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KIMBERLEY DRISCOLL
LIEUTENANT GOVERNOR

July 4, 2025

To the Honorable Senate and House of Representatives,

Pursuant to Section 5 of Article 63 of the Amendments to the Constitution, we are today signing H4240 "*An Act Making Appropriations for the Fiscal Year 2026 for the Maintenance of the Departments, Boards, Commissions, Institutions, and Certain Activities of the Commonwealth, for Interest, Sinking Fund, and Serial Bond Requirements, and for Certain Permanent Improvements,*" and returning certain portions to you for reconsideration.

Our administration is focused on and committed to making Massachusetts more affordable and competitive, growing our economy, creating jobs, improving transportation, and making sure everyone -- from early childhood to adulthood -- has access to the best education in the world. Over our first two and half years in office, this has meant working with the Legislature to cut taxes for families, build more housing to lower costs, and expand access to affordable, high-quality child care. We have fully paid for the Student Opportunity Act to support our public schools, covered the cost of universal school meals and made community college cost-free. We have invested in the MBTA to make it safer and more reliable, grown our leadership in cutting-edge sectors like life sciences and applied AI, and renewed our focus on vocational and career training to put both our people and our businesses in a position to succeed.

This Fiscal Year 2026 budget continues that progress. It's fiscally responsible, lowers costs, protects essential care and services, and moves the Massachusetts economy forward.

With President Trump and Congressional Republicans making drastic cuts to the services and programs that the people of Massachusetts rely on, there is significant economic uncertainty surrounding this budget. With that in mind, and following the leadership of the Legislature, this budget protects taxpayer dollars and limits spending. I am vetoing \$130 million across 28 line-items, bringing this budget down to \$1 billion less than the H1 proposal. More details can be found in the attached line-item report.

This fiscal responsibility allows us to continue leading and doing what we know works -- lowering costs, protecting essential care and services, and moving our economy forward by investing in housing, transportation and our schools.

With the help of our partners in the Legislature, we are continuing to support our schools and the Student Opportunity Act with full funding through Chapter 70 and increasing minimum per pupil aid to \$150 – a historic level. This budget maintains \$475 million for Commonwealth Cares for Children (C3) grants to support our child care providers, invests in early literacy and fully funds universal free school meals and free community college.

To make housing more affordable, we are eliminating broker fees for renters, saving them thousands of dollars every time they move.

This budget also continues our administration's track record of investing revenues from the Fair Share surtax in ways that maximize the return on our taxpayers' dollars to make transformative impacts on our education and transportation systems. The surtax continues to perform strongly. And while we know this budget spends \$2.4 billion in Fair Share revenue, which is higher than our original proposal, we also know that surtax collections in FY25 have already exceed that threshold. With Fair Share revenue, we are continuing to support literacy for our young learners through Literacy Launch and supporting scholarships through MASSGrant Plus.

This budget, along with the recently passed Fair Share surplus supplemental budget, also delivers on my administration's proposal to put \$8 billion in new resources toward transportation in the next 10 years. This includes historic levels of operating funding to stabilize the finances of the MBTA, enabling the MBTA to continue improving reliability and safety. The budget also extends historic funding to Regional Transit Authorities, including fare free service, and grants for transit providers to enhance mobility and connectivity options of Massachusetts residents. We are also grateful for the Legislature's support in increasing the amount of Fair Share revenue that will be dedicated to the Commonwealth Transportation Fund, expanding borrowing capacity for transformative capital investments in infrastructure including roads, bridges, rail, and climate resilient culverts. Some of the new capital funds will be used to increase transportation aid for local cities and towns, ease congestion, and improve safety across the state. By unlocking the potential for greater capital investment, the Healey-Driscoll administration, in partnership with the Legislature, is maximizing Fair Share revenues for transportation. Overall, the budget we are signing today is a \$60.9 billion spending plan for FY26 that includes \$2.4 billion of surtax spending. The budget reflects 1 percent growth over FY25 estimated spending. It is both thoughtful and responsible in this current economic climate.

But we also must acknowledge the headwinds blowing in our direction.

I want to thank the Legislature for their efforts to pull back on some spending in this budget, recognizing the great uncertainty ahead for both our economy and the lack of support we can expect to get from the federal government. Massachusetts, like other states, needs to be prepared to respond rapidly to evolving economic conditions. We know of looming federal cuts and tax law changes that could have negative implications for state tax revenue. By creating a cushion in this budget of more than \$800 million in unallocated resources, we will be better positioned to respond to an economic downturn or cuts in federal support for Medicaid, food security and other critical programming.

With the budget space created by my vetoes, I will be filing a supplemental budget to create a flexible reserve of \$100 million so that our administration can rapidly address pressures created by time-sensitive federal actions and respond to critical unfunded spending needs for FY26. This would include additional resources for the Department of Transitional Assistance with the goal of avoiding layoffs that could result without additional funding.

We are also seeking the authority to make mid-year health insurance plan changes for individuals insured through the Group Insurance Commission to help relieve pressure on the budget and the premium rates paid by members. The high-cost of GLP-1 weight-loss drugs have put extraordinary pressure on the GIC, and like other states, we believe it is the right time to scale back coverage of those drugs to only those patients for whom the medication is medically necessary. This will allow us to save \$27.5 million in FY26 through a veto and will bring health plans offered to members more in line with the level of benefits offered in the private market. Given the urgency of these growing costs, the administration is asking the GIC to take up this proposal this fall to enable a mid-year plan change.

In addition, we believe that in these tight and uncertain budgetary times we must all do our part to live within our means. That is why we will be taking a number of administrative steps to responsibly manage the FY26 budget:

- Continuing the hiring freeze started this spring while we reevaluate our full-time employee totals across the executive branch
- Freezing a salary increase slated to go into effect in January for non-union Executive Branch managers, generating \$17 million in savings
- Balancing the importance to communities and non-profits of local earmarks against state fiscal pressures by holding off on funding earmarks until later this Fall when we have a better appreciation for its affordability in light of federal budget outcomes and early-year tax collections

I am pleased to be signing 130 of the 134 outside sections in the conference report. These sections include allowing electronic signatures on vehicle title transfers to remove red tape, establishing a small business ombudsman, modernizing the board of appeals, establishing a local option for licensing authorities to convert existing wine and malt beverage liquor licenses into all-alcoholic beverage licenses, and extending the Connector Care pilot, which provides people with income up to 500 percent of the federal poverty level access to subsidized health plans, as well as previously mentioned reforms to brokers fees and fare-free regional transit.

Pursuant to Article LVI, as amended by Article XC, Section 3 of the Amendments to the Constitution of the Commonwealth, we are returning Section 29 related to vital statistics and Sections 20, 23, and 110 related to the Secure Choice Savings Program with recommendations for amendment.

Our reasons for doing so and the recommended amendments are set forth in separate letters that are dated today and included with this message as Attachments B and C. We are hopeful the

House and Senate will work with us to address the proposals returned with amendment so that we can sign them in short order.

FY26 Budget Highlights:

Fair Share

- \$1.5 billion for education, including:
 - \$266 million total for higher education, including \$96 million for Mass Educate to build upon the success of Mass Reconnect and make community free for all, and \$85 million for MassGrant Plus scholarships
 - \$759.9 million for K-12 education, including \$180 million to guarantee access to free school meals for students across the Commonwealth and \$15 million for Literacy Launch
 - \$469.2 million for early education and care, including \$93.7 million for child care financial assistance and \$360 million to help support the C3 program
- \$711.9 million for transportation, including:
 - \$550 million of Fair Share revenue dedicated to the Commonwealth Transportation Fund, which will leverage over \$5 billion in borrowing for transformative infrastructure investments
 - \$470 million operating support to stabilize the MBTA
 - \$115 million for regional transit authorities, including grant programs and free fares

Education and Local Aid

- Fully funds the Student Opportunity Act with \$7.36 billion for Chapter 70 funding, a 7 percent increase over FY25
- \$150 in per pupil minimum aid
- \$182 million increase to Special Education Circuit Breaker, a 37% increase over FY25
- \$132.4 million for K-12 education transportation, including \$103.8 million for regional school transportation
- \$50.5 million to Reimagining High School through programs like MyCAP, early college and innovation career pathways
- Provides \$475 million in C3 grants to early education and care providers
- \$1.06 billion for child care financial assistance to help families pay for care
- \$120 million for Free Community College
- \$28 million for SUCCESS funding for advising, coaching, and wraparound services for higher education students
- \$1.64 billion in direct funding to public institutions of higher education
- \$39 million for local and regional library aid \$14.4 million increase to Unrestricted General Government Aid (UGGA)

Housing and Homelessness

- \$276 million for Emergency Assistance Family Shelter and Services to maintain the state's ongoing shelter response and housing stabilization efforts

- \$253.3 million for the Massachusetts Rental Voucher Program (MRVP) to support at least 10,000 housing vouchers for low-income tenants
- \$115.6 million for Subsidies to Local Housing Authorities (LHAs), supporting the approximately 70,000 residents in the state-aided public housing portfolio operated by 229 LHAs across the state
- \$10.1 million for Sponsor-Based Permanent Supportive Housing, supporting residents exiting shelter and enter permanent housing with access to case management services

Economic Development

- \$5 million for the Small Business Technical Assistance program
- \$1.4 million for the Small Business Development Center at UMass

Health and Human Services

- Fully funds the Chapter 257 rate reserve for human service providers at \$207 million
- Fully funds the Department of Developmental Services Turning 22 Program
- Expands support for DCF Family Resource Centers through an historic \$35 million investment
- \$14.7 million for maternal health services, including a continuing \$1.0 million investment for a doula certification program at the Department of Public Health
- Establishes the Affirming Health Care Trust Fund with a \$1 million investment
- \$5.5 million for Children's Advocacy Centers
- \$5 million to ensure continuity of abortion and abortion-related care in the event of a loss of federal funding

Energy and the Environment

- Funds the Executive Office of Energy and Environmental Affairs at \$557.7 million, which includes:
 - \$20 million for the Massachusetts Clean Energy Center, with \$10 million supported through off-budget resources, to support wind technology, decarbonized homes, and workforce training programs in the clean energy industry
 - \$6.2 million for environmental justice
 - \$50.6 million for emergency food assistance
 - \$15.6 million in Hazardous Waste Cleanup
 - \$1 million total for Dam Safety Technical Assistance to assist communities in addressing vulnerable dams
 - \$2.7 million to fund critical work on small bridges and culverts

Workforce Development

- Provides \$15.4 million for Summer Jobs Program for At-Risk Youth (Youthworks) to subsidize wages and facilitate career development for at-risk youth
- Provides \$9.0 million for Career Technical Institutes for the development and operation of career technical institutes in vocational-technical schools
- Supports \$8.2 million for MassHire Career Centers to provide regional workforce training and employee placement services across 29 locations

- Includes \$3.3 million for the Registered Apprenticeship Program to expand registered apprenticeships prioritizing manufacturing, health care, and IT industries

Serving Our Veterans

- Funds the Veterans' Services at \$201.6 million, a 4 percent increase above the FY25 GAA
- Fully funds the HEROs Act at \$81.8 million, a 16 percent increase above the FY25 GAA. The HEROs Act supports notable benefit changes, including increased annuity payments for disabled veterans, expanded access to behavioral health services for low-income veterans, and an expanded definition of 'veteran' to increase eligibility for state resources

Criminal Justice and Public Safety

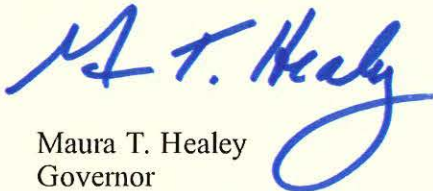
- \$10.1 million for gang prevention grants
- \$7 million for the Pre- and Post-Release Services grant program
- \$5.2 million for Non-profit Security Grants

Technology and Cybersecurity

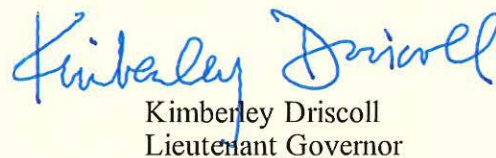
- Continue support of implementation of the Digital Accessibility and Equity Governance Board
- Fully funded position of Chief IT Accessibility Officer (CIAO) to support accessibility of state technology and communications

I once again thank the Legislature for its ongoing partnership and working with us to deliver a responsible and impactful FY26 budget that will deliver for the people of the Massachusetts.

Respectfully Submitted,



Maura T. Healey
Governor



Kimberley Driscoll
Lieutenant Governor