

FY2027 H.2 BUDGET BRIEF

Maura T. Healey, Governor | Kimberley Driscoll, Lt. Governor

Local Aid: Partnering with Cities and Towns

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Municipalities are on the front lines of delivering essential public services and planning for long-term community needs. The economic vitality of the Commonwealth is inseparable from the capacity of all 351 cities and towns to maintain infrastructure, support schools and public safety, and respond to local challenges. From coastal communities confronting rising sea levels to post-industrial cities rebuilding their economic base, local governments are where public investment shapes real-world outcomes. The Fiscal Year 2027 (FY27) House 2 budget recommendation reflects the Healey-Driscoll Administration's commitment to strengthening municipal capacity statewide through robust local aid investments. These investments build on the administration's prior efforts, including sustained financial support and administrative reforms advanced through the *Municipal Empowerment Act*, refiled last January.

A Commitment to Serving Cities and Towns

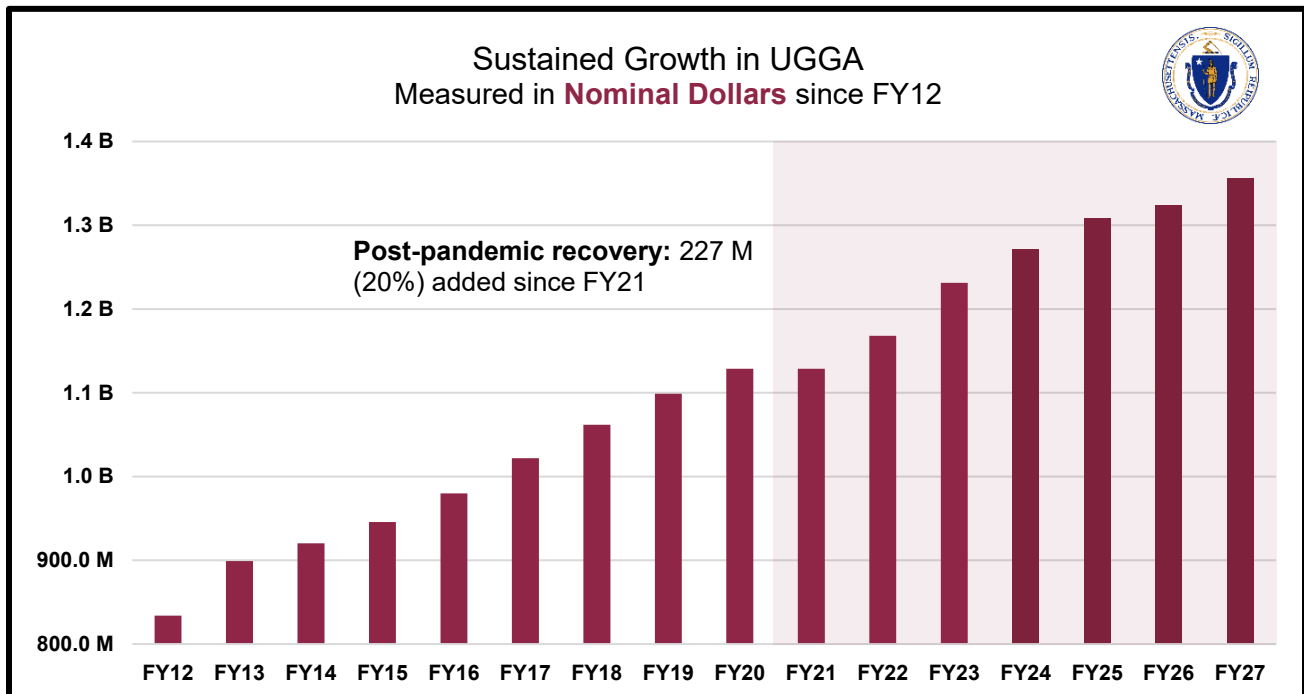
The administration recognizes that the strength of every municipality across the Commonwealth is integral to the state's overall stability and economic prosperity. To that end, the House 2 recommendation would provide more than \$10.4 billion in local aid, representing a \$439 million (4.4 percent) increase over the FY26 GAA.

Local Aid (\$ in millions)	FY25	FY26	FY27 H.2
Chapter 70 Payments to Cities and Towns	6,901.9	7,361.9	7,603.6
Special Education Circuit Breaker*	551.2	675.2	802.7
Charter School Reimbursements	199.0	199.0	200.4
Transportation of Pupils	128.1	132.4	154.3
Smart Growth	0.8	1.2	2.3
Rural School Aid	16.0	12.0	20.0
Subtotal: Education	7,797.0	8,381.7	8,783.4
Unrestricted General Government Aid	1,308.7	1,323.1	1,356.1
Veterans' Benefits	68.2	81.8	85.0
Payments in Lieu of Taxes on State Owned Land	53.0	54.5	55.4
Tax Abatements: Veterans, Widows, Blind Persons, Elderly	24.0	39.0	43.1
Public Libraries Local Aid	20.0	20.0	20.4
Regional Libraries Local Aid	19.0	19.0	19.4
Municipal Regionalization Reserve	18.5	12.6	7.5
Subtotal: General Government	1,511.5	1,550.1	1,586.9
Total	9,308.4	9,931.7	10,370.3

*Special Education Circuit Breaker is funded \$652.7 M in FY27 H.2 and \$150 M in the FY26 Fair Share Supplemental Budget.

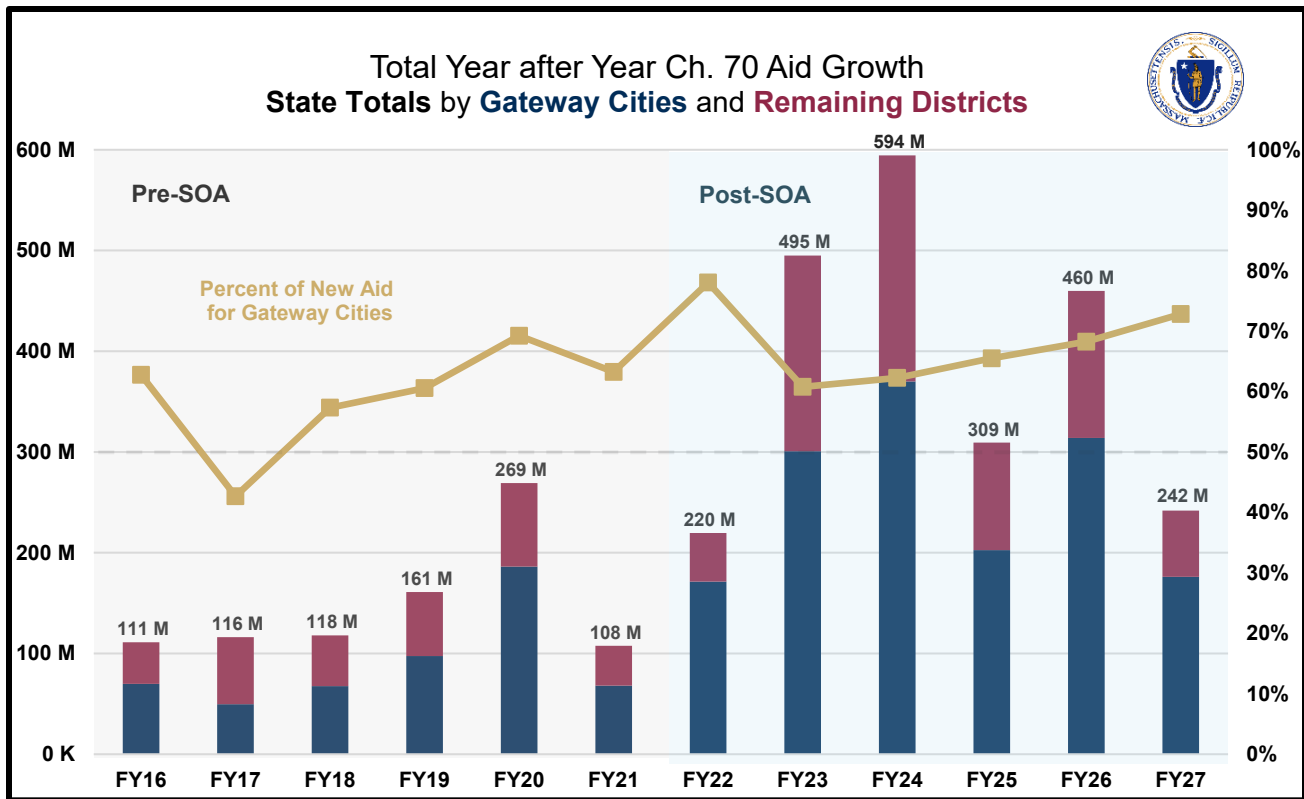
Unrestricted General Government Aid (UGGA): Where Local Aid Meets Local Need

A central element to the administration's commitment to strong municipal services is the steady and predictable growth of Unrestricted General Government Aid (UGGA). UGGA supports local government functions such as public safety, public works, and economic development, and remains the only fully flexible, unrestricted source of state local aid available to cities and towns. In recent years, UGGA growth has consistently aligned with consensus non-surtax revenue growth, providing municipalities with stability and predictability in local budgeting. The FY27 House 2 recommendation expands this established approach, proposing a \$33 million increase over FY26 GAA, representing a 2.5 percent increase, for a total of \$1.36 billion.



The Student Opportunity Act: Reaching Full Implementation

The Healey-Driscoll Administration is committed to ensuring that every student across the state has access to a high-quality education. House 2 fully funds the final implementation phase of the *Student Opportunity Act (SOA)*, advancing the Commonwealth's long-term promise for adequate and more equitable education resources regardless of zip code or income level. The proposal funds Chapter 70 school aid at \$7.6 billion, representing a \$242 million increase over FY26 GAA, and guarantees a minimum per-pupil aid of \$75 for all districts. Since taking office, the Healey-Driscoll Administration has supported \$1.6 billion in increased Chapter 70 investment, reflecting the continued prioritization of school funding even in resource-constrained budget years. As reflected in House 2, full implementation results in \$2.4 billion in funding growth since the passage of the *SOA*, an overall increase of 47 percent.



As illustrated in the graph, Chapter 70 aid growth has accelerated since the passage of the SOA, with substantial year-over-year increases driven largely by greater investments within Gateway Cities. Since implementation began, Gateway Cities have consistently received a majority share of total aid growth, reflecting the SOA’s focus on directing new resources to districts with the greatest student need. This sustained growth underscores both the scale of the state’s commitment and the importance of maintaining predictable, stable, and equitable funding as the SOA approaches full implementation.

House 2 also recognized pressures being experienced by our rural communities and recommends \$20 million for Rural School Aid, an \$8 million increase (67 percent) over the FY26 GAA. This program provides rural districts with targeted support to address the fixed costs of operating a school district and to advance strategies that improve long-term operational efficiency.

It also proposes fully funding the Special Education Circuit Breaker at \$802.7 million – \$652.7 million in House 2 and \$150 million in the Fair Share supplemental budget. This funding level reflects the full phase-in of out-of-district transportation cost reimbursement for special education students provided for in the SOA.

Additionally, House 2 proposes full funding for Charter School Reimbursements at \$200.4 million. This includes \$1,288 for the Charter School per-pupil capital facilities component, an increase of \$100 over the FY26 GAA. These additional funds will support student access to safe facilities that support robust educational opportunities.

Sharing the Responsibility of School Transportation

The House 2 proposal expands the administration's commitment to supporting school transportation by investing an additional \$154.3 million across key reimbursement accounts. These investments help ensure districts are reimbursed for a significant share of transportation costs while maintaining access to educational opportunities for students:

- \$112.3 million for Regional School Transportation reimbursement: an increase of \$6 million over FY26, providing reimbursements for approximately 87 percent of eligible local transportation costs.
- \$35.2 million for Homeless Student Transportation reimbursement: supporting districts in meeting federally-mandated transportation requirements.
- \$6.8 million for Non-Resident Pupil Transportation (vocational) reimbursement: providing reimbursements to cover an expected 100 percent of eligible local costs associated with student placements outside their district of residence.

For more information on how the Healey-Driscoll Administration is supporting education, please see our **Expanding Access to Quality Education** budget brief.

Partnering with Our Municipalities

Additionally, House 2 continues to support public and regional libraries as essential community resources that serve residents of all ages, abilities, and backgrounds. Libraries provide access to information, technology, and educational and cultural resources, supporting early literacy, lifelong learning, workforce development, and community connection, while advancing digital equity through free Wi-Fi, devices, resource sharing, and accessible programming. House 2 recommends the following investments:

- \$20.4 million for local aid to public libraries
- \$19.4 million for regional libraries
- \$6.3 million for Library Technology and Automated Resource Sharing

House 2 includes \$55.4 million for the Payment in Lieu of Taxes (PILOT) program in FY27, a \$851 thousand (1.6 percent) increase over the FY26 GAA, ensuring all municipalities receive payments equal to or greater than FY26 levels. The administration recognizes long-standing concerns regarding the adequacy and equity of the current PILOT program. In August, Governor Healey signed an executive order establishing a Commission on Payments in Lieu of Taxes for State-Owned Land to review the program and develop recommendations for potential reforms. The Commission is expected to begin meeting in the near term.

Supporting Municipal Transportation and Infrastructure

The FY27 House 2 budget recommendation prioritizes sustained investment in municipal transportation and infrastructure, recognizing that safe, reliable local systems are essential to economic activity, public safety, and climate resilience.

House 2 recommends maintaining a commitment to helping municipalities improve road quality, build sidewalks, restore bridges, and more, using Fair Share surtax resources to

expand capital capacity in the Chapter 90 local roadways program. Once again, the administration is filing multi-year authorization in a Chapter 90 bond bill that would allow municipalities to have more flexibility and discretion in how they use their funding. The bill would authorize four additional years of funding at \$300 million annually – sustaining the historic 50 percent increase successfully spearheaded by the administration last year.

The budget also recommends \$85 million for Municipal Snow and Ice Removal, aligning with the five-year average expenditure of \$84.6 million. This funding provides dependable support to help cities and towns maintain safe and passable local roadways amid increasingly severe and unpredictable winter weather.

In addition to direct transportation investments, the administration has filed the \$3 billion, five-year *Mass Ready Act* to strengthen climate resilience and support municipal infrastructure statewide. The legislation would advance targeted investments in local resilience planning, water and floor infrastructure, dam safety, PFAS remediation, waste management, and urban forestry, helping communities address climate impacts while protecting critical assets. The administration continues to advocate for the passage of this bill.

Strengthening Municipal Capacity and Local Governance

Beyond direct aid and infrastructure investment, the FY27 House 2 budget and recent legislation filed by the administration focus on strengthening municipal capacity and providing cities and towns with the tools needed to operate efficiently, collaborate regionally, and respond to local priorities.

House 2 recommends \$7.5 million for the Municipal Regionalization and Efficiencies Reserve, to support initiatives that improve municipal operations and foster collaboration across communities:

- \$3 million for the District Local Technical Assistance Fund: To support the state's 13 regional planning agencies (RPAs), enabling them to provide technical assistance to cities and towns across Massachusetts.
- \$2 million for the Community Compact Program: To help municipalities implement best practices in key areas, including cybersecurity, housing production, and solid waste management.
- \$2 million for public safety and emergency staffing: To enhance staffing and emergency response capacity in communities with populations of at least 60,000 whose police departments had an operating budget per capita below \$200 in FY25.
- \$500,000 for the Local Finance Commonwealth Fellowship Program: To provide approximately 30 participants from community colleges with a combination of municipal finance training, managed by the Division of Local Services, and hands-on, work-based learning through placements in host cities.

House 2 also supports municipal and community-based public safety efforts through targeted investments in violence prevention and security. The budget proposes \$10.1 million for the Shannon Community Safety Initiative, supporting evidence-based, locally driven strategies to prevent gang and youth violence, and \$4.6 million for the Nonprofit

Security Program to help nonprofit organizations at elevated risk of violence strengthen security infrastructure and operations.

In parallel, the Healey-Driscoll Administration has improved and refiled the *Municipal Empowerment Act*, a comprehensive effort to modernize local authority, expand municipal flexibility, and reduce administrative burdens. The legislation provides targeted local revenue options – including modest optional increases to the maximum local option lodging and meals taxes and a capped motor vehicle excise surcharge – allowing communities to generate additional revenue aligned with local needs.

The bill would also advance governance and administrative reforms to address long-standing fiscal and operational challenges, including expanded senior property tax relief options, the creation of a Commission to examine strategies for managing non-pension benefit liabilities, and procurement reforms to streamline purchasing and expand cooperative agreements.

The administration is also once again committing to doubling the Municipal Fiber Grant Program to ensure sufficient funding to meet the high-demand for this impactful, popular program.

Together, these investments and reforms strengthen municipal capacity, improve operational efficiency, and provide cities and towns with greater flexibility to meet residents' needs.