



# GOVERNOR'S BUDGET RECOMMENDATION

## BUDGET BRIEFS

*January 24, 2024*

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House 2

FISCAL YEAR 2025

*Mass.gov/Budget/Governor*

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## Overview

*The Healey-Driscoll Administration is proud to present these budget briefs detailing some of the essential investments proposed in the FY25 H.2 budget recommendation.*

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## ***BUILDING TOWARD THE FUTURE***

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## Fiscal Overview

*Christopher Marino, Assistant Secretary for Budget*

### Introduction

The Healey-Driscoll Administration is committed to being good fiscal stewards for Massachusetts residents. To this end, the FY25 House 2 recommendation represents a balanced, fiscally responsible approach to providing critical state services and programs. The \$56.15 billion spending proposal maintains the administration's commitment to affordability, competitiveness, and equity through meaningful investments. After a series of years with unprecedented one-time revenues in the form of federal funding and tax windfalls, FY25 is expected to bring a soft landing for the economy and slow tax revenue growth. The House 2 recommendation responds to this fiscal climate with a structurally sound glidepath to balance the budget today and in the years ahead.

### Bottom Line

The Governor's FY25 budget recommendation totals \$56.15 billion, an increase of \$1.59 billion, or 2.9%, over the FY24 GAA, excluding spending tied to the income surtax and the Medical Assistance Trust Fund. This spending growth is below inflation with the consumer price index currently up 3.4% compared to last year. This controlled growth emphasizes the administration's commitment to ensuring fiscal sustainability, helping Massachusetts stay competitive.

Additionally, the recommendation includes \$1.3 billion in spending tied to the income surtax. In the second full year of surtax availability, House 2 thoughtfully deploys these resources to continue critical programs for our education and transportation sectors, while also pushing the ball forward on innovative new investments. For more details on income surtax spending, please see the **Fair Share Investments in Education and Transportation** budget brief.

<i>\$ in millions</i>	FY24 GAA	FY25 House 2	\$ vs. FY24 GAA	% vs. FY24 GAA
<b>Line-Item Spending</b>	<b>\$54,558</b>	<b>\$56,152</b>	<b>\$1,594</b>	<b>2.9%</b>
Medical Assistance Trust Fund	\$505	\$682	\$177	35.1%
Education & Transportation Fund Spending	\$1,000	\$1,300	\$300	30.0%
Total Spend	\$56,063	\$58,134	\$2,071	3.7%

### Tax Revenue

House 2 relies on the FY25 consensus tax revenue agreement of \$40.2 billion, excluding the income surtax. This total represents an increase of \$792 million, or 2.0%, over the adjusted

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## Budget Brief: Fiscal Overview

FY24 benchmark, but \$208 million less than baseline revenues assumed in the FY24 GAA. This figure incorporates the second full year of the Healey-Driscoll Administration's historic tax package, totaling more than \$800 million in relief for working families, seniors, and renters across the state. For more details on tax relief in House 2, please see the **Providing Meaningful Tax Relief** budget brief.

In addition, the House 2 recommendation estimates \$1.3 billion in income surtax revenue, an increase of \$300 million compared to the FY24 GAA.

<i>\$ in millions</i>	FY24 GAA	FY24 Revised	FY25 House 2	\$ vs. FY24 Revised	% vs. FY24 Revised	\$ vs. FY24 GAA	% vs. FY24 GAA
<b>Baseline Tax Revenue</b>	\$40,410	\$39,410	\$40,202	\$792	2.0%	-\$208	-0.5%
<b>4% Income Surtax</b>	\$1,000	\$1,000	\$1,300	\$300		\$300	
<b>Total Tax Revenue</b>	\$41,410	\$40,410	\$41,502	\$1,092		\$92	

The House 2 recommendation maintains the state's commitment to fully fund its pension liability by 2036 with a \$4.5 billion investment, a \$395 million increase over the FY24 contribution. Projected sales tax revenues will enable a \$1.47 billion transfer to support the operations of the MBTA and \$1.31 billion will be transferred to the Massachusetts School Building Authority to support school construction across the state. The budget also commits \$27 million for the Workforce Training Fund to support the state's workforce, competitiveness, and engine for growth.

These pre-budget tax revenue transfers total \$7.81 billion, leaving \$32.39 billion in net tax revenue available for spending, a decrease of \$536 million, or 1.6%, below the FY24 GAA assumption.

<i>\$ in millions</i>	FY24 GAA	FY25 House 2	\$ Change
<b>Total Tax Revenue</b>	<b>\$40,410</b>	<b>\$40,202</b>	<b>-\$208</b>
Pension Fund Transfer	\$4,105	\$4,500	\$395
MBTA Sales Tax Transfer	\$1,463	\$1,465	\$2
MA School Building Authority Sales Tax Transfer	\$1,303	\$1,305	\$2
Excess Capital Gains	\$584	\$513	-\$70
Workforce Training Trust Fund	\$27	\$27	\$0
<b>Pre-Budget Transfers</b>	<b>\$7,483</b>	<b>\$7,811</b>	<b>\$328</b>
<b>Taxes Available for Budget</b>	<b>\$32,928</b>	<b>\$32,391</b>	<b>-\$536</b>

## Fiscal Challenges

The House 2 recommendation deals with a challenging fiscal picture with the convergence of this flat tax revenue growth and increased spending needs across the state's top priorities and statutory commitments. The administration addresses these challenges through a reasonable combination of strategies to preserve core programs, services, and priorities.

## Budget Brief: Fiscal Overview

These recommendations establish a responsible glidepath into future fiscal years, as tax revenues improve and our economy steadily grows.

The administration has begun the work of rightsizing the budget with its FY24 budget rebalancing process. This process included \$375 million in net budget reductions to ensure a sustainable budget today and in the future.

The FY25 House 2 recommendation builds on that rebalancing and continues to implement sensible savings across state government. It considers elements like the availability of time-limited federal funds and other resources to support state programs, the current state of program caseloads, and better synergy across state government to consolidate efforts where possible. In addition, House 2 relies on a combination of recurring new revenue options and limited one-time resources to produce a balanced approach that will set Massachusetts up for long-term success.

### Balancing the Budget

The House 2 recommendation utilizes a thoughtful combination of solutions to ensure a responsibly balanced budget. This proposal relies on a blueprint that emphasizes the use of recurring solves and multi-year resources to establish a glidepath as tax revenues are anticipated to rebound over the next few years. The following solutions total \$1.25 billion to achieve a balanced budget.

Resource	Amount (in millions)	Comment
Excess Capital Gains	\$375	The House 2 recommendation does not use the Stabilization Fund. This proposal would allow capital gains revenues to remain in the General Fund rather than transfer to the Stabilization Fund and other long-term liabilities. The fund would still be growing in the H.2 recommendation. As proposed, this would be the resource of last resort should other resources come in above estimates.
Student Opportunity Act Investment Fund	\$300	The House 2 recommendation fully funds the 4th year of the Student Opportunity Act on an expedited 6-year schedule. The use of the SOA Investment Fund allows us to provide an equitable education for all students and meet our commitments. \$200M would remain in the fund for future use.
High-Quality Early Education & Care Affordability Fund	\$265	House 2 is committed to stabilizing our early education and care system while also prioritizing access and affordability. The High-Quality Early Education & Care Affordability Fund allows us to continue making meaningful investments in the C3 Stabilization Grant Program, while also introducing new affordability initiatives for working families.

### ***Budget Brief: Fiscal Overview***

Gaming Fund Consolidation	\$100	This proposal would temporarily redirect and streamline the flow of casino gaming revenues from off-budget trust funds to help support the budget. Currently, the funds are split across 12 different funds, and this proposal would simplify that movement.
Online Lottery	\$75	The H.2 proposal would allow for the modernization of the state lottery, which continues to provide critical support for our cities and towns.
Tax Amnesty	\$75	This proposal would allow taxpayers with outstanding tax liabilities to make those payments without penalty. These programs have operated periodically to ensure that the state is collecting revenue it is owed.
Tax Fairness & Modernization Policies	\$60	The H.2 recommendation proposes several tax policy changes focused on fairness. These recommendations rely in part on recommendations from our Tax Expenditure Review Commission, tasked with recommending evidence-based improvements to our tax code.

In addition, House 2 constrains anticipated growth across several areas of the budget to ensure affordability. These reductions prioritize at least maintaining services and programs, especially for our most vulnerable residents. Additionally, these recommended reductions fall under several guiding principles:

- Maximizing the use of expiring federal funding and other non-budgetary resources for programs that crossover with the budget
- Evaluating program caseloads to achieve savings and focus on current participants, including limiting growth within our MassHealth system with the loss of enhanced federal revenue
- Streamlining duplicative spending and removing one-time costs to operate our state government more efficiently

This combination of resources and spending reductions allow the House 2 budget to make meaningful investments across state government to support a more competitive, affordable, and equitable Massachusetts.

### **Stabilization Fund**

The state's Stabilization Fund has reached an historic high of over \$8 billion through FY23. This represents more than \$6.8 billion in growth over the last 10 fiscal years, positioning the state to effectively navigate challenging economic conditions. The House 2 recommendation continues to prioritize building our reserves for a successful future.

In the House 2 recommendation, a portion of capital gains tax revenues above the statutory threshold, not to exceed \$375 million, can be retained as a last resort to balance the budget

## ***Budget Brief: Fiscal Overview***

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and sustain essential programs. Even with this allowance, the House 2 proposal would recommend the continued use of excess capital gains to build the Stabilization Fund balance, address pension and other post-employment benefit liabilities, and create a new Disaster and Resiliency Trust Fund. This proposed fund will help protect our communities and our economy from the risks and disruption posed by climate change and other disasters. If this policy had been in effect for the last 5 fiscal years, the Disaster and Resiliency Trust Fund would total nearly \$600 million today.

<b>\$ in millions</b>	<b>Amount</b>
<b>FY25 Estimated Excess Capital Gains</b>	<b>\$513</b>
Available for Budget (if needed)	\$375
Stabilization Fund (70%)	\$97
Pension Fund (10%)	\$14
Other Employment Benefits (10%)	\$14
Disaster and Resiliency Trust Fund (10%)	\$14

Additionally, House 2 reflects the administration's proposed *An Act to Provide for Competitiveness and Infrastructure in Massachusetts*, which would use interest earned on the Stabilization Fund to help compete for up to \$17.5 billion in federal funding through the Infrastructure Investment and Jobs Act, the Inflation Reduction Act and the CHIPS and Science Act, as well as pay-as-you-go capital projects to support state assets and debt management. The House 2 recommendation estimates that \$264 million in interest will be made available for this proposal in FY25.

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## ***Providing Meaningful Tax Relief***

*Cassandra Roeder, Deputy General Counsel*

### **Introduction**

In 2023, the Healey-Driscoll Administration fulfilled its promise of passing significant tax cuts, creating a more affordable, equitable, and competitive tax structure for families, seniors, renters, businesses, and commuters in Massachusetts. The historic tax legislation, signed into law on October 4, 2023, includes an expanded Child and Family Tax Credit that is now the most generous in the country; increases to the Rental Deduction, Senior Circuit Breaker Tax Credit, and Housing Development Incentive Program (HDIP); and changes to the Estate Tax and Short Term Capital Gains to address areas of the tax code where Massachusetts was an outlier. Extraordinary tax growth over the past several years, in concert with prudent fiscal management, has enabled these tax cuts to be both responsible and provide meaningful relief.



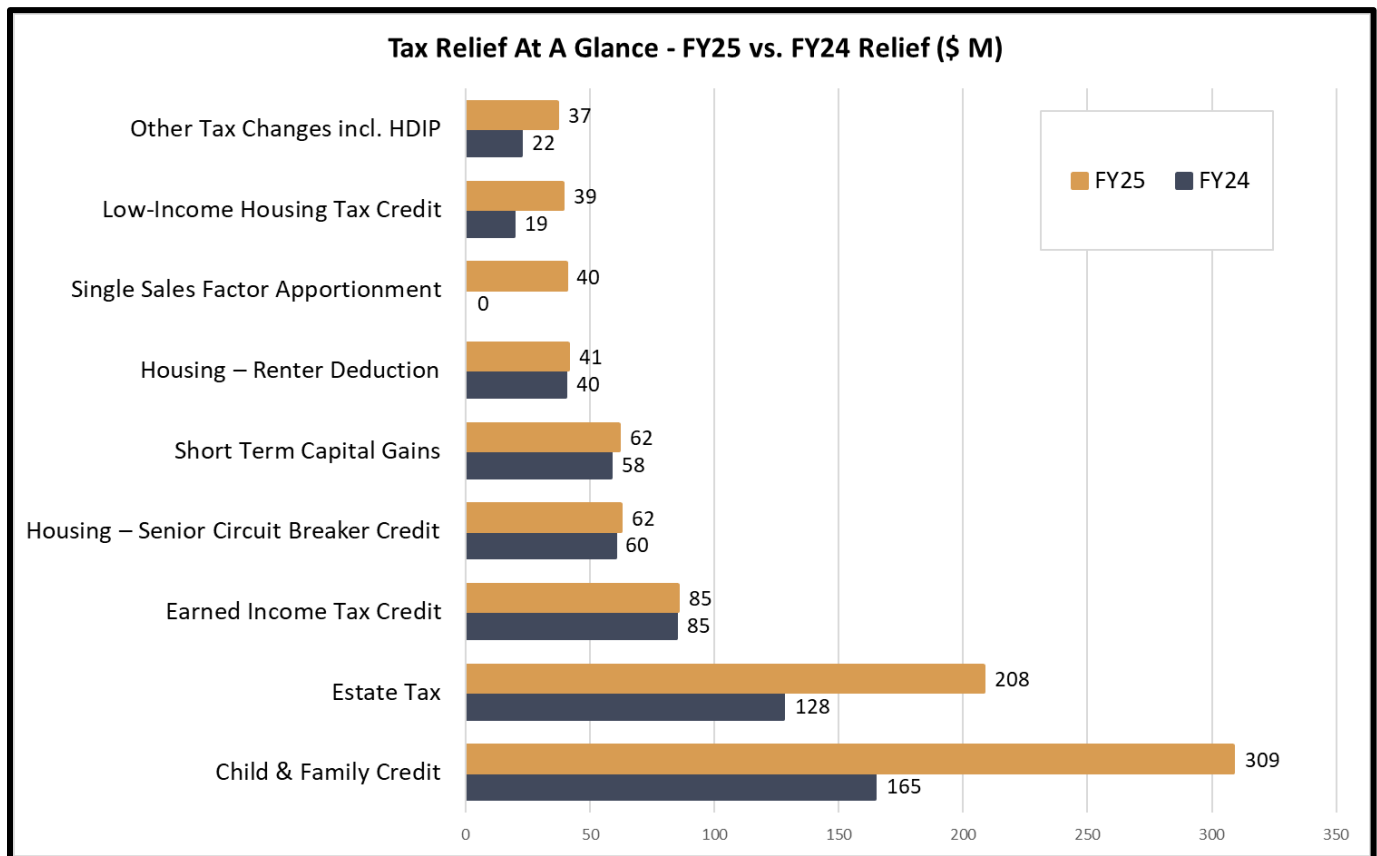
### **Tax Relief at a Glance**

The omnibus tax relief package includes top priorities of the Healey-Driscoll Administration introduced by the Governor in her tax proposal last year, putting money back in the pockets of those who need it most and making reforms that will attract and retain more businesses and residents to Massachusetts. It delivers real benefits for families balancing caregiving responsibilities, provides relief to our most vulnerable populations, and makes our tax environment more competitive, setting the state up for economic growth – all in combination with key investments in these areas delivered through our FY25 budget recommendation.

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These updates bring Massachusetts in line with other states, making it a more attractive place to live, work, and conduct business. Importantly, the majority of the newly passed tax relief is immediately available to taxpayers and will benefit residents' bottom line now as they file their 2023 returns in the coming months.

### ***Child & Family Tax Credit***

An early centerpiece of the Governor's agenda to make Massachusetts more affordable, competitive, and equitable, the new version of the child and family tax credit eliminates the two-dependent cap and increases the credit from \$180 per dependent child, disabled adult, or senior to \$310 for 2023 and to \$440 on a permanent basis, starting in 2024. As the most generous universal child and dependent tax credit in the country, it will provide relief for an estimated 565,000 families. By fully funding the tax package, our FY25 budget recommendation puts more money directly in these families' pockets. For a family of six with three children, for example, this policy will reduce their tax liability in 2024 by \$1,320, dollars that the family will receive as cash to the extent they do not owe taxes.

This expanded and simplified structure provides relief for all income levels while getting the neediest families the cash benefit of a fully refundable credit. It affords support to families without requiring potentially burdensome demonstrations of expenses, and it assists the most burdened families by uncapping the count of qualifying dependents; the credit replaces two

## ***Budget Brief: Providing Meaningful Tax Relief***

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interrelated credits that were more complex and smaller than the proposed credit and were capped at two dependents. The streamlining and boosting of this credit will make a huge difference for low-income and moderate-income families in the Commonwealth.

Affordable childcare is a key building block to a livable and equitable Massachusetts. This credit, in taking some pressure off families' child care budgets, will help attract working professionals and aid businesses as they recruit a skilled workforce. This challenge demands a significant investment, which is why the administration is simultaneously supporting important early childhood care and education initiatives through FY25 House 2.

### ***Housing Tax Relief for Seniors and Renters***

The housing crisis in Massachusetts demands a multifaceted approach. The administration is committed to expanding the production of housing and assuring emergency relief supports, alongside other strategies to address this issue. As part of this approach, this tax package provides targeted relief to renters and seniors.

First, it assists many of our 880,000 residents who rent by increasing the rental deduction. Prior law allowed filers to deduct up to 50% of the cost of the rent for their primary residence, up to \$3,000; with this change in law, the maximum deduction is increased to \$4,000.

Further, the tax package doubles the maximum Senior Circuit Breaker credit from approximately \$1,200 up to approximately \$2,400. This credit, indexed to inflation, provides critical relief to low-income homeowners and renters aged 65 or older. Equal to the amount by which a homeowner's property tax payments in the current tax year exceeds 10% of the taxpayer's total income, up to a maximum credit amount, the expansion of this credits' cap recognizes the rising cost of housing for many of our most vulnerable residents.

### ***Estate Tax Relief***

Our updated estate tax provisions eliminate all taxes on estates of up to \$2 million and reduce the tax burden for larger estates that are subject to the tax. Under previous law, the estate tax applied to all estates with a value exceeding \$1 million, and tax liability applied to the full value of the estate. These changes bring Massachusetts closer in line with other states that impose an estate tax and help to keep us competitive by creating a more favorable tax climate for middle-class taxpayers and their families.

### ***Short Term Capital Gains Rate Relief***

Under prior law, capital gains on assets held for less than one year were taxed at 12%, versus 5% for other forms of individual income in Massachusetts. At 12%, the Massachusetts rate was higher than in most states, which typically tax short term capital gains at the same rate as long term gains. The 2023 tax legislation reduces the rate applicable to short term capital gains to 8.5%. By reducing this tax liability, we are providing relief for 150,000+ taxpayers and increasing Massachusetts' economic competitiveness.

Critically, this change is budget-neutral, as capital gains taxes above a threshold of approximately \$1.4 billion are not available to the budget under current law. Therefore, this

change brings the tax on capital gains more in line with other states, without requiring any tradeoff in terms of other potential budget uses for the funds.

***Affordability, Equity, and Competitiveness – A framework for success***

The tax package also includes a variety of targeted policies that will improve our tax structure and deliver on making our state more affordable, equitable, and competitive. These investments include:

- **HDIP Cap Increase:** Under prior law, the Housing Development Incentive Program (HDIP) awarded up to \$10 million per year in state tax credits – scheduled to decrease to \$5 million in 2024 – to developers of market-rate housing in Gateway Cities for qualified project expenditures, expanding the supply of housing. The tax package increases the statewide cap to \$57 million on a one-time basis, and thereafter to \$30 million annually. This increase will provide critical relief to an oversubscribed program, allowing an initial infusion of development support, while sustainably funding an expansion in the future.
- **LIHTC Cap Increase:** Previously, the Low-Income Housing Tax Credit Program (LIHTC) awarded up to \$40 million per year in state tax credits – scheduled to decrease to \$20 million in 2026 – to taxpayers who invest in affordable rental housing. Under the new law, the LIHTC cap has been increased to \$60 million with no scheduled decrease. Investing in this program will substantially accelerate the production of affordable housing and provide relief to some of our most vulnerable residents across the state.
- **Earned Income Tax Credit:** Increasing the available state tax credit from 30% to 40% of the equivalent federal tax credit, to provide much-needed additional support to working families and individuals.
- **Apprenticeship Tax Credit:** Expanding the occupations eligible for the Apprenticeship Tax Credit, to ensure employers in critical industries can utilize this credit to grow and modernize our economy and prepare our workforce for success.
- **Single Sales Factor Apportionment:** Moving from a three-factor apportionment system for corporate taxation based on a business's share of sales, payroll, and property to apportionment based solely on sales.
- **Student Loan Repayment Exemption:** Creating a new exemption from taxable income for employer assistance with student loan repayment, to ensure that these benefits will no longer be treated as taxable compensation.
- **Commuter Transit Benefit Expansion:** Expanding commuter transit benefits to include regional transit passes and bike commuter expenses, which will both incentivize climate-friendly commuting alternatives and make our tax code more equitable.
- **Lead Paint Abatement Credit:** Doubling the credit for lead paint abatement to \$3,000 for full and \$1,500 for partial abatement, to assist residents with the expense of removing lead paint and making available housing safer for families.

### ***Budget Brief: Providing Meaningful Tax Relief***

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- **Septic Tank Repair Credit:** Tripling the maximum credit for septic tank repair or replacement in a primary residence to \$18,000 and allowing taxpayers to access these credits on a more accelerated schedule.
- **Property Tax Deduction for Volunteer Services:** Permitting municipalities to increase the maximum property tax abatement available to seniors who perform volunteer services from \$1,500 to \$2,000.
- **Dairy Farm Tax Credit:** Expanding the annual dairy farm tax credit cap from \$6 million to \$8 million to support local farms across the state.
- **Cider Tax Treatment:** Allowing locally produced hard cider and still wines to be taxed at a more competitive rate, comparable to similar alcoholic beverages, making our tax structure more equitable and supporting local producers.

Supported by the FY25 House 2 budget filing, the omnibus tax relief package signed into law last year is both sustainable and meaningful for our residents, and addresses the important issues of affordability, equity, and competitiveness across our state. It delivers on our promise to provide real savings for the people of Massachusetts.



# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## Local Aid

*Jake Rooney, Fiscal Policy Analyst*

### Introduction

The Healey-Driscoll Administration recognizes that the health of Massachusetts' 351 cities and towns underpins the overall success of Massachusetts and its people. That's why this administration is committed to ensuring that every municipality, from Provincetown to Pittsfield, has the resources it needs to succeed. Cities and towns also need to be given more support and flexibility to chart their own course, which is why alongside our strong commitment to funding local schools and programs, the administration has also introduced the **Municipal Empowerment Act** to address a range of issues that communities have cited as holding them back from achieving their goals.

### Critical Resources to Cities and Towns

The administration's commitment to cities and towns is reflected in our FY25 House 2 budget recommendation, which provides nearly \$8.7 billion for local aid, a \$261.6 million (+3%) increase over FY24 GAA.

<i>Values in \$ Millions</i>	FY23	FY24	FY25 H.2
Chapter 70 Payments to Cities and Towns	5,998.2	6,592.6	<b>6,856.0</b>
Transportation of Pupils	105.4	126.7	<b>129.1</b>
Charter School Reimbursement	243.8	243.8	<b>199.0</b>
Smart Growth	0.8	0.8	<b>0.8</b>
<b>Subtotal: Education</b>	<b>6,348.2</b>	<b>6,963.9</b>	<b>7,184.9</b>
Unrestricted General Government Aid	1,231.2	1,270.6	<b>1,308.7</b>
Payments for Local Share/Racing Tax Revenue	1.1	1.1	<b>1.1</b>
Regional Libraries Local Aid	14.5	16.7	<b>16.7</b>
Veterans' Benefits	68.2	68.2	<b>70.4</b>
Tax Abatements for Veterans, Widows, Blind Persons, and Elderly	24.0	24.0	<b>24.0</b>
Payments in Lieu of Taxes on State Owned Land	45.0	51.5	<b>51.8</b>
Public Libraries Local Aid	16.0	17.6	<b>17.6</b>
<b>Subtotal: General Government</b>	<b>1,400.1</b>	<b>1,449.7</b>	<b>1,490.3</b>
<b>Total</b>	<b>7,748.2</b>	<b>8,413.7</b>	<b>8,675.2</b>

**A Statewide Partnership: Unrestricted General Government Aid (UGGA)**

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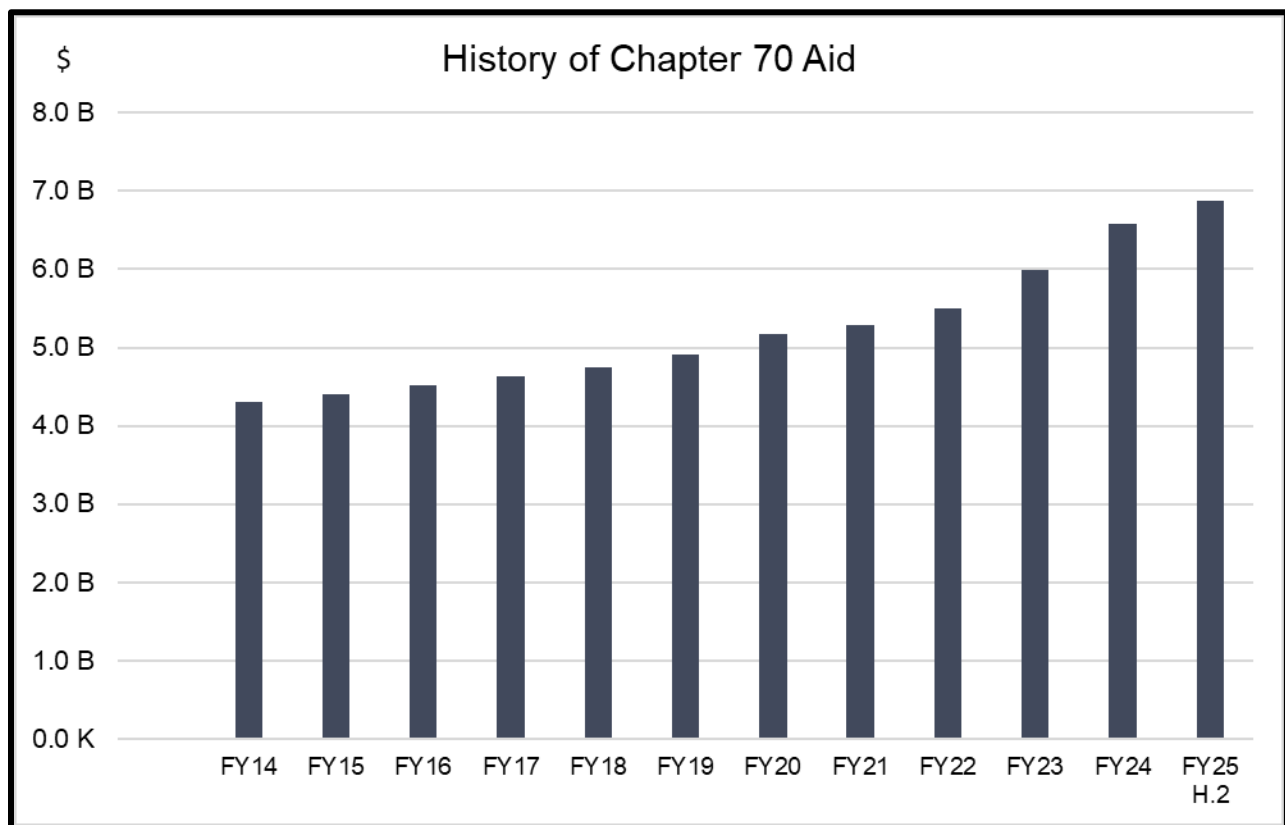
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## Budget Brief: Local Aid

A cornerstone of this commitment is the reliable expansion of Unrestricted General Government Aid, which supports essential local government services, including public safety, public works, and economic development. UGGA is a critical resource for cities and towns, providing the only fully flexible, unrestricted source of state local aid to municipalities. House 2 recommends a \$38.1 million (+3%) increase over FY24, which goes beyond consensus tax revenue growth.

### Good Schools, Strong Communities: Fully Funding the Student Opportunity Act (SOA)

The administration is focused on ensuring that all students have access to a high-quality education. House 2 funds Chapter 70 school aid at \$6.86 billion, a \$263 million (+4%) increase over FY24. This increase comes on top of the FY24 increase of \$594.4 million to Chapter 70 aid, the largest nominal increase in the history of the program.



House 2 proposes full funding for Charter School Reimbursements at \$199 million, a \$43 M (-18%) decrease vs. FY24 GAA. This funding level reflects a decline in first-year tuition claims based on enrollment and is projected to fully reimburse all district claims.

It also fully funds Special Education Circuit Breaker at \$492.2 million, which, combined with \$75 M of supplemental funding from the FY23 closeout budget provides \$567 M in total funding available to meet all projected district claims. This funding level reflects full phase-in of out-of-district transportation cost reimbursement provided for in the SOA.

## ***Budget Brief: Local Aid***

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

### **A Partner To Our Municipalities**

The House 2 proposal maintains the administration's commitment to supporting school transportation, adding an additional \$2.4 million (+2%):

- Regional School Transportation reimbursement is funded at \$99.4 million, an increase of \$2.4 million, providing reimbursements for approx. 80% of local costs.
- Non-Resident Pupil Transportation (vocational) reimbursement funded at \$1 million.
- Homeless Student Transportation reimbursement is funded at \$28.7 million, which is projected to reimburse 93% of local costs.

In addition, House 2 maintains \$15 million for rural school aid, sustaining the increase implemented in FY24. This program provides rural districts with additional funding for the fixed costs of running a school district and supports strategies to improve longer-term operational efficiencies.

House 2 also increases payments in lieu of taxes (PILOT) for state-owned land to ensure full and equitable reimbursement. The PILOT program makes payments to cities and towns to replace property tax revenue forgone due to state ownership of certain land. House 2 funds PILOT at \$51.8 million, a \$334,000 (+1%) increase over FY24. This funding level reflects the most up-to-date property valuations while ensuring all municipalities will receive equal or higher payments in FY25.

Additionally, House 2 recommends continuing support for public and regional libraries. Public libraries play a pivotal role within our communities, from serving our youngest residents to our most vulnerable populations. House 2 maintains funding to strengthen libraries' ability to continue innovating, offer eBooks, support digital equity through Wi-Fi access and library devices, and provide accessible programming regardless of physical or intellectual ability.

- Local aid for public libraries is funded at \$17.6 million
- Regional Libraries is funded at \$16.7 million
- Library Technology and Automated Resource-Sharing is funded at \$6.2 million

### **Vibrant and Safe Communities**

House 2 also promotes safety and security by proposing \$12.8 million for the Shannon Community Safety Initiative. This initiative provides a multi-faceted approach to addressing gang and youth violence in communities by supporting youth development, recreation, case management, street outreach, education, employment, targeted suppression, and community mobilization programs. These funds are also directed towards research intended to develop strategy and implementation of funding at Shannon sites. This funding complements the DCR Summer Nights program, neighborhood-based gun and violent crime prevention, and Department of Justice's Project Safe Neighborhoods.

For more information for House 2's recommended investments in public safety, please see the **Keeping Massachusetts Safe** budget brief.

### **Empowering our Cities and Towns**

House 2 also recommends \$17.0 million for the Municipal Regionalization and Efficiencies Incentive Reserve. This includes:

- \$6 million to nearly triple funding for the Community Compact program. This funding will help municipalities implement best practices in areas including cybersecurity, housing production, and solid waste disposal.
- \$5 million for public safety and emergency staffing. These grants, used to enhance staffing levels, are awarded to communities that have populations of at least 60,000 and demonstrate that their police departments had an operating budget per capita of less than \$200 in FY24.
- \$3 million for the District Local Technical Assistance Fund, which supports the states's 13 regional planning agencies (RPAs) and enables them to provide technical assistance for cities and towns.
- \$2 million for the Efficiency and Regionalization competitive grant program, which provides financial support for governmental entities interested in implementing regionalization and other efficiency initiatives that allow for long-term sustainability.
- \$500,000 to continue the Local Finance Commonwealth Fellowship Program. This fellowship supports about 30 participants from community colleges in gaining an understanding of municipal finance through a training program managed by the Division of Local Services and work-based learning through local government partnerships with host cities and towns across Massachusetts.
- \$500,000 for a new Municipal High-Demand Position Training Program to be administered by the Edward J. Collins Center for Public Management at the University of Massachusetts Boston, in consultation with the Executive Office of Labor and Workforce Development and the Commonwealth Corporation.

Finally, House 2 also proposes \$100 million for supplemental Chapter 90 plus \$24 million specifically dedicated to rural transportation aid from Fair Share resources, a 62 percent increase over the traditional \$200 million Chapter 90 capital program. This investment will assist local governments with needed infrastructure improvements, easing congestion, addressing needs associated with climate change adaptation and resilience, and fixing more of the state's aging roads and bridges.

### **Municipal Empowerment Act**

The Healey-Driscoll Administration conducted a series of seven listening sessions across the state this fall where more than 100 local leaders shared ideas for how the state could help them unleash their potential. Those ideas were heard and form the basis of the administration's Municipal Empowerment Act, as well as a number of other policy actions being taken to address these concerns. Package highlights include:



- **Expanding and creating new local option tax powers:** Enabling local governments to increase meals (from .75 to 1 percent) and lodging (from 6 to 7 percent) taxes, and creating a new local option for communities to set a 5 percent charge on the Motor Vehicle Excise.
- **Making COVID-era laws permanent:** Codifying public meeting, dining and liquor purchase flexibilities developed during COVID that proved popular with residents, profitable for businesses and helpful for democratic participation.
- **Reforming procurement laws:** Equalizing thresholds to \$100 K for all local competitive bids, enabling more group purchasing opportunities and eliminating the requirement to publish notice of invitations for competitive bids on COMMBUYS.
- **Addressing fiscal pressure from employee benefits:** Establishing a new OPEB Commission to develop options for addressing unfunded liabilities from non-pension employee benefits.
- **Improving Chapter 90 grant administration:** Creating a Working Group with state and local officials to reduce the complexity and burdens of applying for and receiving these vital transportation funds.
- **Creating new pathways for Civil Service recruitment:** Supporting legislative efforts to allow for civil service police/fire departments to appoint up to 50% of officers outside of the civil service process and enable easier creation of public safety cadet programs.

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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

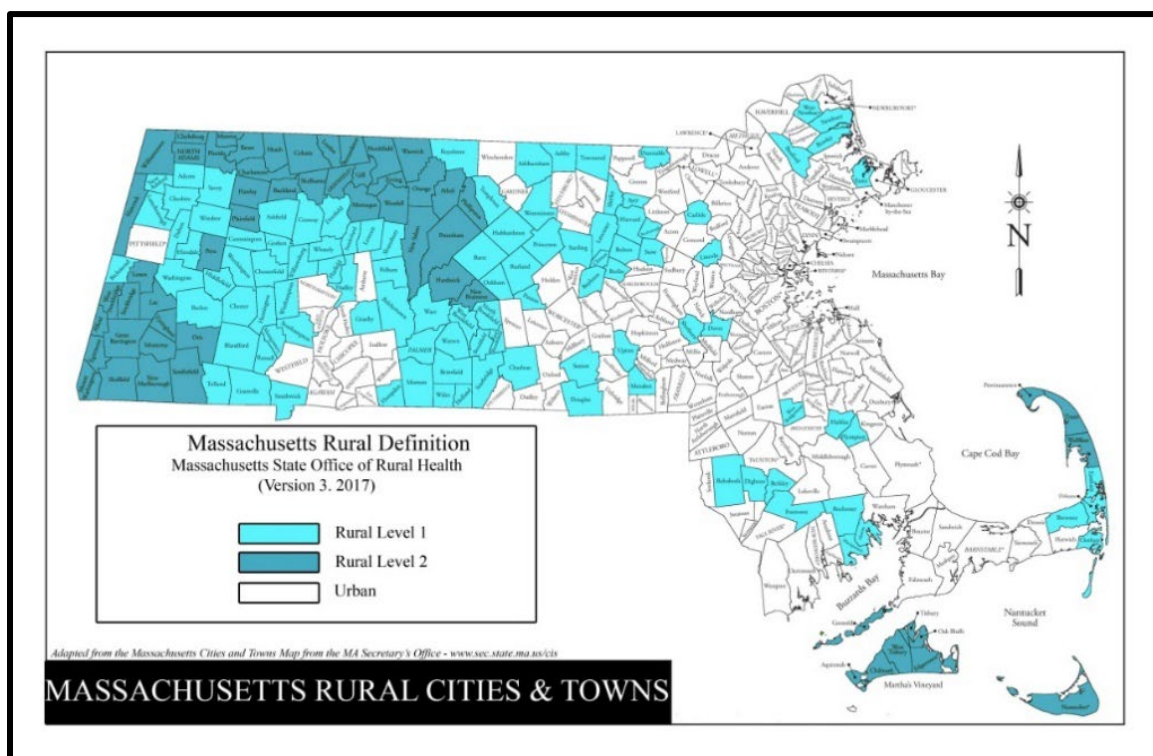


## ***Uplifting Rural Communities***

*Alaina Martin, Jake Rooney, & Megan Delaney, Fiscal Policy Analysts*

### **Introduction**

Each of the 181 rural communities across the state contributes to the story of Massachusetts, but they also face their own economic challenges and barriers. Since day one, the Healey-Driscoll Administration has been committed to ensuring that all rural communities are better represented in state government.



Last May, Governor Healey announced Massachusetts' first Director of Rural Affairs, who works to advocate for rural equity across all of state government, advancing the administration's goal that the state's economy allows each of its residents, regardless of zip code, the opportunity to thrive.

House 2 maintains this commitment toward our rural and small towns and supports the economic, agricultural and conservation initiatives that are crucial to these communities.

### **Investing in Rural Communities**

The administration has consistently prioritized geographic equity in how it distributes funding opportunities among cities and towns across the state, ensuring that all communities including rural and small towns benefit from the ample grant opportunities offered across state

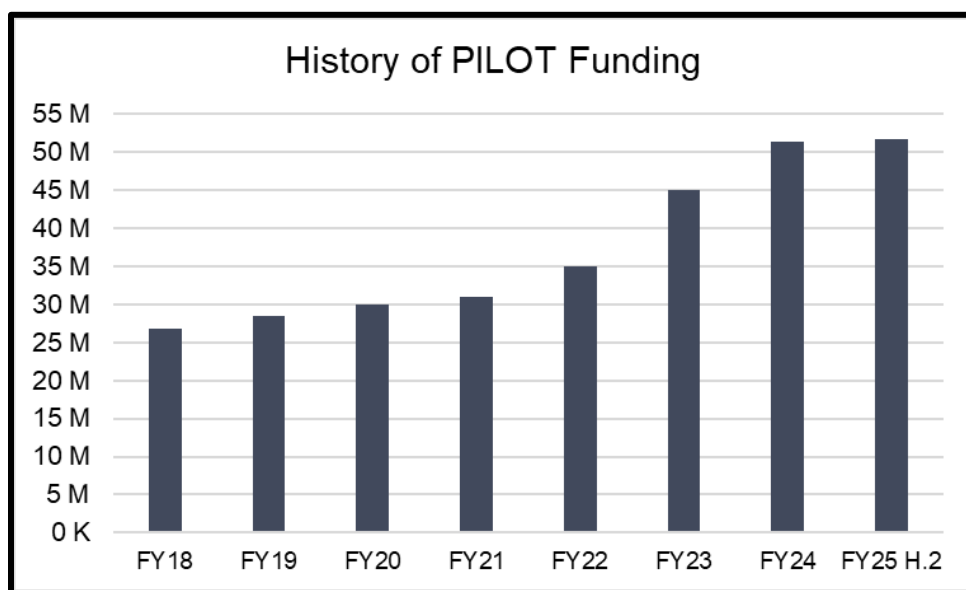
## Budget Brief: Rural Affairs

government. This past fall, the Executive Office of Economic Development (EOED) announced \$164 million in grant awards through the Community One Stop for Growth Program to support local economic development projects related to planning, zoning, and infrastructure. Of the 338 grants announced, 26% were awarded to rural or small towns. This includes \$5 million alone from the Rural and Small Town Development Fund, a program included in the FY24 Capital Investment Plan (CIP) focused solely on advancing the vitality of rural communities by addressing their unique priorities and infrastructure needs.

With fewer transportation options than in their urban counterparts, support for roads and bridges is crucial to maintaining connectivity within and between rural communities. In addition to \$100 million for supplemental Chapter 90 proposed in this FY25 budget recommendation, House 2 also includes \$24 million specifically for local road maintenance in rural communities. This represents a first-time investment in road aid specifically dedicated to rural communities.

Ensuring that students in rural school districts have the resources they need to succeed is critical to a high-quality, equitable public education system. House 2 provides \$15 million for Rural School Aid, sustaining the \$9.5 million (+173%) increase implemented in FY24. This program provides rural districts with additional funding for the fixed costs of running a school district and supports strategies to improve longer-term operational efficiencies. This funding supplements standard Chapter 70 aid that school districts receive, and helps these districts tackle unique challenges that come with schooling in rural areas, guaranteeing that all areas of the state have access to reliable transportation.

House 2 also increases Payments in Lieu of Taxes (PILOT) for state-owned land to ensure full and equitable reimbursement. PILOT reflects property tax revenue forgone by cities and towns due to state ownership of certain land. As “the lungs of the Commonwealth”, much of western Massachusetts and many other rural municipalities are home to state parks and other parcels of state-owned land. These communities continue to partner with the administration to advance our climate goals through protecting land and reducing greenhouse gas emissions.



The Healey-Driscoll Administration is committed to supporting these cities and towns for the benefits that they offer Massachusetts. House 2 funds PILOT at \$51.8 million, annualizing the \$6.5 M expansion this program received in FY24. This funding level reflects updated property valuations while ensuring all municipalities receive the same or higher payments in FY25. For information on how the Governor's budget recommendation supports cities and towns, please see the **Local Aid** budget brief.

### **Supporting Massachusetts Farmers**

Farmers across Massachusetts serve as the bedrock to our state's food system, yet events of this past year indicate that our farmers are some of those most vulnerable to the impacts of climate change after experiencing devastating crop loss this past year. The Healey-Driscoll Administration, in collaboration with efforts by the Legislature, was proud to signal its support for Massachusetts farmers last month by announcing \$20 million in assistance for 347 farms across Central and Western Massachusetts impacted by several weather events.

Natural disasters like those experienced in Central and Western Massachusetts this past summer and other serious weather events at farms across the state underscore the serious implications of climate change on our environment, on our industries and on our residents. For this reason, the Governor's budget recommendation proposes the creation of a Disaster Relief and Resiliency Trust Fund, a permanent structure that will deliver swift relief to local communities recovering from catastrophic events.

The administration maintains its support of this important industry and the strong regional agricultural economy of Massachusetts. House 2 includes the following programming that supports our farmers:

- Continues the Agricultural Grants and Financial Assistance Program, which funds 26 grant opportunities for Massachusetts farmers
- Maintains the MassGrown Exchange Program, which provides a platform for businesses looking to sell, donate or purchase Massachusetts crops, seafood, products and services
- Preserves the Division of Agricultural Conservation and Technical Assistance, which promotes agricultural land preservation, environmental stewardship, technology, and technical assistance to meet the challenges of 21st century farming
- Expands the Healthy Incentive Program by growing the number of participating vendors, particularly among underserved areas in rural regions of the state, which will grow revenues for local farmers across the state who engage in this program
- Preserves sustainable funding for Food Security Infrastructure Grants (FSIG) on the operating budget, which directly supports farmers by bolstering their defenses against volatilities in the food system
- Implements increase to the Dairy Tax Credit, raising the cap from \$6 million to \$8 million to better protect dairy farmers from price fluctuations



For more information on the administration's support of our food system, please see the **Food Security** budget brief.

### **Municipal Empowerment Act**

Alongside the budget, the Administration has filed the Municipal Empowerment Act – a bill designed to arm local governments with greater tools and supports to chart their own course, making it easier for communities to generate resources for vital local services and access the products and people they need to best serve Massachusetts residents. Many of the provisions in the bill were specifically designed to address the unique needs elevated by rural leaders. For example, allowing for the creation of regional boards of assessors and state central valuation of telecoms and utilities are expected to be particularly impactful for rural communities, where staffing such functions for a single municipality can be particularly difficult and inefficient.

With more disperse populations and fewer transportation options than in their urban counterparts, permanently allowing for hybrid meetings is expected to be particularly important for supporting civic engagement in rural communities. Codifying the ability to amortize emergency deficit spending will also help smaller communities manage emergency-related deficit spending due to, for example, severe flooding. Finally, the creation of a new Motor Vehicle Excise local option surcharge will be a power revenue-generating tool for rural communities, many of which realize minimal benefits from local meals and lodging taxes.

For more information on provisions in the bill that support rural communities please see the **Municipal Empowerment Act: Rural Supports** brief.

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## ***Fair Share Investments in Education & Transportation***

*Dana Sullivan, Chief of Strategy and Operations*

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### **Introduction**

In November 2022, the voters of Massachusetts approved a new 4 percent surtax on income above \$1 million annually, known as the Fair Share amendment. This new source is constitutionally dedicated to “quality public education and affordable public colleges and universities, and for the repair and maintenance of roads, bridges, and public transportation.”

The Healey-Driscoll Administration is committed to maximizing this historic funding opportunity and utilizing Fair Share revenues to make impactful investments in education and transportation. Building off the \$1 billion Fair Share investment in FY24, the FY25 House 2 budget recommends \$1.3 billion for programs ranging from financial aid for public higher education to implementing low-income fare relief at the MBTA – designed to leverage this resource to make meaningful change towards improving affordability, equity, and competitiveness across the state. This funding provides the opportunity to leverage Fair Share revenues for more substantial capital investments in key infrastructure: public higher education campuses, roads, bridges, and public transportation.

This brief will highlight our current year Fair Share spending as well as the proposal for Fair Share investments in FY25, including transformative capital investments.

### **FY25: Building on our Investments in Education and Transportation**

The FY25 House 2 budget furthers the investments made in year one of Fair Share. House 2 includes \$1.3 billion of spending, continuing many key investments from FY25 and investing in emerging priorities. A total of \$750 million is budgeted for use on early education and care, K-12 education, and higher education, and \$550 million is proposed to be invested in transportation.

Investments are spread across multiple segments of education and transportation, with a focus on achieving meaningful, equitable impacts for each. Fair Share investments are planned in the context of other, significant investments across the budget.

Each investment is described in detail in Budget Briefs on individual topics. Please refer to the budget briefs listed below for details on individual investments.

- **Access to Education**
- **Transportation in the Commonwealth**

## ***Budget Brief: Fair Share Investments in Education and Transportation***

### ***Education***

Highlights of the FY25 Education investments from Fair Share include:

- \$21 million to put the Commonwealth on a path towards universal Pre-K, starting in Gateway Cities
- \$150 million (adding to the operating investment for a total of \$475 million) supporting stabilization of the early education and care system through continued funding of the Commonwealth Cares for Children (C3) grant program
- \$75 million for expanded access to child care financial assistance for additional families with incomes up to 85% of state median income
- \$5 million for expanded access for high school students towards high-quality college and career pathways and opportunities complete college-level coursework for free while still in high school
- \$24 million investment in MassReconnect, which provides students 25 years of age and older without a higher education credential the opportunity to obtain a free associate degree at any public community college in the state
- \$80 million to sustain the investment in the expansion of MASSGrant Plus, which covers costs for Pell Grant-eligible students and reduces out-of-pocket expenses for middle-income students by up to half
- \$125 million in Fair Share funding to expand bonding capacity and support capital improvements across campuses

<b>Education</b>	<b>FY25</b>
<i>\$ in millions</i>	<b>H.2</b>
<b>Early Education &amp; Care</b>	<b>311.0</b>
Child Care Grants to Providers	150.0
CPPI Pre-K Initiative	21.0
Provider Rates	65.0
Child Care Affordability	75.0
<b>K-12 Education</b>	<b>210.0</b>
Early College and Innovation Pathways	5.0
Universal School Meals	170.0
Mental Health Systems and Wraparounds	5.0
Literacy Launch	30.0
<b>Higher Education</b>	<b>229.0</b>
MASSGrant Plus	80.0
Higher Education Capital Funding	125.0
MassReconnect	24.0
<b>Total</b>	<b>750.0</b>

### ***Higher Education Capital Funding***

House 2 recognizes the importance of investments in high-quality infrastructure for our public institutions of higher education, their students, and the state as a whole, recommending \$125 million in Fair Share funding to support capital improvements across Massachusetts' public higher education campuses, including instructional and lab facilities, infrastructure modernization, decarbonization, critical repairs, and deferred maintenance. In addition to

### ***Budget Brief: Fair Share Investments in Education and Transportation***

supplementing FY25 capital needs, the House 2 budget will initiate a policy discussion to transform higher education facilities for future generations of Massachusetts students, instructors, employers, and surrounding communities.

House 2 calls for the Secretary of Administration and Finance to convene a working group to develop a comprehensive facilities financing plan that will consider the future needs of the public higher education system to provide affordable, equitable, and competitive higher education in Massachusetts. This planning effort is expected to result in creation of a permanent financing structure to leverage Fair Share revenues to support the issuance of up to \$2.5 billion of debt for the benefit of public higher education capital needs, unlocking the power of Fair Share to change the game for higher education facilities in Massachusetts.

#### ***Transportation***

Highlights of the FY25 Transportation investments from Fair Share include:

- \$250 million dedicated to the Commonwealth Transportation Fund (CTF) - will increase borrowing capacity of the CTF by \$1.1 billion over the next 5 years
- \$100 million in supplemental Chapter 90 for cities and towns
- \$56 million for safety, service, and sustainability investments at MassDOT
- \$56 million to enhance regional transit operating and capital investments
- \$45 million to support the MBTA's implementation of Low-Income Fare Relief
- \$24 million for local road funds for rural and regional projects
- \$15 million for fare equity programs at RTAs
- \$4 million for transit providers to support expanded mobility options for older adults, people with disabilities and low-income individuals

<b>Transportation</b>	<b>FY25</b>
<i>\$ in millions</i>	<b>H.2</b>
<b>Municipal Assistance</b>	<b>124.0</b>
Supplemental C90/Rural Road Aid	124.0
<b>MassDOT</b>	<b>306.0</b>
CTF Bonding Capacity	250.0
Service, Safety, and Sustainability	56.0
<b>MBTA</b>	<b>45.0</b>
Fare Equity	45.0
<b>MassDOT Rail and Transit</b>	<b>75.0</b>
Regional Transit Funding, Grants, and Fare Equity	75.0
<b>Total</b>	<b>550.0</b>

#### **Leveraging Fair Share Revenues to Increase Transportation Capital Funding**

House 2 proposes to dedicate \$250 million from Fair Share revenues to expand the borrowing capacity of the CTF by an additional \$1.1 billion from FY25-29. Dedicated Fair Share revenue



### ***Budget Brief: Fair Share Investments in Education and Transportation***

will increase debt service coverage in the CTF, unlocking the capacity to finance more capital projects at both MassDOT and the MBTA over the next 5 years, starting with an additional \$300 million capital for the MBTA in FY25. Without new dedicated Fair Share revenues, the CTF bond programs are at capacity, with only \$740 million of planned borrowing available, all of which is already programmed for spending.

	Planned CTF Issuance	New CTF Capacity	Total Expanded Capacity
<b>FY25</b>	\$275	\$300	\$575
<b>FY26</b>	165	250	415
<b>FY27</b>	150	250	400
<b>FY28</b>	100	250	350
<b>FY29</b>	50	55	105
<b>Total</b>	<b>\$740</b>	<b>\$1,105</b>	<b>\$1,845</b>

*Dollars (\$) shown in millions.*

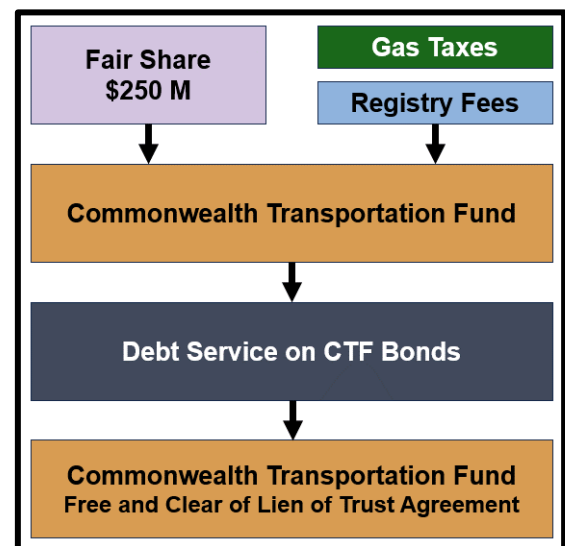
#### ***CTF Funding Proposal***

House 2 will dedicate \$250 million of Fair Share revenues to the CTF to leverage additional CTF borrowing capacity.

The \$250 million of dedicated revenue will also supplement CTF funds that are available for spending on transportation programs, after accounting for debt service on the additional CTF debt.

In House 2, from the \$250 million deposit in CTF, \$63 million will be reserved for debt service on the additional CTF bonds, which will leverage an additional \$1.1 billion of borrowing capacity for capital purposes over FY25-29.

The remaining \$187 million in CTF will be available for spending after debt service obligations are met. House 2 proposes using \$127 million to double the MBTA's operating subsidy and \$60 million to support MassDOT operations, such as customer service at RMV.



#### ***Capital Funds for Needed Transportation Repairs***

Immediately in FY25, the Fair Share proposal will allow for the issuance of an additional \$300 million of CTF bonds for the MBTA's Track Improvement Program. The Track Improvement Program will reduce slow zones, improve rider experience, address safety issues, and update tracks on all MBTA lines. Future capital funds can be used to address core safety, service, and sustainability priorities at the MBTA.

### ***Budget Brief: Fair Share Investments in Education and Transportation***

The dedication of Fair Share transportation revenues will continue to provide additional CTF borrowing capacity for MassDOT in FY26-29 as well, building upon success of previous CTF borrowing programs to help improve and maintain conditions of critical bridge infrastructure. All of these new investments will improve the state's vital transportation infrastructure, take pressure off of the state's general obligation credit, put people to work on needed and overdue construction projects, and make Massachusetts a better place to live, work, and travel in.

Once pledged to CTF bonds, the pledge of Fair Share revenues will continue in future years, making transformational investments in the state's transportation infrastructure possible over time. Capital funding through CTF is better suited for planning and executing multi-year transportation capital projects than annual operating budget infusions. The Healey-Driscoll Administration's approach will help the state make the best use of its Fair Share revenues.

CTF credit has been used by Massachusetts since 2010 to finance the successful Accelerated Bridge Program (ABP) and Rail Enhancement Program (REP). Dedicating new Fair Share revenues to the CTF will expand upon these successful capital financing programs for new projects.

The Commonwealth Transportation Fund (CTF) credit is currently supported by dedicated motor fuel taxes and fee revenues from the Registry of Motor Vehicles (RMV). However, the CTF credit is reaching its total borrowing capacity, and without new revenues, CTF cannot afford additional bonds beyond the \$740 million that are already planned to be issued from FY25-29.

Source		CTF Pledged Funds	Amount Deposited to CTF
Motor Fuels Tax	Gasoline Tax	•24¢ per gallon upon each gallon of gasoline sold or used in the Commonwealth	23.964¢, or 99.85%*
	Special Fuels Tax	•24¢ per gallon upon each gallon of special fuels sold or used in the Commonwealth and a tax of 19.1% of the average price per gallon of liquefied gas sold or used in the Commonwealth	100%
	Motor Carrier Tax	•24¢ per gallon upon each gallon of gasoline and special fuels acquired outside and used within the Commonwealth	100%
Registry Fees	Registry Fees	•Motor vehicle registration fees •Motor vehicle license fees •Miscellaneous fees and other revenues relating to the operation and use of motor vehicle transportation	100%

*(\*0.15% of Gas Tax is dedicated to the Inland Fisheries and Game Fund)*

### ***Local Partnerships***

House 2 Fair Share investments in transportation continue a critical partnership between the state and its 351 local cities and towns. House 2 proposes \$100 million in supplemental Chapter 90 - in addition to traditional \$200 million of Chapter 90 funding from legislation that is being filed separately from House 2, for a total of \$300 million in FY25 for local road aid. In addition, House 2 proposes another \$24 million for rural and regional transportation funding to address the needs of smaller communities across the state.

**FY24: A Look Back**

In FY24, the GAA supported \$1 billion in historic new investments in our education and transportation systems. Of that billion, a total of \$510 million is allocated for use on early education and care, K-12 education, and higher education, and \$490 million invested in transportation.

Investments are spread across multiple segments of education and transportation, with a focus on achieving meaningful, equitable impacts for each. Since this is the first full year of Fair Share funding, expenditures continue to ramp up while Education and Transportation agencies are working diligently to ensure funds are used for their targeted purposes, including multi-year capital projects.

***Education***

FY24 has been a landmark year for education investment, and the Healey-Driscoll Administration looks forward to continuing our historic investment in FY25. Through \$510 million in Fair Share investments the administration was able to make progress on key education priorities, including:

- Launching MassReconnect, providing free community college to students age 25 or older without a prior higher education credential
- Announcing historic expansion of financial aid totaling \$84 million to make public higher education more affordable, and making it tuition- and fee-free for all Pell Grant recipients
- Expanding the Early College program, allowing more than 8,200 students to attend a college course for free while still in high school
- Fully funding Universal Free School Meals, ensuring that all of our learners have access to a free and nutritious meal during the school day
- Supporting capital projects across Child Care, Elementary and Secondary Education, and Higher Ed
- Increasing Child Care Provider Rates to bring the payments child care providers receive for subsidized families closer to the market rate
- Expanding the Commonwealth Preschool Partnership Initiative to put the Commonwealth on the path towards Universal Pre-K

## Budget Brief: Fair Share Investments in Education and Transportation

Education \$ in millions	FY24		
	FY24 GAA	FY24 Est. Spending	Est. PAC Forward
<b>Early Education &amp; Care</b>	<b>70.5</b>	<b>70.5</b>	<b>-</b>
Reduce Income Eligible Waitlist	25.0	25.0	-
CPPI Pre-K Initiative	5.5	5.5	-
Child Care Provider Capital Improvements	15.0	15.0	-
Provider Rates	25.0	25.0	-
<b>K-12 Education</b>	<b>224.0</b>	<b>166.5</b>	<b>57.5</b>
Early College and Innovation Pathways	5.0	2.5	2.5
Universal School Meals	69.0	69.0	-
Clean Energy Infrastructure Grants	50.0	5.0	45.0
MSBA Project Cost Increase Mitigation	100.0	90.0	10.0
<b>Higher Education</b>	<b>229.0</b>	<b>131.5</b>	<b>97.5</b>
MASSGrant Plus	84.0	65.0	19.0
Higher Education Capital Funding	50.0	10.0	40.0
MassReconnect	20.0	20.0	-
In-Demand Professions Financial Aid	25.0	3.0	22.0
State U and Community College Endowment Match	10.0	10.0	-
UMass Endowment Match	10.0	10.0	-
Capacity Building for Free Community College	12.0	4.5	7.5
Scholarships for Nursing Students at Community Colleges	18.0	9.0	9.0
<b>Total</b>	<b>523.5</b>	<b>368.5</b>	<b>155.0</b>

### Transportation

In FY24, \$490 million of Fair Share funding was appropriated for Transportation. These funds are supporting efforts by MassDOT to improve municipal roadways, plan for bridge repairs across the state, and make matching grants to improve Massachusetts' competitiveness for federal funding opportunities.

Fair Share funding in FY24 is also supporting significant transit investments at the MBTA and the 15 RTAs. For the MBTA, these funds support improvements in the infrastructure, stations and accessibility, as well as planning for future capital projects. Additionally, Fair Share investments are enabling the MBTA to make safety improvements, as guided by the Federal Transit Authority audit. With funds from Fair Share, the Regional Transit Authorities (RTAs) have implemented operational enhancements and improvements, including expanded service hours, weekend services, and route expansions. RTAs also use Fair Share funding to support fare equity.

Finally, Fair Share funding is enabling innovative local and regional mobility projects around the state. MassDOT's Rail and Transit division used Fair Share to expand the Community Transit Grant Program, which supports projects serving low-income riders, as well as seniors and people with disabilities, and grants to rural areas.

Some of these capital investments will need more than one fiscal year to complete, therefore, MassDOT is planning to request to continue approximately \$185 million of FY24 appropriations into FY25.

**Budget Brief: Fair Share Investments in Education and Transportation**

<b>Transportation</b>	<b>FY24</b>		
<i>\$ in millions</i>	<b>FY24 GAA</b>	<b>FY24 Est. Spending</b>	<b>Est. PAC Forward</b>
<b>Municipal Assistance</b>	<b>100.0</b>	<b>50.0</b>	<b>50.0</b>
Supplemental C90/Rural Road Aid	100.0	50.0	50.0
<b>MassDOT</b>	<b>75.0</b>	<b>37.5</b>	<b>37.5</b>
Highway Bridge Preservation	50.0	25.0	25.0
Federal Matching Funds	25.0	12.5	12.5
<b>MBTA</b>	<b>205.8</b>	<b>205.8</b>	<b>-</b>
Capital Investments	180.8	180.8	-
Fare Equity	5.0	5.0	-
FTA Findings Workforce & Safety Reserve	20.0	20.0	-
<b>MassDOT Rail and Transit</b>	<b>185.7</b>	<b>88.2</b>	<b>97.5</b>
Regional Transit Funding, Grants, and Fare Equity	90.0	82.5	7.5
Palmer and Pittsfield Rail Projects	90.0	-	90.0
Water Transportation	5.7	5.7	-
<b>Total</b>	<b>566.5</b>	<b>381.5</b>	<b>185.0</b>



# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## ***Access to Education***

*Jake Rooney and Amelia Marceau, Fiscal Policy Analysts*

### **Introduction**

Access to education has been woven into the fabric of Massachusetts since its founding. For years, Massachusetts has been and continues to be a national leader in education, with the best schools and educators in the country. This is no accident. Through state programming and local partnerships, the Healey-Driscoll Administration is committed to maintaining this competitive advantage by making high-quality education available to all Massachusetts residents, regardless of age, zip-code, or socio-economic status. Over the course of the first year of this administration, the Executive Office of Education has advanced this commitment to student success by:

- Launching MassReconnect, providing free community college to students age 25 or older without a prior higher education credential.
- Fully funding the Student Opportunity Act, delivering historic local school aid to cities and towns throughout Massachusetts.
- Guaranteeing universal no-cost school meals for all public K-12 students in Massachusetts.
- Awarding new Innovation Career Pathway designations to 27 additional high schools across Massachusetts, growing the program by more than 30%.
- Expanding the Early College program, allowing more than 8,200 students to attend a college course for free while still in high school.
- Announcing \$84 million for an historic expansion of financial aid, making public higher education more affordable for 25,000 students, and providing tuition and fee-free higher education to all Pell Grant recipients.
- Making in-state tuition and state financial aid available to undocumented Massachusetts students.
- Sustaining \$475 million of state investment for Commonwealth Cares for Children stabilization grants.
- Implementing \$65 million of new child care provider rate increases.

The FY25 House 2 recommendation reaffirms this commitment, proposing \$11.8 billion across child care, K-12, and higher education segments.

House 2 proposes significant investment in education from Fair Share revenues, which are described in detail in the Budget Brief on this topic:

- **Fair Share Investments in Education & Transportation**

### **Gateway to PreK: Early Education Access and Affordability**

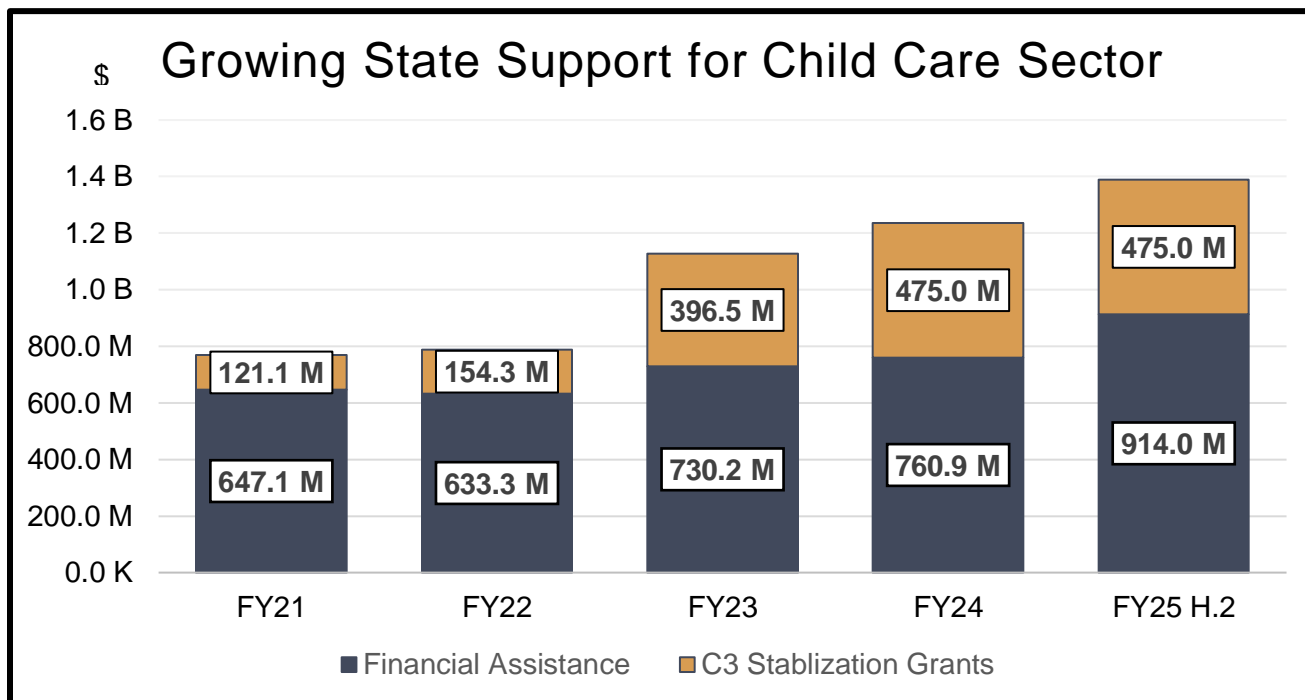
Ensuring the stability and affordability of the child care sector is critical for the early education of the state's youngest learners. When families can afford to enroll their children in child care and pre-k programs that provide high-quality care, it benefits the entire Massachusetts economy.

With child care costs in Massachusetts among the highest in the country, many families struggle to afford the full cost of high-quality early education. To improve family access, House 2 provides \$914 million in child care financial assistance for nearly 60,000 Massachusetts children through the Department of Early Education and Care (EEC).

Under EEC's equitable parent fee schedule, virtually all families receiving financial assistance pay a fee that is 7% of their income or lower. This funding includes \$75 million to expand child care financial assistance to 4,000 additional families with incomes up to 85% of state median income, taking an important first step towards broader state support for family affordability.

Additionally, House 2 bolsters family access by annualizing \$65 million in FY24 child care provider rate increases and proposing \$20 million for new rate increases in FY25. Increased rates will expand care opportunities for families receiving child care vouchers, while helping support providers and the early education and care workforce. These changes supplement other improvements announced last fall to streamline the existing application process and reduce barriers to accessing child care subsidies.

House 2 also sustains \$475 million of state investment in the Commonwealth Cares for Children (C3) program, continuing critical stabilization grants to child care providers even as federal pandemic-era funding ends. The C3 program represents a paradigmatic shift in the way child care providers are supported, basing monthly payments on fixed program, staff, and facilities costs. In doing so, C3 grants have helped to mitigate challenges providers have always faced—even before the pandemic—in balancing steep operating costs with the often-competing goals of fair workforce compensation and affordability for families. As a result, providers have added classrooms to serve more working families across Massachusetts.



House 2 also recommends \$38.7 million for the Commonwealth Preschool Partnership Initiative (CPPI), a targeted effort to expand access to high-quality preschool for four-year-olds across the state, with a focus on Gateway Cities. House 2 proposes an \$18.2 million expansion to CPPI, allowing additional districts to participate in the program and expand district-wide preschool access. These investments ensure that all 4-year-olds receive equal access to high quality preschool, while ensuring multiple provider options exist to meet the needs of working families.

As the child care sector continues its recovery from the pandemic, an emphasis on workforce recruitment and retention is also paramount. Many of the above investments will further support this essential mission. Sustaining C3 stabilization grants in FY25, while increasing financial assistance reimbursement rates, will allow providers to raise salaries, hire additional staff, and offer professional development opportunities. House 2 continues to support the Early Education and Care Staff Pilot Program, which gives workers in EEC-licensed child care programs priority access to financial assistance for their own child care needs. This pilot program serves as a vital support for the sector's workforce, including early educators and support staff, transportation, and kitchen staff. It is also an effective recruitment and retention tool for providers.

To support this important work, House 2 also continues \$10 million for an early education career pathways program at the state's community colleges, informed by industry needs and supplementing significant investments in public higher education more generally.

### **Literacy Launch: Reading Success from Age 3 through Grade 3**

House 2 proposes funding to jump-start the Healey-Driscoll Administration's new Literacy Launch program to improve early literacy rates among the state's youngest learners. This

strategic investment of \$30 million represents year one of a new, multi-year initiative to improve how our youngest students learn to read. Literacy Launch will build off demonstrated best practices to support districts with professional development, technical assistance, assessment and screening, and the adoption of evidence-based, high-quality materials to ensure that all school districts and child care providers have the knowledge and materials needed for successful literacy education.

### **A Promise to Massachusetts' Learners: The Student Opportunity Act**

The Student Opportunity Act (SOA), enacted in 2019, has supported historic investments to advance high-quality K-12 education across the state. House 2 fully implements the fourth year of this landmark legislation, recommending \$7.6 billion to ensure that a high-quality education is available to all learners in Massachusetts, regardless of zip code or socio-economic status.

The cornerstone of state funding for K-12 education comes through the Chapter 70 aid program. Chapter 70 establishes a foundation budget representing the total cost of a high-quality education for all students within a school district, and then partners with districts to ensure this funding is available. House 2 proposes funding Chapter 70 school aid at \$6.86 billion, a \$263 million (+4%) increase over FY24. This increase builds on last year's historic investment in Chapter 70, which represented the largest nominal increase in the history of the program.

For more information on how House 2 recommends supporting school districts and municipalities, please see the **Local Aid Budget Brief**.



### **Early College and Pathways**

To expand student access to career and college readiness programming, House 2 includes \$47.8 million for high school pathways programs such as Early College and Innovation Career Pathways, including a \$5 million dollar investment in broader pathway program support. This investment will expand opportunities for high school students across the state to explore college and career pathways before graduating high school.

Account	FY25 H.2
Early College Programs	15.0 M
Dual Enrollment Grant and Subsidies	12.6 M
School-to-Career Connecting Activities	7.3 M
Career Technical Partnership Grants	5.4 M
Early College and Innovation Pathways (Fair Share)	5.0 M
Career and Technical Education Program	2.5 M
<b>Total</b>	<b>47.8 M</b>

Early College programs combine high school and college programming, providing students with opportunities to complete college-level coursework for free while exploring potential future career paths. By reducing the time and expense of earning college credentials and by demystifying the experience, early college programs increase the likelihood that individuals will complete their college degree or certificate programs. As of FY24, 58 Massachusetts high schools are participating in more than 50 partnerships with institutions of higher education.

The Innovation Career Pathways program connects high school students with applied, hands-on coursework and work opportunities in high-demand industries, such as clean energy, manufacturing, healthcare, and information technology. As of FY24, 78 high schools in Massachusetts have Innovation Career Pathways programs, allowing nearly 7,000 students to enroll in the program.

The Early College program recommended in this budget would provide approximately 10,000 students the opportunity to participate in pathways programs for the 2024-2025 school year, allowing them to earn up to 12 college credits before graduating from high school. House 2 would also give 8,400 students the opportunity to enroll in Innovation Career Pathways coursework across priority industries.

### **Support Mental Health**

Schools serve not only as a place for students to learn, but also as a support system for children from birth through young adulthood, during an important period in their behavioral and mental health development. While its significance predates the pandemic, challenges of recent years have underscored the importance of focusing on student mental health. Acknowledging this, House 2 proposes \$24.9 million for mental and social-emotional health supports, including funds to develop and implement a statewide birth through higher education framework for mental and behavioral health.



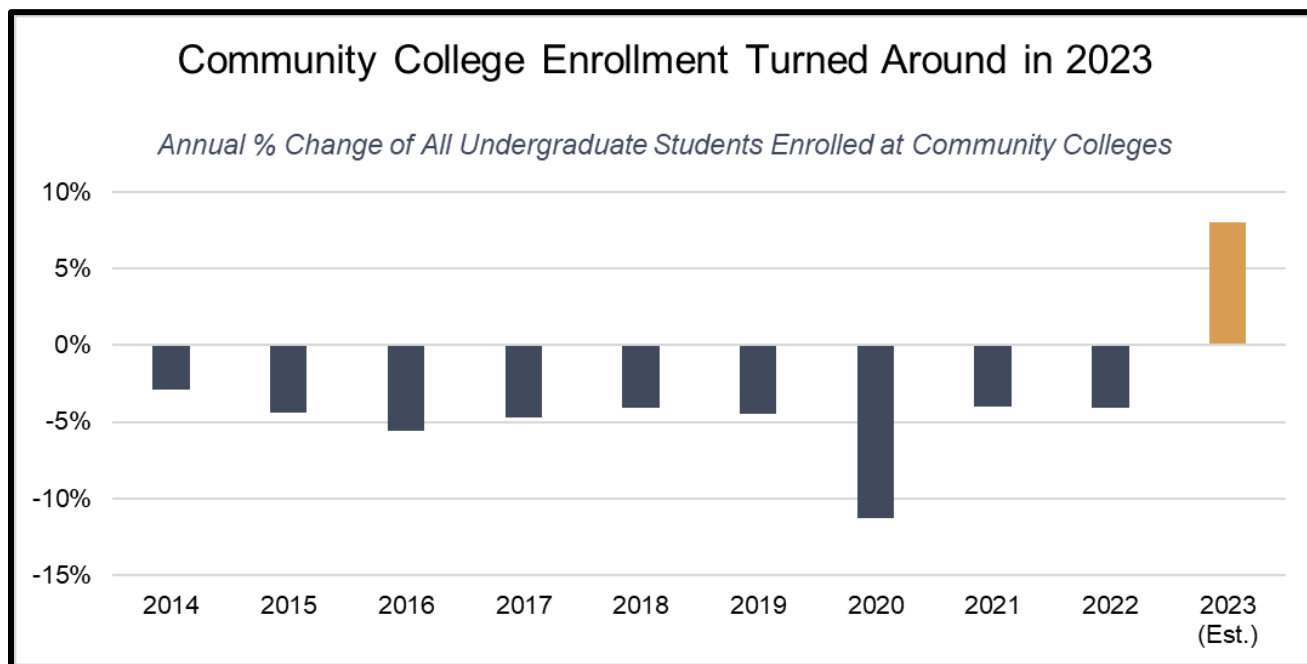
Account	FY25 H.2
Social Emotional Learning Grants	6.0 M
Early Childhood Mental Health Consultation Services	5.0 M
Mental Health Systems and Wrap-around Supports (Fair Share)	5.0 M
State University & Community College Mental Health	4.2 M
UMass Student Behavioral Health Services	4.0 M
Safe and Supportive Schools	0.7 M
<b>Total</b>	<b>24.9 M</b>

### **Affordable Higher Education and Strategic Investments**

House 2 advances the Healey-Driscoll Administration's commitment to accessible and high-quality higher education, expanding college and career pathway opportunities for high school students and sustaining historic financial aid expansion to make public higher education more affordable. House 2 also proposes leveraging Fair Share revenues to unlock capital asset transformation across the state's higher education campuses.

MassReconnect provides students 25 years of age and older without a higher education credential the opportunity to obtain a free associate degree at any public community college in Massachusetts. This program empowers students to complete their education and pursue training for in-demand jobs across industries, including health care, education, clean energy, advanced manufacturing, and behavioral health. Since its creation, more than 4,500 students have received MassReconnect grants, including more than 2,000 *new* students 25 years and older who enrolled in community colleges this past fall semester. More than 8,400 new students ages 25+ enrolled in community colleges in fall 2023, a 45% increase over fall 2022.

Overall, enrollment across the state's 15 community colleges grew by 8.7% in fall 2023 as MassReconnect opened doors to opportunity for thousands of returning students. FY25 House 2 furthers this important investment, recommending \$24 million in funding for MassReconnect, a \$4 million (+20%) increase above FY24 GAA.



To improve access to higher education, House 2 proposes \$255.2 million overall for financial aid and student success. In addition to our growing investment in MassReconnect, this includes \$80 million in Fair Share funding to sustain the expansion of MASSGrant Plus and support additional financial aid expansion. MASSGrant Plus covers tuition, fees, books, and supply costs for Pell Grant-eligible students and reduces out-of-pocket expenses for middle-income students by up to half. Additionally, this investment also includes \$175.2 million for the Massachusetts State Scholarship Program, which provides financial assistance to Massachusetts students enrolled in and pursuing a program of higher education in any approved public or independent college, university, school of nursing or any other approved institution furnishing a program of higher education.

#### *Higher Education Capital Funding*

Institutional supports are essential to maintaining functional and modern campuses for students. House 2 recognizes the importance of investments in high-quality infrastructure for our public institutions of higher education, recommending \$125 million in Fair Share funding to expand bonding capacity and support capital improvements across campuses. These investments will support the study, design, and construction of campus instructional lab facilities, infrastructure modernization, decarbonization, and critical repairs, while helping to address the growing backlog of deferred maintenance across higher education institutions.

Fair Share revenues offer the opportunity to leverage this new funding source for transformative investments in the state's higher education facilities. In order to make the most of our Fair Share capital investments, House 2 calls for the Secretary of Administration and Finance to convene a working group to develop a comprehensive facility financing plan that will consider the future needs of the public higher education system to provide affordable, equitable, and competitive higher education in Massachusetts.

### ***Budget Brief: Access to Education***

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This planning effort is expected to result in creation of a permanent financing structure to leverage Fair Share revenues to support the issuance of up to \$2.5 billion of debt for the benefit of public higher education capital needs over 10 years.

The working group will examine and develop recommendations on ways in which public higher education facilities in Massachusetts can better serve the educational needs of students, prepare the workforce of the future, unlock talent and opportunity, promote the mental health and wellness of students, support equity and inclusion, provide access to diverse and non-traditional students, manage cost and improve facility conditions, uplift and support our communities, prepare for future economic growth and investment in the state, incubate innovation, facilitate opportunities for housing production, and remain consistent with the state's ambitious decarbonization, climate resiliency, and mitigation goals.

Through these strategic and historic education investments, the Healey-Driscoll Administration will continue to make high-quality education more accessible and attainable throughout the state, at every stage of learning and life.

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## ***Transportation in Massachusetts***

*Conor Simao, Assistant Budget Director, Sara Renkert and Eleanor M. Sullivan, Fiscal Policy Analysts*

### **Introduction**

A well-functioning transportation system and access to mobility are key to a thriving economy and a successful state. Ensuring residents and visitors can get to the places they need to for commerce, work, community, and recreation safely, reliably, and efficiently is a priority of the Healey-Driscoll Administration – whether it is across town, or from Boston to the Berkshires, down to the Cape, or the last mile from a transit stop to home. The Massachusetts Department of Transportation (MassDOT) is the state’s central hub for managing transportation programs and coordinating with municipalities, transit agencies, and other transportation service providers. MassDOT includes four divisions: Highway, Registry, Rail and Transit, and Aeronautics.

Division	Focus Areas
Highway	Capital planning and delivery, municipal grants and technical assistance, snow and ice operations – toll roads, non-toll roads, interstates, bicycle and pedestrian paths, and sidewalks
RMV	Vehicle and driver credentials/services, customer service and transactions
Rail & Transit	Passenger and Freight Rail investments; partnerships with Regional Transit Authorities, MBTA, and Amtrak; administration of grant programs (e.g., Community Transit Grant Program to meet the mobility needs of seniors and people with disabilities)
Aeronautics	Public use airports (other than Logan, Hanscom, and Worcester), advanced technologies (e.g., drones and electronic helicopters to support disaster response along with medicine and organ delivery)

The FY25 House 2 budget funds transportation at \$3 billion to support the operations of our state’s transportation agencies, including all modes by which people and goods travel in Massachusetts – train, bus, subway, bike, car, commuter rail, ferry, airplane, or as a pedestrian. The House 2 proposal of \$3 billion also includes \$1.5 billion of sales tax dedicated to the Massachusetts Bay Transportation Authority (MBTA) and \$550 million of Fair Share revenues. House 2 proposes significant investments in stabilization and affordability at the MBTA, sustains customer-friendly service at the Registry of Motor Vehicles (RMV), expands capital funding available for transportation, invests in mobility statewide, and strengthens state-municipal partnerships.

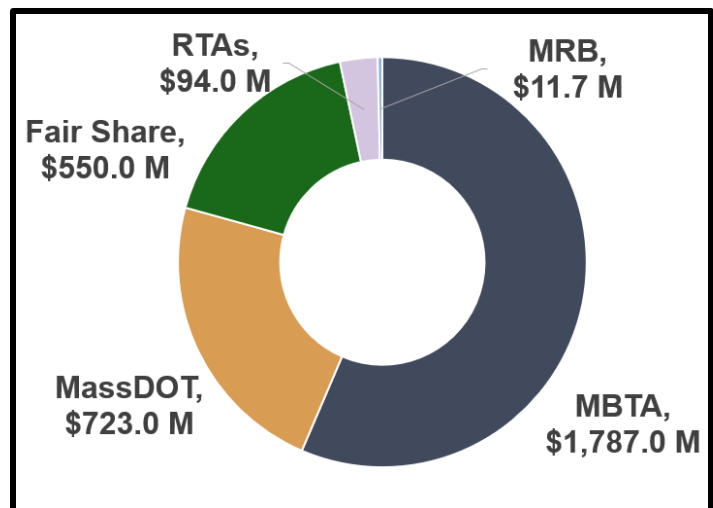
Notably, House 2 proposes to:

- Expand bonding capacity of the Commonwealth Transportation Fund (CTF), financing \$1.1 billion of additional transportation capital projects
- Double state operating support to the MBTA
- Invest \$45 million to implement low-income fare relief for MBTA riders
- Sustain \$150 million of elevated operating support for Regional Transit Authorities (RTAs)
- Support \$15 million in fare equity programs across RTAs
- Provide an additional \$124 million for local road aid, including \$100 million in supplemental Chapter 90 and \$24 million specifically for rural communities
- Invest \$56 million in safety, sustainability, and service improvements across the state to make our transportation system safer and more resilient

### **Operating Funding for Transportation at a Glance**

House 2 represents a historic investment in transportation, proposing \$3 billion through operating, sales tax revenue and Fair Share resources. The state budget primarily supports transportation spending from the CTF, which collects over \$2 billion annually in revenue from taxes and fees on motor fuel and motor vehicle sales and from transactions at the RMV.

Funds are appropriated from the CTF to support the operations of MassDOT, including the Merit Rating Board (MRB), RMV, highway centers, snow and ice removal, RTAs, debt service on transportation bonds, and other MassDOT agencies. CTF funding also provides assistance to the MBTA for operating expenses and capital needs. In addition to annual assistance from the CTF, nearly \$1.5 billion of the state's annual sales tax revenue is dedicated to the MBTA.



House 2 funding for transportation also includes \$550 million in Fair Share programs and initiatives, including:

- \$250 million of Fair Share revenues will be dedicated to the CTF to increase borrowing capacity by \$1.1 billion, more than double the remaining capacity. House 2 proposes permanently pledging Fair Share revenues to the CTF in future years.
- \$124 million for municipal funding including \$100 million for supplemental Chapter 90 funding for all 351 cities and towns and \$24 million specifically for rural communities.
- \$56 million for regional transit grants to expand and enhance operations at RTAs.
- \$56 million for MassDOT Safety, Service, and Sustainability programs.
- \$45 million for MBTA to implement Low-Income Fare Relief.
- \$15 million for RTA fare equity programs.
- \$4 million for transit providers to support expanded mobility options for older adults, people with disabilities, and low-income individuals.



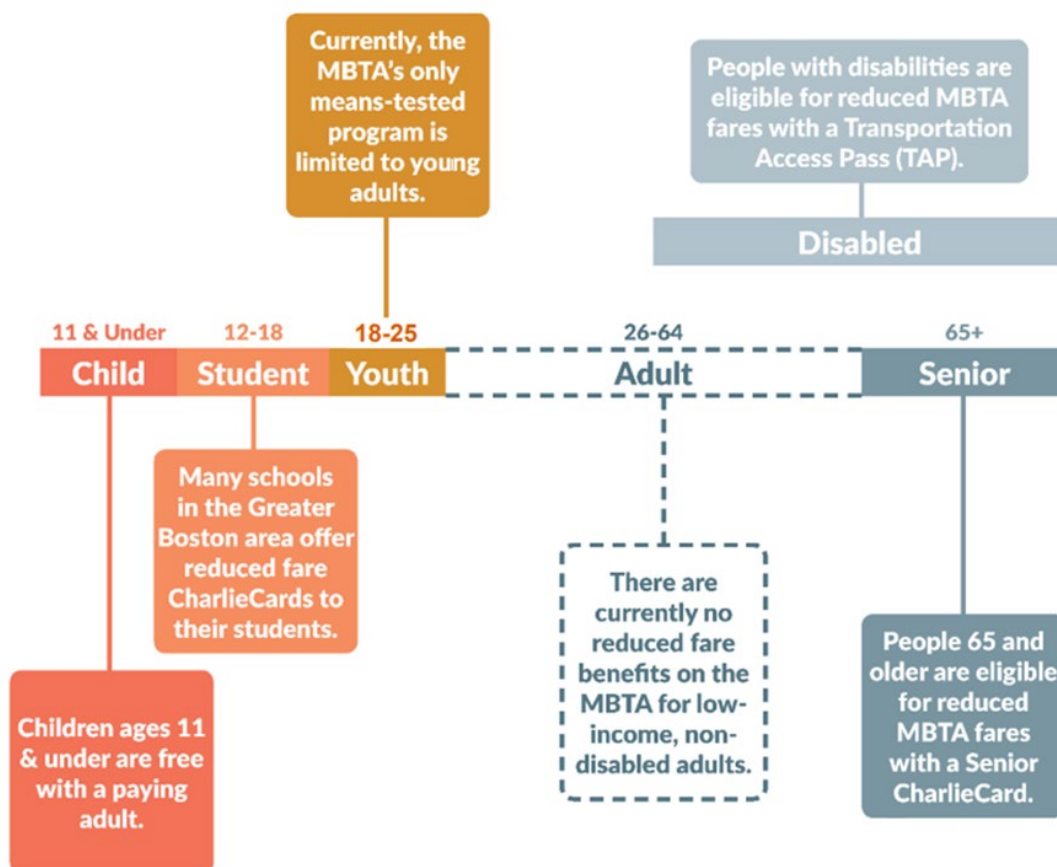
For more information, please see the **Fair Share Investments in Education and Transportation** budget brief.

### Focus on Equity

Transportation equity is a part of everything that MassDOT does, and a key consideration in how MassDOT plans, designs, constructs, and implements all elements of transportation policy, from roads to subways and freight to ferries. House 2 reflects a sustained focus on equity through key investments in fare equity programs across RTAs and the MBTA. Notably, House 2 proposes \$45 million to support the MBTA's implementation of a Low-Income Fare Relief plan in FY25.

The Healey-Driscoll Administration funded a study for development of a Low-Income Fare Relief program for riders of the MBTA with a \$5 million investment in the FY25 budget. The MBTA has existing reduced-price fare programs for students, disabled, elder, and younger riders, but does not currently have a program to address the affordability of transit for low-income adults. The Low-Income Fare Relief policy aims to offer reduced-price fares to nondisabled riders aged 24-64, to improve equity and affordability for low-income MBTA customers on all modes, driving mode shift toward sustainable transit options, and encouraging ridership of the MBTA.

### Current MBTA Reduced Fares



MBTA engaged in significant stakeholder outreach, rider feedback, research and studies, data and technology review, and developed interagency partnerships with other state agencies and peer transit agencies to develop its Low-Income Fare Relief program. House 2 proposes \$45 million from Fair Share revenues to help the MBTA implement its Low-Income Fare Relief program to improve equity and affordability for all MBTA riders, whether they use bus, subway, commuter rail, ferry, or paratransit services.

The commitment to equity is also reflected in MassDOT's administrative practices. In FY24, MassDOT launched the first-ever Environmental, Social, and Governance Department in state government. House 2 sustains this investment to spearhead climate and equity initiatives in transportation, complementing efforts of local highway programs to invest in equity through grants to environmental justice communities and rural areas.

House 2 also advances equity in transportation through grants to RTAs, municipalities, and non-profit organizations. Through Fair Share funding, MassDOT's Rail and Transit Division was able to expand the Community Transit Grant Program to additional projects serving low-income riders, as well as seniors and people with disabilities, and significantly expand grants to rural areas.

In its recent funding rounds, the Community Transit Grant Program provided:

- Over \$4.7 million for 55 operating and mobility management projects, to expand mobility for older adults, people with disabilities, and low-income riders.
- 133 fully accessible vehicles to 32 recipients, including 13 electric vehicles

### **MassDOT**

House 2 recommends \$588 million for MassDOT operations, including \$85 million for snow removal and de-icing. This supplements roughly \$85 million in MassDOT's own-source revenue from motor vehicle inspections and departmental, lease and investment income.

The House 2 budget invests in service across MassDOT divisions, including RMV to ensure a streamlined, customer-friendly experience for Massachusetts motorists.

House 2 also proposes leveraging Fair Share revenues to expand the CTF's borrowing capacity by over \$1.1 billion in the next 5 years to finance more critically needed capital projects at both MassDOT and the MBTA, building upon the Accelerated Bridge Program and Rail Enhancement Program.

### **RMV**

The Massachusetts Registry of Motor Vehicles (RMV) ensures safe roadways for travelers by verifying the credentials and knowledge of drivers and vehicles across the state. The RMV operates 29 service centers across Massachusetts, processing over 9 million online and in-person transactions each year.

Some notable accomplishments include:

- Driver's license-related documents are now available in 15 different languages and learner's permit testing is now in 37 languages.
- RMV is committed to providing the commercial general knowledge exam and associated endorsement exams in Spanish and Portuguese.
- Interpreter requests for road tests were made available in 100 languages for over 14,000 road tests.

House 2 recommends continued investment in the RMV to maintain a robust and streamlined customer experience. This will allow the RMV to maintain service hours, fund customer service representatives and road test examiners, and ensure records and credentials are properly vetted and processed.

## **MBTA**

The MBTA's budget is supported by several revenue sources, including a portion of the state's sales tax revenue, direct assistance from the CTF, and rider fares. Ridership changes brought on by the pandemic have led to decreases in fare revenue for the MBTA, but this has been offset by sales tax strength and federal and state supplemental funding.

House 2 recommends a historic investment in the MBTA totaling \$1.8 billion. This includes a \$1.5 billion sales tax transfer and \$45 million for Fair Share revenues to help the MBTA implement Low-Income Fare Relief. House 2 also proposes doubling the state's operating assistance for the MBTA from \$127 million to \$254 million and provides an additional \$60 million for pay-as-you-go capital funding, for a total of \$314 million in direct support.

In addition to these investments, House 2 proposes leveraging Fair Share revenues to expand the CTF's borrowing capacity by over \$1.1 billion in the next 5 years. Dedicated Fair Share revenue will increase debt service coverage in the CTF, unlocking the capacity to finance more capital projects at both MassDOT and the MBTA.

This will significantly boost the state's ability to finance capital investments over the next 5 years, starting with an additional \$300 million of capital for the MBTA in FY25 to support the Track Improvement Plan, which will address slow zones and improve rider experience. Without an expansion of the CTF credit using new revenues, the CTF's borrowing capacity is limited to approximately \$740 million over the next 5 years. The House 2 budget proposes to more than double that amount, for a total of \$1.85 billion in CTF future bonding capacity.

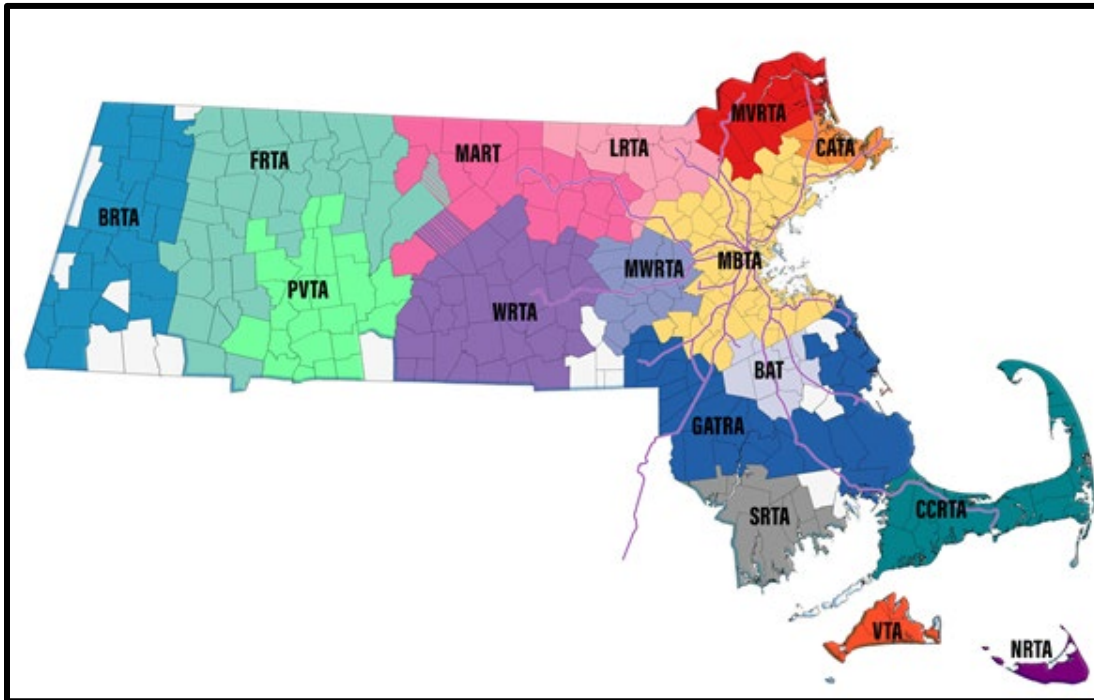
## **Regional Transit Authorities**

The Commonwealth's 15 Regional Transit Authorities (RTAs) are independently run entities providing integral transit services for communities across the state, particularly for elderly and disabled residents that rely on paratransit.

House 2 recommends \$150 million of support for the RTAs, including \$56 million from Fair Share funding to support operational enhancements, expanded service hours, weekend services and route expansions. House 2 also includes \$15 million for fare equity programs

across the RTAs and \$4 million for expanded mobility grants to increase ridership and make Massachusetts more accessible and affordable for all communities.

**Map of Massachusetts Transit Authorities**



**Local Partnerships**

House 2 proposes significant Fair Share funding to support critical partnerships between the state and its 351 local cities and towns for local road and bridge aid. House 2 proposes \$100 million in supplemental Chapter 90 - in addition to \$200 million of traditional Chapter 90 funding from legislation that is being filed separately from House 2, for a total of \$300 million for local road aid in FY25. In addition, House 2 proposes another \$24 million for rural and regional transportation funding to address the needs of smaller communities across the state.

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## Climate Action

*Carter De Haven, Assistant Budget Director*

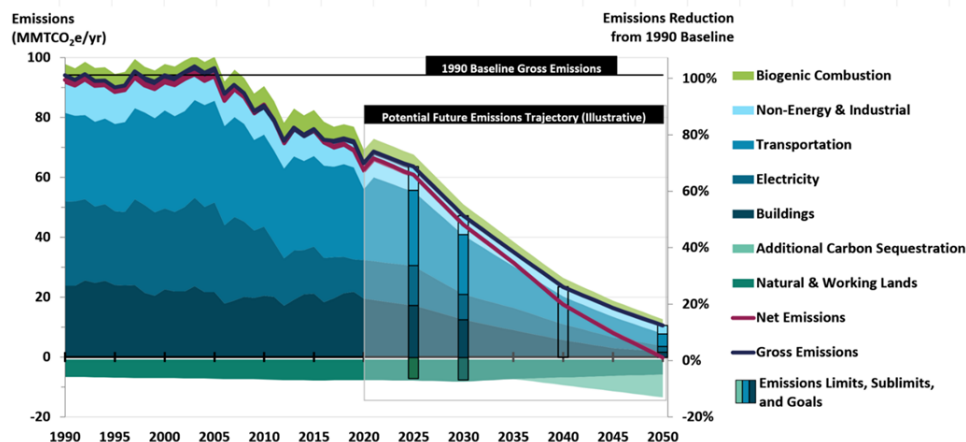
### Introduction

Massachusetts has long been a national leader in addressing climate change. The Healey-Driscoll Administration created the first in-the-nation cabinet-level Office of Climate Innovation and Resilience (OCIR), charged with leading an all-of-government approach to the issue. The House 2 budget advances an ambitious climate vision, including achieving net-zero statewide greenhouse gas emissions by 2050 and building resilience to climate change impacts.

With great challenges come great opportunities. Massachusetts has the opportunity – and an imperative – to help the world respond to the climate crisis while creating equitable economic opportunities for its businesses, communities, and people. The House 2 budget invests in climate in the following areas:

- **Clean Energy and Climate Mitigation** – implement net-zero greenhouse gas emissions across transportation, buildings, energy, and natural working lands sectors.
- **Adaptation and Resilience** - adapt to extreme weather and sea level rise by managing risks and building capacity statewide, including coastal resilience and inland flooding.
- **Environmental Justice** – advance environmental justice by implementing the strategy developed by the Executive Office of Energy and Environmental Affairs (EOEEA) and establishing fellowships and corps that support historically underserved groups.
- **Climate Tech** – become a climate tech innovation leader through workforce development, educational partnerships, research, technologies, and innovation.
- **Conservation & Stewardship** – invest in parks, resources, and conservation to bring the outdoors to everyone and meet carbon sequestration and resilience goals.

### Massachusetts' Path to Net Zero





*Source: Clean Energy and Climate Plan for 2050 (2020).*

### **Climate Principles in Budgeting and Governing**

Broadly speaking, discretionary state spending should align with and not undermine Massachusetts' climate goals. The Healey-Driscoll Administration has prioritized climate and environmental justice considerations in budget development and throughout its policy agenda.

OCIR, in collaboration with each of the Secretariats, reviewed the organization, staffing, and policy-making practices of all executive branch agencies and offices. Making state government a part of the climate solution requires an all-of-government approach. OCIR, working collaboratively with the Secretariats, has identified a number of areas where Massachusetts can lead by example.

The House 2 recommendation reflects these initiatives, including:

- Electrification of the state vehicle fleet;
- Greenhouse gas management scorecard for vendors on statewide contracts;
- Redesigning energy purchase contracts for the state to maximize efficiencies and ensure use of clean technologies;
- Implementing ResilientMass and ResilientCoasts initiatives;
- Establishing a dam safety technical assistance program and expanding a culvert technical assistance program to support compliance, design and permitting so entities can implement projects that are more resilient to climate change; and
- Fossil-fuel-free state facilities, such as the newly opened, state-of-the-art Massachusetts Veterans Home at Chelsea, which features geothermal wells and a rooftop solar array.



Massachusetts Veterans Home at Chelsea, rooftop solar array.

Agencies that support state government in facilities management and purchasing are prioritizing climate and environmental goals in their work. The Division of Capital Asset Management and Maintenance (DCAMM) has announced a new Office for Decarbonization so

that emissions reduction is central to all their capital planning and facilities management activities. The Operational Services Division (OSD), which oversees more than \$2 billion dollars of goods and services purchased by state agencies and local governments each year is working to drive more climate-responsible decision-making by those entities by enabling greater attention to emissions reduction in procurement choices.

### **Climate at Home: Housing and Livable Communities**

Effective climate policy starts at home. In June 2023, Governor Healey announced the launch of the Massachusetts Community Climate Bank, the nation's first green bank dedicated to affordable housing. The bank was capitalized with \$50 million in state funds from the Department of Environmental Protection. It is designed to maximize investment in the reduction of greenhouse gas emissions from the affordable housing market, whose residents bear a disproportionate burden in energy costs and adverse climate impacts. The bank will help to promote an equitable energy transition and meet the needs of environmental justice populations. By leveraging private sector capital and federal funds available under the Inflation Reduction Act, the Massachusetts Community Climate Bank will finance building retrofits aligned with the state's long-term climate objectives and new construction of decarbonized buildings. Massachusetts is the first state to incubate its Climate Bank within its Housing Finance Agency and to focus its strategy on affordable housing.

In fiscal year 2024, the Healey-Driscoll Administration awarded an additional \$27 million to decarbonize affordable housing with the Affordable Housing Deep Energy Retrofit Grant Program. Related accomplishments included issuance by the Department of Environmental Protection of a Clean Heat Standard straw proposal, issuance of a Department of Public Utilities order that will guide the evolution of the natural gas distribution industry to clean energy, adoption of the specialized stretch energy code by 31 municipalities, and establishment of the Municipal Fossil Free Building Demonstration program.



Governor Healey announces Resilient Coasts initiative.

In addition to funds from other sources, the fiscal year 2025 House 2 budget funds the following programs and initiatives to support climate efforts in local communities, making them more livable, clean, affordable, and resilient:

- Office of Climate Science (OCS) at EOEEA, which supports local governments and the public in understanding, accessing, and appropriately utilizing the state's climate change data in planning, policy, and projects;
- ResilientMass, the statewide hazard mitigation and climate adaptation plan, which helps Massachusetts plan and prepare for climate related hazards; and
- ResilientCoasts initiative, which will establish Coastal Resilience Districts based on unique climate change impacts and will work with coastal communities to develop tailored policy, regulatory, and financing strategies for long-term resilience.

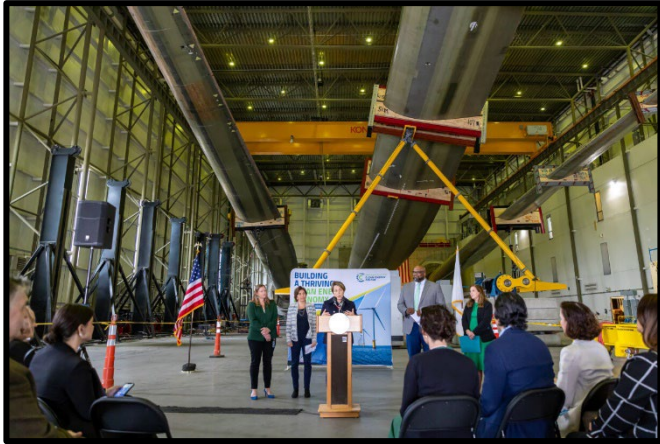
### **Climate that Works: Clean Energy, Tech Jobs and Economic Development**

Massachusetts has demonstrated an early leadership role in the deployment of climate technology and clean energy job creation. Under the Healey-Driscoll Administration, Massachusetts is uniquely positioned to lead the world in climate tech innovation and open up equitable opportunities for diverse workers across the economy: from the scientists and innovators who will invent new climate solutions, to the engineers, installers, tradespeople, machinists, and technicians who will create and construct them. The Healey-Driscoll Administration's Economic Development Plan, *Team Massachusetts: Leading Future Generations*, specifically identifies opportunities for the state to achieve global leadership in climate technology innovation.

Climate tech encompasses innovative technological solutions that mitigate the impacts of climate change, help communities adapt, and build resilience in systems and infrastructure. Massachusetts is already home to a dynamic climate tech innovation ecosystem, with leading research universities, nation-leading incubator and accelerator organizations, such as Greentown Labs and The Engine, healthy financial and professional sectors, and prominent thought leaders in the field. This ecosystem has incubated hundreds of businesses, including start-ups and large companies. The House 2 budget supports reducing greenhouse gas emissions through innovation and putting Massachusetts to work on climate solutions.

The future will undoubtedly bring job seekers many opportunities for a range of jobs related to mitigating climate change and adapting to its consequences. Demand for wind turbine service technicians will grow faster than any U.S. occupation between now and 2029 according to the Bureau of Labor Statistics. The House 2 budget includes \$30 million for the Massachusetts Clean Energy Center (MassCEC), which is working collaboratively with EOEEA, the Executive Office of Education, the Executive Office of Labor and Workforce Development, the Massachusetts Department of Elementary and Secondary Education, Massachusetts higher education institutions, vocational/technical schools, community based organizations, organized labor and apprenticeship programs to ensure the Massachusetts workforce is ready to execute our climate goals.





MassCEC and its partners are forging effective workforce development strategies that expand pipelines for new workers and promote retention, upskilling and advancement for current workers across the state. MassCEC's programs encompass diversity, equity and inclusion efforts across the full spectrum of economic opportunity, to train an increasingly diverse workforce and nurture a thriving ecosystem of minority- and women-owned business enterprises.

### **Climate in Motion: Transit and Clean Transportation**

MassDOT, the Executive Office of Economic Development, and EOEEA through the Department of Energy Resources (DOER), and the Department of Environmental Protection (DEP), are leading in the adoption of electric vehicles (EVs) in Massachusetts and ongoing deployment of EV charging technology in partnership with utilities and other key stakeholders. These critical collaborations reflect the all-of-government approach necessary to fulfill the state's aggressive decarbonization plans.



Through the fiscal year 2025 budget and the Fair Share transportation investment proposal, the Healey-Driscoll Administration is also poised to make transformational investments in transit, including the MBTA and each of the 15 Regional Transit Authorities (RTAs) statewide, giving more Massachusetts residents access to affordable, equitable, and climate-friendly mobility options.

### **Climate on the Grid: Clean Energy**

In the past year, Massachusetts has made great progress toward a cleaner, healthier energy future. The Healey-Driscoll Administration accomplished the following milestones:

- Issued a 3,600 MW Offshore Wind Solicitation, the largest ever in New England
- Through a new Multistate Offshore Wind Memorandum of Understanding, joined Rhode Island and Connecticut to review bids from the upcoming offshore wind procurement
- Led the formation of the Northeast States Collaborative on Interregional Transmission, a bipartisan group of ten states with support from the U.S. Department of Energy

- Created the Commission on Clean Energy Infrastructure Siting and Permitting to make recommendations to streamline the clean energy siting and permitting process
- Led the Grid Modernization Advisory Council to review and provide input on electric-sector modernization plans that will ensure the grid is prepared for increased electrification and clean energy generation
- Collected stakeholder input on strengthening the Clean Energy Standard
- Saw first delivery of Vineyard Wind's offshore wind power to the Massachusetts electric grid, which will soon be the nation's largest operational offshore wind farm

House 2 proposes significant capacity-building investments to continue the important work of expanding clean energy in Massachusetts, including expanding the capacity of the Federal and Regional Energy Affairs (FREAA) Office within EOEAA to coordinate with state, regional, and federal partners and states on topics such as promoting shared investments in offshore wind infrastructure and integrating clean energy resources into the regional power grid.



### **Nature-Based Climate Policy: Conservation and Stewardship**

Conservation and management of Massachusetts' forests are a critical component to optimize carbon sequestration and mitigate climate risk. The Healey-Driscoll Administration's policy: *Forests as Climate Solutions*, is accelerating progress toward the state's land conservation goals and ensuring forests are managed in a way that protects their carbon storage and sequestration capacity in service of achieving net-zero statewide greenhouse gas emissions by 2050. Forests and natural and working lands also provide a range of benefits like clean water, biodiversity and wood products.

*Forests as Climate Solutions* will support forest-based businesses and landowners, invest in forest conservation, enhance a network of forest reserves, and develop forest management guidelines based on the latest climate science. This initiative, which is supported across EOEAA budgets, is an example of science, leadership, and nature working together to address climate challenges.

In Massachusetts, there are many dams, culverts and small bridges that were never intended to withstand the weather extremes brought by climate change.





This budget provides \$2.8 million for a new program to help both public and private dam owners navigate the process of repairing and removing their old, dangerous dams. The House 2 budget also adds \$2.8 million to a culvert technical assistance program that helps cities and towns repair and replace undersized, failing culverts with larger, safer structures.

Together, these investments in infrastructure will make us safer and more resilient to extreme weather and the impacts of climate change while restoring rivers and streams.

### **Climate Resilience and Recovery**

Climate-related disasters, severe weather events, and the damage they can cause are all too real to the communities and industries of Massachusetts impacted by recent floods, storms, and deep freezes. The Healey-Driscoll Administration recognizes the need to help when these emergencies occur.

The House 2 budget creates a Disaster Relief and Resiliency Trust Fund, which will be funded with a 10% portion of excess capital gains tax revenues, in addition to any public or private sources, federal grants, donations, settlements, repayments or reimbursements available for this purpose. The Disaster Relief and Resiliency Trust Fund will be available to deploy rapidly when needed, to alleviate the damage, loss, hardship, and suffering caused by natural disasters and other catastrophic events. This is a sensible and compassionate strategy that mitigates the risk of climate-related disasters and allows communities to rebuild in a more resilient way, which will minimize environmental damage, economic disruption, and the human suffering associated with emergency events.



# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## ***Sustainable Development for the Future***

*Alaina Martin, Fiscal Policy Analyst*

### **Introduction**

The Executive Office of Energy and Environmental Affairs (EEA) seeks to protect, preserve, and enhance Massachusetts's environmental resources while ensuring a clean energy future for the state's residents. Through the stewardship of open space and natural resources, investment in outdoor recreation, protection of environmental resources, and enhancement of clean energy, the Executive Office of Energy and Environmental Affairs works tirelessly to make Massachusetts a wonderful place to live, work, and raise a family.

The Healey-Driscoll Administration's FY25 House 2 budget recommendation reflects Massachusetts' most significant investment in environmental justice, clean energy, clean energy workforce training, and environmental protection. House 2 brings EEA over 1% of the overall state budget for the second consecutive year, totaling \$572.1 million and supporting approximately 3,157 FTEs across the secretariat.

House 2 recommends new investments to meet key climate resilience objectives, including:

- \$2.8 million expansion to establish a Dam Safety Technical Assistance Program to support dam owners in meeting regulatory safety requirements, such as emergency planning, and advancing dam repairs and removals
- \$2.8 million expansion to increase capacity of a Culvert and Small Bridges Technical Assistance Program, in response to outsized demand for investment in these critical assets



Further, House 2 maintains investments in areas such as climate tech, mitigation, environmental justice, and resource stewardship, including:

### **EOEEA as 1% of the FY25 Budget**

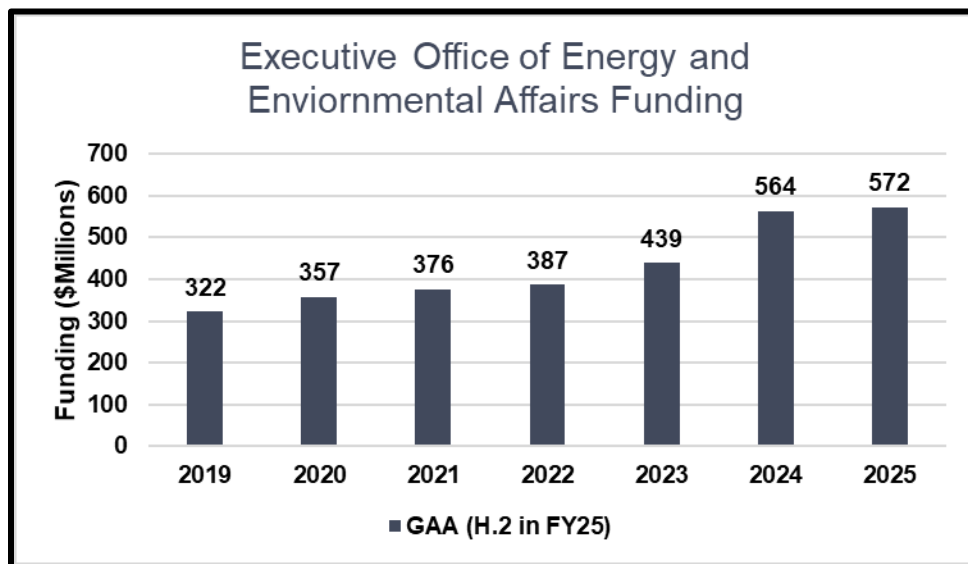
**\$572.1 million** – FY25 House 2 recommendation for EOEEA

**\$56.1 billion** – FY25 House 2 total appropriations, excluding \$1.3 billion in Fair Share investments earmarked for education and transportation, and \$682.2 million for the Medical Assistance Trust Fund

## Budget Brief: Sustainable Development for the Future

- \$30.0 million for the Massachusetts Clean Energy Center (MassCEC) for clean energy workforce training partnerships, an energy retrofit pilot program, clean transportation adoption, and building decarbonization initiatives
- \$25.0 million maintained for Food Security Infrastructure Grants (FSIG) for grants to aid farmers, fisherman, schools, nonprofits, and local producers and construct infrastructure to bolster the local food system.
- \$10.1 million for climate resilience and decarbonization teams, and targeted climate initiatives
- More than \$7 million maintained for Environmental Justice and Equity strategies, programs and initiatives, including dedicated leadership and team, embedded EJ Liaisons, trainings, and translation and community engagement programs and more

In 2007, Massachusetts became the first state in the nation to combine all environmental and energy agencies under one Cabinet Secretary – setting an example to recognize the interrelated missions of these agencies. Sixteen years later, the state enacted groundbreaking climate change legislation in its commitment to dedicating 1% of the budget to EEA. The FY25 House 2 budget recommendation reflects the administration's continued commitment to a green future.



House 2 focuses on those most impacted by climate change through a renewed commitment to environmental justice. Throughout all agencies and programs, environmental justice principles are embedded in EEA's actions and backed by recommended increase in funding for the expert staff, training, and services needed to facilitate an equitable approach to the climate crisis. These investments are accompanied by expansions in the enforcement of environmental standards, including funding for dozens of additional monitoring and compliance staff.



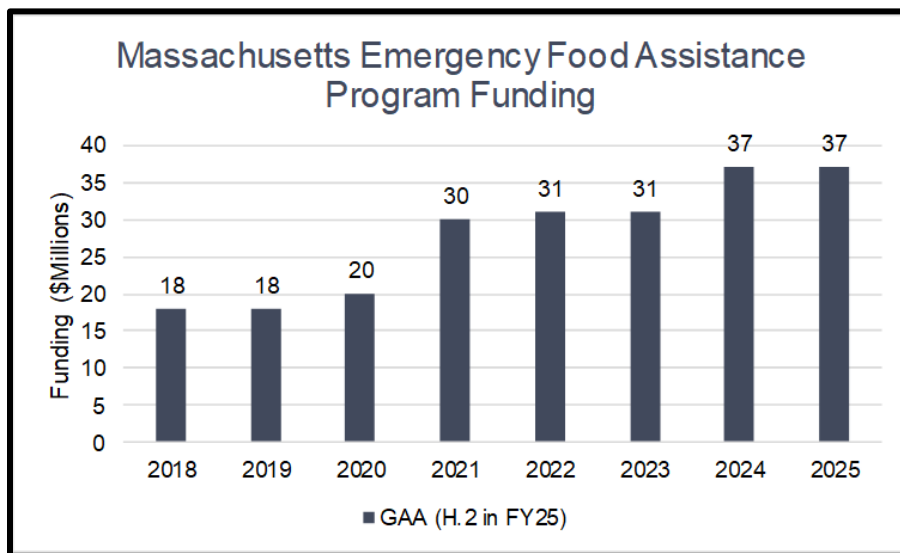
## ***Budget Brief: Sustainable Development for the Future***

More than ever before, stakeholder, community, and resident engagement programs are central to the execution of the state's climate, conservation, recreation, and environmental initiatives.



### **Food Security**

As weather becomes more extreme and costs increase, it is imperative that the state continue to cultivate a strong local food supply and invest in initiatives that combat food insecurity. House 2 will support the establishment of the Division of Food Security within the Department of Agricultural Resources, which will oversee the highly successful \$25.3 million Food Security Infrastructure Program and the \$37.1 million Massachusetts Emergency Food Assistance Program (MEFAP), to provide an estimated 29.5 million meals to residents. For more information how House 2 supports the state's food system, please see the **Food Security** budget brief.



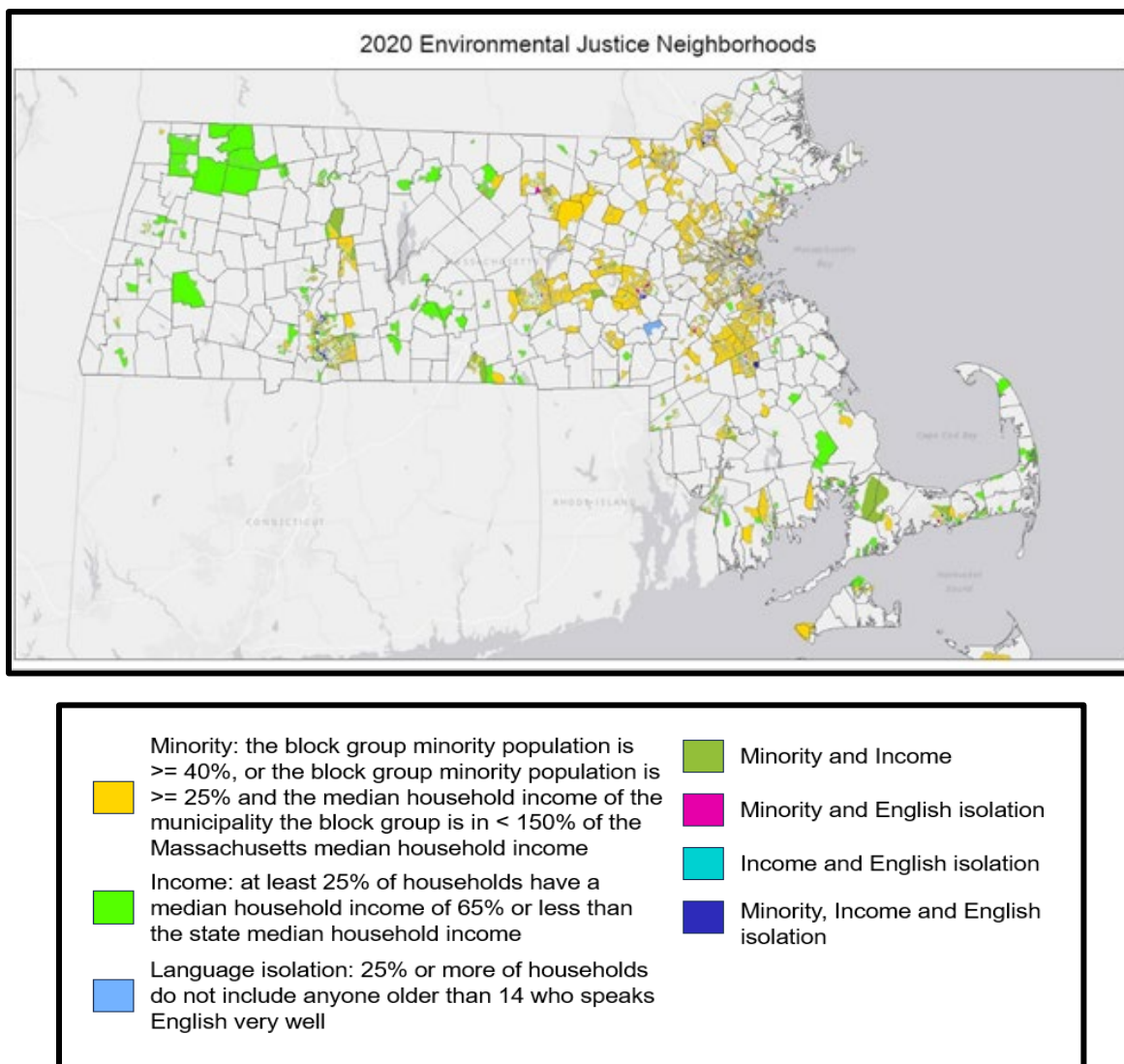
## **Environmental Justice**

Environmental Justice (EJ) is the principle that all people have a right to be protected from environmental hazards and to live in and enjoy a clean and healthful environment. EJ programming works to ensure that resource distribution is equitable, and that the relative vulnerability of communities is prioritized throughout the policy-planning process. It is critical for Massachusetts to make systemic, transformative investments in the communities that would otherwise bear the brunt of climate change's most hazardous impacts. Environmental justice principles are embedded in EEA's actions, backed by funding for the expert staff, training, and services needed to facilitate an equitable approach to the climate crisis. The House 2 budget takes the following steps to advance the administration's EJ objectives:

- Supports Environmental Justice Liaisons across each department to support community outreach, public hearings, and stakeholder involvement, and better align hiring practices and inter-agency coordination with environmental justice principles – in addition to \$2 million for a secretariat-wide training program to ensure the principles of EJ are embedded in all EEA activities at all levels
- Maintains \$4.9 million for the Office of Environmental Justice and Equity, to conduct secretariat-wide EJ training, and to provide translation services and language outreach
- Provides additional resources for the Environmental Justice Council, the new inter-secretariat EJ working group, and partnering with indigenous communities

In Massachusetts, environmental justice communities are designated based on the proportion of residents who are low-income, identify with a minority group, or report speaking English less than “very well” on the latest U.S. Census. Each of these factors increases the likelihood that a community will be overlooked or excluded from the policymaking process, and thus bear a disproportionate burden of climate impacts. House 2 continues to invest in Environmental Justice Council and environmental justice strategy, created by *An Act Creating a Next-Generation Roadmap for Massachusetts Climate Policy* (Chapter 8 of the Acts of 2021) that will bolster community engagement, drive EEA-wide coordination, and assist our most vulnerable residents.





## Environmental Protection

Massachusetts has a responsibility to protect our families, communities, and the environment that sustains us. Residents have a right to enjoy Massachusetts's natural resources and everyday services without fear of toxins, health hazards, or climate degradation. The changing climate presents new challenges which the state needs to address. As our planet warms and heat islands become more dangerous, the preservation and expansion of greenspaces, tree cover, and recreational swimming will be even more important.



House 2 maintains several initiatives focused on environmental protection and climate solution. House 2 recommends \$2.5 million for a grant program to address water supply and quality issues in the Ipswich River Watershed, \$1.5 million for climate and drought resilience planning, and \$506 thousand maintained for Connecticut River and Merrimack River flood control compacts with New Hampshire and Vermont. For more information on how House 2 supports our climate mitigation and resilience efforts, please see the **Climate Action** budget brief.

House 2 continues to support widespread efforts to address per- and polyfluoroalkyl substances (PFAS), a family of chemicals used since the 1950s to manufacture stain-resistant, water-resistant, and non-stick products. The budget supports key positions that have been added recently at the Department of Environmental Protection to address ongoing PFAS work, including \$1.6 million for PFAS sampling of landfills and water facilities and to develop PFAS air standards and \$63.4 million to the Clean Water Trust to provide low-interest loans and grants to municipalities for water infrastructure maintenance and development.

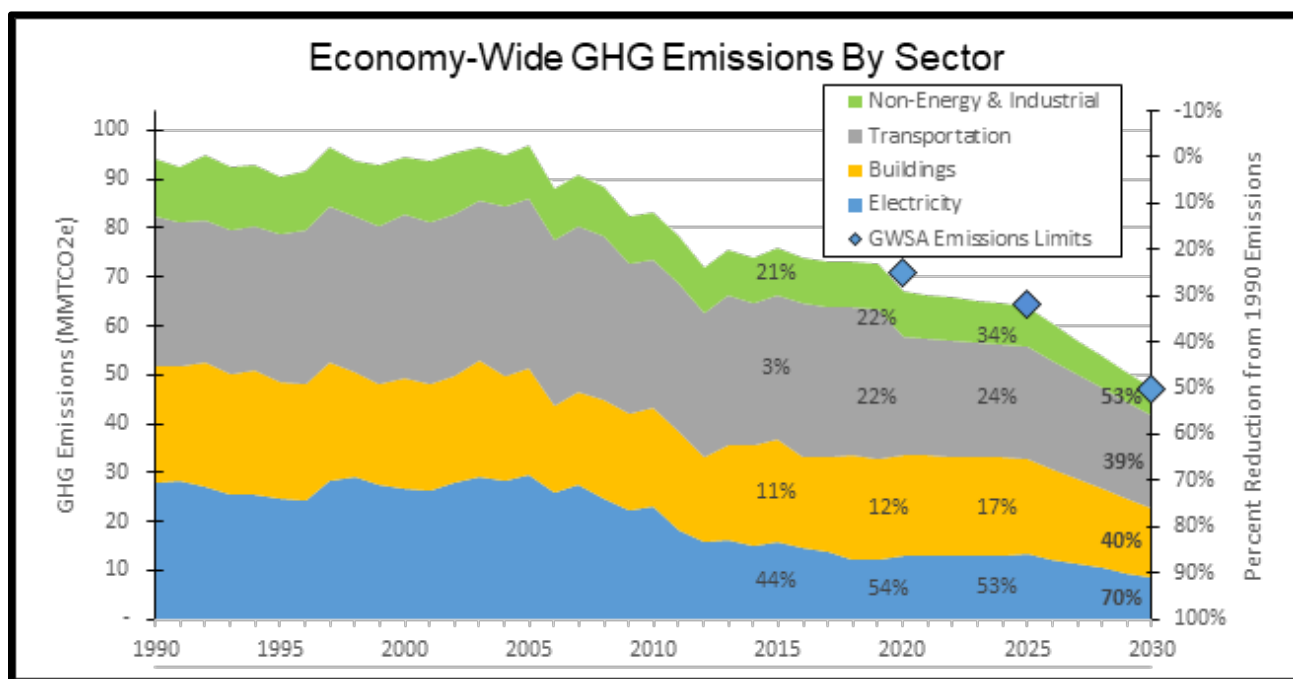


## Climate Resiliency

Massachusetts is planning for sea level rise by up to 2.5 feet by 2050 compared to 2008 if global emissions are not significantly reduced. Both tidal and storm-related flooding are projected to increase. By 2070, statewide annual average damages to coastal structures could be more than \$1 billion per year. To combat this the Healey-Driscoll Administration launched historic ResilientCoasts initiative, a holistic strategy for addressing the impacts of climate change along the coastline of Massachusetts.

ResilientCoasts pursues a multipronged approach to identify regulatory, policy, and funding mechanisms to develop focused long-term solutions in collaboration with the state's 78 coastal communities. House 2 maintains \$650,000 for ResilientCoasts which will establish Coastal Resilience Districts based on unique climate change impacts, and will work with communities to develop tailored policy, regulatory, and financing strategies for long-term resilience.

Pursuant to the Global Warming Solutions Act, Next-Generation Roadmap for Massachusetts Climate Policy, the Secretary of EEA has adopted the interim 2025 statewide greenhouse gas (GHG) emissions limit of 33 percent below 1990 level and the interim 2030 statewide greenhouse gas emissions limit of 50 percent below 1990 level. House 2 supports continued work towards this goal by maintaining \$4.8 million for climate adaptation and preparedness to develop a building decarbonization clearinghouse (one-stop for clean buildings), maintaining \$1.5 million for air quality monitoring throughout Massachusetts, and adding \$380 thousand for a new Blue Carbon sequestration program to protect coastal wetlands.



Under the leadership of the Healey-Driscoll Administration, environmental and energy agencies will ensure Massachusetts residents can have confidence in the protection and quality of their water, air, and natural resources.

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## Food Security

*Sydney V.A. Jeffrey, Madeline Killeen Keefe, Alaina Martin, Fiscal Policy Analysts*

### Introduction

Reliable access to fresh, affordable, and nutritious food is the foundation for a healthy life. From farm to table, the Healey-Driscoll Administration is recommending investments to ensure Massachusetts residents continue to have access to healthy meals. Approximately 25 percent of families with children in the state currently face food insecurity.<sup>1</sup> As the cost of living continues to rise, residents need increased support to keep food on the table. Across state government, the administration is making investments in food affordability, nutrition programs, and improving the infrastructure needed to ensure vulnerable residents have timely access to fresh and nutritious food to feed their families.



### Supporting our Food System

Our investment in food security starts with supporting our local food partners to ensure the food system infrastructure of the state will thrive. The FY25 House 2 budget recommendation supports establishment of the Division of Food Security within the Department of Agricultural Resources, which will oversee \$25 million for Food Security Infrastructure Grants (FSIG), maintaining the investment from FY24. These grants are awarded to producers, distributors, and municipalities to provide greater, more equitable access to local food in the Massachusetts food system. The local food system is a network of consumers, workers, businesses, owners, and supporting organizations engaged in an array of activities, including fishing, farming, preparing, marketing, distributing, serving, and eating food. This network works to produce and

<sup>1</sup> [Hunger & Food Insecurity in Massachusetts | Project Bread](#)



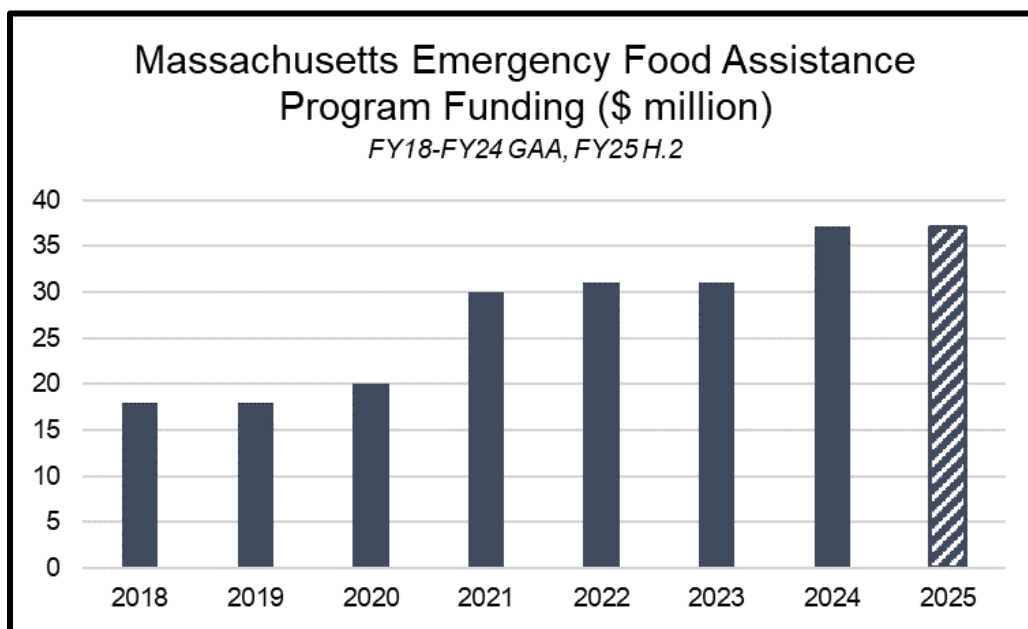
## Budget Brief: Food Security

distribute food that nourishes our communities, sustains businesses and workers, and supports responsible stewardship of our land and water.

To date, these grants have improved food accessibility by lowering the cost of production and helping distributors partner with the Department of Transitional Assistance (DTA) to accept SNAP benefits. Small farms are also supported through the Healthy Incentives Program (HIP) at DTA, which reimburses SNAP clients for expenses at small farm vendors. This program is discussed in greater detail below. For more information on how House 2 supports farmers, please see the **Uplifting Rural Communities** budget brief.

### Direct Access to Meals

House 2 recommends \$37 million for the Massachusetts Emergency Food Assistance Program (MEFAP), maintaining a \$6 million investment funded in FY24, to provide an estimated 29.5 million meals to residents. This represents a 20% increase in the number of meals over pre-pandemic levels. For over 25 years, MEFAP has been ensuring residents across Massachusetts have access to quality food. MEFAP distributes meals via four regional food bank distribution centers: the Greater Boston Food Bank, the Merrimack Valley Food Bank, the Food Bank of Western Massachusetts, and the Worcester County Food Bank.



The Healey-Driscoll Administration is committed to supporting children and ensuring they can focus on their education, rather than on when their next meal will be. In FY24, the Universal Free School Meals program was made permanent, ensuring that any student whose lunch is not already paid for through federal programs still has access to free lunch. The FY25 House 2. budget fully funds this program at \$170 million, including absorbing the school breakfast program. For more information on the Universal Free School Meals program, please see the **Access to Education** budget brief and **Fair Share Investments in Education and Transportation** budget brief.



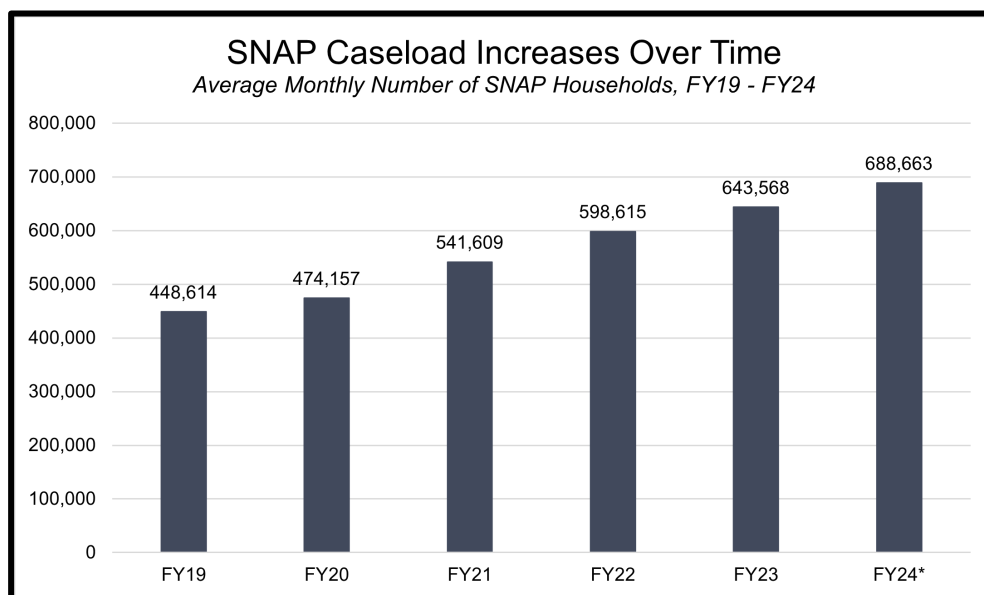
## Budget Brief: Food Security

House 2 maintains funding for the Nutrition Services Program at the Executive Office of Elder Affairs at \$11.1 million, which provides over nine million meals each year through the Senior Farm Share Program, Meals on Wheels, and various other programs. The Senior Farm Share Program allows low-income seniors to purchase a share of a farm in return for ten weeks per year of fresh, local produce that is delivered to participating Senior Centers and Councils on Aging. Seniors can also use their SNAP benefits to enroll. Massachusetts Meals on Wheels serves meals directly to seniors. These services not only provide healthy meals but also food tailored to the individual, considering dietary restrictions and cultural backgrounds.

### Supplemental Nutrition Assistance Program

Funded through the federal government, the Supplemental Nutritional Assistance Program (SNAP) helps low-income families buy food. Over 660,000 households currently receive SNAP benefits in Massachusetts, with an estimated 350,000 children served during 2023. These benefits are administered by DTA and primarily funded through federal grants.

The below chart shows how average monthly SNAP caseload has increased 54% from FY19-FY24 estimates. Food insecurity rates are currently reaching what they were at the peak of the pandemic at 19.6 percent.<sup>2</sup>



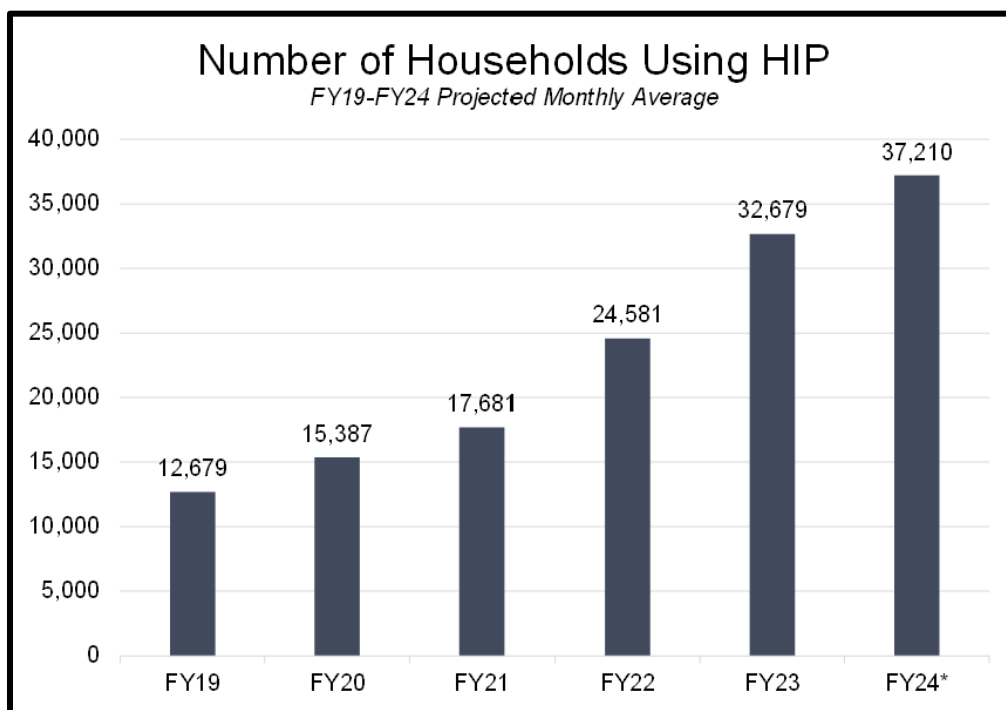
*FY24 based on average of actual data and estimates*

Theft of SNAP benefits has been an ongoing concern since 2022. The administration has invested in improving security of SNAP benefits in FY23 and FY24, including more secure EBT cards. House 2 maintains and builds upon these investments by recommending \$974,000 for the Mobile Electronic Benefit Transfer (EBT) Pilot program that aims to develop more secure payment technologies for SNAP and cash assistance clients.

<sup>2</sup> Hunger & Food Insecurity in Massachusetts | Project Bread

**Healthy Incentives Program**

The Healthy Incentives Program (HIP) improves access to fresh, locally grown produce for SNAP recipients by reimbursing expenses on SNAP recipients' EBT cards when they purchase fruits and vegetables from local farm vendors. Since its creation in FY17, HIP has been an important tool in addressing food security gaps across Massachusetts. In addition to improving access to fresh produce for low-income Massachusetts residents, the program also supports local farmers, which in turn helps boost food accessibility and stability. House 2 recommends HIP at \$25.1 million, the highest level in the program's history. The addition of over 100 new vendors to the program in all regions of the state has contributed to a 47% increase in utilization of program benefits and has allowed for more equitable access of healthy and affordable foods. For more information on SNAP and HIP, please see the **Mass Cares: Promoting Health, Resilience, and Independence** budget brief.



*FY24 based on average of actual data and estimates*

**Summer Electronic Benefit Transfer (EBT)**

House 2 supports the operation of the Summer EBT program, scheduled to begin in the summer of 2024. The program will deliver an estimated \$45 million in supplemental federal resources to over 500,000 families with young children who receive SNAP benefits or who are eligible for free and reduced-price school meals. Through this program, families will receive a one-time payment of \$120 for the summer.

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## ***Mass Cares: Promoting Health, Resilience, and Independence***

*John Coogan, Assistant Budget Director and Madeline Killeen Keefe, Eleanor M. Sullivan, Victoria Gudaitis, and Sydney V.A. Jeffrey, Fiscal Policy Analysts*

### **Introduction**

The Executive Office of Health and Human Services (EOHHS) is the largest secretariat in state government, with 11 agencies, over 22,000 employees, and nearly \$31 billion in projected FY25 spending. Its efforts are focused on the health, resilience, and independence of the residents of Massachusetts, and its public health programs touch every community in the state.

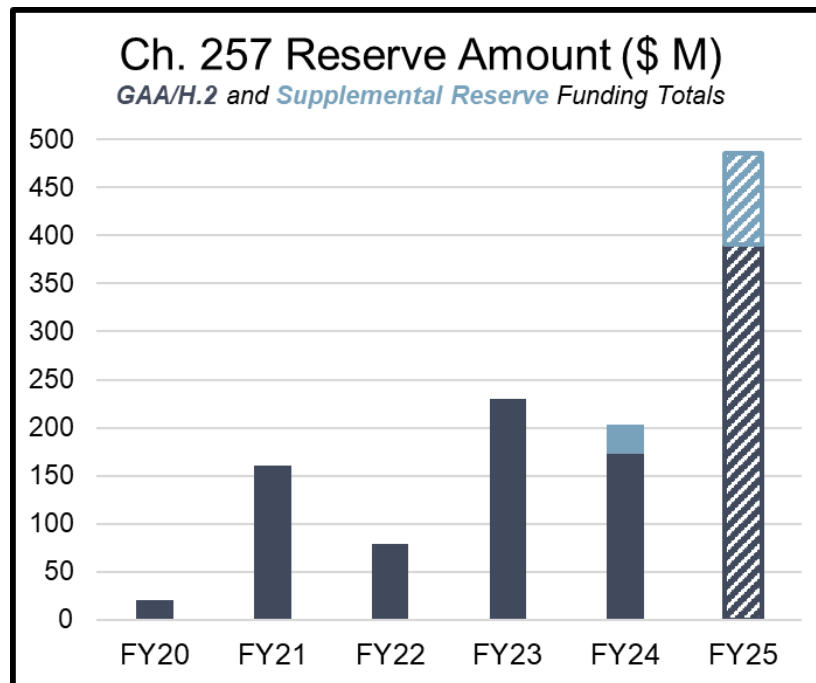
The Healey-Driscoll Administration's FY25 House 2 budget proposal recommends funding EOHHS at \$9.760 billion, a \$781.3 million (9%) increase over FY24 GAA, excluding MassHealth. This increase is driven by \$217.0 million over FY24 GAA for the Ch. 257 reserve, \$249.9 million to annualize FY24 provider rate increases, and \$36.6 million for new targeted investments. For more information on MassHealth, please see the **MassHealth** budget brief.

	FY23 Actuals	FY24 GAA	FY25 H.2 Rec.
Executive Office of Health and Human Services	384,951,491	437,753,222	<b>464,190,500</b>
Chapter 257 and Human Service Reserve	-	173,000,000	<b>390,000,000</b>
Department of Elder Affairs	712,571,797	721,987,524	<b>768,269,408</b>
Department of Public Health	893,196,515	968,587,233	<b>967,261,443</b>
Department of Children and Families	1,219,604,267	1,367,640,850	<b>1,531,181,877</b>
Department of Transitional Assistance	941,812,281	1,069,395,771	<b>1,158,301,357</b>
Department of Development Services	2,553,283,268	2,795,483,658	<b>2,922,268,506</b>
Department of Mental Health	1,078,388,025	1,133,599,901	<b>1,238,968,189</b>
Department of Youth Services	169,320,273	183,126,425	<b>191,877,420</b>
Massachusetts Rehabilitation Commission	80,933,198	84,893,611	<b>86,400,759</b>
Massachusetts Commission for the Blind	27,452,929	29,525,529	<b>28,261,938</b>
Commission for the Deaf and Hard of Hearing	8,499,133	9,448,559	<b>11,009,060</b>
Office for Refugees and Immigrants	12,218,160	4,586,958	<b>2,297,670</b>
<b>EOHHS Total (excl. MassHealth)</b>	<b>8,082,231,337</b>	<b>8,979,029,241</b>	<b>9,760,288,126</b>

*Note: FY23 Actuals and FY24 GAA for ORI include legislative earmarks not funded in House 2*

## **Building Capacity and Supporting the Workforce**

The FY25 House 2 budget recommendation includes a historic level of investment in Human Service rates via the Chapter 257 Reserve (\$390 million) and an off-budget reserve (\$95 million). This \$485 million investment reflects benchmarking rates to the 53<sup>rd</sup> percentile of Bureau of Labor and Statistics wages to support our most critical human service providers. See [mass.gov](https://www.mass.gov) more information on the Ch. 257 Reserve and the rate setting process.



In addition, House 2 recommends targeted investments to expand our human service workforce in key areas that have experienced shortages, including nursing educators, Certified Nursing Assistants (CNAs), and American Sign Language (ASL) interpreters.

### **Reproductive and Postpartum Care**

Massachusetts remains a national leader in reproductive rights and public health. However, room for progress remains in rates of complications and racial disparities in maternal health outcomes. The Healey-Driscoll Administration strives to protect and expand critical services, and the FY25 budget recommendation includes funding to address these challenges, including family planning services, reproductive health access grants, and reimbursement to public universities for abortion medications.

Doula services are considered a preventative healthcare measure, with evidence indicating that doula care offers significant benefits for maternal health outcomes, including reducing the number of cesarean deliveries, low birth weight (LBW) and preterm births, and rates of postpartum depression<sup>1</sup>. According to a study by the National Library of Medicine, “doula-

<sup>1</sup> [https://www.thelancet.com/journals/eclinm/article/PIIS2589-5370\(22\)00261-9/fulltext](https://www.thelancet.com/journals/eclinm/article/PIIS2589-5370(22)00261-9/fulltext)

assisted mothers were four times less likely to have a LBW baby, [and] two times less likely to experience a birth complication involving themselves or their baby.”<sup>2</sup>

The Massachusetts healthcare system is building off this growing body of research to expand access to doula care. FY25 House 2 recommends \$1.0 million at DPH to establish the first certification program for doula providers in Massachusetts. The certification pathway will provide subsidized training and mentorship for prospective providers and work to expand community-based doula programs. In addition, the administration recently published a regulation to cover doula services for MassHealth members beginning in FY24. House 2 includes \$1.1 million to support this investment in FY25 and provide doula services to an estimated 1,700 members.

As Massachusetts continues to combat the opioid crisis, the Department of Children and Families (DCF) caseload reflects the significant impact on children whose parents struggle with substance use disorders (SUD). DCF plays a critical role in helping identify SUD and supporting families with interventions to stabilize the family, promote child safety, and prevent removal of a child from their home. House 2 recommends investing \$3.1 million in the development of Postpartum Care Services at DCF that will focus holistically on substance use disorder and child welfare to provide services to families and infants for a year after birth, one of the most critical periods in a child’s development. This program would provide a range of services including respite care, postpartum doula services, and care coordination.

### **High Need Youth and Adolescents**

Youth, adolescents, and young adults are cared for and served through a variety of EOHHS programs. The Department of Children and Families (DCF) and the Department of Youth Services (DYS) are two agencies at EOHHS that specifically focus on the well-being of this population by connecting them with the appropriate services and supporting them through adolescence and young adulthood.

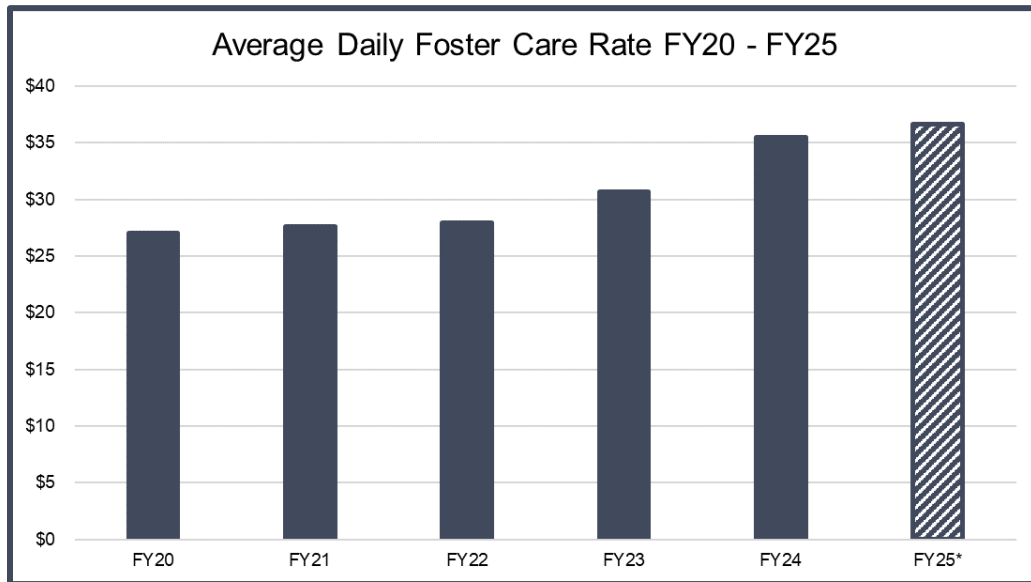
#### ***Projected Growth***

House 2 recommends fully supporting projected caseload placements across DCF services, including foster care, congregate care, guardianship subsidy, adoption subsidy, and support and stabilization services. Beginning in FY23, DCF has invested in increasing its Congregate Care Network (CCNET) capacity through historic rate increases with the goal of bringing 90 additional beds online. House 2 maintains this investment and recommends \$69.1 million to support FY24 rate increases across all DCF Congregate Care Network providers. House 2 also builds on these investments further with targeted investments in foster care. When a child cannot live safely with their birth families, foster parents provide a loving and safe home. House 2 funds a 4% increase to foster care rates on top of annualizing the 7% increase funded in FY24.

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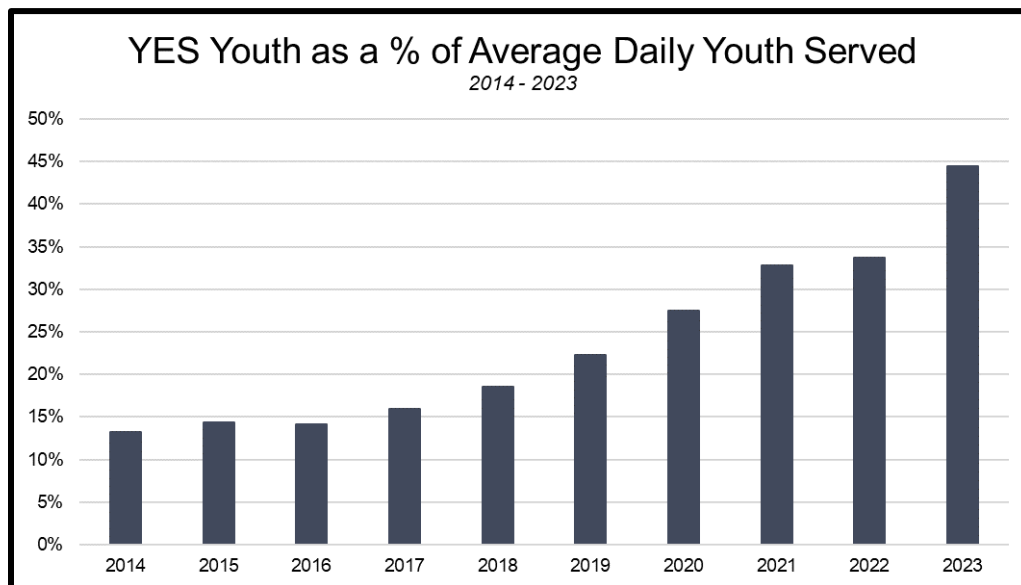
<sup>2</sup> Impact of Doulas on Healthy Birth Outcomes - PMC (nih.gov)





DYS has experienced decreasing caseload over the past decade, supported in large part by diversionary practices through the development of programs such as the Massachusetts Youth Diversion Program (MYDP), as discussed further below under the Targeted Investments.

DYS's dedication to and support of youth extends beyond their discharge from commitment through the Youth Engaged in Services (YES) program. Through the YES program, each youth who attains their statutory age of discharge from DYS is offered voluntary services, including case management and transitional support, until they turn 22 to reduce recidivism. Since its creation, the proportion of discharged youths that choose to opt into the YES program has steadily increased, with 67% of youth discharging in 2023 choosing to join the program and YES youth constituting nearly 45% of all youth served by DYS in 2023.



***Targeted Investments***

EOHHS agencies are committed to helping children and youth be healthy, safe, and to thrive. While agencies strive to serve children and youth in their homes or, if necessary, in community-based programs, some adolescents with complex medical conditions, certain disabilities, or behavioral health challenges need a specialized residential setting that does not currently exist in the continuum of care. House 2 includes \$10.0 million at EOHHS to develop innovative, evidence-based, and trauma informed service models to meet the needs of youth with intensive behavioral health issues, including those in crisis. In developing these services, the goal is to identify and address service gaps, not duplicate existing services. Models of care include short term crisis intervention treatment programs to stabilize youth and prevent unnecessary emergency room utilization, intensive positive behavior-oriented treatment to address challenging behaviors, and step-down programs to support successful transitions from higher level of care.

Other notable investments recommended in House 2 include:

- \$3.1 million at DCF for Postpartum Care Services, as discussed further in the Reproductive and Postpartum Care section
- Continued support for the establishment of Achieving a Better Life Experience (ABLE) accounts for children in DCF custody
- \$2.1 million at DYS to administer the Massachusetts Youth Diversion Program (MYDP) to divert youth out of the juvenile justice system
  - Recommended at \$1.1 million over FY24 GAA to expand MYDP to three new locations
  - 70% of youth diverted through MYDP had no further involvement with the juvenile criminal justice system

**Preparing for an Aging Population**

Massachusetts's population is aging, and the Healey-Driscoll Administration recognizes the benefits of investing in older adults' ability to live independently and in community. The FY25 House 2 budget maintains key investments that support older adults and invests in making aging more affordable. House 2 recommends \$5.0 million to eliminate copays for over 10,000 low-income home care services clients. This will ease the financial burden of these needed services, while also helping clients remain in their homes. In line with this commitment, House 2 also includes \$1.9 million to annualize the Community Transitional Liaison Program (CTLTP) that was previously funded off-budget. This program supports older adults and people with disabilities to reside in the most appropriate, least restrictive setting based on their needs and health. House 2 also maintains FY24 investments to expand Council on Aging (COA) formula grants to \$14 per older adult. The local COAs provide various services to their communities, including outreach, counseling, nutritional assistance, and wellness programs. House 2 also maintains the \$3.1 million FY24 investment for additional sites for the Supportive Senior Housing Program.

**Empowering Citizens with Disabilities**

The members of the disability community have highly individualized needs. The Department of Developmental Services (DDS), the Massachusetts Rehabilitation Commission (MRC), the

## ***Budget Brief: Mass Cares: Promoting Health, Resilience, and Independence***

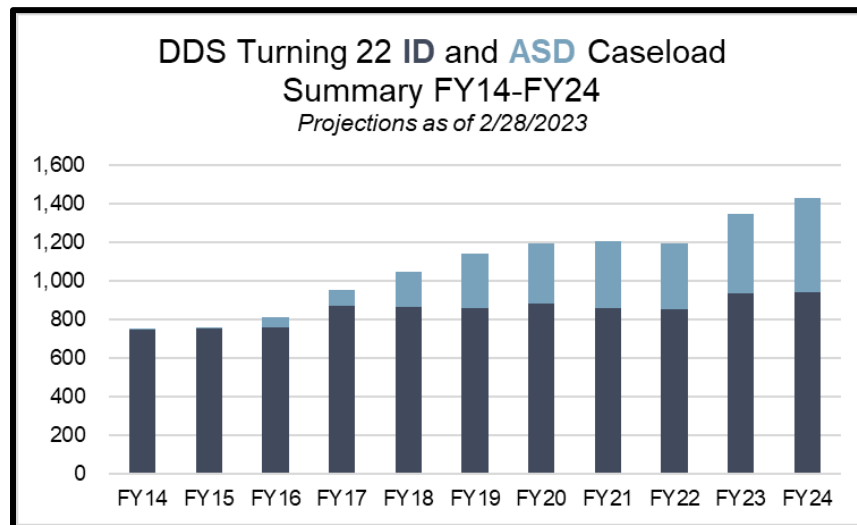
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Massachusetts Commission for the Blind (MCB), and the Massachusetts Commission for the Deaf and Hard of Hearing (MCDHH) all strive to deliver high-quality care to meet the needs of each individual. The largest of these is DDS, which serves approximately 36,000 adults and 11,000 children with intellectual and developmental disabilities, including Autism Spectrum Disorder (ASD). MRC provides services that empower people with physical disabilities and injuries to live independently through training and employment programs. MCB and MCDHH provide the same for the blind and deaf communities, while MCDHH also provides support and training for ASL interpreters throughout Massachusetts.

### ***Turning 22 (T22)***

The Turning 22 programs were created to support young people with disabilities as they leave special education services and transition to adult services offered through DDS, MRC, and MCB. This process begins years prior to an individual leaving public special education services. For example, at DDS the conversation begins around the age of 14. For each case where an individual is determined eligible for DDS adult services, a DDS Area Office and Transition Service Coordinator are assigned to work with the individual, parents or guardians, school districts, residential schools (if applicable), outpatient providers, and others to develop an individualized transition plan and adult service plan. Multiple domains around health and safety, functional capacities, clinical and medical needs, and other factors are all considered when developing the least restrictive and most inclusive community supports available.

House 2 recommends increasing funding for DDS's Turning 22 program by \$18.5 million over FY24, an increase of 17%, to fully fund the FY24 and FY25 classes. FY24 is the largest Turning 22 class in the program's history, and FY25 is projected to be consistent with FY24. This growth reflects an increase of individuals in need of DDS services and greater awareness of the services available to neurodiverse adults. Since 2019, DDS has also tracked a 20% increase in the number of individuals aging into their programs, a large proportion of which are adults with Autism Spectrum Disorder (ASD). The majority of these adults with ASD are below the age of 26 and 78% identify as male. The ASD population within DDS's services has grown rapidly over the past decade and continued growth is expected in the coming years. Below is a chart that tracks the growth in Turning 22 caseload over the past decade in both DDS's traditional clients with intellectual disabilities (ID) and those with ASD.



Other notable investments and recent accomplishments in disability services across EOHHS include:

- Maintaining the FY24 investment in additional social counselors at the Massachusetts Commission for the Blind (MCB) to respond to increased need as the population ages
- Expanding the After-Hours Emergency program and investing in ASL interpreter workforce development at the Massachusetts Commission for the Deaf and Hard of Hearing (MCDHH) to improve access to necessary services
- Rebranding the Massachusetts Rehabilitation Commission (MRC) to MassAbility to better represent the agency's mandate to promote pride, self-determination, rights, and equal access for people with disabilities
  - This measure is currently pending in the Legislature

### **Behavioral Health**

The Healey-Driscoll Administration has made historic investments over the past year to expand the ecosystem of inpatient and community-based services across Massachusetts. FY25 House 2 maintains these initiatives and continues to expand behavioral health infrastructure.

The Department of Mental Health (DMH) is undergoing a multi-year capacity expansion initiative that is projected to bring an additional 35 inpatient beds and between 275 and 300 community placements online by the end of FY25 in an effort to decrease wait times for inpatient services by up to 60%. FY25 House 2 includes \$17.0 million to support these expansions.

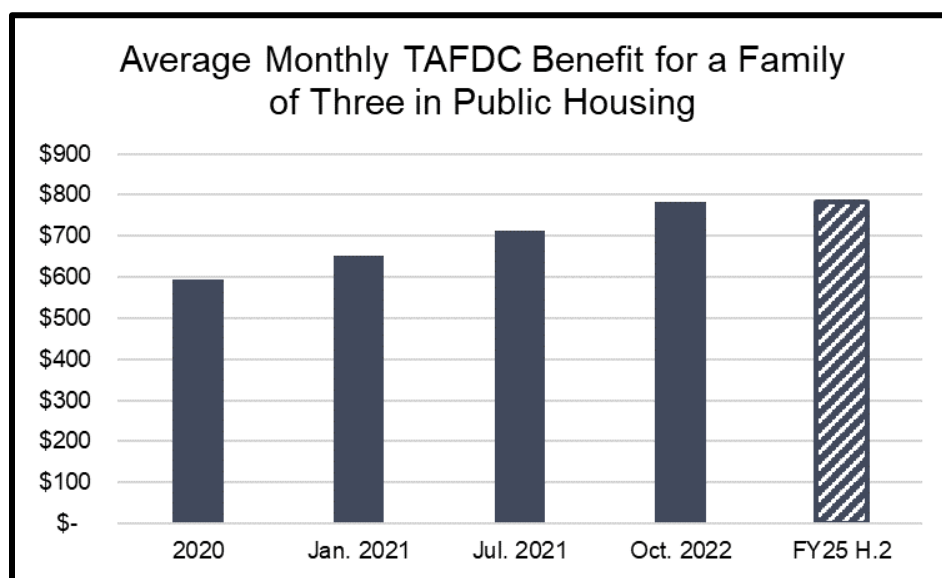
FY25 House 2 invests \$6.1 million over FY24 at the Department of Public Health (DPH) for 988, the national 24/7 suicide prevention and crisis line, including support to implement a new texting component aimed at increasing access to services. House 2 also maintains an FY24 investment for school-based behavioral health providers in 147 public school districts.

### **Investing in Economic Empowerment and Resilience**

Through direct economic and nutrition assistance, as well as workforce training opportunities, the Department of Transitional Assistance (DTA) is pivotal in Massachusetts' efforts to

## ***Budget Brief: Mass Cares: Promoting Health, Resilience, and Independence***

empower some of its most vulnerable residents to meet their basic needs and achieve long-term economic self-sufficiency. FY25 House 2 maintains investments funded in FY21-FY23 that increased average benefits by 30% in the Emergency Aid to the Elderly Disabled and Children (EAEDC) and Transitional Aid to Families with Dependent Children (TAFDC) programs. Prior to FY21, these benefits had not been increased in 20 years. The below chart summarizes these recent changes and the dates on which the increases went into effect.



The past few years have also seen an increase in the need for cash and food assistance programs. To respond to this need, House 2 recommends increases of \$51.6 million for TAFDC and \$20.1 million for the Healthy Incentives Program (HIP) relative to FY24. For more information on HIP, please see the **Food Security** budget brief. Additionally, DTA has been looking for ways to address the lack of security of the traditional SNAP benefit payment method. House 2 recommends investing \$974,000 in the Mobile Electronic Benefits Transfer (EBT) Pilot program to support the development and adoption of more secure payment technologies for SNAP and cash assistance clients that will help reduce benefits theft.

### **Improving Access to Services**

Information Technology is a critical component of human service delivery, and several projects are ongoing to improve the technological infrastructure of state benefits agencies. The Integrated Eligibility and Enrollment Readiness initiative aims to improve the integration and interoperability of key benefits platforms by creating a common application, communication, and noticing portal for human service, housing, and early education programs. In addition, the Electronic Health Records Modernization program aims to improve the delivery of care at DPH and DMH inpatient facilities by creating a new system for patient health data. These projects are funded through a combination of operating, capital, and federal funding.

For more information on the ongoing IT initiatives and the recent IT Bond Bill filed by the administration, please see the **Investing in Digital Services** budget brief.



# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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

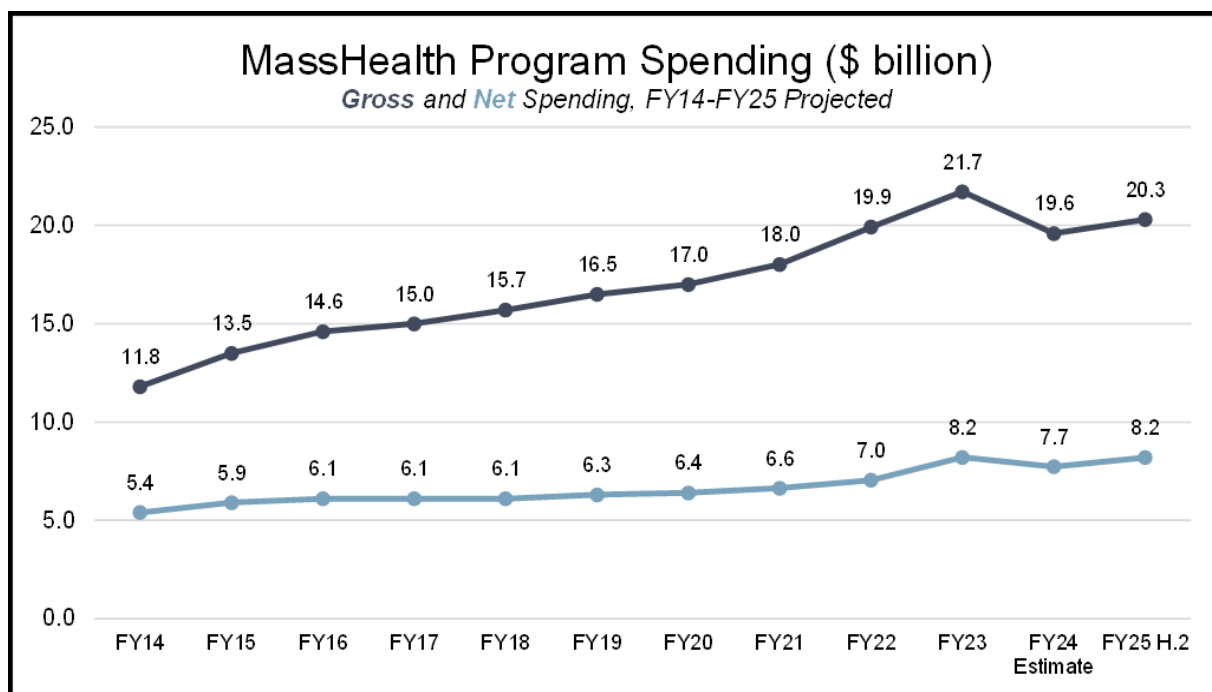


## MassHealth

### Introduction

MassHealth, the state's Medicaid and Children's Health Insurance Program (CHIP), provides coverage of health care and related critical services to over two million members, including over 40% of Massachusetts children and over 60% of Massachusetts residents living in nursing facilities.

FY25 House 2 funds MassHealth at \$20.3 billion gross/\$8.2 billion net, an increase of \$730 million gross/\$440 million net above revised estimated FY24 spending. The federal government partially reimburses states for Medicaid services at a rate known as the Federal Medical Assistance Percentage (FMAP). For Massachusetts, the base level of FMAP is 50%.



MassHealth faces significant fiscal headwinds in FY25, as federal revenues decline from pandemic-era highs health care costs continue to grow. First, EOHHS must absorb ~\$1 billion of federal revenue decline following the end of the federal public health emergency, with more than \$820 million net impact realized in FY25. Non-discretionary spending increases (e.g., Medicare premium growth) contribute over \$120 million net. Thus, MassHealth must address ~\$950 million net in spending growth before even accounting for typical health care cost

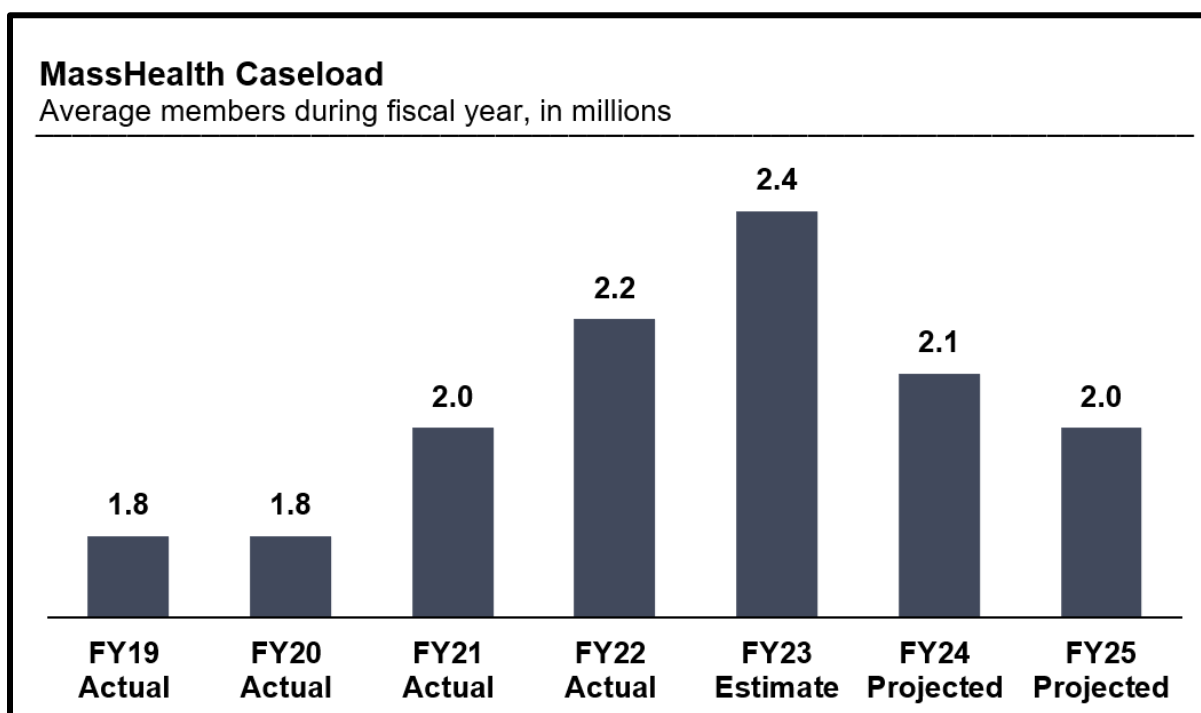
growth. With this in mind, the FY25 budget proposal is designed to be fiscally sustainable while ensuring ongoing access to high quality services for members.

Even in the face of these budget pressures, House 2 continues investments in MassHealth priorities, which include advancing health equity, simplifying member experience and improving customer service, strengthening behavioral health and primary care, and promoting member independence.

### **Public Health Emergency and Redeterminations**

In FY24, MassHealth has been required to evaluate the eligibility of its entire 2.4 million member caseload following a federally mandated pause on eligibility determinations during the COVID-19 public health emergency (PHE) from March 2020 until April 2023. As part of this redetermination effort, MassHealth made significant investments in outreach to members, including a partnership with Health Care For All and the Massachusetts Health Connector. They enlisted canvassers to knock on over 428,000 doors and supported community-based organizations in holding over 2,800 events across the state to ensure members were aware of the actions they needed to take to stay covered.

EOHHS projects that MassHealth caseload will continue to decrease between FY24 and FY25, as members who were “protected” during the public health emergency lose coverage. Nonetheless, FY25 caseload is expected to remain above pre-pandemic levels. The average per-member expense of MassHealth’s members is also expected to increase between FY24 and FY25, as lower-cost members (e.g., non-disabled adults for whom the federal government pays 90% of the cost) leave the caseload.



## **Investments**

Key investments include, in descending order of gross impact:

- **Supporting complex members in the community** (~\$70 million) – To improve workforce capacity, MassHealth will increase the rates for registered nurses and licensed practical nurses who provide continuous skilled nursing care in patients' homes to pediatric and adult patients with complex medical needs. In addition, MassHealth will propose higher rates for certain community-based long-term services and supports so that those providers can recruit direct care workers with competitive wages.
- **Behavioral health, primary care, and maternity** (~\$60 million) – MassHealth will sustain recent increases in payment rates for primary care services and continue to raise payment rates for outpatient behavioral health. The budget also supports further investment in addressing children's urgent needs (including Children's Behavioral Health Initiative) and pay raises for nurse midwives.
- **Justice-involved individuals** (~\$10 million) – MassHealth is in the process of implementing 90-day pre-release coverage for incarcerated individuals, meaning that individuals could have a MassHealth-covered doctor's appointment prior to release. These funds will go toward building the necessary infrastructure in correctional facilities to prepare for coverage of pre-release services. In future years, new federal revenue (generated from federal match for Medicaid expenses) will be reinvested to support high-quality care and post-release supports for individuals before and after release.
- **Wheelchair repairs** (~\$5 million) – MassHealth will invest in wheelchair repair rates in order to shorten the turnaround time for members experiencing a wheelchair malfunction. This investment will complement ongoing work to streamline access to wheelchair services for our members.
- **Cost-sharing** (\$600,000) – MassHealth will eliminate co-pays for the Children's Medical Security Plan (CMSP), a health care plan for low-income children not eligible for MassHealth or CHIP. This change will bring CMSP into alignment with MassHealth.
- **Medicare Savings Program (MSP) campaign** (\$250,000) – MassHealth will invest in a public campaign to promote uptake of MSP. This is a valuable benefit through which the program will defray up to 90% of Medicare costs for low- and middle-income seniors, reducing the cost of aging in Massachusetts. This campaign will promote the MSP eligibility expansion implemented during FY24, which raised the income threshold to up to 225% of the federal poverty level and eliminated the asset limit.

## **Continuing Investments**

The proposed FY25 investments build on significant investments in FY23 and FY24, aimed at advancing behavioral health and primary care and supporting the most complex MassHealth members. Significantly, MassHealth will continue to invest in its workforce, including the historic collective bargaining agreement with Personal Care Attendants (PCAs) that was finalized in fall 2023. These transformative investments in our caregivers not only recognize

and elevate our dedicated Massachusetts care workforce, they improve access to and quality of care to vulnerable Massachusetts residents. These initiatives include:

- **Day programs** – A marquee initiative in the Healey-Driscoll Administration’s first budget was a significant investment in Day Habilitation programs. Effective July 1, 2023, providers received a significant rate increase and incentive payments to bring back members who had not returned to day programs since the pandemic. Day Habilitation programs are a critical component in the continuum of services for many of the EOHHS highest-need members, and continuing this investment will enable them to staff up.
- **Historic Behavioral Health Investments:**
  - **Community Behavioral Health Centers (CBHC)** – With a historic investment of over \$240 million in 2023, MassHealth established 26 Community Behavioral Health Centers (CBHCs), which have taken responsibility for 24/7 community-based behavioral health crisis response in addition to adding more outpatient and school-based services to the system. CBHCs have completed over 19,000 crisis evaluations in the community, at schools, and at CBHC clinics since January 2023. CBHCs have also provided ongoing outpatient care for to more than 12,000 youth members and 28,000 adult members in >357,000 outpatient visits.
  - **Community Behavioral Health Initiative (CBHI)** – MassHealth invested \$70 million in CBHI, which are community-based wrap around services with a heavy emphasis on care coordination and in-home support for children with Serious Emotional Disturbance.
  - **Community Mental Health Centers (CMHC)** – MassHealth newly announced a 10% rate increase to support and bolster community mental health services and an expansion of higher rates for urgent care appointments for mental health.
- **Doula Service Coverage** – In December 2023, MassHealth announced a new benefit allowing coverage of doula services for pregnant, birthing, and postpartum members. Doulas are shown to improve maternal and infant health outcomes and reduce disparities and inequities for low-income families and families of color. For more information on how Massachusetts is supporting reproductive health, please see the **Mass Cares: Promoting Health, Resilience, and Independence** budget brief.
- **Primary Care Investments** – MassHealth successfully transitioned a thousand primary care practices from fee-for-service based rates to value-based rates. Simultaneously, MassHealth invested more than \$115 million for primary care, contingent on meeting standards for access and team-based, behavioral health integrated care. Effective January 1, 2024, MassHealth further increased primary care payment rates for participating group practices by 25 to 35%.
- **Health Equity Incentive Payment** – In 2023, MassHealth launched the Health Equity Program to incentivize hospitals to evaluate disparities in care based on race, ethnicity, language, disability, sexual orientation, and gender identity; identify areas for improvement; and develop strategies to address disparities to improve health outcomes for different patient populations. All 61 acute care hospitals in Massachusetts have signed on to address health equity as an integral part of their programming

- **Community Health Center Capital Investment Grants** – MassHealth funded \$20 million in grants to 4 Community Health Centers to fund capital projects that address the intersection between climate change and a person’s health.
- **Continuous eligibility for vulnerable populations** – With continuous eligibility, members retain coverage for an appointed period even if they experience changes in their circumstances that would otherwise affect eligibility. MassHealth recently implemented continuous eligibility for three populations: children (1 year), members released from jail or prison (1 year), and members experiencing homelessness (2 years). Continuous eligibility will prevent gaps in coverage, providing these populations more stable access to their health care benefits.
- **Skilled Nursing Facilities** – House 2 preserves all FY24 investments in nursing facilities: MassHealth invested more than \$100 million in nursing facility base rates in FY24, expanded the substance use disorder add-on, and implemented a bariatric add-on. Additionally, MassHealth migrated to a new assessment to more accurately determine resident acuity for payment.

## **Savings Initiatives**

To control costs during this period of rapid change, House 2 recommends a variety of initiatives to keep MassHealth costs at sustainable levels. These initiatives have been carefully considered to minimize the impact to members and healthcare providers.

Important savings initiatives include administrative efforts to ensure program integrity, identify new revenues, and carefully manage expenses with providers and managed care plans. These include:

- **Hospital Assessment** - Changes to the hospital assessment that would generate more revenue for safety net hospitals and the General Fund
- **Payor Surcharge** - Simplifying and restructuring the payor surcharge to benefit both insurers and the state
- **Direct Negotiation** - Seeking authority to directly negotiate rebate agreements for drugs not subject to the Medicaid Drug Rebate Program and for certain non-drug products such as durable medical equipment
- **PCA Program** - Targeted adjustments to ensure the program can sustainably serve its most complex consumers. MassHealth spending on this important program has grown from \$1.2 billion in FY20 to \$1.6 billion in FY23 and is on track to reach \$2 billion by FY27. This budget assumes flat spending from FY24 to FY25, which reflects:
  1. Maintaining the historic CBA agreement, including increased wages
  2. An increase in the hours Activities of Daily Living (ADL) support required for a member to be eligible for PCA services
  3. A cap on hours authorized for meal preparation

These initiatives will ensure that MassHealth maintains affordable, equitable, and comprehensive health care coverage for members in FY25 and beyond.



# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## ***Confronting Our Housing Challenges***

*Megan Delaney, Fiscal Policy Manager*

### **Introduction**

Housing is the greatest challenge facing Massachusetts. Without access to affordable housing, seniors and families struggle to stay in their homes, and workers are unable to come to the state, impacting the competitiveness of our economy. Over the last year, the Healey-Driscoll Administration has leveraged all available resources to drive housing production and protect the quality of life for all Massachusetts residents, culminating in the creation of the Executive Office of Housing and Livable Communities (EOHLC). Since its creation, EOHLC has been committed to meeting this crucial moment, taking the lead on key housing issues:

- Filed and built a 43-member coalition in support of the Affordable Homes Act, the largest housing investment in Massachusetts history
- Awarded \$246 million to build 1,600 affordable and mixed income homes
- Updated MBTA Communities Law guidelines to allow for consideration of mixed-use development and increase penalties for non-compliant communities, demonstrating both a commitment to partnering with municipalities and unwavering enforcement of the law
- Announced \$33.5 M in FY24 grant funding for HousingWorks, a grant program first established by the Healey-Driscoll Administration to allow communities to begin to unlock more housing
- Launched a statewide fair housing marketing campaign to promote awareness of and prevent housing voucher discrimination.

The FY25 House 2 recommendation maintains this momentum on housing, building on the administration's first year successes that aim to bring down the costs of housing for everyone.

### **Housing Production and Affordability**

Increasing the supply of housing is fundamental to keeping Massachusetts affordable for its residents and competitive for businesses. Last October, the Healey-Driscoll Administration announced its plan to tackle the housing crisis. The [Affordable Homes Act](#), a \$4.1 billion package of spending, policy, and programmatic actions, is the largest housing investment of its kind in Massachusetts history. This plan will create or preserve 65,000 homes while increasing access to homeownership, which has been become increasingly out of reach for Massachusetts residents, particularly among Black and Latinx communities, for which homeownership rates are half those of White communities.

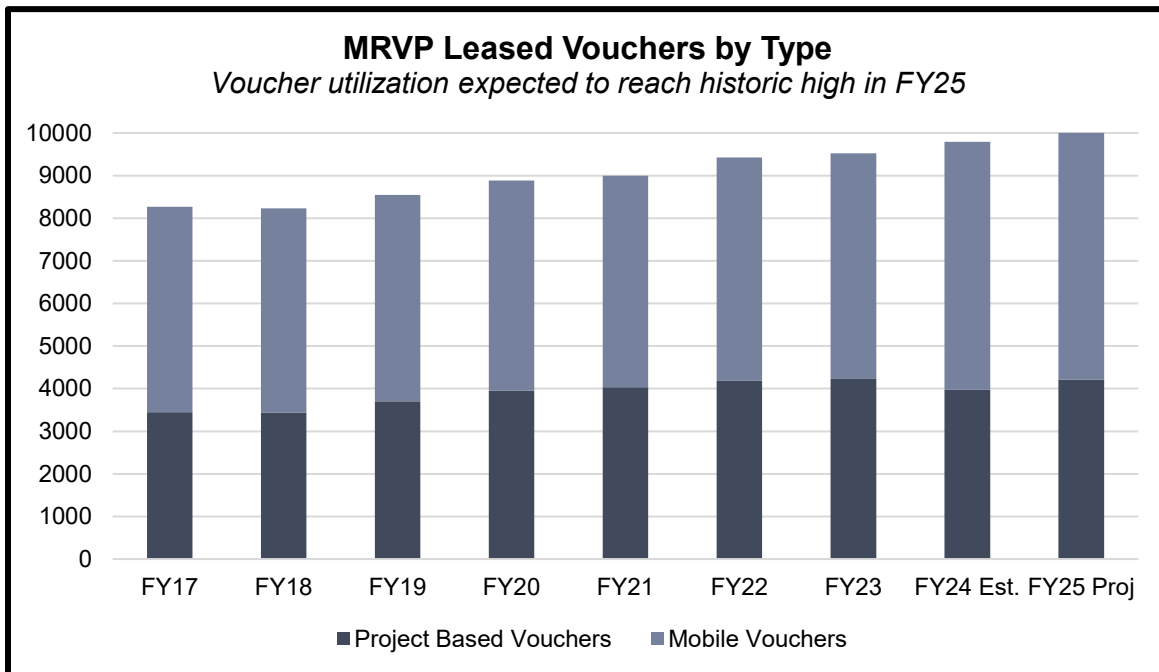


This comprehensive bill includes:

- \$1.8 billion in for housing preservation and preservation programs to help address the 200,000 unit housing shortfall Massachusetts faces
- \$1.6 billion for capital upgrades to our state subsidized public housing portfolio, including \$150 million for decarbonization efforts at our local housing authorities
- \$275 million for sustainable and green housing initiatives, crucial to meeting the goals of the Clean Energy and Climate plan to reduce energy usage in residential buildings by 35% by 2030
- Creates a new Homeownership Tax Credit and expands the Community Investment Tax Credit
- Unlocks housing production through key policy proposals, including Local Option Transfer Fees and Accessory Dwelling Units (ADUs) As-Of-Right

These resources, taken together with the expansion of the in Low Income Housing Tax Credit and the increase in the statewide cap on the Housing Development Incentive Program (HDIP) in the recent tax package, will enable the creation of hundreds of new affordable housing units for Massachusetts residents each year, including extremely low income households. For more information on the tax package, see the **Providing Meaningful Tax Relief** budget brief.

The House 2 budget recommendation further underscores the administration's commitment to affordable housing through an historic commitment to the Massachusetts Rental Voucher Program (MRVP). House 2 proposes \$219 million for MRVP, a \$39.4 million (+22%) increase above the FY24 GAA, which includes funding for over 750 new MRVP vouchers released last year. By the end of fiscal year 2025, HLC anticipates that over 10,000 rental vouchers will be leased by voucher holders across the state.



Furthermore, this budget maintains crucial program initiatives to support the utilization of MRVP vouchers:

- Implements increase of the payment standard to 110% Small Area Fair Market Rents, which is consistent with federal Housing Choice Vouchers and will provide more choice to voucher holders by allowing them to relocate to more high opportunity areas
- Maintains a payment standard that requires a tenant share of rent of 30%, previously 40%
- Continues funding to assist voucher holders with paying initial security deposits, which often act as a barrier to households leasing with MRVP vouchers and contribute to voucher underutilization

Our affordability crisis is felt most acutely by the state's most vulnerable populations. The House 2 budget recommendation includes the following investments targeted at populations most likely to experience challenges in accessing affordable housing:

- Invests \$112 million for Subsidies for Local Housing Authorities, a \$5 million increase above the FY24 GAA. This represents the first Governor's budget in 12 years to propose an increase to the public housing subsidy line item and advances the administration's goal of moving toward parity with federal public housing by increasing funding for tenant organizing to match the federal rate (\$25/unit).
- Maintains \$16.5 million for the Rental Subsidies for DMH Clients program, preserving 220 additional rental assistance vouchers for DMH clients created in FY24
- Includes \$16.4 million for the Alternative Housing Voucher Program, which is expected to fund over 800 vouchers by the end of FY25

## ***Budget Brief: Confronting Our Housing Challenges***

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- Maintains \$3 million for Housing Assistance for Re-Entry Transition, providing transitional housing and rental assistance to those exiting incarceration

### **Addressing The Demand for Shelter**

Like many other U.S. cities, Massachusetts is experiencing an unprecedented demand for emergency family shelter, largely driven by the lack of supply of affordable housing and thousands of new arrivals who have come to Massachusetts seeking asylum. These factors taken together have put immense stress on our Emergency Assistance family shelter system. Massachusetts has stepped up and responded to the unique needs of those arriving in the state seeking shelter. However, as of November 9, 2023, the shelter system has reached capacity at 7,500 families. Simultaneously, the current average length of stay for families in emergency shelter exceeds one year. Therefore, the current level of demand is expected to persist into fiscal year 2025.

Addressing this level of family homelessness in Massachusetts requires a multi-faceted set of policies including shelter, supportive services, education, workforce training, and affordable housing programs that will help families exit shelter and enter permanent, stable housing.



This multipronged strategy to manage the demand on the state's shelter system is led by a dedicated Incident Command structure within the administration. This cross-secretariat team also partners closely with the state's shelter providers – who have expanded their capacity significantly over the last two years – as well as resettlement agencies, municipalities, and organizations like the United Way to meet this moment. To further support shelter providers, House 2 recommends a study to begin the process of including EOHLC providers in the Chapter 257 rate-setting process. This investment in shelter providers will ensure that they have the staffing capacity to provide thorough case management services, ultimately leading to families' shelter exits.



## ***Budget Brief: Confronting Our Housing Challenges***

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While managing those who arrive in Massachusetts seeking shelter, the administration continues to prioritize increasing shelter exits and shelter diversion. Through two work authorization clinics in partnership with the U.S. Department of Homeland Security, over 2,000 families obtained work authorization, setting those families on the path to securing employment and transitioning into stable housing. Additionally, MassHire Career Centers across the state have mobilized to provide training and other workforce preparedness activities to those residing in shelter looking to find work in Massachusetts.

In support of creating exits, House 2 recommends \$57.3 million for HomeBASE, a \$20.3 million (+55%) increase over the FY24 GAA. The HomeBASE program provides up to \$45,000 over 36 months for shelter-eligible families to be rapidly rehoused. EOHLC has been working diligently with family shelter providers and key stakeholders to identify strategies to increase exits among those currently in the family shelter system. An increase in HomeBASE uptake not only would relieve pressure on emergency shelter capacity but also rapidly rehouse families into a more permanent, stable housing situation.

Reducing potential evictions also helps keep individuals and families housed and reduces stress on our overwhelmed shelter system. To that end, House 2 recommends Residential Assistance for Families (RAFT) at \$197 million, a \$7.4 million increase above the FY24 GAA. RAFT provides a benefit of up to \$7,000 per household over 12 months for low-income households who have received a notice to quit from a landlord. This recommendation continues our focus on providing assistance to families before they face an eviction filing. For those who do face a potential eviction, House 2 invests for the first time \$3.5 million at the Massachusetts Legal Assistance Corporation (MLAC) to provide legal representation to low-income tenants and low-income owner occupants in eviction proceedings. Currently, less than 3% of tenants have legal representation in non-payment cases in housing court. Maintaining a robust rental assistance program and supporting efforts to reduce evictions while our state struggles with an affordability crisis is crucial to helping families avoid a housing crisis and face possible homelessness.



# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## Investing in Our Workforce

*Julia Ricciarelli, Fiscal Policy Analyst*

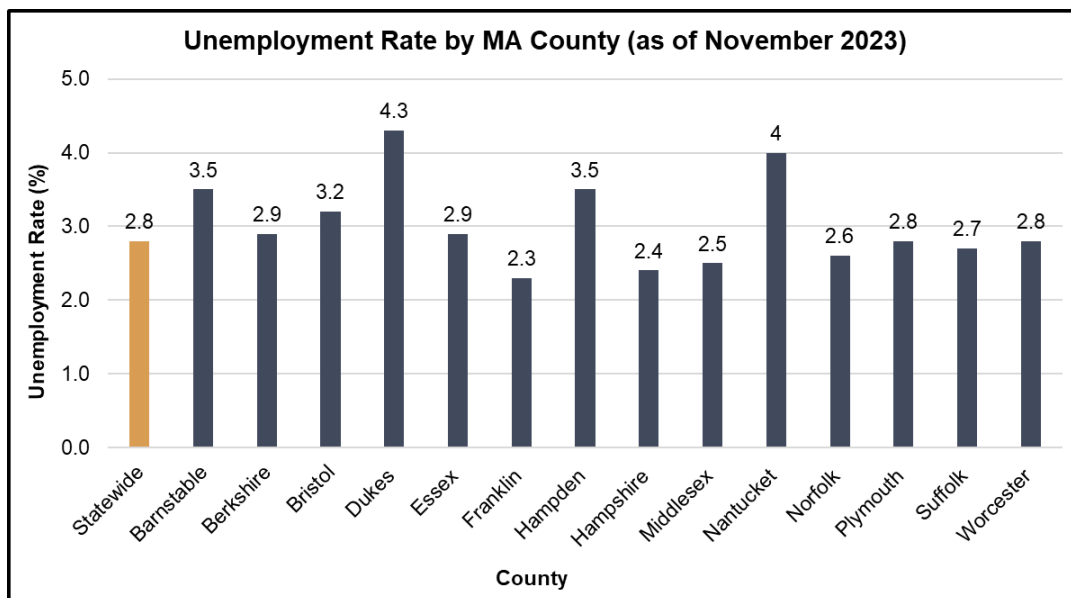
### Introduction

The Healey-Driscoll Administration is committed to developing a pipeline of skilled workers who will bolster the state's economy and to increasing individuals' access to meaningful employment. The administration's FY25 House 2 budget recommendation builds upon existing programs to expand the state's support for successful workforce development initiatives and introduces new programs focused on connecting Massachusetts residents with well-paying jobs.

### Employment in Massachusetts

In November 2023, the seasonally adjusted Massachusetts unemployment rate was 2.9% (compared to 3.7% nationally), a 0.8% decrease compared to our state's rate in November 2022. While the state's overall unemployment rate is currently indicative of a healthy workforce, the Healey-Driscoll Administration remains committed to improving employment outcomes for all Massachusetts jobseekers. In particular, the administration strives to empower those whose experiences are not accurately portrayed by our state's low overall unemployment rates.

The chart below reflects seasonally unadjusted unemployment rates by county.

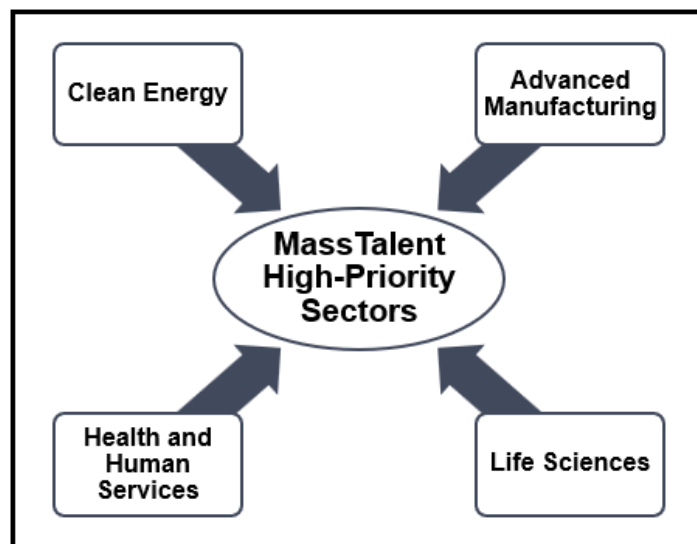


In FY25, the Healey-Driscoll Administration will continue to focus on:

1. Closing workforce skills gaps to ensure that all Massachusetts residents are equipped to meet the needs of potential employers and that the state's businesses have the capacity to thrive
2. Investing in workforce development resources for industries currently facing workforce shortages and/or significant demand, such as healthcare, transportation, and technology among others
3. Reengaging underemployed and/or discouraged individuals who have exited the labor market

### **MassTalent**

To fully leverage the powerful resources, workforce expertise, and strategic partnerships across state government, the Healey-Driscoll Administration launched MassTalent in 2023, with the goal of creating a streamlined user experience for employers to find trained talent and for jobseekers to access career exploration and training. MassTalent is currently focused on four priority sectors as displayed below.



MassTalent will help employers and job seekers navigate the many job skills training programs that exist statewide in each of the four priority industries.

A component of MassTalent, the Pathmaker training program operated by the Massachusetts Life Sciences Center is supporting partnerships between industry and training providers to build the skilled workforce needed in this high-growth industry. MassMakes, operated by the Massachusetts Technology Collaborative, also brings industry expertise and input into the training development process to ensure our workforce is being trained in the skills needed for the future.

## **Workforce Development Spending at a Glance**

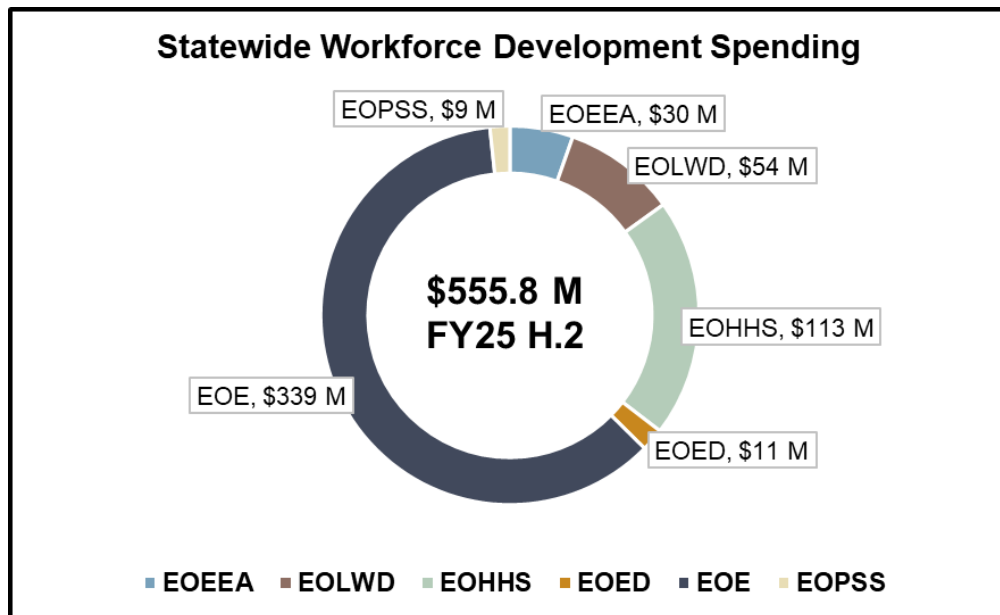
The FY25 House 2 budget recommendation includes \$555.8 million in proposed workforce development spending across state government. Included in this recommendation are many programs that were first introduced by the administration in the FY24 House 1 budget and ultimately adopted in the FY24 GAA, signaling the administration's emphasis on generating equitable workforce opportunities. Notable investments include:

- \$24 million to uphold MassReconnect, making community college free for Massachusetts residents over the age of 25 without a college degree
- \$20.4 million to support access to Early College and Innovation Career Pathways programs, including a new Clean Energy Innovation Pathway announced in 2023
- \$5 million to advance critical clean energy training programs
- \$5 million maintained for the Secure Jobs program to combine housing and workforce development supports
- \$4 million added to expand the capacity of MassHire Career Centers in providing one-stop employment services and to continue the role of MarketMakers to help employers navigate workforce development resources and needs

House 2 also continues to support core workforce development programs, such as:

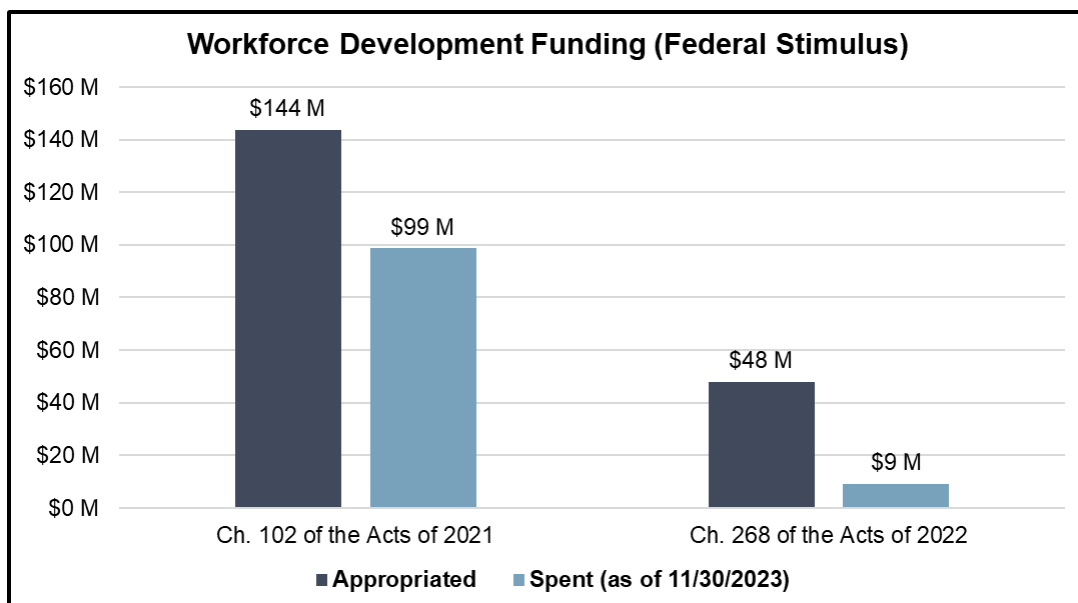
- \$59.4 million for Adult Basic Education programs to teach adults English, prepare them for the High School Equivalency Test, and facilitate transitions into the workforce or post-secondary education
- \$15.7 million for YouthWorks (Summer Jobs for At-Risk Youth), which provides job subsidies and soft skills curriculum for young adults between the ages of 14 and 25
- \$10 million for Workforce Competitiveness Trust Fund, which provides grant funding to pay for recruitment, education, training, and wraparound supports to build an occupational pipeline for participating employers
- \$10.4 million for Career Technical Institutes, which increase opportunities to train individuals for high-demand occupations by leveraging vocational high schools, including a night program for adults with credentialing, wrap-around, and employment placement services

The chart below reflects House 2 investments in workforce development programs across the Education (EOE), Health and Human Services (EOHHS), Labor and Workforce Development (EOLWD), Energy and Environmental Affairs (EOEEA), Economic Development (EOED), and Public Safety (EOPSS) secretariats.



### Federal Workforce Development Spending

In addition, significant pandemic-related federal stimulus funding supplements these operating budget investments. Of the \$191.6 million appropriated for workforce development-related spending through Chapter 102 of the Acts of 2021 (“ARPA”) and Chapter 268 of the Acts of 2022 (“Economic Development Bill”), approximately \$83.9 million remains available to be spent through 2026. Distributing this funding quickly and equitably is a priority of the Workforce Skills Cabinet, which the Healey-Driscoll Administration will continue to champion FY25.



### Careers in Clean Energy

FY25 House 2 builds on clean energy commitments and maintains \$30 million for the Massachusetts Clean Energy Center (MassCEC), which funds initiatives focused on reducing

## ***Budget Brief: Investing in Our Workforce***

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greenhouse gas emissions while investing in the clean energy economy, consistent with the Massachusetts Clean Energy and Climate Plan for 2025 and 2030. This sustained investment will help facilitate partnerships with public higher education institutions and trades to increase training and re-training opportunities with the goal of expanding access to work in the clean energy industry. With this investment, the Healey-Driscoll Administration advances its efforts to bolster the clean energy workforce.

### **Supports in Health and Human Services**

The Healey-Driscoll Administration will reduce barriers to training and employment in the health and human services sector by investing in certified nurse aid (CNA) testing in languages other than English and in increasing our clinical nurse educators and faculty. For more information on this investment, please see the **Mass Cares: Promoting Health, Resilience, and Independence** budget brief.

House 2 also maintains critical programs at EOHHS to ensure residents are able to work, including:

- \$49.8 million Community Day and Work at the Department of Developmental Services (DDS) which connects people with developmental disabilities to employment services, job training, and counseling
- \$26.2 million for Vocational Rehabilitation at the Massachusetts Rehabilitation Commission (MRC) which connects disabled residents with job skill retraining programs and employment services
- \$24.4 million for employment services at the Department of Transitional Assistance (DTA). Through specific programs for different populations, these services connect DTA clients with career pathways and resolve barriers to continued employment
- \$300,000 for workforce development of ASL interpreters at the Massachusetts Commission for the Deaf and Hard of Hearing (MCDHH)

### **MassReconnect**

The Healey-Driscoll Administration recognizes the important role that access to higher education plays in the lives of our residents and the strength of our workforce. For this reason, House 2 dedicates \$24 million to continue the MassReconnect scholarship program which supports students 25 years old and older complete their education and train them for good jobs to support industries across the state. This financial support is not contingent on high school GPA and allows for part-time enrollment with the goal of minimizing barriers to higher education that impede students who need to work or support families. Since its creation in FY24, more than 4,500 students have received MassReconnect grants, including more than 2,000 new students 25 years and older who enrolled in community colleges this past fall semester. More than 8,400 new students ages 25+ enrolled in community colleges in fall 2023, a 45% increase over fall 2022. For more information on MassReconnect, please see the **Access to Education** budget brief.



## Early College and Innovation Pathways

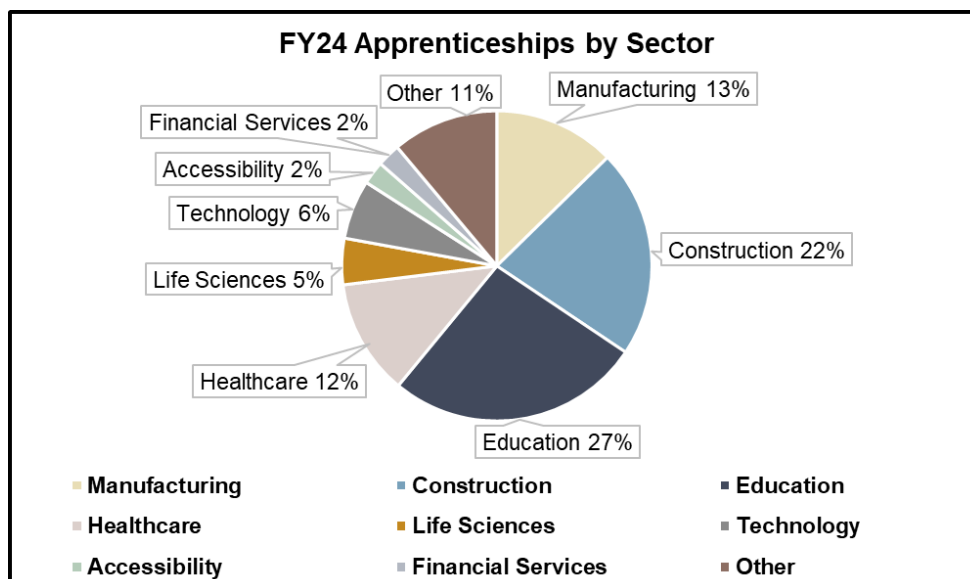
Early college programs combine high school and college programming, providing students with opportunities to complete college-level coursework for free while exploring potential career paths. By reducing the time and expense of earning college credentials, early college programs increase the likelihood that individuals will complete their college degree or certificate programs. As of FY24, 58 high schools are participating in more than 50 partnerships with higher education institutions, allowing more than 8,200 students to participate in Early College. With the funding proposed in House 2, approximately 10,000 Early College students are expected to enroll in the 2024-2025 school year.

The Innovation Career Pathways program connects high school students with applied, hands-on learning and work opportunities in high-demand industries, such as manufacturing, healthcare, and information technology. As of FY24, 78 high schools have Innovation Career Pathways programs, allowing close to 7,000 students to enroll in the program. In FY25, approximately 8,400 students are expected to be enrolled in coursework across priority industries.

## Registered Apprenticeships

Registered Apprenticeship programs have a proven track record in meeting the workforce needs of our state's key industries, including the construction and the building trades. The FY25 House 2 budget recommendation includes \$3.8 million for the Registered Apprenticeship program. The Division of Apprenticeship Standards will prioritize the expansion of apprenticeships in areas such as healthcare and human services, education, biotechnology, and financial services, in addition to pursuing opportunities to increase diversity in construction and trade apprenticeships.

The tax relief package, signed into law by Governor Healey in October 2023, also broadens the set of industries that may claim an existing tax credit available to corporations and pass-through entities who provide apprenticeship opportunities.



# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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

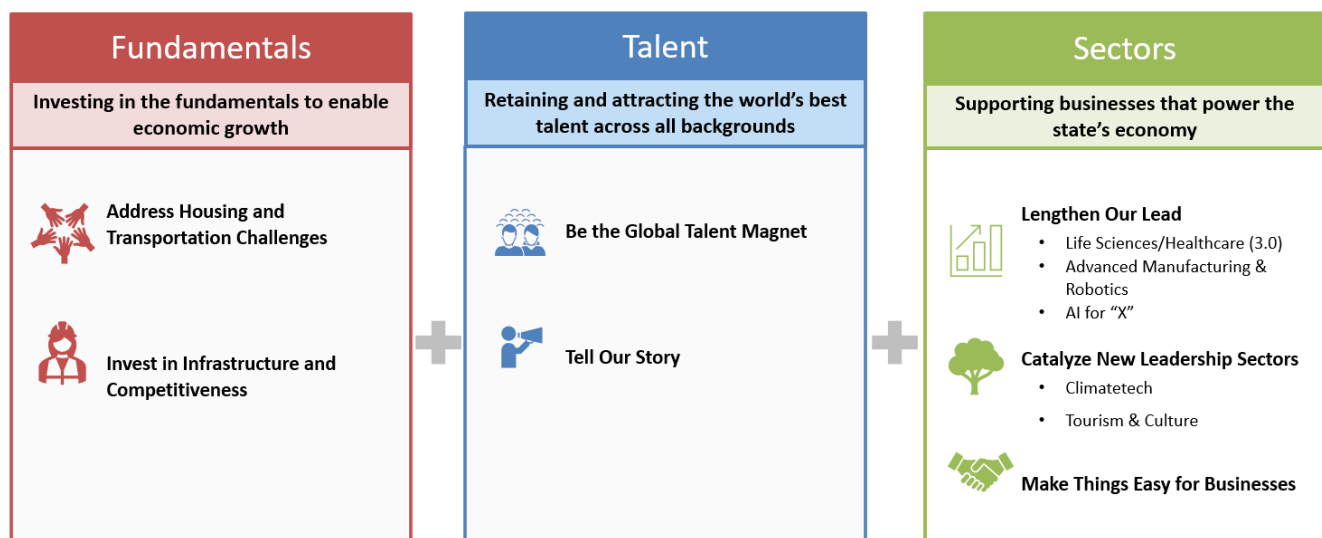


## Team Massachusetts

*Megan Delaney, Fiscal Policy Manager*

### Introduction

The Healey-Driscoll Administration is committed to making Massachusetts the best place in the nation for individuals to pursue rewarding careers and for companies to start, scale, and succeed. This past December, the Healey-Driscoll Administration released its Economic Development Plan, entitled, "Team Massachusetts: Leading Future Generations." This plan outlines a strategy for achieving this goal, organized around three main areas of focus:



This framework will inform the administration's economic development priorities, funding, and legislative initiatives moving forward. Simultaneously, the Healey-Driscoll Administration's core principles of equity, affordability, and competitiveness remain at the center of this work.

The Governor's FY25 House 2 budget recommendation includes the tools and resources necessary to support these objectives.





### Federal Wins to Boost the State's Economic Competitiveness

Governor Healey and Lieutenant Governor Driscoll have underscored the importance of competing for significant federal funding opportunities since taking office. Over the past year, the Executive Office of Economic Development has played a critical role in securing several

## Budget Brief: Team Massachusetts

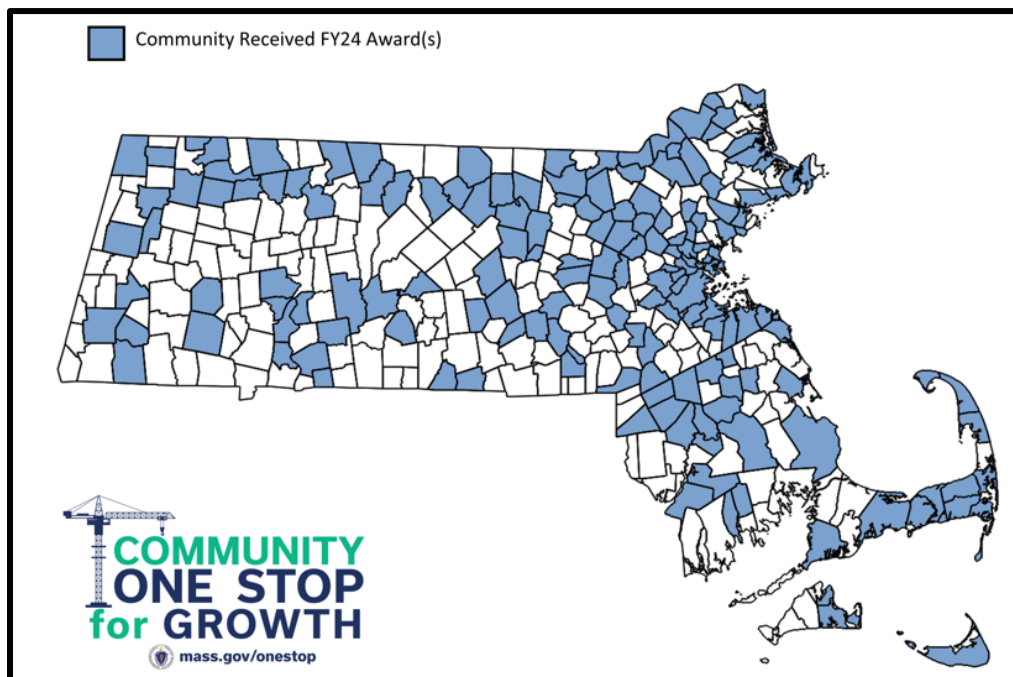
federal wins in partnership with its economic development quasi-public agencies and industry stakeholders.

These awards bring crucial resources into Massachusetts, which not only support key sectors of the state's economy but also align with the administration's vision for an innovative, mission-driven, high-growth economy that solves big problems. Notable wins in 2023 include:

	<b>Northeast Microelectronics Hub (via the federal CHIPS and Science Act)</b> Advances microelectronics industry as well as workforce opportunities in advanced manufacturing sectors
	<b>ARPA-H Investor Catalyst Hub</b> Leverages world class life science ecosystem in MA to accelerate healthcare innovation to achieve better health outcomes for all
	<b>Nearly \$400 million in federal broadband funding</b> Combats inequities in access and adoption of to affordable, high speed internet
	<b>Named part of the Ocean Tech Hub as one of 31 EDA tech hubs across the country</b> In partnership with the state of Rhode Island, supports the creation of jobs in the growing ocean economy

## Fundamentals: Investing in Our Economy's Building Blocks

The Healey-Driscoll Administration recognizes that state investment in local economic development priorities can convert blueprints into new jobs, new businesses, and new opportunities. To that end, this budget includes several investments in competitive grant programs to benefit communities across Massachusetts.



In FY24, the Healey-Driscoll Administration awarded \$164 million in grants through Community One Stop for Growth to support local projects in 161 communities across the state. Building off that success, House 2 maintains \$2.5 million for the Urban Agenda Grant Program to support local partnerships in urban neighborhoods across Massachusetts. This past year, the Executive Office of Economic Development announced 28 Urban Agenda Grant Program awards to 18 cities for projects that focus on building community development and growing access to opportunity. This budget recommendation also appropriates \$600,000 for the Massachusetts Downtown Initiative (MDI) to assist communities seeking to revitalize their downtowns. The MDI Program was first proposed on the operating budget in last year's Governor's budget, which produced nearly two dozen awards this fiscal year.

The Healey-Driscoll Administration strongly believes that equity should be a center of every program and priority. House 2 continues to invest in programs that focus on awarding funds to community-based coalitions for initiatives aimed at unlocking economic opportunity across the state. House 2 includes \$7.5 million for the Community Empowerment and Reinvestment Program, a program committed to developing, strengthening, and investing in community-led efforts to bring positive economic outcomes to communities facing disproportionate challenges to economic opportunity. The Executive Office of Economic Development is preparing to begin deploying the recently created Workforce Investment Trust Fund for targeted initiatives. In FY25, the office plans to leverage the fund to ensure the Community Empowerment and Reinvestment Grant Program is adequately supported.

To meet the objectives outlined in the Economic Development Plan relative to improving predictability in the state permitting process, House 2 will fund the creation of a Siting and Permitting Ombudsperson within the Executive Office of Economic Development. This role will be fully dedicated towards improving the siting and permitting process for development prospects across the state.

At the same time, the Executive Office of Economic Development will remain focused on supporting rural communities through the work of the Director of Rural Affairs with the support of the Healey-Driscoll Administration. For more information on how the Governor's budget supports rural communities, please see the **Uplifting Our Rural Communities** brief.

### **Talent: Attracting & Retaining the World's Best Workforce**

The state's talented workforce is integral to the overall success of the Massachusetts economy. With the highest percentage of population aged 25 years and over with a bachelor's degree or higher, Massachusetts is home to the most educated workforce in the country. Through the leadership of the Workforce Skills Cabinet, the FY25 House 2 budget recommendation makes strategic investments into the state's workforce pipeline for people across all backgrounds.

The FY25 House 2 proposal for the Executive Office of Economic Development invests in areas designed to complement larger workforce development efforts underway at the Executive Office of Labor and Workforce Development, the Executive Office of Education, and the Executive Office of Health and Human Services. Notably, this includes:

- \$2.5 million for the Advanced Manufacturing Training Program to provide training to unemployed and underemployed individuals for in-demand roles at manufacturers across the state.
- \$275,000 to create a brand-new Reciprocity Unit at the Division of Occupational Licensure which will be led by an ombudsperson charged with guiding those with qualified credentials from other jurisdictions seeking licensure in Massachusetts through the regulatory process.
- \$220,000 for an Entrepreneur-in-Residence Program aimed at keeping highly skilled international graduates in Massachusetts by partnering with higher education institutions, like the University of Massachusetts, to leverage existing federal framework around H1-B visas to create opportunity for individuals and economic gain for Massachusetts.

The Economic Development Plan seeks to make Massachusetts the global talent hub. These investments will go a long way towards the implementation of that vision. For more information on workforce development in House 2, please see the **Investing in the Our Workforce** budget brief.

### **Sectors: Supporting Industries that Drive Our Economy**

The Governor's House 2 budget recommendation offers several initiatives to lengthen the state's lead in key sectors of the innovation economy. Massachusetts is home to the global hub for the life sciences industry, which is underscored by the Biden Administration's decision to locate the ARPA-H Investor Catalyst Hub in this state. However, the state cannot rest on its laurels. Consistent with the Life Science 3.0 vision, House 2 adds \$10 million for the Massachusetts Life Sciences Center Investment Fund. These funds support key programs, including the newly established Pathmaker program, an effort to fund new training partnerships between life science companies and training providers.





## ***Budget Brief: Team Massachusetts***

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The Executive Office of Economic Development is also actively partnering with the Executive Office of Energy and Environmental Affairs and the Massachusetts Clean Energy Center in the state's pursuit of establishing a leading global climatetech ecosystem. House 2 includes key funding to support expanded coordination to bolster the state's position as a climatetech leader.

House 2 maintains \$8.5 million for proven and established initiatives at the MassTech Collaborative, including the Innovation Institute, Center for Advanced Manufacturing, and the MassCyberCenter. House 2 also includes valuable resources for other innovative programming administered by MassVentures and MassDevelopment.

The Healey-Driscoll Administration is also committed to supporting arts, culture, and tourism across Massachusetts. The Tourism Trust Fund will continue to be hugely important to this mission. As the birthplace of the American Revolution, Massachusetts is uniquely positioned to lead on celebrations surrounding the upcoming 250th anniversary of the founding of our country. The Executive Office of Economic Development will continue to collaborate with the Massachusetts Cultural Council in support of the arts, culture, and the creative economy, too.

Importantly, House 2 positions the Healey-Driscoll Administration to execute on its vision to establish a Business Front Door, a new centralized portal for businesses to access state resources. As described in the Economic Development Plan, this new system aspires to operate as a concierge for new and existing businesses seeking to expand in Massachusetts, transforming the way businesses engage with state government. House 2 adds technical assistance resources to assist with the development of this new system.

Lastly, the Governor's budget recommendation doubles down on the administration's commitment to grow the Small Business Technical Assistance (SBTA) Program. Small businesses employ nearly half of our state's workforce and comprise most of our state's businesses. Robust investment in SBTA signals the administration's determination to make Massachusetts a place where small businesses have the resources to thrive. House 2 includes \$7.5 million for this program, representing a \$2.5 million (+50%) increase over the FY24 GAA.

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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

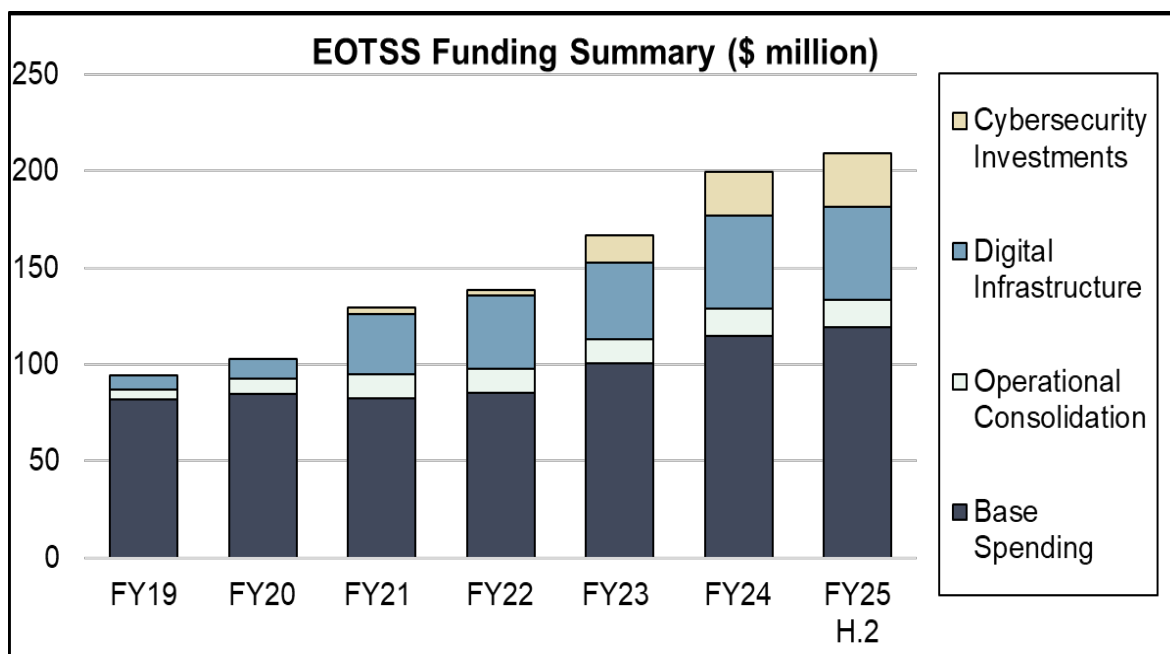


## Investing in Digital Services

*Julia Ricciarelli, Fiscal Policy Analyst*

### Introduction

The Executive Office of Technology Services and Security (EOTSS) strives to improve access to digital services while strengthening the cybersecurity posture of the state. FY25 House 2 recommends investments in technological infrastructure to ensure our digital resources are effective, accessible, and secure.



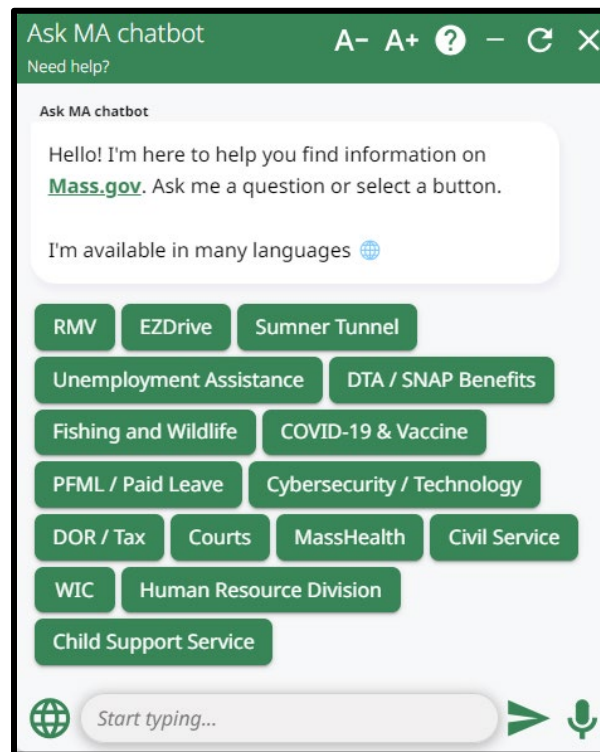
### IT Accessibility

Investing in the accessibility of our IT resources is critical to ensure all constituents are able to access the resources they need. In July 2023, the Healey-Driscoll Administration issued Executive Order No. 614 to create a new Digital Accessibility and Equity Governance Board, and the position of Chief IT Accessibility Officer (CIAO). Under the leadership of the CIAO, all state agencies will strive to ensure that our digital services can be accessed by all.

With accessibility already at the forefront of EOTSS's mission, key projects such as the Digital Roadmap and the AskMA chatbot will continue in FY25. Funded through the FY24-28 Capital Investment Plan (CIP), the Digital Roadmap puts people at the center of EOTSS's digital future, linking residents to products and services that provide accessible, simple, and secure digital experiences. To date, over one million residents have registered Identity Access Management accounts. EOTSS's rollout of the Roadmap will further enhance and personalize the experience of accessing state services by creating a single sign-on platform to connect

users to all resources and platforms across state government, including the Integrated Eligibility and Enrollment (IE&E) system. For more information on the IE&E initiative, please see the **Mass Cares: Promoting Health, Resilience, and Independence** budget brief.

The AskMA chatbot supports accessibility through multilingual integration with [mass.gov](https://www.mass.gov) and multimedia responses to inquiries. AskMA will evolve in FY25 as it is implemented throughout state IT systems to provide a seamless user experience. House 2 recommends annualizing support for the AskMA chatbot onto the operating budget for the first time.



### Infrastructure Investments

EOTSS has invested heavily in building a robust technological infrastructure through its capital portfolio, which is subsequently maintained through the operating budget. FY25 House 2 recommends \$4.8 million to continue strengthening the state's cybersecurity posture through hardware maintenance and advanced threat protection software.

Since FY20, EOTSS has deployed premier cybersecurity technologies to incorporate into a unified Security Operations Center (SOC). The SOC manages cyber incident monitoring, reporting, and remediation for the state. Investment in top tier technologies and expanded services to state entities through the SOC remains a key priority.

EOTSS has also fortified the capacities of the Massachusetts Cyber Incident Response Team, or MA-CIRT. The mission of the MA-CIRT is to enhance the state's ability to prepare for, respond to, mitigate against, and recover from significant cybersecurity incidents. The MA-CIRT reviews cybersecurity threat information and vulnerabilities to make informed recommendations and establish appropriate policies to manage the risk of cyber incidents for all executive department agencies.

## **Operational Excellence**

Attaining operational efficiencies was one of the key goals of the elevation of EOTSS to the secretariat level in 2018. The consolidation of IT services under EOTSS has solidified the state's commitment to digital accessibility by providing centralized leadership. In addition, the centralization has enabled more efficient management of technological infrastructure and service delivery under a Commonwealth Chief Information Officer.

EOTSS will proceed with the process of consolidating Executive Branch IT departments in FY25, with Health and Human Services, the Department of Transportation, the Department of Revenue, and Energy and Environmental Affairs to be completed next. The below table summarizes the secretariat personnel consolidations completed to date:

Personnel Consolidations	Full-Time Employees
Labor and Workforce Development	32
Administration and Finance	41
Education	13
Public Safety and Security	55
Economic Development / Housing and Livable Communities	16

## **Collaboration with Municipalities**

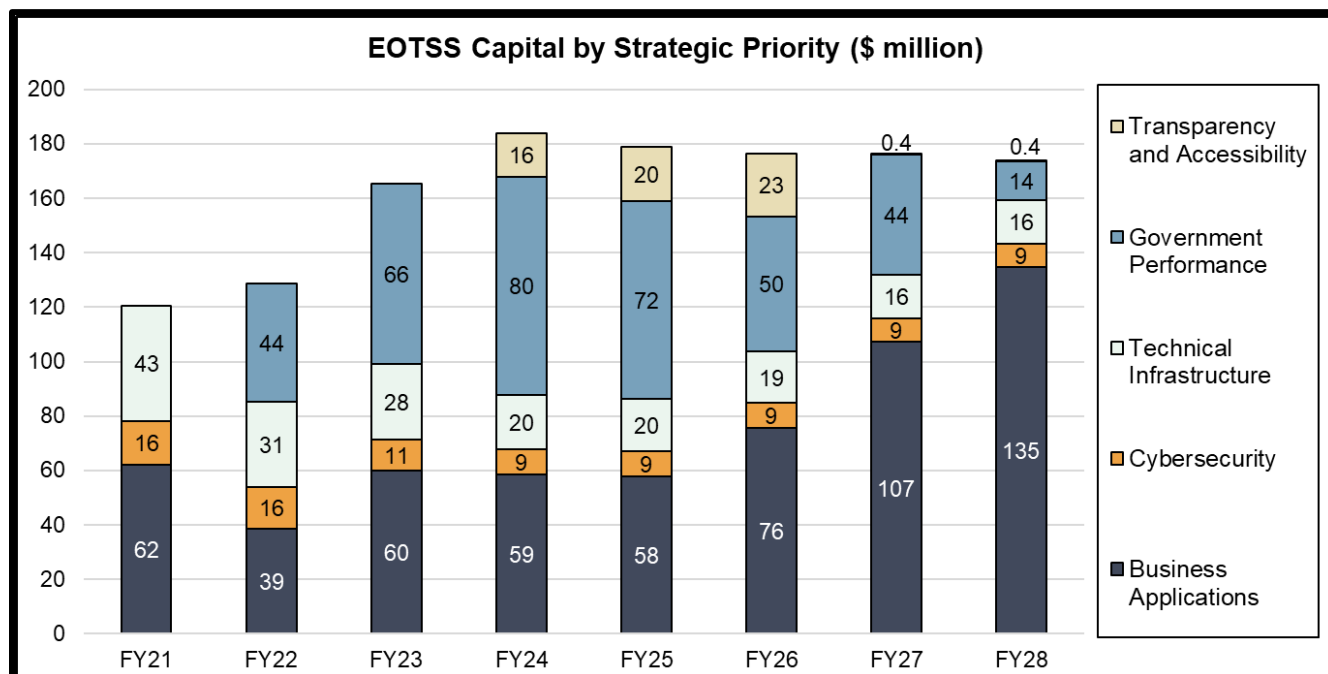
Municipal governments are a key component of the overall cybersecurity posture of the state. FY25 House 2 continues to fund the Municipal Cybersecurity Awareness Training Grant Program to ensure best practices at all levels of government through the Office of Municipal and School Technology (OMST). In addition, House 2 recommends adding \$697,000 over FY24 for matching funds for federal cybersecurity grants that will help state and municipal agencies improve their cyber defenses.

## **IT Bond Bill**

On January 9<sup>th</sup>, the Healey-Driscoll Administration filed the FutureTech Act requesting authorization for \$1.23 billion of new Information Technology capital spending to support EOTSS's capital portfolio for FY2025-2029. EOTSS's capital programs can be divided into four main strategic priorities:

- Enhanced business applications to improve service delivery
- IT resources to make government more efficient
- Cybersecurity and technical infrastructure
- Transparency and accessibility of state resources

The below table summarizes the historical and planned capital spending among these priorities from FY21-FY28.



This new authorization will support vital ongoing projects such as the Digital Roadmap, the Business Enterprise Systems Transformation program, and the Employment Modernization Transformation program, as well as fund established and successful municipal grant programs for technology and fiber networks. For more information on these initiatives, please refer to the FY24-F28 Capital Investment Plan. In addition, EOTSS has future planned initiatives in Artificial Intelligence that will make Massachusetts a competitive place for generative AI technology, while also allowing state government to innovate responsibly.





# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## ***Serving Our Veterans***

*Laura Taronas, Fiscal Policy Manager*

### **Veterans Services in Massachusetts**

The Healey-Driscoll Administration continues to provide quality support to our veterans and their families, paying the debt owed to the state's service members through the House 2 budget recommendation. House 2 recommends funding EOVS at \$194 M.

The Executive Office of Veterans Services (EOVS) serves Massachusetts veterans and their families with the following mission objectives:

- Operating the Veterans Homes in Chelsea and Holyoke
- Administering a needs-based benefits program through municipal veteran service officers
- Funding annuity benefits to eligible disabled veterans, Gold Star parents, widows, and spouses
- Providing resources to organizations offering veterans' homelessness and supportive services
- Supporting veterans with educational, employment, and peer support services
- Acting as a liaison for those veterans seeking federal assistance through the U.S. Department of Veterans Affairs
- Operating two veterans' cemeteries in Agawam and Winchendon

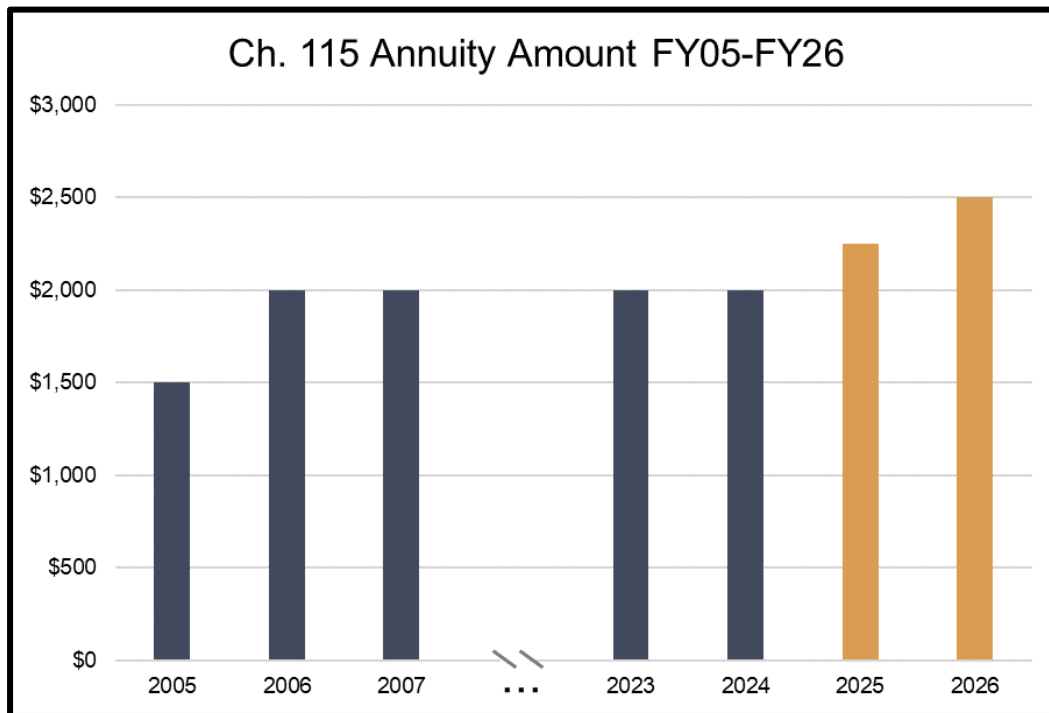
As the Healey-Driscoll Administration invests in the administrative infrastructure to create the new Executive Office, EOVS has begun to transform the way the state engages with veterans, notably through the improvement of services at both Massachusetts Veterans Homes, undergoing robust outreach efforts, and by the introduction of transformative legislation devoted to veteran welfare.

### **HERO Act**

In November 2023, the Healey-Driscoll Administration filed *An Act Honoring, Empowering and Recognizing Our Servicemembers and Veterans (HERO Act)*, which expands veteran benefits and promotes equity and inclusion. The HERO Act is the most comprehensive piece of legislation devoted to the welfare of the veteran population offered by a Massachusetts Governor in almost two decades.

The Governor's House 2 budget provides funding for several key provisions of the HERO Act, including \$4.3 million to increase the Chapter 115 disabled veterans' annuity payment from \$2,000 to \$2,250 per person per month. These annuities support disabled veterans, parents of

a deceased veteran, and the unmarried spouses of deceased veterans to help pay for daily living expenses and other necessities. Under the HERO Act, the annuity would further increase to \$2,500 in FY26.



*Note: FY25 and FY26 amounts based on the HERO Act.*

The bill also proposes eliminating fees on specialty veteran license plates. Recipients of specialty veteran license plates may instead pay a voluntary donation to benefit Chelsea and Holyoke Veterans Homes residents.

The HERO Act also includes several provisions that do not require additional funding, including:

- Expanding veteran access to behavioral health treatment and the Active-Duty Buyback program
- Broadening the definitions of “veteran” and “veteran dependent” to allow for expanded benefit eligibility
  - This change also implements IVF reimbursement for same-sex couples that have been denied reimbursement by the federal Department of Veterans Affairs
- Increasing the Vet-Hire tax credit to \$2,500 for small businesses that hire unemployed or low-income veterans
- Ensuring that a cost-of-living adjustment in Social Security benefits will not affect eligibility to receive Ch. 115 benefits

## **Massachusetts Veterans Homes at Chelsea and Holyoke**

Our veterans deserve access to high quality long-term care. Not only do the Veterans Homes provide crucial services that meet their residents' physical and mental needs, but they also foster a sense of community among those who have served our country.

House 2 recommends \$53.6 million for the Veterans Home at Chelsea and \$34.6 million for the Veterans Home at Holyoke. This supports inflation and direct care payroll costs to ensure proper staffing ratios and top-tier care at the Homes. In addition to the state funding allocated to the Homes, Chelsea and Holyoke have received a total of \$24.1 million in federal ARPA funds that will be used to deliver improvements at the Homes and increase veteran access to long-term care.

The Veterans Homes at Chelsea and Holyoke are also investing in serving the state's veterans by replacing the outdated long-term care centers with modern, community-oriented facilities. These projects are financed through the Capital Investment Plan (CIP) and with contributions from the federal government. The CIP also provides \$6.5 million in funding from FY24 to FY28 to implement electronic medical records systems to help modernize and improve patient care at the Homes.

### *Massachusetts Veterans Home at Chelsea (CHE)*

In October 2023, Chelsea opened its new long-term care facility, which replaced the 136-bed Quigley Building. The \$200 million new long-term care facility has received funding in the Capital Investment Plan for the past several years and is partially reimbursed by the U.S. Department of Veterans Affairs. The new facility allows Chelsea to increase its long-term care capacity, which includes skilled nursing beds, long-term care beds, and dementia units. The new facility is roughly 80,000 square feet larger than the ward-style Quigley Building.



Figure 2: US Senator Elizabeth Warren, Governor Maura Healey, and Veterans' Secretary Jon Santiago participate in the ribbon cutting ceremony at the new Veterans Home in Chelsea's long-term care facility

## ***Budget Brief: Serving Our Veterans***

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The new facility at Chelsea provides 154 long-term care beds for veterans, all with private bedrooms and bathrooms, in 14-bed units that have a community living room, dining room, and kitchen. The new facility is licensed by the Massachusetts Department of Public Health and Certified by the federal Centers for Medicare and Medicaid (CMS) for long term care.

### ***Massachusetts Veterans Home at Holyoke (HLY)***

In August 2023, Holyoke broke ground on its new long-term care facility, which is expected to open in Fall 2028. This project will construct a new 350,000 sq. ft. long-term healthcare facility for 234 veterans that will replace the existing Holyoke Veterans Home. The new facility will include gardens, physical therapy facilities, a dental suite, hair salon, dining and social spaces, and the replacement of the existing site infrastructure.



*Figure 3: Breaking ground on the new Holyoke long-term care facility*

The Holyoke Veterans Home entered into a Memorandum of Agreement with the U.S. Department of Veterans Affairs, committing \$263.5 million in federal funding for new construction at the Holyoke Veterans Home. The state received \$164 million of the grant funding in FY24, with the remainder to be paid out in future fiscal years.





*Figure 4 :The new Veterans Home in Holyoke's long-term care facility, scheduled to open Fall 2028*



# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

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



## **Keeping Massachusetts Safe**

*Jonathan W. Kelland, Fiscal Policy Analyst*

### **Introduction**

The Executive Office of Public Safety and Security (EOPSS) is responsible for the policy development and budgetary oversight initiatives that aid in crime prevention, homeland security preparedness, and ensuring the safety of Massachusetts' residents and visitors. While ensuring achievements in criminal justice and police reform are maintained, the Healey-Driscoll Administration's House 2 proposal addresses the challenges posed throughout the public safety sector.

### **Public Safety Initiatives**

The FY25 House 2 budget recommendation includes a number of key investments for public safety supports and initiatives, including:

- \$10.6 million maintained to support the 91<sup>st</sup> Massachusetts State Police Recruit Training Troop (RTT), slated to begin in November 2024.
- \$2 million to sustain the Project Safe Neighborhood Initiative, which was funded for the first time in FY24. This program is a collaborative public safety model that brings together federal, state, and local law enforcement, prosecutors, and community leaders to identify the emerging trends in a community and to develop comprehensive solutions to reduce crime and protect communities. Similar efforts in Springfield, Holyoke, and Chicopee have resulted in enhanced youth engagement and reduced violent crime.
- \$600,000 to expand Active Shooter/Hostile Event Response (ASHER) training across the Secretariat. EOPSS adopted the standard for a proactive, integrated active shooter and hostile event response. This bolsters our first responders' ability to train, prevent, and respond to emergencies across the state. Massachusetts is the first in the nation to adopt an integrated, standardized ASHER response statewide.
- Funding maintained at the Executive Office for the paid internship program, first launched in 2022. The 2023 cohort attracted a high volume of interested applicants and ultimately employed more than 50 student interns across the Secretariat. The program promotes accessible, equitable pathways to a career in public safety.

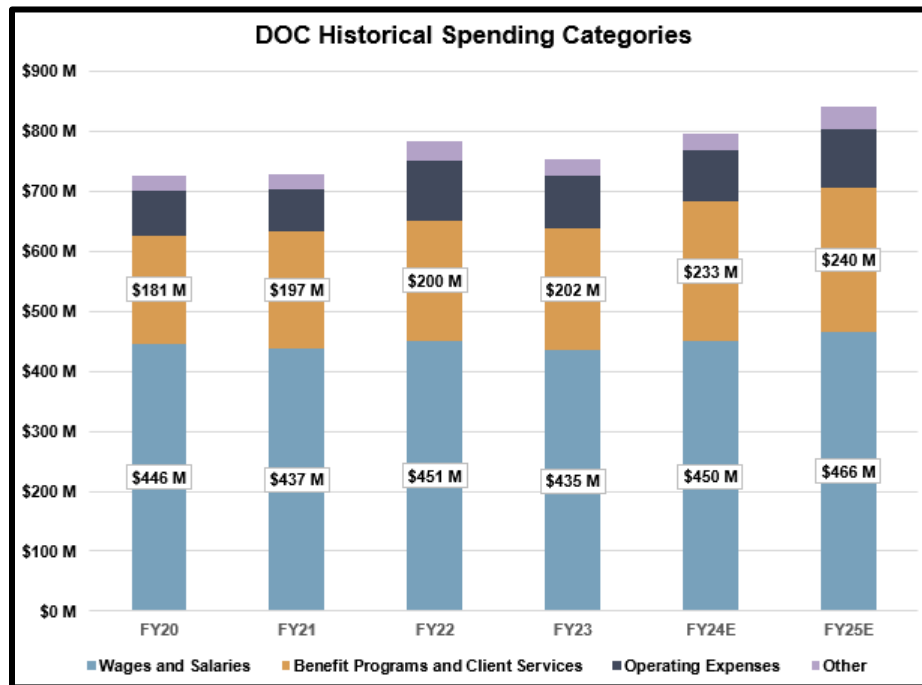
### **Programming and Investments at the Department of Correction**

In December 2023, the Department of Correction (DOC) formally implemented no cost phone calls across its 14 correctional facilities to provide equitable access to sustained communication between incarcerated individuals and their loved ones. No cost calls alleviate the financial burden and remove barriers for an individual in DOC custody to stay connected with their outside support system. Strong family support helps to advance the rehabilitative

## Budget Brief: Keeping Massachusetts Safe

process, reduces recidivism, contributes to successful reentry upon release, and ultimately improves community safety. House 2 includes at least \$35 M to enhance equity and eliminate barriers to communication that is essential to rehabilitation across all correctional facilities, including those operated by county sheriff departments.

DOC continues to implement innovative and results-driven programming designed to create successful pathways for those preparing for life after incarceration. Massachusetts' investments in educational opportunities and reentry programs empower returning citizens and transform individual outcomes.



House 2 advances DOC's strong commitment to offering academic, vocational, and technical programs for incarcerated individuals. Investing in education is essential to successful reentry and sustained positive life changes: a 2013 Department of Justice study found that participation in an educational program while incarcerated reduces the likelihood of an individual returning to prison by 43% and increases the odds of post-release employment by 11%.

DOC finalized the elimination of all restrictive housing across facilities in June 2023. As an alternative, DOC continues to implement Secure Adjustment Units (SAUs), which are designed to deliver rehabilitative services to individuals based on their unique needs. This program is resource intensive, as it provides individuals with the meaningful programming they need; House 2 funds this initiative as part of the administration's commitment to criminal justice reform in Massachusetts' correctional facilities.

House 2 continues to fund key DOC mental health programs designed to foster healthy environments within facilities while preparing the approximately 6,000 individuals in its care for successful returns to their communities. In correctional settings, the success of the

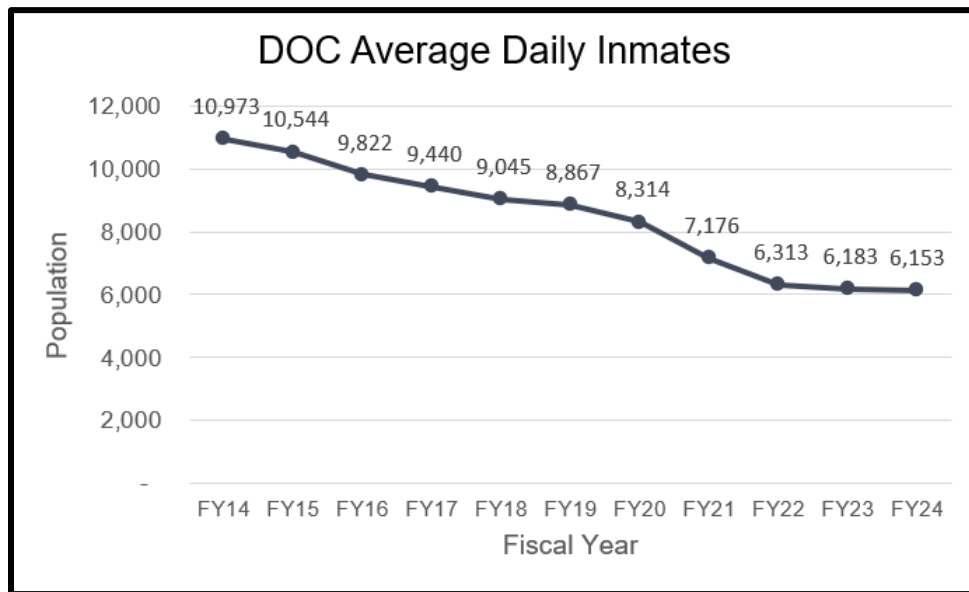
rehabilitative mission relies on a system's ability to provide quality and compassionate care. House 2 continues to fund key mental health programs designed to foster healthy environments for a population that often has complex and significant health needs.

Into FY25, DOC will continue to expand its rollout of body worn cameras (BWCs) for correctional officers, an initiative that began in FY23. The use of BWCs in correctional settings has been shown to improve safety, increase transparency and accountability, provide valuable documentation for evidentiary purposes, and offer a useful training tool for the Department and its officers.

### **Reentry Services**

The Healey-Driscoll Administration remains committed to promoting successful reentry and improving outcomes for those returning to the community after a period of incarceration. These initiatives span multiple agencies, highlighting the collaborative strategies needed for successful re-entry outcomes:

- EOPSS, DOC and the Registry of Motor Vehicles (RMV) continue to collaborate on the Massachusetts ID Card Program. Providing individuals with valid identification in preparation for release is fundamental to one's ability to secure housing, find a job, and access vital benefits — all requisites for sustained, positive outcomes. „As part of the State ID application process, individuals must submit proof of identity document, most commonly a birth certificate. In cases where an acceptable document is unavailable – often because of incomplete information – an MOU allows DOC to produce an alternative attestation of identity document. House 2 continues to support the funding for this critical service.
- House 2 includes \$1.6 million to continue operating the School of Reentry at Boston's Pre-Release Center. A residential learning center, the School of Reentry allows inmates to maximize the end of their incarceration periods in an environment that fosters academic, personal, and professional growth. Additionally, House 2 includes \$7 million to award grants to nonprofit organizations that focus on disrupting cycles of violence, incarceration, and unemployment among youth and young adults.
- House 2 also maintains key housing assistance programs for those reintegrating into communities. Housing Assistance for Re-Entry Transition, a collaborative program between EOPSS and the Executive Office of Housing and Livable Communities, provides transitional supportive housing to young adults and others exiting incarceration, and rental assistance vouchers to older adults. Access to fundamentals such as housing, employment and other necessities is essential for those exiting incarceration and reentering the community.



### **Sustaining Police Reform Progress**

The Peace Officer Standards and Training Commission (POST), a centerpiece of the 2020 police reform legislation, is an independent agency tasked with setting police standards, certifying law enforcement officers, and investigating potential incidents of wrongdoing. The FY25 House 2 budget recommendation supports the POST Commission and the Municipal Police Training Committee (MPTC), which is tasked with implementing extensive training requirements. Currently, over 1,157 officers have completed MPTC's Bridge Academy program, which is designed to bridge the gap between previous reserve training and new uniform training standards required by law for POST certification. Additionally, House 2 adds \$4.1 million at MPTC to support much needed increased training capacity. This includes a new academy and the replacement of a firing range in central Massachusetts.

As part of the administration's commitment to integrity and accountability – though not a requirement of 2020 police reform legislation – House 2 includes funding to continue to provide body worn cameras for each sworn State Trooper. A tool intended to promote transparency in interactions between Troopers and the public, body worn cameras continue to act as a key safety measure within law enforcement.

### **Encouraging a Diverse Pipeline**

Into FY25, the administration continues to emphasize the importance of diverse talent pipelines, particularly within public safety agencies. House 2 includes \$2 million to support the State Police cadet program, which offers aspiring public safety professionals an equitable pathway to a career in law enforcement. The program offers on-the-job training to introduce the next generation of diverse candidates to the skills, knowledge, and experience needed for a career in law enforcement. The first class of 47 cadets was selected through a rigorous application and screening process and was comprised of 25 (53%) people of color and 13 (27%) women. As part of MSP's robust recruitment efforts to identify the next generation of diverse public safety leaders, the Cadet program underscores this administration's

commitment to the Department of State Police where training, accountability, and representation are paramount.

**Strategic Facility Consolidation**

House 2 offers large operating and capital savings to the state with the closure of Massachusetts Correctional Institution-Concord (MCI-C). MCI-C is a medium security facility housing criminally sentenced males in Concord, MA. By transferring incarcerated individuals and employees to other facilities, Massachusetts will realize savings in several areas, totaling approximately \$16 million in operational costs beginning in FY25.

In addition to savings on the state's operating budget, closing MCI-C will also generate additional savings by forgoing major capital projects such as:

- \$157 million for decarbonization and steam system replacement projects
- \$33 million in deferred maintenance projects

Special programming at MCI-C will move to other facilities, ensuring that the Building Responsible Adults Through Validation and Evaluation (B.R.A.V.E.) will continue to be operational.

The Healey-Driscoll Administration's FY25 House 2 budget recommendation demonstrates its commitment to the programs and infrastructure that support the safety and wellbeing of all who live, work and raise families across Massachusetts.