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MTF Bulletin

April 12, 2023

House Ways and Means FY 2024 Budget

The next major step in the FY 2024 budget development process began today with the release of the House Committee on Ways and Mean’s (HWM) budget proposal. Coming just six weeks after Governor Healey filed her administration’s inaugural budget, the \$54.8 billion HWM spending plan makes significant investments in education, transportation, and the state’s workforce pipeline.

Like the Governor’s proposal, the HWM budget includes \$1 billion in spending supported by income surtax revenues. But while Governor Healey’s FY 2024 budget also reflected the cost of her \$987 million tax policy proposal filed in companion legislation, the HWM proposal reflects the first year costs of the \$1.1 billion reform package announced earlier this week. The House’s tax reform package is estimated to have a FY 2024 cost of \$654 million, with a net budget impact of \$587 million.

House lawmakers will have until the end of the day Friday to file amendments to the HWM budget, and will debate the budget during the week of April 24th.

Budget Overview

The HWM budget proposal reflects \$62.4 billion in total spending, including \$55.3 billion for line-item appropriations and \$7.1 billion in statutorily required transfers and other off-budget spending. This represents a \$240 million (0.4%) increase in total spending compared to Governor Healey’s FY 2024 proposal, and a \$2.8 billion (4.7%) increase over the FY 2023 budget.

House Ways and Means FY 2024 Spending Overview

	FY 2023 GAA	FY 2024 Governor	HWM Budget	\$ vs. FY 2023 GAA	\$ vs. Governor
Line-Item Spending	\$51,868.71	\$54,777.25	\$54,817.39	\$2,948.68	\$40.14
Medical Asst. Trust Fund	\$575.90	\$505.00	\$505.00	-\$70.90	\$0.00
Pre-Budget Transfers	\$6,334.90	\$6,898.90	\$6,898.90	\$564.00	\$0.00
Other Off-Budget & Assumed Supps	\$840.00	\$0.00	\$200.00	-\$640.00	\$200.00
Total Spend	\$59,619.51	\$62,181.15	\$62,421.29	\$2,801.78	\$240.14

\$ in millions

The HWM budget is supported by \$62.4 billion in total state revenues, which like the Governor’s budget is predominantly comprised of the \$40.4 billion consensus revenue estimate established in January. The proposal also relies on \$1 billion in revenue generated by the new income surtax; federal reimbursements and departmental revenues contribute an additional \$22.3 million in resources.

House Ways and Means FY 2024 Revenue Overview

	FY 2023 GAA	FY 2024 Governor	HWM Budget	\$ vs. FY 2023 GAA	\$ vs. Governor
Total Tax Revenue	\$39,759.00	\$40,601.90	\$40,806.40	\$842.90	\$204.50
<i>Consensus Tax Agreement</i>	\$39,617.00	\$40,410.40	\$40,410.40	\$793.40	\$0.00
<i>Tax Settlements</i>	\$100.00	\$50.00	\$50.00	-\$50.00	\$0.00
<i>Tax Initiatives</i>	\$42.00	-\$858.50	-\$654.00	-\$900.50	\$204.50
<i>4% Income Surtax</i>	\$0.00	\$1,000.00	\$1,000.00	\$1,000.00	\$0.00
Federal Revenue	\$14,062.94	\$13,661.85	\$13,718.82	-\$401.09	\$56.97
Departmental Revenue & Transfers	\$7,468.75	\$8,555.61	\$8,534.80	\$969.87	-\$20.81
Stabilization Fund Transfer	-\$1,468.11	-\$625.04	-\$625.04	\$843.07	\$0.00
Total Revenue	\$59,822.57	\$62,194.32	\$62,434.98	\$2,254.75	\$240.66

\$ in millions

Like the Governor’s budget, the House Ways and Means proposal assumes that the state’s Stabilization Fund will begin FY 2024 with a balance of \$8.5 billion and grow by a further \$625 million, ending the fiscal year with a balance of \$9.1 billion.

FY 2024 Stabilization Fund Estimate

FY 2023 Beginning Balance	\$6,937.50	
<i>Planned Deposits</i>	\$1,580.20	
FY 2023 Ending Balance	\$8,517.70	
	Governor	HWM
<i>FY 2024 Capital Gains Deposit</i>	\$420.00	\$420.00
<i>FY 2024 Other Deposits</i>	\$205.04	\$205.04
<i>FY 2024 Withdrawal</i>	\$0.00	\$0.00
FY 2024 Ending Balance	\$9,142.74	\$9,142.74

\$ in millions

In the tax reform package announced earlier this week, HWM proposed an increase to the statutory cap on the state’s Stabilization Fund from 15 to 25.5 percent of budgeted revenues. Under current law, any balance of the Stabilization Fund that exceeds the 15 percent cap is automatically transferred to a Tax Reduction Fund. Once authorized by the Legislature, funds in this reserve can only be used to increase the personal income tax exemption. In FY 2022, this proposal would have increased the allowable Stabilization Fund balance from \$9.3 to \$15.6 billion. The FY 2024 ending balance of \$9.1 billion estimated by HWM would likely represent between 12 and 14 percent of budgeted revenues based on current assumptions.

House Ways & Means Budget – 5 Things to Know

1. The HWM budget reflects the first year phase-in of a **\$1.1 billion tax policy reform package** unveiled by the House earlier this week. In FY 2024, the reforms are anticipated to cost \$654 million, with a net to budget impact of \$587 million. Compared to the Governor’s proposal, the House achieves cost savings by phasing in several provisions over time, but cost savings are partially offset by the House’s proposal to increase the state’s match of the federal Earned Income Tax Credit. Governor Healey’s tax plan had a FY 2024 cost of \$859 million, and a net to budget impact of \$742 million.

2. HWM’s spending plan **creates a process to collect, track, and use income surtax revenues** that is more complicated than the plan proposed by the Governor. HWM:
 - Creates 3 trust funds to collect and appropriate surtax revenues.
 - Directs administration and legislative budget leaders to set an annual cap for spending supported by income surtax revenues.
 - Does not require any indication as to whether surtax spending is for one-time or recurring investments.
 - Exempts surtax revenue from the state’s 62F tax threshold, as proposed in Governor Healey’s budget.

3. The HWM budget **directs \$1 billion in new income surtax revenue towards investments in education and transportation**. Compared to the Governor’s budget, HWM directs greater shares of surtax spending towards K-12 education, the MBTA, and regional transit programs; while also investing in early and higher education.

4. In FY 2024, HWM **prioritizes investments across the education sector**; funding the continuation of several pandemic era programs through the state’s operating budget and proposing new investments for the state’s workforce pipeline and education facilities:
 - \$161 million for the continuation of Universal School Meals.
 - Up to \$490 million for the C3 Childcare Stabilization grant program.
 - \$100 million for a new Green School Works program.
 - \$50 million to fund scholarships for in-demand professions.
 - \$20 million for the MassReconnect program, as proposed by the Governor.

5. The HWM budget includes **47 outside policy sections**, 18 more than proposed by the Governor. HWM’s policy proposals focus primarily on:
 - Legalization of iLottery.
 - Adding the Mayor of Boston to the MBTA Board.
 - Creating a ConnectorCare pilot program to significantly increase subsidy eligibility; and
 - Requiring all schools to provide free school breakfast and lunch.

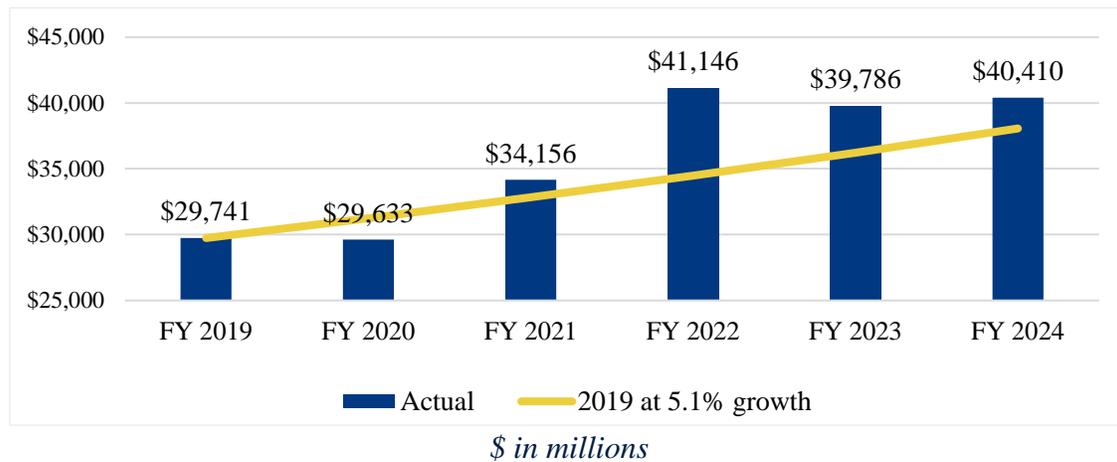
FY 2024 HWM Budget Resources

The HWM budget relies on \$62.4 billion in total state revenues. To assess the resources the House utilizes to support spending in FY 2024, this brief organizes them into four categories: (1) baseline tax revenues, (2) income surtax revenue, (3) tax policy reforms, and (4) non-tax revenues.

Baseline Tax Revenues

The revenue foundation for HWM’s FY 2024 budget is the \$40.4 billion consensus tax revenue estimate agreed to by administration and legislative leaders at the end of January. Compared to actual tax revenue growth over the last two years, this estimate represents a much slower growth rate for tax revenue collections of 1.6 percent. However, it’s important to note that budget writers will have access to more than \$6 billion in new ongoing revenue compared to FY 2021. Additionally, revenue collection estimates are much stronger than pre-pandemic trends would have suggested. Prior to the pandemic, revenues were growing at an average annual rate of 5.1 percent. If that trend had continued, FY 2024 revenues would have been approximately \$2 billion less than the current consensus revenue estimate (which does not include surtax revenues).

Actual & Estimated Revenue Collections vs. Pre-Pandemic Trends, FY 2019 – FY 2024



The consensus tax revenue estimate also includes four “pre-budget transfers” to the Workforce Training Trust Fund, the Pension Fund, the MBTA, and the School Building Authority (SBA) totaling \$6.9 billion. After accounting for these pre-budget transfers, as well as the transfer of excess capital gains tax revenue collections to the Stabilization Fund, \$32.9 billion in consensus tax revenues remain for state budget spending.

FY 2023 Revenue Collection Update

Since the consensus tax revenue agreement was reached in January, FY 2023 collections have continued to outpace expectations; however, they remain essentially flat compared to FY 2022. In January, budget-writers upgraded the FY 2023 tax revenue benchmark by \$151 million, from \$39.618 billion to \$39.768

billion. March tax collections, announced earlier in April, are the first to be compared to the new, upgraded, FY 2023 benchmarks.

Year-to-date revenue collections through March are ahead of the original FY 2023 revenue benchmark by approximately \$868 million, but below FY 2022 collections during the same time period by \$45 million. Compared to the updated benchmarks, revenues are running \$228 million ahead of expectations; but as MTF detailed in a recently published [primer](#), this figure requires further contextualization. And, as MTF has also [reported](#), above benchmark revenue collections do not necessarily translate to an equal budget surplus.

Significant downside risk remains for non-withholding income tax collections in the final months of the fiscal year, which are \$1.05 billion below last year's pace through March. Also, a large share of collections will not be available for use in the budget. As statutorily required, a portion of increased sales taxes are automatically transferred to the School Building Authority (SBA) and the MBTA; and capital gains collections above a certain threshold are automatically deposited into the Stabilization Fund and other reserves.

In recent years, large surplus revenue collections drove budget writers to make adjustments to expected tax revenues for the coming fiscal year during the conference committee process. In FY 2022, the consensus revenue figure for the FY 2023 budget was increased by \$2.7 billion, after actual revenue collections exceeded benchmark by billions. An adjustment to the FY 2024 consensus revenue estimate of that magnitude appears unlikely at this point, but would ultimately be informed by revenue collection trends in the final months of FY 2023.

Income Surtax Revenue

The HWM budget relies on \$1 billion in revenue generated by the new income surtax. This is consistent with the agreement made between administrative and legislative budget writers in January, as well as the Governor's budget. The 4 percent surtax on income above \$1 million went into effect on January 1, 2023 and the Department of Revenue estimates that in FY 2024 revenue related to the surtax will come in between \$1.4 and \$1.8 billion.

As required, the HWM budget directs income surtax revenue towards investments in education and transportation. As illustrated by the table below, the Governor's budget explicitly identified one-time vs. recurring costs and evenly divided revenues between education and transportation-related investments. The HWM budget also equally divides surtax spending between the education and transportation programs, but in contrast to the Governor, does not specify whether the investments are one-time or reoccurring.

Proposed Uses of Income Surtax Revenue by Category & Type, Governor vs. HWM

	Governor's Budget		HWM Budget	
	\$ Investments	% of Funding	\$ Investments	% of Funding
Spending Category				
Education	\$510.00	51.0%	\$500.00	50.0%
Transportation	\$490.00	49.0%	\$500.00	50.0%
Investment Type				
One-Time	\$591.00	59.1%	<i>HWM budget does not specify one-time vs. recurring investments.</i>	
Recurring	\$409.00	40.9%		

\$ in millions

Across the education and transportation spending categories, the HWM budget diverges from the Governor by directing \$251 million more towards K-12 education programs and \$134 million more towards the MBTA. Detailed descriptions of surtax investments are included in the relevant spending sections of the brief.

HWM Proposed Income Surtax Revenue Investments

	Governor's Budget Total	HWM Budget Total	HWM vs. Governor
Education	\$510	\$500	-\$10
<i>Early Education</i>	\$140	\$65	-\$75
<i>K-12 Education</i>	\$10	\$261	\$251
<i>Higher Education</i>	\$360	\$174	-\$186
Transportation	\$490	\$500	\$10
<i>MBTA</i>	\$186	\$320	\$134
<i>MassDOT</i>	\$264	\$100	-\$164
<i>RTAs</i>	\$25	\$70	\$45
<i>Local/Pilot Program</i>	\$15	\$10	-\$5
Total Investments	\$1,000	\$1,000	

\$ in millions

Income Surtax Collection and Use Methodology

The HWM budget creates a process to track, spend, and report on income surtax revenues that in some ways follows the same framework proposed by the Governor, but adds several complications. Both budgets establish a new trust fund structure to collect surtax revenues, and direct the Department of Revenue to make quarterly deposits into the fund and the Comptroller to annually certify its balance. The HWM budget, like the Governor, also includes surtax-supported spending in a new budget section – Section 2F.

Tracking Surtax Revenues, Governor vs. HWM

Proposal	Governor's Budget	HWM Budget
New Trust Funds	1	3
Quarterly Payments into the Fund	Yes	Yes
Annual Certification of Fund Balance	Yes	Yes
New Budget Section (2F)	Yes	Yes
Line-Item Language Specifies One-Time vs. Recurring Costs	Yes	No
Exempt from 62F	Yes	Yes
Exempt from Capital Gains Stabilization Fund Transfer	Yes	Yes
Collections Above the Cap	Available for One-Time Use	15% to Surtax Stab. Fund; 85% to Innovation Fund

The House follows the Governor’s lead in exempting surtax revenues from the calculation of excess state tax revenue under Chapter 62F of the Massachusetts General Laws and from the calculation of excess capital gains collections. As MTF has previously [suggested](#), there is no clear justification for this proposal.

Differences emerge between the House and Governor regarding the number of new trust funds created, the setting of an annual spending cap, the use of surtax revenues in excess of the spending cap, and the establishment of a minimum trust fund balance.

The Healey administration’s budget proposed establishing a permanent surtax spending cap by FY 2026, which would then be annually adjusted by inflation. HWM does not adopt this approach, but instead makes annual spending subject to agreement between the administration, House Ways and Means, and Senate Ways and Means. HWM also proposes dividing surtax revenue between three separate trust funds, as opposed to one fund proposed by Governor Healey:

- **Education and Transportation Fund** – This fund receives all surtax revenues certified by the Department of Revenue. Appropriations from the fund are subject to an annual spending cap, established each year by the Executive Office for Administration and Finance and the House and Senate Committees on Ways and Means. Total surtax revenue collections into the fund will be certified annually by the Comptroller. Surtax collections above the spending cap will be diverted to two other trust funds: the Education and Transportation Stabilization Fund and the Education and Transportation Innovation Fund.
- **Education and Transportation Stabilization Fund** – This fund will receive 15 percent of all surtax revenue collections that exceed the annual spending limit, but the balance will be capped at 33 percent of the prior year spending limit. In FY 2025, this means the cap would be \$333 million. The purpose of the “surtax stabilization fund” is to maintain a reserve to supplement potential shortfalls in income surtax revenue collections. If the balance exceeds the 33 percent cap, excess funds are then transferred to the Education and Transportation Innovation Fund.

- **Education and Transportation Innovation Fund** – This fund will receive 85 percent of all surtax revenue collections that exceed the annual spending limit for appropriations from the Education and Transportation Fund. There is very little language indicating how resources in the fund will be used, with language simply stating that funds are available, subject to appropriation, for public education and transportation uses.

The table below compares the approaches put forward by the Governor and HWM to annually spend surtax revenues.

Spending Surtax Revenues, Governor vs. HWM

Fiscal Year	Governor's Budget		HWM Budget	
	Annual Spending Cap	Minimum Fund Balance	Annual Spending Cap	Surtax Stab. Fund Balance
FY 2023	\$0	--	\$0	--
FY 2024	\$1,000	--	\$1,000	--
FY 2025	\$1,030	\$343	Set annually by ANF/HWM/SWM	33% of prior year spending cap
FY 2026 - Beyond	TBD	\$343+		

\$ in millions

Tax Reform Initiatives

Governor Healey’s FY 2024 budget reflected an \$859 million (\$742 million net) tax reform package included in companion legislation. Similarly, the HWM budget incorporates the \$654 million (\$587 million net) tax reform proposal unveiled by the House earlier this week. As illustrated by the table below, the House’s proposal largely follows the same framework that achieved legislative consensus last session, while also incorporating notable differences in both policy and implementation timelines.

HWM Disposition of Tax Relief Proposals

	House Proposal (2022)	Governor Healey Proposal (FY24 Cost)	House Proposal (FY24 Cost)
Total Tax Initiatives	-\$524.00	-\$858.50	-\$654.00
Net to Budget Cost	-\$524.00	-\$741.50	-\$587.00
<i>Child & Dependent Credit</i>	<i>-\$130.00</i>	<i>-\$458.00</i>	<i>-\$165.00</i>
<i>Estate tax</i>	<i>-\$207.00</i>	<i>-\$167.00</i>	<i>-\$231.00</i>
<i>Short-term capital gains</i>	<i>\$0.00</i>	<i>-\$117.00</i>	<i>-\$67.00</i>
<i>Rent deduction</i>	<i>-\$35.00</i>	<i>-\$40.00</i>	<i>-\$40.00</i>
<i>Senior circuit breaker</i>	<i>-\$60.00</i>	<i>-\$60.00</i>	<i>-\$60.00</i>
<i>Earned Income Tax Credit</i>	<i>-\$92.00</i>	<i>\$0.00</i>	<i>-\$91.00</i>
<i>Single Sales Factor</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
<i>Other Tax Reforms</i>	<i>\$0.00</i>	<i>-\$16.50</i>	<i>\$0.00</i>

\$ in millions

As detailed in an earlier [brief](#) published by MTF, the House’s tax reform package differs from the Governor’s proposal in a number of key ways (FY 2024 cost in parentheses):

- **Child & Dependent Tax Credit** (-\$165 million in FY 2024) – HWM adopts the Governor’s proposals to increase the Child and Dependent Tax Credit (CDTC) to \$600¹ per dependent and eliminate the two dependent per family cap. However, HWM phases in this change over three years. Under the House’s proposed schedule, the credit would be increased to \$310 per dependent in FY 2024, and carry a fiscal impact of \$165 million. The credit would increase to \$455 per dependent in FY 2025, and be fully phased in by FY 2026, with an annualized cost of \$485 million (FY 2024 dollars). The current CDTC credit is capped at a maximum of \$240 per child, with a limit of two dependents per family.

House Proposed CDTC Funding Schedule

Fiscal Year	Child & Dependent Tax Credit	Est. Fiscal Impact
FY 2024	\$310 per dependent	-\$165 million
FY 2025	\$455 per dependent	-\$330 million
FY 2026 - Beyond	\$600 per dependent	-\$485 million

- **Estate Tax** (-\$231 million) – The House increases the estate tax threshold from \$1 million to \$2 million and provides a \$2 million exclusion to all impacted estates, thereby eliminating the cliff effect. This estate threshold is less than Governor Healey’s proposal to increase the threshold to \$3 million, and MTF’s recommendation of \$5 million. HWM uses the same approach proposed by Governor Baker in 2022. The HWM budget assumes the full annualized cost of this tax change in FY 2024, but the actual first year impact is likely to be less than \$231 million.
- **Earned Income Tax Credit (EITC)** (-\$91 million) – The House proposes increasing the state match on the federal EITC from 30 percent to 40 percent, mirroring the measure adopted last session by the House and Senate. Governor Healey did not include any changes to the EITC in her tax reform package.
- **Short-Term Capital Gains** (-\$67 million in FY 2024, \$0 budget impact) – HWM proposes a reduction to the short term capital gains tax rate from 12 to 5 percent, phased in over 2 years. Under this plan, the current 12 percent rate would be reduced to 8 percent in FY 2024 and 5 percent in FY 2025. When annualized, the reform is estimated to cost \$130 million. But like the Governor’s proposal to reduce the short term capital gains rate to 5 percent immediately, the budget impact of this reform is zero. Capital gains collections above \$1.48 billion in FY 2024 will be automatically deposited into the Stabilization Fund and other reserves, and actual collections are far in excess of this level. Therefore, any reduction to the short-term rate results in smaller reserve deposits and not less revenue available for the budget.
- **Single Sales Factor Apportionment** (\$0 million in FY 2024) – HWM proposes mandatory single sales factor apportionment for all corporate excise payers in Massachusetts. Currently, most

¹ Because the credit is adjusted for inflation, at full implementation it will be \$614 per dependent under the HWM tax reform plan.

industries pay corporate excises based on their share of sales, payroll, and property in Massachusetts. Under the HWM plan, this change is effective in tax year (TY) 2025, and will have a first year cost of \$115 million.

Reforms to the state’s rental deduction (an increase in the maximum deduction from \$3,000 to \$4,000) and senior circuit breaker tax credit (a doubling of the base credit to \$2,400) are identical under both proposals.

The HWM tax relief package also includes two major changes to state finance law, including the increase to the Stabilization Fund cap described earlier in the brief. Additionally, the House proposal amends Chapter 62F of the Massachusetts General Law to distribute equal rebates to all tax filers when the state collects revenue in excess of the allowable tax revenue threshold. Under current law, any excess revenue is returned to eligible income tax filers in amounts proportionate to filers’ income taxes paid in the most recent tax year. The HWM proposal would deliver equal rebates to all tax filers, making the distribution highly progressive and fundamentally altering the original intention to return excess revenues to taxpayers on the basis of the amount of taxes paid.

After taking these reforms into account, the HWM budget utilizes \$33.4 billion in total tax revenue to support spending, \$155 million more than the Governor’s budget.

FY 2024 Tax Revenue Summary, Governor vs. HWM

	Governor's Budget	HWM's Budget
Consensus Tax Revenues	\$40,410	\$40,410
<i>Workforce Training Trust Fund</i>	-\$27	-\$27
<i>School Building Authority</i>	-\$1,304	-\$1,304
<i>MBTA</i>	-\$1,464	-\$1,464
<i>Pension Fund</i>	-\$4,105	-\$4,105
<i>Capital Gains Transfer</i>	-\$583	-\$583
CR Taxes Remaining for Budget	\$32,928	\$32,928
Income Surtax Revenues	\$1,000	\$1,000
<i>Education Investments</i>	\$510	\$500
<i>Transportation Investments</i>	\$490	\$500
Tax Policy Reforms	-\$742	-\$587
<i>Child & Dependent Credit</i>	-\$458	-\$165
<i>Estate tax</i>	-\$167	-\$231
<i>Short-term capital gains</i>	\$0	\$0
<i>Rent deduction</i>	-\$40	-\$40
<i>Senior circuit breaker</i>	-\$60	-\$60
<i>Earned Income Tax Credit</i>	\$0	-\$91
<i>Other Tax Reforms</i>	-\$17	\$0
Settlements and Judgements	\$50	\$50
Tax Revenues for Budget	\$33,236	\$33,391

\$ in millions

Non-Tax Revenues

The HWM budget includes \$23.8 billion in budgeted revenue related to non-tax revenue proposals, an \$86 million (0.4%) increase compared to the administration's budget proposal.

Departmental & Federal Revenue

The most notable assumptions related to departmental and federal non-tax revenue sources in HWM's FY 2024 budget include:

- **State Medicaid Reimbursements** (\$57 million more than the Governor's Budget) – The HWM budget includes approximately \$11 billion in enhanced federal Medicaid reimbursement. Like the administration's budget, the House's revenue assumptions related to MassHealth reflect the end of the federal Public Health Emergency, which had been delivering approximately \$250 million in additional revenue to the Commonwealth each quarter. As a result of this, the HWM budget assumes a loss of \$531 million in federal reimbursement for MassHealth spending compared to the FY 2023 budget. The \$57 million increase in Medicaid reimbursements is due to HWM increasing nursing home rates by \$112 million over the Governor's level.
- **Gaming** (Level with Governor's Budget) – Non-tax gaming revenues in the HWM budget total \$240 million, level with the Governor and \$58.9 million greater than FY 2023. Through February, non-tax gaming revenue collections for FY 2023 are \$119.1 million, only \$5.8 million ahead of the same time period in FY 2022. The large increase in gaming revenues reflected in both the Governor's and HWM's budget proposals for FY 2024 is boosted by approximately \$35 million in assumed revenues from sports wagering.
- **Marijuana** (Level with Governor's Budget) – In FY 2024, the HWM budget assumes that marijuana licensing and fee revenue will decline by \$1.9 million compared to the FY 2023 GAA. This assumption matches the Governor's budget, and reflects a subsidence of the initial wave of new marijuana retailers and dispensaries. Through February, marijuana licensing and fee revenue collections have decreased by \$3.7 million compared to collections during the same time period in FY 2022. Conversely, marijuana excise tax revenue collections are increasing. The HWM budget assumes \$167.3 million in revenue generated by the marijuana excise tax, level with the Governor and a \$2 million increase over FY 2023.
- **Lottery** (Level with Governor's Budget) – The HWM budget assumes that net profits from the Lottery will be \$1.2 billion in FY 2024, level with the Governor's budget and the FY 2023 GAA. Based on actual collection trends this projection appears conservative; however, State Treasurer Goldberg noted during the Consensus Revenue Hearing in January that revenues in FY 2023 have been bolstered by large jackpots, which are not a sustainable source of ongoing revenue. The HWM budget also authorizes the creation of an iLottery which will generate additional revenue, but these new revenues are not included in the \$1.2 billion figure.

One-Time vs. Ongoing Revenues

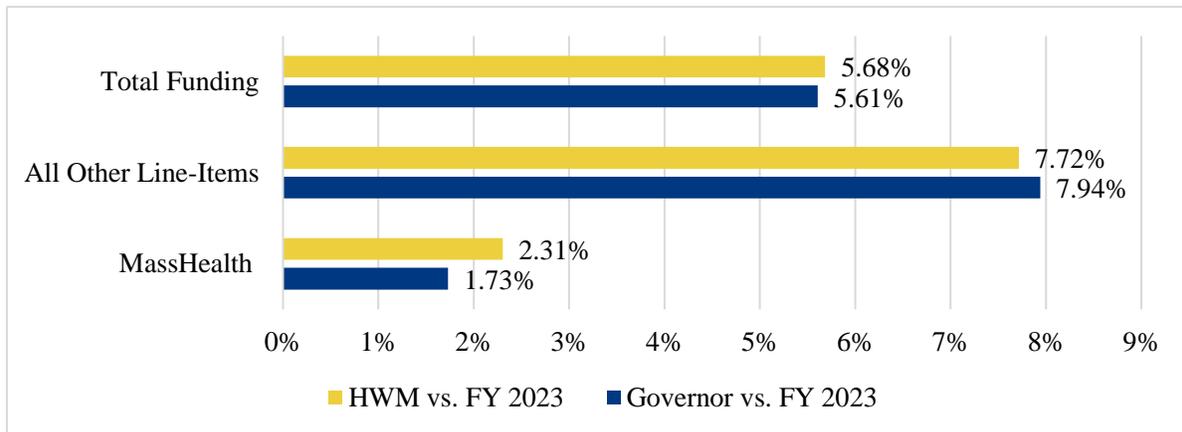
HWM does not use any one-time revenue in its budget. Governor Healey's budget was similarly strong on avoiding one-time resources, but did tap \$155 million from the state's High-Quality Early Education

& Care Affordability Fund to support C3 Childcare Stabilization Grants. HWM does not use any resources from this trust fund.

FY 2024 HWM Budget Spending

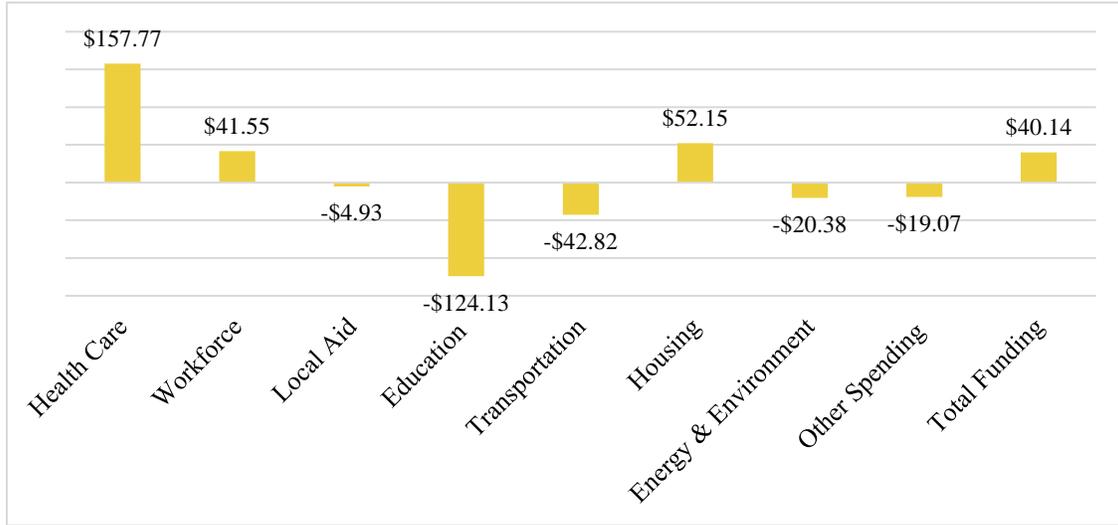
The HWM FY 2024 budget proposal increases total line item spending by \$2.9 billion (5.7 percent) over the FY 2023 budget. Isolating MassHealth funding from this comparison offers a more detailed view of spending trends on discretionary spending. The HWM budget increases spending for non-MassHealth line items by \$2.5 billion (7.7 percent) over FY 2023, while MassHealth spending is expected to grow by just 2.3 percent. This is a reversal of pre-pandemic trends when MassHealth spending typically outpaced other policy areas.

FY 2024 Big Picture Spending vs. FY 2023



The chart below illustrates the growth in line-item spending across categories in the HWM budget compared to the Governor’s budget, inclusive of spending supported by income surtax revenues. The HWM budget includes notable funding increases across health care, workforce, and housing programs; while spending less than the Governor on education, transportation, energy and the environment.

FY 2024 Spending by Category HWM vs. Governor's Budget



\$ in millions

MassHealth & Health Care

The largest category of spending in HWM’s FY 2024 budget proposal is MassHealth, totaling **\$19.9 billion** and representing **36 percent** of total line-item spending.

During the FY 2022 and FY 2023 budget development processes, spending, enrollment, and revenue assumptions related to MassHealth changed dramatically between the release of the Governor’s and HWM’s budget proposals due to the changing status of the federal Public Health Emergency (PHE). In FY 2024, the HWM budget mirrors the Governor’s proposal for MassHealth, with the exception of a \$112 rate supplement for nursing facilities. This additional investment is anticipated to generate \$57 million in additional federal reimbursement.

MassHealth Spending and Federal Reimbursement

	FY 2023 GAA	FY 2023 Current	FY 2024 Governor	HWM Budget	\$ v. Current	\$ v. Gov
Federal Reimbursement Share	\$11,556	\$12,609	\$10,968	\$11,025	-\$1,584	\$57.0
% of Total Spending	59.3%	58.1%	55.3%	55.3%	\$0	\$0.0
State Share	\$7,923	\$9,108	\$8,849	\$8,904	-\$204	\$55.0
Total MassHealth Spending	\$19,480	\$21,717	\$19,817	\$19,929	-\$1,788	\$112

\$ in millions

Over the last three years, MassHealth spending has been significantly impacted by the federal Public Health Emergency (PHE) and two of its related policies: enhanced federal Medicaid reimbursement and the continuous coverage requirement. During the PHE, in exchange for pausing its routine MassHealth redetermination process, the state benefitted from a 6.2 percentage point increase in the federal match rate for state Medicaid payments. This generated approximately \$250 million in additional revenue for the

state each quarter, but also resulted in a ballooning of MassHealth enrollment from 1.75 million to 2.34 million by the end of 2022.

Funding for MassHealth in FY 2024 can largely be understood as the state’s transition away from the PHE policies, as it works to manage the loss of enhanced federal reimbursement and dis-enroll approximately 400,000 MassHealth members.

Under the HWM budget the state’s share of MassHealth costs is \$8.9 billion, a \$204 million decrease compared to current FY 2023 spending. This decrease in cost is likely attributed to anticipated caseload declines, as well as creative payment and cash management strategies to mitigate the loss of enhanced federal reimbursement.

MassHealth Spending & FY 2024 Offsets

FY 2024 MassHealth Assumptions	
FY 2023 State Share	\$9,108
FY 2024 State Share	\$8,849
Decrease in State Share	-\$259
Spending Offsets	
Loss of Enhanced Fed. Reimbursement	(\$700)
Prepayment of FY 2024 Costs	\$700
Enrollment Declines in FY 2024	\$246
Cash Management Savings	\$215
Total	\$461

\$ in millions

MassHealth & Health Care Policy Initiatives

The HWM budget adopts the Governor’s proposals to expand the Medicare Savings Program through the elimination of the asset test and creates a new pilot program to expand premium assistance subsidies through the state’s Health Connector up to 500 percent of the Federal Poverty Level from the current limit of 300 percent. A similar proposal was vetoed in last year’s budget.

Municipal Finance

The HWM budget funds Unrestricted General Government Aid (UGGA) at **\$1.25 billion**, a \$4.9 million (0.39 percent) decrease compared to the Governor’s budget and a \$19.7 million (1.6 percent) increase over FY 2023.

The HWM decrease in UGGA, compared to Governor Healey, is due to HWM following the recent practice of upping local aid by the same percentage growth rate as the consensus tax revenue estimate. This policy aimed to improve the predictability of state aid for municipalities when planning their local budgets; however, in recent years actual state tax revenue collections substantially outpaced consensus tax revenue estimates and municipalities have lobbied for that revenue to be shared more equitably with local cities and towns. Governor Healey departed from the Baker administration’s past practice, increasing funding for UGGA in FY 2024 by 2 percent.

The HWM budget also funds PILOT – payment in lieu of taxes for state-owned land – at **\$51.5 million**, a \$6.5 million (14.4 percent) increase over FY 2023 and level with the Governor.

FY 2024 HWM Budget UGGA and PILOT Funding

Program	FY 2022 GAA	FY 2023 GAA	FY 2024 Governor	HWM Budget	HWM vs. Governor
UGGA	\$1,168.12	\$1,231.20	\$1,255.82	\$1,250.90	-\$4.92
<i>\$ Increase v. Prior Year</i>	<i>\$39.7</i>	<i>\$63.1</i>	<i>\$24.6</i>	<i>\$19.7</i>	
<i>% Increase v. Prior Year</i>	<i>3.5%</i>	<i>5.4%</i>	<i>2.0%</i>	<i>1.6%</i>	
PILOT	\$35.00	\$45.00	\$51.47	\$51.47	\$0.00
<i>\$ Increase v. Prior Year</i>	<i>\$4.0</i>	<i>\$10.0</i>	<i>\$6.5</i>	<i>\$6.5</i>	
<i>% Increase v. Prior Year</i>	<i>13.0%</i>	<i>28.6%</i>	<i>14.4%</i>	<i>14.4%</i>	

\$ in millions

Other Notable Municipal Programs

- **Municipal Regionalization and Efficiencies Reserve** (\$14 million) – The HWM budget funds this reserve at \$14 million, a \$6.4 million cut compared to the Governor’s budget. This includes \$3 million for the District Local Technical Assistance Fund and \$600K for a competitive grant program to support regionalization and efficiency initiatives. Unlike the Governor, HWM does not explicitly earmark funds for the Community Compact program, Public Safety and Emergency Staffing grants, Regional Planning Agencies, or the Local Finance Commonwealth Fellowship program. However, it’s possible that funding within this account could be made available for those purposes.
- **Shannon Community Safety Grant Program** (\$12.3 million) – Level funded with the Governor, this program addresses gang and youth violence through targeted outreach, education, and employment programs.
- **Aid to Libraries** (\$38.2 million total) – HWM funds Regional Aid to Libraries, Local Aid to Libraries, and Library Technology and Automated Resource-Sharing at \$38.2 million, \$1.5 million less than the Governor’s budget.

The administration proposed using \$100 million in income surtax revenue for a new municipal partnership grant program to assist cities and towns with the design and development costs of transportation-related projects. The HWM budget does not include funding for this program.

Education

Early Education

The FY 2024 HWM budget provides approximately **\$1.3 billion** in funding for early education and care programs, a decrease of **\$183 million** over the Governor’s budget and an increase of **\$109 million** over the enacted FY 2023 budget.

C3 Stabilization Grants

HWM appropriates \$290 million for C3 and also dedicates iLottery revenues to a newly created Early Education and Care Operational Grant Fund, which is intended to augment C3 funding. The combination

of these resources could provide \$490 million for the program in FY 2024, but iLottery revenues are subject to appropriation and difficult to project. The HWM proposal differs from the Governor’s budget which included \$475 million in a direct appropriation for C3 grants. Based on historic spending trends, the estimated annualized cost of C3 grants is at least \$450 million.

HWM funds the C3 stabilization grant using a mix of surtax revenues (\$40M) and resources from the General Fund (\$250M). Similar to the Governor’s budget proposal, stabilization grants funded with surtax revenues must be provided to child care programs whose enrollment consists of at least 50% of children with a state subsidy.

HWM also includes a policy section that requires the Department of Early Education and Care to draft a report on the impact of C3 stabilization grants on educational equity and kindergarten readiness. The section stipulates that the report must include recommendations to potentially amend the grant formula to ensure it optimizes results for communities and families most in need, and provides suggestions on how to do so.

FY 2024 HWM Early Education and Care Spending²

Program	FY 2023 GAA	FY 2024 Governor	HWM Budget	\$ vs. FY 2023 GAA	\$ vs. Governor
Child Care Stabilization Grants, "C3" (Non-Surtax Spending)	\$250.00	\$375.00	\$250.00	\$0.00	-\$125.00
Child Care Resource & Referral Centers	\$15.00	\$20.00	\$20.00	\$5.00	\$0.00
Administration	\$56.75	\$58.30	\$58.30	\$1.55	\$0.00
Reimbursement Rate Reserves	\$60.00	\$20.00	\$100.00	\$40.00	\$80.00
Subsidized Child Care	\$693.65	\$773.65	\$713.78	\$20.13	-\$59.88
DCF and DTA Related Child Care	\$325.54	\$355.66	\$328.20	\$2.65	-\$27.46
Income-Eligible Child Care	\$368.11	\$417.99	\$385.58	\$17.47	-\$32.41
Program Supports & Expansion	\$45.00	\$45.00	\$47.50	\$2.50	\$2.50
Commonwealth Preschool Partnership	\$15.00	\$15.00	\$15.00	\$0.00	\$0.00
Early Childhood Mental Health	\$3.50	\$5.00	\$5.00	\$1.50	\$0.00
EEC Provider Higher Education	\$10.00	\$10.00	\$10.00	\$0.00	\$0.00
Grants to Head Start Programs	\$16.50	\$15.00	\$17.50	\$1.00	\$2.50
Income Surtax Spending	\$0.00	\$140.00	\$65.00	\$65.00	-\$75.00
Child Care Stabilization Grants, "C3"	\$0.00	\$100.00	\$40.00	\$40.00	-\$60.00
Income Eligible Waitlist	\$0.00	\$25.00	\$25.00	\$25.00	\$0.00
CPPI Pre-K Initiative	\$0.00	\$15.00	\$0.00	\$0.00	-\$15.00
Other Early Education	\$63.30	\$44.77	\$38.52	-\$24.78	-\$6.25
Total Funding	\$1,183.70	\$1,476.71	\$1,293.09	\$109.39	-\$183.62

\$ in millions

² Figures in this table do not include revenues generated from iLottery dedicated towards Child Care Stabilization Grants, "C3."

Other Notable Investments

- **Subsidy Programs** (\$714M) – The HWM budget is roughly \$60 million less than the Governor’s proposal. However, HWM dedicates \$80 million to center-based reimbursement rate increases (see bullet below) which the Governor’s proposal had annualized across the two subsidy line items instead. When these items are combined, HWM funding exceeds the Governor’s budget by \$20 million.
- **Reimbursement Rates** (\$100M) – The HWM budget includes two accounts to fund reimbursement rate increases, one matching the governor’s \$20 million investment for both center-based and family child care providers and one providing an additional \$80 million towards center-based rate increases.
- **Grants to Head Start Programs** (\$17.5M) – HWM increases funding for grants to Head Start programs by \$2.5 million compared to the Governor and \$1 million over the enacted FY 2023 budget.
- **Commonwealth Preschool Partnership Initiative** (\$15M) – The HWM proposal is \$15 million less than the Governor, who proposed doubling the program’s funding with \$15 million in surtax revenue. This investment level funds the program compared to FY 2023.
- **Waitlist Remediation** (\$25M) – HWM’s proposal mirrors investments proposed by the Governor by dedicating \$25 million for income eligible waitlist remediation using surtax revenues.
- **Child Care Resource and Referral Agencies** (\$20M) – the HWM budget reflects the Governor’s \$5 million increase for Child Care Resource and Referral Agencies (CCRAs) which is likely due to the annualization of an earmark from the FY 2023 budget.

K-12 Education

The HWM budget funds Chapter 70 aid at **\$6.58 billion**, a \$595.8 million (10 percent) over FY 2023 and a \$283K decrease compared to the Governor’s budget. This investment appears to fully fund the third year of Student Opportunity Act (SOA) implementation³ and reflects updated foundation enrollment figures.

Foundation budget per-pupil rates, including add-on rates for low-income students and English learners, appear to be increased by another 1/6th towards the target rates as established in the SOA.

³ The HWM budget retains historic language which used current and historic data to count low-income students. The Governor’s budget used only current data to count students up to the 185 percent Federal Poverty Level threshold, consistent with the SOA and the methodology used in FY 2023. The HWM funding level appears consistent with counting all students up to the 185% FPL threshold.

House Ways and Means FY 2024 Chapter 70 Funding

Program	FY 2022 GAA	FY 2023 GAA	FY 2024 Governor	HWM Budget	HWM vs. Governor
Chapter 70 State Aid	\$5,503.27	\$5,988.52	\$6,584.60	\$6,584.31	-\$0.28
<i>Minimum Aid Supplement</i>	\$0.00	\$9.69	\$0.00	\$7.86	\$7.86
Total State Aid	\$5,503.27	\$5,998.21	\$6,584.60	\$6,592.18	\$7.58
<i>\$ Increase v. Prior Year</i>	\$220.87	\$494.94	\$586.39	\$7.58	
<i>% Increase v. Prior Year</i>	4.2%	9.0%	9.8%	9.9%	
SOA Implementation Schedule	Year 1	Year 2	Year 3	Year 3	

\$ in millions

Over the first three years of SOA implementation, the statewide foundation budget has increased by \$2.3 billion; resulting in a \$1.3 billion (25 percent) increase in state aid and an \$861 million (13 percent) increase in local contributions from municipalities. Notably, 56 percent of new state aid has been directed towards 23 districts with the largest number of low-income students. However, 221 municipalities have seen increases in their required local contributions of greater than 10 percent. To provide relief for cities and towns facing large increases in their required local contributions, Governor Healey proposed a \$10 million reserve account. The House does not include funding for this account.

In the FY 2023 budget, the House created a new line-item to fund a supplementary increase to per-pupil minimum aid, increasing it from \$30 per pupil to \$60 per pupil. They include the same line-item in their proposal for FY 2024, again increasing minimum aid to \$60 per pupil for a total of \$7.6 million.

Education Reimbursement Programs

The HWM budget includes a total of **\$872.9 million** for other major education reimbursement programs, including Charter Tuition Reimbursement, Special Education Circuit Breaker, and Student Transportation Reimbursement. This represents a \$5.7 million (0.6 percent) decrease from the Governor’s budget and an \$82.6 million (10.5 percent) increase over the FY 2023 budget.

House Ways and Means FY 2024 K-12 Education Reimbursement Programs

Program	FY 2023 GAA	FY 2024 Governor	HWM Budget	FY 2024 Est. Reimb. %	HWM v. Governor
SPED Circuit Breaker	\$441.0	\$503.8	\$506.1	75.0%	\$2.25
Charter Tuition Reimbursement	\$243.8	\$243.8	\$230.3	100.0%	-\$13.52
Regional School Transportation	\$82.2	\$97.1	\$107.9	100.0%	\$10.79
Non-Resident Vocational Transportation	\$0.3	\$5.2	\$0.0	0.0%	-\$5.20
Homeless Student Transportation	\$23.0	\$28.7	\$28.7	100.0%	\$0.00
Total Education Reimbursement	\$790.2	\$878.6	\$872.9		-\$5.68

\$ in millions

The HWM budget funds the Special Education Circuit Breaker program at \$506.1 million, a \$2.2 million (0.4 percent) increase over the Governor’s budget and a \$65 million (14.7 percent) increase over FY 2023.

In FY 2024, school districts across the state anticipate large increases in special education costs related to inflation and workforce expenses at private special education schools. While these costs will be eligible for reimbursement through the circuit breaker program in FY 2025, to provide relief in FY 2024, the HWM budget appears to follow the Governor's to fund extraordinary relief payments at \$20 million.

HWM also appears to increase funding for two programs historically included within the circuit breaker line item, the voluntary residential placement prevention program under the Department of Development Services and the Massachusetts chapter of Best Buddies, contributing to the \$2.25 million increase over the Governor's budget.

Funding for Charter Tuition Reimbursement is funded at \$230.3 million, a \$13.5 million (5.5 percent) reduction from the Governor's budget and the FY 2023 GAA. The Student Opportunity Act (SOA) created a three-year schedule to fully reimburse sending school districts for the costs of charter tuition by FY 2023, and based on updated enrollment and reimbursement projections from the Department of Elementary and Secondary Education, the HWM budget appears to meet this obligation.

The Governor's budget included substantial increases for student transportation reimbursement, funding each program at least at 90 percent reimbursement. The HWM budget goes further than the Governor to fully fund Regional School Transportation at \$107.9 million. However, the House eliminates funding for the Non-Resident Vocational Student Transportation Program, funded at \$5.2 million in the Governor's budget and \$250K in FY 2023. This program was also excluded from the HWM budget in FY 2023.

K-12 Education Surtax Spending

The HWM budget notably directs **\$261 million** in income surtax revenue towards investments in K-12 education, a far greater share of the new revenues compared to the Governor's \$10 million. K-12 surtax spending in the HWM budget includes:

- **Universal School Meals** (\$161 million) – HWM proposes permanent funding of the Universal School Meals pilot program in FY 2024, supported by income surtax revenue. Governor Healey chose not to fund this program through the FY 2024 operating budget, instead including it in a recently filed supplemental budget. Funding the program through a supplemental budget suggests a temporary extension of a pandemic-era program, versus the permanent absorption of the cost within the state's operating budget. The House does not specify whether this funding is for a one-time or reoccurring cost, but the inclusion of funding for this program out of committee speaks to its potential permanence.
- **Green School Infrastructure Program** (\$100 million) – The HWM budget directs \$100 million in income surtax revenue towards a new competitive grant program to assist public schools and districts install or maintain clean energy infrastructure. The program would be administered by DESE in consultation with the Massachusetts Clean Energy Center.

Other Notable K-12 Programs

HWM funds **Rural School Aid** at \$10 million in FY 2024, a \$2.5 million (33 percent) increase over the Governor's budget and \$4.5 million (82 percent) more than the FY 2023 budget. The HWM budget maintains the same prioritization structure for the program, allocating aid based on student density: (1)

districts that serve no more than 11 students per square mile, (2) districts that serve between 11 and 21 students per square mile, and (3) districts that serve between 21 and 35 students per square mile.

Higher Education

Excluding income surtax spending, HWM funds the public higher education sector at **\$1.6 billion**. This represents an \$11.2 million (0.7 percent) increase compared to the FY 2023 GAA and a \$70K increase over the Governor’s budget.

The HWM budget also dedicates **\$174 million** in surtax revenues towards higher education initiatives, \$186 million less than what was proposed by the Governor. Inclusive of surtax spending, HWM funds the higher education sector at \$1.8 billion.

HWM Higher Education Spending in FY 2024

Category	FY 2023 GAA	FY 2024 Governor	HWM Budget	\$ vs. GAA	\$ vs. Governor
Community Colleges	\$338.06	\$347.82	\$347.82	\$9.77	\$0.00
State Universities	\$327.75	\$337.42	\$337.17	\$9.42	-\$0.25
University of Massachusetts	\$672.98	\$689.90	\$695.20	\$22.22	\$5.30
Scholarship Programs	\$199.93	\$201.93	\$199.93	\$0.00	-\$2.00
Other Higher Education	\$73.53	\$46.31	\$43.33	-\$30.20	-\$2.98
Income Surtax Spending	\$0.00	\$360.00	\$174.00	\$174.00	-\$186.00
Total Funding	\$1,612.25	\$1,983.38	\$1,797.45	\$185.20	-\$185.93

\$ in millions

Public Higher Education Campuses

Direct support for the University of Massachusetts, State Universities, and Community Colleges is funded in the HWM budget at \$1.4 billion, a \$41.4 million (3 percent) increase over FY 2023 and \$5 million more than the Governor. Funding increases for community colleges range from 2.1 – 3.6 percent, and increases for state universities range from 1.8 – 3.2 percent. Increases across campuses typically vary based on the staggered ratification of collective bargaining agreements.

Funding for the primary University of Massachusetts account is included in the HWM budget at \$688.4 million, a \$24.3 million (3.6 percent) increase over the FY 2023 budget and \$5 million more than the Governor’s budget. At least \$4 million of the increase compared to the Governor’s budget is related to increased support for student behavioral health services.

In FY 2024, the HWM budget dedicates \$20 million in surtax revenue towards the Higher Education Endowment Incentive Program. Through two new line-items, HWM includes \$5 million each for the State Universities and Community Colleges, and \$10 million for the University of Massachusetts to encourage private fundraising in support of endowed scholarship funds, research positions, efforts to support innovative financial aid strategies, and diversity and inclusion initiatives. The Higher Education Endowment Incentive Program was not included from the Governor’s budget and prior to FY 2023 was historically funded through supplemental budgets.

Scholarship Programs and Addressing Student Costs

The HWM budget funds the Massachusetts State Scholarship program at \$175 million, level with the Governor and FY 2023 budget. This funding is bolstered by \$84 million in surtax spending for financial aid expansion that appears to match the Governor’s proposal to increase funding for the MASSGrant Plus program. MASSGrant Plus covers the cost of mandatory tuition and fees for in-state undergraduate students at public higher education institutions.

The HWM budget also directs \$20 million in income surtax revenue towards the MassReconnect program, matching the Governor’s proposal to provide free community college certificates and degrees to residents of Massachusetts age 25 and older who have not earned a college credential.

Lastly, the House uses \$50 million of surtax revenues to support a scholarship program for students at public higher education institutions pursuing a field of study in an “in-demand” profession as defined by the Executive Office of Labor and Workforce Development. This program complements a \$2 million high-demand scholarship program funded under the Department of Higher Education with General Fund dollars and is established through an outside policy section.

Workforce & Career Readiness

The HWM budget includes **\$227 million** for 40 workforce and career readiness programs across six state agencies. This funding level reflects an increase of \$13.1 million (6 percent) over the FY 2023 GAA and a \$41.5 million (22 percent) increase over the Governor’s proposed budget. Five line-items represent nearly all additional funding for workforce and career readiness programs added by HWM.

HWM Workforce Spending in FY 2024

Program	FY 2023 GAA	FY 2024 Governor	HWM Budget	\$ vs. GAA	\$ vs. Governor
Economic Development	\$31.40	\$24.18	\$23.18	-\$8.23	-\$1.00
<i>Career Technical Institutes</i>	<i>\$20.40</i>	<i>\$15.38</i>	<i>\$20.38</i>	<i>-\$0.02</i>	<i>\$5.00</i>
Higher Education	\$1.45	\$1.45	\$1.45	\$0.00	\$0.00
Labor and Workforce	\$92.13	\$68.46	\$101.51	\$9.39	\$33.05
<i>Demonstration Workforce Development Program</i>	<i>\$3.75</i>	<i>\$2.50</i>	<i>\$4.75</i>	<i>\$1.00</i>	<i>\$2.25</i>
<i>MassHire Career Centers</i>	<i>\$15.00</i>	<i>\$5.96</i>	<i>\$15.00</i>	<i>\$0.00</i>	<i>\$9.04</i>
<i>Summer Jobs Program for At- Risk Youth</i>	<i>\$28.48</i>	<i>\$16.24</i>	<i>\$31.00</i>	<i>\$2.53</i>	<i>\$14.76</i>
<i>Transfer to Workforce Competitiveness Trust Fund</i>	<i>\$17.00</i>	<i>\$10.00</i>	<i>\$17.00</i>	<i>\$0.00</i>	<i>\$7.00</i>
Veterans	\$0.28	\$0.28	\$0.28	\$0.00	\$0.00
Health & Human Services	\$2.00	\$1.00	\$1.00	-\$1.00	\$0.00
K-12 Education	\$86.98	\$90.38	\$99.88	\$12.90	\$9.50
<i>Adult Basic Education</i>	<i>\$60.00</i>	<i>\$60.00</i>	<i>\$65.00</i>	<i>\$5.00</i>	<i>\$5.00</i>
<i>Early College Programs</i>	<i>\$10.00</i>	<i>\$13.00</i>	<i>\$15.00</i>	<i>\$5.00</i>	<i>\$2.00</i>
<i>Innovation Pathways</i>	<i>\$4.83</i>	<i>\$5.88</i>	<i>\$5.88</i>	<i>\$1.05</i>	<i>\$0.00</i>
Total Funding	\$214.24	\$185.74	\$227.29	\$13.06	\$41.55

Notable investments in the HWM FY 2024 budget proposal include:

- **Career Technical Institutes** (\$20.38 million) – Funding for CTIs is increased by \$5 million over the Governor’s proposal and is consistent with the FY 2023 GAA funding level. This funding is used to expand vocational instruction infrastructure in high schools.
- **Early College** (\$15 million) – Funding for this line-item is increased by \$2 million over the Governor’s proposal and by \$5 million over the FY 2023 GAA. The program aims to expand access to higher education pathways for high school students.
- **MassHire Career Centers** (\$15 million) – Funding for career centers is increased by \$9.04 million over the Governor’s proposal and is consistent with FY 2023 GAA funding levels. There are 25 MassHire centers across the state that provide unemployed workers with access to job opportunities and training.
- **Summer Jobs Program for At-Risk Youth** (\$31 million) – Funding for this line-item is increased by \$14.8 million, nearly doubling the Governor’s proposed funding level and \$2.53 million more than the FY 2023 GAA funding level.
- **Transfer to the Workforce Competitiveness Trust Fund** (\$17M) – Funding for this line item is increased by \$10 million over the Governor’s proposed funding level and is consistent with the FY 2023 GAA funding level.

Investments excluded in the HWM budget include:

- Massachusetts Technology Collaborative – Funded by the Governor at \$2.5M.
- MTC - Entrepreneur Training Programs – Funded by the Governor at \$1.35M.
- Center for Advanced Manufacturing – Funded by the Governor at \$1.2M.
- Massachusetts Cybersecurity Innovation Fund – Funded by the Governor at \$950K.

Transportation

The HWM budget includes **\$1.27 billion** for transportation-related spending in FY 2024, including **\$760 million** specifically for the MBTA, MassDOT, and Regional Transit Authorities. This funding level represents a \$43 million (3.3 percent) reduction from the Governor’s budget, and a \$253 million (25 percent) increase over FY 2023. These funding levels do not include the \$1.5 billion pre-budget transfer to the MBTA.

HWM dedicates **\$500 million** of new income surtax revenue towards transportation initiatives across MassDOT, the MBTA, and local pilot programs.

HWM Transportation Spending in FY 2024

Category of Spending	FY 2023 GAA	FY 2024 Governor	HWM Budget	\$ vs. GAA	\$ vs. Governor
Transfer to RTAs	\$96.50	\$96.82	\$94.00	-\$2.50	-\$2.82
Transfer to MassDOT	\$457.11	\$528.87	\$478.87	\$21.75	-\$50.00
Transfer to MBTA	\$187.05	\$187.00	\$187.00	-\$0.05	\$0.00
Other Transportation	\$277.87	\$11.67	\$11.67	-\$266.19	\$0.00
Income Surtax Spending	\$0.00	\$490.00	\$500.00	\$500.00	\$10.00
Total Funding	\$1,018.53	\$1,314.36	\$1,271.54	\$253.01	-\$42.82

\$ in millions

MassDOT & Local Pilot Programs

The House funds the Massachusetts Department of Transportation at \$478.9 million, a \$50 million (9.4 percent) decrease compared to the Governor’s budget and a \$21.8 million (4.8 percent) increase over FY 2023. In past years, this reduction has been related to underfunding of likely snow and ice removal obligations.

In FY 2024, HWM recommends the use of \$110 million in income surtax revenues for transportation-related programs under MassDOT and pilot programs. This includes:

- **Highway Bridge Preservation** (\$100 million) – For the construction, preservation, and repair of highway bridges. The Governor also dedicated income surtax revenues towards this purpose.
- **Ferry Services Pilot Program** (\$10 million) – This item supports ferry services in the state and is a significant increase over the \$2.5 million included in Governor Healey’s budget. The item does not specify the specific ferry services that will be supported.

MBTA

Earlier this month, MTF released a [report](#) on the staggering workforce challenges facing the MBTA and the doubts they raise about the organizations ability to provide safe, reliable, and improved service. Based on MTF’s analysis, the MBTA needs to hire 2,800 workers within the next 12 months just to maintain and operate the current system, never mind provide expanded service.

In FY 2023, state policymakers attempted to address some of the MBTA’s most pressing concerns by authorizing \$400 million in bonds to keep capital spending at \$2 billion in FY 2025 and FY 2026 and appropriating \$378 million in one-time supplemental funding to address the FTA’s immediate safety, workforce, and quality assurance directives. Because the MBTA will continue to have access to the majority of this funding throughout FY 2024, Governor Healey’s budget proposal did not include significant increases for the MBTA budget, though it did dedicate \$181 million in surtax revenue to three MBTA capital projects.

In contrast, the HWM budget directs **\$320 million** in income surtax revenues towards the MBTA, including:

- **MBTA Capital Improvements** (\$250 million) - To support improvements to the MBTA’s physical infrastructure, including: \$100 million for bridge repair (also funded by Governor Healey), rehabilitation, and replacement; \$100 million for station and accessibility improvements (funded by Governor Healey at \$70 million); \$39 million for track and signal improvements on subway lines; and \$11 million for the design of the red-blue connector project (also included in Governor Healey’s budget). Funds in this account are available through FY 2025.
- **MBTA Workforce & Safety Reserve** (\$65 million) – To address the ongoing safety concerns at the MBTA related to the findings of the Federal Transit Administration HWM directs \$65 million towards the MBTA Workforce & Safety Reserve created in the FY 20243 GAA funded at \$266.3 million.
- **Means-Tested Fare Pilot Program** (\$5 million) – To study the feasibility of implementing a means-tested fare program. This investment matches a proposal put forward by the Governor.

Regional Transit Authorities

Regional Transit Authorities are funded at **\$94 million** in HWM’s FY 2024 budget proposal, a \$2.8 million cut from the Governor’s budget and \$2.5 million less than the FY 2023 budget. The HWM budget proposes distributing \$90.5 million to the RTAs as base aid and \$3.5 million as performance grants.

This funding is in addition to **\$70 million** in income surtax spending for regional transit initiatives, which includes:

- \$15 million for an innovation grant program to support electrification, infrastructure, and capital investments; and
- \$4 million for the Community Transit Grant Program to support expanded mobility options for older adults, individuals with disabilities, and low-income populations.

A similar investment was included by the Governor, funded at only \$25 million.

Housing

The HWM budget includes a total investment of **\$1.04 billion** for housing programs. This reflects an increase of \$159.6 million (18 percent) over FY 2023 funding levels and an increase of \$52.2 million (5 percent) compared to the Governor’s budget.

The HWM proposal directs the most significant increases to the Residential Assistance for Families in Transition (RAFT) program, Subsidies for Public Housing Authorities, and the Shelter Workforce Assistance program; representing \$38 million in additional funding. Funding for the Economic Mobility line item is eliminated, consistent with the FY 2023 GAA.

Housing Investments in FY 2024

Program	FY 2023 GAA	FY 2024 Governor	HWM Budget	\$ vs. GAA	\$ vs. Governor
Counseling & Education Services	\$9.70	\$8.77	\$9.70	\$0.00	\$0.93
Housing Financial Assistance	\$333.03	\$359.01	\$380.51	\$47.47	\$21.50
<i>Accessible Affordable Housing Grants</i>	\$2.50	\$0.00	\$0.00	-\$2.50	\$0.00
<i>Massachusetts Rental Voucher Program</i>	\$154.30	\$168.25	\$173.25	\$18.95	\$5.00
<i>Residential Assistance for Families in Transition</i>	\$150.00	\$162.60	\$180.60	\$30.60	\$18.00
<i>Economic Mobility</i>	\$0.00	\$1.50	\$0.00	\$0.00	-\$1.50
Housing Stabilization & Homelessness Prevention	\$421.56	\$513.54	\$518.16	\$96.60	\$4.63
<i>Emergency Assistance Family Shelters and Services</i>	\$219.44	\$324.05	\$324.05	\$104.61	\$0.00
<i>Home and Healthy for Good Program</i>	\$6.39	\$4.16	\$8.39	\$2.00	\$4.23
<i>HomeBASE</i>	\$59.41	\$42.07	\$42.07	-\$17.34	\$0.00
<i>Homeless Individual Shelters</i>	\$110.00	\$110.75	\$110.75	\$0.75	\$0.00
<i>Operation of Homeless Programs</i>	\$7.17	\$12.61	\$12.61	\$5.44	\$0.00
Public Housing	\$93.00	\$94.20	\$104.20	\$11.20	\$10.00
<i>Subsidies to Public Housing Authorities</i>	\$92.00	\$92.00	\$102.00	\$10.00	\$10.00
Other Housing	\$27.20	\$16.41	\$31.51	\$4.31	\$15.10
<i>Housing Assistance for Re-Entry Transition</i>	\$2.00	\$2.00	\$7.00	\$5.00	\$5.00
<i>Shelter Workforce Assistance</i>	\$10.00	\$0.00	\$10.00	\$0.00	\$10.00
Total Funding	\$884.49	\$991.92	\$1,044.08	\$159.58	\$52.15

\$ in millions

Notable housing investments in the HWM FY 2024 budget proposal include:

- **Massachusetts Rental Voucher Program** (\$173.3 million) – Funding is increased by \$5 million over the Governor’s proposed investment of \$173.25 million. Line-item language is included by HWM to specify value-setting regulations for mobile vouchers that was not included in the Governor’s proposal.
- **Residential Assistance for Families in Transition** (\$180.6 million) – Funding is increased by \$18 million over the Governor’s proposed funding level of \$162.50 million. This includes \$3 million to assist households of all sizes and dictates that categories used to determine emergency housing assistance for families will also be used for RAFT eligibility. HWM also proposes a reduction to the maximum benefit amount compared to FY 2023, from \$10K over a one-year period to \$7K. This is more generous than the Governor’s proposal of \$7K over a 24 month period.
- **Subsidies to Public Housing Authorities** (\$102 million) – Funding is increased by \$10 million over the Governor’s proposed budget and FY 2023 GAA funding levels. The proposal calls for 10.63 percent of the funding to be drawn from the Local Capital Projects Fund, a distinction not made in the Governor’s proposal.

- **Housing Assistance for Re-Entry Transition** (\$7 million) – Funding levels are increased by \$5 million compared to the Governor’s proposed budget and FY 2023 GAA. Additionally, the proposal includes reporting requirements to be submitted to the HWM and SWM no later than October 2nd, 2023.
- **Shelter Workforce Assistance** (\$10 million) – Funding level would fully restore funding for the program that was not included in the Governor’s proposed budget, but is consistent with FY 2023 GAA.

Furthermore, HWM includes a policy section making permanent the policy of delaying evictions while tenants have pending Emergency Rental Assistance applications.

Climate, Energy & Environment

The FY 2024 HWM budget funds the Executive Office of Energy and Environmental Affairs (EOEEA) and its departments at \$523.2 million, a \$20.4 million (3.7 percent) reduction from the Governor’s budget and an \$84 million (19.3 percent) increase over FY 2023. The Governor’s budget proposal represented the first time that spending for EOEEA comprised 1 percent of the state’s operating budget, in the HWM budget spending for EOEEA represents approximately 0.9 percent of operating budget spending. Notable investments across the secretariat include:

Executive Office of Energy and Environmental Affairs

- **Mass Clean Energy Center** (\$25 million) – HWM includes \$25 million for a transfer to the Massachusetts Clean Energy Center to support workforce development initiatives in the clean energy sector, \$10 million less than the funding level proposed by the Governor. HWM also includes new line-item language directing EOEEA to report to HWM and SWM on the number of workforce programs funded and the number of individuals served.
- **Food Security Infrastructure Grant Program** (\$25 million) – The HWM budget adopts the Governor’s proposal to permanently fund food security infrastructure grants, which had previously been funded through supplemental budgets.
- **Stormwater Management** (\$3.25 million) – HWM increases funding for Storm Water Management by \$2.75 million compared to FY 2023 and the Governor’s budget, and includes line-item language found in the Governor’s budget directing the Department of Conservation and Recreation to implement a stormwater management program.

HWM Climate, Energy & Environmental Funding in FY 2024

Department	FY 2023 GAA	FY 2024 Governor	HWM Budget	\$ vs. GAA	\$ vs. Governor
Executive Office of Energy and Environmental Affairs	\$118.90	\$197.77	\$184.12	\$65.21	-\$13.66
Dept. of Agricultural Resources	\$43.71	\$43.82	\$43.42	-\$0.30	-\$0.41
Dept. of Conservation and Recreation	\$134.03	\$149.95	\$148.38	\$14.35	-\$1.57
Dept. of Energy Resources	\$5.35	\$7.04	\$6.66	\$1.31	-\$0.39
Dept. of Environmental Protection	\$77.23	\$83.59	\$79.18	\$1.95	-\$4.41
Dept. of Fish and Game	\$38.27	\$38.56	\$38.33	\$0.06	-\$0.23
Dept. of Public Utilities	\$21.07	\$22.84	\$23.12	\$2.04	\$0.28
Total Funding	\$438.56	\$543.56	\$523.19	\$84.62	-\$20.38

\$ in millions

Other Notable Spending

New Line Items

The HWM’s budget proposal for FY 2024 includes \$396.4 million to fund 7 new line items and initiatives; 6 of which are related to new spending supported by income surtax revenue for K-12 education, higher education, and transportation. HWM also adds a new line item under the Department of Elementary and Secondary Education, funded at \$375K, to provide support for Smart from the Start, Inc. to promote the healthy development of youth and families in underserved areas of the city of Boston.

FY 2024 HWM Budget Policy Sections

The HWM budget includes 47 outside sections, 25 fewer than the 72 included in last year’s budget. This does not include the 20 sections filed as part of the HWM tax bill summarized earlier in the bulletin. The HWM budget includes more notable policy sections than included in the Governor’s budget.

Comparison of Budget Sections

FY 2024 HWM	FY 2024 Governor	FY 2023 HWM	FY 2023 House Final
47	29	72	142

Some are related to the collection and use of surtax revenues, but there are also substantive proposals related to health care, transportation, corrections and the state’s School Building Authority. Notable HWM policy sections include:

Surtax

- **Surtax Mechanics** (sections 9 through 11 and 35) – As outlined earlier in the brief, the HWM budget creates three new trust funds for surtax collections:
 - *Education and Transportation Trust Fund* – This fund receives all surtax revenues certified by DOR. Annual spending from the fund is subject to a cap, set annually by ANF, HWM, and SWM. Each year the Comptroller will certify total surtax collections. Any amounts over the annual spending limit will be divided between the Education and Transportation Stabilization Fund (15 percent) and the Education and Transportation Innovation Fund (85 percent)
 - *Education and Transportation Stabilization Fund* (ETSF) – This fund, not proposed in Governor Healey’s budget, will receive an annual transfer of 15 percent of any surtax collections that exceed the annual spending limit. The balance of the fund is capped at 33 percent of prior year spending from the Education and Transportation Trust Fund.
 - *Education and Transportation Innovation Fund* – This fund, not proposed in Governor Healey’s budget, will receive an annual transfer of 85 percent of any surtax collections that exceed the annual spending limit. If the ETFSF balance reaches its cap, all surtax revenue over the spending limit will be transferred to the Education and Transportation Innovation Trust Fund.

Like Governor Healey, HWM exempts surtax collections from the state’s capital gains tax threshold and from the calculation of allowable tax revenues under MGL 62F. As MTF noted in the summary of Governor Healey’s proposal, all other tax revenue is included in the 62F calculation and there is no clear policy rationale for the exclusion.

HWM adopts the Healey Administration’s proposal to separate all surtax spending in a new budget section (Section 2F).

- **Surtax Implementation** (sections 13 & 14) – The HWM budget includes both surtax implementations included in the Governor’s budget which:
 - Incorporates the surtax into the law governing the income tax (MGL 62:4). The language states that the tax shall apply to Part A, B and C of taxable income and that losses in one part of income cannot be used to reduce income from another part.
 - Incorporates the surtax into the law governing taxation of income earned in Massachusetts by non-residents (MGL 62:5A).

HWM includes language in both sections allowing the Department of Revenue to promulgate regulations to implement the sections. The Governor’s budget only included regulation promulgation language in MGL 62:4.

Health Care

- **Connector Pilot** (sections 32, 45 and 49) – HWM includes a pilot program to expand premium assistance subsidies, provided through the state’s Health Connector, to those at or below 500 percent of the federal poverty level (FPL). Currently, subsidies are limited to 300 percent of FPL. The two year pilot will be evaluated the Health Policy Commission in conjunction with the Center for Health Information and Analysis. The budget does not appear to include any additional funding

to cover the cost of this pilot. The House budget included a similar provision in FY 2023 which was vetoed by Governor Baker.

- **Medicare Asset Test** (sections 19 & 20) – HWM includes two sections, including in Governor Healey’s budget, which eliminates asset tests when determining eligibility for the state’s Medicare Savings Program.
- **Nursing Home Base Rate Year** (section 42) – Like the Governor’s budget, HWM uses 2019 as the base year for nursing home rates (the same base year as used in FY 2023).

The HWM budget does not include Governor Healey’s proposal to expand the state’s Medicaid drug rebate program to non-drug products and other drugs not currently covered.

Education/Municipal Finance

- **Green School Works** (section 16) – HWM creates a Green School Works competitive grant program to install and maintain clean energy infrastructure. The program will be administered by the Department of Elementary and Secondary Education in conjunction with the Clean Energy Center. The HWM budget appropriates \$100 million to support this program.
- **School Building Authority Grant Cap** (section 17) – The HWM budget increases the annual cap on MSBA grants to \$1.1 billion, to be adjusted for inflation after FY 2024. The cap was increased to \$800 million (then adjusted for inflation) as part of the Student Opportunity Act.
- **Universal School Meals** (sections 15 and 18) – The HWM budget requires all public schools to provide breakfast and lunch at no-charge to students. Schools are directed to maximize federal funds for the provision of meals, but the state will reimburse districts for the cost of meals not covered by federal sources. The budget also eliminates a section of law that relates to unpaid student meal debt. The provision also authorizes the Board of Elementary and Secondary Education to require that schools provide Hepatitis B immunization for requesting staff who work with developmentally disabled students.
- **High Demand Scholarships** (section 7) – HWM creates a high demand scholarship program for students taking coursework in “in-demand” professions as defined by the Executive Office of Labor & Workforce Development. Among other requirements, scholarships recipients would need to commit to work in an in-demand field in the Commonwealth for at least five years. HWM dedicates \$50 million in surtax revenue to support this scholarship.
- **Early Education and Care Operational Grant Fund and Study** (sections 8 & 30) – HWM creates an Early Education and Care Operational Grant fund, which will receive iLottery proceeds, and be used for ongoing support of C3 grants. The House has estimated that iLottery will generate \$200 million in additional revenue each year. The HWM budget does not appear to rely on any iLottery revenue in FY 2024. The budget also requires the Department of Early Education and Care to conduct an exhaustive study of the state’s C3 grant program with a focus on how the program has affected kindergarten readiness and educational equity.

Transportation

- **MBTA Board** (section 27) – HWM includes a section adding two members to the MBTA board: the Mayor of Boston and a municipal appointment by the Governor. The House budget included similar language in FY 2023.

- **MBTA Capital Budget Dates** (sections 18 & 19) – Like the Governor, the HWM budget extends the deadline for the annual MBTA capital budget submission. Currently the MBTA must submit the final plan to the MBTA Advisory Board by January 15th; this proposal would extend that deadline to May 15th. Governor Baker proposed similar language last year.
- **RTA Distribution** (section 44) – HWM includes a section stipulating that \$90.5 million of the funding for RTAs will be distributed consistent with the FY 2023 distribution and \$3.5 million to be distributed based on a formula that is based on ridership, population and service area. This is identical to language included in the House budget in FY 2023.

Housing

- **Eviction Delay** (section 28) – HWM makes permanent a COVID-19 policy whereby evictions are delayed if the tenant has a pending emergency rental assistance application.

Lottery & Gaming

- **iLottery** (sections 4 & 5) – HWM authorizes the Lottery to offer products online or through mobile applications. The section lays out criteria the Commission must address in creating the system including age verification, voluntary purchase restrictions and maximum transaction limits. Revenue generated by iLottery sales is dedicated to early educational operational grants. The House included a similar provision in their 2022 economic development bill.

Other

- **Incarcerated Individual Calls** (sections 23 & 34) – HWM includes a provision to require the Department of Corrections and House of Corrections to provide free phone calls to individuals committed to those facilities. The House included similar language in last year’s budget, but it was returned with amendment by Governor Baker and did not become law. Governor Healey’s budget provided 1,000 minutes of free phone calls a month to those in DOC facilities.

House Debate

House members will have until the end of day on Friday to file amendments to the HWM budget. More than 1,500 amendments were filed in FY 2023 and, setting aside the FY 2021 budget which was delayed by six months during the pandemic, the House has averaged 1,315 amendments over the last five years. Amendments will likely be categorized into 14 subject areas and the vast majority of them will be disposed of through omnibus “consolidated” amendments organized by topic area.

In FY 2023, the House added \$129.6 million in spending during debate, significantly more than in any of the prior five years. About half of the new spending came in the form of 617 local project earmarks. The House also added 70 policy sections, which covered a range of topics from judicial pay raises to an extension of the state’s drug coupon program.

Bottom Line

The combination of the state's strong fiscal condition, the new income surtax, and the transition away from a number of COVID programs results in a very active HWM budget. In broad strokes, there are key similarities to Governor Healey's proposal:

- A budget that reflects significant sustained tax relief.
- An attempt to clearly identify and sustainably use surtax revenue collections.
- A focus on workforce, education and transportation investments.

However, the specifics of the two plans differ greatly. On the surtax, HWM complicates the Governor's more straightforward proposal to track revenue collections by creating additional trust funds with rigid rules for how funds will be directed; but there is less clarity on how the use of each fund may differ. Programmatically, HWM commits significant resources to a permanent universal school meals program, as well as new programs for green school infrastructure and in-demand scholarships. On the policy front, HWM notably authorizes iLottery and maintains the state's policy of preventing evictions for tenants waiting for rental assistance.

The HWM budget will next move to the floor for debate. Given the range of new investments already included in the HWM budget, it is likely that debate will focus on local spending earmarks and policy proposals.