

FY2027 H.2 BUDGET BRIEF

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Team Massachusetts: Competing Globally, Delivering Locally

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Massachusetts enters Fiscal Year 2027 (FY27) at a moment of both opportunity and risk. Federal research funding is tightening. Competition for talent and capital is intensifying. Other states and countries are moving aggressively to attract the industries that will define our future. Within this context, Massachusetts must move decisively from planning to execution.

The FY27 House 2 budget recommendation, together with companion legislation, makes significant investments to position Massachusetts as a global leader and protects core staffing, systems, and operational capacity to make sure that state government continues to deliver for residents, businesses, and communities across the Commonwealth.



Building on Massachusetts's Strong Talent Base

House 2 advances a workforce strategy for the skills demanded by high-growth sectors such as life sciences, applied AI, advanced manufacturing, climatetech, and defense. Central to this strategy is House 2's proposal to expand flexibility in the Workforce Investment Trust Fund (WITF) and the Economic Development Trust Fund. Examples of anticipated uses include:

- Pathmaker, administered by the Massachusetts Life Sciences Center (MLSC), which brings together life sciences companies and training providers to address the most pressing workforce needs in the industry. To date, Pathmaker has supported the creation of over 1,000 training opportunities, and graduates have reported earning twice as much after completing the program.
- Community Workforce Partnership, which supports community-based projects that prepare and connect residents to in-demand jobs and careers while removing barriers to participation. This program funds community partnerships that provide education and training services to residents to increase their job employability, literacy, and language skills, including sector-specific training, paid work experience, and attainment of industry credentials. Projects also offer wraparound services to ensure people complete the training and stay in the workforce, especially vulnerable residents, including immigrants, youth, people with disabilities, and individuals with history of criminal justice involvement. These investments strengthen local economies while expanding pathways to stable jobs and long-term economic mobility.
- Advanced Manufacturing Training, which funds regional systems to provide recruitment, job training, placement, and supportive services in advanced manufacturing. The program focuses on training unemployed and underemployed individuals, particularly underrepresented populations including veterans, minorities, and women.



This approach is reinforced by coordinated investments elsewhere in House 2 and recent Fair Share surtax budgets (which appropriate the revenue generated by the voter-approved Fair Share surtax), including Career Technical Education expansion, Adult Basic Education and ESOL, Reimagining High Schools, free community college through MassReconnect and MassEducate, and new capital investments for our public higher education institutions through the *BRIGHT Act*. For more information, please see the **Expanding Access to Quality Education** budget brief.

A competitive economy also requires systems that allow workers to participate fully in the labor market and employers to plan and grow with confidence. House 2 advances workforce supports through several targeted tools:

- Early Education and Child Care investments, including sustained support for the Commonwealth Cares for Children (C3) program and continued implementation of the Inter-Agency Early Education and Child Care Task Force recommendations, supporting labor force participation by improving child care access and strengthening the early education work force. For more information, please see the **Expanding Access to Quality Education** budget brief.
- A new \$1 million Workforce Productivity Fund, which will provide grants to small employers to offset the cost of hiring substitute workers when employees are on continuous family or medical leave. This fund will help ensure workers can take needed leave while small businesses can maintain productivity and continuity.



These investments are complemented by a policy proposal in the recently filed *Act to Manage Federal Tax Changes in Massachusetts* that would make targeted adjustments to Paid Family and Medical Leave (PFML) employer contributions in response to new IRS guidance. These changes are designed to protect this important benefit for workers while avoiding unintended negative impacts on employers and preserving the long-term solvency of the PFML Trust Fund.

Strengthening Communities through Tourism and Regional Strategies

House 2 also recognizes that tourism, culture, and community assets are essential to attracting talent, supporting small businesses, and spreading economic opportunity across the Commonwealth.

House 2 recommends increasing the share of gaming revenues dedicated to the Massachusetts Tourism Fund, which is projected to provide an additional \$2.5 million or a

20 percent increase for the Massachusetts Marketing Partnership and regional tourism councils. House 2 also supports \$7 million for the second year of the Live Theater Tax Credit, which complements these investments by positioning Massachusetts as a national destination for live performance and strengthening year-round tourism and downtown activity.



Different regions across the state face distinct challenges and opportunities, warranting tailored approaches to economic development. House 2 includes \$1 million in operational support for Regional Economic Development Organizations (REDOs) for capacity building and facilitating regional projects that grow businesses and contribute to the Massachusetts economy. It also maintains critical funding for Small Business Technical Assistance at \$5 million, enabling access to a network of providers offering services, resources, and access to capital for Massachusetts's small businesses.

Driving the Massachusetts Innovation Economy

Sustaining and building on Massachusetts's global leadership requires continued investment in the innovation engines that power our economy. House 2 advances a coordinated strategy to strengthen research, commercialization, and sector-specific competitiveness. Key investments include:

- \$40 million for the Life Sciences Tax Incentive Program, with premium awards for manufacturing jobs, smaller companies, companies in outlying counties, and companies new to the state. Last year, this level of investment supported the creation and maintenance of 1,972 jobs across 48 companies, and since inception, the program has supported over 20,700 jobs across 273 companies.
- \$30 million for climatetech tax incentives to support companies as they scale and retain operations in Massachusetts. These incentives complement a \$10 million operating transfer in House 2 to the Massachusetts Clean Energy Center (MassCEC), alongside capital investments from the Healey-Driscoll Administration's Capital Investment Plan to help make Massachusetts the climate innovation lab for the world.
- \$30 million for the recently reformed Economic Development Incentive Program (EDIP) to support early stage, high growth companies scale across Massachusetts.

In addition, a companion Fair Share supplemental budget creates two new funds at MassVentures to translate innovation coming out of Massachusetts higher education institutions into companies, jobs, and regional growth. These investments build on a long history of success: for every \$1 million invested by the Commonwealth, MassVentures has supported 41,000 job years, leveraged \$351 million in private capital, and generated \$429 million in state and local tax revenue. Recommended investments include:

- \$5 million for a new Spinout Success Fund that will improve the efficiency of academic spinouts at public universities by streamlining licensing, expanding entrepreneur-in-residence programs on UMass campuses, and providing tiered early capital tied to milestones. This approach will help ensure that research conducted in Massachusetts translates into companies that grow and stay here, while simultaneously strengthening the state's public higher education research and commercialization capabilities.
- \$5 million for a new Infrastructure & Transportation Innovation Fund that will support startups developing technologies that modernize transportation systems, expand access, reduce emissions, and address first- and last-mile gaps. By aligning innovation investment with manufacturing, deployment, and workforce needs, this fund will help Massachusetts become not only a user of next-generation transportation solutions but also a developer and exporter of them.



The administration continues to advance new innovation-focused initiatives to strengthen the Commonwealth's long-term competitiveness by deploying multiple tools and funding sources. For example, the Massachusetts AI Hub awarded \$31 million to the Massachusetts Green High Performance Computing Center (MGHPCC) in Holyoke to create a shared AI Computing Resource for advanced AI research and commercialization.

Additionally, Governor Maura Healey's Discovery, Research and Innovation for a Vibrant Economy (DRIVE) Initiative will grow Massachusetts's world-renowned research and innovation economy. The administration has also launched the Massachusetts Strategic Hub for Innovation, Exchange and Leadership in Defense (SHIELD), a defense sector initiative to leverage federal match funds, federal grants, and bond funds to support military innovation, expand microelectronics and chips manufacturing in Massachusetts, create high-quality jobs and bolster U.S. supply chain resilience.



Earlier this year, Governor Healey filed legislation to propose a phased timeline for Massachusetts's implementation of several new federal tax provisions made in the federal *One Big Beautiful Bill Act* that would automatically impact Massachusetts tax collections due to state conformity with the federal tax code. The Governor's bill will deliver predictable, near-term tax savings for businesses to promote our state's economic competitiveness while safeguarding the sustainability of the current Fiscal Year 2026 (FY26) budget. The Governor's bill also expands a popular Massachusetts policy—the Pass-Through Entity (PTE) excise—to income that is subject to the Fair Share surtax, a change that will enable federal tax savings for eligible Massachusetts residents without impacting surtax collections that fund critical education and transportation investments.

Team Massachusetts in Action

Overall, the FY27 House 2 budget recommendation showcases Massachusetts's economic strategy in action. It sustains the workforce systems, community-based investments, and innovative tools that allow the Commonwealth to compete and win in a changing global economy. This budget positions Massachusetts not only to keep pace, but to lead – creating opportunity, strengthening communities, and securing long-term prosperity for the people of the Commonwealth.