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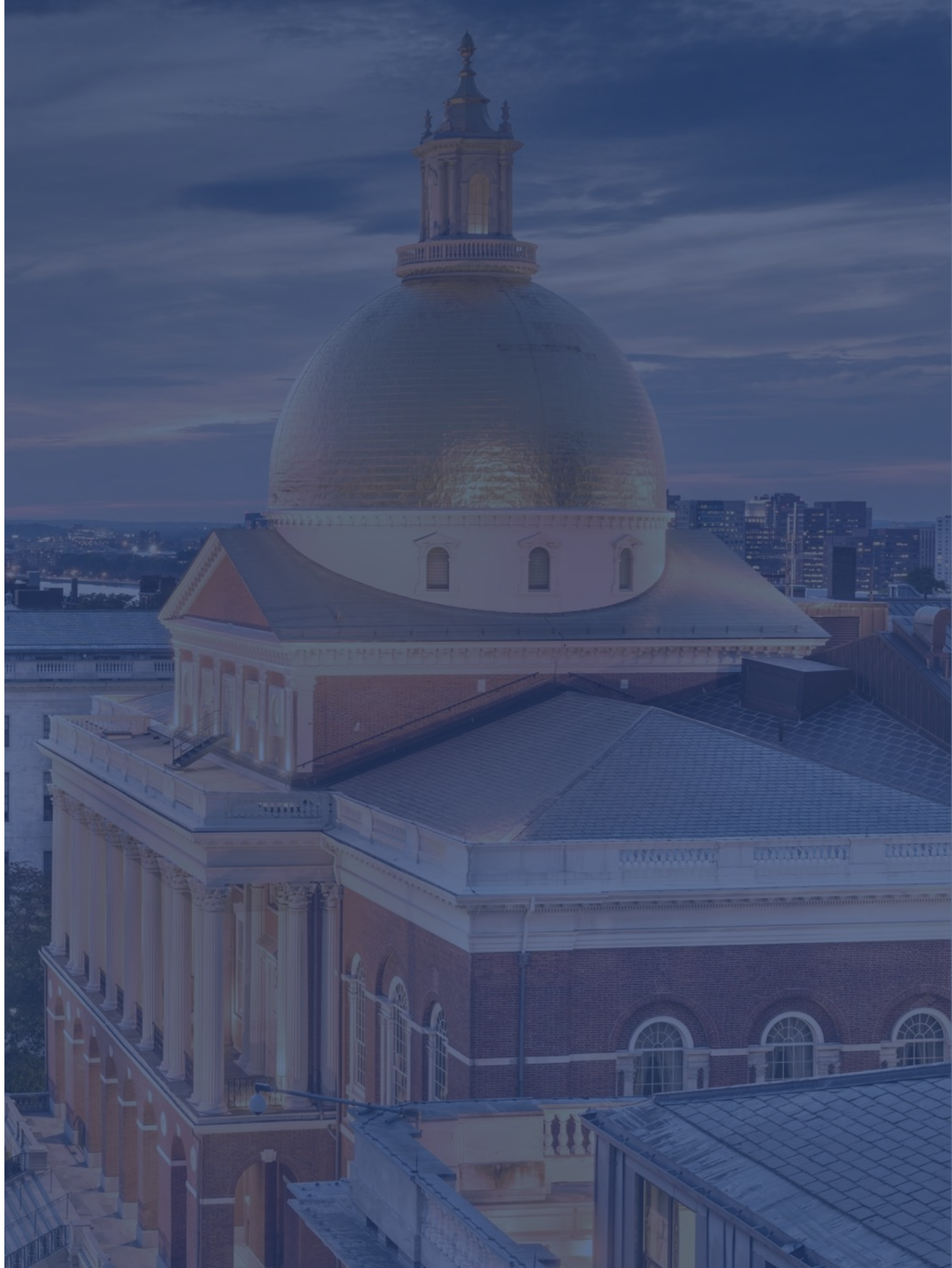
Massachusetts Taxpayers Foundation

State Fiscal Outlook and an Update on State Competitiveness

September 17, 2025



Outline

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- Governor Healey’s Vetoes & Supplemental Budget

II. Long-Term Fiscal Outlook

III. An Update on State Competitiveness

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State Budget Basics

Introduction to the State Budget

Elected officials are the stewards of the state's financial resources and their job entails:

1. **Developing a balanced budget** each year to fund ongoing operations of state government.
2. **Investing in the long-term infrastructure** of the Commonwealth.

To accomplish these goals, the state produces two distinct budget documents:

Annual Operating Budget	Capital Investment Plan

While both documents are equally vital to the state's long-term economic health and success, **they differ drastically in size, scope, and process**.

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Operating Budget v. Capital Investment Plan

Annual Operating Budget

- A piece of legislation, that must move through the legislative process and be approved by the Legislature.
- Appropriates specific resources and revenues in support of state programs, departments, and services.
- Process begins with the Consensus Revenue Hearing.
- Must be finalized for the start of the new fiscal year – July 1st.

Capital Investment Plan

- Developed by the Executive Office of Administration & Finance, not a piece of legislation and does not require legislative approval.
- Specifies capital investments by category and agency & identifies funding sources.
- Process begins with the recommendations of the Debt Affordability Committee.
- Must be finalized for the start of the new fiscal year – July 1st.

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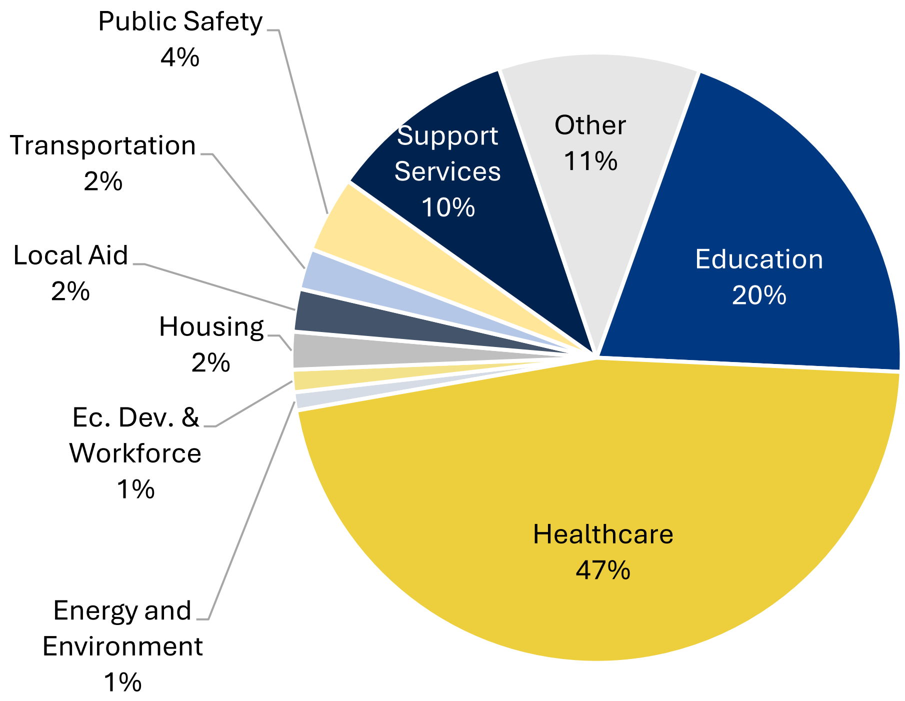
Operating Budget v. Capital Investment Plan

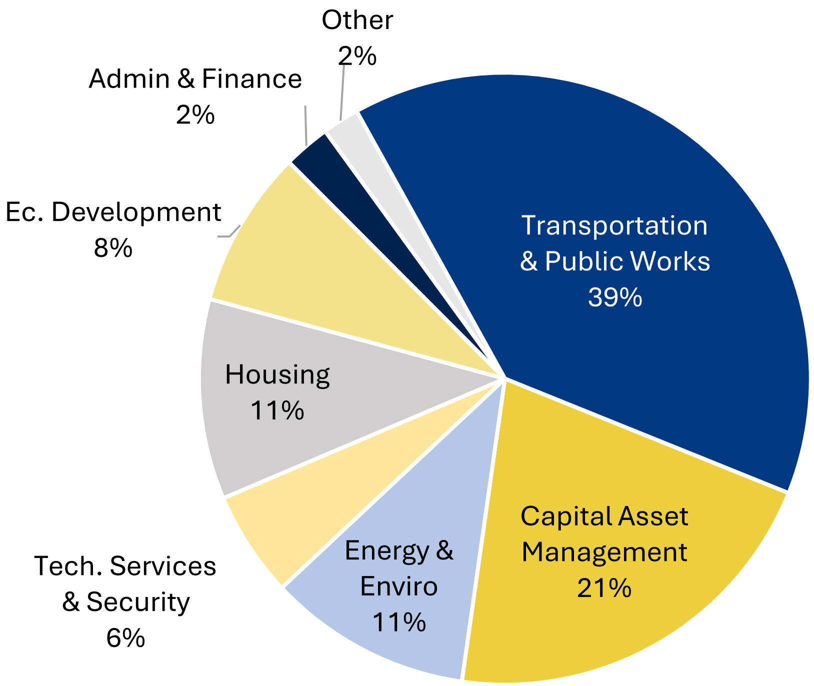
Annual Operating Budget

~ $60 Billion in Spending in FY 2025

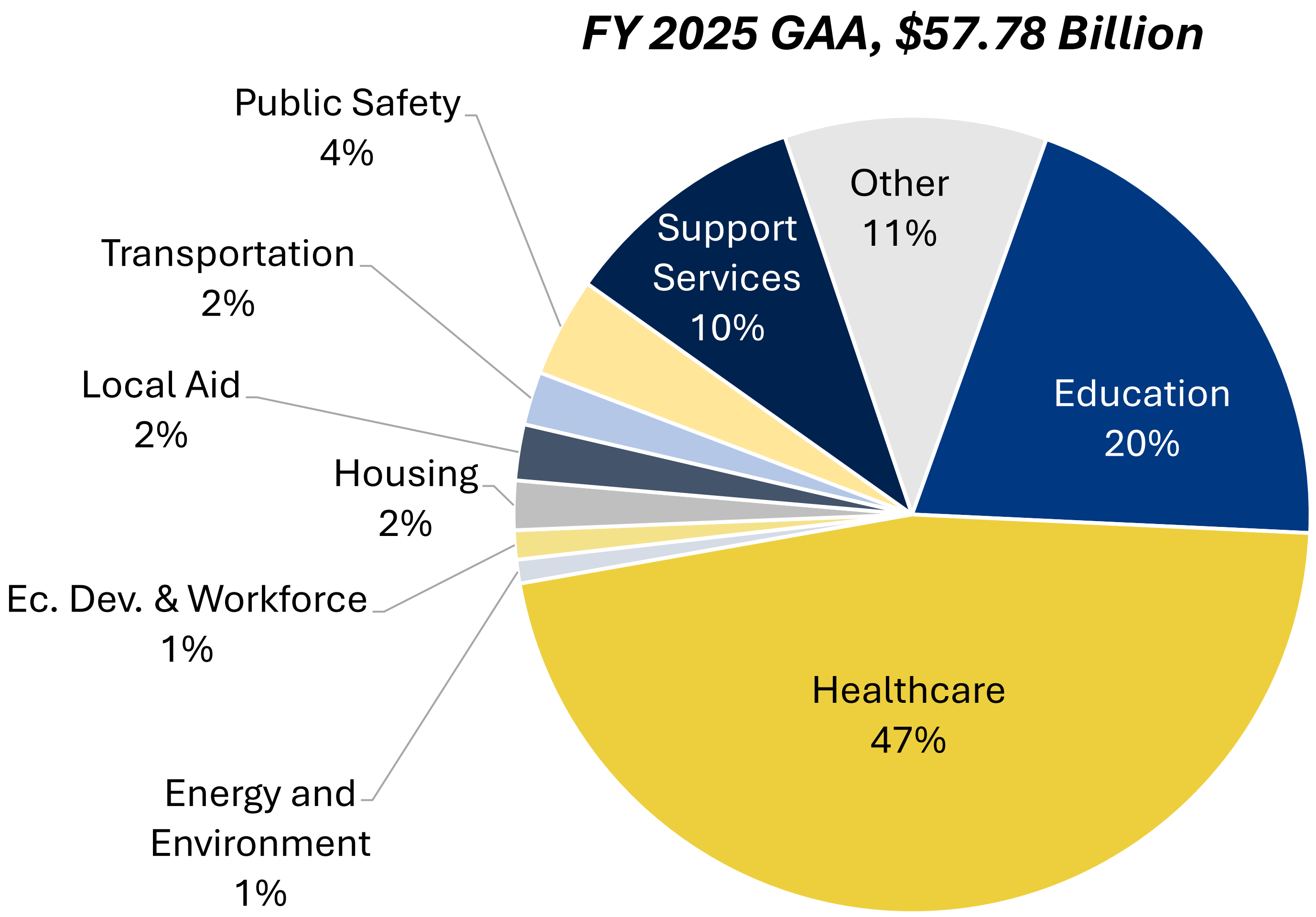


Capital Investment Plan

~ $5.5 Billion in Spending in FY 2024



Budget at a Glance: Spending



- The annual budget (or General Appropriations Act, GAA) includes about **$60 billion in spending,** supported by over 700+ line items.
- **Healthcare is by far the largest source of spending in the budget**, and the majority of healthcare costs are related to the MassHealth program.
- **Education is the second largest component of state budget** driven, driven by K-12 education and the Chapter 70 state aid program.

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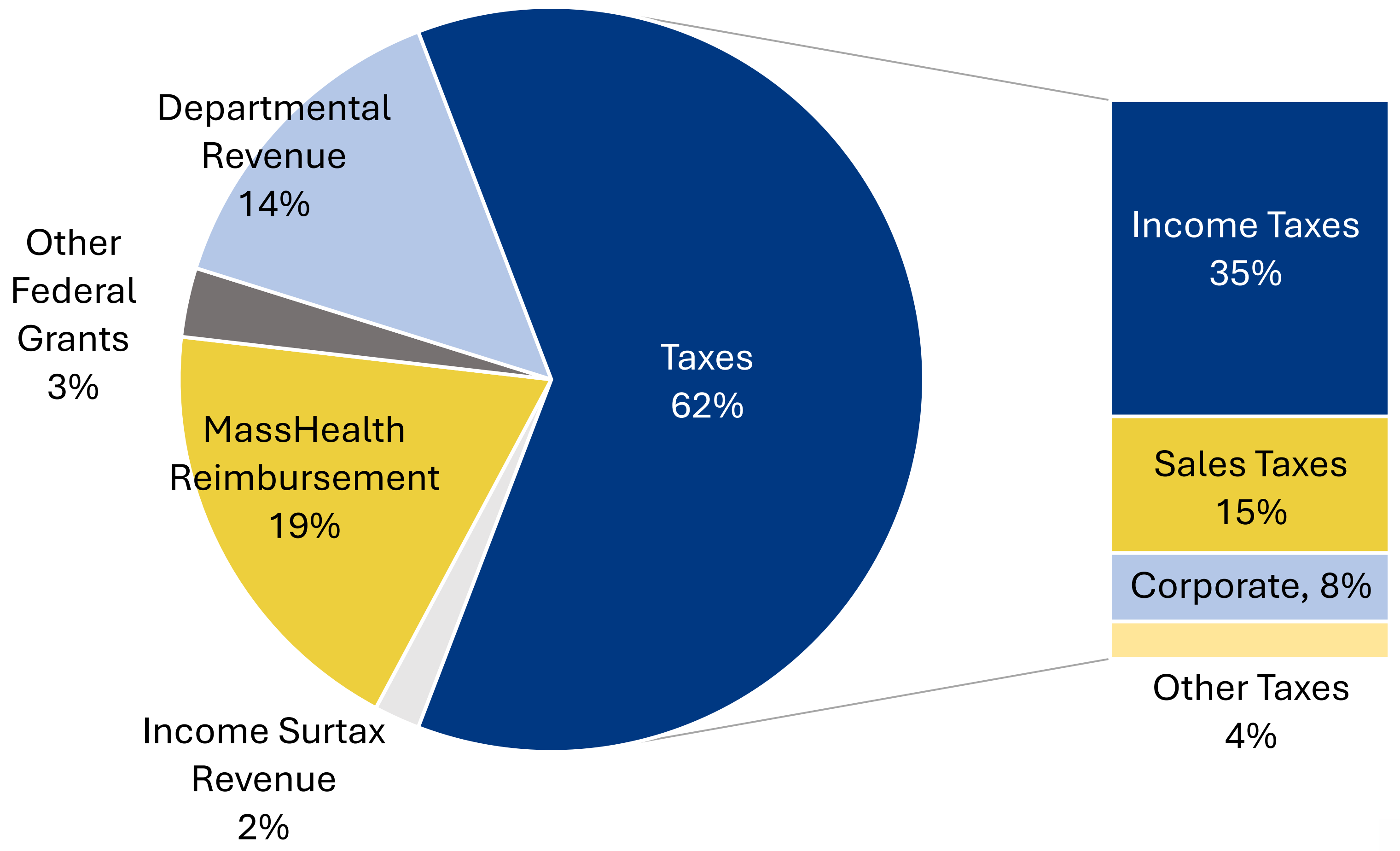
Budget at a Glance: Revenue

- The largest categories of revenue available to support state spending are taxes, federal grants and reimbursements, and departmental revenues.
- **Taxes make up approximately 2/3rds of available revenue**, and of those, income taxes make up the largest share.
- The largest component of federal revenue is **reimbursement for MassHealth spending**.

FY 2025 GAA Revenue by Category




FY 2025 Fiscal Update

State Fiscal Update – Key Takeaways

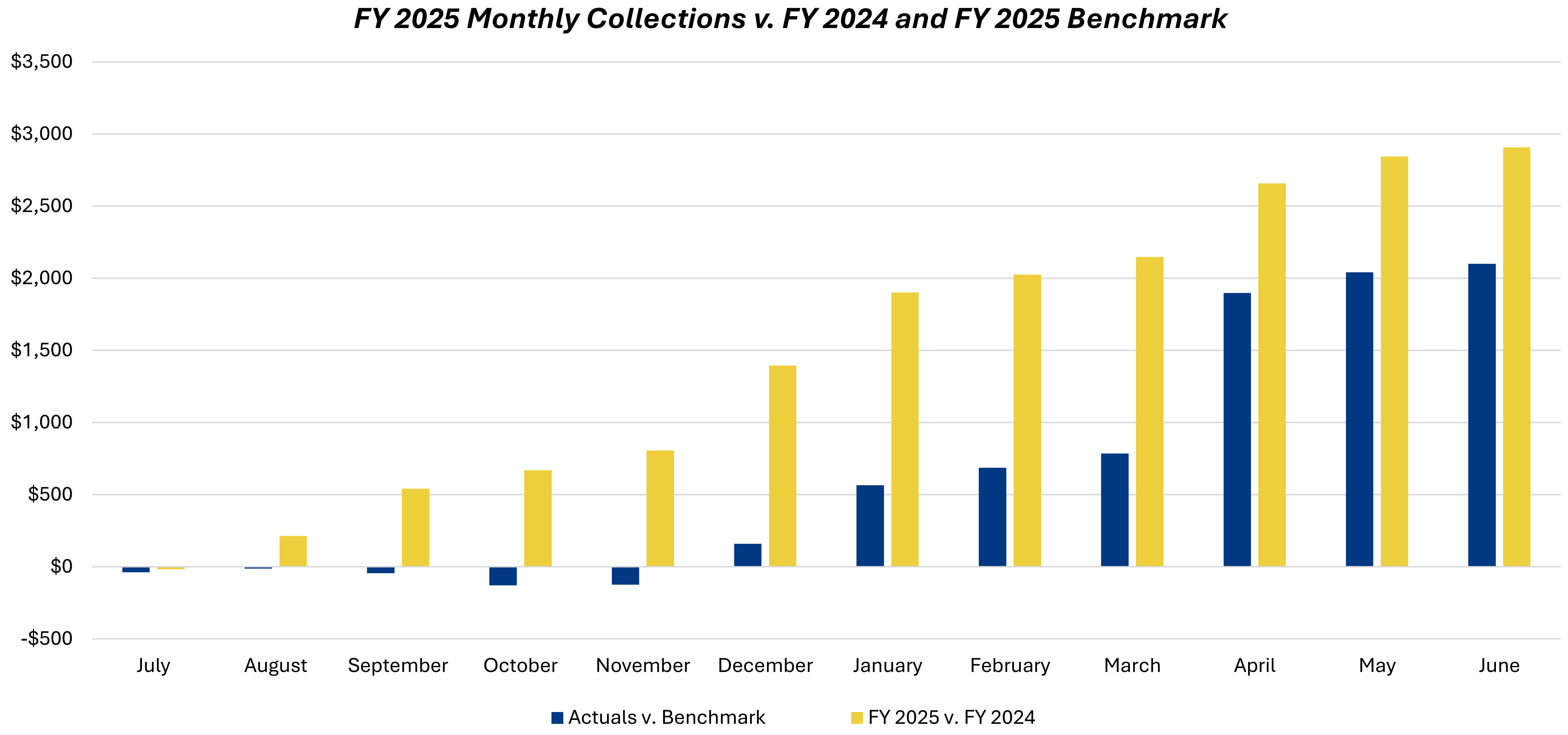
- **FY 2025 tax collections totaled $43.71 billion**.
    - $2.9 billion (7.1 percent) above collections in FY 2024.
    - $2.1 billion (5.1 percent) ahead of benchmark.

- Despite being $2.1 billion over benchmark, **the end of year surplus will be much smaller.**
    - $1.6 billion in collections is due to surtax collections over and above the $1.3 billion threshold available for the operating budget.
    - $362 million in revenue comes from capital gains collections over the threshold available for the budget.
    - The state still needs to cover MassHealth and other spending obligations not addressed in prior appropriation bills.

- Governor Healey **filed her FY 2025 closeout supplemental budget on August 14th.**

- Her proposal is notable for the **creation of a new Economic Resiliency and Federal Response Fund** which will receive any FY 2025 end of year surplus as well as 75 percent of excess capital gains revenue.
    - The new fund, which would be subject to appropriation, is available to address future deficiencies and funding shortfalls.

FY 2025 Revenue Collections to Date



FY 2025 Revenue Collections by Category

	FY 2025 YTD	FY 2024 v. FY 2025	Growth to Date v. FY 2024	FY 2025 YTD v. BM	Growth to Date v. BM
Withholding	$19,058	$1,091	6.1%	$329	1.8%
Non-Withholding	**$7,653**	**$1,503**	**24.4%**	**$2,095**	**37.7%**
Sales	$9,613	$290	3.1%	-$216	-2.2%
Corporate/Business	$4,662	-$171	-3.5%	-$355	-7.7%
Other	$2,722	$194	7.7%	$248	10.0%
Total	**$43,708**	**$2,908**	**7.1%**	**$2,101**	**5.1%**

FY 2025 revenue collections exceeded FY 2024 collections by $2.9 billion and the FY 2025 benchmark by $2.1 billion, but almost the entirety of that growth is in the non-withheld income tax category.

The DOR has reported that the state has collected $3 billion in surtax revenue, the vast majority of which is in non-withheld income tax collections.

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Impact of Capital Gains & Surtax Revenues

Tracking revenues related to the income surtax and capital gains is critical, because those resources are not available to support general budgeted spending or balance the budget.

Surtax Revenue Collections

- Surtax revenues are constitutionally dedicated towards education and transportation spending, and all surtax revenue collections must be transferred to the Education & Transportation Trust Fund.
- $1.3 billion in surtax-supported spending was included in the FY 2025 GAA.
- Any surtax revenues above that threshold would be divided between two trust funds.

FY 2025 Surtax Revenue Estimate	$2,987
Surtax Spending Cap	$1,300
Above Cap Surtax Collections	**$1,687**
85% to Innovation & Capital Fund	$1,434
15% to Surtax Reserve Fund	$253

Capital Gains Collections

- Capital gains collections above a certain threshold ($1.56 billion in FY 2025) are statutorily dedicated to the Stabilization Fund, Pension Fund, and towards other long-term liabilities.
- The FY 2025 budget granted the administration the authority to use up to $375 million in excess capital gains collections to balance the budget.

FY 2025 CG Estimate	$2,439
FY 2025 CG Threshold	$1,564
Above Cap CG	**($875)**
Diversion to General Fund	$375
Net Above Cap CG	**($500)**

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Governor's Closeout Supplemental Budget

On August 14th, Governor Healey filed her administration's closeout supplemental budget for FY 2025.

The **$2.4 billion** spending bill addresses deficiencies that arose throughout the fiscal year, as well as expected spending needs for FY 2026 based on current trends.

- Of the $2.4 billion total, **$2 billion in spending is related to MassHealth**.
- Approximately 73% of that cost will be offset by expected revenues ($1.5 billion).
- **Net spending in the closeout supplemental budget is $947 million**.

The closeout supplemental budget also includes several spending-related outside policy sections that allow the administration to end the fiscal year in balance and prepare for future economic uncertainties related to federal actions.

- Creates a new Economic Resiliency and Federal Response Fund.
- Transfers ~$375 million in above-threshold capital gains collections to the new fund, as well as an estimated surplus of $75 million.
- Transfers $150 million in surtax revenue to the Student Opportunity Act Investment Fund.
- Permits the use of above-threshold capital gains revenues, EEC trust fund, and surtax revenues to balance the budget.

Economic Resiliency & Federal Response Fund

To prepare for the potential budgetary impacts of federal policy changes, the Healey administration proposes the creation of a new **Economic Resiliency and Federal Response Fund**.

Credited with above-threshold capital gains collections and an estimate consolidated net surplus of $75 million, a fund balance of approximately $250 million is anticipated by the Healey administration.

Economic Resiliency & Federal Response Fund	
FY 2025 CNS	$75
Capital Gains Deposit	$375
Tobacco Settlement GF Transfer	-$200
Estimated Balance	**$250**

*The FY 2026 budget was balanced using $200 million in revenue generated from the Tobacco Settlement and received by the state is FY 2025. To reimburse the General Fund for those revenues, $200 million is being transferred from the above-threshold capital gains revenues deposited into the new fund.

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FY 2026 State Budget

FY 2026 Budget - Key Takeaways

- On June 30th, the House and Senate enacted a compromise FY 2026 budget, sending a **$61.03 billion spending bill** to Governor Healey's desk before the first day of the new fiscal year.

- The Conference Report included **spending growth of $3.3 billion (5.6 percent) over the FY 2025 GAA**.
    - $443.4 million less in spending than the House Final budget.
    - $395.1 million less in spending than the Senate Final budget.
    - $941.2 million less in spending than the Governor's original proposal.

- The Conference Report included **$2.4 billion in surtax supported spending**, increasing the original surtax spending cap of $1.95 billion by $450 million.

- The FY 2026 budget sent to the Governor's desk **did not adjust underlying non-surtax revenue assumptions**, despite the darkening of the state's economic picture since January.

- Notably, House and Senate **budget writers held more than $800 million in unexpended budgeted revenues on their balance sheet** – an acknowledgement that future tax revenue declines are likely in the months ahead.

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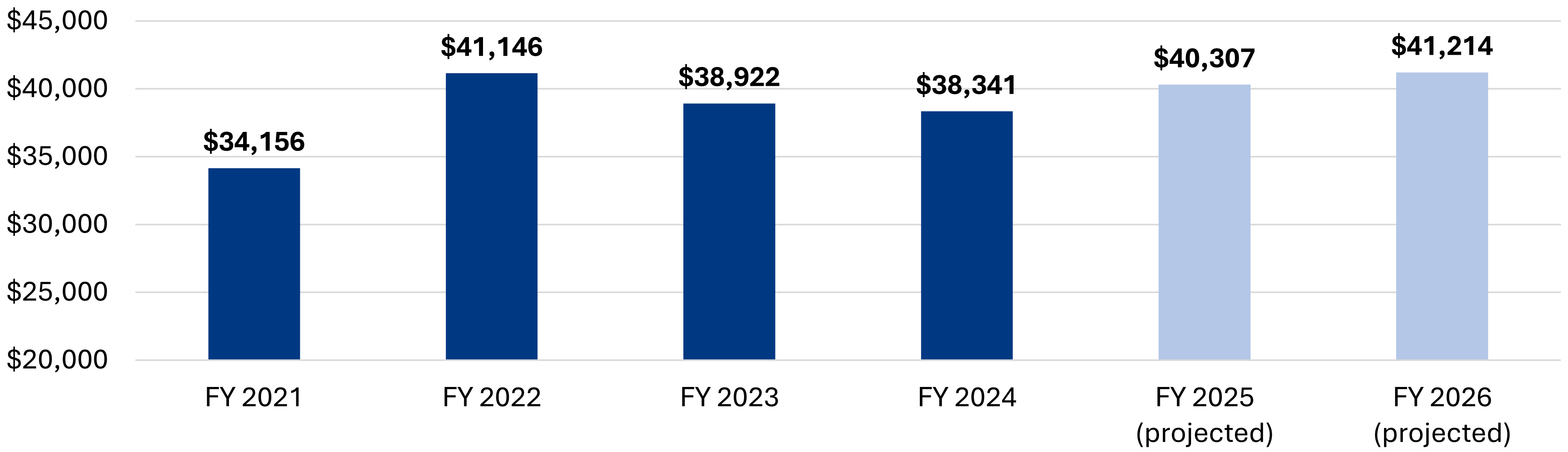
FY 2026 Revenues & Resources

Despite the significant reduction in spending and the increase to the surtax spending cap, the FY 2026 Conference budget did not adjust non-surtax revenue assumptions.

Actual & Projected Revenues, FY 2021 – FY 2026



The revenue foundation for the FY 2026 budget remains the **$41.214 billion consensus revenue figure** agreed to by budget writers in January.

FY 2026 Revenue Solutions

The Conference Report relies on **$1.5 billion in revenue initiatives, all of which are one-time solutions**. One-time resources do not recur and so much be replaced in subsequent budgets, thereby providing a rough estimate for the structural balance of the budget.

Proposal	FY 2025 GAA	FY 2026 - Governor	FY 2026 - House	FY 2026 - Senate	FY 2026 GAA	FY 2026 v. FY 2025
Tax Amnesty Program	$100	$0	$0	$0	$0	-$100
High-Quality EEC Trust Fund	$200	$0	$17	$10	$0	-$190
EEC Operational Grant Fund	$0	$115	$115	$115	$115	$115
SOA Investment Fund	$200	$207	$207	$200	$200	$0
Behavioral Health Trust Fund	$0	$0	$0	$0	$0	$0
COVID Grant Recoupment	$0	$200	$200	$350	$350	$350
Above Threshold Capital Gains	$375	$400	$400	$566	$566	$191
Other One-Timers	$0	$200	$175	$200	$200	$200
Gaming Fund Redistribution	$100	$100	$100	$108	$100	$8
Subtotal One-Time	**$975**	**$1,222**	**$1,214**	**$1,549**	**$1,531**	**$574**

FY 2026 Revenue Solutions

The majority of one-time revenues in the FY 2026 budget ($916 million, 60%) come from two sources:

Capital Gains Diversion

$566 million

The Conference budget dedicates $566 million in above threshold capital gains revenues towards pension obligation costs. This ultimately reduces the deposit into the Stabilization Fund, which is estimated to be $33 million in FY 2026.

COVID Spending Recoupments

$350 million

In 2021 and 2022, the state passed two major surplus spending bills to address a range of COVID recovery and economic development programs. Several years later, a significant portion of those appropriations remain unspent. Governor Healey and the House originally proposed recouping $200 million, the Senate increased that to $350 million.

FY 2026 Final Budget Spend

On July 4th, Governor Healey signed the FY 2026 budget, sending back **$130.2 million in spending vetoes**. Inclusive of the Governor's budget actions, line-item spending in the FY 2026 budget would total $60.9 billion, a $3.1 billion (5.4 percent) increase over the FY 2025 GAA.

	FY 2026 - Governor	FY 2026 - House	FY 2026 - Senate	FY 2026 Conference	Budget Vetoes	FY 2026 GAA	$ v. FY 2025 GAA	% v. FY 2025 GAA
Line-Item Spending	$59,577.3	$59,079.5	$58,977.7	$58,060.9	-$130.2	$57,930.8	$2,151.5	3.9%
Surtax Spending	$1,950.0	$1,950.0	$1,950.0	$2,399.8		$2,399.8	$1,099.8	84.6%
Medical Asst. Trust Fund	$547.6	$547.6	$547.6	$547.6		$547.6	-$134.6	-19.7%
BH Outreach, Access, Support	$0.0	$0.0	$31.5	$25.4		$25.4	$5.4	27.0%
Total Line-Item Spending	**$62,074.9**	**$61,577.1**	**$61,506.8**	**$61,033.7**	**-$130.2**	**$60,903.5**	**$3,122.1**	**5.40%**

Governor Healey also returned 4 outside policy sections with amendment. No outside sections were vetoes in full from the FY 2026 Conference budget.

FY 2026 Budget Vetoes

The single largest veto from the Governor cut $27.5 million in funding for Group Insurance Premium and Plan Costs, which reflects savings associated with an administration plan to reduce the costs of covering GLP-1 weight loss pharmaceuticals.

According to the filing documents for the Governor's budget actions, the remaining $102.6 million in vetoes reduce funding for items that:

- Exceed the Governor's original budget recommendations;
- Have access to alternative resources; or
- Are deemed unaffordable in the current fiscal climate.

FY 2026 Spending Vetoes by Category

Category	Governor's Veto
Economic Development	$1.4
Education	$22.5
Early Education	*$1.0*
K-12 Education	*$20.8*
Higher Education	*$0.7*
Energy and Environment	$10.7
Healthcare	$61.0
Housing	$5.5
Judiciary	$9.3
Other	$2.6
Support Services	$0.8
Transportation	$14.0
Workforce	$2.3
Total	**$130.2**

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FY 2026 Surtax Spending

The Conference report **increased the surtax spending cap for FY 2026 to $2.4 billion**, an increase of $450 million over the original cap of $1.95 billion. In the FY 2026 operating budget, **surtax spending is heavily skewed towards education** (70.3 percent) compared to transportation (29.7 percent).

	FY 2025 GAA	FY 2026 Governor	FY 2026 House	FY 2026 Senate	FY 2026 GAA	FY 2026 v. FY 2025
Education	**$762**	**$1,185**	**$1,185.0**	**$1,185.0**	**$1,688.0**	**$927**
Early Education	$278	$373	$428	$433	$661	$383
K-12 Education	$245	$475	$515	$518	$760	$516
Higher Education	$239	$337	$242	$234	$267	$28
Transportation	**$539**	**$765**	**$765.0**	**$600.0**	**$711.9**	**$173**
MBTA	$261	$500	$500	$350	$0	-$261
MassDOT	$123	$155	$155	$130	$0	-$123
RTAs	$110	$110	$110	$120	$162	$52
Local/Pilot Program	$45	$0	$0	$0	$0	-$45
Unspecified CTF	$0	$0	$0	$0	$550	$550
Reserve Fund Transfer	**$0**	**$0**	**$0**	**$165**	**$0**	**$0**
Total Investments	**$1,300**	**$1,950**	**$1,950**	**$1,950**	**$2,400**	**$1,100**

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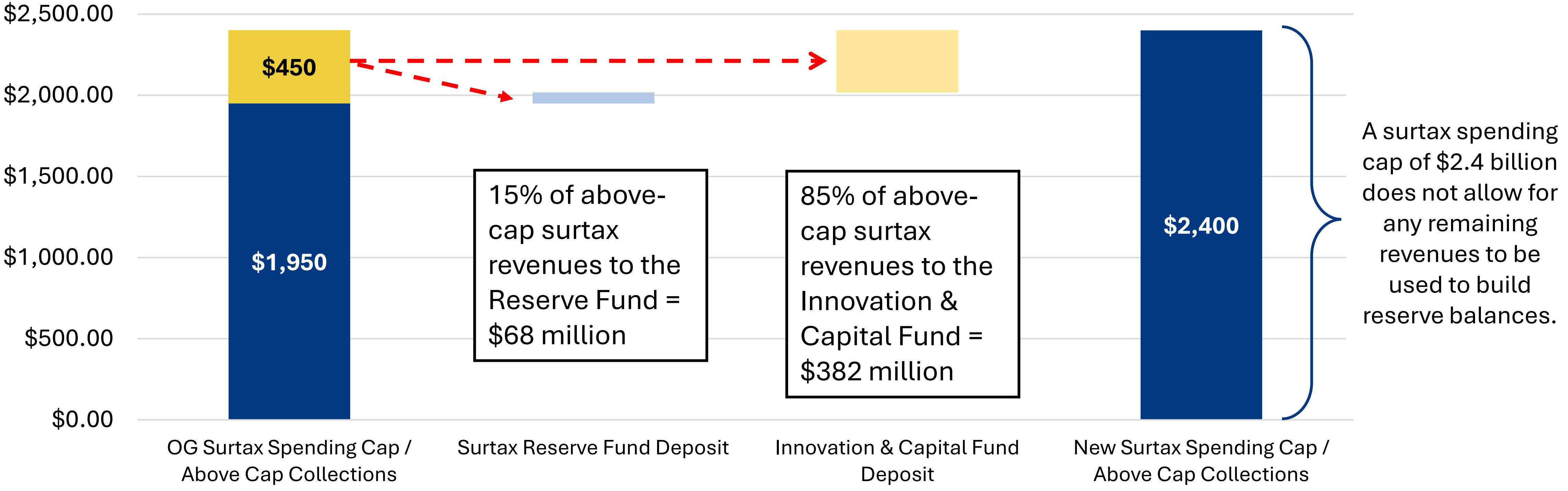
FY 2026 Surtax Spending

At $2.4 billion, **the surtax spending cap in the FY 2026 operating budget is now equal to the estimate for total surtax collections throughout the fiscal year**. Ultimately, this means that if surtax revenues do not exceed $2.4 billion, there will be no planned deposits into the Innovation & Capital Fund or Surtax Reserve Fund.

FY 2026 Surtax Revenue Distribution



FY 2026 Underfunded Accounts

Underfunded accounts – line-items where the appropriated amount is materially less than the projected actual need – can create budget shortfalls later in the fiscal year. That danger is heightened in FY 2026, when economic uncertainty also creates revenue risks.

The FY 2026 conference budget includes several areas of concern for underfunding:

- **Emergency Assistance Shelter** – The Conference report includes $276.4 million for EA Shelter. The Governor's budget proposed $325.3 million in funding for the program, while the actual FY 2025 program costs will near $1 billion. While caseload trends are on the decline, the Conference appropriation is an aggressive spending target for the program in FY 2026.

- **MassHealth** – MassHealth is the largest program in the budget, topping $22.1 billion. However, the administration flagged several hundred million in potential MassHealth exposures heading into Conference Committee. The final budget reduced spending for MassHealth by $471 million from the amount originally proposed by the Governor.

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Governor Healey's Fiscal Response Supp.

The same day that Governor Healey signed the FY 2026 budget – while vetoing $130.2 million in spending – she filed a supplemental budget proposing several fiscal management tools to help the state address revenue volatility or unmet spending needs in the months ahead.

The six component parts of the supplemental spending bill can largely be grouped into two categories.

General Budget Management

- *Expanded 9C Authority*
- *Contingency Spending*
- *Line-Item Transferability*

Agency Specific Proposals

- *GIC GLP-1 Coverage*
- *MassDOT Capital Spending*
- *EOHLC Surplus Transferability*

General Budget Management Tools

- ***Expanded 9C Authority*** – Under state law, the Governor is empowered to reduce spending allotments for agencies controlled by the administration after certifying that revenues are insufficient to meet required expenditures. Those 9C powers do not apply to a variety of line-items not considered under the control of the administration – including local aid, K-12 formula funding, and judiciary spending.

- ***Contingency Spending –*** The administration is proposing $130 million be set aside to address budget underfunding and other potential funding shortfalls throughout the fiscal year.
  - **$30 million** – Dedicated to the Housing Preservation and Stabilization Trust Fund, created in 2013. The fund can be used to support a variety of state programs related to the provision of affordable housing and housing stability.
  - **$100 million** – For a broader contingency reserve, to be available for "necessary costs to the Commonwealth and respond to federal policy actions in fiscal year 2026." MTF identified nearly $1 billion in underfunded accounts built into the FY 2026 budget.

- ***Line-Item Transferability*** – The administration is proposing line-item spending transferability of up to 5% within each department and secretariat. Without authorization, appropriated funds can only be spent on a specific line-item and excess funds revert to the General Fund at the end of the fiscal year.

Agency & Program Specific Proposals

- ***GIC GLP-1 Coverage*** – The administration vetoed $27.5 million from the Group Insurance Commission and in the supplemental budget proposes a related section authorizing the GIC to amend the terms of its health plan offerings in FY 2026. While the authorization to make changes is explicit, the intent of this proposal is to allow the GIC to limit coverage of GLP-1 weight loss drugs to medically necessary uses, including diabetes treatment.

- ***MassDOT Capital Spending –*** This proposal would allow MassDOT to pay employee salaries through its capital budget in instances where the employee is assigned to a capital project included in the FY 2026 capital spending plan. Shifting salary costs to the capital budget is often a tool used to reduce pressure on the operating budget, though it does reduce the resources available to support important infrastructure improvements.

- ***EOHLC Surplus Transferability*** – The administration seeks to give EOHLC broad authority to transfer any projected surplus between 25 different housing and homelessness line-items. This is a significantly broader proposal than the 5 percent proposal also filed, but would provide the secretariat more flexibility in addressing potential shortfalls for programs like EA.

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Long-Term State Fiscal Outlook

Major Threats to Long-Term Fiscal Stability

As the Commonwealth ends FY 2025 and begins FY 2026, it faces a range of fiscal risks and uncertainties.

MTF has identified **four 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.
4. Reductions in federal funding and related increases in demand on state services.

These factors are a combination of external events and considerations. Combined, they present Governor Healey and the Legislature with an unmistakable message: **failure to prepare for adverse events could jeopardize the state's ability to respond effectively and mitigate fiscal risk**.

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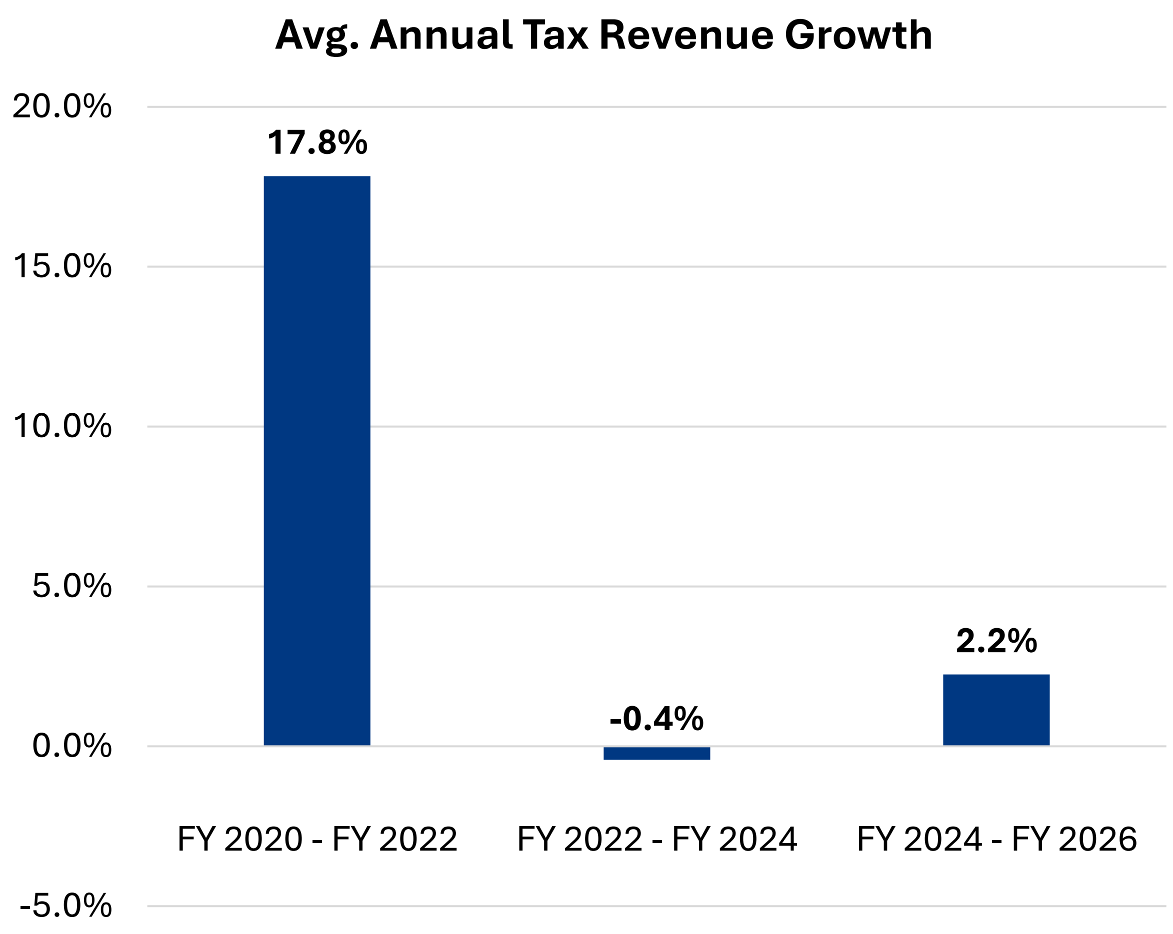
Slow & Stagnating State Revenue Growth

Strong tax collections during the pandemic were fueled by a strong stock market and pandemic-era recovery spending.

- Between FY 2020 – FY 2022, state tax revenue collections grew at an average annual rate of **17.8%.**

Since then, trends in revenue collections have shifted dramatically, despite the passage of the income surtax.

- From FY 2022 – FY 2024, revenue collections slowed down significantly, decreasing by **-0.42%** on average.
- Between FY 2024 – FY 2026, revenue collections are projected to grow by **2.2%** - before accounting for a potential economic slowdown.

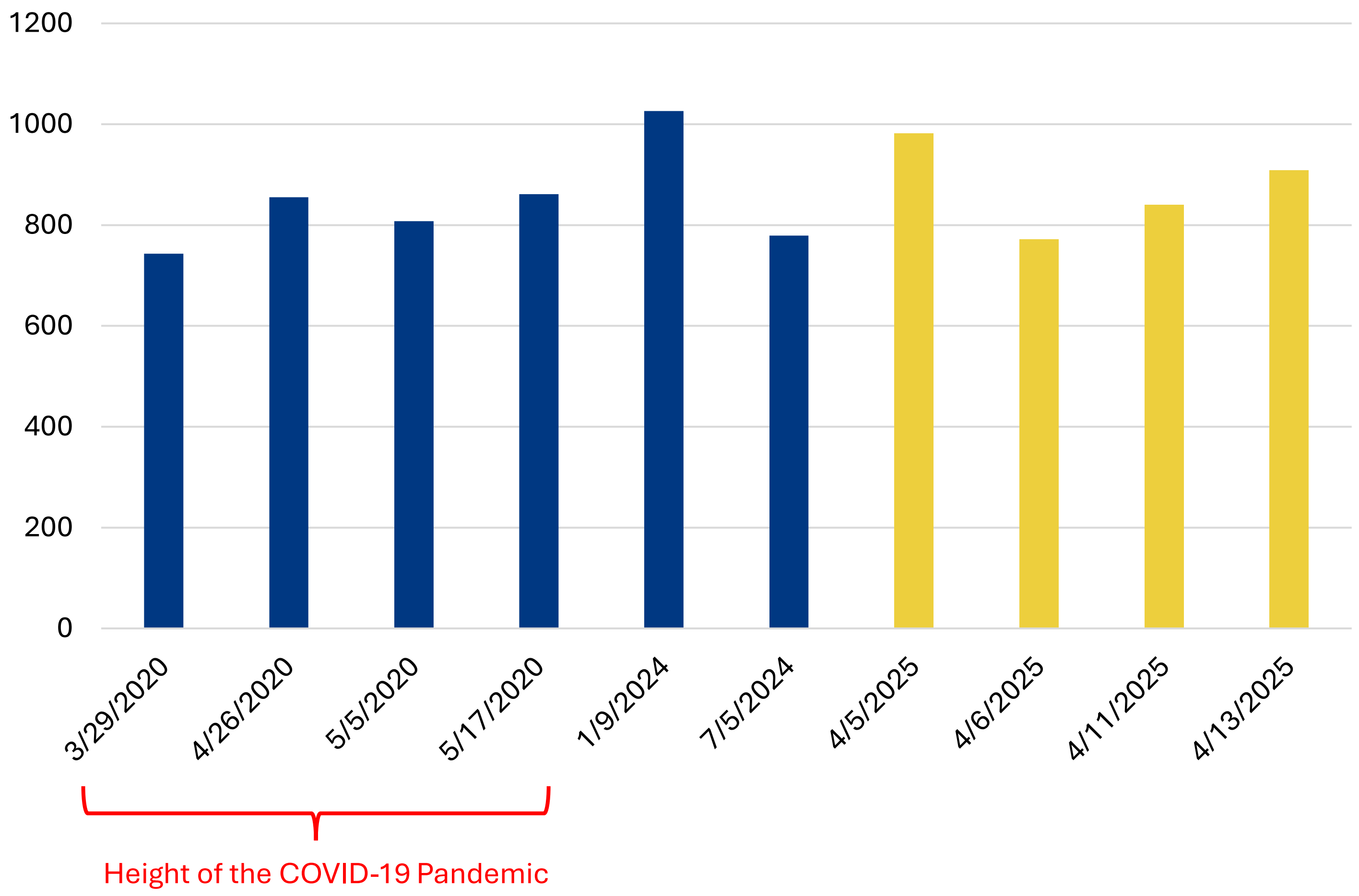


Economic Anxiety is on the Rise

The Federal Reserve Bank of St. Louis publishes a continual Economic Policy Uncertainty Index for the United States. The Index tracks economic uncertainty in the US on a daily basis.

Between March 1, 2020, and April 22, 2025 – 4 out of the top 10 days of highest economic uncertainty have occurred in April 2025.

10 Highest Days of Economic Uncertainty 3/1/2020 – 4/22/2025



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Recessions & the Massachusetts Budget

In the Great Recession, Massachusetts tax collections fell by 12.5 percent between FY 2008 and FY 2009 and remained flat in FY 2010. The impact of this tax decline was mitigated by additional federal Medicaid reimbursements. **The charts below puts the fiscal impact of those tax and reimbursement changes in the context of the FY 2026 budget.**

Impact of Tax Revenue Loss

Tax Type	Decline in FY 2009	Prorated to FY 2026
Withholding	-1.6%	-$401.4
Non-Withholding	-51.1%	-$3,834.2
Sales	-5.3%	-$523.1
Corporate	-17.7%	-$764.1
Other	-3.0%	-$79.6
Total	***-12.5%***	***-$5,602.3***

Impact of Enhanced Medicaid Revenue

Standard Reimbursement Rate	50.0%
Enhanced Rate	61.6%
Applicable FY 2026 Revenue	$14,000
Additional Revenue in FY 2026	***$1,624***

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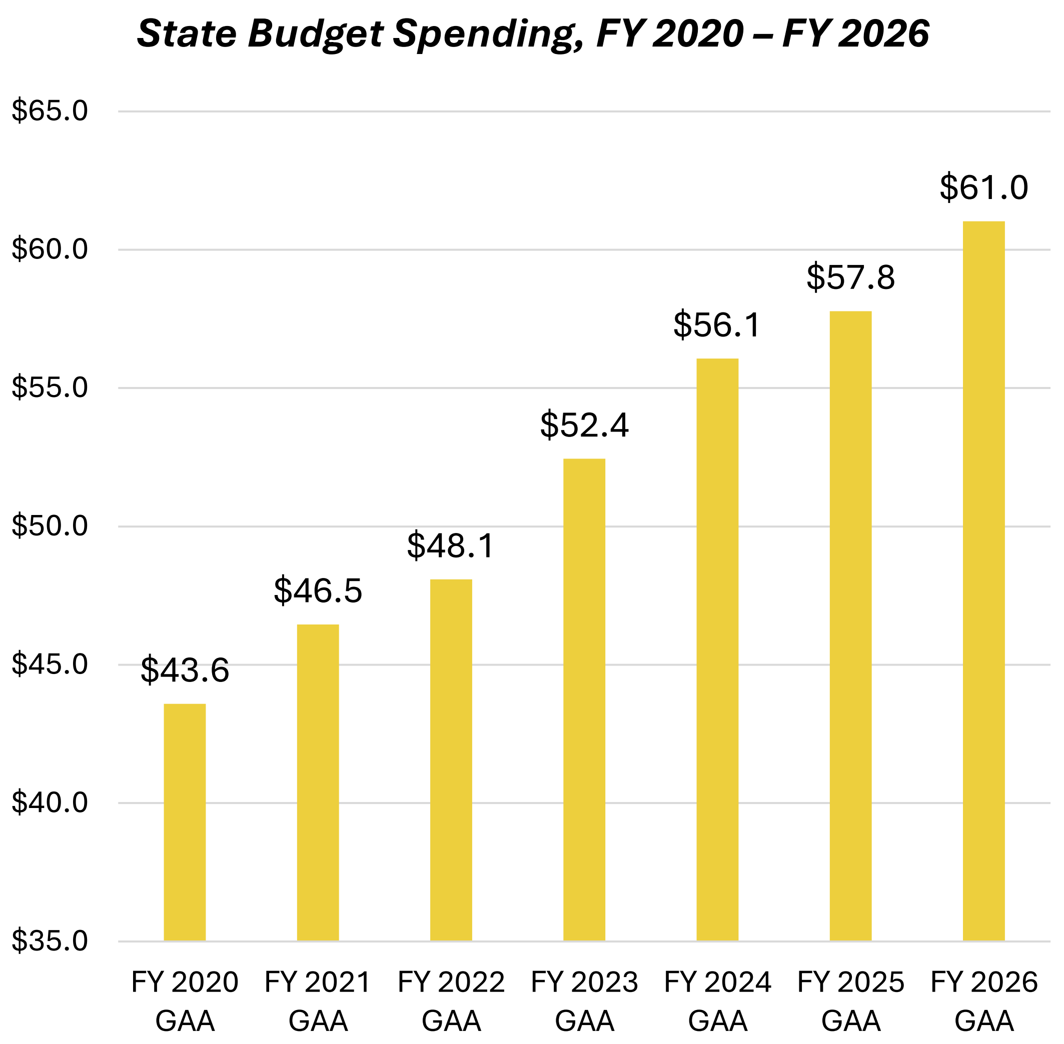
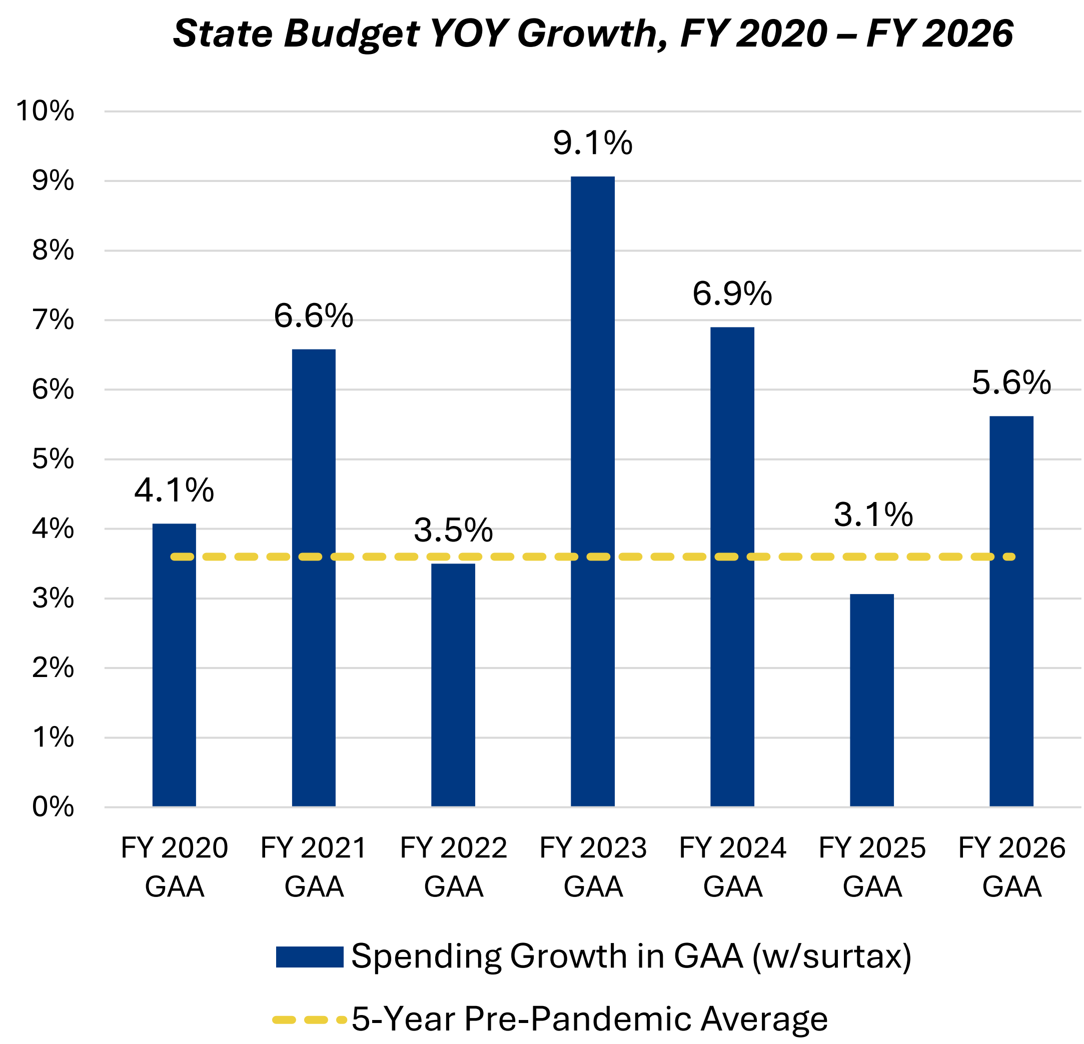
Growing State Spending Pressures





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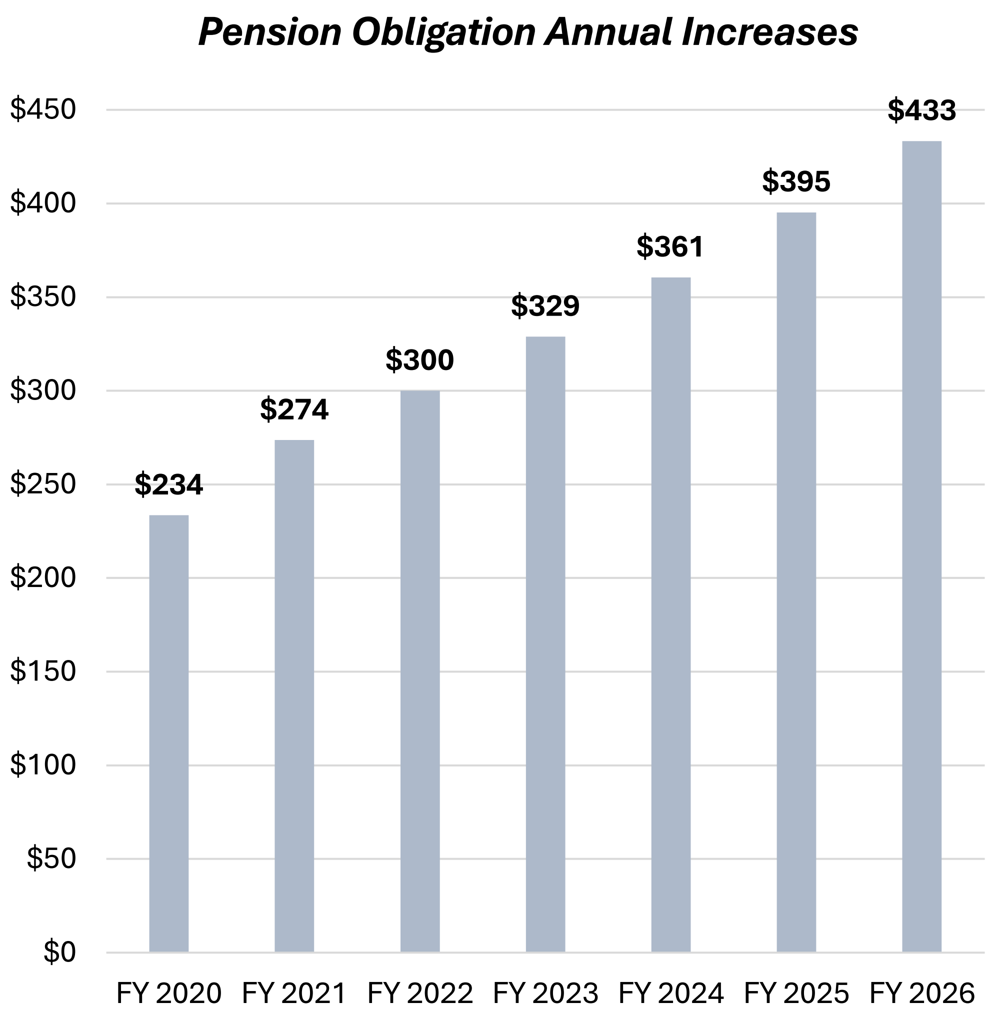
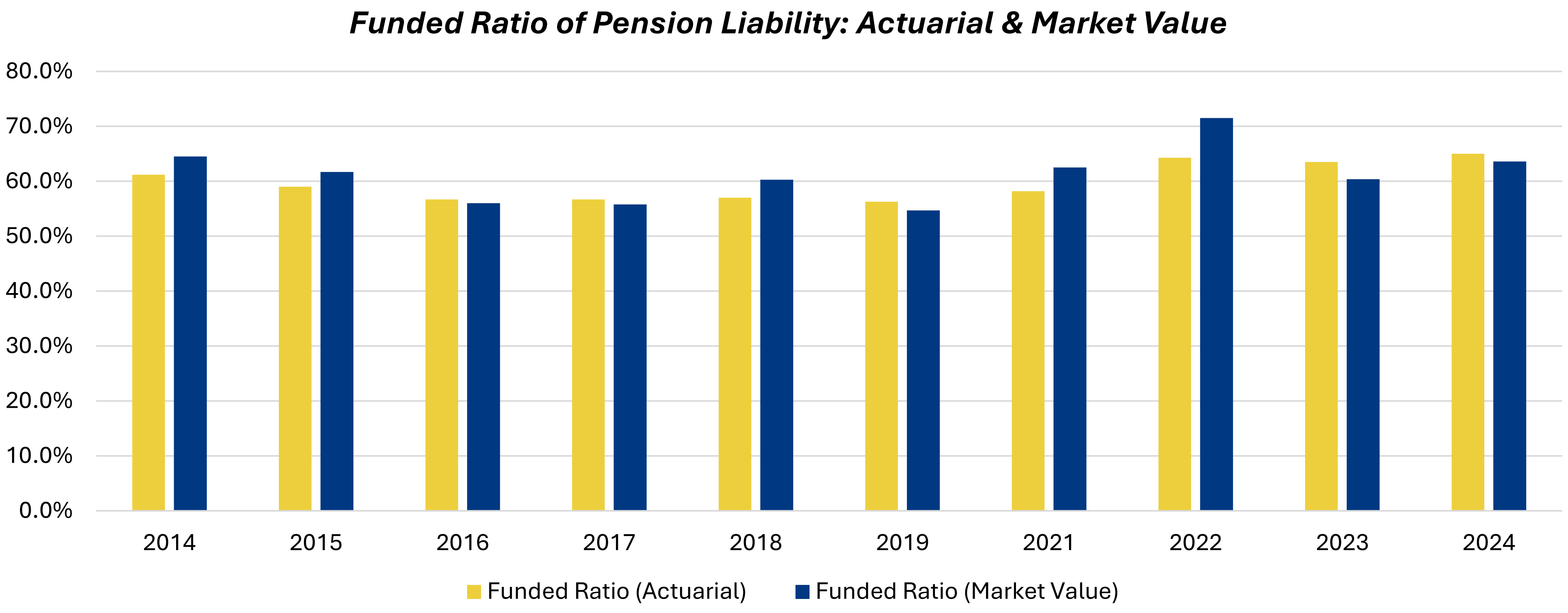
Spotlight: Funding the Pension Liability



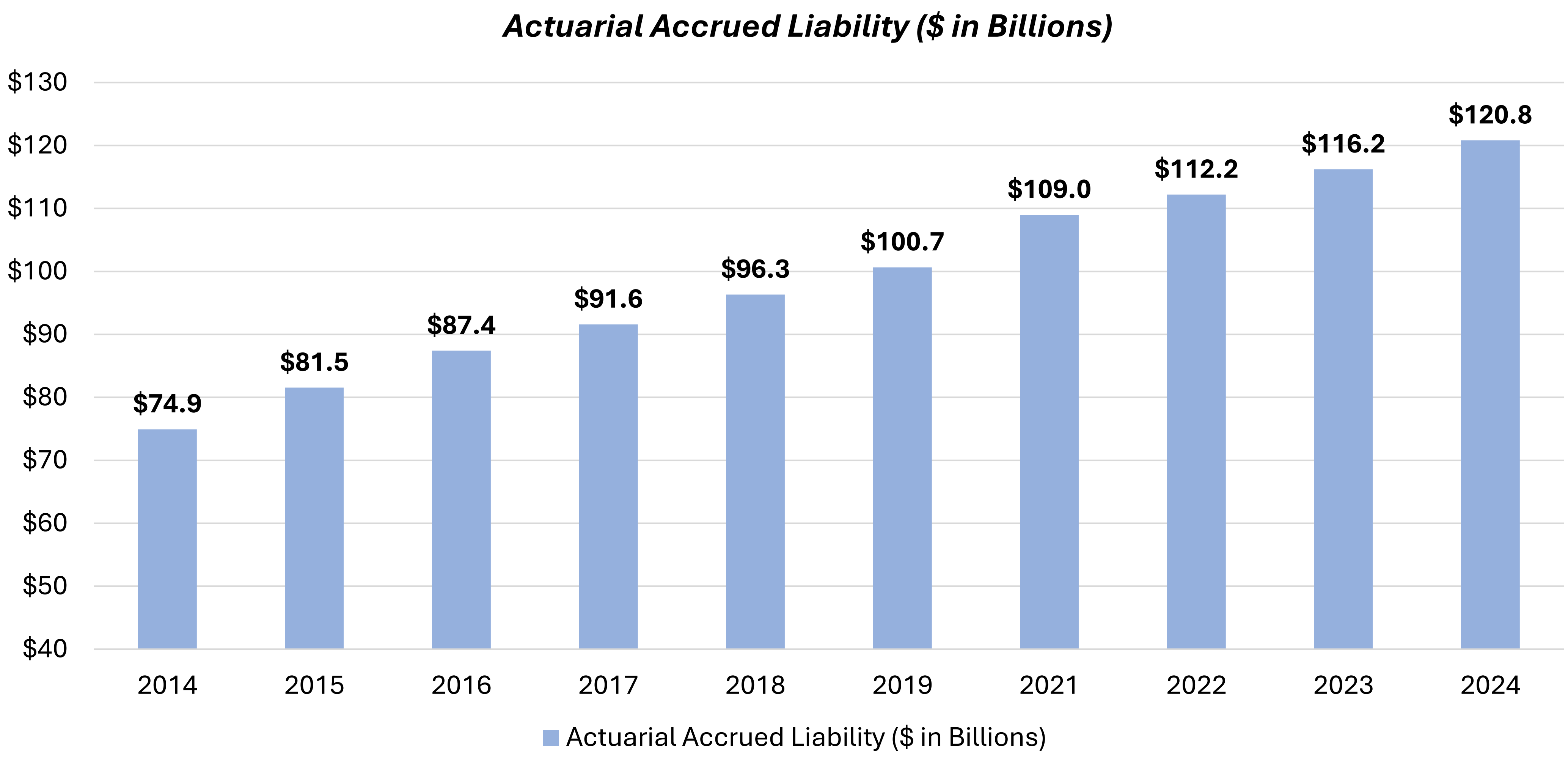
- The state's largest annual pre-budget transfer is the contribution to the Pension Fund.
- Defined by the Executive Office for Administration & Finance.
- Based on a triennial funding schedule.
- Between FY 2024 – FY 2026, the Pension Fund contribution increased by 9.6% each year.
- A new triennial funding schedule will begin in FY 2027.
- In FY 2026, $566 million in above-threshold capital gains collections were used to cover a portion of the $4.9B contribution.

Spotlight: Funding the Pension Liability

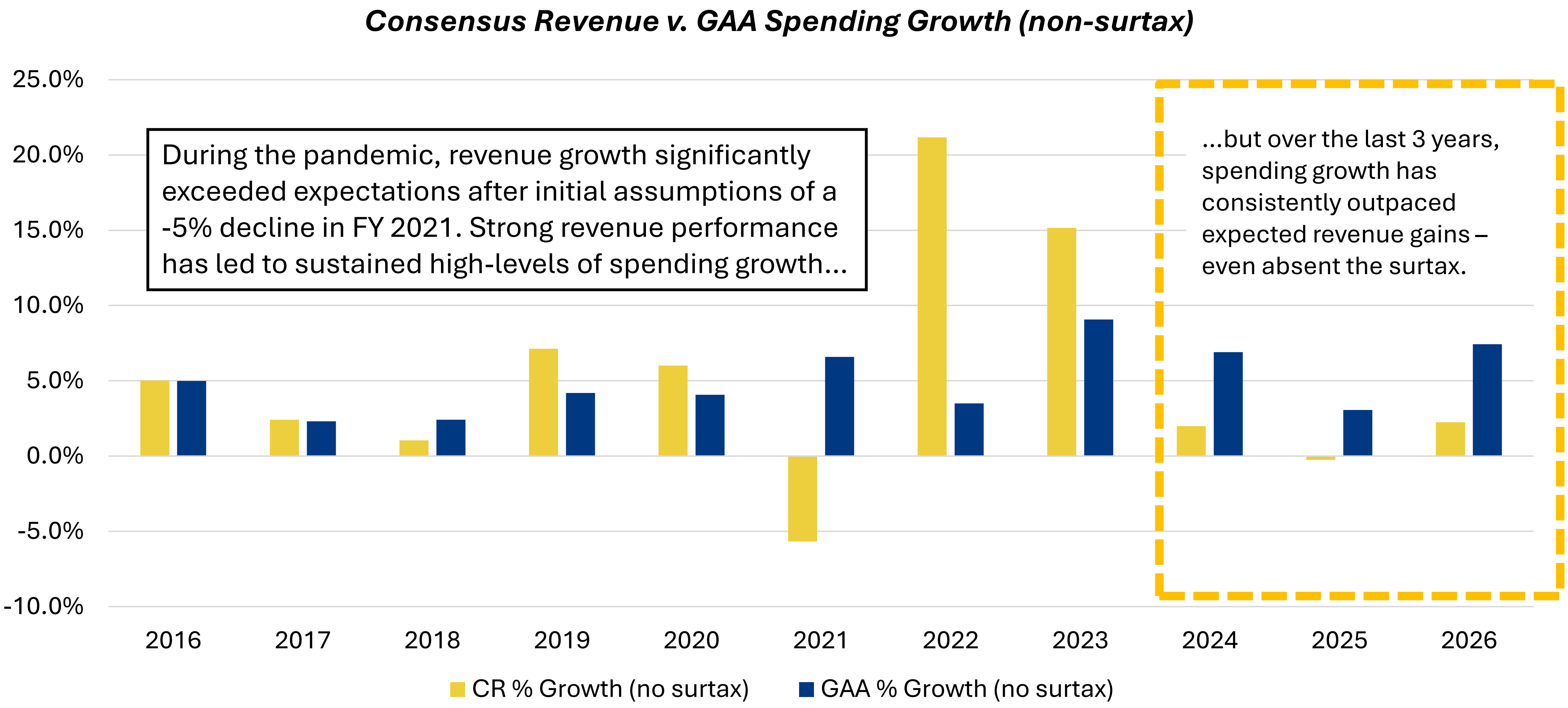


Despite increases to the state's annual Pension Fund contribution exceeding 9%, **the funded ratio has remained relatively flat – between 60% to 70%.**

Spotlight: Funding the Pension Liability



Comparing Revenue & Spending Growth



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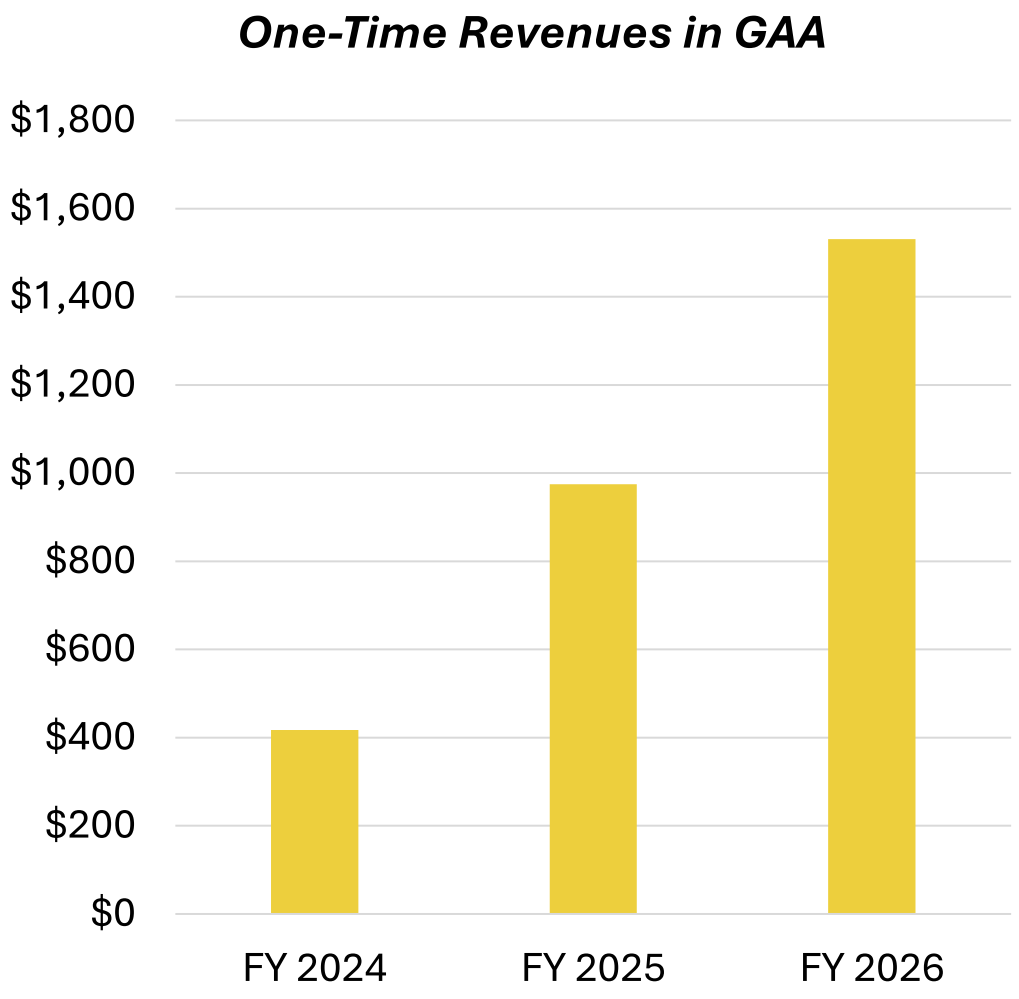
Increasing Reliance on Volatile Revenue Sources

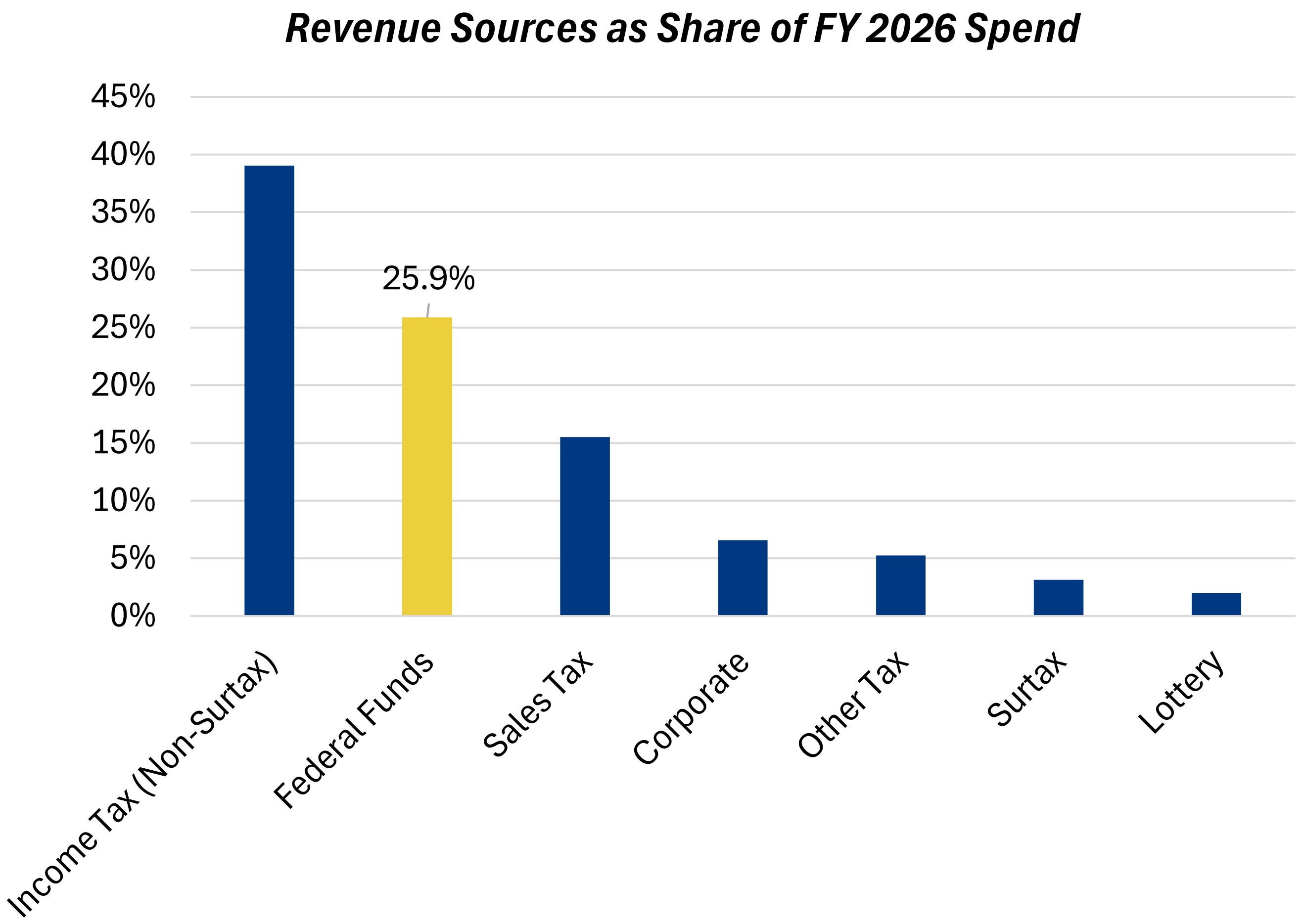


- Between FY 2024 – FY 2026, **the amount of one-time revenues used to balance the budget has more than tripled**.
- In FY 2026, $1.5 billion in revenue solutions were used to support spending, including:
  - $566 million in above-threshold capital gains collections for the Pension Fund contribution.
- At the same time, the surtax has introduced a new and volatile stream of revenue.
- In FY 2026, $2.4 billion in surtax revenues are used to support spending – equal to the total surtax revenue projection for the fiscal year.

Reductions in Federal Funding → Increased State Demand

Interactions between Federal policy and Massachusetts are countless, but four broad categories of impact can be helpful for organizing analysis:

- **Public Sector Impacts** – Federal reimbursements and grants are one of the largest revenue sources for state and local government in MA.
  - Reductions in federal revenue sharing would reduce state and local resources, while policy changes could impact the structure of existing programs.
- **Private Sector Impacts**
- **Economic Impacts**
- **Non-Profit Sector Impacts**



Putting it All Together for the FY 2026 Budget

Using actual FY 2025 tax collections and making some reasonable adjustments on revenue trends, we see areas for risk:

- **Income (non capital gains/surtax)** – assume 1% loss
    - Private employment growth in MA has been stagnant/in decline for 2 years
    - Moody's ID'd MA as in a group of states either in or at risk of recession
- **Sales tax** – assume 3% loss
    - PwC estimate consumer spending will be down 5.3 percent compared to 2024
    - July/August sales tax revenue in MA down 2.6 percent YoY
- **Corporate** – assume 1% loss
    - Moody's ID'd MA as in a group of states either in or at risk of recession
- **Other** – assume 2.5% loss

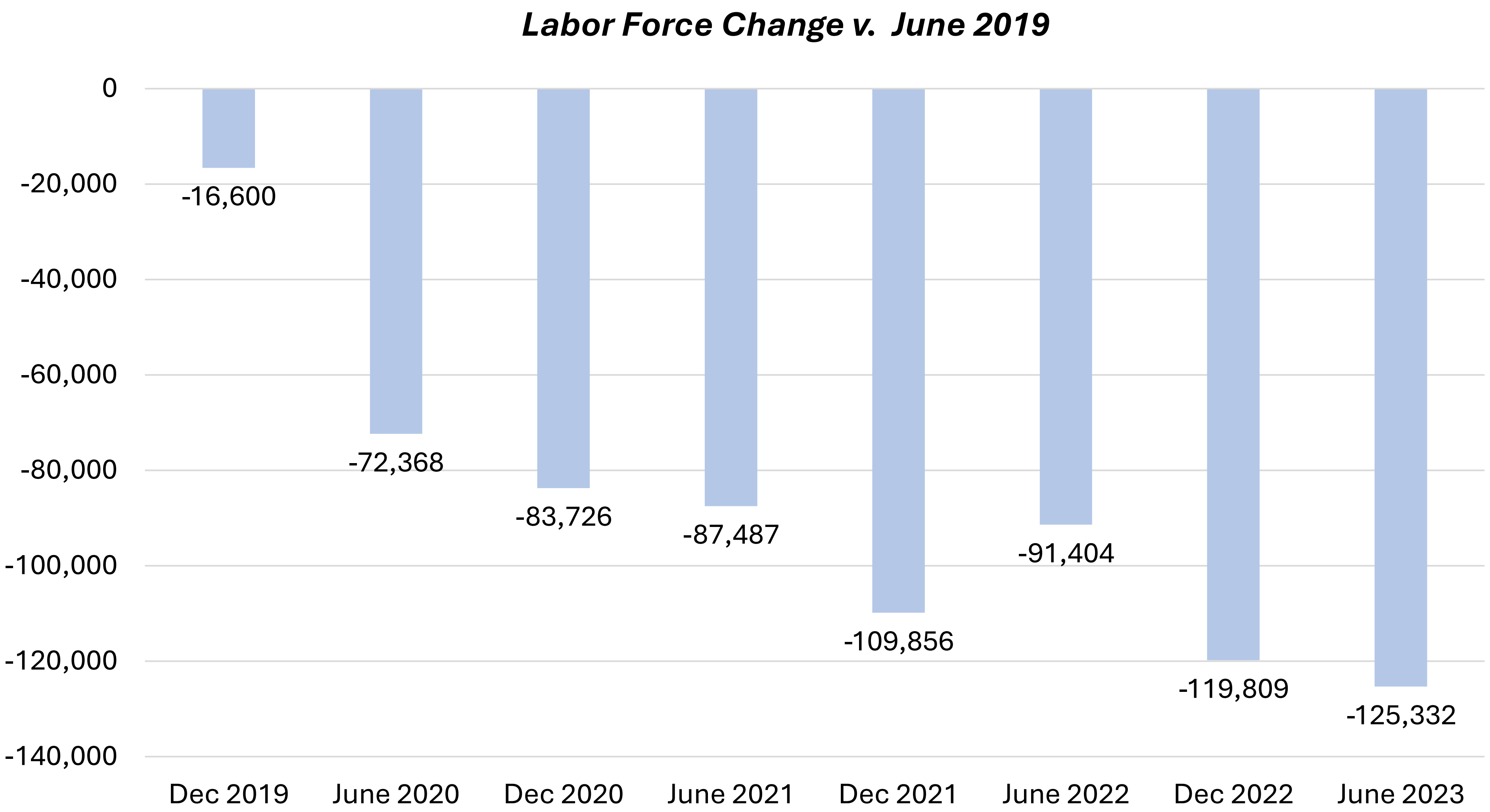
	FY 2025 Benchmark	Actual FY 2025	Change from BM	FY 2026 CR	Prorated FY 2026	Change from CR
Income - non surtax/cap gains	$20,910	$21,285	$375	$21,913	$21,072	*-$841*
Income - cap gains	$2,077	$2,439	$362	$2,327	$2,439	*$112*
Sales	$9,829	$9,613	-$216	$9,819	$9,325	*-$494*
Corporate	$5,017	$4,662	-$355	$4,881	$4,615	*-$266*
Other	$2,474	$2,722	$248	$2,274	$2,654	*$380*
Total	**$40,307**	**$40,721**	**$414**	**$41,214**	**$40,105**	**-$1,109**

MTF


An Update on State
Competitiveness

Declining Labor Trends Since 2019

Labor Force in June 2019: 3,851,981



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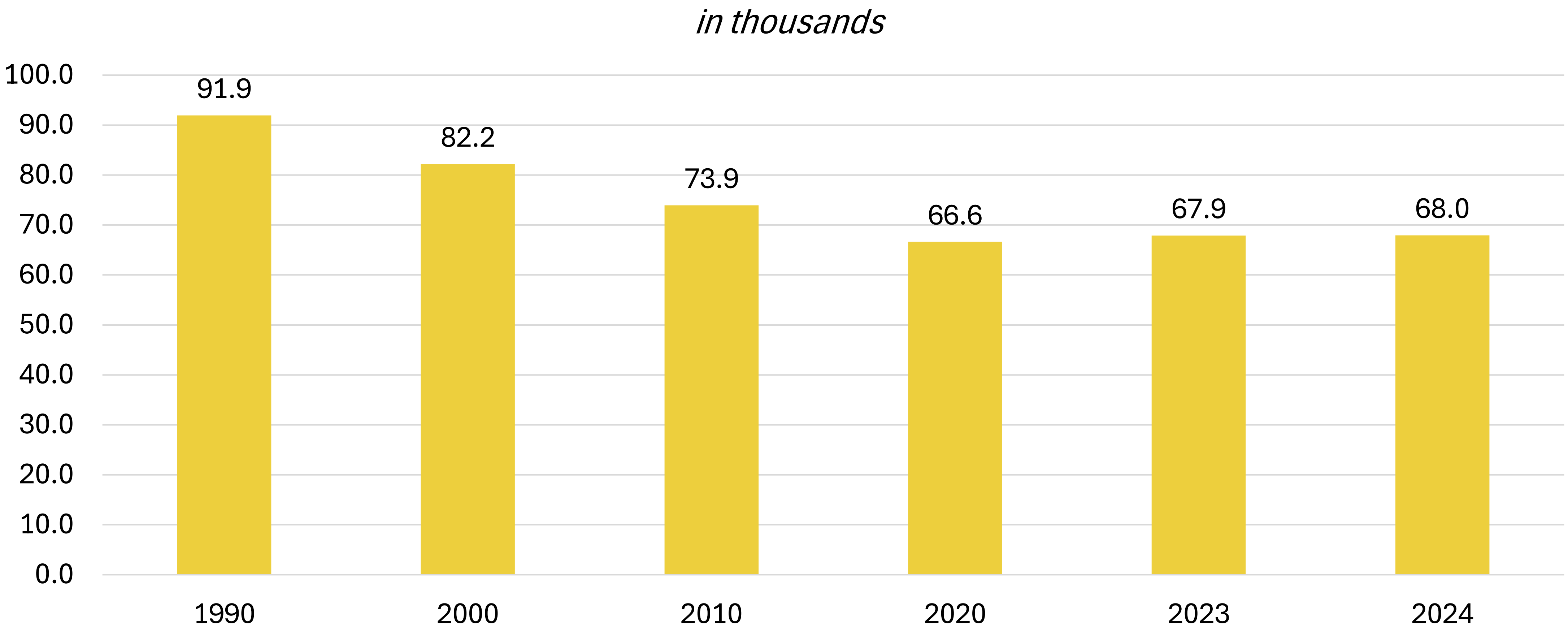
MA Birth Rate Down 25% Since 1990



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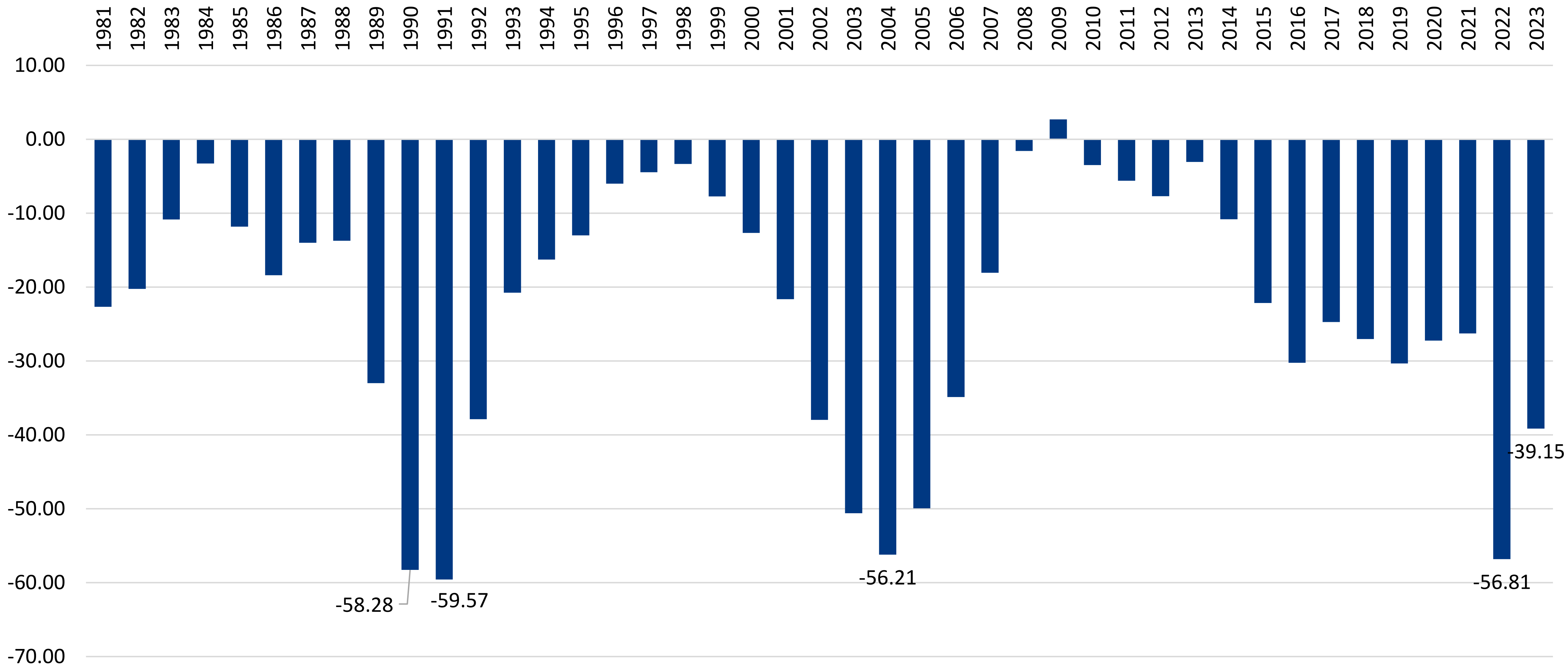
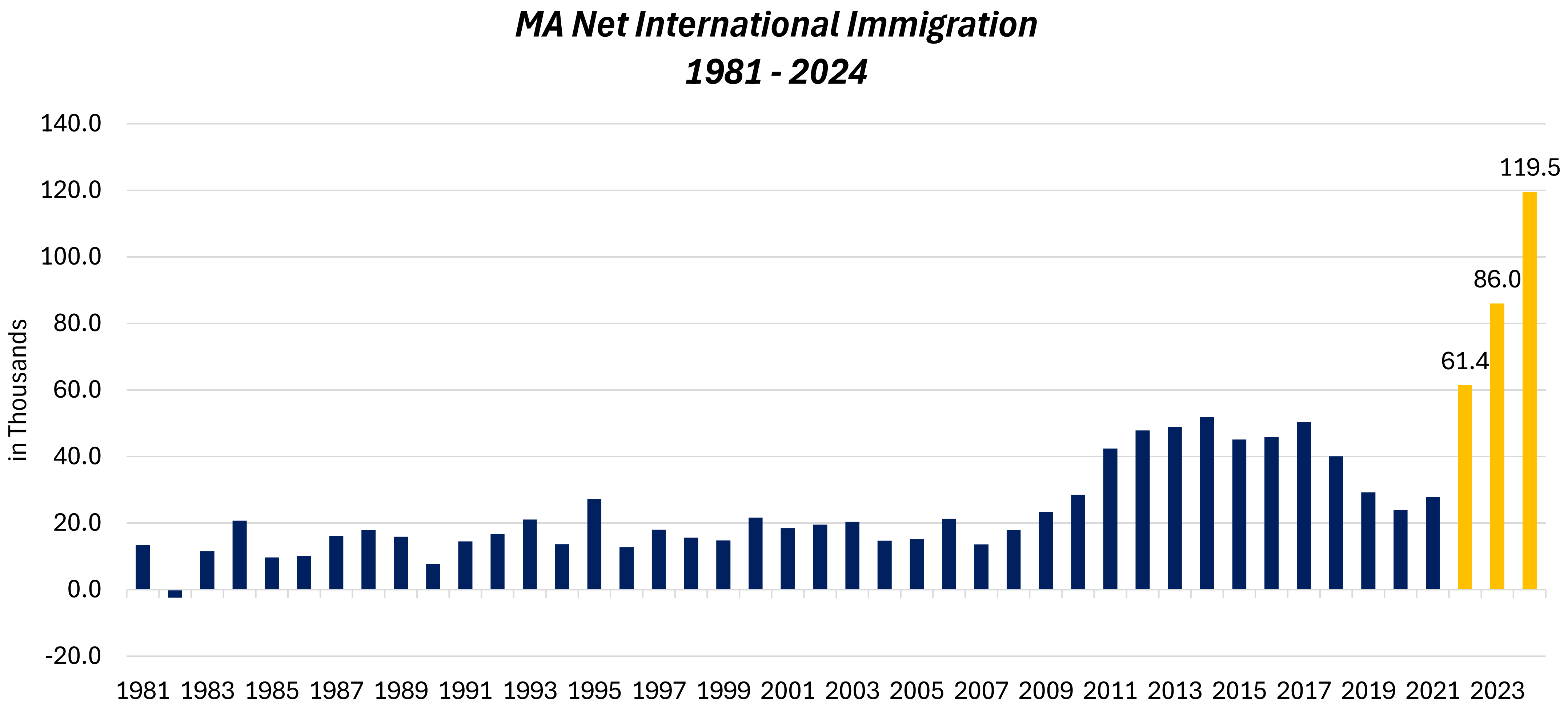
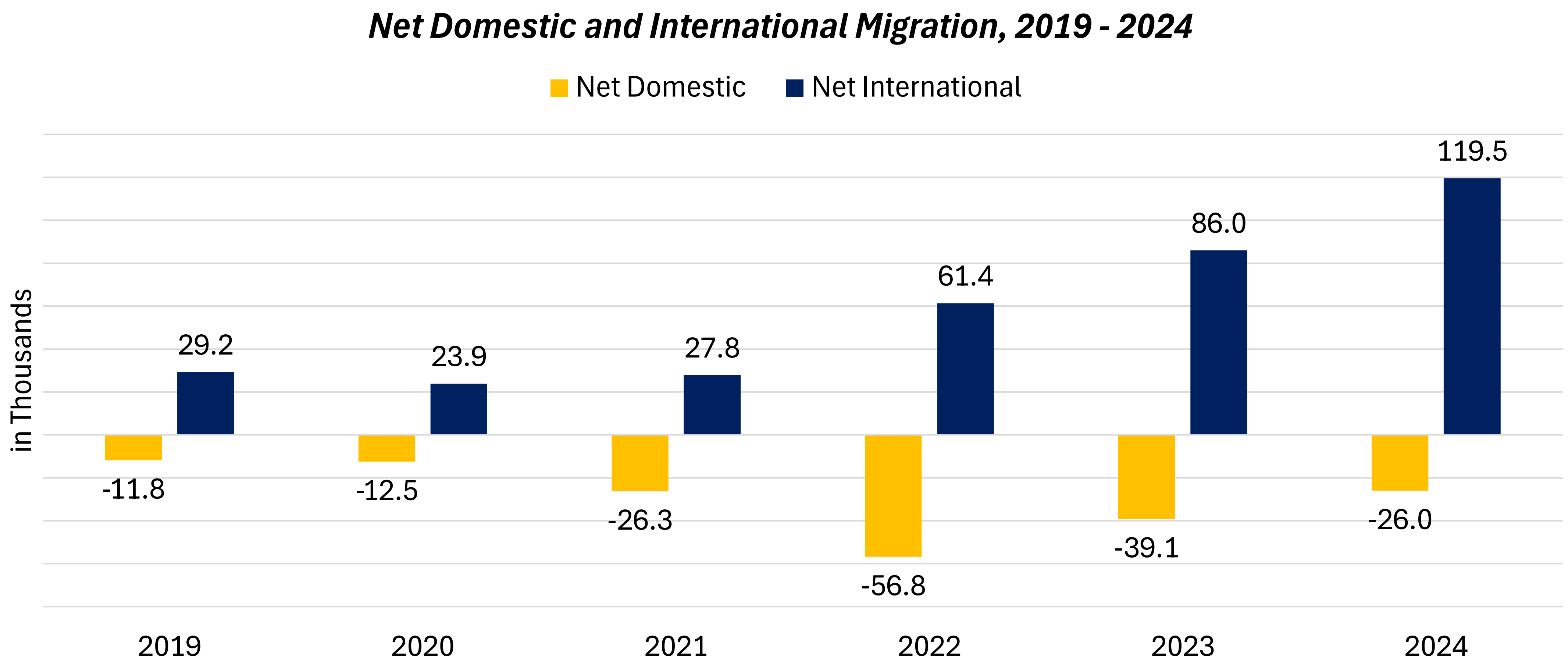
Domestic Outmigration Statewide



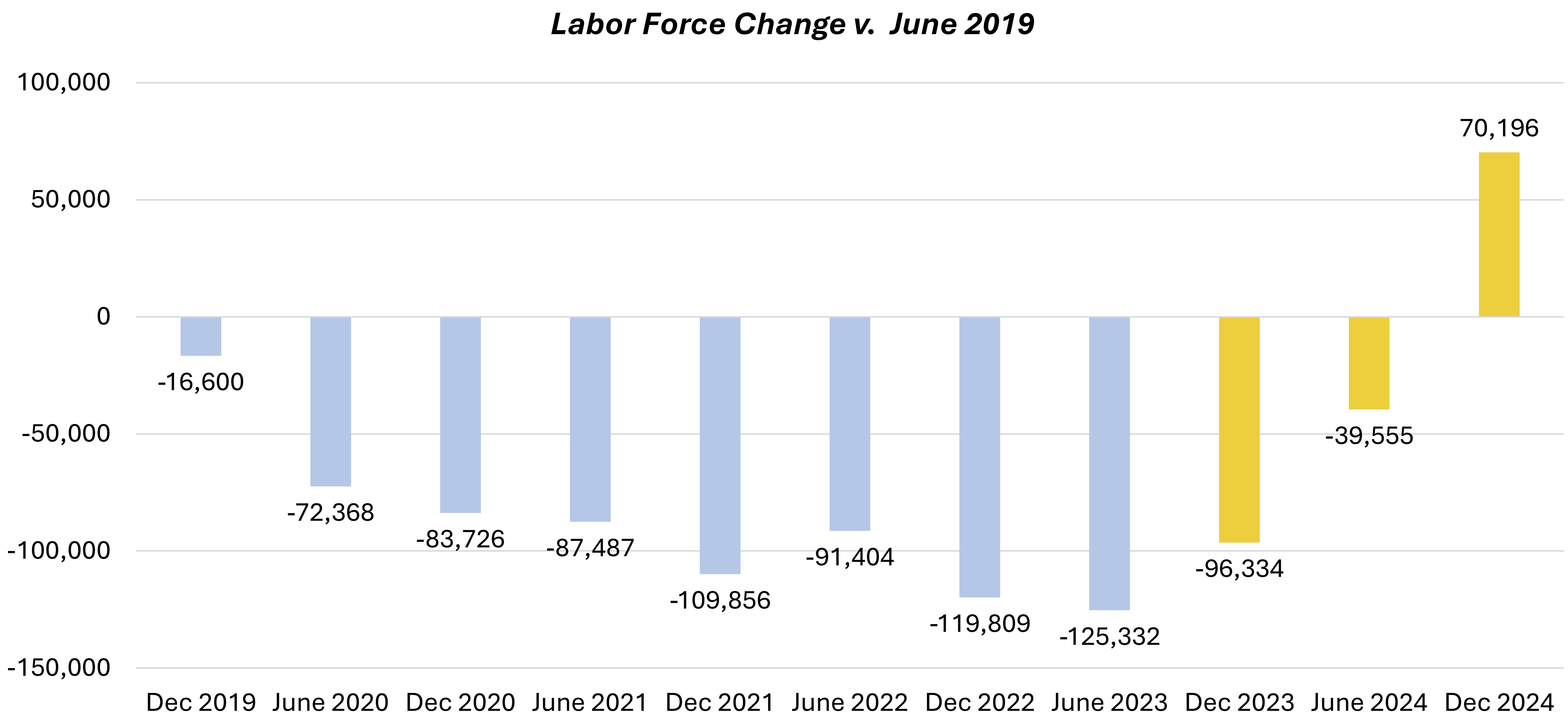
The Turning Tide of International Migration



MA Increased Population by 140,000 in 2023 & 2024 Due to International Immigration



A Shift in Labor Trends ?



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MTF's Competitiveness Index

In 2024, MTF published the first annual **Massachusetts Competitiveness Index** which was designed to provide residents, employers, and policymakers with a holistic assessment of **how Massachusetts compares to our regional and economic competitors across over 25 metrics**.

This year we dive further into Massachusetts' fundamental competitiveness question:

Can our longstanding ability to attract and retain families and businesses, and educate talented people, be maintained in the face of high costs for residents and employers?

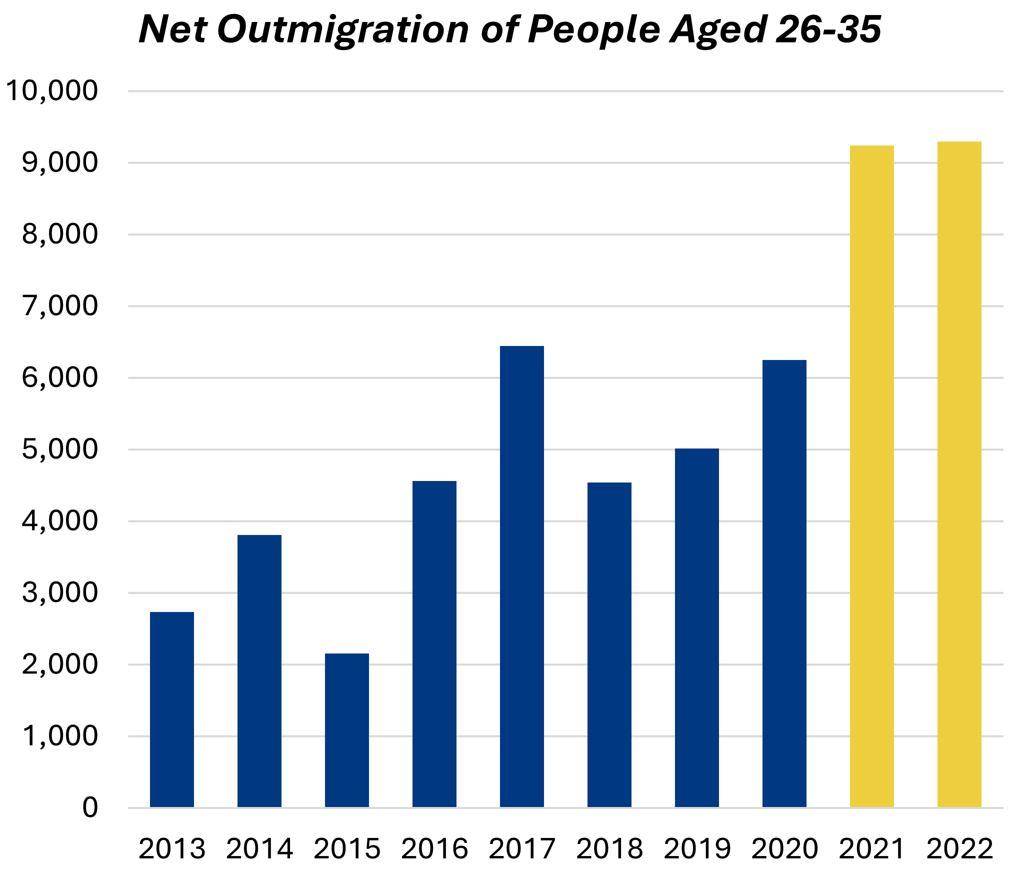
Coming Soon!

Big Picture: Talent v. Cost

In our 2025 Index:

- **Massachusetts ranked in the top 10 nationwide in 8 metrics**, all of which relate to **education, population health, economic productivity, innovation, and income**.

- **Massachusetts ranked in the bottom 10 nationwide in 10 metrics** that relate to **business and resident costs, domestic migration, and private employment growth**.



MA's Biggest Strengths

Massachusetts ranks in the top 5 nationally in 7 metrics measured by MTF's Index.

Metric	National Ranking
GSP per Capita	2nd
Average Weekly Wage	2nd
International Migration	3rd
Population 25+ with a Bachelor's Degree	1st
Venture Capital Funding per $1 Million as a Share of GSP	1st
8th Grade Reading and Math Test Scores	1st/1st
Life Expectancy at Birth	2nd

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MA's Biggest Weaknesses

Massachusetts ranks in the bottom 5 nationally in 10 metrics measured by MTF's Index.

Metric	National Ranking
Private Employment Growth	50th
Regional Price Parity	46th
GINI Index	47th
Domestic Migration	45th
Business Formations per Private Employee	49th
Energy Cost	47th
Health Insurance Paid by Employer	48th
Housing Cost Burden	45th
Commute Time	47th
Infant Childcare Cost	48th

Areas to Watch

Massachusetts gained ground in 9 metrics, while losing ground to other states in 7 metrics.

Where Massachusetts Gained Ground

Metric	2024 Index Ranking	2025 Index Ranking
Labor Force Size, Five-Year Change	48th	35th
Average Employer UI Tax per Covered Employee	43rd	38th
Labor Force Participation Rate	13th	8th

Where Massachusetts Lost Ground

Metric	2024 Index Ranking	2025 Index Ranking
Health Insurance Paid by Employer	36th	48th
Unemployment	21st	31st
Poverty Rate	11th	16th

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