

MASSACHUSETTS

In-State Risk Factors and Safeguards

1. Is there a revenue source dedicated to K–12 education? If not, what legal protections exist for education funding?

Massachusetts’s Fair Share Amendment, enacted in 2022, established a wealth tax of 4 percent on all income above \$1 million. This revenue is split between education and transportation in a manner determined annually by the legislature. In 2025, \$761.5 million of \$1.3 billion in revenue was dedicated to public education.¹ This portion contributes to the state’s annual appropriation for the school funding formula, the calculation of which is defined in statute.² Separately, one penny of the state’s sales tax is dedicated to the Massachusetts School Building Authority, which supports school construction projects.³

Education spending has been a priority in recent years. The school formula was significantly updated in 2019 through the Student Opportunity Act, and has fully funded its implementation thus far.⁴

A constitutional right may act as a deterrent to large cuts to education funding. Massachusetts does have a court-affirmed constitutional right to education (*McDuffy v. Secretary*, 1993), and more recent cases have re-affirmed this right but have not expanded or strengthened it.⁵

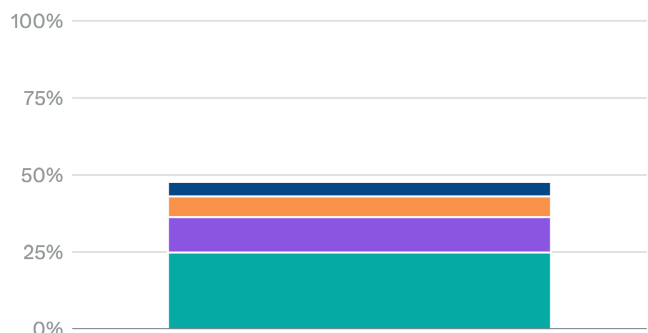
2. What budget commitments could limit spending flexibility?

A significant percentage of state spending is on autopilot—dictated by existing law and contracts—which limits states’ flexibility.⁶ To assess how much room policymakers have to protect education funding, we created a rough measure of how much of the General Fund is

Massachusetts General Fund Expenditures on Autopilot (2024)

General Fund fixed cost expenditures, millions of 2024 dollars

Medicaid Debt Service
Pensions Corrections



TANF & Other Cash Assist. composes <1% of total and is not visible on the chart.

Source: NASBO 2025 State Expenditure Report.

restricted.⁷ We conservatively estimate that roughly 48 percent of Massachusetts' General Fund is restricted.

Because states define budget categories differently, it is hard to estimate restricted General Fund spending in a consistent way. Further, what counts as “restricted” and “discretionary” spending is partially dependent on political will and might shift under fiscal stress. These estimates should therefore not be viewed as precise measures, but as an indication of the limits on policymakers' fiscal flexibility.

3. Are the state's revenue sources vulnerable to an economic downturn?

An analysis by The Pew Charitable Trusts found that Massachusetts's 15-year tax revenue volatility—the swings in a state's revenues from year to year as the economy changes—was very slightly above the national average, with the biggest swings in corporate and personal income tax revenues.⁸

Massachusetts generates over 50 percent of its revenue from personal income taxes.⁹ These are generally progressive taxes, designed to ensure that contributions reflect residents' ability to pay, but they are closely tied to unemployment rates and wages, making revenues potentially volatile and difficult to forecast in a downturn.¹⁰

Because Massachusetts links its tax code to federal tax code, recent federal changes mean it is projected to lose over \$650 million in state tax revenues.¹¹ This is equivalent to annual state spending on 65,000 students. Further, Massachusetts's economy is exposed to federal cuts in research and development funding because of its reliance on the life sciences and higher education industries. One recent projection suggests that the state could lose over 3,000 research and development jobs and \$19.7 million in revenue due to federal cuts.¹²

4. Is the state prepared to manage an economic downturn without making cuts to education?

A robust rainy day fund can provide a buffer against budget cuts during a recession.¹³ Massachusetts has a healthy rainy day fund of \$8.23 billion, which is enough for it to operate on reserves alone for roughly 57.4 days, well above the national median of 47.8 days.¹⁴ This is a near-record-high reserve for Massachusetts, though it is still below the state's legal cap of 15 percent of prior-year revenues. The fund is bolstered by a requirement that all capital gains revenues above a certain threshold be directed into the rainy day fund.¹⁵ In addition, 15 percent of all excess revenue collected from the

Fair Share surtax goes to the Education and Transportation Reserve Fund, which specifically protects education spending.^{[16](#)}

Massachusetts is also preparing to mitigate new risks. Governor Healey has implemented a hiring freeze across the executive branch and the legislature passed a 2026 budget with an \$800 million buffer between projected revenues and spending to cushion decreased revenues.^{[17](#)} However, there is looming fiscal pressure due to a mismatch between spending and tax revenue growth over the past several years, with the state relying on one-time and surplus revenues to fill this gap.^{[18](#)}

Notes

1. Caroline Elmendorf, Amelia Marceau, Jake Rooney, and Hannah Frisch, *FY2026 H.1 Budget Brief: Fair Share Investments in FY25 and FY26* (Executive Office for Administration and Finance, n.d.), https://budget.digital.mass.gov/govbudget/fy26/budbriefpdf/04-fy26h1_bb_fair_share_h1_supp.pdf.
2. Massachusetts Department of Elementary and Secondary Education, "Chapter 70 Program," February 4, 2026, <https://www.doe.mass.edu/finance/chapter70/default.html>.
3. Mass.gov, Office of State Treasurer and Receiver General Deborah B. Goldberg, "Massachusetts School Building Authority," <https://www.mass.gov/orgs/massachusetts-school-building-authority>.
4. Massachusetts Taxpayers Foundation, "Fiscal Year 2025 Budget: A Closer Look," *MTF Bulletin*, February 14, 2024, https://www.masstaxpayers.org/sites/default/files/publications/2024-02/FY%202025%20Local%20Aid%20and%20K-12%20Budget%20Deep%20Dive.FINAL_.pdf.
5. Julie Vakoc, "Massachusetts," Youth Advocacy and Policy Lab, Harvard Law School, December 1, 2025, <https://ylab.law.harvard.edu/Massachusetts/>.
6. Tracy Gordon, Megan Randall, C. Eugene Steuerle, and Aravind Boddupalli, *Fiscal Democracy in the States: How Much Spending Is on Autopilot?* (Urban Institute, July 2019, updated August 2019), https://taxpolicycenter.org/sites/default/files/publication/157519/fiscal_democracy_in_the_states_how_much_spending_is_on_autopilot_16.pdf.
7. Due to data limitations, we do not include spending on other post-employment benefits (OPEB), which are obligatory and often paid partly through the General Fund. We exclude capital expenditures to estimate annual operating expenditures. All data are sourced from the National Association of State Budget Officers (NASBO), with the exception of pension data, which were compiled on a per-state basis using state budget documents and data from Equable.
8. John Hamman, Gayathri Venu, and Justin Theal, "State Tax Revenue Is Becoming More Volatile," *The Pew Charitable Trusts*, March 27, 2025, <https://pewtrsts.org/4j9waFm>.
9. Melissa Maynard and Riley Judd, "How States Raise Their Tax Dollars, FY 2024," data visualization, *The Pew Charitable Trusts*, June 2, 2025, <https://www.pew.org/en/research-and-analysis/data-visualizations/2025/06/how-states-raise-their-tax-dollars-fy-2024>.
10. Kim S. Rueben and Megan Randall, *Revenue Volatility: How States Manage Uncertainty* (Urban Institute, November 27, 2017).
11. Chris Lisinski, "No Margin for Error': State Economic Check-in Spotlights Tricky Balancing Act," *CommonWealth Beacon*, September 30, 2025, <https://commonwealthbeacon.org/economy/no-margin-for-error-state-economic-check-in-spotlights-tricky-balancing-act/>.
12. Rod Motamedi and Mark Melnik, *Economic Contributions of R&D Funding in Massachusetts* (UMass Donahue Institute, July 2025), https://donahue.umass.edu/documents/Massachusetts_R_D_Funding_EI_-_073125.pdf.
13. Hamman, Venu, and Theal, "State Tax Revenue Is Becoming More Volatile," <https://pewtrsts.org/4j9waFm>; and Bernie Gallagher, "Strong Rainy Day Funds Can Help Mitigate Damage From Economic Downturns," *Off the Charts* (blog), Center on Budget and Policy Priorities, February 16, 2023, <https://www.cbpp.org/blog/strong-rainy-day-funds-can-help-mitigate-damage-from-economic-downturns>.
14. Page Forrest and Justin Theal, "Strength of State Rainy Day Funds Declines as Budgets Tighten," *The Pew Charitable Trusts*, March 24, 2026, <https://www.pew.org/en/research-and-analysis/articles/2026/03/24/strength-of-state-rainy-day-funds-declines-as-budgets-tighten>.
15. Massachusetts Taxpayers Foundation, "Capital Gains Revenue in Massachusetts," *MTF Bulletin*, March 8, 2016, <https://masstaxpayers.org/sites/default/files/publications/2020-04/Cap%20Gains.pdf>.
16. Jason Wright, "Three Funds, One Purpose: Implementing Fair Share," *Massachusetts Budget and Policy Center*, August 23, 2023, <https://massbudget.org/2023/08/23/fsa-three-funds-one-purpose/>.
17. Karissa Hand, "Governor Healey Announces Executive Branch Hiring Freeze," *Mass.gov*, May 14, 2025, <https://www.mass.gov/news/governor-healey-announces-executive-branch-hiring-freeze>; and Chris Lisinski, "Mass. Budget Deal Includes an Unusual \$800 Million Cushion amid 'Economic Uncertainty,'" *WBUR*, July 1, 2025, <https://www.wbur.org/news/2025/07/01/massachusetts-budget-federal-economic-cushion>.
18. Governor's FY26 Budget Recommendation (website), "Executive Summary: Fiscal Health and Prospects," accessed February 26, 2026, <https://budget.digital.mass.gov/govbudget/fy26/fiscal-health-and-prospects/>.