing, reach out to MTF Research Director Meaghan Callahan at [mcallahan@masstaxpayers.org](mailto:mcallahan@masstaxpayers.org)