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## *MTF Bulletin*

June 18, 2026

### **Fiscal Year (FY) 2027 Conference Committee Preview**

#### *Reconciling Revenue and Spending Differences between the House and Senate Budgets*

The Fiscal Year (FY) 2027 budget development process has now entered one of its final stages, Conference negotiations. The Conference Committee, led by the Chairs of the House and Senate Committees on Ways and Means, must reconcile all revenue, spending, and policy differences between the budget bills passed by each branch. The goal is to deliver the final budget to Governor Healey's desk for signing July 1<sup>st</sup>.

This year, for a number of reasons, it appears that policymakers are primed to finalize the FY 2027 budget before the July deadline:

- The House and Senate budgets adhere closely to the revenue framework originally put forward by Governor Healey, leading to fewer resource decisions that must be reconciled.
- The House and Senate budgets share similar bottom-line spending totals and include lesser amounts of unique spending initiatives compared to prior years.
- The House and Senate budgets include a limited number of outside policy sections with few major differences.

In this preview of the Conference Committee budget, MTF will summarize the House and Senate final budgets: evaluating available resources, identifying shared and unique spending items, and estimating the spending and resource gap that must be addressed to produce a balanced budget. This brief will also compare the substantive policy differences between the two bills and offer MTF's recommendations related to resources, spending, and improving the structural stability of the state budget.

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### **Reviewing the House and Senate Budgets**

The House and Senate finalized their respective spending plans for FY 2027 after several days of debate in each chamber. The House budget includes \$63.42 billion in total spending, while the Senate budget includes \$63.37 billion – a difference of approximately \$50 million.

Both budgets propose to increase spending over the FY 2026 General Appropriations Act (GAA) by at least \$2.3 billion (3.8 percent) and they both include slightly more spending than the Governor's original proposal. This marks a sharp departure from the FY 2026 budget development process, when spending in the final budget was less than the administration's recommendation by nearly \$1 billion, but still grew over the prior year's GAA by 5.6 percent.

*FY 2027 Line-Item Spending in the Governor, House, and Senate Budgets*

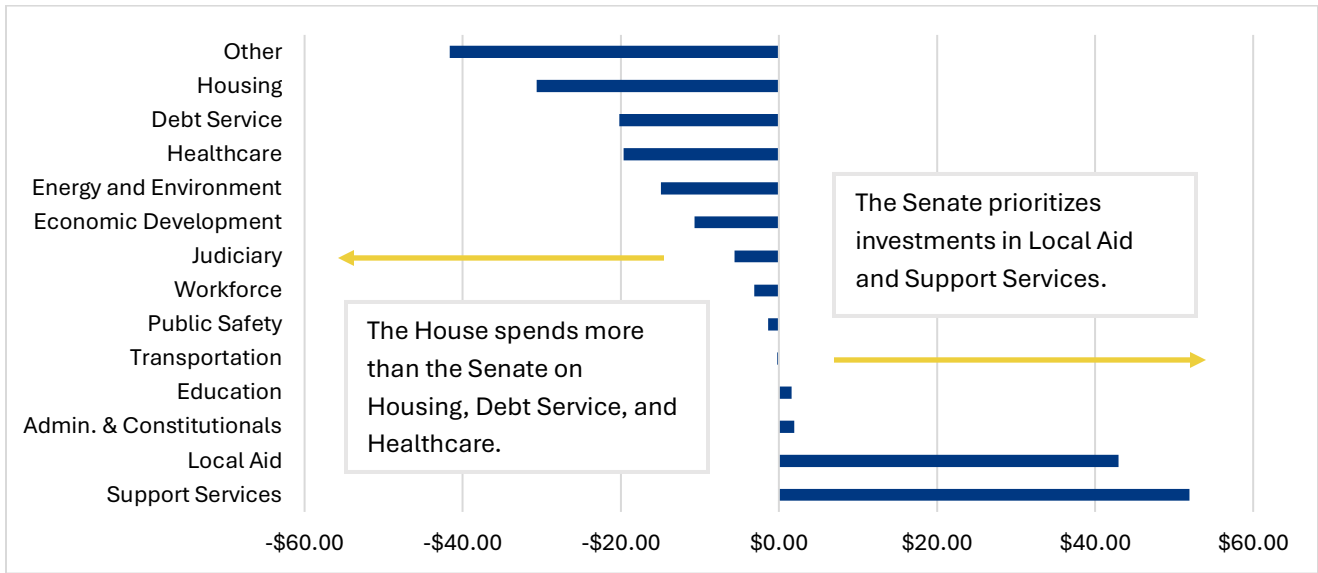
	FY 2026 GAA	Governor's Budget	House Budget	Senate Budget
Line-Item Spending	\$58,098.4	\$60,113.7	\$60,167.5	\$60,117.89
Surtax Spending	\$2,400.0	\$2,700.0	\$2,700.0	\$2,700.00
Medical Asst. Trust Fund	\$547.6	\$548.0	\$548.0	\$548.03
<b>Total Line-Item Spending</b>	<b>\$61,046.0</b>	<b>\$63,361.7</b>	<b>\$63,415.5</b>	<b>\$63,365.93</b>

*\$ in millions*

At a high-level, the spending differences between the House and Senate budgets appear marginal; and in fact, more than 99 percent of spending is in common across the two bills. However, there is still \$863 million in unique spending between the two budgets.

The chart below compares line-item spending across difference categories of investment, illustrating the specific priorities of each branch. Total unique spending is greater than what appears when assessing investments at the categorical level, but the larger trends remain true: the House dedicated more funding towards housing and healthcare, while the Senate prioritized spending for local aid and support services.

*House v. Senate Spending by Category in FY 2027*



*\$ in millions*

Understanding where the House and Senate budgets are aligned and where they diverge is a crucial first step for Conference Committee negotiations. But before spending decisions can be made, budget writers must first agree on the revenues and resources that are available to support spending.

## Available Revenues & Resources

The House and Senate built their budgets using the same consensus tax revenue foundation of \$42.2 billion, and they both rely on \$2.7 billion in surtax revenue to support education and transportation-related investments.

After accounting for statutorily required transfers, as well as the deposit of excess capital gains revenues in the Stabilization Fund and other reserves, both budgets have access to \$36.75 billion in consensus tax revenues.

In addition, MTF estimates that both bills share \$24.85 billion in non-tax revenues and assume \$50 million in revenue related to tax settlements and judgements. This provides the Conference Committee with at least \$61.65 billion in starting resources.

### *MTF Estimate of House & Senate Shared Revenue Assumptions*

	<b>Amount</b>
Consensus Tax Revenue Estimate	\$42,200
Statutorily Required Transfers	-\$7,887
Excess Capital Gains to Stab & Other Reserves	-\$256
Tax Settlements & Judgements	\$50
Shared Non-Tax Revenues	\$24,847
<b>Initial Estimate of Shared Revenues</b>	<b>\$58,954</b>
Surtax Spending Cap	\$2,700
<b>Total Estimate of Shared Revenues</b>	<b>\$61,654</b>

*\$ in millions*

### **Revenue-Generating Initiatives**

Throughout the budget development process, MTF tracked the revenue generating initiatives and other one-time resources relied upon by the House and Senate to support spending. Generally, the FY 2027 budget process has been notable for how closely the Legislature adhered to the Governor’s original revenue and resource framework. The largest revenue initiatives, including those related to the passage of tax conformity legislation, education-related trust funds, and the interest earned on certain trusts, are all shared between the two branches.

Areas of disagreement are limited and primarily related to revenues associated with specific spending or policy decisions. For example, the Senate budget reflected a unique \$8 million revenue assumption related to a policy section that redirects revenue from the Race Horse Development Fund to the General Fund.

In the table below, the maximum and minimum revenue assumptions associated with each proposal are compared to the House and Senate budgets. This analysis demonstrates the range of potential revenue outcomes for the FY 2027 budget. For example, if conference negotiators adopt the high-end revenue estimate for each proposal, they have access to an additional \$1.8 billion in resources. If the low-end estimates are adopted, they have \$1.6 billion in additional revenues.

Maximum & Minimum Revenue Initiatives in FY 2027

	House	Senate	Maximum	Minimum
<b>Revenue Initiatives</b>	<b>\$749</b>	<b>\$814</b>	<b>\$814</b>	<b>\$731</b>
<i>Pass-Through Entity Expansion</i>	\$296	\$296	\$296	\$296
<i>Tax Conformity</i>	\$108	\$108	\$108	\$108
<i>Trust Fund Sweeps</i>	\$100	\$175	\$175	\$100
<i>Non-CNS Fund Interest</i>	\$150	\$150	\$150	\$150
<i>Gaming Fund Redistribution</i>	\$0	\$8.1	\$8	\$0
<i>Efficiencies &amp; Effectiveness Reserve</i>	\$100	\$100.0	\$100	\$100
<i>Food Tax Credit</i>	-\$5.5	-\$5.5	-\$5.5	-\$5.5
<i>Housing Production Sales Tax Deduction</i>	\$0	-\$17.5	-\$17.5	-\$17.5
<b>Trust Fund Resources</b>	<b>\$852</b>	<b>\$852</b>	<b>\$852</b>	<b>\$852</b>
<i>EEC Operational Grant Fund</i>	\$100	\$100	\$100	\$100
<i>High-Quality EEC Trust Fund</i>	\$184	\$184	\$184	\$184
<i>SOA Trust Fund</i>	\$568	\$568	\$568	\$568
<b>Revenue Maximization Opportunities</b>	<b>\$136</b>	<b>\$64</b>	<b>\$149</b>	<b>\$50</b>
<i>Rev Max (untied to spending)</i>	\$14.3	\$13.7	\$27.9	\$0.0
<i>Rev Max (tied to spending)</i>	\$121.5	\$50.0	\$121.5	\$50.0
<b>Subtotal Revenue Solutions</b>	<b>\$1,736.1</b>	<b>\$1,729.6</b>	<b>\$1,815.4</b>	<b>\$1,632.8</b>

\$ in millions

Depending on the approach adopted by the Conference Committee on the above initiatives, trust funds, and revenue maximization opportunities, total available revenues in FY 2027 are estimated to be in the range of \$63.47 billion to \$63.29 billion. These revenue decisions, therefore, provide an upper limit on how much spending can be included in the conference report.

MTF Estimated Revenues Available in FY 2027

	House	Senate	Maximum	Minimum
<b>Initial Tax Revenues Available</b>	<b>\$58,954</b>	<b>\$58,954</b>	<b>\$58,954</b>	<b>\$58,954</b>
<i>Revenue Initiatives</i>	\$749	\$814	\$814	\$731
<i>Trust Fund Resources</i>	\$852	\$852	\$852	\$852
<i>Revenue Maximization Opportunities</i>	\$136	\$64	\$149	\$50
<b>Total Available (non-surtax)</b>	<b>\$60,690</b>	<b>\$60,684</b>	<b>\$60,769</b>	<b>\$60,587</b>
<b>+ Surtax Revenue</b>	<b>\$63,390</b>	<b>\$63,384</b>	<b>\$63,469</b>	<b>\$63,287</b>

\$ in millions

After an estimate of available revenues is completed, budget writers can then compare shared and unique spending across the House and Senate budgets to calculate the “maximum spending level,” or the cost to include all proposals included in both budgets. A further comparison between available resources and maximum spending determines the potential gap that must be solved to produce a balanced budget.

## **Shared and Unique Spending**

As summarized earlier, the House and Senate budgets share similar bottom-line spending totals, both increasing spending over the FY 2026 GAA by at least \$2.3 billion (3.8 percent). Between the two bills, there is only a \$50 million difference in total line-item spending and more than 99 percent of all spending is for shared priorities.

However, despite that high degree of overlap, there remains \$863 million in unique spending across the two budgets. MTF estimates that the House budget includes \$456 million in spending that was not included by the Senate, while the Senate budget includes \$407 million in spending not adopted by the House. Notably, this unique spending estimate includes investments supported by both surtax and non-surtax revenues. In FY 2026, MTF estimated that the total amount of unique spending that had to be reconciled by conference negotiators exceeded \$1.5 billion.

*Summary of House and Senate Spending Differences by Category*

Category	House Unique Spending	Senate Unique Spending	Total Unique Spending
Healthcare	\$125.2	\$105.5	\$230.8
Education	\$91.9	\$93.5	\$185.4
Other	\$54.0	\$12.4	\$66.4
Housing	\$47.2	\$16.6	\$63.8
Support Services	\$5.7	\$57.7	\$63.4
Local Aid	\$10.0	\$53.0	\$63.0
Economic Development	\$31.4	\$20.7	\$52.2
Energy and Environment	\$26.3	\$11.3	\$37.6
Public Safety	\$18.9	\$17.5	\$36.5
Workforce	\$16.2	\$13.1	\$29.2
Debt Service	\$20.2	\$0.0	\$20.2
Judiciary	\$6.8	\$1.2	\$8.1
Constitutionals	\$2.0	\$3.4	\$5.4
Administration	\$0.0	\$0.5	\$0.5
Transportation	\$0.2	\$0.0	\$0.2
<b>Total</b>	<b>\$456</b>	<b>\$407</b>	<b>\$863</b>

*\$ in millions*

The categories that include the largest amounts of unique spending are healthcare, education, housing, support services, and local aid. Additionally, earmarks are historically a large driver of unique spending across the two bills, particularly in the economic development category.

Across these categories of spending, the House budget includes approximately \$152.2 million in unique earmarks, while the Senate budget includes \$178.3 million. Combined, earmark spending accounts for roughly 40 percent of all unique spending.

After identifying all shared and unique spending in the House and Senate final budgets, MTF estimates that the cost to include all spending put forward by the branches for FY 2027 to be approximately \$63.82 billion.

*House and Senate Maximum Potential Spending*

	House	Senate
Total Proposed Spending	\$63,416	\$63,366
Shared Spending	\$62,959	
Unique Spending	\$456	\$407
<b>Est. Maximum Spending</b>	<b>\$63,822</b>	

*\$ in millions*

When this maximum spending level is compared to the high-end revenue estimate of \$63.47 billion, there is a gap of about \$353 million that needs to be solved by budget writers. That gap grows to \$535 million if more conservative revenue assumptions are used.

*Maximum Spending v. Available Revenues*

	Max Revenue Estimate	Min Revenue Estimate
<b>Est. Maximum Spending</b>	<b>\$63,822</b>	
Available Revenues	\$63,469	\$63,287
<b>Potential Spending &amp; Resource Gap</b>	<b>-\$353</b>	<b>-\$535</b>

*\$ in millions*

The spending and resource gap identified by the Conference Committee will ultimately need to be closed using spending reductions agreed to by both branches. While spending items that are shared between the two branches are guaranteed to be maintained in the final budget, unique spending initiatives are most likely to experience spending reductions.

**Surtax Spending**

In addition to ensuring that the budget sent to the Governor’s desk is balanced, House and Senate budget writers will also need to make several resource allocation decisions; specifically, they must decide how to use surtax revenues in support of various education and transportation-related programs.

In FY 2027, there is widespread agreement on the use of surtax revenues to support major transportation and education priorities. The House and Senate budgets reflect the same distribution of surtax revenues across transportation agencies, and in the education sector, there is consensus around the largest surtax investments – Student Opportunity Act implementation, Childcare Stabilization Grants, Universal School Meals, and Free Community College.

MTF estimates that 96 percent of all surtax investments are in common across the House and Senate budgets, with only \$217 million in unique investments for various education-related programs.

*Shared and Unique Surtax Spending in FY 2027*

	<b>House</b>	<b>Senate</b>	<b>Shared</b>	<b>Unique</b>
<b>Transportation</b>	<b>\$975</b>	<b>\$975</b>	<b>\$975</b>	<b>\$0</b>
<i>DOT</i>	\$220	\$220	\$220	\$0
<i>MBTA</i>	\$470	\$470	\$470	\$0
<i>RTAs</i>	\$185	\$185	\$185	\$0
<i>Other</i>	\$100	\$100	\$100	\$0
<b>Education</b>	<b>\$1,725</b>	<b>\$1,725</b>	<b>\$1,616</b>	<b>\$217</b>
<i>Early Ed</i>	\$599	\$648	\$599	\$48
<i>K-12</i>	\$868	\$831	\$791	\$117
<i>Higher Ed</i>	\$258	\$246	\$226	\$52
<b>Total</b>	<b>\$2,700</b>	<b>\$2,700</b>	<b>\$2,591</b>	<b>\$217</b>

*\$ in millions*

Unique surtax spending items in the House budget include \$18 million for Community College SUCCESS grants, \$10 million for Targeted Scholarships, and \$5 million for Green Schoolworks. In the Senate budget, they direct \$28.5 million of the surtax towards the Commonwealth Preschool Partnership Initiative, \$6 million towards Early College programs, and \$3 million towards Innovation Pathways.

While unique surtax spending items may face targeted spending reductions in the final conference budget, it is also possible that budget writers choose to fund these programs using other available revenues. For example, a unique Senate program funded by the surtax may be included in the final budget, but it could be shifted onto the General Fund depending on other spending decisions made during the conference process.

*Surtax Spending Structure*

After reconciling spending differences and determining the allocation of surtax revenues, the Conference Committee will also consider structural changes related to the organization and placement of surtax spending within the budget document.

This year, the Senate recommended a new structure for Section 2F of the budget, which has been used since FY 2024 to contain all appropriations supported by surtax revenues. When the surtax was first incorporated into the operating budget, this organization worked well and allowed lawmakers and other stakeholders to identify the programs supported by surtax revenues. However, as the surtax has become a key source of support for several large programs also funded in other areas of the budget, it has become more challenging to accurately track and compare spending levels over time.

In the Senate budget, Section 2F now includes an organized table, denoting each line-item that is supported by surtax revenues. Those line-items are then listed under their administering agencies and programs supported by multiple revenue streams are clearly identified. This new structure improves the transparency of surtax spending, as well as the process for tracking the use of these revenues for education and transportation programs.

*Example of Section 2F Table in the Senate Budget*

Item	Item Name	Total Appropriation	Funded through Education & Transportation Fund		Funded through Commonwealth Transportation Fund Dedication	
			Per Cent	Amount	Per Cent	Amount
1595-6368	Massachusetts Transportation Trust Fund	\$604,961,384	11.60%	\$70,168,000	24.79%	\$150,000,000
1595-6369	Massachusetts Bay Transportation Authority	\$470,000,000	46.81%	\$220,000,000	53.19%	\$250,000,000
1595-6370	Regional Transit Authorities	\$217,450,000	62.01%	\$134,832,000	22.99%	\$50,000,000
1596-2422	School Meals	\$180,000,000	100.00%	\$180,000,000	-	-
1596-2501	Free Community College	\$137,048,000	100.00%	\$137,048,000	-	-
3000-1045	C3 Stabilization Grants	\$475,000,000	78.95%	\$375,000,000	-	-

**Outside Policy Sections**

There are 168 total policy sections across the House and Senate budget, 34 are shared between the two bills and 134 are unique to either the House or Senate. This is notably less than the 200 sections under consideration by the Conference Committee in FY 2026.

*Shared and Unique Outside Policy Sections*

<b>Total Policy Sections</b>		<b>168</b>
<b>Shared</b>	<b>House Unique</b>	<b>Senate Unique</b>
34	61	73

Of the policy sections that are shared between the two branches, 31 of them were originally proposed by Governor Healey. These shared sections relate to a number of the revenue-generating initiatives summarized above, as well as the triennial pension funding schedule and the annual cap on adult dental services for MassHealth beneficiaries. While the Governor originally proposed an annual cap of \$1,000, the House and Senate adopted matching proposals that increased the cap on adult dental services to \$1,750 annually.

There are a number of sections in common between the House and Senate budgets that also include small differences, including proposal to amend the distribution of sports wagering revenues and gaming revenues between several different trust funds.

The House budget includes a total of 95 sections, 61 of which do not appear in the Senate budget. Notable unique policy proposals in the House budget include those related to the calculation of the capital gains threshold in future fiscal years, extension of the ConnectorCare pilot program, special education transportation, and insurance coverage for HIV prevention medication. Additionally, the House adopted a section during their debate process providing certain members of the teacher's retirement system and the Boston retirement system with the opportunity to participate in an alternative superannuation retirement benefit program. The Senate later acted on

standalone legislation related to the same topic, creating another avenue to resolve policy differences between the two branches.

*Unique House Sections*

House Sections	Title	In Governor's Budget?	Description
14	Ongoing Capital Gains Threshold Calculation	Yes	Adjusts the capital gains threshold in future fiscal years to be equal to 95 percent of average capital gains collections for the last ten completed fiscal years, adjusted for inflation.
73, 74, 76	Health Connector Extension	Yes	Extends the existing Connector Care pilot program, which provides coverage to those with incomes up to 500 percent of the Federal Poverty Level, to the end of 2027.
17A – 17C, 52A	Teacher Retirement Benefits	No	Clarifies the retirement status for certain teachers eligible for the teachers' retirement system and employed by the Executive Office of Education or the Department of Elementary and Secondary Education (DESE). Additionally offers a one-time opportunity for certain active and inactive members of the teachers' retirement system and the Boston retirement system to elect to participate in an alternative superannuation retirement benefit program.
16 – 21, 24 – 27, 75	Cost-of-Living Base Change & Supplement	No	Creates a mechanism to dedicate 10 percent of pension investment returns that exceed expectations to a fund that would support a \$1,000 increase for state retiree pension cost of living adjustments. Additionally provides a cost of living supplement between \$100 and \$300 annually for pensioners who have been retired for at least 10 years, have 20 years of creditable service, and whose retirement is less than 80 percent of the average salary.
31 – 33, 51	Special Education Transportation	No	Requires school districts to provide detailed cost information related to out-of-district special education transportation contracts, and requires DESE to create a centralized database for all out-of-district transportation providers under contract with districts. DESE is direct to study the special education transportation marketplace to identify areas of improvement and ensure free and open competition among vendors.
28, 36, 40, 44 – 46	HIV Drug Coverage	No	Requires the Group Insurance Commission, MassHealth, and private insurers to cover HIV prevention medications, as defined in the language, without any cost sharing requirements or prior authorization.
56A	Debt Reduction Fund Transfer to HSN	No	Requires the Comptroller, at the direct of the Executive Office for Administration and Finance, to transfer \$37.5 million from the Commonwealth Federal Matching and Debt Reduction Fund to the Health Safety Net Trust Fund to be used to reduce any shortfall projected in FY 2027.

The Senate budget includes 105 outside policy sections, and 73 of them are not included in the House budget. A priority of the Senate throughout the FY 2027 budget development process has been the provision and distribution of local aid to cities and towns. This focus is demonstrated not only through funding increases, but also through their inclusion of policy sections to create special commissions to study Unrestricted General Government Aid (UGGA),

the Foundation Budget formula for K-12 education, and the Massachusetts School Building Authority (MSBA) program. Additionally, the Senate adopted proposals related to candidate safety, housing production, and studying the long-term liabilities of the Commonwealth.

*Unique Senate Sections*

Senate Sections	Title	In Governor's Budget?	Description
19	Stabilization Fund & Long-Term Liability Task Force	Yes	Creates a standing task force to review funding for the Stabilization Fund and other long-term liabilities, and requires the administration to conduct an annual multi-year budget forecast that assesses the Commonwealth's ability to withstand various fiscal scenarios.
28 – 33	Housing Production	No	These sections make several changes related to construction projects with pre-existing nonconformities to the applicable zoning regulations. Changes are related to the expansion or alteration of buildings with pre-existing nonconformities, the timeframe in which construction on a project must commence, and the review processes for variances.
37 – 48, 104	Candidate Safety	No	These sections amend several chapters of the General Laws to remove requirements for the personal addresses of candidates for public office to appear on publicly accessible records. Instead, a candidate's municipality of residence or ward/precinct of residence would appear next to a candidate's name, where applicable.
49, 82	Foundation Budget Review Commission	No	Establishes a new Foundation Budget Review Commission (FBRC) to review and make recommendations on the state's K-12 school funding formula. The 29-member commission is directed to hold at least four public meetings across the state and submit recommendations by October of 2028.
68	Repeal of Learnfare Requirement	No	Repeals the "Learnfare" requirement, which cuts off cash assistance for low-income families when their children miss school. Under Learnfare, all children between ages 6 and 16 who receive TAFDC benefits must be attending school or be home-schooled. If a child has too many unexcused absences, a family may lose a portion of their TAFDC benefits.
80	Local Aid Commission	No	Establishes a special commission to study the distribution of Unrestricted General Government Aid to municipalities, including a review of historical funding trends, the current apportionment method, and the effectiveness and equity of said method.
83	MSBA Commission	No	Creates a commission to look at the state's MSBA program. The 21-member commission is directed to examine school facility needs in the Commonwealth, as well as the current financing model used by the authority. The commission's recommendations are due in June of 2027.

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## **Conclusion**

As previewed at the beginning of this brief, and further supported by MTF's analysis, there are a number of factors impacting the FY 2027 budget development process that strongly suggest resolution on the final budget before the July 1<sup>st</sup> deadline:

- The House and Senate budgets adhere closely to the revenue framework originally put forward by Governor Healey, leading to fewer resource decisions that must be reconciled.
- The House and Senate budgets share similar bottom-line spending totals and include lesser amounts of unique spending initiatives compared to prior years.
- The House and Senate budgets include a smaller number of total outside policy sections, with a more limited number of unique policy proposals.

Yet the similarities between the two spending bills should not understate the work before budget conferees; they are still tasked with reconciling approximately \$860 million in unique spending priorities and 134 policy sections that appear only in the House or Senate budgets.

MTF supports efforts to finalize the compromise budget in a timely manner and encourages policymakers to prioritize spending and policy decisions that balance the Commonwealth's immediate needs with its long-term fiscal stability. In FY 2027, state budget writers will face the consequences of decisions made at the federal and state-level, including those impacting Medicaid, the Supplemental Nutrition Aid Program (SNAP), and a reduction to the state's income tax rate.

To that end, MTF offers the following recommendations to the FY 2027 Conference Committee:

- **Maintain current revenue expectations for FY 2027, despite positive growth in FY 2026.** Through May, state tax revenue collections for FY 2026 are exceeding the prior year by \$1.66 billion (4.2 percent) and are ahead of benchmark by \$1.82 billion (4.7 percent). Additionally, surtax revenue collections through the third period of FY 2026 are estimated to be \$3.13 billion.<sup>11</sup> Revenue growth of this level is a positive sign and will provide additional flexibility to budget writers as they manage spending in the final months of the fiscal year. However, above-benchmark revenue performance remains concentrated in the non-withheld income tax category, likely driven by capital gains and surtax revenues. This trend – which indicates strong past economic performance, as opposed to current economic conditions – does not support an increase to the revenue assumptions used to build the FY 2027 budget; neither the consensus revenue estimate of \$42.2 billion, nor the surtax spending cap of \$2.7 billion should be increased at this point in the budget process. Furthermore, surplus surtax revenues collected in FY 2026 should be appropriated according to the same process followed by policymakers in FY 2024 and FY 2025; one-time excesses should not be used for new ongoing operating costs.
- **Prioritize transparency in surtax spending.** As described above, the Senate budget reflects a new structure for Section 2F of the state budget, which in recent years has been used to organize appropriations supported

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<sup>11</sup> <https://www.mass.gov/doc/fy26-surtax-certification-period-3>

by surtax revenues. As a greater number of programs are supported by a combination of surtax and non-surtax revenues, it has become more challenging to track total funding levels over time and to locate all funding sources for a particular program. Under the Senate proposal, budget line-items supported by surtax revenues are clearly identified in a table included in Section 2F, but the appropriations are organized under their administering agencies. This structure improves the transparency and tracking of surtax spending and should be included in the final budget.

- **Adopt a wholistic approach to addressing local aid and municipal finance challenges, which will have outsize impacts on budget spending in future fiscal years.** Throughout the FY 2027 budget development process, addressing the financial challenges faced by local municipalities and school districts was a major focus of both the House and Senate. Both branches fully-funded the final year of Student Opportunity Act implementation and increased minimum per pupil aid to \$160, and the Senate included a \$53 million increase for Unrestricted General Government Aid (UGGA) to cities and towns. These funding increases were accompanied by policy proposals to study and make recommendations related to UGGA, K-12 education financing, and the School Building Authority program. If these commissions are included in the final budget, they will be starting their work at the same time that the Healey administration is commencing its Commission on Payments in Lieu of Taxes (PILOT) for State-Owned Land. Combined, these programs direct billions of dollars a year to cities and towns across the state, each through unique apportionment methods or formulas. While each program serves a distinct purpose, the overlapping timelines of the commissions presents a unique opportunity for policymakers and stakeholders to think wholistically about the ways in which state aid is provided to municipalities. Because the local finance challenges facing cities and towns stem from a variety of factors, it follows that a range of programs – not just one formula – will be most effective in producing beneficial outcomes for as many communities as possible.