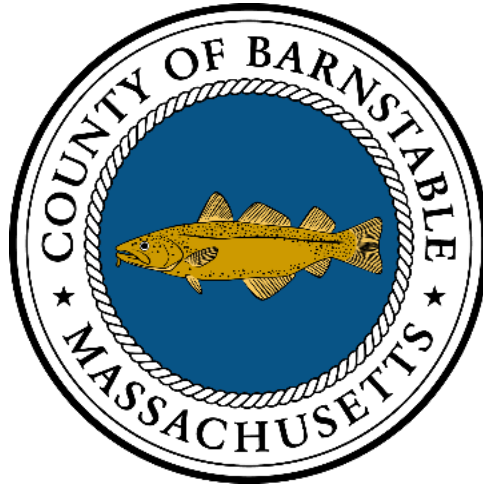




Massachusetts State Lottery, Unrestricted General Government Aid (UGGA), and the Double Disadvantage Facing Cape Cod Communities

Barnstable County Administration

June 2026

Revised July 2026

This report is presented in memory of former Harwich selectman
Donn B Griffin
who was a constant advocate for the Cape's fiscal well-being

Executive Summary

The Massachusetts State Lottery serves as the primary source of unrestricted municipal aid for cities and towns across the Commonwealth. For Cape Cod communities, however, two related challenges have emerged. This analysis focuses exclusively on aid received by Barnstable County's fifteen municipalities; Barnstable County government does not receive or benefit from Unrestricted General Government Aid or municipal lottery distributions and is providing this report solely as an informational resource for local communities.

First, Barnstable County communities generate substantial lottery revenue but receive a disproportionately small share of Unrestricted General Government Aid (UGGA) under the Commonwealth's current distribution formula. In FY2025, Cape Cod municipalities generated approximately \$231 million in net lottery sales yet received only \$12.04 million in UGGA, representing a return of approximately 5.2 cents for every dollar generated.

Second, even the aid Cape Cod communities do receive has steadily lost purchasing power. Between 2017 and 2026, countywide UGGA increased by 29.5 percent, while cumulative inflation increased by approximately 35.68 percent, measured by the U.S. Bureau of Labor Statistics CPI-U annual average index. To maintain the same purchasing power as 2017, Barnstable County municipalities would need approximately \$12.76 million in UGGA in 2026. Actual aid totals \$12.18 million, resulting in an annual purchasing power shortfall of approximately \$583,424.

Taken together, these findings demonstrate a double disadvantage facing Cape Cod communities. The region receives a relatively small return from the lottery revenues it generates, and the value of those aid dollars has been eroded by inflation.

Key Findings

- Cape Cod generated approximately \$231 million in State Lottery net sales during FY2025.
- Cape Cod municipalities received approximately \$12.04 million in UGGA.
- The region receives only 5.2 cents back for every dollar generated through Lottery sales.
- Between 2017 and 2026, UGGA increased 29.5 percent while inflation increased 35.68 percent.
- The purchasing power of local aid has declined approximately 4.6 percent since 2017 — an annual shortfall of approximately \$583,424 in 2026.
- Every municipality in Barnstable County receives less aid in real terms today than it did in 2017.

The Double Disadvantage Facing Cape Cod

Structural Formula Inequity

Cape Cod generates substantial Lottery revenue but receives a disproportionately small share of municipal aid through the current UGGA formula. The formula relies heavily on equalized property

valuation and permanent population measures that do not adequately reflect seasonal service demands, tourism impacts, or regional economic contribution.

Inflation Erosion

Even the aid Cape Cod communities do receive has not kept pace with inflation. While aid increased in nominal dollars, the cost of delivering municipal services — including public safety, infrastructure, utilities, labor, fuel, and environmental compliance — has increased more rapidly. This inflationary pressure is especially significant for Cape communities facing major capital needs, including wastewater and sewer construction projects required to address long-term water quality and environmental challenges.

Combined Effect

Cape Cod communities receive less aid than their lottery contributions would suggest, and each aid dollar purchases less than it did in 2017.

1. Historical Context and Legislative Intent

The Massachusetts State Lottery was established on September 27, 1971, through Chapter 813 of the Acts of 1971 in response to growing municipal fiscal challenges.

The Legislature's objective was to create a dedicated, non-property-tax revenue source that could provide unrestricted local aid to cities and towns throughout the Commonwealth.

Lottery ticket sales began in 1972 and expanded significantly with the introduction of instant scratch tickets in 1974. Today, Lottery profits remain one of the primary sources of unrestricted municipal assistance.

2. How Lottery Revenue Becomes Local Aid

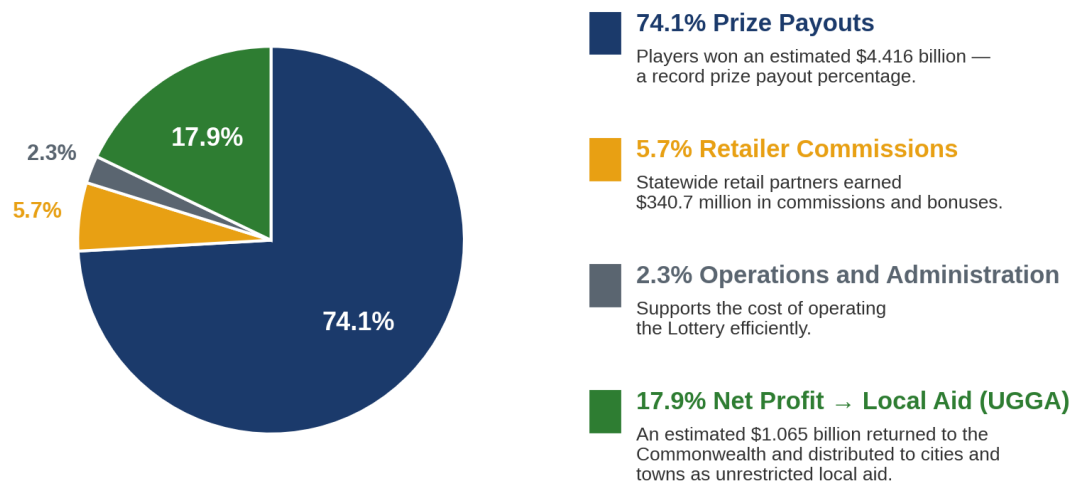
Lottery revenues are deposited into the State Lottery and Gaming Fund and ultimately distributed to municipalities through the Commonwealth's Unrestricted General Government Aid program.

The allocation of gross Lottery revenue is regulated by Massachusetts General Laws c.10, section 35, which establishes the State Lottery and Gaming Fund. Revenue from gross ticket sales is legally parsed into three distinct tiers:

- **Prizes:** The law requires that no less than 45% of all revenue must be paid directly to ticket holders as prize winnings. In practice, Massachusetts historically offers one of the highest prize payout percentages in the country, often exceeding 70% to maintain player retention.
- **Operations:** No more than 15% of revenue may be utilized for administrative and operational expenses. The lottery consistently outperforms this mandate, with administrative expenses trending around 2.3%.

- **Net Profit:** The remaining balance, the “net profit,” is transferred directly to the State Treasury to fund municipal budgets through Unrestricted General Government Aid (UGGA). The Net Profit amounts to approximately 18% of total Lottery revenue.

How Lottery Revenue Was Allocated (FY2025)



Source: Massachusetts State Lottery, FY2025 results (revenues \$5.962B, unaudited), July 2025.

3. Cape Cod's Contribution to the Lottery System

Barnstable County municipalities generated approximately \$231 million in net Lottery sales during FY2025.

Despite this substantial contribution, Cape Cod municipalities collectively received only \$12.04 million in UGGA, or 5.2% of total Lottery sales.

BARNSTABLE COUNTY LOTTERY IMPACT

Barnstable County municipalities generated **\$231 million** in net Lottery sales during FY25 but received only **\$12.04 million** in UGGA.

AT A GLANCE



LOTTERY SALES

\$231
MILLION



UGGA RECEIVED

\$12.04
MILLION



RETURN RATIO

5.21%



The current formula **does not** distribute aid based on **where Lottery tickets are sold**. Instead, distributions are heavily influenced by equalized property valuation and population-based factors.

Municipal Lottery Sales and UGGA Returns by Town (FY2025)

Municipality	FY2025 Lottery Sales (\$)	FY2025 UGGA Received (\$)	Return Ratio (per \$1 of Sales)
Barnstable	\$52,066,963	\$2,590,019	4.97%
Bourne	\$23,439,003	\$1,805,020	7.70%
Brewster	\$3,214,441	\$486,179	15.12%
Chatham	\$2,794,882	\$185,311	6.63%
Dennis	\$19,104,500	\$670,586	3.51%
Eastham	\$4,737,032	\$183,447	3.87%
Falmouth	\$32,012,431	\$1,707,078	5.33%
Harwich	\$16,843,854	\$530,386	3.15%
Mashpee	\$14,161,416	\$453,025	3.20%
Orleans	\$6,251,579	\$211,505	3.38%
Provincetown	\$4,815,295	\$170,319	3.54%

Municipality	FY2025 Lottery Sales (\$)	FY2025 UGGA Received (\$)	Return Ratio (per \$1 of Sales)
Sandwich	\$17,159,138	\$1,387,851	8.09%
Truro	\$60,645	\$37,045	61.09%
Wellfleet	\$1,303,173	\$71,972	5.52%
Yarmouth	\$33,040,961	\$1,554,670	4.71%
COUNTY TOTAL	\$231,005,313	\$12,044,413	5.21%

Note: Return ratio represents FY2025 UGGA received divided by FY2025 lottery sales. **Sources:** Massachusetts State Lottery Commission (FY2025 Net Sales by Municipality); Massachusetts Department of Revenue (FY2025 UGGA Distribution).

The current formula does not distribute aid based on where Lottery tickets are sold. Instead, distributions are heavily influenced by old equalized property valuation and population-based factors.

By contrast, here are other municipal Lottery sales and UGGA distributions:

Municipality	FY2025 Lottery Sales (\$)	FY2025 UGGA Received (\$)	Return Ratio (per \$1 of Sales)
Boston	\$530,717,573	\$233,284,129	43.96%
Cambridge	\$34,327,686	\$26,452,452	77.06%
Concord	\$4,642,703	\$1,428,463	30.77%
Fall River	\$88,940,768	\$29,342,937	32.99%
Malden	\$60,976,568	\$15,448,168	25.33%
Methuen	\$102,598,615	\$6,694,913	6.53%
Milton	\$6,191,549	\$3,956,453	63.90%
Plymouth	\$52,040,582	\$4,824,871	9.27%
Sheffield	\$758,865	\$299,980	39.53%
Somerville	\$42,837,048	\$31,024,812	72.43%
Wareham	\$36,060,876	\$2,436,234	6.76%
Williamstown	\$2,270,147	\$1,175,614	51.79%
Worcester	\$192,871,234	\$51,170,554	26.53%

4. Inflation and Purchasing Power

A Decade of Purchasing Power Erosion

2017–2026

UGGA GROWTH	CUMULATIVE INFLATION	REAL PURCHASING POWER CHANGE
+29.5%	+35.68%	-4.6%
Aid increased	Costs increased more	Local purchasing power declined

While UGGA increased by 29.5% between 2017 and 2026, cumulative inflation reached 35.68% — a 4.6% decline in real purchasing power.

Source: U.S. Bureau of Labor Statistics, CPI-U annual average index (245.120 in 2017; 2025 reflects the 11 published months; 2026 estimated at +3.3%). UGGA: MA DOR Cherry Sheets.

While aid increased in nominal dollars, inflation outpaced aid growth, resulting in a measurable decline in purchasing power. This challenge is particularly acute for Cape Cod communities undertaking major water, wastewater, and sewer infrastructure projects, where construction cost inflation has often exceeded general consumer inflation, further increasing the gap between available aid and actual municipal costs.

WHAT THIS MEANS

2017 COUNTY UGGA	2026 COUNTY UGGA	INFLATION-ADJUSTED 2017 VALUE	ANNUAL PURCHASING POWER SHORTFALL
\$9.41	\$12.18	\$12.76	\$583,424
MILLION	MILLION	MILLION	

The result is that Barnstable County municipalities can purchase fewer goods and services with state aid today than they could in 2017.

Note: Inflation-adjusted value = 2017 UGGA × 1.356752 (BLS CPI-U annual average index, 332.567 est. 2026 ÷ 245.120 in 2017). Shortfall = adjusted value – actual 2026 UGGA of \$12,176,900. 2025 index reflects the 11 published months; 2026 estimated at +3.3%.

The result is that Barnstable County municipalities can purchase fewer goods and services with state aid today than they could in 2017.

The Turning Point

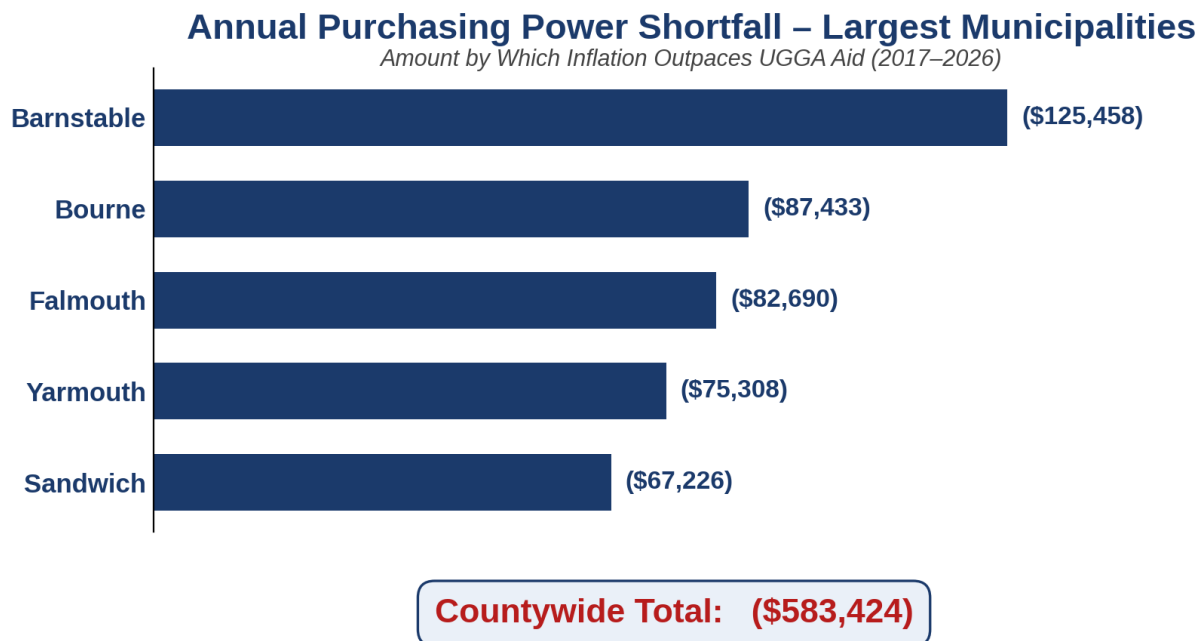
The most significant divergence occurred during the post-pandemic inflation period.

- In 2021, UGGA growth was effectively frozen while inflation accelerated.
- In 2022, inflation reached approximately 8.0 percent while UGGA increased only 3.5 percent.

The purchasing power lost during that period has never been fully recovered.

5. Municipal-Level Impact

Every municipality in Barnstable County experiences a real purchasing power shortfall when current aid levels are compared to inflation-adjusted 2017 aid values.



Note: Barnstable County includes 15 municipalities. This graphic highlights the five most populous communities; all municipalities experienced a purchasing power shortfall. Basis: 2017 UGGA × +35.68% cumulative CPI (BLS annual averages; 2026 estimated).

Municipal Shortfall

Although the dollar amounts vary, every Cape Cod municipality receives less aid in real terms than it did in 2017.

Note: Barnstable County includes 15 municipalities. This graphic highlights the five most populous communities; all municipalities experienced a purchasing power shortfall. Shortfalls reflect each municipality's 2017 UGGA adjusted for cumulative CPI inflation of +35.68%, computed from the U.S. Bureau of Labor Statistics CPI-U annual average index (245.120 in 2017 to an estimated 332.567 in 2026; the 2025 level reflects the 11 published months, as October 2025 was not published due to the federal appropriations lapse, and 2026 assumes +3.3%), compared with actual 2026 UGGA.

6. Examples of Municipal Cost Drivers

WHY THIS MATTERS

Municipal governments face increasing costs associated with essential local services.

EXAMPLES OF MUNICIPAL COST DRIVERS



PUBLIC SAFETY SERVICES



WATER & WASTEWATER INFRASTRUCTURE



ROAD MAINTENANCE & PUBLIC WORKS



EMPLOYEE WAGES & BENEFITS



ENVIRONMENTAL COMPLIANCE REQUIREMENTS



UTILITIES, FUEL & CONSTRUCTION MATERIALS



COASTAL RESILIENCY PROJECTS



These examples illustrate the types of municipal services and infrastructure that face rising costs over time, **often at rates that exceed general inflation.**

When aid growth lags inflation, communities must increasingly rely on local taxpayers or defer critical investments.

While this report uses inflation data from the US Bureau of Labor Statistics, it should be noted that many towns on the Cape have seen significantly higher rates of inflation due to the significant number of capital projects. The year-over-year cost of construction has outpaced the Bureau's inflation statistics. For those towns relying on UGGA to offset construction costs, the failure of UGGA to keep up with inflation is compounded.

7. Structural Issues in the Current Formula

Several characteristics of the current formula disproportionately affect Cape Cod communities:

The Wealth Illusion

High property values create the appearance of municipal wealth despite many year-round residents having incomes below statewide averages. In Barnstable County, the median household income is \$95,241, compared with the Massachusetts median of \$104,828. As a result, property values can overstate the fiscal capacity of local communities and the ability of residents to absorb rising municipal costs.

Source: U.S. Census Bureau, American Community Survey (county figure: 2020–2024 five-year estimate; state figure: 2024 one-year estimate).

Seasonal Population Pressures

The formula does not adequately account for millions of seasonal visitors who increase demand on public services and infrastructure.

Historic Distribution Patterns

Elements of the current aid formula trace back more than 50 years, resulting in historical allocation patterns that have become embedded over time and which no longer fully reflect the fiscal realities facing communities today.

Inflation Exposure

There is currently no mechanism to ensure annual aid growth keeps pace with inflation.

8. Recommended Potential Areas for Legislative Review

This Report recommends that the State Legislature begin the process of reforming the formulas associated with the Lottery and Unrestricted General Government Aid. Specifically, we recommend:

1. Establishing a minimum municipal return tied to Lottery revenue generation.
2. Modernizing the UGGA formula using additional indicators beyond property valuation.
3. Accounting for seasonal population impacts on municipal service delivery.
4. Creating an inflation protection mechanism to preserve the purchasing power of local aid.

Conclusion

Cape Cod communities generated more than \$231 million in Lottery sales during FY2025 yet received only \$12.04 million in unrestricted municipal aid. At the same time, inflation has reduced the purchasing power of that aid, increasing the challenge of funding essential municipal services and state-mandated infrastructure.

The result is a double disadvantage: Cape Cod receives a relatively small share of Lottery-generated aid, and the real value of that aid continues to erode over time.

Future discussions regarding municipal aid reform should consider both the distribution formula itself and mechanisms that preserve the purchasing power of municipal aid in the face of inflation.