

FY2026 H.1 BUDGET BRIEF

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

Legislation Spotlight

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The FY26 House 1 budget proposal includes numerous investments that support implementation of critical legislation that was passed last session.

Implementing the Affordable Homes Act

Smart Housing and Livable Communities

On August 6, 2024, Governor Healey signed the Affordable Homes Act, a bold initiative to increase housing production and invest in livable communities. This historic legislation authorizes over \$5 billion in spending over the next five years along with nearly 50 policy initiatives to counter rising housing costs caused by high demand and limited supply. This blueprint to create or save 65,000 homes will help ensure the people who work in our communities can afford to live in our communities. The bill includes unprecedented authorizations to modernize the state's public housing system, boost programs that support first-time homebuyers and homeownership, and build more housing for low to moderate-income residents. The law also includes many policy changes that will unlock housing production in our state, such as allowing accessory dwelling units by right, support for the conversion of vacant commercial space to housing and support for sustainable and green housing initiatives.



The FY26 House 1 budget recommendation includes \$700,000 for additional staffing capacity at the Executive Office of Housing and Livable Communities to expedite critical housing production functions. New positions include additional counsel to support new guidelines and regulations associated with the Affordable Homes Act, regional and capital planners focused on accessory dwelling units, seasonal communities, and public housing, and a Director of Fair Housing to lead the newly created Office of Fair Housing, as well as other key personnel.

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Celebrating our Housing Milestones

The Healey-Driscoll Administration continues to take pivotal steps in implementing the Affordable Homes Act. The Executive Office of Housing and Livable Communities is on track to announce draft regulations on accessory dwelling units by the effective date of the ADU law, February 2, 2025. An accessory dwelling unit is a secondary residential living space located on the same lot of a single-family home and will be integral in unlocking more housing across the state. In early November, the Healey-Driscoll Administration held a webinar for municipal officials across Massachusetts to learn more about the ADU legislation. More than 850 interested parties participated. Additionally, the Seasonal Communities Advisory Council held its inaugural meeting in mid-December – marking an important step toward helping seasonal communities, and the workforces that support them, with their housing needs. With 41 percent of policies having been implemented in the first 100 days following the signing of the bill, the Healey-Driscoll Administration's momentum on meeting the housing moment is not slowing down.

Federal Match

In September of 2024, Governor Healey signed legislation to dramatically improve the state's ability to receive federal funding for infrastructure, climate, and economic development projects through the creation of a Capital Investment and Debt Reduction Fund. This new matching fund pool, mostly funded through interest generated on the state's robust Stabilization Fund, will make up to \$750 million available over the next three years to expand the state's capacity to satisfy fund matching requirements of federal grant programs and cover project costs. Notably, this legislation also unlocks unprecedented resources for communities to compete for federal grants by making funds available to municipalities seeking assistance in matching federal dollars and technical expertise in crafting applications for funding. The bill dedicates up to \$12 million for technical assistance for local governments and tribes, and up to \$50 million for grants, loans and other financial assistance for federal programs. This transformative legislation builds on the Healey-Driscoll Administration's ongoing commitment to aggressively pursue federal dollars and bring historic investment to Massachusetts.

Mass Leads

Implementing Our Economic Development Plan

Governor Healey signed into law the landmark Mass Leads Act delivering a wide array of tools and resources in support of the Administration's Economic Development Plan -- Team Massachusetts: Leading Future Generations. The recently passed legislation includes nearly \$4 billion in critical bond authorizations, additional tax credits, and necessary policy provisions for boosting economic growth centered around making Massachusetts a more affordable, equitable, and competitive state.



The Healey-Driscoll Administration's House 1 budget recommendation supports implementation of *Mass Leads* through strategic and responsible investments in our agencies and our quasi-governmental agencies. The Executive Office of Economic Development's House 1 budget proposal supports implementing the provisions of *Mass Leads*, including funding for the Massachusetts Life Sciences Center and Small Business Technical Assistance. The House 1 budget recommendation, together with *Mass Leads*, enables us to invest in our economic future through the initiatives that focus on the administration's three priority areas: Fundamentals, Talent, and Sectors.

Fundamentals: Securing Our Economic Foundations

House 1 includes sustained support for the Executive Office of Economic Development and incorporates additional operating funding within the Community One Stop for Growth grant award process. Programs like the Massachusetts Downtown Initiative (\$600,000) and Transformative Development Fund (\$250,000) complement over \$600 million of capital authorizations included in Mass Leads. These support the building blocks of economic growth, which begins in our communities.

Talent: Retaining and Attracting Talent Across All Backgrounds

Mass Leads provided modifications to the Workforce Investment Trust Fund and now allows for greater utilization of resources to support more equitable growth opportunities in historically underrepresented communities. House 1 taps into this funding source to supplement ongoing workforce development and community action programs including Community Empowerment and Reinvestment Grants (\$15 million), the life sciences Pathmaker program (\$10 million), and Urban Agenda Economic Development Grants (\$2.5 million). Additionally, Mass Leads established a new internship tax credit program that rewards companies for taking on interns from Massachusetts-based colleges. Along with the Talent H-1B Retention Visas for Entrepreneurs program, or THRiVE, funded by House 1 at \$750,000, the Administration will build up the state's workforce pipeline that attracts and retains our most talented individuals.

Sectors: Supporting Industries that Drive Our Economy

Mass Leads and House 1 both provide critical resources for keeping Massachusetts competitive and drawing in new jobs and investment. Notably, House 1 transfers \$12 million for programming and administration at Massachusetts Life Sciences Center (MLSC), which will help maintain the Administration's ten-year \$1 billion investment strategy in the life sciences sector. Mass Leads authorizes major capital spending along with renewed tax

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incentives for initiatives tied to job creation. House 1 proposes an additional transfer of \$30 million for operations at the Massachusetts Clean Energy Center to keep the Administration on track to invest \$1 billion over ten years in climatetech through capital resources and renewed tax credits for offshore wind.



Mass Leads and House 1 each maintain support for developing tech-focused industries and small businesses. Six million of operational transfers to the Massachusetts Technology Collaborative will help administer capital grant programs that further advance Massachusetts's position as a global hub for advanced manufacturing while building an ecosystem for innovation in robotics and AI. Additionally, The Executive Office of Economic Development is preparing to fully launch the Business Front Door, an online portal that connects businesses and organizations to all available public resources including business competitiveness programs authorized by Mass Leads.

HERO Act

Supporting our Veterans

In November 2023, the Healey-Driscoll Administration filed the HERO Act, the most comprehensive veteran-focused legislation in two decades. Fully funded in the FY26 House 1 budget proposal, the Act enhances benefits, modernizes services, and promotes equity, with implementation set to begin in February 2025. Key provisions include increasing annuities for disabled veterans, expanding exemptions for 100% disabled veterans, and broadening the definition of “veteran” to improve benefit access. The Act also raises the Vet-Hire Tax Credit to \$2,500 to encourage small businesses to employ veterans.

