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## MTF Bulletin

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### FY 2025 Budget Conference Committee Preview: Workforce Development

Each version of the Fiscal Year (FY) 2025 budget proposed by the Governor, House, and Senate includes significant investments in areas such as childcare, transportation, and higher education. This brief focuses on workforce spending in each of the proposals for FY 2025 and how the proposed funding compares to the FY 2024 General Appropriations Act (GAA).

#### Overall Workforce Spending Themes

During the development of the FY 2025 budget, 48 line-items across 16 distinct public entities have been tracked to monitor proposed spending for workforce development programs. As laid out in our introductory [brief](#), workforce programs are generally defined as providing job training, reducing vocational barriers, or offering services to support stable and sustainable job opportunities for unemployed, underemployed, and eligible youth populations. Workforce spending is organized into three categories, highlighted in the table below, based on the policy goal of the program.

Across the Governor, House, and Senate budget proposals, workforce development spending represents about 1 percent of overall budgeted spending. The table below summarizes workforce spending by category across each of the FY 2025 proposals compared to the FY 2024 GAA.

*Workforce Spending by Category*

Category	FY 2019 GAA	FY 2024 GAA	FY 2025 Proposals		
			Governor	House	Senate
Individual Workforce Training	\$62.7	\$131.5	\$131.7	\$130.7	\$131.3
Sector-Based	\$34.2	\$110.3	\$57.4	\$68.3	\$40.0
Training Opportunities for State Populations	\$245.1	\$306.1	\$349.6	\$349.9	\$349.9
<b>Grand Total</b>	<b>\$342.0</b>	<b>\$547.9</b>	<b>\$538.7</b>	<b>\$548.9</b>	<b>\$521.1</b>
Behavioral Health Workforce Supports	\$0.0	\$192.0	\$0.0	\$0.0	\$0.0

*\$ in millions*

Proposed workforce spending varies across each proposed FY 2025 budget. While the House budget slightly increases funding by \$1 million (0.2 percent), workforce spending decreases in the Governor's plan by \$9.2 million (2 percent) and decreases to a greater extent in the Senate plan by \$27.8 million (5 percent) compared to the FY 2024 GAA. Notably, funding for Sector-Based programs is significantly reduced

compared to the FY 2024 GAA in each of the FY 2025 budget proposals. This is a shift from several years of consistent spending increases for Sector-Based workforce programs. Proposed funding for Training Opportunities for State Serving Populations increases across each of the FY 2025 proposals, consistent with funding trends in recent years.

It is important to note that current workforce funding remains much greater than in pre-pandemic budgets. Investments in workforce programs in each of the FY 2025 budget proposals significantly increases over the FY 2019 GAA by an average of \$194.2 million (57 percent). It is likely that policymakers will continue the post-pandemic trend of maintaining significant increases in workforce investments, even if spending slightly decreases compared to the FY 2024 GAA.

### Where Workforce Spending Occurs

As MTF has laid out in our previous workforce [report](#), workforce spending occurs across nearly all secretariats. Most workforce investments are funded by secretariats that make up the Workforce Skills Cabinet (WSC). The administration uses the WSC to coordinate the state’s efforts to address workforce needs and seek funding for programs.

*Workforce Spending by WSC Secretariat*

Secretariat	FY 2019 GAA	FY 2024 GAA	FY 2025 Proposals		
			Governor	House	Senate
EOHHS	\$244.84	\$303.5	\$346.6	\$346.6	\$347.4
EOE	\$63.34	\$173.1	\$124.3	\$135.6	\$114.7
EOLWD	\$29.44	\$63.1	\$60.0	\$61.3	\$53.9
EOED	\$4.14	\$5.5	\$5.2	\$2.7	\$2.5
<b>Grand Total</b>	<b>\$341.8</b>	<b>\$545.2</b>	<b>\$536.1</b>	<b>\$546.3</b>	<b>\$518.4</b>
Other Secretariats	\$0.3	\$2.6	\$2.7	\$2.7	\$2.7
Behavioral Health Workforce Supports	\$0.0	\$19.9	\$0.0	\$0.0	\$0.0

*\$ in millions*

The most significant differences across the FY 2025 budget proposals include workforce investments funded through the Executive Office of Education (EOE) and the Executive Office of Labor and Workforce Development (EOLWD). While each budget maintains significant increases in workforce funding under these Secretariats compared to pre-pandemic levels, the proposals reflect unique spending differences related to programs, such as Dual Enrollment Grant and Subsidies and Targeted Scholarships.

Compared to FY 2024, workforce funding under EOE decreases by \$58.4 million (51 percent) under the Senate proposal, the largest decrease. Workforce programs funded through EOLWD also decrease across all FY 2025 proposals compared to the FY 2024 GAA. While the Governor and House decrease spending the least by \$3.1 million (5 percent) and \$1.8 million (3 percent) respectively, the Senate proposal cuts spending by \$9.2 million (15 percent) compared to FY 2024.

### Understanding the Workforce Spending Differences

If the Conference budget reflects the average workforce spending levels for FY 2025, \$533.6 million, it will mark the second consecutive year in which workforce spending decreases from the prior year. Across each of the FY 2025 budget proposals, workforce line-items are reduced by an average of at least \$4 million compared to the FY 2024 GAA, where funding increased at an average of \$3.9 million per line-item. The

table below demonstrates how many workforce line-items were reduced, maintained, or increased in the respective FY 2025 proposals.

*FY 2025 Proposal Line-item Spending vs FY 2024 GAA*

Proposal	Reduced	Maintained	Increased
Governor	21	21	6
House	11	28	9
Senate	24	18	6
<b>Average</b>	<b>26</b>	<b>22</b>	<b>7</b>

Funding for the majority of the workforce line-items in each of the budget proposals is either reduced or maintained in FY 2025. On average, only seven workforce line-items are increased over FY 2024, with the Community Day and Work Programs line-item representing nearly all new workforce spending.

There are several unique factors that could help explain the slowed growth of workforce spending in FY 2025 compared to recent post-pandemic years. Between FY 2019 and FY 2024, workforce spending increased by an average of 10 percent. The following factors all play a role in understanding why funding is not increasing at the same rate as in recent years:

- **An uncertain fiscal picture** – While revenue collections through May in FY 2024 are \$700 million (2 percent) above benchmark, much of these resources are attributable to income surtax collections. Once the revenue is adjusted for surtax collections over the \$1 billion surtax threshold, resources could be just shy of what policymakers expected. This uncertainty creates challenges for policymakers when determining appropriate funding levels in FY 2025.
- **Available FY 2024 resources** – Several workforce programs are expected to carry forward funding from FY 2024 to support spending in FY 2025. As of June, \$140.3 million, or 26 percent, of funding from the 48-workforce line-items remains unexpended. Programs with the most unexpended funds include Community Day and Work Programs (\$42 million) and YouthWorks (\$19.8 million).
- **Available COVID-era resources** – As highlighted in our recent [report](#) on workforce investments in the two COVID recovery and economic development bills, policymakers dedicated over \$550 million to workforce programs. Many programs supported by those investments are regularly funded in annual state budgets, such as the Workforce Competitiveness Trust Fund (WCTF), which is expected to carry forward \$12.8 million to support workforce programs in FY 2025.

### **Notable Program Funding Differences**

To better understand the workforce spending differences that must be reconciled by budget negotiators, notable programs and their funding differences are highlighted below. By organizing notable workforce funding differences by category, it is easier to identify how policymakers are addressing workforce needs and labor challenges.

#### Individual Workforce Training Programs

Each of the three FY 2025 budget proposals fund Individual Workforce Training Programs at similar levels, and maintain funding with the FY 2024 GAA. While policymakers face fiscal uncertainty while planning the FY 2025 budget, funding for Individual Workforce Training Programs more than doubles compared to pre-pandemic spending.

*Notable Individual Workforce Training Programs*

Secretariat	FY 2019 GAA	FY 2024 GAA	FY 2025 Proposals		
			Governor	House	Senate
Summer Jobs for At-Risk Youth	\$12.8	\$16.2	\$15.7	\$16.4	\$15.7
Dual Enrollment Grant and Subsidies	\$2.0	\$12.6	\$12.6	\$12.6	\$13.1
MassHire Career Centers	\$4.1	\$6.0	\$10.0	\$9.7	\$9.9

*\$ in millions*

- Summer Jobs Program for At-Risk Youth** – Funding supports the YouthWorks program, a year-round employment and job training program for at-risk individuals aged 25 and younger. While the House increases funding by \$200,000 (1 percent), the Governor and Senate reduce funding by \$500,000 (3 percent) compared to FY 2024. This difference is attributable to \$225,000 in earmarked spending for local YouthWorks programs in the House budget. Notably, reporting requirements are not included in any of the proposals.
- Dual Enrollment Grant and Subsidies** – This program is part of a suite of investments to support the state’s Early College program, and funds credit reimbursements to participating higher education institutions. While the Governor and House level fund the program with FY 2024, the Senate increases funding by \$500,000 (4 percent). This increase partially reflects a recommendation by the Massachusetts Alliance for Early College, that shows higher-than-expected credit projections. Similar to Summer Jobs for At-Risk Youth, reporting requirements are not included.
- MassHire Career Centers** – Funding supports the 29 one-stop MassHire Career Centers, which service job seekers and employers. Unlike most workforce programs, each of the FY 2025 proposals increases funding for the Career Centers over the FY 2024 GAA by at least \$3.7 million (62 percent). Notably, this does not include federal grant funding supported by the Workforce Innovation and Opportunity Act (WIOA), which the administration expects to be \$27.8 million in FY 2025. The Governor and House include language that continues funding Market Makers, which are intended to serve as a single point of contact for employers on a regional level to connect with skilled talent.

*Sector-Based Workforce Programs*

Unlike funding for Individual Workforce Training and Training Opportunities for State-Serving Populations programs, Sector-Based programs face significant reductions in FY 2025. Funding for these programs also varies the most among each of the three FY 2025 budget proposals. Sector-Based workforce spending in FY 2025 decreases by at least \$42 million (38 percent) and as much as \$70.3 million (64 percent) compared to FY 2024. Notably, each of the investments highlighted below are expected to have remaining FY 2024 or COVID-era funds to support programming in FY 2025.

*Notable Sector-Based Workforce Programs*

Secretariat	FY 2019 GAA	FY 2024 GAA	FY 2025 Proposals		
			Governor	House	Senate
Career Technical Institutes	\$0.0	\$15.4	\$10.4	\$10.4	\$10.4
Transfer to the WCTF	\$5.0	\$10.0	\$10.0	\$10.0	\$5.0
Targeted Scholarships	\$0.0	\$25.0	\$0.0	\$10.0	\$0.0

*\$ in millions*

- **Career Technical Institutes** – Funding supports after-hours training for underemployed and unemployed individuals at vocational schools. Each of the FY 2025 proposals decreases funding for Career Technical Institutes by \$5 million (32 percent) compared to FY 2024. This is the first budget where funding decreases compared to the previous year since the program was initially capitalized in FY 2021. As mentioned in MTF’s earlier [report](#), the administration anticipates \$2 million is available to support the program in FY 2025 from the first COVID recovery and economic development bill.
- **Transfer to the WCTF** – Unlike other workforce investments, this line-item funds a transfer to a trust fund that supports several competitive grant programs that support workforce development in high-demand sectors. While the Governor and House maintain the transfer, the Senate decreases funding by \$5 million (50 percent), to the lowest amount since FY 2019. However, the balance of the fund is \$88 million, significantly higher than the \$6.9 million balance at the end of FY 2019<sup>1</sup>. About 15 percent of the trust fund balance (\$12.8 million) is comprised of available funds from the first COVID recovery and economic development bill.
- **Targeted Scholarships** – Funding supports a scholarship program for students enrolled in an in-demand academic program who attend a public higher education institution. This program was initially capitalized in FY 2024 and supported by income surtax resources, and \$1.5 million remains available. While the House decreases funding by \$15 million (60 percent) compared to FY 2024, this program is not funded by the Governor or Senate. It is important to note that the Governor and Senate did not include funding for this program in their FY 2024 proposals.

*Training Opportunities for State Serving Populations*

Funding for programs under the Training Opportunities for State-Serving Populations workforce category has historically represented the largest share of workforce spending. In the FY 2024 GAA, funding for these programs represented 56 percent of all workforce spending, a decrease from 72 percent in FY 2019.

*Notable Training Opportunities for State Serving Populations Programs*

Secretariat	FY 2019 GAA	FY 2024 GAA	FY 2025 Proposals		
			Governor	House	Senate

<sup>1</sup> While the WCTF balance is significantly higher than in pre-pandemic years, the majority of these resources have already been obligated to training providers to be spent down over two or three-year programming periods. Between FY 2021 and FY 2024, \$80.5 million was appropriated to the WCTF and \$70.1 million has been obligated. The remaining \$10.4 million balance is available to award new grants and will be supplemented by the FY 2025 transfer, which will result in a much smaller balance than in recent years.

Community Day and Work Programs	\$210.7	\$243.2	\$288.0	\$288.0	\$288.0
Employment Services Program	\$14.3	\$19.9	\$18.4	\$18.4	\$18.9

*\$ in millions*

- **Community Day and Work Programs** – Funding supports the state’s largest workforce program which funds several employment and day support models for Department of Developmental Services (DDS) clients. Each of the proposals for FY 2025 is consistent and increases spending by \$44.9 million (18 percent) over the FY 2024 GAA. This increase reflects caseload estimates and supports provider rate increases required by the state’s Chapter 257 human service rate setting process.
- **Employment Services Program** – Funding supports a range of workforce programs within the Transitional Aid to Families with Dependent Children (TAFDC) Pathways to Work programs. While each of the FY 2025 proposals decreases funding by at least \$1 million (5 percent), funding remains \$4.6 million (32 percent) more than pre-pandemic levels. It is important to note that \$4.8 million in FY 2024 resources remains unexpended and could be used to support programming in FY 2025.

### What’s Next?

The FY 2025 budget development process is now in the hands of the Conference Committee, which must reconcile all spending and policy differences between the House and Senate budget proposals. While the fiscal year in Massachusetts ends on June 30<sup>th</sup>, the budget has not been signed by the Governor until after that deadline in recent years. Last year, the Conference Committee report was filed on July 30<sup>th</sup> and signed by the Governor on August 9<sup>th</sup>. Several challenging factors, including an uncertain fiscal picture for FY 2024, divergent priorities for surtax revenue, and key differences between revenue-generating proposals, could once again delay the final FY 2025 budget.

While policymakers largely agree on overall spending for Individual Workforce Training and Training Opportunities for State-Serving Populations programs, each funds Sector-Based programs differently. Policymakers must reconcile spending differences for these programs in a timely manner and also consider other available resources, such as remaining FY 2024 and COVID-era funds, to support programming in FY 2025. Additionally, reporting structures remain inconsistent throughout several major workforce programs. Policymakers should consider including line-item language requiring certain performance metrics to better understand the impact of their investments and the efficacy of workforce programs funded in the FY 2025 budget.