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MAURA T. HEALEY
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LIEUTENANT GOVERNOR

January 22, 2025

To the people of Massachusetts,

From the first day we took the oath of office as your Governor and Lieutenant Governor, our administration has been focused on making Massachusetts a more affordable, competitive, and equitable state. That remains true today.

We continue to be humbled by the responsibility you have entrusted us with and proud of the accomplishments we have made over the past two years. These are accomplishments we have made together, along with our partners in the Legislature, because we know that we are at our best when everyone can find a good paying job, access quality and affordable health care, afford to rent or buy a home, receive an education, and travel on safe, reliable roads and public transit.

Just this past year, we signed into law the Affordable Homes Act, a more than \$5 billion bond bill that will enable us to tackle the housing shortage by building and preserving more units of housing, and lowering cost in the process. The newly enacted Mass Leads Act will guarantee that we continue to foster our world-class life sciences industry and grow the next generation of clean energy and climatetech jobs.

We said we would aggressively pursue every federal dollar available to us, and we have. More than \$9 billion for roads, bridges, solar power and high-speed internet has come back to Massachusetts through grants that will make a real difference in our communities.

We have made community college free, increased financial aid at four-year colleges, and signed health care legislation that will cap co-pays for many residents struggling with certain chronic conditions. And when residents file their taxes this spring, they will be able to take advantage of the full \$440 child and family tax credit, part of our historic 2023 tax cut package that is being fully phased in after two years.

Now it's time to continue to push forward.

Today, we submit our administration's budget recommendations for Fiscal Year 2026.

Our budget is a balanced, fiscally responsible blueprint that shows we can invest in our people and our institutions while also being good stewards of our residents' tax dollars. We understand that the cost of everything from food to energy continues to strain household budgets, and just like the residents of Massachusetts, the state must live within its means. While our economy is strong and employment high, our tax revenue growth -- which supports the programs and services that people depend on -- has returned to levels more in line with historic trends. Our revenue estimate, agreed to with the Legislature, predicts modest 2.2 percent growth, not counting revenue collected from the Fair Share surtax. That means we must find ways to be more efficient with the dollars we have, right-sizing programs that grew dramatically during the COVID-19 pandemic when more resources were available, while controlling growth in programs like MassHealth that are outpacing our tax revenues.

Given these challenges, we are proposing a \$61.5 billion budget proposal for Fiscal Year 2026, including \$1.95 billion in surtax spending. Non-surtax spending totals \$59.577 billion, a 2.6 percent increase over current Fiscal Year 2025 spending estimate, which is consistent with the rate of inflation. It is focused on preserving key investments made over the past two years as we put the state's budget on a more fiscally sustainable path into the future. We once again are not proposing any broad-based tax increases and are preserving the historic balance of the Stabilization Fund, while continuing to make deposits.

We are proud that this budget fully funds the fifth-year phase-in of the Student Opportunity Act. The \$7.303 billion in this budget for Chapter 70 education represents a 6 percent increase over Fiscal Year 2025 budgeted spending and guarantees a minimum per pupil aid rate of \$75. We are also growing Unrestricted General Government Aid by 2.2 percent, consistent with the state's estimated rate of revenue growth.

Fair Share, the voter-approved surtax on high-income earners, also presents a tremendous opportunity to invest in our public transportation and education systems, and we are determined to maximize the impact of these resources.

In Fiscal Year 2024, the state collected \$2.46 billion in surtax, far exceeding expectations and surpassing the \$1 billion budgeted for that fiscal year. We expect similar collections in Fiscal Year 2025 and Fiscal Year 2026, though we continue to be prudent with this relatively new revenue source, agreeing to use just \$1.95 billion in Fiscal Year 2026.

That means that in addition to our House 1 budget proposal, the administration will be filing a supplemental budget with a plan for spending the \$1.3 billion in surplus surtax funds available from Fiscal Year 2024.

This FY26 budget proposes to maximize surtax dollars by directing \$765 million to the Commonwealth Transportation Fund (CTF), doubling down on an innovative strategy we first deployed this year to leverage the borrowing power of the CTF. This investment will yield \$5 billion over the next 10 years that can go directly toward immediately stabilizing the finances of the MBTA and investing in state and municipal transportation infrastructure and regional transit across Massachusetts.

Once combined with the \$857 million in surplus surtax we propose to use for transportation along with some additional resources, our administration is making a commitment of \$8 billion over the next 10 years for transportation that will dramatically improve our roads, bridges,

culverts and rail. When taken together, our FY26 and supplemental Fair Share plan also will bring a more equitable 50-50 balance to surtax spending between education and transportation.

In recent days, our administration has filed a new Higher Education Bond Bill to begin to address the backlog of deferred maintenance and capital needs on our public higher education campuses. Similar to our strategy on transportation, this bond bill is only possible through the leveraging of \$125 million in Fair Share resources against which we will borrow to finance the capital plan.

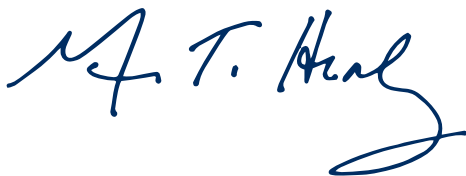
Also in education, we maintain our commitment to free community college, financial aid at public universities and colleges, and universal school meals, as well as the \$475 million for Commonwealth Cares for Children (C3) grants. C3 has been instrumental in stabilizing the state's child care system, enabling early education programs to remain open, and is supporting system-wide growth through investments in workforce, quality, and affordability.

This budget also proposes an expansion to the Commonwealth Preschool Partnership Initiative (CPPI) with \$67.7 million, helping grantees move from the planning stages to implementation of high-quality Pre-K, expand the number of Pe-K classrooms in existing programs and bringing new communities into the pipeline.

Finally, our budget continues to support the development of a strong clean energy workforce, clean transportation and decarbonization efforts, food security and an all-of-government commitment to environmental justice.

While this budget may have been challenging given the demand for limited resources, we are confident that our administration is putting forward a plan that makes life more affordable for people, protects our most vulnerable citizens, supports our employers and our economy, and smartly balances those needs against the imperative of fiscal discipline and sustainability. We are excited to once again partner with our friends and colleagues in Legislature to enact a budget that reflects our shared goals and ambitions.

Sincerely,



Maura T. Healey



Kimberley Driscoll



A Note from the Administration and Finance Secretary

Since our administration took office two years ago, we have balanced our goals of making ambitious investments in Massachusetts with our commitment to fiscal responsibility. Governor Healey has filed and signed historic legislation making housing more affordable, driving economic development, unlocking federal funds to support our state and municipalities, and delivering tax cuts to put money back in the pockets of Massachusetts families.

Today, we are filing a balanced and responsible Fiscal Year 2026 (FY26) budget recommendation that advances the administration's goals, maintains critical programs and services, and supports Massachusetts's long-term financial stability. Two years after voters approved the Fair Share surtax, this budget continues to show how we can responsibly and impactfully leverage this new revenue stream to make transformative investments in education and transportation.

I want to thank Governor Maura Healey and Lt. Governor Kim Driscoll and their team for their tremendous leadership in crafting a budget that reflects our shared values and prioritizes long-term stability.

My colleagues in the Cabinet and their teams have been essential partners as we put our administration's agenda into action through this budget recommendation. My team and I are grateful for the ideas and input we received from advocates, legislators, and stakeholders across Massachusetts, and we sought to incorporate that feedback into this spending plan.

This budget would not exist without the tireless hard work and creativity of my team at the Executive Office for Administration and Finance. Thank you!

Finally, I want to express my gratitude to Chair Aaron Michlewitz, Chair Michael Rodrigues, and their respective staffs. Their partnership and shared commitment to the people of Massachusetts is critical to our success, and I look forward to ongoing collaboration as we move forward through the FY26 budget process.

Sincerely,

A handwritten signature in black ink that reads "Matthew J. Gorzkowicz". The signature is written in a cursive, flowing style.

Matthew J. Gorzkowicz
Secretary



On the Move - The Healey-Driscoll FY26 Budget

Massachusetts is the best place in the country to live, work, and raise a family, with world-class healthcare and education, a robust economy, environmental assets from the coast to the mountains, climate leadership, and a steadfast commitment to equal rights for residents. Since taking office two years ago, Governor Maura Healey and Lt. Governor Kim Driscoll have built on our strengths while implementing historic and innovative measures to make Massachusetts even more affordable, equitable, and competitive.

Governor Healey has filed and signed landmark legislation addressing Massachusetts's housing needs, creating jobs, cutting taxes, protecting the environment and increasing resilience, and supporting veterans. House 1 reflects a balanced budget that furthers the implementation of the administration's transformative new legislation and makes key investments in critical programs and services across Massachusetts.

The Healey-Driscoll Administration continues to prioritize making housing affordable and accessible for everyone in the state. In House 1, the administration recommends \$1.2 billion across the Executive Office of Housing and Livable Communities (HLC), a \$42.3 million—or 3.7 percent— increase above FY25 funding. House 1 also supports the implementation of the *Affordable Homes Act* (AHA), the most comprehensive housing bond bill in the state's history. Governor Healey signed the AHA in August 2024, authorizing \$5.16 billion in capital spending over the next five years and countering rising housing costs with nearly 50 policy initiatives.

This budget continues to look for ways to tackle costs by proposing to eliminate renter-paid brokers fees when brokers are hired by landlords, reducing the upfront cost for renters seeking new spaces.

The Healey-Driscoll Administration has also taken a comprehensive approach to economic development, investing in fundamentals that enable economic growth, boosting talent retention, and supporting businesses that power the Massachusetts economy. In 2024, Governor Healey signed the *Mass Leads Act*, a bill that authorizes nearly \$4 billion in bonds, making it easier for companies of all sizes to do business in Massachusetts, and capitalizing on opportunities to grow our workforce in areas like life sciences and climatetech. House 1 continues the administration's efforts to put *Mass Leads* into action, including funding for programming at the Mass Life Sciences center and for Small Business Technical Assistance.

This budget proposal makes investments in health equity and access, maternal and reproductive care, youth mental health, and care for the most vulnerable children and adolescents in Massachusetts. Specifically, House 1 recommends investments in the Doula Certification Program, and proposes a 2.53 percent increase for supports for foster parents.

The governor's budget also proposes to extend for one additional year the Connector Care pilot program, which extends eligibility for subsidized health insurance to individuals earning up to 500 percent of the federal poverty limit, providing over 51,000 residents access to more affordable health insurance. Furthermore, the pilot has resulted in significant cost savings for members, with some saving over \$150 monthly on premiums.

For the third fiscal year, House 1 proposes deploying revenues from the Fair Share surtax to make transformative improvements to transportation and education. This budget proposes \$1.95 billion, distributed across various sectors of education and transportation, with an emphasis on creating meaningful and equitable outcomes, and designed to align with other major allocations within the budget to maximize impact to residents.

Alongside House 1, the administration is filing a \$1.32 billion supplemental budget bill to authorize spending surplus FY24 Fair Share revenue. Taken together, House 1 and the supplemental budget bill achieve a near even split between the Fair Share resources dedicated to transportation and education since the voter-approved surtax was enacted.

This budget proposal also maintains a commitment to the partnership between the state and local communities. House 1 provides over \$9.205 billion for local aid, a \$480 million (6 percent) increase over FY25 GAA, including full funding for the fifth year of the *Student Opportunity Act* (SOA). Moreover, all 351 cities and towns across the state will benefit from increased Chapter 90 funding supported by Fair Share. With these resources, the administration can commit to making a \$1.5 billion investment in local road improvement over the next five years.

Fiscal Overview – Building a Sustainable Future

House 1 takes a balanced approach, ensuring key priorities are funded to further affordability, competitiveness, and equity while managing competing pressures of growing spending and slower growing revenue. House 1 focuses on maintaining and preserving key investments the administration has made to date while also proposing targeted expansions to help serve our most vulnerable residents.

This budget recommendation totals \$59.577 billion, a 2.6 percent increase over current Fiscal Year 2025 spending estimates, excluding spending tied to the income surtax and Medical Assistance Trust Fund. This is consistent with the rate of inflation.

House 1 relies on the FY26 consensus tax revenue agreement of \$43.614 billion, including \$2.4 billion in collections from the 4 percent income surtax. Total non-surtax revenue growth represents 2.2 percent, or \$907 million, over FY25 benchmarks. In light of modest tax revenue growth, the House 1 recommendation utilizes a thoughtful combination of recurring and one-time funding sources to ensure a responsibly balanced budget. Importantly, this budget does not utilize any funding from the Stabilization Fund, which is estimated to grow to a record high of \$8.333 billion after House 1 makes \$133 million in transfers from excess capital gains. The consensus revenue estimate assumes \$2.33 billion of capital gains tax revenue of which \$666 million will be statutorily transferred to support long-term liabilities, such as the Stabilization Fund, pension costs and retiree health insurance expenses.

The budget recommendation maintains the state's commitment to fully fund its pension liability by 2036 with \$4.933 billion in FY26, a \$433 million increase over the Fiscal Year 2025 contribution. In order to maximize our available resources, we propose directing a greater portion of excess capital gains towards our pension and OPEB contributions than traditionally used, which has the benefit of freeing up space on the budget for other critical programs. Projected sales tax revenues will enable a \$1.426 billion transfer to support the operations of the MBTA and \$1.265 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 serve as an engine for growth. These pre-budget transfers of tax revenue total \$8.317 billion, leaving \$32.897 billion in net tax revenue available for spending, an increase of \$414 million.

Excluding new surtax spending and a transfer to the Medical Assistance Trust Fund, the General Appropriations Act (GAA) grew by nearly \$10 billion, or more than 21 percent, between FY21 and FY25. This spending growth reflects the increased demand for state services and programming supporting our most vulnerable populations during and after the pandemic.

Today, the state continues to experience exacerbated demands on those key services – health care, high-quality early education and care, and housing stabilization, just to name a few. At the same time, our tax revenue estimates, while projecting modest growth at 2.2 percent, cannot keep up with these demands on state services.

This mismatch between spending and revenue growth has required the Healey-Driscoll administration to examine the budget to create meaningful savings, so that our most critical services can be maintained

The House 1 recommendation navigates this challenging fiscal picture through a reasonable, thoughtful combination of solutions to balance the budget. This includes the use of additional excess capital gains for long-term pension and other post-employment benefit liabilities, a reallocation of ARPA funding away from programs that in a timely manner have been unable to spend money allocated or have completed their intended purpose, and targeted revenue generation. Similar to other caps on available tax credits, the administration proposes to limit the charitable giving tax deduction to \$10,000 for a joint filer and \$5,000 for an individual, to eliminate the sales tax exemption for candy, and to apply the state's tobacco tax to untaxed synthetic nicotine products. House 1 also anticipates generating \$60 million by targeting excessive drug prices with a penalty on manufacturers when the price of a drug exceeds inflation, which will protect consumers. In addition, the administration proposes meaningful savings proposals, focused on mitigating direct impacts on services for our most vulnerable populations, to remain good fiscal stewards for our residents.

Key Initiatives

Making Massachusetts Affordable

This budget builds on the Healey-Driscoll Administration's progress in making Massachusetts more affordable by continuing to relieve cost burdens. Specifically, the following House 1 proposals will benefit individuals and families at a time of rising costs:

- Establishing a penalty on drug manufacturers who increase prices on a prescription drug in excess of the change in the Consumer Price Index
- Fully funding another year of our landmark MassEducate program to make community college tuition free
- Expanding the Early College program, allowing more than 8,200 students to attend a college course for free while still in high school

- Supporting implementation of the historic \$5.16 billion *Affordable Homes Act*, which provides the blueprint to create or save 65,000 homes, and preventing landlords from forcing renters to cover the cost of a broker's fee
- Supporting the Income-Eligible Fare Relief program at the MBTA, which launched in September 2024, and maintaining several ongoing fare free programs at RTAs around the state
- Providing continued funding for universal free school meals for K-12 students across the state

Centering Equity

Every policy the Healey-Driscoll administration proposes is subjected to an equity lens, considering the possible policy effects on communities of color and historically marginalized populations in Massachusetts.

Through this budget proposal, the administration invests in equity across state government:

- Modernizing vital records statutes to update out-of-date references and better reflect all families
- Extending the ConnectorCare Pilot expanding eligibility for one additional year
- Raising the asset limit for seniors and simplifying the process for income-eligible seniors to enroll in MassHealth, allowing for more equitable access to healthcare for our aging population
- Offering additional support through the Community Empowerment and Reinvestment Program to drive positive outcomes in communities that face disproportionate challenges to economic growth; Urban Agenda Economic Development Grants that build economic vitality and stronger urban neighborhoods through community-driven action

Driving Competitiveness

By advancing economic development across the state, investing in infrastructure and systems, and supporting businesses and workers, the Healey-Driscoll Administration has boosted Massachusetts's competitive edge. House 1 continues to make Massachusetts more competitive by:

- Recognizing the need to retain international graduates at higher education institutions, House 1 includes funding for the Talent H-1B Retention Visas for Entrepreneurs (THRiVE), which is designed to assist high-skilled international students navigate the federal H-1B visa framework
- Expanding the CORE plan to allow non-profits with up to 100 employees to participate, leveraging this group participation to offer retirement plans, supporting both our non-profits and their workforce
- Continuing to make Massachusetts a global leader in innovation sectors, with critical investments in climatetech to advance the offshore wind industry and stimulate further innovation in manufacturing, as well as key funding to maintain our lead in the life sciences sector

Fair Share – Investing in High Quality Public Transportation and Education

The fiscal 2026 budget is the third to include revenue from the new 4 percent surtax on income above \$1 million that Massachusetts voters approved in November 2022. The Fair Share surtax is dedicated to transportation and education, generating resources to promote high-quality education, repair and maintain roads and bridges, and improve our state and regional public transit systems. In FY24, the budget established a new Education and Transportation Fund to receive all Fair Share revenues and ensure transparency into how the money is spent.

Through the consensus revenue process between the Executive Office for Administration and Finance and the legislative Committees on Ways & Means, we have taken a conservative approach to budgeting these resources until the surtax has an established track record. This policy has resulted in \$1 billion in spending in FY24 and \$1.3 billion in FY25. For FY26, the consensus revenue process yielded an estimate of \$2.4 billion in Fair Share collections with a spending cap of \$1.95 billion.

In FY24, the first full fiscal year of Fair Share collections, the surtax generated \$2.46 billion. House 1 is complimented by a Fair Share supplemental budget that appropriates \$1.3 billion in surplus Fair Share revenues that have come in above the FY24 benchmarks.

This surtax has acted as the catalyst for critical new initiatives supporting Massachusetts education and transportation sectors, while sustaining previous investments and assets. Across House 1 and the supplemental budget, the administration is proposing to use a total of \$3.3 billion in Fair Share revenues split near evenly between education and transportation.

Education

Highlights of the FY26 House 1 Fair Share education budget include:

- Stabilizing the early education and care system through continued funding of the Commonwealth Cares for Children (C3) program at \$475 million, a portion of which will be covered with Fair Share revenue
- Supporting the 5th (of 6) year implementation of the Student Opportunity Act
- Leveraging funds to finance a higher education bond bill that will address deferred maintenance, modernize, and decarbonize facilities across public higher education campuses
- Providing education transportation reimbursements for both regional school and non-resident vocational transportation
- Expanding Literacy Launch, which equips students with the reading and writing skills necessary for academic success and lifelong learning
- Facilitating wraparound supports and services for State Universities to improve outcomes for their most vulnerable populations
- Funding for mental and behavioral health services in schools

Education (\$ in millions)	FY26 H.1
Early Education & Care	373.0
Commonwealth Cares for Children (C3) Program	275.0
Child Care Supports	98.0
K-12 Education	475.0
Student Opportunity Act (Ch. 70)	225.0
Universal School Meals	170.0
Education Transportation	50.0
Literacy Launch	25.0
Mental Health Systems and Wraparounds	5.0
Higher Education	337.0
Higher Education Capital Funding	125.0
MassEducate	94.0
Financial Aid Expansion	80.0
MassReconnect	24.0
State U SUCCESS	14.0
Total	1,185.0

Through the deployment of excess Fair Share funds in the supplemental budget, education investments also include:

- Supporting a multi-year expansion of programs like Early College and Innovation/Career Pathways to support an additional 3,500 high schoolers' college and career readiness
- Building capacity for early education programs, family access and affordability, and workforce supports; support for the implementation of the Early Education and Care Task Force recommendations
- Funding for the Commonwealth Preschool Partnership Initiative (CPPI) to help fully implement universal Pre-K in Gateway Cities
- Funding for a Special Education Circuit Breaker Reserve
- Funding and grants for Career Technical Education Schools capital to support increased slots as well as programming
- Making investments to better coordinate and address the growing waitlist for ESOL services including work readiness and digital literacy training; serving an additional 10,000 learners.
- Funding for high dosage literacy tutoring to support 10,000 students in grades K-3, with priority given to students in grade 1

Education (\$ in millions)	Fair Share Supplemental
Executive Office of Education	32.5
Reimagining High School	32.5
Early Education & Care	150.0
EEC Capacity Building	100.0
Commonwealth Preschool Partnership Initiative	50.0
K-12 Education	280.0
Special Education Circuit Breaker Reserve	150.0
Career Technical Education Schools Capital/Grants	75.0
Adult Basic Ed/ESOL	30.0
High Dosage Tutoring	25.0
Total	462.5

Transportation

The FY26 House 1 budget dedicates \$765 million to the Commonwealth Transportation Fund (CTF) to leverage \$5 billion in borrowing over the next 10 years for capital, while also making impactful investments in annual operations.

These funds will be appropriated to support transportation investments including:

- Stabilizing the MBTA's operations, including the maintenance of key initiatives such as the Income-Eligible Fare Relief program, the MBTA Academy, and water transportation
- Providing RTA grants to support Fare Free programs, connectivity, and community transit grant programs
- Funding for MassDOT operations to support workforce needs, with an emphasis on the mega-projects division

Transportation (\$ in millions)	FY26 H.1
MBTA	500.0
RTAs	110.0
Debt Service	100.0
MassDOT	55.0
Total	765.0

The additional dedicated funds to the CTF in the House 1 budget allow for expanded bonding capacity. These items include:

- \$1.5 billion (\$300 million per year) over five years for Ch. 90 reform (including rural roads)
- \$1.5 billion for road and bridge lifecycle asset management program to address pavement and bridge condition
- \$850 million for the MBTA to support maintenance facilities modernization and power system resilience

- \$615 million for the Allston multi-modal project
- \$200 million for culvert and small bridge statewide
- \$185 million for safety and congestion hotspots

Through the deployment of excess Fair Share funds in the supplemental budget, additional transportation investments include:

- \$400 million for the Federal Transit Administration (FTA) Workforce and Safety Reserve to help implement corrective actions from the FTA's oversight report, including stabilizing the workforce and improving safety
- \$300 million to replenish the MBTA's budgetary deficiency reserve, which was used by the MBTA to balance their FY25 operating budget
- \$67 million for the implementation of the Income-Eligible Reduced Fare program, which began in September 2024 and is continuing to ramp up enrollment
- \$25 million for a Winter Resilience Assistance Program to aid all 351 cities and towns to prepare for storms and weather impacts, made more intense due to climate change
- \$25 million for RTA workforce initiatives (including hiring and retention costs, CDL licensing, training, CBA increases, and related programs)
- \$17.5 million for MassDOT workforce and project delivery reserve to enhance the workforce, hiring, retention, and skills development of the teams delivering major infrastructure projects, rail, highway, managing delivery of federal grant funding, providing assistance to local and regional partners, and other core divisions
- \$13 million to repay MBTA for Sumner Tunnel mitigation efforts undertaken to support commuters and travelers affected by the closure of the Sumner Tunnel for repairs in the summers of 2023 and 2024
- \$10 million for MicroTransit and Last Mile Innovation Grants to expand mobility options for rural communities, older adults, people with disabilities, and low-income individuals, and to extend equitable and affordable transportation mobility improvements across the state

Transportation (\$ in millions)	Fair Share Supplemental
MBTA	780.0
MBTA Supports	780.0
MassDOT	52.5
Winter Resilience Assistance Program (WRAP)	25.0
MassDOT Workforce & Project Delivery Reserve	17.5
MicroTransit and Last Mile Innovation Grants	10.0
RTAs	25.0
RTA Supports	25.0
Total	857.5

Local Aid – A Statewide Partnership

The strength of Massachusetts's 351 cities and towns is critical to the overall success of the state, and the Healey-Driscoll Administration is committed to equipping our communities with the resources they need to thrive. In House 1, that commitment is reflected in the administration's recommendation of over \$9.205 billion for local aid, a \$480.7 million over FY25 GAA.

House 1 also ensures access to high-quality education for students across Massachusetts by fully funding the 5th-year implementation of the *Student Opportunity Act* (SOA), dedicating \$7.322 billion to Chapter 70 education aid. This is a \$420 million, (6.1 percent increase), over FY25. This funding provides a minimum per pupil aid rate of \$75.

Unrestricted General Government Aid (UGGA) supports essential government services such as public safety and public works. House 1 recommends funding UGGA at \$1.338 billion, aligned with consensus tax revenue growth and reflecting a \$28.8 million, or 2.2 percent increase, over FY25.

House 1 also proposes to fully fund the Special Education Circuit Breaker at \$682 million, with \$532 million provided in House 1 and \$150 million provided in the Fair Share supplemental budget. This funding level reflects full phase-in of out-of-district transportation cost reimbursement provided for in the SOA.

House 1 also maintains the administration's commitment to supporting school transportation through programs such as regional school transportation—recommended at \$116 million, representing a 95 percent reimbursement—and non-resident pupil transportation (vocational)—recommended at \$6.2 million, representing full funding, and homeless student transportation—recommended at \$28.8 million.

Finally, House 1 proposes using Fair Share surtax resources to expand capital capacity which will enable Chapter 90 funding to reach \$300 million annually, a 50 percent increase over the traditional \$200 million. With these resources, the administration can commit to making a \$1.5 billion investment in local road improvement over the next five years. This long-term funding increase will also allow the funding distribution formula to be updated, ensuring all cities and towns see a significant increase but recognizing that construction inflation in recent years has particularly eroded the buying power of smaller and rural communities that need extra support to complete road projects. This investment will assist local governments in easing congestion, addressing needs associated with climate change adaptation and resilience, and fixing more of the state's aging roads and bridges.

Housing & Homelessness

The House 1 budget recommends \$1.2 billion across the Executive Office of Housing and Livable Communities (HLC), a \$42.3 million (3.7 percent) increase above FY25 funding.

The Healey-Driscoll Administration has prioritized housing through all avenues, including the operating and capital budgets, legislation, and administrative action. HLC continues to prioritize creating new and affordable homes, preserving and modernizing the state's public housing, promoting housing stability, preventing evictions, and supporting the shelter system for families and individuals experiencing homelessness.

Affordable Homes Act

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 law authorizes \$5.16 billion in capital 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 preserve 65,000 homes will ensure the people who work in our communities can also afford to live within our communities.

The law includes unprecedented authorizations for modernizing the state's public housing system, boosting programs that support first-time homebuyers and homeownership, and expanding resources to build more housing for low- and moderate-income residents. The *Affordable Homes Act* also includes policy changes that will unlock housing production, such as allowing accessory dwelling units, supporting the conversion of vacant commercial space into housing, and prioritizing sustainable and green housing initiatives.

Housing Administration

The FY26 House 1 budget recommends \$22.2 million for the Office of the Secretary. This includes additional staffing capacity to implement the *Affordable Homes Act*. These positions include a director to lead the newly created Office of Fair Housing, and planners focused on accessory dwelling units, seasonal communities, and public housing. This investment will also improve data management and technology at HLC to allow innovations like developing a common application for affordable housing in Massachusetts.

House 1 also recommends \$27.7 million for the Operation of Homeless Programs to support increased staffing in response to the ongoing demand for individual and family shelters.

Public Housing

Building on the commitment to public housing in the *Affordable Homes Act*, House 1 recommends \$115.5 million for Subsidies for Local Housing Authorities, an increase of \$2.5 million (2 percent) over FY25. The increased operating and capital budget investments for our local housing authorities continue this administration's commitment to properly maintain the approximately 43,000 units of state public housing that provide affordable homes for over 70,000 residents.

The House 1 recommendation also includes \$7.5 million for Resident Service Coordinators at local housing authorities, a \$1 million (15.4 percent) increase over FY25. This investment will allow housing authorities to hire 15 additional resident service coordinators that are critical to supporting the myriad social and economic needs of public housing residents. Last year, the program successfully preserved over 2,600 tenancies, safeguarding vulnerable populations from entering homelessness, shelter, or unstable living conditions.

Rental Assistance

The FY26 House 1 budget recommendation includes a record investment of \$253.3 million for the Massachusetts Rental Voucher Program (MRVP). This funding will support over 10,400 rental vouchers expected to be leased by the end of FY26, including over 130 new project-based vouchers. The recommendation for MRVP maintains the payment standard at 110 percent of the U.S. Department of Housing and Urban Development's small area fair market rent, which provides more flexibility and expands choice to voucher holders in their housing search.

The FY26 budget recommendation also includes \$19.5 million for the Alternative Housing Voucher Program (AHVP), representing a nearly 20 percent—or \$3.1 million—increase to the program over FY25. This demonstrates the administration’s commitment to increasing housing stability for people with disabilities with over 800 AHVP vouchers expected to be leased by the end of FY26.

Another highlight for rental assistance in the FY26 House 1 budget recommendation is \$16.5 million for the Rental Subsidy Program for Department of Mental Health (DMH) Clients. Coupled with additional funding from DMH, the program will support 2,877 vouchers for DMH clients, an increase of 265 vouchers over FY25.

Housing Stabilization

The FY26 House 1 budget recommendation includes \$325 million for Emergency Assistance (EA) for Family Shelters, level with FY25 funding. The administration remains committed to ensuring that shelter is a rare, brief, and non-recurring stop for families as they transition to permanent housing. This proposed FY26 funding, along with needed policy reforms filed in a supplemental budget on January 6th, will advance the ongoing effort to stabilize the EA shelter system to help families experiencing homelessness while balancing the need to prioritize sustainability and affordability.

The FY26 House 1 budget recommends \$10.1 million for Sponsor Based Permanent Supportive Housing, a \$1.2 million (+13 percent) increase over FY25. This investment will expand the pipeline of permanent supportive housing by approximately 16 units for the most vulnerable individuals to enter permanent housing and access critical case management services to help those residents remain safe and stable in their home.

The FY26 House 1 budget recommends robust investments in critical housing stabilization programs that help prevent or end homelessness. This includes \$202.5 million for the Residential Assistance for Families in Transition (RAFT) program and \$57.3 million for HomeBASE.

Other highlights in the FY26 House 1 budget recommendation for housing stabilization include:

- \$110.8 million for Homeless Individual Shelters to preserve about 2,500 shelter beds for individuals experiencing homelessness, including triage, diversion and rapid rehousing programs
- Maintaining \$3 million for Housing Assistance for Re-Entry Transition to provide service-intensive programming and vouchers for folks exiting incarceration, partnership with Executive Office of Public Safety and Security – with the goal of reducing rates of recidivism

Education

Early Education and Child Care

Early education and child care remain a critical focus of the Healey-Driscoll Administration’s strategy to making Massachusetts a more affordable place to live, where children can thrive regardless of their socioeconomic background, and employers have access to the workers they need to grow and strengthen the economy.

House 1 and the Fair Share supplemental budget proposal, filed alongside House 1, recommend funding the Department of Early Education and Care at \$1.679 billion, including \$523 million from Fair Share investments. This funding recommends maintaining and expanding key areas across the pillars of the Healey-Driscoll Gateway to Pre-K agenda:

- \$475 million to maintain the Commonwealth Cares for Children (C3) program
 - This program has stabilized the state's child care system, enabling nearly 7,900 child care programs to remain open and expand capacity by over 15,000 seats. It also supports workforce development, quality improvements, and affordability for working families
- \$1.1 billion to support Child Care Financial Assistance programs
 - These funds help families afford care and ensure providers are paid a fair rate regardless of where they live. Under this administration, provider rates have increased by almost \$90 million, and better cover the real cost of providing infant and toddler care and operational costs
- \$67.7 million for universal access to high-quality pre-K through the Commonwealth Preschool Partnership Initiative (CPPI)
 - Approximately \$23 million would sustain all current CPPI grantees in FY26, helping grantees in the planning stages move towards implementation. In FY25, this program supported 203 affordable preschool classrooms containing 2,981 seats across all settings. The additional funding would support expansion among current grantees and allow new communities to join CPPI. With a focus on gateway cities and rural areas, CPPI aims to achieve universal access to high-quality pre-K. It promotes kindergarten readiness by offering free or low-cost enrollment, full-day services for families in need, and inclusive education for children with disabilities. The Fair Share supplemental budget provides an additional \$45 million in multi-year investments to continue the growth of this program.
- \$18.5 million to maintain the state's supplemental Head Start grants
 - This program supports the recruitment and retention of staff while ensuring the delivery of high-quality, comprehensive services.

K-12 Education

The Healey-Driscoll Administration has maintained a consistent focus on transforming learning quality with historic investments in K-12 education, including investments from Fair Share revenues. House 1 and the Fair Share supplemental budget filed alongside House 1 propose maintaining and expanding key initiatives, including:

- Fully funding Chapter 70 local education aid, increasing aid by \$420 million for the fifth year of a planned six-year phase-in of the *Student Opportunity Act*
- Allocating a historic \$682 million for Special Education Circuit Breaker. The \$133 million increase over the FY25 GAA addresses the growth of both instructional and transportation costs for special education students
- Funding education transportation reimbursement at \$150.8 million, including an increase of \$16.5 million for Regional School Transportation (supporting 95 percent of

estimated reimbursements) and an increase of \$5.2 million for Non-Resident Vocational School Transportation (representing full funding of estimated reimbursements)

- These funding increases address the rising costs of school transportation in all districts, but particularly in rural areas
- Sustaining \$170 million for universal free school meals
- Increasing Literacy Launch funding by \$5 million, raising funding to \$25 million. This supports the second year of the Healey-Driscoll Administration's multi-year strategy to promote high-quality, evidence-based reading instruction so students can successfully read well
- Providing \$25 million for high dosage literacy tutoring to 10,000 students in grades K-3, with priority given to students in grade 1
 - This proposal supports schools in providing high dosage literacy tutoring for students
- Dedicating \$30 million to reduce the Adult Basic Education/ English for Speakers of Other Languages (ESOL) waitlist for literacy services
 - This investment will serve an additional 10,000 learners in programs that provide traditional literacy services, workforce readiness, workplace training, and industry credential training
- Allocating \$75 million in capital funding to expand Career and Technical Education program capacity in traditional high schools and dedicated Career and Technical Education schools
 - The funding will support planning, start up, and expansion of instructional capacity of Career and Technical Education programs, including for the purchase and installation of equipment and facility modernization improvements to increase capacity
- Maintaining \$16 million for rural school aid to provide educational equity across the state

Reimagining High School

House 1 and the Fair Share supplemental budget propose investing \$74.6 million in the administration's multifaceted initiative to reimagine high school, ensuring Massachusetts students are prepared for college or careers when they graduate high school.

This funding will expand Early College designated programs to reach over 75 high schools, allowing high school students to take college classes and earn college credit at no cost to them or their families. Participation in early college programs has grown by nearly 2,000 students since the 2022-2023 school year, with 16 new partnerships established in the last two years. Currently, 55 partnerships connect 28 institutions of higher education with 62 high schools. Additionally, this initiative will expand Innovation Career Pathways to more than a quarter of the state's public high schools, serving approximately 7,400 students. These programs provide hands-on coursework and work opportunities in high-demand industries, such as clean energy, manufacturing, health care, and information technology. Currently, 99 high schools sustain programs, offering nearly 7,000 students the chance to explore and prepare for careers in those fields.

Student Mental Health

House 1 invests \$20.8 million in education funding to support student mental and social-emotional health, addressing the youth mental health crisis and ensuring students have the behavioral health care they need to balance their mental health and education. Key investments include \$5 million to continue the development and implementation of a statewide birth-through-higher-education mental and behavioral health framework, \$5 million to maintain Early Childhood Mental Health Consultation services, and an increase in Safe and Supportive Schools funding to \$670,087.

Higher Education

The Healey-Driscoll Administration has significantly expanded state financial aid, making higher education more affordable and diverse, with a focus on ensuring all students can access and complete their education. The House 1 budget recommends allocating \$2.24 billion to the Department of Higher Education, the University of Massachusetts system, the State Universities, and the Community Colleges, including Fair Share funding.

- \$118 million to maintain free community college
 - Massachusetts now offers one of the most accessible, equitable and comprehensive free community college programs in the country for both full-time and part-time students, regardless of income. Programs like MassReconnect and MassEducate have contributed to a 24 percent increase in community college enrollment over the past two years
- \$80 million to sustain the MassGrant Plus expansion and other financial aid
 - The expanded MassGrant Plus program makes four-year colleges and universities tuition- and fee-free for Pell-eligible students, while halving out-of-pocket costs for middle-income students. This has driven the first growth in enrollment at Massachusetts' public four-year campuses in over a decade
- \$28.67 million for SUCCESS funding
 - This includes \$14.67 million for community colleges and \$14 million for state universities. This maintains funding for Massachusetts' nine state universities, which were added to the program for the first time in FY25. SUCCESS supports services like peer mentoring, academic skills workshops, and academic, career and scholarship advising to improve graduation rates, particularly for historically underserved students.
- A \$132.9 million increase for public institutions of higher education to annualize the collective bargaining agreements made in 2025
- \$125 million to leverage Fair Share revenues to unlock approximately \$2.5 billion for higher education capital improvements
 - Investments will include addressing deferred maintenance, modernizing and decarbonizing campus facilities, constructing major capital projects, renovating lab and instructional facilities, and more

Transportation

A strong transportation system is critical to fostering vibrant communities and a thriving economy. The House 1 budget proposal furthers the administration's commitment to creating a

safe, reliable, and efficient transit system by recommending \$3.2 billion in total transportation funding. This includes \$1.426 billion in sales tax revenue for the Massachusetts Bay Transportation Authority (MBTA) and \$765 million in Fair Share revenue to support key operating investments and enhance borrowing capacity. House 1 proposes to invest in the MBTA to stabilize operations, improve service, and launch initiatives across MassDOT's four divisions: Aeronautics, Highway, Rail and Transit, and the Registry of Motor Vehicles.

In addition to proposing investments in the Commonwealth's Regional Transit Authorities, the MBTA, and MassDOT, House 1 also proposes \$100 million be allocated for debt service on new Commonwealth Transportation Fund (CTF) bonds. Over the next 10 years, this proposed capital financing investment is projected to unlock more than \$5 billion of additional capital funds including for expansion of the Chapter 90 local funding program and stabilizing investments in rail reliability, bridge and pavement repairs, resilience improvements, safety improvements, and congestion interventions.

Regional Transit Authorities

The House 1 budget recommendation proposes further investments to support the work that the Commonwealth's 15 Regional Transit Authorities (RTAs) do to give residents affordable and equitable access to jobs, education, and community. RTAs disproportionately serve lower-income and minority populations, while also providing specific support for older adults and people with disabilities. The Healey-Driscoll Administration proposes \$204 million (\$94 million of historical state investment and \$110 million of Fair Share) across all funding sources to sustain prior year funding levels and maintain fare equity and service needs. The budget proposes allocating the \$110 million in Fair Share resources across several notable programs:

- \$66 million in supplemental State Contract Assistance to expand service hours, operate weekend services, and expand routes, among other operational improvements
- \$30 million for a grant program that supports RTAs in providing systemwide, year-round fare free transit service
- \$10 million for a grant program that supports RTAs in creating or altering routes that advance connectivity between existing public transportation routes, including those operated by RTAs and the MBTA
- \$4 million for the Community Transit Grant Program to expand mobility options for seniors, persons with disabilities and low-income individuals; the program supports mobility management activities and operating costs

Massachusetts Bay Transit Authority (MBTA)

To stabilize the MBTA, in light of growing expenses and a decline in fare revenue, the Healey-Driscoll Administration proposes \$2.1 billion investment in the MBTA. This is made up of a \$1.4 billion sales tax transfer, \$500 million of Fair Share revenues, and \$187 million in general revenues specifically dedicated for operational support. The proposed Fair Share investments would maintain and expand investments made in previous years, including for the Income-Eligible Fare Relief program, the MBTA academy, and water transportation, as well as providing predictable and dependable operating support to help close the MBTA's operating budget gap.

The MBTA's fiscal challenges are driven by several trends: rising personnel costs, successful hiring and retention initiatives, growing costs of constructing and maintaining infrastructure, service expansions, the adoption of new technology, and ridership that continues to lag behind pre-pandemic levels. All of these factors have caused the MBTA's operating costs to increase much faster than the MBTA's available sources of revenue. The state's proposed investments in the MBTA will help stabilize these trends, while parallel management initiatives aim to bring riders back, improve the rider experience, and increase safety and reliability. Investments supported in FY2025, including the Track Improvement Program, are already making progress towards this goal by removing speed restrictions on the transit system, returning 2.4 million minutes a day to riders, and generating \$1 million in economic benefits daily. The MBTA also made significant service improvements to the RIDE, increasing on-time performance from 85 percent in 2023 to 94 percent in 2024 and making the D branch of the Green Line fully accessible. Increasing rider and resident confidence in the MBTA will strengthen the MBTA in the long run.

Massachusetts Department of Transportation (MassDOT)

The House 1 budget proposal recommends \$617 million to support MassDOT operations, including \$55 million from Fair Share revenues. This funding level includes \$80 million for snow and ice removal, a recommendation based on the \$77.4 million average cost over the last five years. These efforts are essential for maintaining safe road conditions during storm events, which will likely become more severe due to the effects of climate change. As of December 31, 2024, MassDOT has already spent \$19.7 million in FY25 on snow and ice removal.

The Healey-Driscoll Administration also recommends funding that would allow MassDOT to increase staffing to improve their ability to deliver their capital projects, a need that continues to grow. These new positions will support existing initiatives including the West-East Rail, the Cape Cod Bridge Program, and various road and bridge projects, as well as supporting new projects made possible by Bipartisan Infrastructure Law grants, expanding technical assistance for MassDOT's highway maintenance, and advancing bridge and highway repairs and resiliency projects.

Through our House 1 budget recommendations, the Healey-Driscoll Administration maintains and expands its commitments to building a safe, reliable, and efficient transportation system for residents and visitors, with the ultimate goal of enhancing quality of life for all who live and travel through the Commonwealth.

Economic Development

In its second year, the Healey-Driscoll Administration achieved a significant milestone in advancing its economic development plan, *Team MA: Leading Future Generations*, by signing the *Mass Leads Act* into law. The transformative, nearly \$4 billion economic development legislation positions Massachusetts as a global leader in emerging industries like climatetech and applied artificial intelligence (AI), while also building on the success of the state's renowned life sciences sector. In implementing the bill, the administration is focused on job creation, business growth, workforce development, and strengthening rural and regional economic development initiatives.

As outlined in the 2023 economic development plan, the Executive Office of Economic Development's strategic vision is organized around three priority areas of focus:

- Fundamentals – investing in the fundamentals to enable economic growth
- Talent – retaining and attracting the world's best talent across all backgrounds
- Sectors – supporting businesses that power the state's economy

This framework guided the development of the *Mass Leads Act* and informs crafting of both the operating and capital budget for EOED.

House 1 recommends allocating \$146 million to the Executive Office of Economic Development, including funding to support the implementation of the *Mass Leads Act*. This includes:

- \$12 million for programming at the Mass Life Sciences Center (MLSC), which complements the \$500 million MLSC Breakthrough Fund capital authorization in the *Mass Leads Act* in supporting career opportunities, workforce training, health-equity research, and entrepreneurial ventures, strengthening the state's global leadership in the life sciences industry
- \$6 million for programming at MassTech Collaborative to support the innovation economy
- \$7.5 million for Small Business Technical Assistance (SBTA), enabling small businesses to grow and scale across the state. This effective program leverages a robust statewide network of nonprofit organizations to offer technical assistance, education, and access to capital for small businesses, particularly minority-owned businesses
 - FY26 will benefit from a streamlining of the application process for SBTA providers
- \$750,000 for an expansion of the Talent H-1B Retention Visas for Entrepreneurs (MassTHRiVE) program at MassVentures to help Massachusetts attract and retain talent in key sectors

The Healey-Driscoll Administration is seizing the opportunity to position Massachusetts as the world's climatetech leader and innovation hub. The *Mass Leads Act* saw a \$1 billion investment in the budding climatetech sector. House 1 proposes funding to operationalize that investment through cross-agency coordination, led by the Massachusetts Clean Energy Center (MassCEC), to accelerate the development and deployment of climate technologies. This will foster new businesses and jobs in this high-growth sector.

House 1 reinforces the administration's priority of supporting local and regional economic development. The budget proposes allocating \$1 million for Regional Economic Development Organizations, which support regional efforts to grow and retain businesses, and allocating \$600,000 for the Massachusetts Downtown Initiative – a key component of the Community One Stop for Growth – to revitalize city and town centers.

The Healey-Driscoll Administration's House 1 budget recommendation also supports the development of new tools that deliver more efficient, coordinated services for our businesses.

The Business Front Door, an online, one-stop platform under development, will make it easier for businesses to access more than \$250 million in statewide resources across 50 programs. It will be formally launched in early 2025.

Through the *Mass Leads Act*, the Healey-Driscoll Administration strengthened its commitment to rural communities by establishing the Rural Development Fund and defining "rural communities" to ensure targeted funding reaches these areas. Empowered by House 1, the Director of Rural Affairs will continue to serve as the administration's dedicated advocate and primary resource for rural communities.

Despite challenges posed by slower post-pandemic revenue growth, the administration has worked to sustain proven and vital economic development programs through innovative tools, like the reimagined Workforce Investment Trust Fund. This fund uses a portion of sports wagering revenue and will provide funding for several key programs in FY26.

Equity is central to the administration's economic agenda, with a proposal that \$15 million dollars be dedicated to the Community Empowerment and Reinvestment program. This would be made up of \$7.5 million from the Workforce Investment Trust Fund and \$7.5 million in House 1. These competitive grants develop, strengthen, and invest in community-led efforts, such as workforce development, to bring positive economic outcomes to communities that have historically faced significant barriers to economic growth.

The people of Massachusetts have long driven the state's economy and have been our biggest competitive advantage. Recognizing the need for ongoing workforce development, the administration recommends fully transitioning the Advanced Manufacturing Training Program to the Workforce Investment Trust Fund. This \$2.5 million investment will guarantee the program's continued success and strengthens the Commonwealth's labor force capacity in the high-growth advanced manufacturing sector.

The budget also recommends increased resources for the Office of Consumer Affairs and Business Regulation, which protects consumers and ensures fair conduct of the businesses its five agencies regulate across the state.

House 1 also recommends maintaining funding for a reciprocity ombudsperson unit to assist with the occupational licensing process at the Division of Occupational Licensure.

Labor and Workforce Development

Building a strong workforce across Massachusetts is essential to driving economic competitiveness, supporting affordability, and advancing equity. The Healey-Driscoll Administration is committed to creating meaningful career opportunities and economic stability for all residents. House 1 recommends key investments to address the workforce needs of high-priority populations and industries. These investments focus on supporting youth, the unemployed, the underemployed, low-income residents, and refugees and immigrants.

Key proposed investments include:

- \$15.7 million for youth employment through the YouthWorks program, which offers employment opportunities for youth and young adults, providing exposure to new and

exciting career pathways while developing the skills and experience necessary for future employment

- \$10 million to implement training and employee retention strategies for high-demand occupations through the Workforce Competitiveness Trust Fund
- Nearly \$9 million to expand accelerated learning and certifications for technical trades, including manufacturing and construction
- \$3.3 million to leverage registered apprenticeship to increase diversity in construction and open more pathways for untapped talent in growing industries

In addition, the House 1 budget recommends elevating the Division of Apprenticeship Standards to a department and includes a new \$350,000 line-item to support this department. House 1 also recommends maintaining funding for the Healthcare Worker Training, AFL-CIO Workforce Development programs, and Re-Entry Workforce Demonstration Grants. Finally, it reflects several measures to streamline processes and improve budget efficiencies.

Health and Human Services

The Executive Office of Health and Human Services (EOHHS) works to improve health outcomes, build resilience, maximize independence, and contribute to higher quality of life for people in Massachusetts. EOHHS directly serves nearly one in three Massachusetts residents with programs and services delivered across 11 agencies and the MassHealth program.

The FY26 House 1 budget recommends \$10.16 billion in funding for EOHHS, excluding MassHealth – a \$452.5 million (5 percent) increase over the FY25 GAA. This budget is responsive to the state’s challenging fiscal realities while maintaining or increasing support for critical programs and services in the context of unprecedented caseload demand and an aging Massachusetts population.

This budget proposal reflects the Healey-Driscoll Administration’s commitment to health equity and access to care; maternal and reproductive health care; and unwavering support for Massachusetts’s children, families and people with disabilities.

MassHealth

MassHealth, the Commonwealth’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 45 percent of Massachusetts children and over 70 percent of Massachusetts residents living in nursing facilities.

In FY26, MassHealth will continue to ensure members’ access to high-quality services, while proposing several steps to address three key drivers of spending growth:

- Elevated caseload (260,000 above pre-COVID levels) with significantly higher acuity
- New statutory spending requirements
- Expiration of nearly \$1 billion of enhanced federal revenue received during the pandemic

Combined, these factors have led to significant growth in the MassHealth program and the need to identify tools to manage spending in FY26. These tools include increased program integrity initiatives, administrative savings, and managing provider rates. Even in the face of these budget pressures, the House 1 budget recommendation would preserve access to medically necessary services and maintain and strengthen our commitment to universal coverage. By raising the asset limit for seniors on MassHealth for the first time in 35 years and growing primary care spending to 10 percent of total medical expenditures, House 1 would improve affordability as well.

Investing in Our Future: Children, Youth, and Families

EOHHS agencies deliver care to the most vulnerable children and adolescents in the Commonwealth, particularly through the Department of Children and Families (DCF) and the Department of Youth Services (DYS). FY26 House 1 recommends maintaining our commitment to our young Massachusetts residents. The budget proposes a 2.53 percent increase for supports to DCF foster parents, raising the average daily rate to \$37.72. This increase recognizes the costs incurred by foster families who care for and provide food, clothing, housing, and transportation to children who are unable to remain safely with their parents.

This budget recommendation also supports the operational capacity of the Office for Refugees and Immigrants (ORI), which has expanded services over the past couple of years to meet the cultural and linguistic needs of refugees and immigrants in Massachusetts.

Prioritizing Maternal Health and Reproductive Care

Massachusetts is a national leader in maternal health and reproductive health care, with innovative investments in health equity, health-related social needs, and perinatal mental health. Building on the historic progress already made under the Healey-Driscoll Administration, the FY26 budget recommendation sustains critical investments including the Doula Certification Program through DPH and MassHealth coverage for doula services, along with expanded access to cash benefits to low-income pregnant people. These investments ensure that Massachusetts remains a leader in advancing maternal health equity and care.

Caring for an Aging Massachusetts Population

While the total Massachusetts population has grown by less than 2 percent over the last five years, the population aged 60 and older has grown by 13 percent. This has contributed to heightened demand for services tailored to older adults and increased caseload for the newly renamed Executive Office of Aging & Independence (AGE). The major AGE programs – including Home Care, Enhanced Community Options (ECOP), and Community Choices – make it possible for more older adults to remain in their communities rather than in nursing homes, enabling more independence and lower cost of care.

The FY26 House 1 budget recommendation supports unprecedented caseload growth for the older adult population in Massachusetts and includes \$104.4 million to maintain service delivery.

To manage this rate of growth going forward, AGE will implement managed intake for its lowest acuity members in order to preserve services for existing home care clients and prioritize enrollment for our most vulnerable residents.

Maintaining Economic Empowerment and Resilience

Demand for health and human services in Massachusetts remains at unprecedented levels following the COVID-19 pandemic. The FY26 budget recommendation is responsive to these demands and supports targeted investments to expand benefits and eligibility, and to achieve equity and economic resilience for vulnerable populations.

The Department of Transitional Assistance (DTA) is integral to Massachusetts' efforts to support its most vulnerable residents through direct financial assistance, food support, and employment and training programs. Since FY20, the department has experienced average year-over-year caseload growth of 9 percent. House 1 recommends funding DTA at \$1.204 billion, a \$64.9 million (+6 percent) increase above the FY25 GAA.

Empowering Individuals with Disabilities

This budget proposal supports the largest ever class of the Turning 22 program, which serves transition-age young adults with disabilities as they leave special education services and transition to adult services offered through the Department of Developmental Services (DDS), MassAbility, and the Massachusetts Commission for the Blind (MCB). House 1 recommends investing \$116.8 million to annualize services for the FY24 and FY25 Turning 22 classes while also supporting a new FY26 class. An estimated 1,537 individuals will become age-eligible for DDS services in FY26, an increase of 62 individuals (+4.2 percent) over the FY25 class. This growth reflects the rising clinical need for services available to neurodiverse individuals, including those with Autism Spectrum Disorder (ASD) and Intellectual Disabilities (ID).

MassAbility (formerly the Massachusetts Rehabilitation Commission, renamed in legislation signed by Governor Healey in September 2024) also continues to empower a growing number of young people to explore career and training possibilities, new options for home and community life, and legal rights and benefits. In FY24, 23 percent of 18,000 total applications came from individuals under the age of 25. This trend has continued into FY25 as the agency averages 345 youth applications a month.

Supporting the Human Services Workforce

The direct care workforce in Massachusetts has undergone significant strain in recent years, exacerbated by the COVID-19 pandemic. EOHHS is working with its agencies, the Workforce Skills Cabinet, and other partners throughout the state to mitigate workforce challenges within the health care and human services sectors. House 1 recommends annualizing FY25 rate increases for \$524.2 million, including \$388.4 million at DDS, and \$207 million to fund FY26 rate increases to human and social service providers via the Chapter 257 and Human Service Reserve. These investments, which have established minimum salary benchmarks of \$20 per hour for Direct Care Professionals and have maintained the commitment to benchmark salaries to the 53rd percentile of the Bureau of Labor Statistics (BLS), have been critical to addressing workforce shortages and increasing access to services across the human service provider network.

Veterans

The Healey-Driscoll Administration is committed to providing exceptional care for our veterans and is proposing a budget to deliver the highest quality of services for our veterans. This dedication is demonstrated with Governor Healey's signing of the *HERO Act*, the most comprehensive legislation to support veterans in Massachusetts history. The House 1 budget proposal continues strong support for Massachusetts' veterans and their families, proposing a

\$201 million investment. This represents a \$7.5 million (+3.8 percent) increase over the FY25 House 2 budget proposal.

The FY26 budget proposal for the Executive Office of Veterans Services (EOVS) supports programs for veterans that increase access to affordable housing, provide mental health services, maintain the veteran cemeteries in Agawam and Winchendon, and expand resources for women veterans.

Highlights of FY26 proposed investments:

- Increases Chapter 115 benefits by \$13.6 million to enhance financial support for veterans and their families
- Fully funding the provisions of the *HERO Act*, including an increase to the annuity benefit from \$2,000 to \$2,500 for 100 percent disabled veterans, Gold Star families, and surviving spouses
- Allocating \$671,000 to expand the Statewide Advocacy for Veterans Empowerment (SAVE) program, a peer-driven mental health program for veterans to strengthen mental health programs for veterans

The Healey-Driscoll Administration also proposes investing in staffing and infrastructure at the Massachusetts Veterans' Homes in Chelsea and Holyoke. House 1 proposes \$46.5 million for Chelsea, supporting new labor agreements, implementing electronic medical records, and factoring in cost-savings associated with the recent move to the new facility. These funds also account for an expected increase in the resident population as new beds come online.

House 1 proposes investing \$33.3 million in for the Massachusetts Veterans Home at Holyoke. These funds support the implementation of electronic medical records and capital improvements to the current facility. Earlier this year, Holyoke celebrated a "Topping Off" ceremony for the new state-of-the-art facility for veterans, marking a major milestone in its construction. This new facility is funded through a generous federal contribution and will have the capacity to house 234 veterans.

These strategic investments build on recent strides made by the Executive Office for Veterans' Services (EOVS), including the implementation of electronic medical records and workforce improvement at both Homes. The new facility, licensed by DPH and certified by the Centers of Medicare and Medicaid Services (CMS) for long term care, reflects the Healey-Driscoll Administration's commitment to invest in and engage more veterans and families.

Energy and Environment

Clean Energy

Massachusetts is an established leader in developing new technologies and policies to solve complex problems. The climate crisis serves as an opportunity for Massachusetts to continue that legacy. This budget will allow Massachusetts to continue our progress toward meeting our 2050 net-zero decarbonization goals while creating new jobs in offshore wind, climate technology, construction, manufacturing, and building decarbonization.

The clean energy transition requires pathways for building clean energy infrastructure. In November 2024, the Healey-Driscoll Administration signed into law *An Act promoting a clean*

energy grid, advancing equity, and protecting ratepayers. To implement the law, House 1 funds significant changes to the energy facilities siting and permitting process and to enhance the capabilities of the Department of Public Utilities (DPU) and Department of Energy Resources (DOER). This includes \$1.6 million for DPU to expand support, establish a new Division of Public Participation and reformat the Energy Facilities Siting Board which will implement new requirements for a more open clean energy grid, equity, and ratepayer protections.

House 1 also includes \$2 million for DOER to establish a new Division of Clean Energy Siting and Permitting, implement new large-scale energy storage procurements, continue multi-state collaboration for clean energy generation, as well as grid modernization efforts.

Climate technology is central to meeting our decarbonization goals. In November, Governor Healey signed the *Mass Leads Act*, investing in cutting-edge industries developing transformative clean energy innovations. Over the next 10 years, this law authorizes \$400 million in capital resources for advancing the offshore wind industry and climatetech, stimulating innovation and manufacturing, in addition to \$300 million in tax incentives. The Massachusetts Clean Energy Center (MassCEC) will scale its programming to capitalize on these goals, which requires a sustained and predictable investment over time. House 1 funds \$30 million for CEC to build capacity, including on offshore wind research and innovation partnerships, workforce development, and support for start-ups.

Finally, the budget includes \$5 million for implementing a comprehensive approach to climate action, including supporting the implementation of the Clean Energy and Climate Plan. Two million dollars are also dedicated for new staff at DPU to ensure safety is paramount for systems that supply heat and power, and transport our residents.

Climate Resilience

House 1 maintains the Healey-Driscoll Administration's commitment to protect Massachusetts communities from the impacts of extreme weather events, like flooding, heatwaves, drought, and storms, which resulted in over \$65 million in climate resilience investments through the Healey-Driscoll Administration's Capital Investment Plan this year. Next year, EEA will continue to drive this scale of investments through our ResilientMass Plan, which outlines over 125 actions state agencies will take to address the impacts of climate change, and will support Municipal Vulnerability Preparedness (MVP) plans designed by municipalities. EEA will also continue the groundbreaking efforts of our ResilientCoasts initiative, led by our Coastal Zone Management Office (CZM), who has been working with state and local leaders and communities to develop long-term coastal resilience solutions.

Finally, House 1 maintains investments that help our cities and towns implement critical infrastructure updates that build resilience to climate hazards, including:

- \$2.8 million for a culverts and small bridges technical assistance program to help communities to address failing culverts
- \$1 million for a dam safety technical assistance program to help conduct dam safety inspections and develop emergency action plans

Environmental Justice and Equity

EEA is dedicated to advancing environmental justice, ensuring that all residents benefit equitably through our transition to clean energy, in building resilience to extreme weather events, and in accessing outdoor recreational opportunities. By embedding consideration of environmental justice into our policies and programs throughout every agency, EEA strives to address systemic disparities and amplify the voices of historically marginalized communities. The House 1 budget funds \$8.3 million for coordination of environmental justice across agencies. This includes improved application of translation services, training opportunities for internal and external entities, and grants to help communities build capacity for implementing environmental justice. The budget also supports dedicated environmental justice liaisons at all EEA agencies to drive internal and external engagement.

Natural Resources

Ensuring Massachusetts remains the best place to live and raise children is our top priority. Massachusetts has an expansive network of state parks, forests, trails, rinks and pools, and campgrounds. The Department of Conservation and Recreation (DCR) is responsible for managing many of these assets, as a steward of one of the largest state parks systems in the country. House 1 maintains investment in 120 DCR staff added during this administration to continue improving access to the outdoors, providing customer service, and maintaining these public spaces. In addition, House 1 provides \$2.5 million for the Summer Nights program to connect youth in urban areas with free recreational, education, and skill-building activities, as well as targeted investments in youth programs, including the Climate Conservation Corps, Historic Conservation Corps, and Stewardship Corps.

The Department of Fish and Game (DFG) is dedicated to preserving the state's natural resources to ensure the health and longevity of our fisheries, wildlife species, and plants. The budget funds the implementation of the Commonwealth's Biodiversity Plan, including habitat management that ensures longevity of protected areas.

Further, House 1 continues to support the Department of Environmental Protection's (DEP) mission to provide clean air and clean water, maintaining funding for 100 additional DEP employees to accomplish this while improving service delivery with respect to permitting expediency.

Finally, the Healey-Driscoll Administration is committed to providing our residents with access to healthy meals and a robust agricultural economy, through the Massachusetts Department of Agricultural Resources (MDAR). The House 1 budget funds Emergency Food Assistance Program (MEFAP) at \$42 million to continue to provide over 39.4 million meals to those in need. In addition, in FY25 MDAR issued nearly \$25 million of Food Security Infrastructure Grants (FSIG) to producers, distributors, and municipalities to provide greater, more equitable access to local food in the state's food system. In FY26, the FSIG program will be funded through the Capital Investment Plan to produce and distribute food that nourishes our communities, sustains businesses and workers, and supports responsible stewardship of our land and water.

Criminal Justice and Public Safety

By prioritizing strategic investments and maximizing efficiencies, the Healey-Driscoll Administration's FY26 budget proposal reaffirms a deep commitment to delivering essential public safety services while building a foundation for long-term resilience and growth. From strengthening emergency preparedness and providing resources to combating hate crimes to addressing emerging threats and supporting a pipeline for the next generation of public safety professionals, the \$1.7 billion budget proposed for the Executive Office of Public Safety and Security (EOPSS) represents a \$106.7 million (7 percent) increase above FY25.

The House 1 budget recommends funding the Massachusetts State Police at \$564.6 million, a \$47.1 million (9 percent) increase over FY25. This investment reflects a forward-looking approach to strengthening the department while ensuring fiscal responsibility. The budget proposes \$10.5 million to fund 175 new recruits in the 92nd Recruit Training Troop (RTT) and \$2 million in continued support for the successful cadet program. A vital element of the 2020 police reform law, the cadet program offers aspiring public safety professionals an equitable pathway to a career in law enforcement. Upon successful completion of the cadet program, members become eligible to join an RTT.

Additionally, the House 1 budget maintains critical funding for large event support, ensuring the safety and security of the state's most beloved and iconic events, such as the July 4th celebration on the Esplanade, while also seeking to reduce overtime costs by approximately \$7 million.

The House 1 budget recommends maintaining critical investments in the Department of Correction (DOC), allocating \$890.5 million, a \$62.9 million (+8 percent) increase over FY25. This level of funding will help support comprehensive care and innovative programs for the incarcerated population. House 1 also recommends \$264 million in healthcare contract obligations for ensuring quality healthcare services to address the complex medical and mental health needs of those in DOC's care and custody.

Additionally, this proposal recommends sustaining funding for groundbreaking initiatives like DOC's tablet program, which provides the incarcerated population with expanded access to educational, vocational, and personal growth programming designed to advance rehabilitation.

The House 1 budget recommends maintaining funding for the No Cost Calls initiative, to alleviate the financial burden and remove barriers for an individual in custody to stay connected with their outside support system. By prioritizing these investments, the administration aims to continue the Commonwealth's national leadership in reducing recidivism by equipping incarcerated individuals with the resources, tools, and support needed to successfully reintegrate into the community, ultimately improving outcomes and fostering safer communities for all.

Additional public safety initiatives and policy proposals include:

- Promoting accessible, equitable pathways to a career in safety and security with continued funding for the successful EOPSS paid summer internship program
- Strengthening statewide emergency preparedness with sustained funding for the Commonwealth's nation-leading Active Shooter Hostile Event Response (ASHER) training program

- This program is designed to advance a standard, integrated response between law enforcement, fire services, dispatch, and emergency medical services during an active attack event
- Increasing community safety and resiliency through key grant programs, including the Commonwealth's Project Safe Neighborhood Program and the Nonprofit Security Grant Program, which protects nonprofits at risk of a hate crime or terror attack
- Advancing public safety by delivering a series of EOPSS-led educational initiatives, summits, and trainings designed to foster collaboration across a wide range of stakeholders, share knowledge, and develop innovative solutions to critical challenges, including those related to emerging adults, reentry, victim services, campus security, election security, illicit narcotics and emergency readiness
- Enhancing transparency and accountability with sustained funding for Body-Worn Camera programs at the Massachusetts State Police and Department of Correction
- Supporting the health and wellness of National Guard members with \$300,000 in funding a suicide prevention and mental health program

Technology and Cybersecurity

Over the last two years, the Healey-Driscoll Administration has made significant investments in technology infrastructure, administered by the Executive Office of Technology Services and Security (EOTSS). The administration's FY26 House 1 budget proposal recommends further supporting the Commonwealth's technology infrastructure by directly appropriating \$62.3 million to EOTSS, distributed to align with a vision of providing accessible, simple, and secure digital experiences and reflecting the critical role that technology plays in the delivery of government services.

Funding in the FY25 GAA has enabled EOTSS to launch an enterprise digital accessibility program, led by the Commonwealth's first-ever Chief IT Accessibility Officer. EOTSS has been able to implement the Accessibility Center for Consulting, Education and Support Services (ACCESS) Team to provide testing services, resources and training opportunities to employees to ensure that digital services and applications are fully accessible and functional for all Massachusetts residents.

Supported by the passage of Governor Healey's *FutureTech Act* last year, EOTSS continues to enhance the digital experience for residents, anchored by the MyMassGov login that 1.8 million residents use to seamlessly access state services with a single, secure sign-on. The site has averaged 4.4 million sign-ons each month. Another successful aspect of the focus on improving digital experience is the AskMA chatbot that quickly connects visitors to Mass.gov with the content and services they are seeking. The chatbot supports broad access by providing multilingual capabilities in 20 languages. Funding in the House 1 budget proposal would allow the AskMA chatbot to further improve experiences with the public, making the tool more responsive to constituents needs while ensuring that agencies understand the requests that users are making.

The FY26 budget proposal supports information technology modernization and hardware maintenance to enable continuous renewal and improvement in the delivery of services and solutions. The budget recommendation prioritizes protecting the Commonwealth's information

technology systems and data. Through the Commonwealth Security Operations Center and EOTSS Enterprise Risk Management, critical cybersecurity vulnerabilities have been reduced by nearly 50 percent from a 2023 baseline, including the remediation of all external-facing critical vulnerabilities. The vulnerability management program has expanded to include the identification and mitigation of operational technology and interconnected device vulnerabilities.

EOTSS is committed to operational excellence and efficiency through the centralized management of information technology standards, infrastructure, and service delivery. This past year, EOTSS has provided centralized leadership in safely adopting responsible artificial intelligence (AI) to improve government functions and service delivery. By requiring AI use and development in a secure sandbox environment, the state ensures that no sensitive data can be used to train public AI models. Protocol dictates that after a resident-centric use case has been developed, the AI Center of Excellence at EOTSS reviews the proposal. This provides another layer of accountability to ensure that any AI risks are mitigated and aligned with EOTSS standards. The FY26 budget proposal recommends supporting EOTSS's ongoing work to build out the enterprise data analytics program that will support efforts to make the state's data interoperable and transparent while also creating opportunity to successfully adopt AI solutions in the future and make data-driven decisions that provide positive outcomes for residents.

In addition to providing transparent data sets to the public, EOTSS remains committed to increasing transparency for our agency customers. A new proposal within House 1 is for EOTSS to roll out a new chargeback model to progress from a legacy usage-based chargeback system to a transparent model that accounts for the true cost of business. Together with our successful customer engagement program and the release of an updated service catalog in recent years, EOTSS is committed to providing greater insight into product & service offerings, and a revamped approach to ensuring customer success.

Conclusion

House 1 is a balanced, fiscally responsible, and forward-looking budget for Massachusetts that recognizes the challenges we face as a state and tackles them head on. While the Healey-Driscoll Administration is proud of the accomplishments we have made over the last two years, we know that our work to make Massachusetts more affordable, equitable, and competitive is not done. This budget continues those efforts, and we look forward to working with our partners in the Legislature to develop a final spending plan for FY26 that delivers for all Massachusetts residents.

