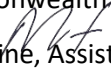


Mark S. Fine
Assistant Secretary for Operational Services

To: Commonwealth Superintendents

From:  Mark Fine, Assistant Secretary for Operational Services
Operational Services Division

Date: October 1, 2025

Re: Estimated Rate of Inflation for Fiscal Year 2027 ("FY27")

CC: Matthew Gorzkowicz, Secretary, Executive Office for Administration and Finance
Dan Shark, Assistant Secretary for Administration and Finance, Executive Office of Health and Human Services
Ditte B. Sayers, Chief Financial Officer, Executive Office of Health and Human Services
Andy R VanHolt-Mejia, Director of Procurements and Contracts, Department of Children and Families
John J. Sullivan, Associate Commissioner District & School Finance, MA Department of Elementary & Secondary Education
Elizabeth D.R. Becker, Esq, Executive Director, MAAPS
Janine Brown-Smith, Esq, Brown-Smith Attorneys at Law
Bill Yelenak, President/CEO, Providers Council

Purpose

This memorandum provides the Operational Services Division's analysis ("OSD") of the estimated rate of inflation for Fiscal Year 2027. Based on the analysis, **the rate is estimated to be 3.04% for next fiscal year**. This analysis is used to inform budget planning for both state and local governments. A summary of the analysis is attached.

Background

OSD is required by M.G.L. Chapter 7, Section 22N, to submit an "estimated rate of inflation for social service programs" to the Secretary of the Executive Office for Administration and Finance by October 1st of each year to aid preparation of the Governor's annual budget recommendation. The estimate is primarily used for setting Special Education Tuition rates. OSD is also required to provide this estimate to school superintendents annually on October 1st to aid municipalities in determining their upcoming budgetary needs and planning for increases to Approved Private Special Education programs.

Methodology

OSD's process for determining the estimated rate of inflation involves using established market basket data (taken from Schedule B of the Uniform Financial Reports ("UFR") submitted by approximately 6,000 social service programs) to assign a percentage value to different categories of costs of Special Education programs (i.e., personnel, fringe benefits, staff training, occupancy, etc.). Each of these percentages are then multiplied by factors determined by using a four-month average from the Bureau of Labor Statistics wage and fringe benefits tables and a six-month average of the consumer price index. This calculation results in the adjusted percentage for each category. The adjusted percentages are added together, and the adjusted total percentage provides the estimated rate of inflation.

Should you or your staff require further information regarding the estimated rate of inflation, please contact Jacquiline Brown, Director of Special Education Pricing and Financial Auditing at (617) 720-3371 or Jacquiline.Brown@mass.gov.

 OPERATIONAL SERVICES DIVISION Commonwealth of Massachusetts	EXECUTIVE OFFICE FOR ADMINISTRATION AND FINANCE				
	OPERATIONAL SERVICES DIVISION				
	ESTIMATED RATE OF INFLATION - FISCAL YEAR 2027				
	October 1, 2025				
COMPONENT	PERCENTAGE OF TOTAL EXPENSES	FACTOR	SOURCE	REFERENCE	ADJUSTED PERCENTAGE
PERSONNEL	48.05%	1.035	ECI	NORTHEAST	49.73%
PAYROLL TAX	4.20%	1.042	ECI	SERVICE OCCUPATIONS	4.38%
FRINGE BENEFITS	5.94%	1.042	ECI	SERVICE OCCUPATIONS	6.19%
OCCUPANCY	6.50%	1.047	CPI	BOSTON	6.80%
DIRECT CARE CONSULTANT	2.16%	1.035	ECI	NORTHEAST	2.23%
TEMPORARY HELP	0.23%	1.035	ECI	NORTHEAST	0.24%
CLIENTS & CAREGIVERS REIM.	4.54%	1.000	Note 1		4.54%
SUBCONTRACTED DIRECT CARE	7.78%	1.035	ECI	NORTHEAST	8.06%
STAFF TRAINING	0.21%	1.035	ECI	NORTHEAST	0.21%
STAFF MILEAGE/TRAVEL	0.39%	1.003	CPI	BOSTON	0.40%
MEALS	1.82%	1.021	CPI	BOSTON	1.86%
CLIENT TRANSPORTATION	1.32%	1.003	CPI	BOSTON	1.33%
INCID. MEDICAL/MEDICINE/PHAR.	0.07%	1.028	CPI	BOSTON	0.07%
CLIENT PERSONAL ALLOWANCES	0.20%	1.000	Note 1		0.20%
PROVISION MAT. GOODS/SVS./BEN.	2.64%	1.000	Note 1		2.64%
DIRECT CLIENT WAGES	0.14%	1.000	Note 1		0.14%
OTHER COMM. PROD/SVS.	0.05%	1.000	Note 1		0.05%
PROG. SUPPLIES/MATERIALS	1.29%	0.985	CPI	BOSTON	1.27%
OTHER EXPENSE	0.46%	1.019	CPI	BOSTON	0.47%
TOTAL DIRECT ADMIN EXP. (PROG.)	2.19%	1.019	CPI	BOSTON	2.23%
ADMINISTRATION	9.80%	1.019	CPI	BOSTON	9.99%
TOTAL	100.00%				103.04%
Note 1:					
Inflation is not applicable for "pass through" items.					
Percentage of Total Expenses:					
The Percentage of Total Expenses is based on FY 2024 <i>Uniform Financial Report</i> data.					
Sources:					
ECI: The Employment Cost Index represents a 12 month average change to 6/30/24.					
CPI: The Consumer Price Index represents a 12 month average change to 7/31/24.					