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MTF Bulletin

May 6, 2025

Senate Ways & Means Fiscal Year 2026 Budget

On May 6th, the Senate Ways and Means (SWM) committee released its Fiscal Year (FY) 2026 budget proposal, six days after the House finalized its version of the spending bill following three days of debate. Spending in the SWM budget totals \$61.42 billion, \$3.6 billion (6.3 percent) more than the FY 2025 General Appropriations Act (GAA), \$649 million less than the Governor's FY 2026 budget, and \$151 million less than the House's proposal.

Like the House, the SWM budget does not reflect any of the tax policy proposals put forward by Governor Healey to generate new revenue in FY 2026. Their spending bill does, however, rely on approximately \$1.8 billion in revenue solutions; of which MTF estimates \$1.5 billion are one-time in nature.

The Senate's spending bill increases funding for support services, local aid, and mental health-related programs compared to the House; while providing notably less funding for transportation, particularly related to the MBTA.

The SWM budget was unveiled five days after the committee released its version of the Innovation and Capital Fund supplemental budget, which includes \$1.22 billion¹ in spending supported by excess surtax revenues collected in FY 2023 and FY 2024. Much of the spending included in the supplemental budget bill is intended to augment the FY 2026 operating budget, and those investments are further detailed below.

Budget Overview

The SWM budget includes \$61.42 billion in total spending, a \$3.6 billion (6.3 percent) increase over the FY 2025 GAA, \$649 million (1 percent) less than Governor Healey's recommendation, and \$151 million (0.2 percent) less than the House. Non-surtax spending totals \$58.93 billion, a \$3.1 billion (5.6 percent) increase over the prior year. After accounting for \$7.73 billion in statutorily required transfers and other reserved funds, the SWM budget includes \$69.15 billion in total spending commitments.

¹ Total spending in SWM's Innovation and Capital Fund supplemental budget is \$1.28 billion, including a \$58 million appropriation for the Special Education Circuit Breaker program in FY 2025 supported by the Student Opportunity Act Investment Fund and a \$5 million investment in the Boston Holocaust Museum supported by the Transitional Escrow fund.

SWM Budget FY 2026 Spending Overview

	FY 2025 GAA	FY 2026 Governor	FY 2026 House	FY 2026 SWM	\$ v. FY 2025 GAA	% v. FY 2025 GAA
Line-Item Spending	\$55,779.3	\$59,577.3	\$59,079.5	\$58,896.6	\$3,117.3	5.6%
Surtax Spending	\$1,300.0	\$1,950.0	\$1,950.0	\$1,950.0	\$650.0	50.0%
Medical Asst. Trust Fund	\$682.2	\$547.6	\$547.6	\$547.6	-\$134.6	-19.7%
B.H. Outreach Trust Fund	\$20.0	\$0.0	\$0.0	\$31.5	\$11.5	57.5%
Total Line-Item Spending	\$57,781.5	\$62,074.9	\$61,577.1	\$61,425.7	\$3,644.2	6.3%
Pre-Budget Transfers	\$7,297.4	\$7,651.0	\$7,651.0	\$7,651.0	\$353.6	4.8%
Other Off-Budget	\$200.0	\$0.0	\$200.0	\$75.0	-\$125.0	-62.5%
Total Spend	\$65,258.9	\$69,725.9	\$69,428.1	\$69,151.7	\$3,892.8	6.0%

\$ in millions

The Senate's plan is supported by \$69.33 billion in total revenues, primarily comprised of the non-surtax consensus revenue figure of \$41.214 billion agreed to by the Healey administration, House, and Senate budget leaders in January. It also relies on \$1.95 billion in revenue generated by the income surtax, consistent with the surtax spending cap also agreed to as part of the consensus revenue process.

The Senate's proposal is supported by \$15.76 billion in reimbursements from the federal government and \$10.13 billion in departmental and lottery revenues, as well as other departmental transfers. Lastly, the spending plan relies on approximately \$1.79 billion in revenue solutions, which includes \$1.55 billion in one-time resources.

SWM Budget FY 2026 Revenue Overview

	FY 2025 GAA	FY 2026 Governor	FY 2026 House	FY 2026 SWM	\$ v. FY 2025 GAA	% v. FY 2025 GAA
Total Tax Revenue	\$41,573.6	\$43,317.1	\$42,981.1	\$43,114.0	\$1,374.4	3.3%
<i>Consensus Tax Agreement</i>	\$40,202.0	\$41,214.0	\$41,214.0	\$41,214.0	\$1,012.0	2.5%
<i>Cap Gains Diversion</i>	-\$138.4	-\$232.9	-\$232.9	-\$100.0	-\$127.6	92.2%
<i>Tax Settlements</i>	\$50.0	\$50.0	\$50.0	\$50.0	\$0.0	0.0%
<i>Charitable Deduction Cap</i>	\$0.0	\$164.0	\$0.0	\$0.0	\$0.0	0.0%
<i>Tax Initiatives</i>	\$160.0	\$172.0	\$0.0	\$0.0	-\$160.0	-100.0%
<i>4% Income Surtax</i>	\$1,300.0	\$1,950.0	\$1,950.0	\$1,950.0	\$650.0	50.0%
Federal Revenue	\$14,368.6	\$16,067.8	\$16,074.3	\$15,759.3	\$1,705.7	11.9%
Dept. Revenue & Transfers	\$9,361.5	\$10,020.8	\$10,325.4	\$10,129.3	\$963.9	10.3%
Trust Funds Used	\$400.0	\$321.5	\$339.0	\$325.0	-\$61.0	-15.3%
Stab Fund Transfer, Cap Gains	-\$124.5	\$0.0	\$0.0	\$0.0	\$124.5	-100.0%
Total Revenue	\$65,579.2	\$69,727.2	\$69,719.8	\$69,327.5	\$4,107.5	6.3%

\$ in millions

In FY 2026, the SWM budget assumes that the starting balance of the Stabilization Fund will be \$8.23 billion, after accounting for a transfer of interest earned on the fund in FY 2024 to the new Commonwealth Federal

Matching and Debt Reduction Fund. Under the SWM plan, It is expected to grow by a further \$33.3 million, ending the fiscal year with a balance of \$8.26 billion.

FY 2026 Stabilization Fund Estimate

	Governor	House	Senate
FY 2025 Beginning Balance	\$8,523.6	\$8,523.6	\$8,523.6
<i>Planned Deposits & Uses</i>	-\$296.3	-\$296.3	-\$296.3
FY 2025 Ending Balance	\$8,227.4	\$8,227.4	\$8,227.3
<i>FY 2026 Capital Gains Deposit</i>	\$133.1	\$133.1	\$33.3
FY 2026 Ending Balance	\$8,360.5	\$8,360.5	\$8,260.6

\$ in millions

Each of the budget proposals now put forward by the Governor, House and Senate have relied on above-threshold capital gains collections to support a greater share of the state's Pension Fund and post-retiree benefit liabilities. However, the SWM budget reflects a unique distribution of these resources compared to the Governor and House. Under their proposal, 90 percent of above-threshold capital gains taxes would go to the Pension Fund, five percent to post-retiree benefits, and five percent to the Stabilization Fund. Ultimately, this increases the level of these one-time resources used in the SWM budget by \$166 million compared to the administration and House plans.

Proposed Redistribution of Above-Threshold Capital Gains Collections

FY 2026 Capital Gains Estimate		\$2,327			
FY 2026 Capital Gains Threshold		\$1,661			
Above Threshold Collections		\$666			
Standard Distribution		Proposed Distribution – Governor & House		Proposed Distribution – Senate	
90% to Stab Fund	\$599	20% to Stab Fund	\$133	5% to Stab Fund	\$33
5% to Pension Fund	\$33	65% to Pension Fund	\$433	90% to Pension Fund	\$599
5% to State Retiree Benefits	\$33	15% to State Retiree Benefits	\$100	5% to State Retiree Benefits	\$33

\$ in millions

MTF Key Question: Does the SWM budget adopt the proposal to reallocate a greater share of above-threshold capital gains revenue towards the state's pension and post-retiree benefit liabilities?

Yes. The SWM budget does reflect a proposal to use above-threshold capital gains revenue for the state's pension and post-retiree benefit liabilities. However, their proposal is distinct from the one proposed by the Governor and adopted by the House. Under the SWM budget, 90 percent of above-threshold capital gains would go toward the Pension Fund; compared to 65 percent under the Governor's and House budgets. This proposal ultimately increases the level of one-time resources to balance the SWM budget by \$166 million.

Senate Ways & Means FY 2026 Budget – 5 Things to Know

1. **The SWM budget for FY 2026 spends approximately \$650 million less than the Governor and \$150 million less than the House.** Spending in the SWM budget totals \$61.42 billion, a \$3.6 billion (6.3 percent) increase over the FY 2025 GAA and a \$1.2 billion (1.9 percent) increased over the administration’s estimated spending level for the current fiscal year. Compared to the House budget, the SWM proposal reflects reduced spending levels for the MBTA and supplemental nursing home rates. There is also less funding included out of committee for local earmarks; however, that spending is typically added during the debate process.
2. **The SWM does not adjust the state tax revenue benchmark for FY 2026 of \$41.214 billion.** As previously described by MTF, the high degree of economic uncertainty caused by recent federal actions has raised legitimate questions regarding current revenue assumptions for FY 2026. However, while all budget decisions should be made within the context of that uncertainty, MTF strongly recommends that policymakers hold on adjusting the revenue benchmark until June. The SWM budget adopts that recommendation. Additional time to assess state tax revenue collections, understand the federal budget process, and track broader economic trends will only improve policymakers’ ability to make informed decisions regarding the resources available to support the state budget in the upcoming fiscal year.
3. **The Senate’s spending bill does not rely on any tax policy changes to generate revenue and uses \$1.54 billion in one-time revenue solutions to support spending.** To support spending in FY 2026, the SWM budget relies on \$1.54 billion in trust fund and other temporary resources; a higher level of one-timers than either the Governor or House. MTF has previously highlighted the challenges caused by using temporary resources to support ongoing operating costs. Over time, it can increase the structural imbalance of the state budget; and as the state enters a period of economic uncertainty, maximizing budget sustainability should be a shared goal for policymakers.
4. **The Senate’s spending plan reflects \$1.95 billion in surtax revenue** to support education (\$1.185 billion, 61 percent) and transportation (\$600 million, 31 percent) related spending. They also dedicate **an additional \$165 million in surtax revenues into the Education and Transportation Reserve Fund**, bringing the total projected balance to \$232.5 million. Notable surtax-supported items in the operating budget include:
 - \$600 million to the Commonwealth Transportation Fund (CTF), representing the entirety of the Senate’s transportation-related surtax allotment.
 - \$265 million to support the continued implementation of the Student Opportunity Act (SOA), as well as \$150 per pupil minimum aid.
 - \$120 million for Free Community College, including resources for the MassReconnect program.

- \$98 million for Child Care Supports, which is intended to maintain the current Child Care Financial Assistance (CCFA) caseload and reimbursement rate structure.

5. **The SWM budget includes 90 outside policy sections, with substantial overlap with the Governor’s and House budgets.** The SWM budget includes 90 policy sections, compared to 138 in the Governor’s budget and 80 in the House proposal. Between the outside sections included in the SWM, House, and administration’s budget proposals, at least 61 sections are in common across all three bills. The Senate puts forward eight sections unique to their spending plan, including proposals to make financing information related to housing production and transportation capital spending publicly available.

FY 2026 Budget Revenues

The SWM budget relies on \$69.33 billion in total state revenues. To assess the resources used by the House to support spending in FY 2026, this brief organizes them into five categories: (1) baseline tax revenues, (2) income surtax revenues, (3) revenue initiatives, (4) non-tax revenues, and (5) trust fund resources.

Baseline Tax Revenues

The revenue foundation for the SWM budget is the \$41.214 billion consensus revenue estimate agreed to by the Healey administration, House, and Senate in January. This represents a \$907 million (2.25 percent) increase over projected FY 2025 collections of \$40.307 billion.

FY 2026 Consensus Tax Revenue Agreement Summary

	FY 2025 Benchmark	FY 2026 CR Agreement	\$ Increase over FY 2025	% Increase over FY 2025
Non-Surtax Revenue	\$40,307	\$41,214	\$907	2.25%
Surtax Spending Cap	\$1,300	\$1,950	\$650	50.00%

\$ in millions

Adjusting Revenue Expectations for FY 2026

As described in detail in MTF’s report on the [FY 2026 House Ways and Means Budget](#), there are several reasons why MTF supports the Legislature’s decision not to adjust the FY 2026 revenue benchmark at this time. Waiting until June to make any adjustments is advisable because:

- FY 2025 revenue collections remain uncertain;
- Broader economic trends will be better understood over time; and
- The federal budget process may result in even greater losses to the state budget, particularly through reduced federal reimbursements related to Medicaid payments.

By monitoring the potential impacts of federal action now, budget-writers will be in a better position to take decisive action on any major revenue or spending adjustments in June, before the start of the new fiscal year. To prepare for those possible changes, MTF recently released the first in a series of reports evaluating the [potential impacts of federal action on Massachusetts](#).

Pre-Budget Transfers

The consensus tax revenue agreement also includes four “pre-budget” transfers to the Workforce Training Trust Fund, the Pension Fund, the MBTA, and the School Building Authority (SBA) totaling \$7.65 billion; excluding the transfer of excess capital gains revenue into the Stabilization Fund and other reserves.

FY 2026 Consensus Tax Revenues for Budget

	FY 2025 GAA	FY 2026 - Governor	FY 2026 – HWM	FY 2026 – SWM
Consensus Tax Revenues	\$40,202	\$41,214	\$41,214	\$41,214
<i>Workforce Training Trust Fund</i>	-\$27	-\$27	-\$27	-\$27
<i>School Building Authority</i>	-\$1,312	-\$1,265	-\$1,265	-\$1,265
<i>MBTA</i>	-\$1,472	-\$1,426	-\$1,426	-\$1,426
<i>Pension Fund</i>	-\$4,500	-\$4,933	-\$4,933	-\$4,933
<i>Capital Gains Transfer</i>	-\$138	-\$666	-\$666	-\$666
Pre-Budget Transfers (excl. Cap. Gains)	-\$7,311	-\$7,651	-\$7,651	-\$7,651
CR Taxes Remaining for Budget	\$32,753	\$32,897	\$32,897	\$144

\$ in millions

The remaining consensus tax revenues available to support spending in the SWM budget total \$32.89 billion, an increase of \$144 million compared to what was available when policymakers built the FY 2025 budget. This is level with the Governor’s and House Budgets.

Income Surtax Revenue

The SWM budget relies on \$1.95 billion in revenue generated from the income surtax to support spending in FY 2026. As required, these revenues are divided between education (\$1.185 billion, 60.8 percent) and transportation (\$600 million, 30.8 percent).

Uniquely, the SWM budget recommends transferring the remaining balance of the FY 2026 surtax spending cap (\$165 million) to the Education and Transportation Reserve Fund. Based on the assumption that in FY 2026 the state will collect \$2.4 billion in surtax revenue next fiscal year, the \$1.95 billion surtax spending cap would result in \$450 million in above-cap surtax revenues being deposited into the Education and Transportation Innovation and Capital Fund (\$383 million, 85 percent) and the Education and Transportation Reserve Fund (\$68 million, 15 percent). Under the SWM proposal, the total deposit into the Reserve Fund would increase to \$232.5 million.

Projected Surtax Fund Balances, FY 2026

	FY 2026
Surtax Revenue Projection	\$2,400.0
Surtax Spending Cap	\$1,950.0
Above Cap Surtax	\$450.0
Innovation & Capital Fund	\$382.5
Surtax Reserve Fund	\$232.5
15% Standard Transfer	\$67.5
SWM Supplemental Transfer	\$165.0

\$ in millions

Proposed Use of Income Surtax Revenue in the SWM Budget

	FY 2026 Governor	FY 2026 HWM	FY 2026 SWM	% of Total (SWM)
Education	\$1,185	\$1,185	\$1,185	60.8%
Early Education	\$373	\$428	\$433	22.2%
K-12 Education	\$475	\$515	\$518	26.6%
Higher Education	\$337	\$242	\$234	12.0%
Transportation	\$765	\$765	\$600	30.8%
MBTA	\$500	\$500	\$350	17.9%
MassDOT	\$155	\$155	\$130	6.7%
RTAs	\$110	\$110	\$120	6.2%
Local/Pilot Program	\$0	\$0	\$0	0.0%
Reserve Fund Transfer	\$0	\$0	\$165	8.5%
Total Investments	\$1,950	\$1,950	\$1,950	100%

\$ in millions

Specific surtax-supported spending proposals for education and transportation in the SWM budget are further detailed in the following spending sections of the report. But like the Governor's and House budgets, the SWM surtax proposal for FY 2026 should be viewed holistically and alongside their supplemental surtax spending bill.

Innovation & Capital Fund Supplemental Budget

Last Thursday, the SWM committee released its version of the Innovation and Capital Fund supplemental budget; and they are scheduled to debate and finalize the bill this Thursday. Out of committee, the bill includes \$1.28 billion in total spending; \$1.22 billion of which is supported by excess surtax revenues collected in FY 2023 and FY 2024 and currently held in the Education and Transportation Innovation and

Capital Fund. There remains approximately \$99 million in the trust fund available to support new spending added during the debate process or in future fiscal years.

Estimated Balance of the Innovation & Capital Fund

	Governor	House	SWM
Starting Balance	\$1,320.0	\$1,320.0	\$1,320.0
Proposed Supplemental Spending	\$1,320.0	\$1,262.2	\$1,220.2
Remaining Balance	\$0.0	\$57.8	\$99.8

\$ in millions

When this supplemental spending bill is considered alongside the SWM budget, surtax revenues remain more heavily weighted towards the education sector (\$1.74 billion total, 55 percent) compared to transportation (\$1.27 billion total, 40 percent). This is a clear divergence from the administration and House, who both achieved an even distribution of surtax resources across the two spending bills.

Income Surtax Spending, SWM Budget & Innovation and Capital Fund Supplemental Budget

	FY 2026 - SWM	Fair Share Supp	Total	% of Total
Education	\$1,185	\$555	\$1,740	55%
<i>Early Education</i>	\$433	\$0	\$433	14%
<i>K-12 Education</i>	\$518	\$380	\$898	28%
<i>Higher Education</i>	\$234	\$175	\$409	13%
Transportation	\$600	\$670	\$1,270	40%
<i>MBTA</i>	\$350	\$390	\$740	23%
<i>MassDOT</i>	\$130	\$25	\$155	5%
<i>RTAs</i>	\$120	\$75	\$195	6%
<i>Local/Pilot Program</i>	\$0	\$180	\$180	6%
Reserve Fund Transfer	\$165	\$0	\$165	5%
Total Investments	\$1,950	\$1,225	\$3,175	

\$ in millions

As the House and Senate look ahead to the conference process for the surtax supplemental budget, there are clear differences that will need to be reconciled, particularly related to transportation.

- **Funding for the MBTA** – The House’s supplemental surtax budget was notable for its inclusion of \$793 million in additional funding for the MBTA, reflecting several key components of Governor Healey’s transportation finance strategy. In contrast, the Senate directs approximately \$390 million in funding towards the authority, including lower levels of support for several MBTA reserves, physical infrastructure improvements, and revenue loss mitigation related to the Sumner Tunnel closure. It is unclear how the Senate’s MBTA funding proposal will impact the authority’s ability to close its projected operating budget deficits in FY 2026 through FY 2028.
- **Funding for Regional Transit Priorities & Local Roads** – The Senate’s proposal includes a total of \$245 million for Regional Transit Authorities (RTAs), municipal road improvements, and local

transportation projects; compared to \$64 million spent in this category by the House. The largest new program put forward by the Senate is \$165 million for the reconstruction and maintenance of municipal roadways.

- **Funding for Early Education** – The Senate’s supplemental surtax budget does not include any additional investments for early education out of committee. The House bill included \$55 million for Child Care Supports, which included \$20 million for a child care provider reimbursement rate increase in FY 2026, as well as \$15.5 million for an early educator loan forgiveness program and grants to early educators for the costs of personal child care.

For a complete comparison of spending in the House and Senate Innovation and Capital Fund supplemental budgets, please see the tables in Appendix A.

MTF Key Question: Does the SWM budget divide income surtax-supported spending evenly between the education and transportation sectors?

No. The Senate does not succeed in dividing surtax revenues equally between the education and transportation sectors. When assessed together, spending across their FY 2026 operating budget proposal and the Innovation and Capital Fund supplemental budget remains more heavily weighted towards education (55 percent) than transportation (40 percent). As MTF has written previously, achieving an even division of surtax revenues across the sectors is important for two reasons: 1) to ensure that both education and transportation receive their fair share of surtax resources, 2) to provide predictability and stability to each sector. Reliability of revenues is key to making meaningful progress on both operating and capital funding goals.

Revenue Initiatives

To support spending in FY 2026, the SWM budget includes \$1.79 billion in revenue-generating initiatives, many of which were originally proposed by Governor Healey and reflected in the House budget. In addition to the use of above-threshold capital gains collections described above, initiatives include:

- **COVID Recovery Recoupment** (\$350 million) – The Senate’s bill includes an outside section that allows for up to \$350 million in COVID-era recovery appropriations, which remain unexpended, to revert to the General Fund in FY 2026. The Healey administration and House included a similar proposal; however, they limited recoupments to \$200 million.
- **Gaming Fund Revenues** (\$107.5 million) – The SWM budget adopts an outside section, also included in the FY 2025 GAA and by the Governor and House, to redirect approximately \$100 million in gaming tax revenues from off-budget trusts to the General Fund. They also include a new proposal to direct 4.5 percent of the daily assessment of gross gaming revenues towards the General Fund and 4.5 percent towards the Race Horse Development Fund, which currently receives 9 percent. This generates \$7.5 million in new ongoing revenues for the General Fund.
- **Other Department & Trust Initiatives** (\$450 million) – The SWM budget assigns approximately \$450 million in revenue to several one-time sources, possibly related to trusts and other departmental initiatives. This is level with the Governor’s budget.

The SWM budget does not rely on any tax policy changes to generate revenue or support spending in FY 2026.

Revenue Generating Initiatives in the SWM Budget

Initiative	FY 2026 Governor	FY 2026 House	FY 2026 SWM
Total Tax Initiatives	\$379.0	\$0.0	\$0.0
Capital Gains Diversion	\$466.2	\$466.2	\$566.0
Trust Funds	\$346.5	\$339.0	\$325.0
COVID Recoupment	\$200.0	\$200.0	\$350.0
Gaming Redirect	\$100.0	\$100.0	\$100.0
Other Initiatives	\$450.0	\$425.0	\$450.0
Total Initiatives	\$1,941.7	\$1,530.2	\$1,791.0

\$ in millions

MTF Key Question: What level of revenue solutions is relied upon to support spending in the SWM budget, and does the House proposal reflect any tax policy changes?

The SWM budget utilizes \$1.79 billion in revenue solutions to support spending in FY 2026, but it does not reflect any of the tax policy changes proposed by the Governor. Nearly all of the proposals included in the SWM budget were originally put forward by the Governor; however, the SWM relies on a greater amount of above-threshold capital gains collections and recouped COVID-era grants than either the administration or the House.

Non-Tax Revenues

The SWM budget is supported by \$25.89 billion in revenues related to non-tax sources.

Departmental & Federal Revenue

In addition to revenue generated from taxes and other initiatives, the state budget also relies on hundreds of individual revenue sources related to federal grants and departmental operations. The most notable non-tax revenue sources in the SWM budget include:

- **State Medicaid Reimbursements** (\$13.9 billion) – The SWM budget assumes that the state will collect \$13.9 billion in state Medicaid reimbursement in FY 2026, \$304 million less than the revenue assumption reflected in the Governor’s and House budgets. This reduced level of federal reimbursement is primarily related to the Senate’s overall lower funding level for MassHealth, as well as their exclusion of several revenue-generating initiatives related to pharmaceutical assessments and fees.
- **Gaming** (\$393.6 million) – Gaming revenues in the SWM budget are assumed to be \$393.6 million in FY 2026, \$7.5 million more than the Governor’s budget and \$245 million less than the House assumption. The Senate’s gaming revenue estimate reflects their proposals to reallocate \$100 million in gaming resources towards the General Fund and amend the distribution of the daily assessment of gross gaming revenues to the Race Horse Development Fund as discussed above.

- **Lottery** (\$1.2 billion) – The SWM budget reflects \$1.2 billion in net profits from the Lottery, the same assumption included by the Governor and House.

Trust Fund Resources

In addition to the revenue generating initiatives and non-tax revenue sources detailed above, the SWM budget also relies on \$325 million in trust fund resources to support spending in FY 2026.

- *Student Opportunity Act Investment Fund (\$200 million)* – SWM uses \$200 million from the SOA Investment Fund to support the costs of Chapter 70 state aid to cities and towns in FY 2026. The administration and House budgets used \$207 million from the fund. Under the SWM budget, the balance of the SOA fund would be \$286.7 million at the end of FY 2026.
- *Early Education and Care Operational Grant Fund (\$115 million)* – The SWM budget uses \$115 million from the EEC Operational Grant Fund to support the Childcare Stabilization Grant (C3) program in FY 2026. In combination with \$35 million from the General Fund and \$325 million in surtax revenues, the program is level funded at \$475 million. The administration and House budgets also proposed using \$115 million from the fund, leaving \$35 million remaining for future use.
- *High-Quality Education and Care Affordability Fund (\$10 million)* – SWM relies on \$10 million from this trust fund to support a \$20 million total investment in Grants to Head Start. This would leave \$7 million remaining in the fund for future use. The administration’s budget did not tap this fund, while the House proposed using the entire \$17 million balance.

One-Time Revenue Sources

In total, MTF estimates that the SWM budget relies on \$1.55 billion in one-time revenue solutions to support spending in FY 2026. As demonstrated in the table below, this is \$269 million more than the amount of one-time resources used by the Governor or House and is \$574 million more than the level relied upon in FY 2025.

FY 2026 v. FY 2025 One-Time Revenues

Proposal	FY 2025 GAA	FY 2026 - Governor	FY 2026 - House	FY 2026 - SWM
Tax Amnesty Program	\$100	\$0	\$0	\$0
High-Quality EEC Trust Fund	\$200	\$0	\$17	\$10
EEC Operational Grant Fund	\$0	\$115	\$115	\$115
SOA Investment Fund	\$200	\$207	\$207	\$200
Behavioral Health Trust Fund	\$0	\$0	\$0	\$0
COVID Grant Recoupment	\$0	\$200	\$200	\$350
Above Threshold Capital Gains	\$375	\$466	\$466	\$566
Other One-Timers	\$0	\$200	\$175	\$200
Gaming Fund Redistribution	\$100	\$100	\$100	\$108
Subtotal One-Time	\$975	\$1,288	\$1,280	\$1,549

\$ in millions

As the Commonwealth continues to assess the potential impacts of federal action on Massachusetts and prepares for future economic uncertainty, safeguarding the overall stability and structure of the state budget will remain paramount. Limiting the use of one-time resources to support ongoing operating costs, adjusting relevant revenue assumptions to align with actual spending plans, and avoiding known deficiencies for state obligations are goals that all policymakers should share. Achieving these priorities, even in times of fiscal constraint, will improve the state’s long-term fiscal health and resilience.

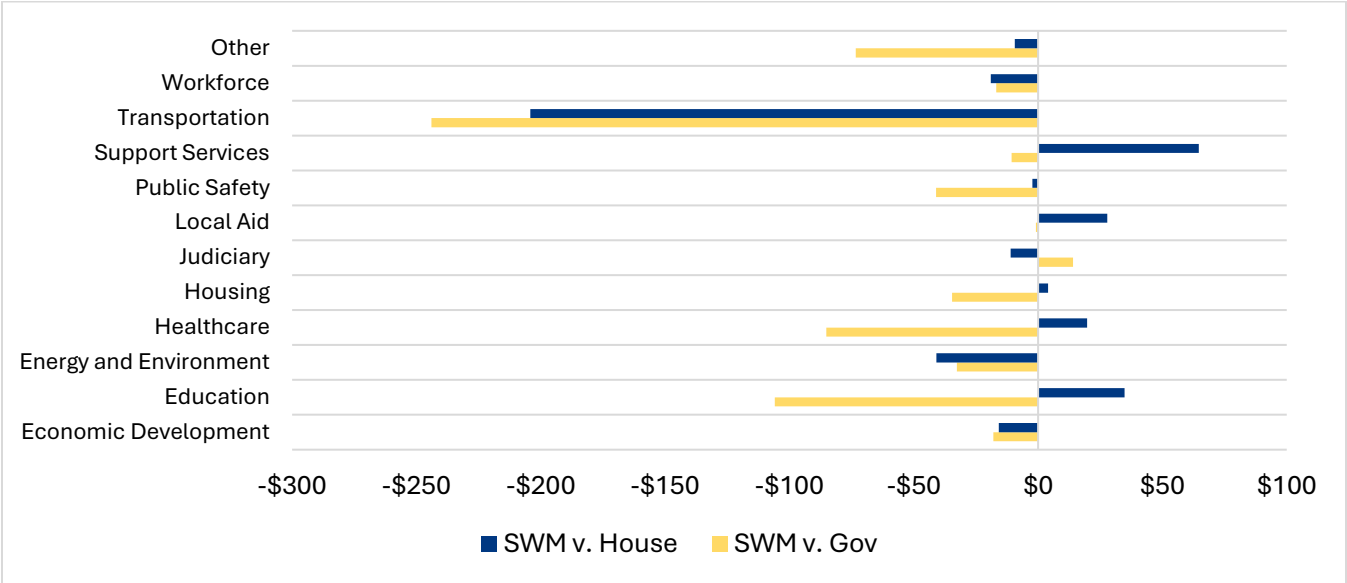
FY 2026 Budget Spending

The FY 2026 SWM budget proposal includes \$61.42 billion in total line-item spending, a \$3.6 billion (6.3 percent) increase over the FY 2025 GAA, a \$649 million (1 percent) decrease compared to the Governor, and \$151 million (0.2 percent) less than the House. Excluding surtax-supported spending and a transfer to the Medical Assistance Trust Fund (MATF), spending totals \$58.93 billion, a \$3.1 million (5.6 percent) increase over FY 2025.

In FY 2026, non-discretionary spending in the SWM budget is projected to grow by 7.5 percent, while discretionary programs costs increase by 4.2 percent. This dynamic, in which the costs for programs that the state is obligated to cover – including those related to MassHealth, the Group Insurance Commission, and Chapter 70 state aid – are driving overall spending growth, is also apparent in Governor Healey’s and the House’s budgets as well.

When spending levels in the SWM budget are compared to the Governor’s proposal and House budget by category, underlying priorities and differences emerge. The Senate targets additional spending towards support services, local aid, and healthcare; with additional funding for education largely the result of their unique distribution of surtax revenues.

Spending in the SWM Budget by Category



\$ in millions

MassHealth & Healthcare

MassHealth

The largest category of spending in the state’s operating budget is MassHealth, totaling \$22.4 billion and representing 36 percent of all line-item spending in the SWM budget proposal. Compared to spending projections for FY 2025, gross state spending on MassHealth in the SWM budget would increase by approximately \$850 million (4 percent); compared to the FY 2025 GAA, MassHealth spending in the SWM budget grows by \$2.3 billion (12 percent).

MassHealth Spending & Federal Reimbursement in the SWM Budget

	FY 2025 GAA	FY 2025 Est. Spending	FY 2026 - Governor	FY 2026 - House	FY 2026 - SWM
Federal Reimbursement Share	\$12,410	\$13,303	\$14,212	\$14,212	\$13,909
% of Total Spending	61.8%	61.7%	62.9%	63.4%	62.1%
State Share	\$7,660	\$8,256	\$8,387	\$8,221	\$8,503
Total MassHealth Spending	\$20,070	\$21,559	\$22,599	\$22,433	\$22,412

\$ in millions

Compared to the Healey administration’s recommendation, the SWM budget reduces spending for MassHealth by \$187.7 million. Spending reductions apply to two programs: MassHealth Senior Care (\$26.8 million cut) and MassHealth Fee for Service (\$160.9 million cut). Unlike the House, the SWM budget does not include any increased funding for MassHealth compared to the Governor’s budget; the House added \$30 million over the administration for supplemental nursing home rates.

Commensurate with their reduced funding level, the SWM budget assumes approximately \$300 million less in federal reimbursement for state Medicaid spending. In addition to the revenues foregone as a result of the lower funding levels discussed above, the Senate budget also does not reflect several revenue-generating initiatives included by the administration, including those related to pharmaceutical assessments and fees (assumed to provide approximately \$285 million in new revenue).

The Senate budget does allow the administration to pursue several other initiatives intended to generate revenue or savings in FY 2026, including proposals related to dual enrollment in the Senior Care Options program, payment rates for ambulance services, and a nursing facility assessment cap and rate increase.

The SWM budget also includes several notable health care policy proposals, some of which have direct implications for MassHealth.

SWM Policy Proposals Related to MassHealth

SWM Section	Title	Governor?	House?	Description
14	Behavioral Health Trust Fund	Yes	No	Expands eligible areas of spending for the BHACI Trust to support a greater range of BH services.
35	Expanded MassHealth Rebates	Yes	No	Authorizes MassHealth to negotiate supplemental rebates with additional drugs and medical devices.

(table continued below)

SWM Section	Title	Governor?	House?	Description
70	MassHealth Ambulance Payments	Yes	No	Allows MassHealth ambulance payments for Medicare eligible clients to be made at either the MassHealth or Medicare rate.
32 - 34, 89	Senior Care Options	Yes	Yes	Limits the state's SCO program to members enrolled in both MassHealth and Medicare.

Other Health Care Policy Considerations

In addition to those sections listed above, the SWM budget adopts several other healthcare policy changes related to the Determination of Need process and the PCA program.

SWM Section	Title	Governor?	House?	Description
30	Determination of Need Fee	Yes	No	Increases the DON application fee from 0.2% of proposed capital expenditures to 0.7%
73	Personal Care Attendant Cost Growth	Yes*	Yes	Directs EOHHS to develop a plan to keep PCA program cost growth at or under the state's annual health care cost growth benchmark.

The Senate's policy section on PCA program cost growth largely mirrors the House proposal; requiring a task force created in the FY 2025 GAA to put forward cost management recommendations for future fiscal years. The language is overall less prescriptive than what the Healey administration recommended, which directed the Executive Office of Health and Human Services to limit annual cost growth in the PCA program to no more than the annual health care cost growth benchmark of 3.6 percent.

Notable health care policy proposals not in the SWM budget include:

- A pharmaceutical tax to levy a penalty on drugs whose cost grows by more than CPI, proposed by the Governor and excluded by the House.
- A MassHealth proposal to assess a fee on all prescriptions dispensed in the Commonwealth. The fee would be the lesser of \$2 per prescription and 6 percent of the revenues received by the pharmacy in an applicable period. Originally proposed by the Governor, also excluded by the House.
- A proposal to extend the existing ConnectorCare pilot program, which expands subsidy eligibility to higher income individuals. This proposal was included in the administration and House budgets.
- Outside section language, included in the Governor's budget, authorizing the closure of the Pappas Rehabilitation Hospital. The House also did not include this language.
- An expansion of the state's universal vaccine program proposed in the Governor's budget, but not included by the House.

MTF Key Question: How does spending for the MassHealth program under the SWM budget compare to other areas of investment, as well as to the Governor’s budget proposal?

The SWM budget funds MassHealth at \$22.4 billion, an increase of \$850 million (4 percent) compared to estimated spending levels for FY 2025 and \$2.3 billion (12 percent) more compared to the FY 2025 GAA. SWM reduces funding for MassHealth compared to the Governor’s budget by \$187.7 million. Spending reductions apply to two programs: MassHealth Senior Care (\$26.8 million cut) and MassHealth Fee for Service (\$160.9 million cut). Unlike the House, the SWM budget does include any increased funding for MassHealth compared to the Governor’s budget. Despite this lower funding level, MassHealth spending growth makes up the majority of all spending increases in the SWM budget, representing 64 percent of new budgeted spending compared to the FY 2025 GAA.

Municipal Finance

The SWM budget funds Unrestricted General Government Aid (UGGA) at \$1.33 billion, a \$28.8 million (2.2 percent) increase over FY 2025. This funding level is consistent with Governor Healey’s budget, as well as the consensus revenue growth rate of 2.2 percent. The House budget funded UGGA at \$1.31 billion, level with the FY 2025 GAA.

PILOT – Payment in Lieu of Taxes for State-Owned Land – is funded in the SWM budget at \$54.5 million, a \$1.5 million (2.9 percent) increase over the prior year.

UGGA and PILOT Funding in the SWM Budget

Program	FY 2025 GAA	FY 2026 - Governor	FY 2026 - House Final	FY 2026 - SWM
UGGA	\$1,308.7	\$1,337.5	\$1,308.7	\$1,337.5
<i>\$ Increase v. Prior Year</i>	\$38.1	\$28.8	\$0.0	\$28.8
<i>% Increase v. Prior Year</i>	3.0%	2.2%	0.0%	2.2%
PILOT	\$53.0	\$54.5	\$54.5	\$54.5
<i>\$ Increase v. Prior Year</i>	\$1.5	\$1.5	\$1.5	\$1.5
<i>% Increase v. Prior Year</i>	3.0%	2.9%	2.9%	2.9%

\$ in millions

MTF Key Question: Under the SWM spending proposal, is growth in local aid for cities and towns tied to the consensus revenue growth estimate?

Yes. The SWM budget funds Unrestricted General Government Aid (UGGA) at \$1.33 billion, a \$28.8 million (2.2 percent) increase over the prior year; level with the Governor’s budget and consistent with consensus revenue growth estimates. The House budget did not provide an increase for local aid in FY 2026, instead level funding the program with the FY 2025 GAA.

Education

Early Education

The Senate recommends \$1.71 billion in total funding for early education and care programs in FY 2026, an increase of \$165.7 million (10.7 percent) over the FY 2025 GAA. This funding level includes \$1.27 billion in non-surtax spending and \$433 million in surtax-supported investments.

Compared to the Governor’s budget, the SWM proposal increases funding for Head Start to \$20 million and includes \$2.5 million for a pilot program to incentivize employer investments in early education and care. The Senate also provides a total of \$27.7 million for the Commonwealth Preschool Partnership Initiative, an increase of \$17 million compared to the House budget.

The C3 program is funded at \$475 million, level with the administration, House, and FY 2025 GAA. The program is funded through a combination of General Fund (\$35 million), EEC Trust Fund (\$115 million), and income surtax (\$325 million) revenues. The Senate does not include language, adopted by the House, to increase the amount of operational grant funding that certain for-profit early education providers may receive in a fiscal year.

Early Education & Care Spending in the HWM Budget

Program	FY 2025 GAA	FY 2026 - Governor	House Final	FY 2026 - SWM
Administration	\$80.3	\$54.9	\$60.7	\$52.9
Department of Early Education and Care	\$27.7	\$8.0	\$13.8	\$8.0
Quality Improvement	\$52.6	\$46.9	\$47.0	\$44.9
Child Care Operational Grants (C3)	\$300.0	\$200.0	\$115.0	\$150.0
Child Care Financial Assistance	\$773.8	\$965.8	\$965.8	\$965.8
<i>DCF and DTA Related Child Care</i>	\$356.6	\$448.2	\$448.2	\$448.2
<i>Income-Eligible Child Care</i>	\$417.2	\$517.6	\$517.6	\$517.6
Program Supports & Expansion	\$46.0	\$46.1	\$38.5	\$42.7
<i>Preschool Partnership Initiative</i>	\$17.5	\$17.7	\$10.0	\$17.7
<i>Grants to Head Start Programs</i>	\$18.5	\$18.5	\$18.5	\$20.0
<i>Provider Higher Education</i>	\$5.00	\$4.95	\$5.0	\$0.0
Child Care Resource & Referral Orgs.	\$20.0	\$20.0	\$20.0	\$20.0
Reimbursement Rate Reserve	\$0.0	\$0.0	\$0.0	\$0.0
Other Early Education	\$44.3	\$41.0	\$41.0	\$43.7
Income Surtax Spending	\$278.0	\$373.0	\$428.0	\$433.0
<i>Child Care Operational Grants (C3)</i>	\$175.0	\$275.0	\$360.0	\$325.0
<i>Preschool Partnership Initiative</i>	\$5.0	\$0.0	\$0.0	\$10.0
<i>Income Eligible Waitlist</i>	\$15.0	\$0.0	\$15.0	\$0.0
<i>Child Care Supports</i>	\$0.0	\$98.0	\$53.0	\$98.0
Grand Total	\$1,542.4	\$1,700.9	\$1,669.0	\$1,708.1

\$ in millions

Other notable investments included in the SWM budget for early education include:

- **Child Care Financial Assistance** (\$1.06 billion) – Base funding for CCFA in FY 2026 is included in the SWM budget at \$965.8 million, including \$448.2 million for DCF/DTA Related Child Care and \$517.6 million for Income-Eligible Child Care. In addition, they include a \$98 million surtax investment for Child Care Supports, which is intended to sustain current caseload and reimbursement rate structures for CCFA providers. In total, the SWM budget funds CCFA at \$1.06 billion; level with the Governor’s budget and \$45 million higher than the House.
- **Commonwealth Preschool Partnership Initiative** (\$27.7 million) – Total funding for CPPI in FY 2026 in the SWM budget is \$27.7 million, including \$17.7 million funded by the General Fund and \$10 million supported by the surtax. Unlike the Governor, the Senate did not include any additional funding for the CPPI program through the Innovation and Capital Fund supplemental budget.
- **Grants to Head Start** (\$20 million) – The SWM budget increases funding for State Grants to Head Start to \$20 million, a \$1.5 million increase over the Governor and House.
- **Employer- Supported Early Education and Care Pilot Program** (\$2.5 million) – The Senate provides \$2.5 million for a pilot program that offers competitive matching grants to support partnerships between Massachusetts employers and early education and care providers. This program was similarly funded by the Senate in FY 2025 and included in the final budget signed into law.

Income Surtax Investments

The SWM budget includes \$433 million in surtax-supported spending for early education and care; representing 22.2 percent of all surtax investments in their budget. Surtax revenues are used to support and maintain existing programs discussed above, including:

- \$325 million for C3 Childcare Stabilization Grants.
- \$98 million for Child Care Supports.
- \$10 million for the Commonwealth Preschool Partnership Initiative.

Prior to consideration of amendments, the Senate’s version of the Innovation and Capital Fund supplemental budget did not include any additional spending for early education and care.

K-12 Education

Chapter 70 State Aid

The SWM budget fully funds the fifth year of Student Opportunity Act (SOA) implementation at \$7.36 billion. This represents an increase of \$459.9 million (6.7 percent) over FY 2025.

The cost of Chapter 70 state aid in the SWM budget is supported through a combination of General Fund (\$6.8 billion), SOA Investment Fund (\$200 million), Education Fund (\$44.7 million), and income surtax revenues (\$265 million).

Chapter 70 State Aid Funding in the SWM Budget

Program	FY 2024 GAA	FY 2025 GAA	FY 2026 - Governor	FY 2026 - House	FY 2026 - SWM
Chapter 70 State Aid	\$6,584.8	\$6,864.9	\$7,097.2	\$7,122.0	\$7,096.9
<i>Minimum Aid Supplement</i>	\$7.9	\$37.0	\$0.0	\$0.0	\$0.0
<i>SOA Implementation Support (surtax)</i>	\$0.0	\$0.0	\$225.0	\$0.0	\$265.0
<i>Minimum Aid Supplement</i>	\$0.0	\$1.0	\$0.0	\$240.0	\$0.0
Total State Aid	\$6,592.6	\$6,901.9	\$7,322.2	\$7,362.0	\$7,361.9
<i>\$ Increase v. Prior Year</i>	\$594.4	\$309.3	\$420.2	\$460.1	\$459.9
<i>% Increase v. Prior Year</i>	9.9%	4.7%	6.1%	6.7%	6.7%
SOA Implementation Schedule	Year 3	Year 4	Year 5	Year 5	Year 5

\$ in millions

For FY 2026, the SWM budget proposes minimum aid at \$150 per pupil, matching the House. The Governor's budget originally recommended \$75 per pupil. Ultimately, this increase to minimum aid provides approximately \$40 million in increased state aid for districts across the state compared to the administration's proposal.

In addition to minimum aid, Chapter 70 funding levels in FY 2026 are impacted by three main factors: the foundation inflation index, foundation enrollment trends, and continued SOA implementation. Additional details on how each of these factors influence state aid for public schools in Massachusetts can be found in [MTF's Legislative Session Preview: K-12 Education and Local Aid](#).

MTF Key Question: Does the SWM budget continue to support Student Opportunity Act implementation, moving towards full implementation by FY 2027?

Yes. The SWM budget funds Chapter 70 state aid at a level consistent with fully funding the fifth year of SOA implementation. Additionally, the Senate proposes funding minimum aid at \$150 per pupil. The Senate's funding level for Chapter 70 is essentially level with the House and is \$39.7 million higher than the Governor's budget. To cover the costs of Chapter 70 in FY 2026, the SWM budget relies on a combination of General Fund (\$6.8 billion), SOA Investment Fund (\$200 million), Education Fund (\$44.7 million), and income surtax revenues (\$265 million).

Education Reimbursement Programs

In FY 2026, the Senate proposes funding other major reimbursement programs at \$999 million; including funds for Charter Tuition Reimbursement, Special Education Circuit Breaker, and Student Transportation Reimbursement. This funding level includes \$759.2 million in base operating support, plus \$240 million in surtax spending included in the operating budget and the Innovation and Capital Fund supplemental budget.

This funding level represents a \$177.9 million (22 percent) increase compared to the FY 2025. The SWM budget includes slightly less funding for these programs compared to the Governor and House, with the decreases driven by reduced funding levels for Regional School transportation and Charter Tuition Reimbursement.

K-12 Education Reimbursement Programs in the SWM Budget

Program	FY 2026 – Governor*	FY 2026 - House*	FY 2026 - SWM	Surtax (SWM)	Total Funding
SPED Circuit Breaker	\$682.0	\$674.9	\$492.0	\$190.00	\$682.0
Charter Tuition Reimbursement	\$179.1	\$199.0	\$183.8	\$0.00	\$183.8
Regional School Transportation	\$115.9	\$122.2	\$53.7	\$50.00	\$103.7
Non-Resident Voc. Transportation	\$6.2	\$0.0	\$1.0	\$0.00	\$1.0
Homeless Student Transportation	\$28.7	\$28.7	\$28.7	\$0.00	\$28.7
Total Education Reimbursement	\$1,011.9	\$1,024.6	\$759.2	\$240.00	\$999.2

\$ in millions

*Funding levels for the Governor and House include FY 2026 base operating budget support and surtax investments.

Notable details regarding the funding levels for these programs include:

- **Charter Tuition Reimbursement** – The SWM budget funds Charter Tuition Reimbursement at \$183.3 million, \$4.7 million less than the Governor, and \$15.2 million less than the House and the FY 2025 GAA. This funding level is consistent with a 93 percent reimbursement rate for districts.
- **Special Education Circuit Breaker** – The Senate provides a total of \$682 million in funding for the Special Education Circuit Breaker program in FY 2026, through a combination of operating budget and supplemental surtax spending bill appropriations. This total is level with the Governor’s budget and is intended to provide full reimbursement for applicable instructional and out-of-district transportation costs.
- **Student Transportation Reimbursement** – The SWM budget funds Regional School Transportation at a total of \$103.7 million in FY 2026 (83 percent reimbursement), Non-Resident Vocational School Transportation at \$1 million (13 percent reimbursement), and Homeless Student Transportation at \$28.7 million (58 percent reimbursement).

Income Surtax Investments

K-12 education receives a total of \$518 million in surtax investments in the SWM budget for FY 2026, comprising 26.6 percent of all surtax investments in their budget. In addition to the \$265 million for SOA implementation and \$50 million for Regional School Transportation detailed above, the Senate also includes:

- \$170 million for Universal School Meals, level with the Governor’s Budget. The House funded Universal School Meals at \$190 million.
- \$20 million for Early Literacy to support intensive tutoring for students in Pre-Kindergarten through third grade. This program was funded at \$25 million by the Governor and \$15 million by the House.
- \$8 million for the Reimagining High School Initiative under the Executive Office of Education. This new program was funded at \$32.5 million in the Governor’s Innovation and Capital Fund

supplemental budget. It is intended to support early college, innovation pathways, and workforce-related programming for high school students.

- \$5 million for the development of a statewide birth through higher education framework for mental and behavioral health.

In the supplemental surtax spending bill released by the SWM committee last week, an additional \$375.1 million is included for K-12 education-related initiatives. These include \$100 million for Career Technical Education (CTE) capital gains, \$190 million for the Special Education Circuit Breaker program, \$25 million for High-Dosage Early Literacy Tutoring, and \$10 million for English Language Learner services. Uniquely, the Senate proposes \$50 million for supplemental grants to school construction projects already approved by the MSBA and facing increased costs related to inflation.

Higher Education

SWM funds the public higher education sector at \$2.12 billion, a \$121.5 million (6.1 percent) increase over the FY 2025 GAA. This funding level includes \$1.89 billion in base operating budget spending and \$234 million in surtax-supported investments.

The SWM budget includes more funding for higher education than either the administration or the House, in particular through increased campus appropriations for Community Colleges and State Universities. The Senate also provides additional funding for the Community College SUCCESS Fund, providing \$16 million for the program in FY 2026.

Higher Education Spending by Sector in the HWM Budget

Category	FY 2025 GAA	FY 2026 - Governor	House Final	FY 2026 - SWM
Community Colleges	\$385.5	\$406.3	\$400.8	\$409.5
State Universities	\$374.1	\$395.7	\$385.2	\$400.1
University of Massachusetts	\$770.0	\$857.8	\$848.9	\$848.3
Scholarship Programs	\$197.0	\$198.6	\$197.9	\$199.9
<i>Community College SUCCESS Fund</i>	<i>\$14.7</i>	<i>\$14.7</i>	<i>\$14.0</i>	<i>\$16.0</i>
<i>Massachusetts State Scholarship Program</i>	<i>\$173.4</i>	<i>\$175.2</i>	<i>\$175.2</i>	<i>\$175.2</i>
Other Higher Education	\$32.7	\$30.2	\$25.3	\$28.0
Income Surtax Spending - Higher Ed	\$239.0	\$337.0	\$242.0	\$234.0
<i>Financial Aid Expansion</i>	<i>\$80.0</i>	<i>\$80.0</i>	<i>\$80.0</i>	<i>\$100.0</i>
<i>MassReconnect</i>	<i>\$24.0</i>	<i>\$24.0</i>	<i>\$24.0</i>	<i>\$0.0</i>
<i>Higher Education Capital Funding</i>	<i>\$0.0</i>	<i>\$125.0</i>	<i>\$0.0</i>	<i>\$0.0</i>
<i>Targeted Scholarships</i>	<i>\$10.0</i>	<i>\$0.0</i>	<i>\$10.0</i>	<i>\$0.0</i>
<i>State University SUCCESS</i>	<i>\$14.0</i>	<i>\$14.0</i>	<i>\$14.0</i>	<i>\$14.0</i>
<i>Free Community College</i>	<i>\$93.5</i>	<i>\$94.0</i>	<i>\$94.0</i>	<i>\$120.0</i>
<i>CC and SU Wraparound Supports</i>	<i>\$2.5</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>
<i>State University Funding Formula Supplement</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$10.5</i>	<i>\$0.0</i>
<i>Community College Funding Formula</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$9.5</i>	<i>\$0.0</i>
Total Funding	\$1,998.3	\$2,225.5	\$2,100.1	\$2,119.8

\$ in millions

Public Higher Education Campuses

The Senate provides a total of \$1.65 billion in base operating support for the University of Massachusetts, State Universities, and the Community Colleges. This includes:

- \$844.7 million for the University of Massachusetts' main administrative account, an increase of \$80 million over the FY 2025 GAA, \$9.4 million less than the Governor, and \$9.7 million above the House. This funding level is consistent with annualizing all collective bargaining agreement costs, plus an additional 1 percent increase.
- \$399.8 million for the State Universities, increasing campus operating appropriations by 1 percent over the Governor's budget. This total funding level is an increase of \$33.2 million compared to the FY 2025 GAA and \$25.8 million over the House.
- \$405.7 million for the Community Colleges, providing each campus with an additional 1 percent funding increase compared to the Governor's budget. This is also an increase of \$27.8 million over the FY 2025 GAA and \$21.1 million over the House.

In addition, the SWM budget includes \$2.8 million for the Community Mediation Center grant program at UMass Boston, \$150K for the Brewer Center for Civic Learning and Community Engagement at Mount Wachusett Community College, and \$200K for the Frederick E. Berry Institute for Politics and Civic Engagement at Salem State University.

Scholarship Programs & Addressing Student Costs

The SWM budget includes \$199.9 million for scholarship programs and wrap around student supports in FY 2026, excluding initiatives supported by income surtax revenues. This includes \$175.2 million for the state's Scholarship Reserve, \$8.7 million for Foster Care Financial Aid and Fee Waivers, and \$16 million for the Community College SUCCESS program.

Income Surtax Investments

Higher education is supported by \$234 million in surtax spending in the SWM budget, representing 12 percent of all surtax investments.

The SWM investments include:

- \$120 million for the continuation of Free Community College, including funds to support the MassReconnect program. In the Governor's budget, a combined total of \$118 million was made available for the two programs. As in FY 2025, the SWM budget includes line-item language providing additional stipends up to \$1,200 for students whose income is less than 125 percent of State Median Income (SMI); and limiting annual increases in community college tuition and fees to 4.5 percent.
- \$100 million for Financial Aid Expansion, \$20 million more than the Governor or House.
- \$14 million for the State University SUCCESS program, level with the Governor and House.

Through the proposed Innovation and Capital Fund supplemental budget, the Senate dedicates an additional \$175 million towards the higher education sector. The entirety of this investment is intended to support the deferred maintenance backlog for public institutions of higher education.

MTF Key Question: Does the SWM budget adopt the Governor’s proposal to securitize dedicated streams of surtax revenue in support of expanding higher education capital spending capacity?

No. The SWM budget does not reflect the Governor’s proposal to securitize \$125 million in surtax revenue for higher education capital needs. Instead, through the Innovation & Capital Fund supplemental budget, the Senate proposes using \$175 million in one-time funds to address a portion of the deferred maintenance backlog at public institutions of higher education. MTF is supportive of the administration’s plan to securitize a dedicated stream of surtax revenues for higher education. Through the permanent allocation of those resources, the administration anticipated the ability to support the issuance of up to \$2.5 billion in Special Obligation (SO) bonds over the next ten years. Ultimately, that would have allowed the state to significantly increase total capital-related spending for higher education; and because the new capital spending would be supported by SO bonds, it would not be limited by the state’s bond cap. According to the report of the [Higher Education Capital Working Group](#) released in January 2025, total deferred maintenance needs across Community Colleges, State Universities, and the University of Massachusetts exceed \$5.5 billion.

Workforce & Career Readiness

MTF tracks workforce and career readiness investments across 44 state programs and 16 state agencies. As described in earlier MTF research, the programs are organized into three categories: individual workforce training programs, sector-based programs, and training opportunities for state-serving populations.

In FY 2026, the SWM budget includes \$501.8 million in total funding for these programs, a \$25.5 million (4.8 percent) decrease compared to the FY 2025 budget, a \$16.9 million (3.3 percent) decrease compared to the Governor, and \$19 million (3.6 percent) less than the House.

Workforce Spending by Sector in the HWM Budget

Category	FY 2025 GAA	FY 2026 - Governor	FY 2026 - House	FY 2026 - SWM
Sector-Based	\$50.6	\$45.7	\$47.6	\$28.8
<i>Nursing & Allied Health Workforce Development</i>	\$1.0	\$0.9	\$0.5	\$1.0
<i>Transfer to the WCTF</i>	\$10.0	\$10.0	\$10.0	\$0.0
<i>Provider Higher Education</i>	\$5.0	\$5.0	\$5.0	\$0.0
Training Opportunities for State Populations	\$348.8	\$351.7	\$350.3	\$351.7
Individual Workforce Training	\$128.0	\$121.4	\$123.0	\$121.4
<i>School-to-Career Connecting Activities</i>	\$8.1	\$6.5	\$7.0	\$6.5
<i>Summer Jobs Program for At-Risk Youth</i>	\$15.9	\$15.7	\$15.4	\$15.2
<i>YouthBuild Grants</i>	\$3.0	\$1.8	\$1.8	\$3.0
Total Spending	\$527.3	\$518.7	\$520.8	\$501.8

\$ in millions

Notable workforce investments in the SWM budget include:

- **Transfer to the Workforce Competitiveness Trust Fund** – The SWM budget does not include a transfer to the WCTF for FY 2026. The Governor and House each included \$10 million transfers in their budget proposals, which was expected to support new grants that could serve 1,500 individuals over a three-year program cycle.
- **YouthBuild Grants** (\$3 million) – The SWM budget includes \$3 million for YouthBuild Grants, a \$1.2 million increase over the Governor’s and House budgets; level with the FY 2025 GAA.
- **Summer Jobs for At-Risk Youth** (\$15.2 million) – Also known as the YouthWorks program, the SWM budget funds summer jobs for at-risk youth at \$15.2 million, a \$675K decrease compared to the FY 2025 GAA. This funding level is also less than the Governor’s budget by \$500K, and less than the House by \$125K.
- **Nursing and Allied Health Workforce Development Grants** (\$1 million) – The SWM includes \$1 million for the Nursing and Allied Health Workforce Development Initiative, which aims to increase the number of public higher education faculty members and students who participate in programs and career tracks in the nursing and allied health fields. This program was funded at \$900K by the Governor and \$500K by the House.

Transportation

The Senate’s proposal includes \$1.38 billion in total funding for transportation in FY 2026, through the combination of base operating transfers and surtax-supported spending. This represents an increase of \$66.3 million (5 percent) over the FY 2025 GAA, a \$244 million (15 percent) decrease compared to the Governor, and a \$204 million (13 percent) decrease compared to the House.

In addition, the Innovation and Capital Fund supplemental budget released by SWM included \$670 million in transportation funding; including \$390 million for the MBTA, \$35 million for the Department of Transportation, \$75 million for Regional Transit Authorities (RTAs), and \$170 million for local transportation programs.

The transportation spending proposals from the Governor and House – across both the operating budget and surtax supplemental budget – were notable for their inclusion of several key components of the administration’s larger transportation finance strategy. The Senate’s bills reflect some components of the same strategy – like an increased annual transfer of surtax revenues to the Commonwealth Transportation Fund (CTF) – but they also carve out unique transportation priorities and notably reduce support for the MBTA.

Base Operating Transfers

The Senate provides \$776.3 million in base funding for the MBTA, MassDOT, and Regional Transit Authorities (RTAs) in FY 2026; a \$5.3 million (0.7 percent) increase over the FY 2025 GAA. The most notable difference in the SWM budget compared to the Governor and House is a reduction in base operating support for the MBTA from \$187 million to \$150 million. They also appear to reduce the operating transfer for MassDOT by \$42 million compared to the administration.

Transportation Spending in the SWM Budget

Category	FY 2025 GAA	FY 2026 - Governor	FY 2026 - House	FY 2026 SWM	SWM v. FY 2025 GAA
Base Transfer to MassDOT	\$478.6	\$562.6	\$522.6	\$520.6	\$42.0
Base Transfer to MBTA	\$186.8	\$187.0	\$187.0	\$150.0	-\$36.8
Base Transfer to RTAs	\$94.0	\$94.0	\$94.0	\$94.0	\$0.0
Other Non-Surtax Transportation	\$11.7	\$11.7	\$11.7	\$11.7	\$0.0
Non-Surtax Transportation Funding	\$771.0	\$855.3	\$815.3	\$776.3	\$5.3
Income Surtax Spending (CTF Fund)	\$250.5	\$765.0	\$765.0	\$600.0	\$349.5
<i>Supplemental Transfer to MassDOT</i>	<i>\$60.0</i>	<i>\$55.0</i>	<i>\$55.0</i>	<i>\$52.0</i>	<i>-\$8.0</i>
<i>Supplemental Transfer to MBTA</i>	<i>\$127.5</i>	<i>\$500.0</i>	<i>\$500.0</i>	<i>\$350.0</i>	<i>\$222.5</i>
<i>Supplemental Transfer to RTAs</i>	<i>\$0.0</i>	<i>\$110.0</i>	<i>\$110.0</i>	<i>\$120.0</i>	<i>\$120.0</i>
<i>CTF Debt Service</i>	<i>\$63.0</i>	<i>\$100.0</i>	<i>\$100.0</i>	<i>\$78.0</i>	<i>\$15.0</i>
Other Surtax Spending	\$288.5	\$0.0	\$0.0	\$0.0	-\$288.5
<i>Federal Matching Funds</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>All income surtax investments for transportation in the HWM budget are reflected in the CTF transfer above.</i>
<i>Highway Bridge Preservation</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	
<i>MBTA Capital Investments</i>	<i>\$60.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	
<i>MBTA Means Tested Fares</i>	<i>\$20.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	
<i>MBTA Workforce/Safety Reserve</i>	<i>\$36.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	
<i>MBTA Academy</i>	<i>\$10.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	
<i>Regional Transit Funding and Grants</i>	<i>\$110.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	
<i>Roads & Bridges Supplemental Aid</i>	<i>\$45.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	
<i>Water Transportation</i>	<i>\$7.5</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	
Total Transportation Funding	\$1,310.0	\$1,620.3	\$1,580.3	\$1,376.3	\$66.3

\$ in millions

Income Surtax Investments

The SWM budget dedicates \$600 million in surtax revenue towards transportation, representing 30.8 percent of all surtax investments in the operating budget. The entirety of this allotment is dedicated to the CTF; an allocation that the Senate proposes making permanent.

As MTF has [noted](#) throughout the FY 2026 budget development process, the redirection of surtax revenues for transportation to the CTF is a strategic policy decision that maximizes the long-term impact of the surtax while still allowing for enhanced operating support through the annual budget. MTF supports the Senate's decision to increase the annual dedication of surtax revenues to the CTF from \$250 million to \$600 million.

In FY 2026, after the surtax revenues are deposited into the CTF, SWM proposes reallocating them as follows:

- \$350 million to support the MBTA, bringing the state's total operating transfer to \$500 million.
- \$120 million for a supplemental transfer to RTAs, for a total funding level of \$214 million.
- \$52 million for additional MassDOT support, increasing the total operating transfer to \$572.6 million.

The SWM budget withholds \$78 million of the surtax revenue transfer in the CTF to cover future debt service costs associated with the state's expanded borrowing capacity. Furthermore, the Senate includes a new outside policy section related to the CTF transfer. The section requires MassDOT to create and maintain a

dashboard to monitor the transportation capital projects supported by the state's increased borrowing capacity resulting from the dedication of surtax revenues into the CTF. Outside section language also prohibits Special Obligation (SO) bonds backed by the CTF from supporting a capital project with a total cost greater than \$1 billion, unless that project has been authorized by the Legislature.

Stabilizing the MBTA

One of the largest differences between the House and Senate budgets is the approach taken to stabilizing the MBTA's operating budget over the next several years. The House largely follows the strategy put forward by the Governor, dedicating a total of \$1.48 billion to the authority through their FY 2026 operating budget proposal and supplemental surtax spending bill. The Senate, in contrast, directs \$890 million to the MBTA.

The transportation finance plan adopted by the House is expected to close 90 percent of the MBTA's projected operating budget deficits between FY 2026 and FY 2028; the authority would be expected to close the remaining ten percent. It is unclear how the Senate's funding plan will impact the authority's ability to balance its operating budget.

MBTA Funding Proposals, House v. SWM Budget

	House	SWM
FY 2026 Operating Budget	\$687	\$500
<i>Base Operating Transfer to MBTA</i>	\$187	\$150
<i>Supplemental CTF Transfer</i>	\$500	\$350
Supplemental Surtax Spending	\$793	\$390
<i>MBTA Physical Infrastructure</i>	\$60	\$0
<i>Low-Income Fare Relief</i>	\$20	\$20
<i>MBTA Workforce / Safety Reserve</i>	\$400	\$100
<i>MBTA Reserve Replenishment</i>	\$300	\$200
<i>Revenue & Traffic Mitigation</i>	\$13	\$0
<i>Water Transportation Infrastructure</i>	\$0	\$20
<i>Commuter Rail Infrastructure</i>	\$0	\$50
Total Funding for the MBTA	\$1,480	\$890

\$ in millions

MTF Key Question: Does the SWM budget reflect the administration’s transportation finance strategy and the recommendations of the Transportation Finance Task Force?

In part. The SWM budget reflects several elements of the Governor’s transportation finance strategy – including an increased deposit of surtax revenues into the Commonwealth Transportation Fund – but it includes significantly less funding for the MBTA. The Senate proposes increasing the annual deposit of surtax revenues into the CTF from \$250 million to \$600 million, which would allow the state to increase its borrowing capacity for transportation over the following ten years. For the MBTA, the Senate dedicates a total of \$890 million across their FY 2026 operating budget proposal and the Innovation and Capital Fund supplemental budget. This is \$590 million less than the \$1.48 billion reflected in the House’s spending bills. While the House’s funding level for the MBTA was intended to close 90 percent of the authority’s operating budget deficits over the following three years, it is unclear what the impact of the Senate’s proposal would be.

Housing

In FY 2026, the SWM budget includes \$1.16 billion in total funding for housing-related programs, a \$7.7 million (0.7 percent) increase over the FY 2025 GAA, \$34.6 million (2.9 percent) less than the Governor, and \$4 million (0.3 percent) more than the House.

Housing Investments in the SWM Budget

Category of Program	FY 2025 GAA	FY 2026 - Governor	FY 2026 - House	FY 2026 - SWM
Housing Stabilization & Homelessness Prevention	\$543.3	\$552.2	\$499.8	\$501.7
EA Family Shelters and Services	\$326.1	\$325.3	\$275.6	\$275.3
HomeBASE	\$57.3	\$57.3	\$57.3	\$57.3
Homeless Individual Shelters	\$110.8	\$110.8	\$115.8	\$110.8
Operation of Homeless Programs	\$17.6	\$27.7	\$18.4	\$27.7
Sponsor-Based Permanent Supportive Housing	\$8.9	\$10.1	\$11.9	\$10.1
Housing Financial Assistance	\$452.0	\$491.8	\$501.6	\$514.3
Massachusetts Rental Voucher Program	\$219.2	\$253.3	\$258.1	\$253.3
Residential Assistance for Families in Transition	\$197.4	\$202.5	\$207.5	\$225.0
Counseling & Education Services	\$9.0	\$5.0	\$5.4	\$5.2
Public Housing	\$114.3	\$117.6	\$116.9	\$117.3
Subsidies to Public Housing Authorities	\$113.0	\$115.5	\$115.6	\$116.0
Other Housing	\$34.6	\$28.8	\$33.2	\$22.4
Total Spending	\$1,153.2	\$1,195.4	\$1,156.8	\$1,160.9

\$ in millions

Notable housing investments funded in the SWM budget include:

- **Residential Assistance for Families in Transition** (\$225 million) – The SWM budget funds RAFT at \$225 million, a \$22.5 million increase over the Governor’s budget and \$17.5 million more than the House. SWM also retains language in the RAFT line-item stating that financial assistance shall not exceed \$7K over a 12-month period. The Governor’s budget had removed this language.

- **Homeless Individual Shelters** (\$110.8 million) – The SWM budget funds Homeless Individual Shelters at \$110.8 million, \$5 million less than the House and level with the Governor’s budget.
- **Massachusetts Rental Voucher Program** (\$253.3 million) – MRVP is funded at \$253.3 million in the SWM budget, \$5 million less than the House and level with the Governor’s budget.
- **Public Housing Authorities** (\$116 million) – SWM funds subsidies for public housing authorities at \$116 million, \$500K over the Governor’s budget and \$400K more than the House.

Emergency Assistance Shelter System

The SWM budget includes a \$275.3 million appropriation for the Emergency Assistance (EA) shelter system in FY 2026. This funding level is essentially level with the House, but approximately \$50 million less than the Governor’s recommendation and the FY 2025 GAA.

As detailed in MTF’s recent report on [Recent Trends in Rental Assistance & Emergency Assistance Shelter Spending](#), spending on the EA system increased dramatically between FY 2023 and FY 2025 as the state responded to the rapid influx of immigrant families and the existing affordable housing shortfall. According to the most recent biweekly report to the Legislature on the EA, the full year costs of the program are anticipated to reach \$1 billion. Through the combination of operating budget funds and supplemental appropriations, this cost is anticipated to be met in FY 2025.

Emergency Assistance Funding in FY 2025

FY 2025 EA Program Estimated Spending	\$1,064
<i>FY 2025 GAA Appropriation</i>	\$325
<i>FY 2025 Supplemental Appropriation (incl. in April 2024 Supp)</i>	\$175
<i>FY 2025 Supplemental Appropriation (incl. in February 2025 Supp)</i>	\$425
Total Available Resources	\$925
FY 2026 SWM Budget	\$275

\$ in millions

While the costs of the EA program in FY 2026 may exceed the appropriation levels proposed by the House and Senate, plans to supplement this funding have not been indicated. The Legislature approved several policy changes to the EA program through a supplemental budget signed into law in February, which are intended to limit the cost and capacity of the EA shelter system moving forward.

Outside Section Policies

The FY 2026 SWM budget includes 90 outside policy sections, 48 fewer than Governor Healey’s proposal and ten more than what was included by the House out of committee. The FY 2025 budget that was signed into law last July included 261 outside sections.

Policy Sections in the SWM Budget Compared

	FY 2025 SWM	FY 2025 Conference	FY 2026 Governor	FY 2026 HWM	FY 2026 SWM
Policy Sections	113	261	138	80	90

There is significant overlap between the outside sections included in the SWM, House, and administration's budget proposals, with at least 61 sections in common across all three bills. The Senate puts forward eight sections unique to their spending plan, the same number of unique sections included out of committee by the House.

SWM Outside Sections v. Governor's Budget & HWM

Total SWM Sections	Sections Shared with Gov.	Sections Shared with HWM	Unique Sections
90	79	61	8

Notable policy sections included in the SWM budget are organized by policy area below. The SWM budget does not include any of the revenue-generating tax policy proposals put forward by the Governor. Sections related to the closure of Pappas Rehabilitation Hospital, vocational-technical school admissions policies, and the extension of the ConnectorCare pilot program through the end of 2026 are also excluded.

Tax and Revenue

Race Horse Development Fund (Section 11) – This section adjusts the distribution of the daily assessment of gross gaming revenues to direct 4.5 percent towards the General Fund and 4.5 percent towards the Race Horse Development Fund. Currently, the entire 9 percent assessment is directed to the Race Horse Development Fund. The section is assumed to provide \$7.5 million in additional revenue for the General Fund. This section is unique to the SWM budget.

Estate Tax Clarification (Section 24) – This section makes changes to the calculation of the estate tax related to property located outside of Massachusetts and to property in which the decedent has a qualifying income interest. This section was included by the Governor and House.

Gaming Fund Diversion (Section 72) – This section diverts approximately \$100 million in gaming tax revenues towards the General Fund, which would otherwise be deposited into several off-budget trust funds. Essentially the same proposal was proposed by the Governor and adopted by the House. The SWM budget increases the distribution to the Commonwealth Transportation Fund and reduces the transfer to the Race Horse Development Fund.

Proposed Gaming Fund Diversion in FY 2026

	Conference FY 2025	Governor FY 2026	House FY 2026	Senate FY 2026
Gaming Local Aid	30.1%	30.1%	30.1%	30.1%
Transportation Infrastructure	20.6%	20.6%	20.6%	23.1%
Education Fund	19.4%	19.4%	19.4%	19.4%
Gaming Economic Development	13.2%	13.2%	13.2%	13.2%
Local Capital Projects	6.2%	6.2%	6.2%	6.2%
Community Mitigation	0.0%	0.0%	0.0%	0.0%
Public Health	5.0%	5.0%	5.0%	5.0%
MCC	2.0%	2.0%	2.0%	2.0%
Mass. Tourism Fund	1.0%	1.0%	1.0%	1.0%
Stabilization Fund	0.0%	0.0%	0.0%	0.0%
Debt Reduction	0.0%	0.0%	0.0%	0.0%
Race Horse Development	2.5%	2.5%	2.5%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

Capital Gains Distribution (Section 74) – This section would alter the distribution of above-threshold capital gains resources in FY 2026, so that 90 percent (\$599 million) would be applied to the state’s Pension Fund, 5 percent (\$33 million) would go to the Stabilization Fund, and 5 percent (\$33 million) would be directed to the State Retiree Benefits Trust Fund. Without this change, 90 percent (\$599 million) in above-threshold capital gains collections would be deposited into the Stabilization Fund.

COVID Spending Recoupment (Section 75) – This section would allow up to \$350 million appropriated in two COVID-era recovery bills to be recouped to the General Fund, if the appropriations have not yet been spent. In the Governor’s budget and House budget, they permitted up to \$200 million in COVID-era funds to be recouped to the General Fund.

Transfer to the Transportation and Education Reserve Fund (Section 85) – This section requires the Comptroller, in FY 2026, to transfer \$165 million in income surtax revenue to the Education and Transportation Reserve Fund. Without this supplemental transfer, the amount of surtax revenue projected to be deposited into the fund next fiscal year is \$67.5 million.

Health Care

Behavioral Health Access and Crisis Intervention Trust Fund (Section 14) – This section expands the eligible areas of spending for the BHACI Trust Fund to support a “continuum of care” for behavioral health services. Originally proposed by the Governor, this section was included by the House.

Department of Public Health Determination of Need Fees (Section 30) – This section increases the application fee for health provider Determination of Need (DON) filings. The fee is currently capped at 0.2

percent of capital expenditures proposed by the application. This section increases the fee to 0.7 percent of capital expenditures. Originally proposed by the Governor, this section was not adopted by the House.

Senior Care Options Eligibility (Sections 32 – 34, Section 89) – These sections limit eligibility for the state’s Senior Care Options program to MassHealth members who are also eligible for Medicare and are 65 or older. The same proposal was included in the Governor’s and House budgets.

Expanded Pharmaceutical Rebates (Section 35) – This section would expand MassHealth’s authority to negotiate supplemental rebates for non-drug products and pharmaceuticals not currently covered by the MassHealth rebate program. This proposal was proposed by the Governor and has been included in prior budgets by the Senate.

Nursing Facility User Fee (Section 36) – This section would allow the annual nursing home user fee to exceed \$240 million. Under current law, the fee is capped at the lesser of \$240 million or six percent of nursing home revenues. The proposal would simply cap the fee at six percent. This change is estimated to increase revenue by approximately \$20 million. The same proposal was included in the Governor’s and House budgets.

MassHealth Ground Ambulance Services (Section 70) – This section allows MassHealth to pay ambulances at either the Medicare or MassHealth member rate for services. This language was included by the Governor.

Personal Care Attendant Cost Growth (Section 73) – This section requires the PCA working group, established in the FY 2025 budget, to continue developing recommendations to improve the long-term cost and sustainability of the program, as well as develop cost growth targets. While this language is very similar to a proposal adopted by the House, there are differences in the Senate’s proposal related to reporting deadlines and the submission of a progress report from the Executive Office of Health and Human Services.

Transportation

Commonwealth Transportation Fund Transfer (Section 15) – This section increases the automatic deposit of income surtax revenues into the CTF from \$250 million to \$600 million annually. The FY 2025 GAA created the original deposit of \$250 million, which was expected to increase the state’s borrowing capacity for transportation by \$1.5 billion over ten years. The Governor proposed increasing the CTF deposit to \$765 million, while the House proposed \$500 million.

Transportation Capital Funding Dashboard (Section 16) – This section requires the Department of Transportation to create and maintain a dashboard to monitor the transportation capital projects supported by the state’s increased borrowing capacity resulting from the dedication of surtax revenues into the Commonwealth Transportation Fund. Additionally, section language prohibits SO bonds backed by the CTF from supporting a capital project with a total cost greater than \$1 billion, unless that project has been authorized by the Legislature.

Fare Free RTA Service (Section 37) – The section eliminates passenger fares for all fixed route and paratransit services. The program is subject to appropriation.

Other

Housing Statistics Dashboard (Sections 10 and 87) – This section directs the Executive Office of Housing and Livable Communities (EOHLC) to publish an online dashboard detailing the funding sources used by the office to support housing production and preservation in the Commonwealth. This is an original proposal in the Senate budget.

Treasurer Retirement Programs (Sections 17 & 18) – These sections would allow non-profits with up to 100 employees to participate in the Treasurer’s retirement savings program. Currently, the program is only available to non-profits with up to 20 employees.

Residential Broker Fees (Sections 31 and 38) – These sections state that only the party contracting with a real estate broker in a rental transaction can pay the broker’s fee. Similar language was included in the Governor’s and House budgets; however, the House proposal specifies that a tenant or prospective tenant may still be responsible for a broker’s fee if they initiated contact with the broker.

Unrestricted General Government Aid (UGGA) Commission (Section 71) – This section creates a special commission to study UGGA, including the current distribution methodology and its effectiveness. The 11 member commission (which includes MTF) is directed to submit a report on its findings and recommendations to the Legislature by July 1, 2026.

Bottom Line

For FY 2026, the Senate has proposed a \$61.42 billion operating budget that would increase spending over the FY 2025 GAA by \$3.6 billion (6.3 percent). The SWM budget spends less than both the Governor and House, and does not reflect any of the tax policy proposals recommended by the administration. The Senate increases spending for local aid, mental health programs, and support services; but notably reduces funding for transportation, particularly the MBTA.

To support spending in the upcoming fiscal year, the SWM budget relies on \$1.79 billion in revenue-solutions, the majority of which (\$1.54 billion) are one-timers. Nearly all of the revenue proposals included in the Senate’s proposal were originally included by the Governor, but the SWM budget increases the assumptions associated with above-threshold capital gains and recouped COVID-era grants. As MTF has previously highlighted, using temporary resources to support ongoing operating costs creates challenges over time. It can increase the structural imbalance of the state budget, and as the state enters a period of economic uncertainty, maximizing budget sustainability should be a shared goal for policymakers.

In the coming weeks, Senators will have an opportunity to file amendments to the committee budget and debate their proposal. In prior years, an average of 1,109 amendments have been filed and \$88.4 million in new spending has been added during Senate debate.

After debate, the House and Senate will begin reconciling any and all differences between their two proposals. This reconciliation will take place at the same time that policymakers will be assessing final FY

2025 revenue collections, the potential state impacts of the federal budget, and larger changes to the state's economic outlook.

Appendix

Appendix A – Innovation & Capital Fund Supplemental Budget

Transportation Spending in the Innovation & Capital Fund Supplemental Budget

Operating v One-Time?	Account Title	Governor	House	SWM Proposal
MBTA		\$780.0	\$793.0	\$390.0
One-Time	MBTA Physical Infrastructure	\$0.0	\$60.0	\$0.0
Operating	Low-Income Fare Relief	\$67.0	\$20.0	\$20.0
One-Time	MBTA Workforce / Safety Reserve	\$400.0	\$400.0	\$100.0
One-Time	MBTA Reserve Replenishment	\$300.0	\$300.0	\$200.0
One-Time	Revenue & Traffic Mitigation	\$13.0	\$13.0	\$0.0
One-Time	Water Transportation Infrastructure	\$0.0	\$0.0	\$20.0
One-Time	Commuter Rail Infrastructure	\$0.0	\$0.0	\$50.0
MassDOT		\$52.5	\$0.0	\$35.0
One-Time	Winter Resilience	\$25.0	\$0.0	\$0.0
One-Time	Microtransit Initiatives	\$10.0	\$0.0	\$10.0
One-Time	Workforce & Capital Project Delivery	\$17.5	\$0.0	\$0.0
One-Time	Culvert & Small Budget Projects	\$0.0	\$0.0	\$25.0
Regional Transit Authorities		\$25.0	\$25.0	\$75.0
One-Time	RTA Workforce Supports	\$25.0	\$25.0	\$25.0
One-Time	RTA Capital Infrastructure	\$0.0	\$0.0	\$50.0
Local Transportation Projects		\$0.0	\$38.9	\$170.1
One-Time	Local Road Repair Pilot Program	\$0.0	\$10.0	\$0.0
One-Time	Local Transportation Projects	\$0.0	\$28.9	\$0.1
One-Time	Municipal Roadway Construction	\$0.0	\$0.0	\$165.0
One-Time	World Cup Transportation	\$0.0	\$0.0	\$5.0
Total Funding		\$857.5	\$856.9	\$670.1

\$ in millions

Education Spending in the Innovation & Capital Fund Supplemental Budget

Operating v. One-Time	Account Title	Governor	House	SWM Proposal
Executive Office of Education		\$107.5	\$50.0	\$100.0
Operating	Reimagining High School	\$32.5	\$0.0	\$0.0
One-Time	Career Technical Education Capital Grants	\$75.0	\$50.0	\$100.0
Early Education & Care		\$150.0	\$55.5	\$0.0
Operating	Child Care Supports	\$100.0	\$55.5	\$0.0
Operating	CPPI Expansion	\$50.0	\$0.0	\$0.0
K-12 Education		\$205.0	\$272.3	\$275.1
Operating	ABE & ESOL Waitlist Remediation	\$30.0	\$8.5	\$10.0
One-Time	High Dosage Early Literacy Tutoring	\$25.0	\$25.0	\$25.0
Operating	SPED Circuit Breaker Reserve	\$150.0	\$190.0	\$190.0
One-Time	Local Education Projects	\$0.0	\$13.8	\$0.1
Operating	Regional School Transportation	\$0.0	\$15.0	\$0.0
Operating	Universal School Meals	\$0.0	\$10.0	\$0.0
One-Time	Green Schoolworks	\$0.0	\$10.0	\$0.0
One-Time	Supplemental School Construction Costs	\$0.0	\$0.0	\$50.0
Higher Education		\$0.0	\$22.5	\$175.0
One-Time	DHE Endowment Match	\$0.0	\$10.0	\$0.0
One-Time	Tomorrow's Educator Scholarships	\$0.0	\$2.5	\$0.0
One-Time	UMass Endowment Match	\$0.0	\$10.0	\$0.0
One-Time	Higher Education Capital Funds	\$0.0	\$0.0	\$175.0
Other		\$0.0	\$5.0	\$5.0
One-Time	Boston Holocaust Museum	\$0.0	\$5.0	\$5.0
Total Funding		\$462.5	\$405.2	\$555.1

\$ in millions