

Massachusetts Fiscal & Policy Landscape



Massachusetts
Taxpayers Foundation

October 15, 2026

Outline

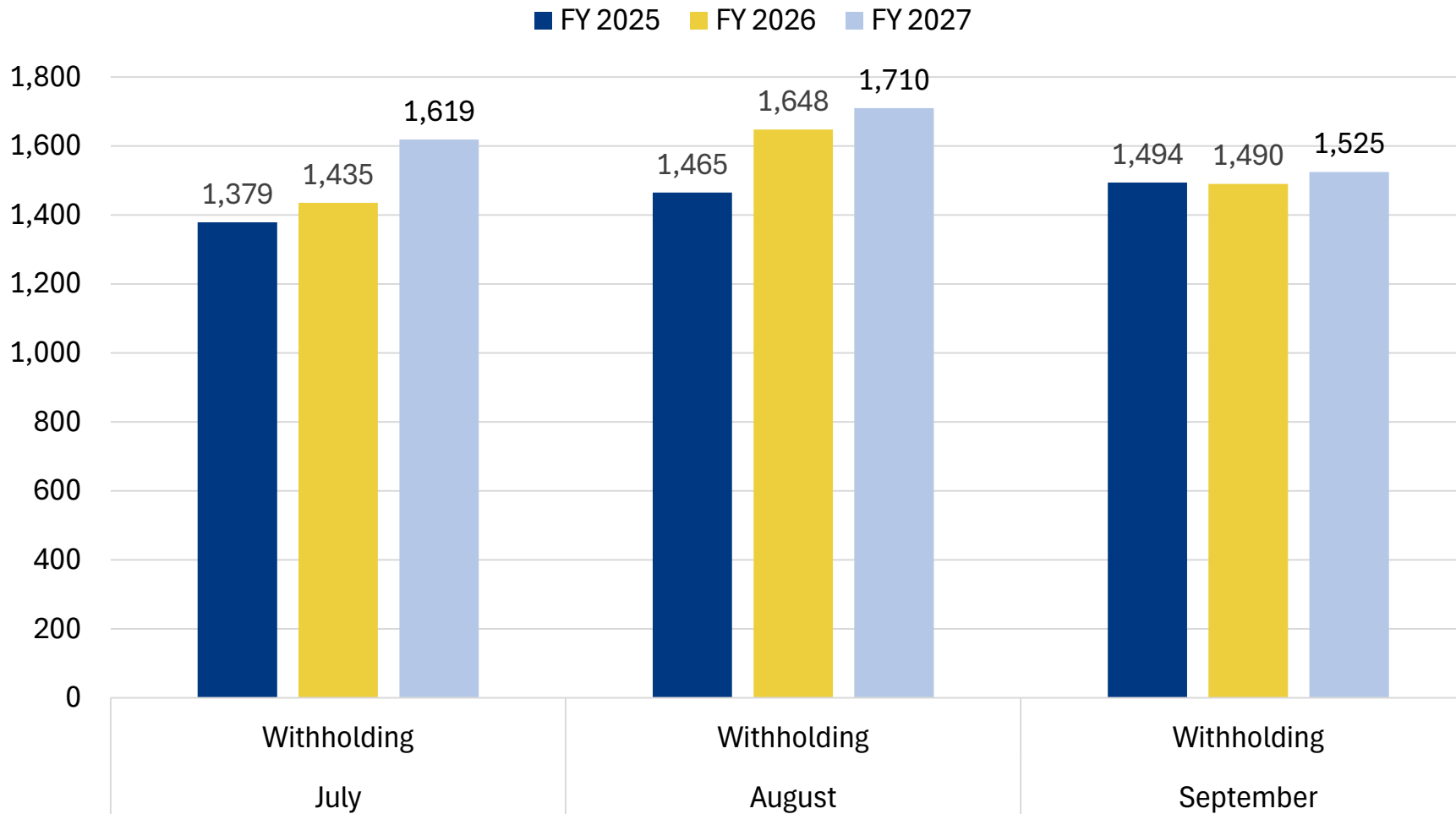
- I. Key Economic Indicators**
- II. State Fiscal Picture**
- III. MTF's 2026 Competitiveness Index**
- IV. Springfield Snapshot**
- V. Ballot Questions**



Key Economic Indicators

Recent Trends – Withheld Income Tax Collections

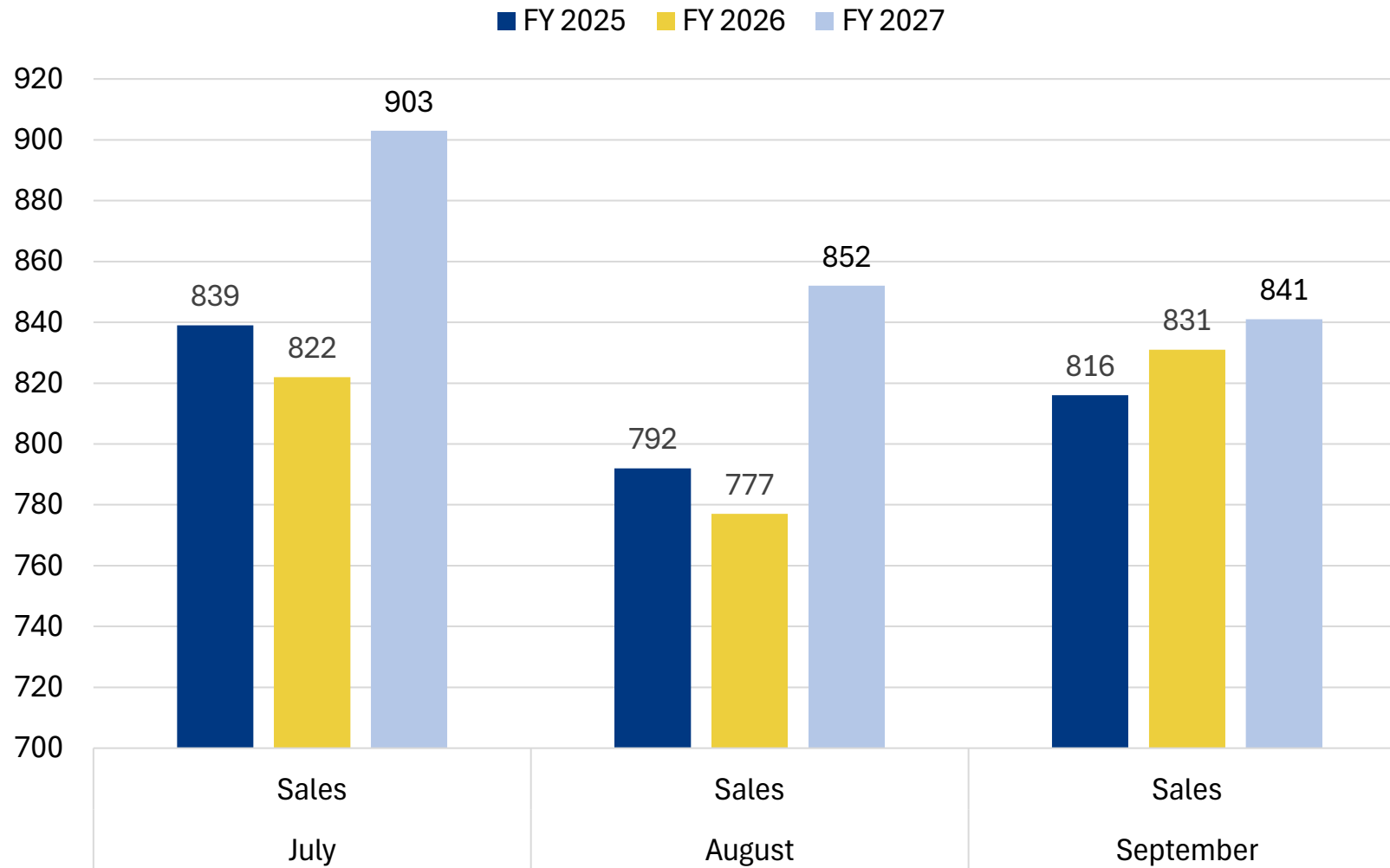
Recent Withheld Tax Trends, FY 2025 v. FY 2026 v. 2027



- Withheld income taxes comprise the largest component of the state's overall revenue picture, representing approximately 45% of total tax collections.
- FY 2027 withheld income tax collections are up **6.1 percent YTD** over FY 2026 (+11.9 percent over FY 2025), following **5.4 percent growth in FY 2026 over FY 2025**.
- **September** was **2.3 percent** over FY 2026, after a 0.3 percent drop in FY 2026 over FY 2025.

Recent Trends – Sales Tax Collections

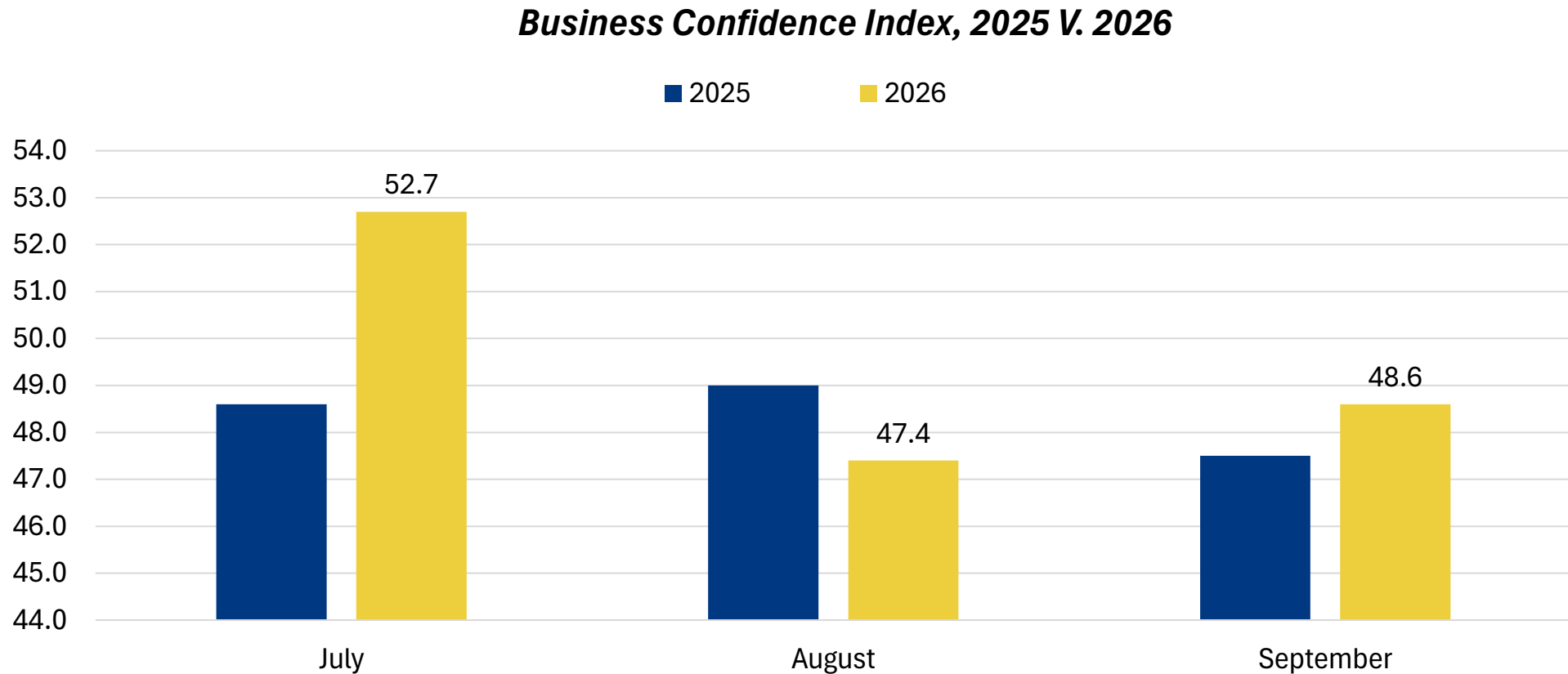
Recent Sales Tax Trends, FY 2025 v. FY 2026 v. 2027



- In addition to withheld income taxes, sales tax collections are an indication of current economic performance.
- Sales tax collections for July-September **rose 6.8% in FY 2027 over FY 2026** (+6.1% over FY 2025), after a 0.7% dip in FY 2026 from FY 2025.
- September was **up 1.2% over FY 2026**, following a 1.8% gain in FY 2026 over FY 2025.

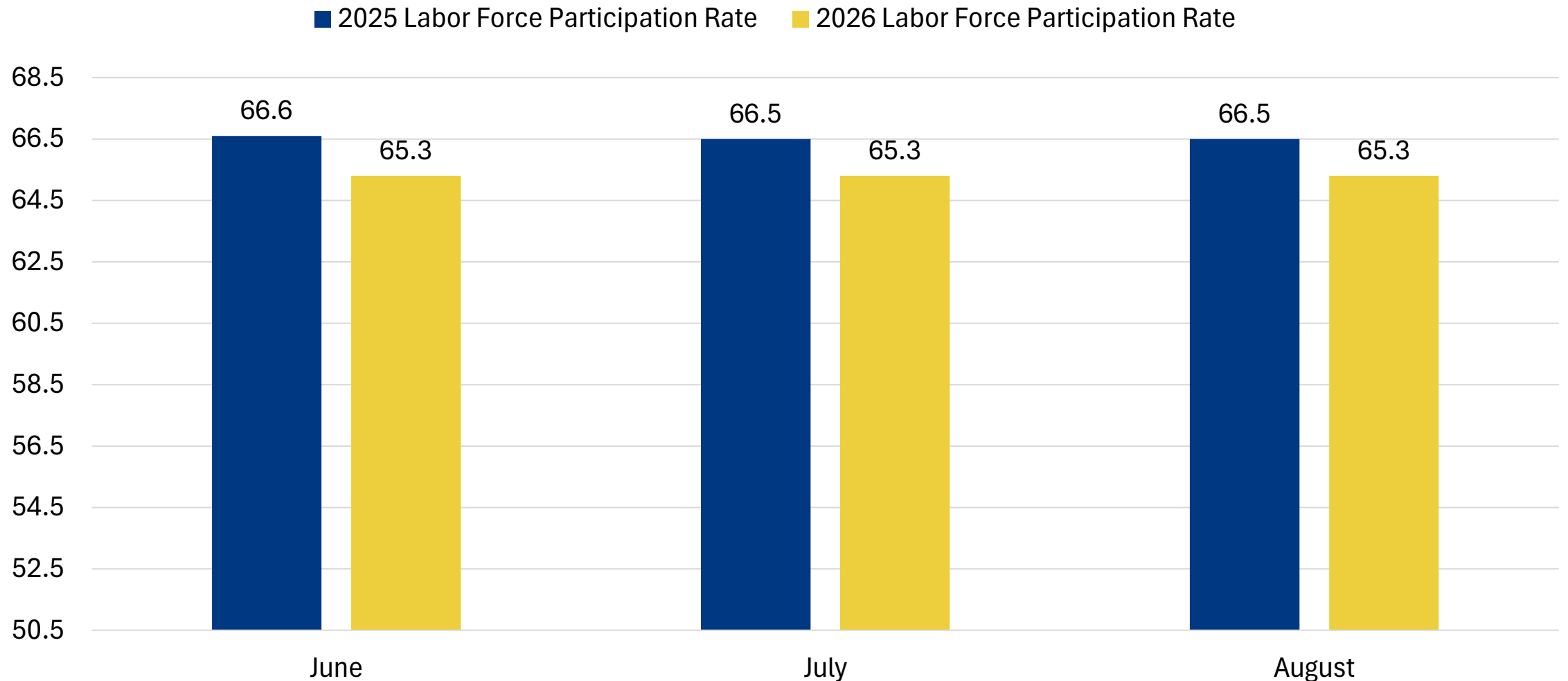
Business Confidence Index

Associated Industries of Massachusetts (AIM) publishes its Business Confidence Index Monthly. The index gauges the economic vitality of Massachusetts. Scored on a 100-point scale, 50 indicates neutrality. Scores above 50 signify optimism, while scores below 50 indicate pessimism.



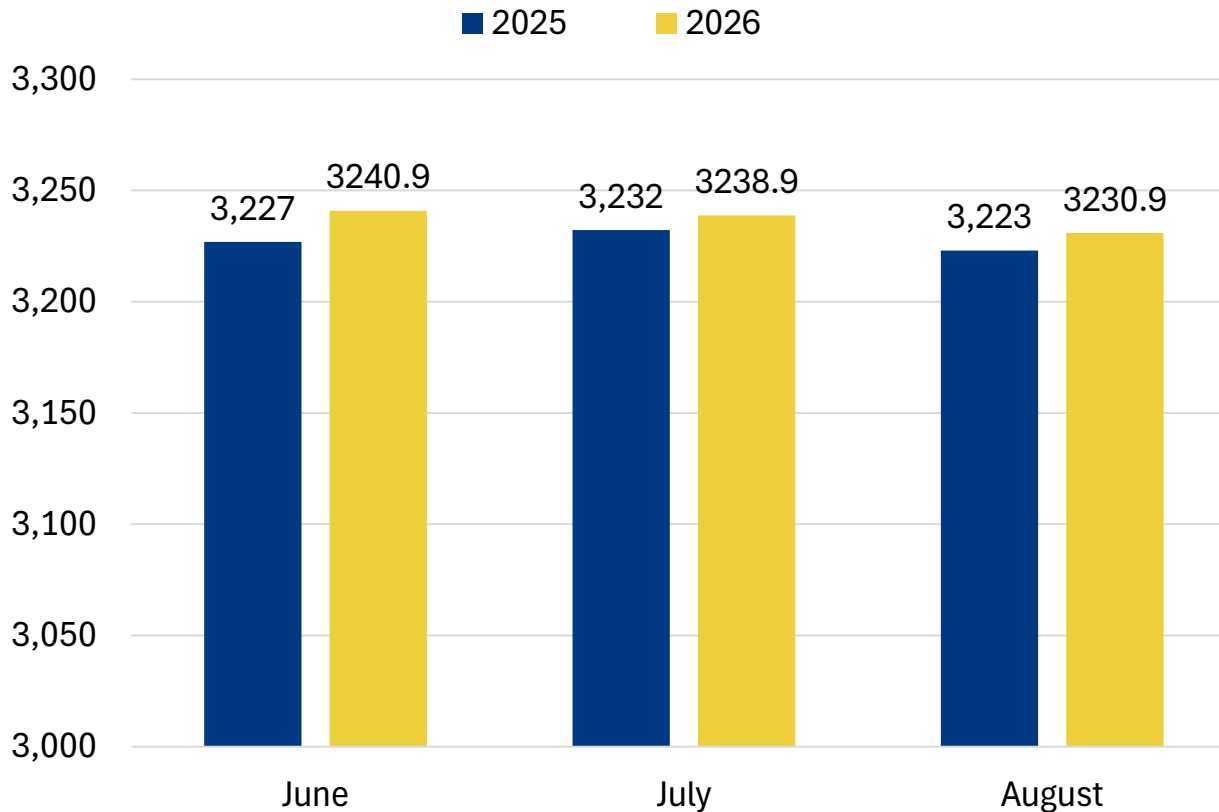
Massachusetts Labor Force

Massachusetts Labor Force Participation Rates



Private Job Growth

***Private Employment, All Employees
(in Thousands)***



- The 10-year average of private employment in Massachusetts is 3.17 million.
- Private employment decreased to 2.9 million during the pandemic (2020).
- In the years since (2021 – 2025), it has rebounded to exceed 3.2 million.
- Throughout the last few months of 2026, private employment levels have remained slightly above 2025 monthly levels.

A photograph of a city skyline at dusk or dawn, with several tall skyscrapers illuminated. The sky is a pale blue. In the foreground, there is a body of water reflecting the city lights. A dark blue horizontal band is superimposed over the lower half of the image, containing the text 'State Fiscal Update' in white.

State Fiscal Update

3 Threats to Long-Term Fiscal Stability

As the Commonwealth looks ahead to FY 2027, it faces a range of fiscal risks and uncertainties.

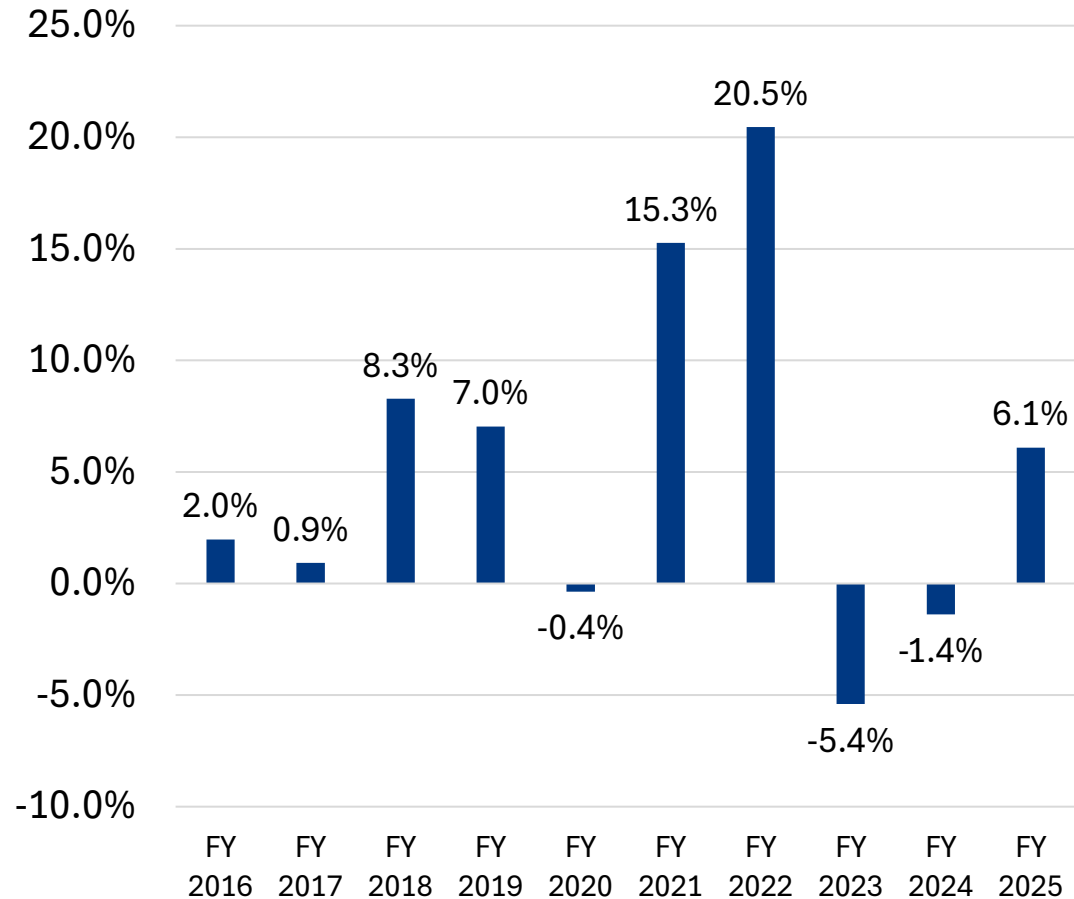
MTF has identified three primary threats to the state's long-term fiscal stability:

1. Persistent **stagnation or declines in state tax revenue** collections, exacerbated by a larger economic downturn.
2. New and existing pressures on **state budget spending growth**.
3. Increased **reliance on volatile revenue sources** to support state spending, including the surtax and one-time revenue solutions.

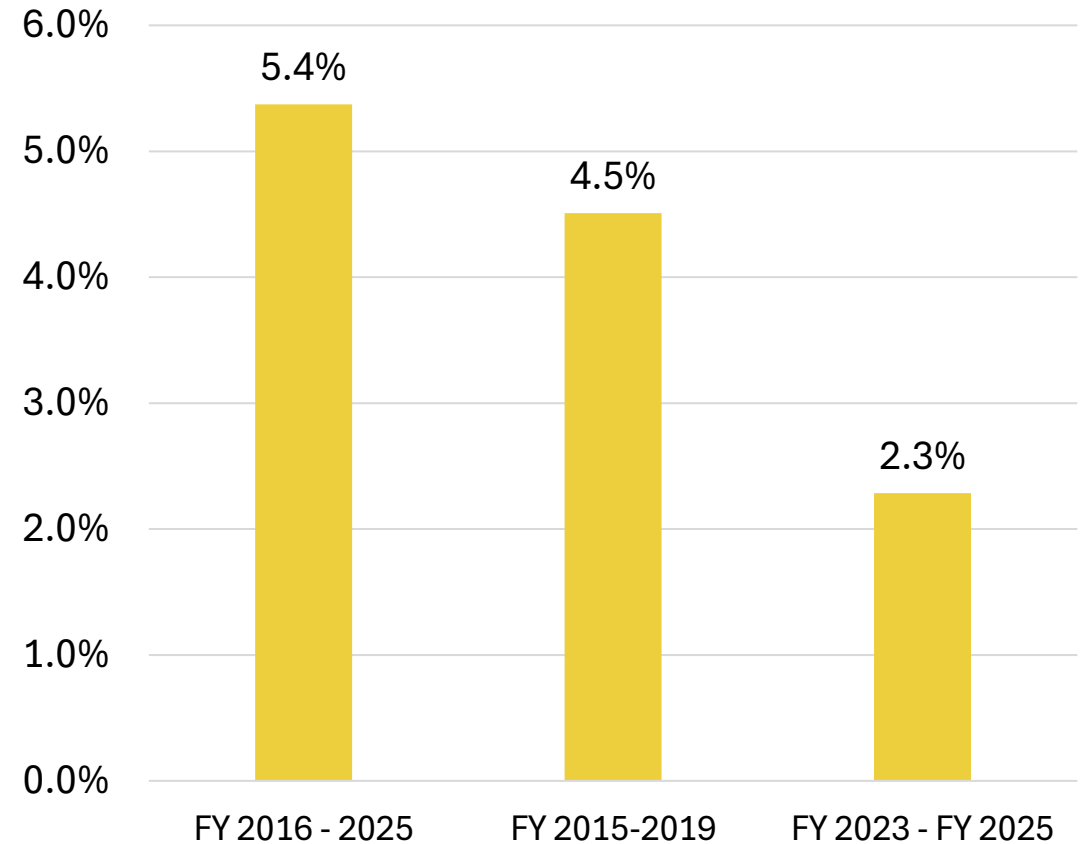
These threats stem from a combination of external events—particularly federal policy action—and internal decisions. Combined, they present Governor Healey and the Legislature with an unmistakable message: ***the time to address risks to the structural stability of the state budget is now.***

Volatile Revenue Growth → Revenue Stagnation

Non-Surtax Revenue YoY Tax Growth

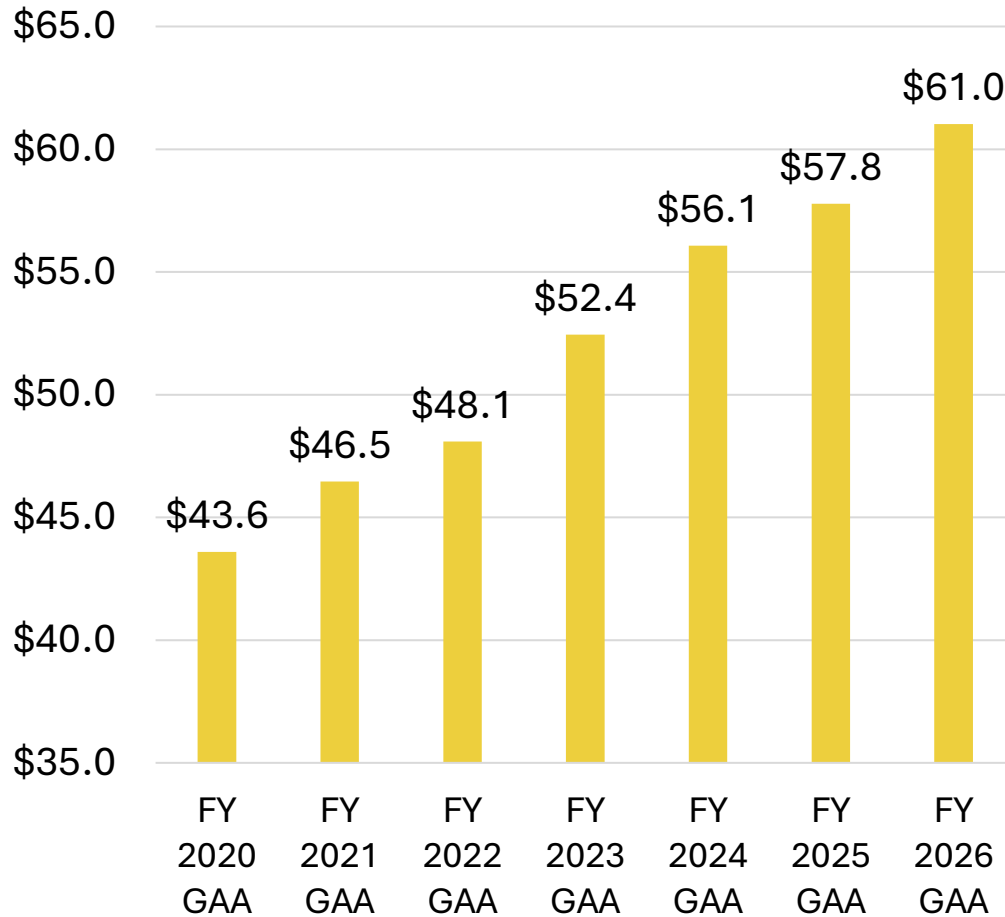


A Closer Look at Compound Annual Tax Growth Rate

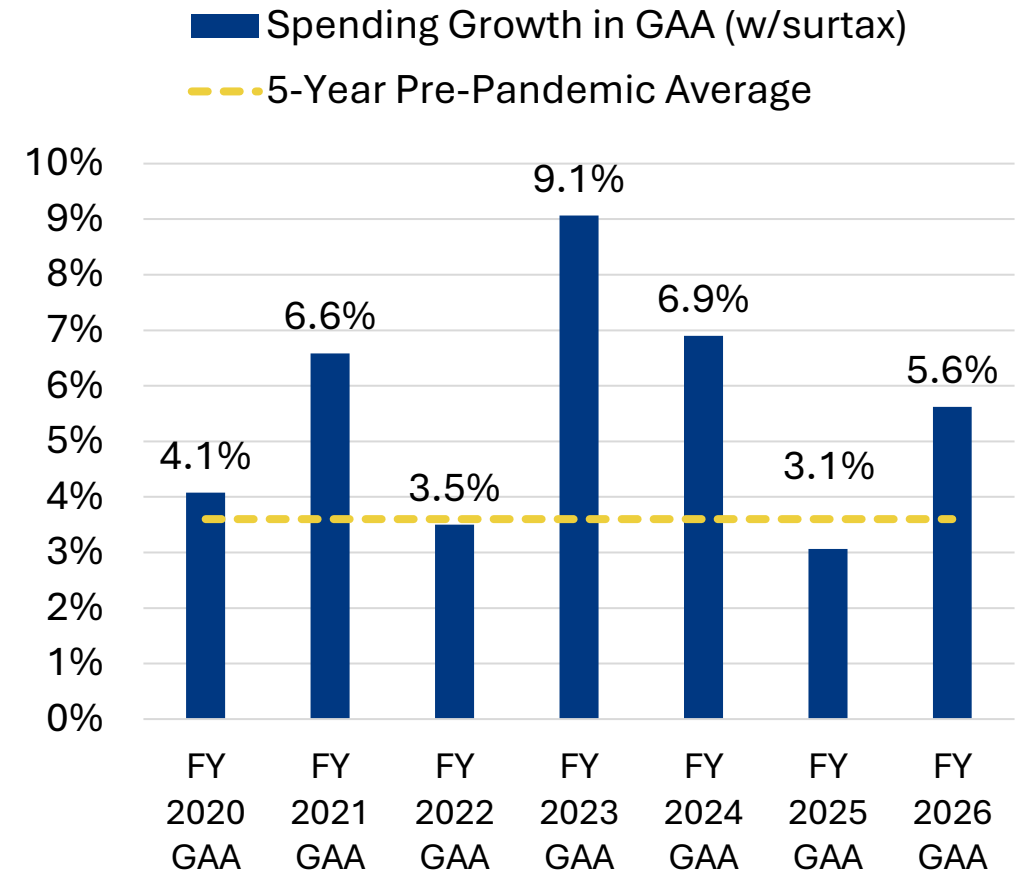


Sustained State Spending Pressures

**State Budget Spending,
FY 2020 – FY 2026**

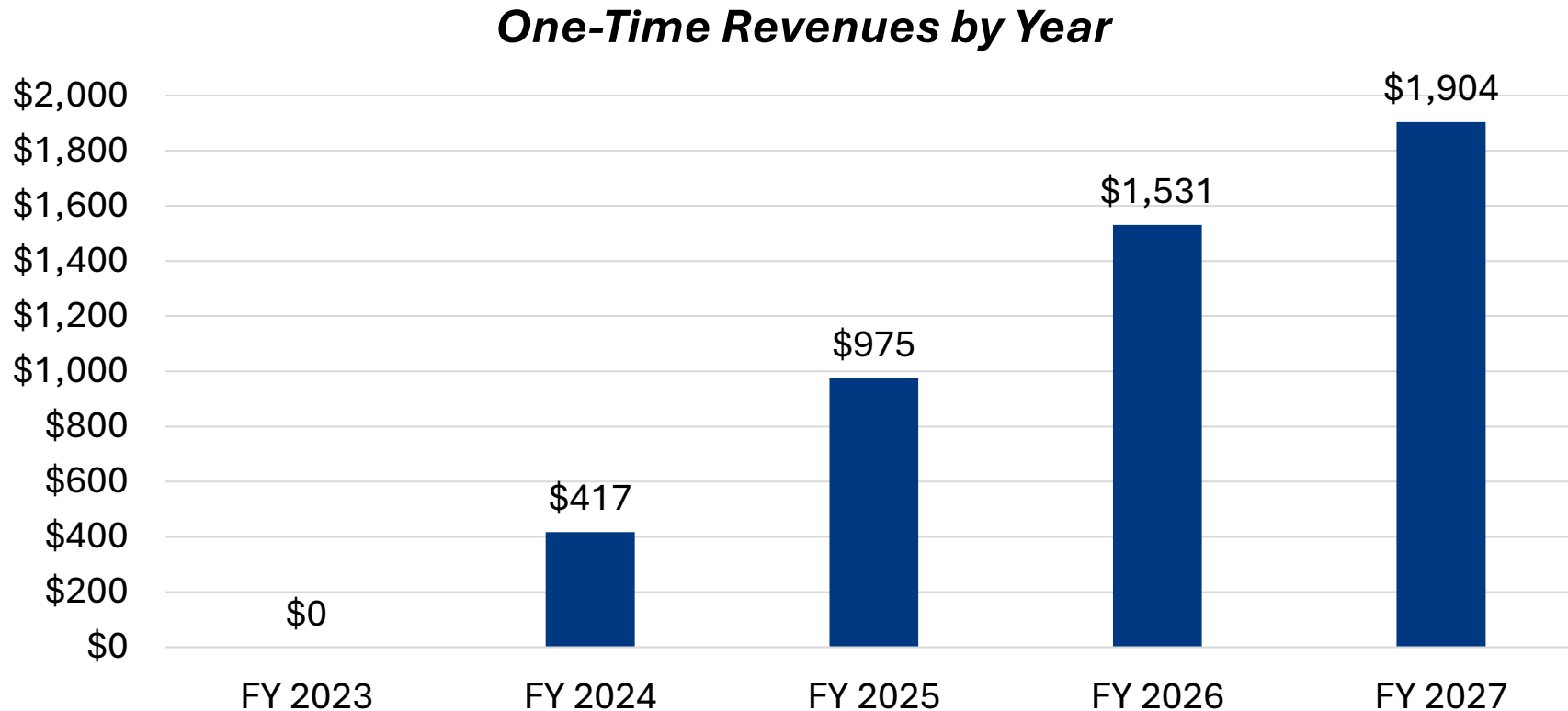


**State Budget YOY Growth,
FY 2020 – FY 2026**



Reliance on One-Time Resources Increase

Thanks to strong tax collections in FY 2021 and FY 2022, the state budget included no significant one-time resources in the FY 2023 budget. **Since that time, the level of one-timers has grown consistently**, topping \$1.9 billion in FY 2027.



Three Fiscal Years at a Time

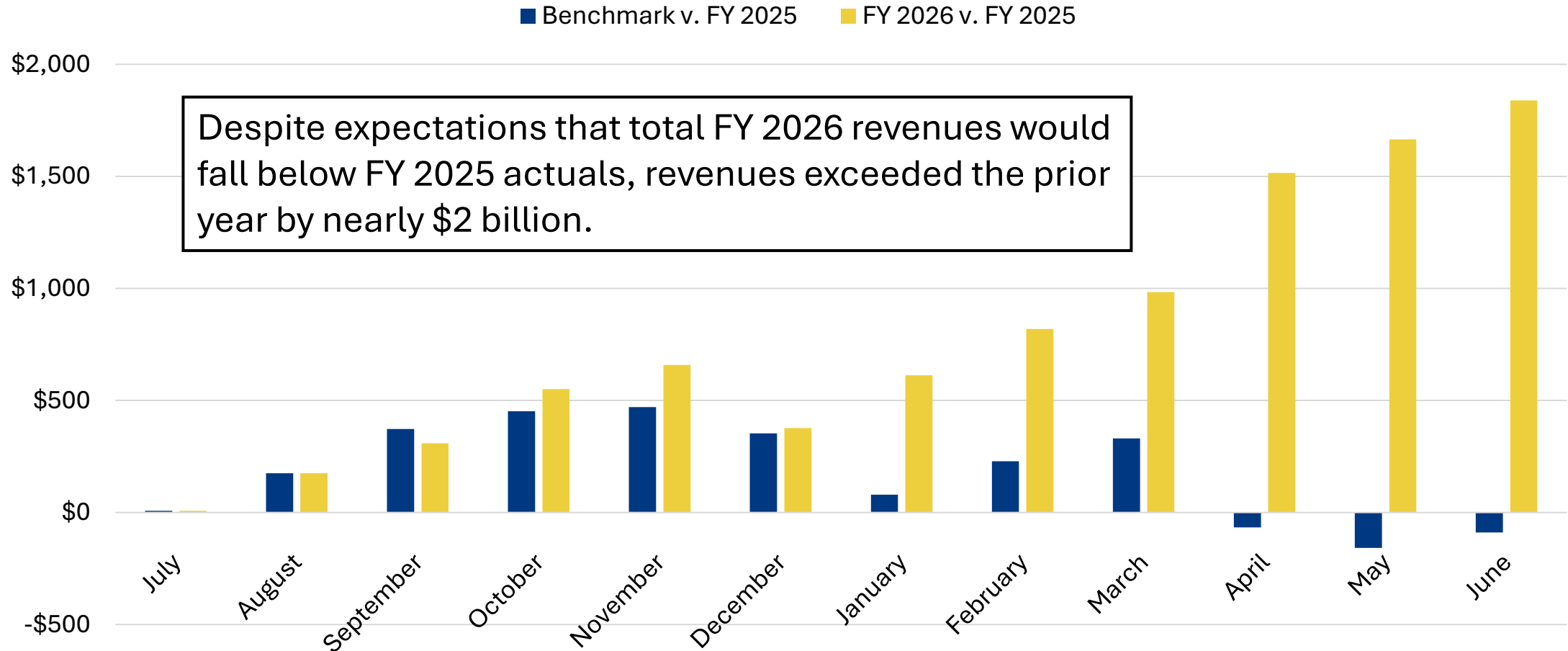
State budget officials and policymakers have reached the point during the calendar year when it is necessary to balance the demands of three fiscal years at the same time.

- **FY 2026** – The Healey administration recently filed an FY 2026 Closeout Supplemental Budget, which will now be considered by the House and Senate.
- **FY 2027** – Revenue benchmarks for FY 2027 are expected from DOR in the coming weeks. The Healey administration will continue to monitor state budget exposures and federal policy actions.
- **FY 2028** – The FY 2028 budget development process will kick-off in early December with the Consensus Revenue Hearing.

Stakeholders from the public, private, and non-profit sectors are also actively watching the impacts of federal action on Massachusetts and the broader economy. Significant changes to the state/federal partnership will not only impact state budget decisions but also require new strategies.

FY 2026 Tax Revenue Collections

YTD Revenue Benchmark v. FY 2025, FY 2025 v. FY 2026



FY 2026 Revenue Collections by Category

Tax revenues totaled **\$45.5 billion in FY 2026**, \$1.8 billion (4.2%) ahead of FY 2025 actuals and \$1.9 billion (4.4%) ahead of benchmark.

Non-withheld income tax collections grew over benchmark by 25%, driving most of the above-benchmark performance.

FY 2026 Tax Collections to Date by Category

	FY 2025 YTD	FY 2026 YTD	FY 2025 v. FY 2026	Growth to Date v. FY 2025	FY 2026 YTD BM	YTD v. BM	Growth to Date v. BM
Withholding	\$19,056	\$20,243	\$1,187	6.2%	\$19,829	\$414	2.1%
Non-Withholding	\$7,657	\$8,509	\$852	11.1%	\$6,811	\$1,698	24.9%
Sales	\$9,599	\$9,790	\$191	2.0%	\$9,633	\$157	1.6%
Corporate/Business	\$4,668	\$4,170	-\$498	-10.7%	\$4,750	-\$580	-12.2%
Other	\$2,725	\$2,830	\$105	3.9%	\$2,591	\$239	9.2%
Total	\$43,705	\$45,542	\$1,837	4.2%	\$43,614	\$1,928	4.4%

\$ in millions

Estimating Available Revenues in FY 2026

FY 2026 Estimated Revenue Surplus

FY 2026 Revenue Benchmark	\$43,614
<i>less surtax spending cap</i>	<i>(\$2,400)</i>
<i>less capital gains projection</i>	<i>(\$2,327)</i>
FY 2026 Adj. Revenue Benchmark	\$38,887
FY 2026 Est. Revenues	\$45,542
<i>less surtax collections</i>	<i>(\$3,380)</i>
<i>less capital gains collections</i>	<i>(\$3,216)</i>
FY 2026 Adj. Revenue Estimate	\$38,946
Adj. Actuals v. Benchmark	\$59

\$ in millions

- Excluding surtax and capital gains revenues provides a clearer estimate of available revenues to balance the budget.
- Less surtax and capital gains, the FY 2026 revenue benchmark is \$38.9 billion.
- Actual FY 2026 revenues are projected to reach \$38.9 billion – **creating a \$59 million surplus.**
- Like in FY 2025, the Healey administration will have **little flexibility in managing a balanced budget in FY 2026.**

Governor's Closeout Supplemental Budget

On September 23rd, Governor Healey filed her administration's closeout supplemental budget for FY 2026.

The **\$2.3 billion spending bill** addresses deficiencies that arose throughout the fiscal year, as well as anticipated FY 2027 spending needs based on current trends. It also **includes 196 outside policy sections**, which cover a range of topics – including a proposal to suspend the gas tax for two months.

Spending by Category in the Governor's Closeout Supplemental Budget

Category	Gross Spending	Revenue Offset	Net Spending
Deficiency	\$ 283.25	\$ -	\$ 283.25
MassHealth	\$ 1,802.12	\$ 771.84	\$ 1,030.28
New Spending	\$ 207.83	\$ -	\$ 207.83
Total	\$ 2,293.20	\$ 771.84	\$ 1,521.36

MassHealth represents the single largest deficiency in the closeout supplemental budget, as has become common in recent years. After accounting for federal reimbursements, **net spending totals \$1.5 billion**.

Notable Fiscal Policy Proposals

Policy Proposal	Est. Fiscal Impact	Description
Capital Gains Distribution	\$600M to GF	Redistributes above-threshold capital gains revenues: \$600M to the General Fund, \$246M to the Healthcare Stabilization Fund, and \$43M to the Stabilization Fund.
SOA Investment Fund Transfer	\$250M	Transfers \$250M of above-cap surtax revenues from FY 2026 into the SOA Investment Fund.
EEC Operational Grant Fund Transfer	\$50M	Transfers \$50M of above-cap surtax revenues from FY 2026 into the EEC Operational Grant Fund.
Healthcare Stabilization Fund		Establishes a new trust fund to mitigate disruptions to the health care system, including those caused by federal policy changes. Capitalized with excess capital gains revenue, est. CNS.
OB3 Tax Conformity		Eliminates tax penalties and interest payments for businesses impacted by state-level action to delay conformity with federal tax law changes in OB3, provided that taxpayers file adjusted returns or make necessary payments by March 1, 2027.
FY 2028 Surtax Threshold		Pauses the requirement for the surtax spending cap in FY 2028 to be set according to the 10-year rolling rate of growth for income subject to the surtax.

Fiscal Condition – Key Takeaways

- The state has **managed its finances relatively** well during a very turbulent 7-year period.
- Massachusetts has **grown several major programs in the education space** while maintaining strong reserves and cutting taxes.
- However, the budget's structural deficit has grown despite a growing economy, **meaning that the state budget would be hard hit by an economic downturn.**
- Surtax resources have largely been accounted for in the operating budget and **there is likely to be a surtax spending cliff over the next several years.**
- The current fiscal context has yet to reflect major state budget impacts of federal policy changes, but **that is likely to change significantly in FY 2028.**

Key Trends to Watch

As the Commonwealth closes the books on FY 2026 and looks ahead to FY 2027 and FY 2028, there are several revenue and spending trends to track closely:

- **FY 2027 revenue benchmarks have not yet been released by DOR.** The benchmarks will indicate the administration's expectations for revenue performance throughout the year.
- **Corporate tax collections have been a consistent weakness** offset by consistent growth in withheld income taxes and strength in volatile non-withheld collections.
- The level of one-timers used to support spending FY 2027 increased to nearly \$1.9 billion, contributing to **a growing structural budget gap that budget writers will need to address in FY 2028.**
- In FY 2027, the state faces **several key deadlines related to federal policy actions** that will have direct and indirect consequences for Massachusetts.

A photograph of a city skyline at dusk or dawn, with several tall skyscrapers illuminated by their internal lights. The sky is a pale blue, and the city lights are reflected in the water in the foreground. A dark blue semi-transparent banner is overlaid across the middle of the image, containing the title text in white.

MTF's 2026 Competitiveness Index

MTF's Competitiveness Index



The Index measures Massachusetts' performance in **27 core metrics** and **9 detail breakout metrics** across **4 categories**:

- Economic Health
- Population & Labor Force Trends
- Business, Employment, & Investment Factors
- Resident Life

With the third year of the Index, in addition to highlighting Massachusetts' core strengths and challenges, we can see **trends begin to emerge beneath the surface** of the national rankings we track year after year.

2026 is also the second year MTF has collaborated with MassInc on a **Competitiveness Poll** to see how these data trends coincide with public opinion.



The Competition



Regional Competitors

Our New England neighbors:
CT, ME, NH, RI, & VT



Economic Competitors

The non-New England states that MA lost the most jobs to in 2022:
CA, FL, NY, NC, & TX



Our Biggest Strengths & Weaknesses

MA Ranks in the Top 5

1st	Population 25+ with a Bachelor's Degree or Higher
1st	4 th Grade K-12 Reading and Math Scores
2nd	Gross State Product per Capita
2nd	Average Weekly Wages
3rd	Venture Capital Investments
3rd	International Migration

MA Ranks in the Bottom 5

45th	Private Employment Growth
45th	Regional Price Parity (Cost of Living)
46th	GINI Index (Income Inequality)
46th	Domestic Migration
47th	Energy Costs
47th	Commute Time
48th	Health Care Costs Paid by Employers
49th	Business Formations per Private Employee
49th	Infant Childcare Costs

How Do We Measure Up?

MA ranks in the top half of the economic competitor rankings 11 times and in the bottom half 16 times.

Economic Health

MA in Top 3	MA in Bottom 3
2 metrics	4 metrics

Business, Employment, & Investment

MA in Top 3	MA in Bottom 3
1 metric	5 metrics

Population & Labor Force

MA in Top 3	MA in Bottom 3
3 metrics	4 metrics

Resident Life

MA in Top 3	MA in Bottom 3
5 metrics	3 metrics

Across several metrics, **economic competitor states made significant gains over the last year**, outpacing MA's progress, even in metrics where MA has historically been strong:

Average weekly wages in CA grew by 1.5 times MA wage growth

International student enrollment in TX grew by more than triple MA's increase

FL, NY, & CA all saw **VC investment** grow by 50% while in MA VC grew by 7%

How Have the Rankings Changed?

Year-over-year, changes in national rankings are minimal and can also respond to actions in other states and national economic trends.

MA's greatest ranking improvements were in:

Poverty Rate

2025 Index	2026 Index
16 th	9 th

Private Employment Growth

2025 Index	2026 Index
50 th	45 th

Housing Cost Burden

2025 Index	2026 Index
45 th	43 rd

MA's greatest drops in rankings were in:

Unemployment

2025 Index	2026 Index
31 st	43 rd

Labor Force Growth

2025 Index	2026 Index
10 th	39 th

Home Insurance Rates

2025 Index	2026 Index
14 th	22 nd

Beyond The Rankings – Notable Progress

Though for most metrics, we see little change compared to last year, **when we look under the hood and compare progress across all three years of the Index**, some bright spots emerge even in areas where MA has historically struggled, and we do see improvement over time.

Regional Price Parity (Cost of Living)

2026 Index	105.8%
2025 Index	108.2%
2024 Index	109.4%

GINI Index (Income Inequality)

2026 Index	0.4820
2025 Index	0.4879
2024 Index	0.4976

Labor Force Participation Rate

2026 Index	66.5%
2025 Index	66.3%
2024 Index	64.9%

Beyond The Rankings – Detail Breakouts

To capture the ongoing affordability challenges facing residents and businesses, this year's Index introduces **six new detail breakouts** that take a closer look at the state's most prominent strengths and weaknesses:

Housing Production

MA ranks 43rd – housing stock grew by just 0.4% between 2024 and 2025

Share of Residents with a Commute Time of 45+ min.

MA ranks 47th – 23.7% of commuters live at least 45 min. from work

Ratio of Unemployed Persons to Job Openings

MA ranks 45th – for every 3 unemployed people, there are only 2 job openings

Quality of Health Care Systems

MA ranks 1st – MA leads the country with a 90% vaccination rate

Electricity Generation

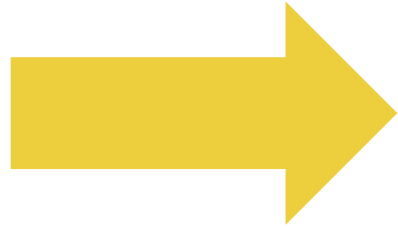
MA ranks 43rd – our economic competitors all rank in the top 10

K-12 Spending per Pupil

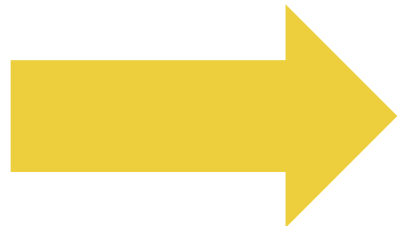
MA ranks 5th – investing \$24,429 per pupil in 2024, spurred by the SOA

Beyond The Rankings – Federal Impacts

MA uniquely faces risks from a rapidly changing and unsettled federal landscape. Two clear examples of the direct **impact of federal changes on MA** can be seen in our rate of **international migration** and **NIH grants**:



International migration to MA has slowed from 1.09% in 2024 to 0.56% in 2025, posing an immediate risk to MA's economy and higher education system. As a result of the drop in international migration, **MA's ranking for one-year labor force growth dropped from 10th to 39th**.

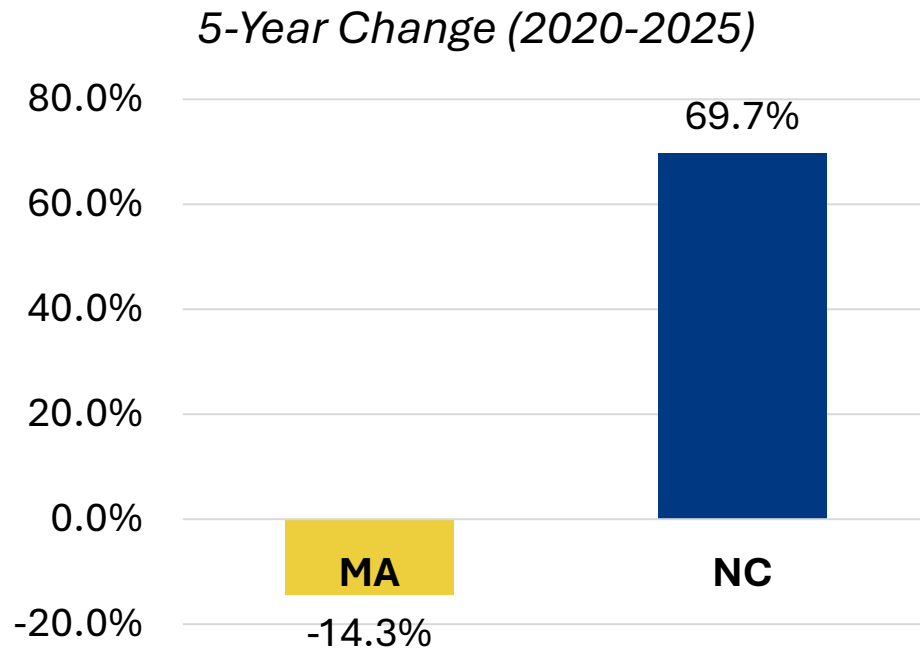


MA has lost nearly \$100 million in NIH grant funding since the start of the Trump administration, while many grants resumed after the court overturned the elimination of funding, new regulations have been announced that could further limit access to funding if research projects are not aligned with the administration.

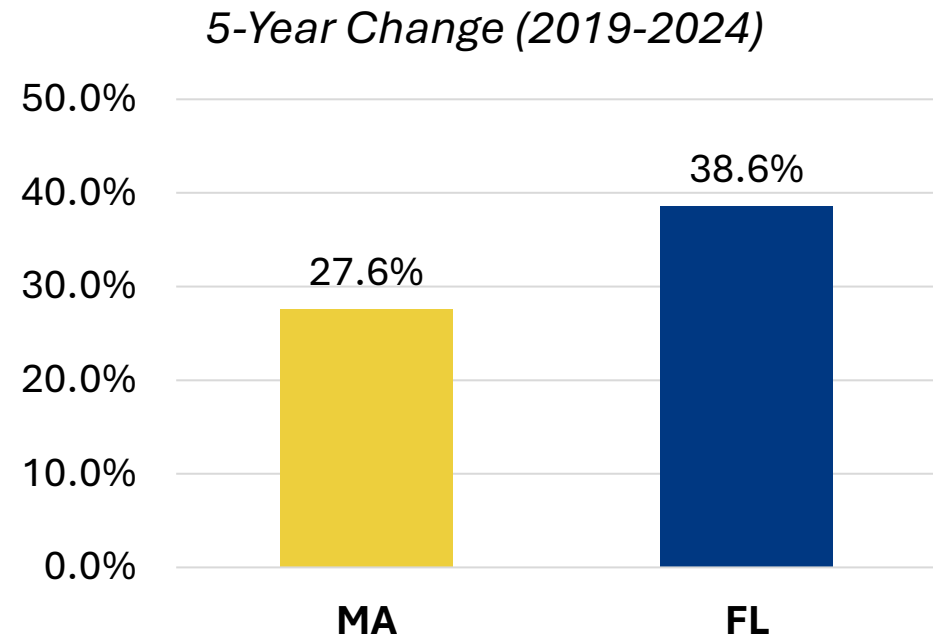
Beyond The Rankings – National Trends

The affordability challenge is not unique to MA, and we can see that in the trends across our competitors – even those that are thought of as lower-cost states, **high costs are catching up**.

Employer Unemployment Insurance Tax



Health Care Costs Paid by Employer



Connecting the Index with Action

MTF's 2026 Competitiveness Agenda

Lower the Cost of Doing Business – Reduce barriers to business formation and growth by reforming the state's unemployment insurance system.

Reduce the Tax Burden on Residents – Address tax burdens affecting business and resident location decisions including by phasing out the estate tax.

Invest in Our Communities through Housing & Childcare – Spur innovative housing production through programs like Momentum Zones and build on recent investments in childcare by supporting the C3 grant program and other unique programs.

Build on our Elite Education System – Ensure a strong consistent statewide standard for high school graduation and ensure that Foundation Budget reform discussions tie additional resources to rigorous high standards.

Strengthen Innovation through Research & Development – Support public and private higher education institutions impacted by federal funding cuts to maintain MA's status as an innovation hub.

A photograph of the Springfield skyline at dusk, featuring several tall skyscrapers with illuminated windows. The buildings are reflected in the water in the foreground. A dark blue horizontal bar is overlaid across the middle of the image, containing the text "Springfield Spotlight" in white.

Springfield Spotlight

Education

Population 25 Years & Older with a Bachelor's Degree or Higher

Springfield – 21.4%

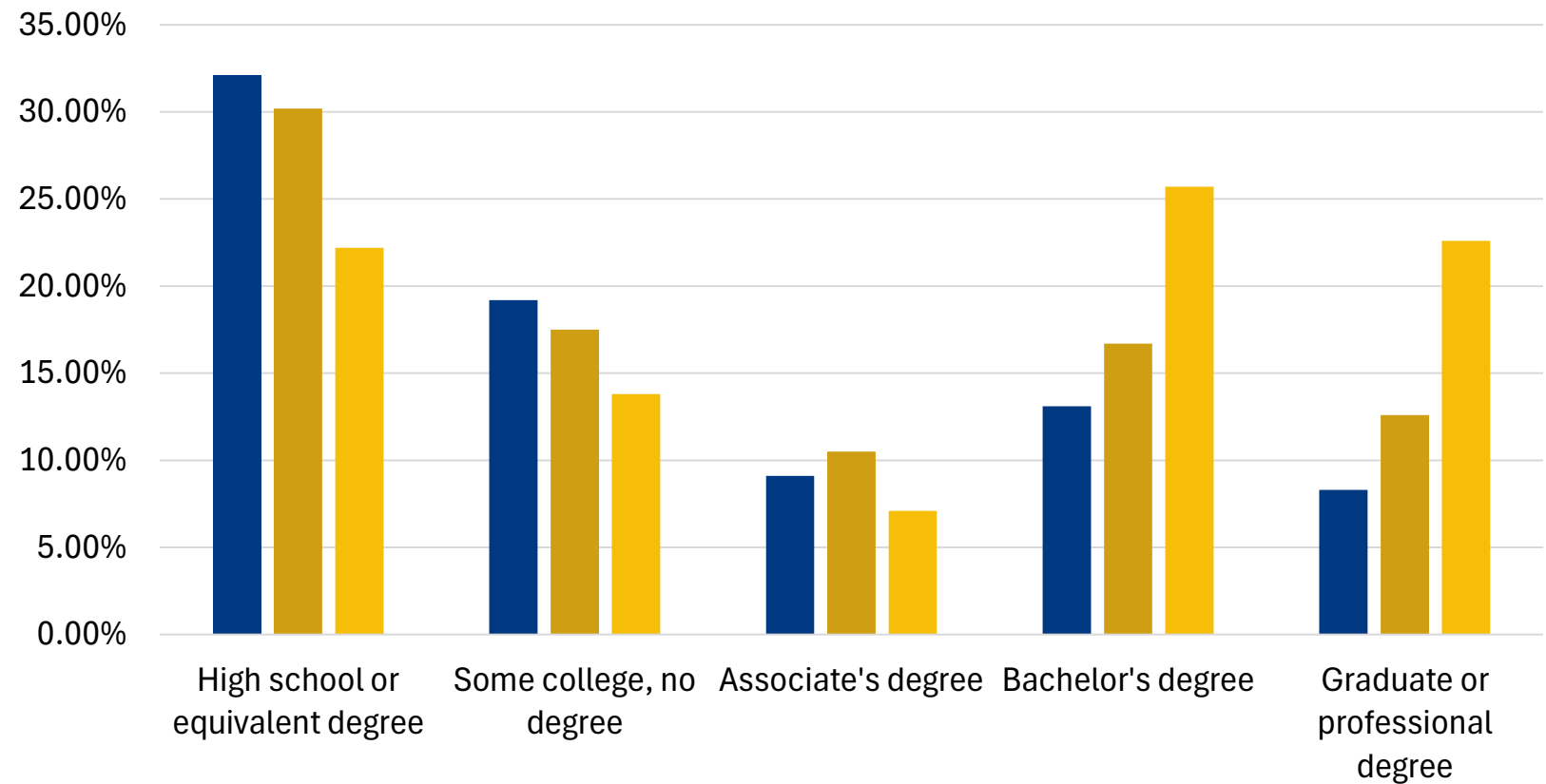
Hampden County – 29.3%

Statewide – 48.3%

Education Attainment

(Population 25 years or older)

■ Springfield ■ Hampden County ■ Massachusetts



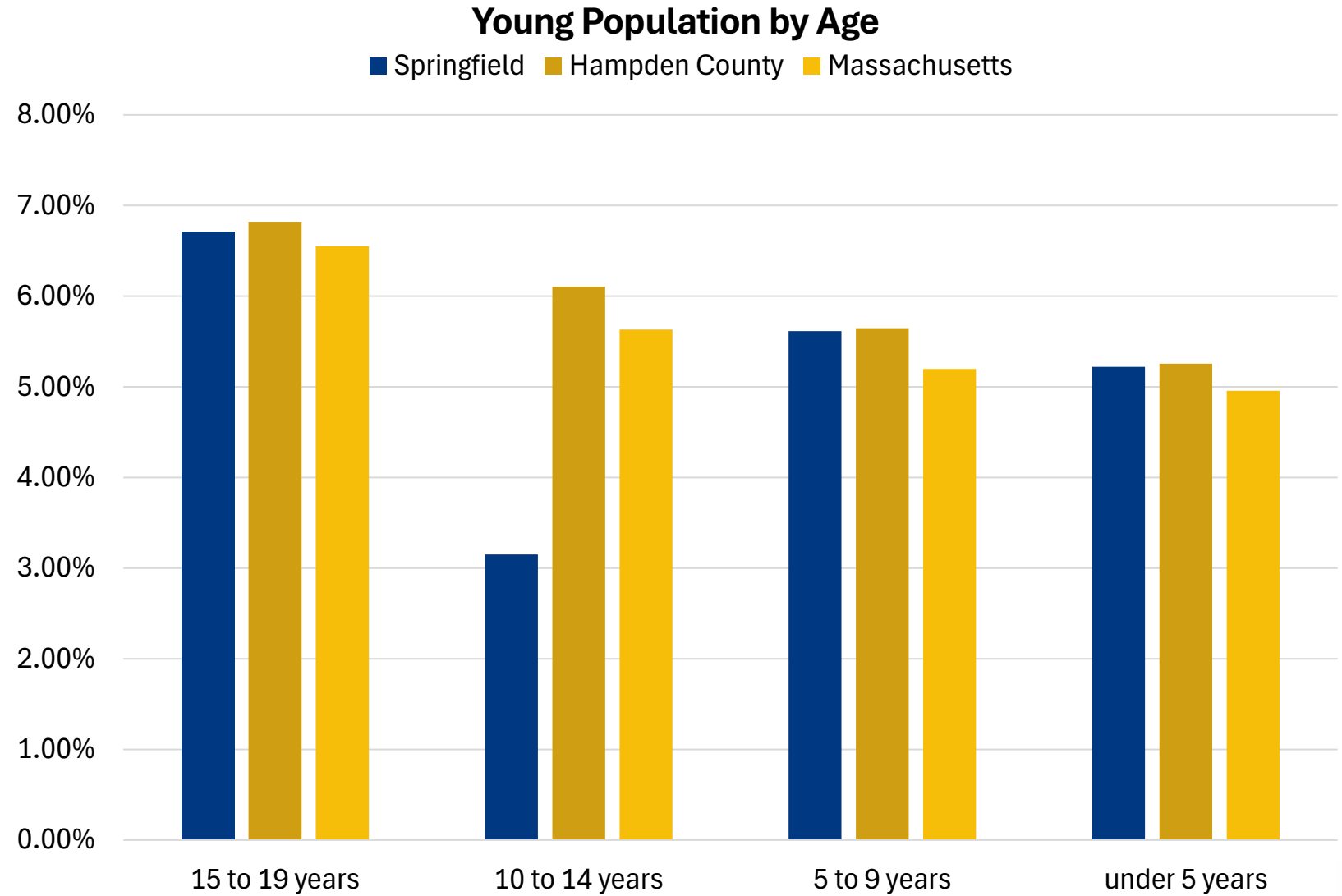
Population Age

Population 65 years or older

Springfield – 13.3%

Hampden County – 19.3%

Statewide – 18.7%



Poverty Rate & Income Level

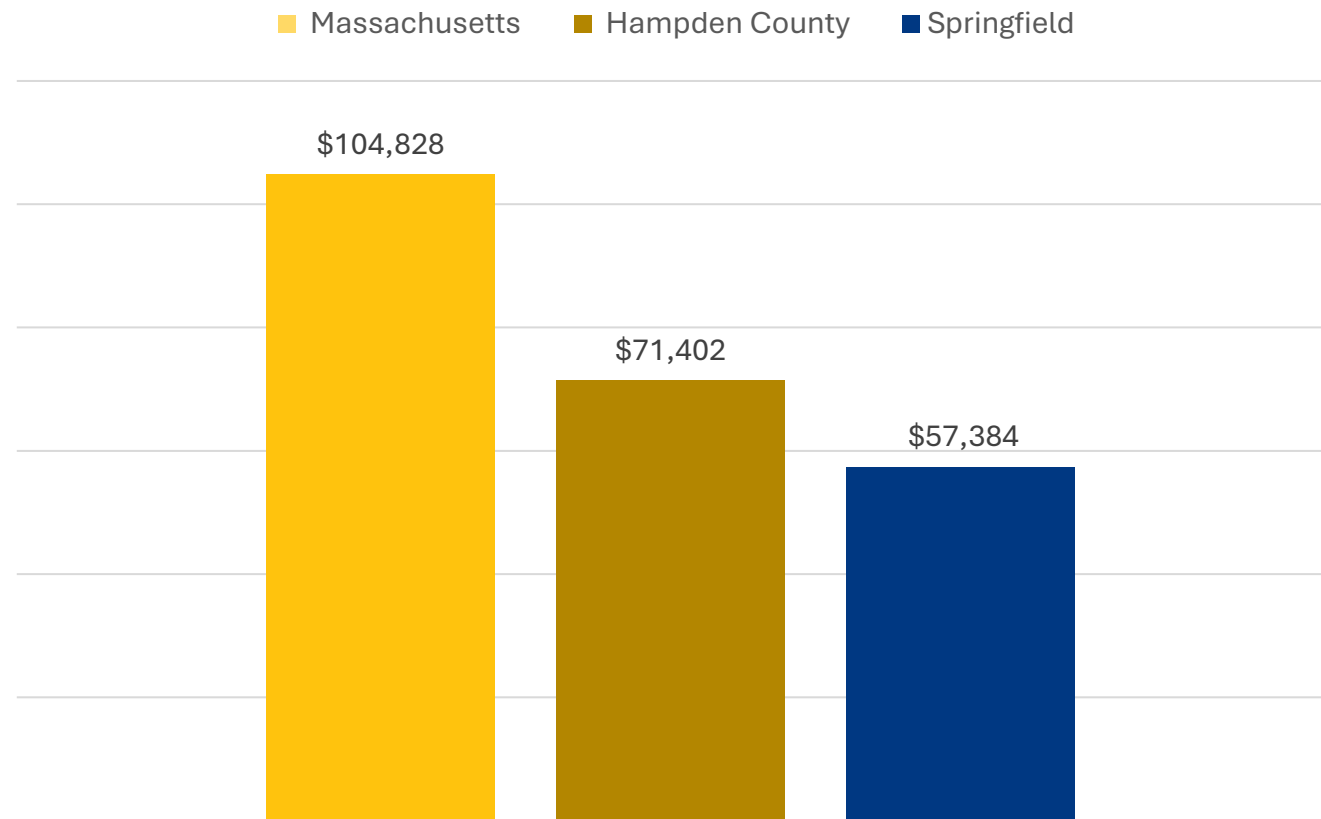
Poverty Rate

Springfield – 23.8%

Hampden County – 16.3%

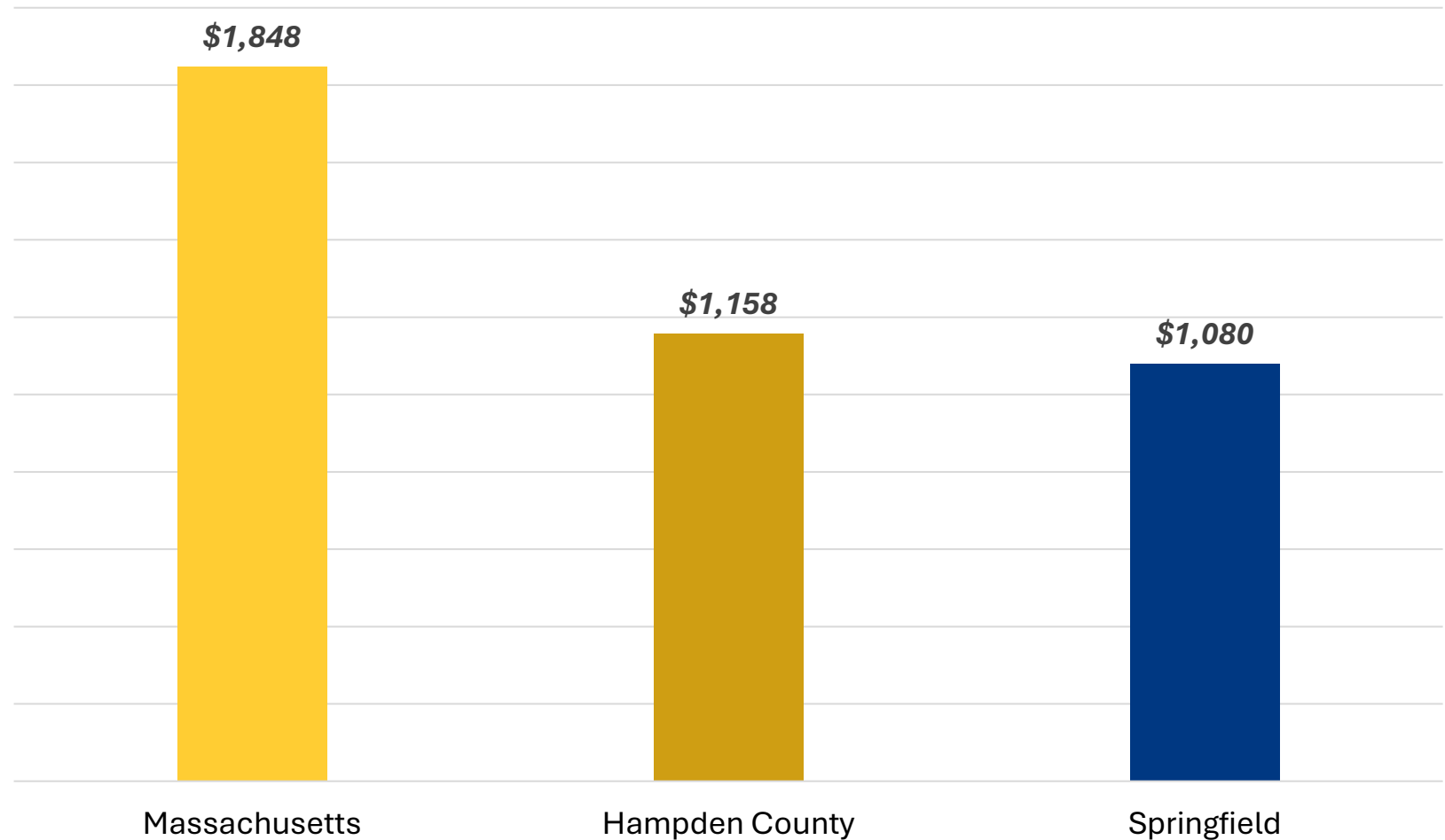
Statewide – 9.7%

Median Household Income



Housing

Median Gross Rent



Homeownership Rate

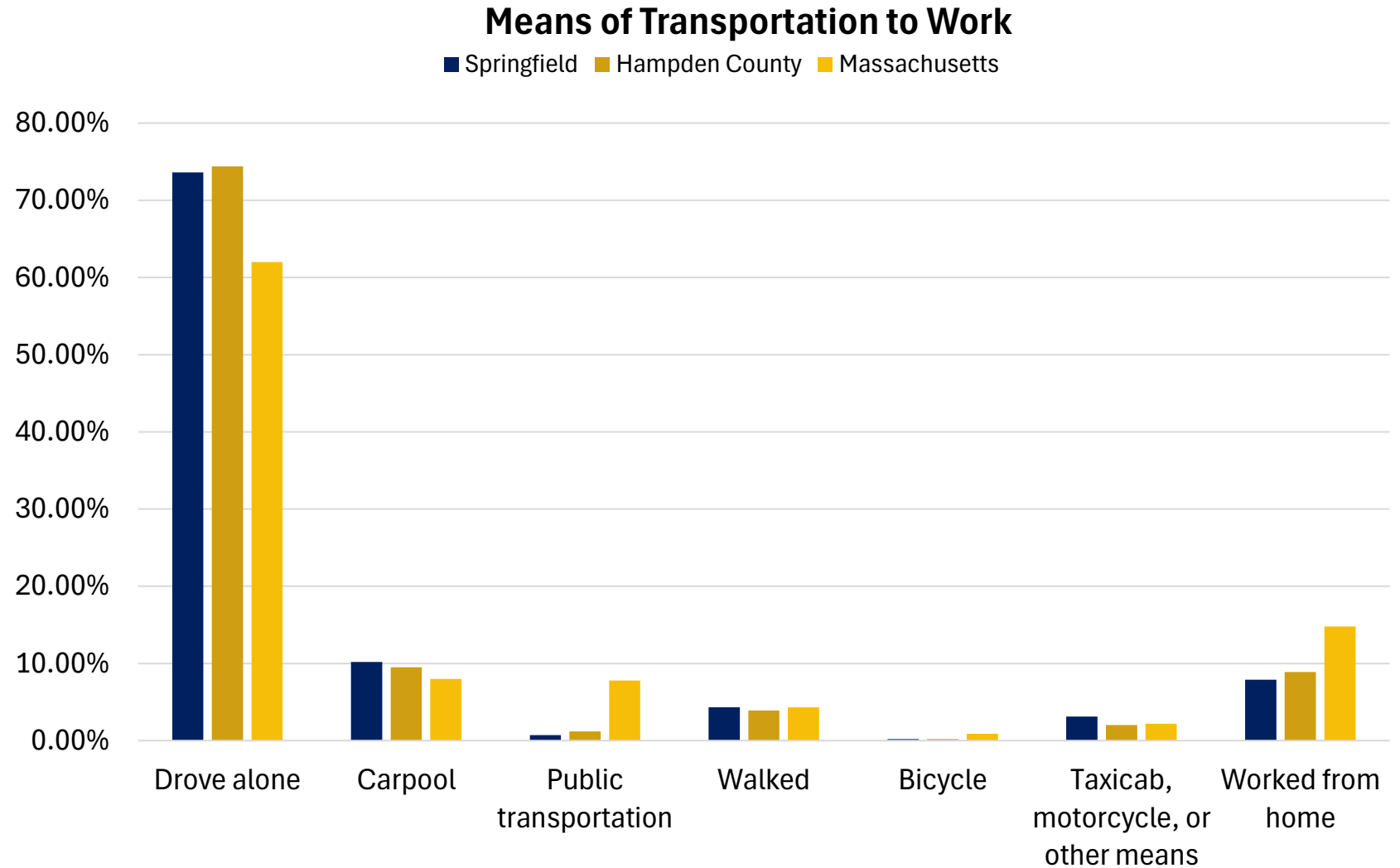
Springfield – 53.7%

Hampden County – 63.5%

Statewide – 62.4%

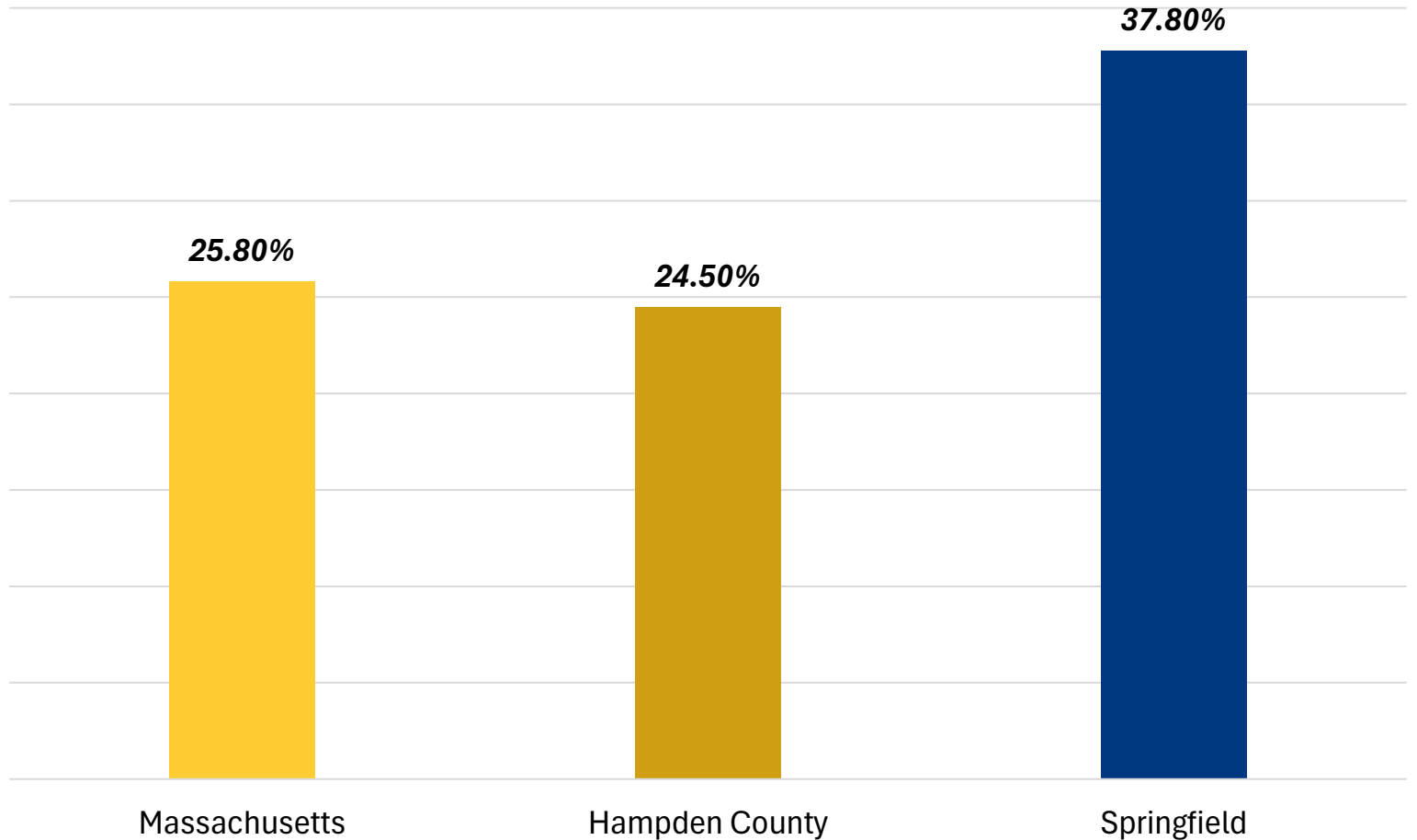
Commuting

Commute Time
Springfield – 21.6 min
Hampden County – 24 min
Statewide – 30.6 min



Diversity & International Migration

Language other than English spoken at home



Foreign Born Population

Springfield – 50% not a US citizen

Hampden County – 45% not a US citizen

Statewide – 47.9% not a US citizen

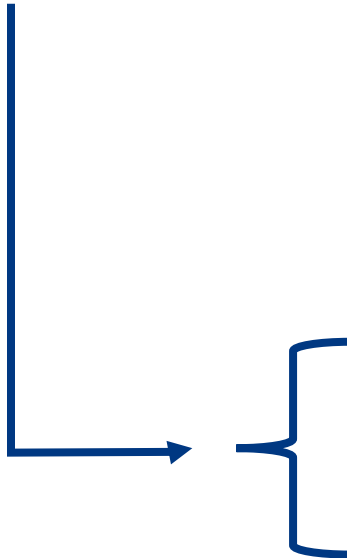
A photograph of a city skyline at dusk or dawn, with several tall skyscrapers illuminated by their internal lights. The sky is a pale blue-grey. In the foreground, a body of water reflects the city lights. A dark blue, semi-transparent rectangular overlay covers the lower half of the image, and the words "Ballot Questions" are written in white, bold, sans-serif font across the center of this overlay.

Ballot Questions

Ballot Questions Coming Before the Voters

In November, Massachusetts residents will vote on 9 initiative petitions that would make major changes to state law.

Four questions for today's discussion:

- 
- Question 1: Public Records Law
 - Question 2: CPCS Union
 - Question 3: All-Party Primaries
 - Question 4: Election Day Registration
 - **Question 5: Tax Cap Change**
 - **Question 6: Sales Tax to Conservation Fund**
 - **Question 7: Single Family Home Zoning**
 - **Question 8: Recreational Marijuana Legalization Repeal**
 - Question 9: Gun Law Repeal

MTF Analysis – Tax Cap Change

Key Takeaways:

- The proposal to tie the annual tax collection cap to prior year collections would increase the frequency of excess tax collections by ~4X.
- The change would provide residents with between \$200-\$1,000 in refunds roughly once every 3 years.
- The change would do little to affect spending decisions during the budget development process.
- The change would significantly reduce Stabilization Fund deposits.
- The change would make it very difficult for state revenues to recover following a recession – capping collections well below prior levels.

Estimated Refunds v. Stabilization Fund Deposits

Year	62F Excess Refunds (Proposed)	Stabilization Fund Deposit (Actual)
FY 2018	\$931	\$700
FY 2021	\$3,409	\$1,125
FY 2022	\$1,788	\$2,312
FY 2024	\$3,942	\$488

Impact on Recession Recovery

Year	Actual Tax Collections	Actual Revenue Growth	Growth with Proposed 62F
FY 2008	\$21,009		
FY 2009	\$18,513	-11.9%	5.2%
FY 2010	\$18,792	1.5%	1.5%
FY 2011	\$20,776	10.6%	0.4%

MTF Analysis – Other Ballot Questions

Sales Tax to Conservation Fund – Question 6

- The proposal would dedicate all sales tax revenues from sale of sporting goods, recreational vehicles, and golf courses to support conservation
 - 50% of revenues starting in FY 2029
 - 100% of revenues starting in FY 2030

Single Family Zoning – Question 7

- Establishes a statewide minimum lot size for single-family homes of 5,000 square feet, at least 50 feet of frontage, and access to public sewer and water services

Recreational Marijuana Repeal– Question 8

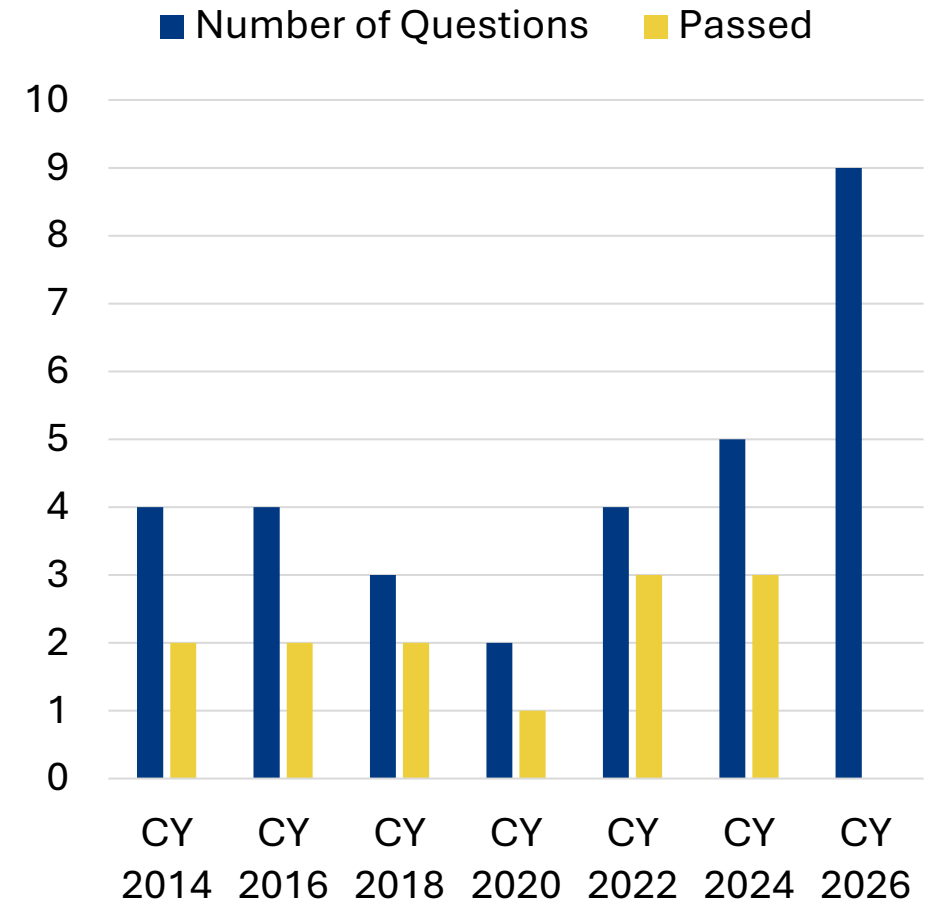
- The proposal would prohibit the sale, cultivation and taxation of recreational marijuana. The proposal would reinstitute civil and criminal penalties for marijuana possession
 - Massachusetts legalized the possession, sale and cultivation of recreational marijuana in 2016

The Challenge of Policy Through the Ballot

This election cycle will likely set a record for the number of initiative petitions put before the voters. The Constitution enshrines the ability to take measures directly to voters, but the ballot question process has several notable drawbacks:

- The process is often **viewed by voters as a referendum** on a topic as opposed to a statute to be implemented
- It provides **no opportunity for compromise or adjustment**
- There is **little opportunity to inform voters** on the topic of the question, aside from proponent/opponent ads
- It creates **poor incentives for compromise**

Ballot Questions by Election Cycle



Thank You!



For any questions about MTF and more information on this presentation:

Doug Howgate, President
dhowgate@masstaxpayers.org

Debbie Carroll, Director of Membership & Business Development
dcarroll@masstaxpayers.org

Follow us on social media!



Massachusetts
Taxpayers
Foundation



@masstaxpayersfd