Massachusetts
Taxpayers Foundation

MTF LEGISLATIVE SESSION PREVIEW

2025-2026

WORKFORCE & ECONOMIC DEVELOPMENT

The future of the state's economy and its overall competitiveness will continue to be a foundational policy theme heading into the 2025 – 2026 legislative session. While competitiveness is affected by myriad policy areas, workforce and economic development policy will be central to efforts to ensure that Massachusetts attracts people and investment and allows its residents to prosper.

In 2024, MTF released its inaugural Competitiveness Index Report, which provided a look at 26 different metrics that speak to the fundamental factors affecting Massachusetts' long-term outlook. While the Index provided many key takeaways, a few broad themes emerged that have policy implications for the 2025 - 2026 session. To remain competitive, it is apparent that Massachusetts must:

- Build and support a diverse and skilled workforce positioned to succeed in mature and emerging sectors;
- Maintain the state's historic strengths in sectors that rely on our highly educated population and our longstanding leadership in innovation; and
- Reduce cost gaps for families and businesses between Massachusetts and other states.

Workforce and economic development policy will be front and center as the state looks to accomplish these goals and improve the state's overall competitiveness. This preview provides a survey of major workforce and economic development policy actions over the past two years and poses key questions that policymakers will need to answer in the coming session.

Background & Policy Context

Workforce Development Policy in Massachusetts

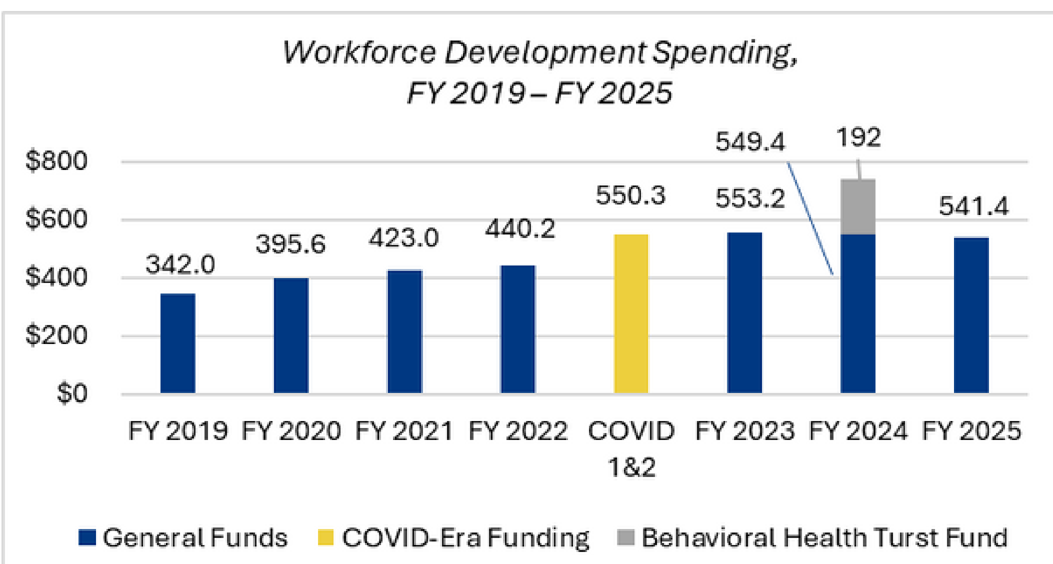
As MTF's Competitiveness Index highlights, Massachusetts has long faced significant population challenges, worsened by the pandemic, that limit labor force growth. Between 2018 and 2023, Massachusetts' labor force declined by 2.4 percent, placing the state 48th in the nation in terms of labor force change over that time. Without a growing workforce, it is difficult for the state to fill positions in key sectors, like healthcare, and expand into emerging sectors, like ClimateTech. MTF's recent report on the behavioral health workforce found a decrease of over 2,450 Social Workers and Community Health Workers since 2017, while over the same time period, demand for those services surged. To improve the state's workforce development system, policymakers have primarily supported training and employment programs through the annual state budget.

Funding for workforce development programs is spread across over 40 line-items and overseen by 16 public entities. While there is a wide range of programs that support workforce development, all programs include one of the following characteristics:

- Provide direct training for employment
- Reduce costs of skill development
- Remove vocational barriers
- Offer services that support stable and sustainable job opportunities for:
    - Unemployed individuals
    - Underemployed and incumbent workers
    - Eligible youth populations

Unlike many policy areas, workforce development efforts are not concentrated in one area of government. The state's workforce development system involves many entities, including secretariats, state agencies, quasi-public agencies, educational institutions, and training providers. Since its creation during the Patrick administration, the Workforce Skills Cabinet (WSC) has been used to coordinate workforce investments across the secretariats representing the vast majority of the state's workforce programs. The members of the cabinet are:

- Executive Office of Economic Development (EOED)
- Executive Office of Education (EOE)
- Executive Office of Health and Human Services (EOHHS)
- Executive Office of Labor and Workforce Development (EOLWD)



$ in millions

Spending on workforce development programs significantly increased following the pandemic. Between FY 2019 and FY 2022, workforce development investments steadily increased annually by an average of $32.7 million (9 percent). In 2021 and 2022, two COVID recovery and economic development bills were enacted to address pandemic-related challenges, including $550.3 million for workforce development programs, which exceeded typical annual state budget spending on workforce development. Funding from the COVID bills is expected to continue supporting various workforce programs through FY 2025 and supplement annual investments through the state budget, including the Behavioral Health Trust Fund.

In MTF's research, workforce investments are organized into three categories based on a program's policy goal and target population.

- Individual Workforce Training – Programs that provide basic skill development and vocational training.

- Sector-Based – Programs that provide specialized training and credentialing for an in-demand occupation.

- Training Opportunities for State-Serving Populations – Programs that provide training and employment programs for individuals who receive state services.

FY 2024-FY2025 Workforce Spending by Category

Workforce Category	FY 2024	FY 2025
Individual Workforce Training	$131.5	$130.5
Sector-Based	$111.8	$60.6
Training Opportunities for State-Serving Populations	$306.1	$350.3
Total	**$549.4**	**$541.4**

$ in millions

Most workforce development spending is for programs that serve state-serving populations, including individuals living with disabilities and low-income families. In FY 2025, spending for these programs represents nearly two-thirds of all workforce spending and supports the state's largest workforce program, Community Day and Work Programs. Overall, while spending for Training Opportunities for State-Serving Populations increased by $44.3 million (14.5 percent) in FY 2025, these increases were offset by spending decreases for Sector-Based programs. Funding decreases for Sector-Based programs reflect the availability of funds from FY 2024 and remaining funds from the COVID recovery and economic development bills.

FY 2024-FY2025 Workforce Spending by WSC Secretariat

Secretariat	FY 2024	FY 2025
EOHHS	$303.5	$347.2
EOE	$174.6	$132.1
EOLWD	$63.2	$58.2
EOED	$5.5	$1.2
Total	**$546.8**	**$538.7**
Others	**$2.6**	**$2.7**

$ in millions

Nearly all workforce development spending is concentrated in the four secretariats that make up the WSC, with most spending directed toward EOHHS, where spending on state-serving populations is concentrated. In FY 2025, EOHHS represents 64 percent of workforce development spending, which includes funding for the Community Day and Work Programs line-item and enhanced reimbursement rates for human service providers who participate in the program. Two other secretariats represent notable shares of workforce spending: EOE (24 percent) and the EOLWD (11 percent). EOE and EOLWD saw slight funding decreases in FY 2025 compared to FY 2024, $42.5 million (24 percent) and $5 million (8 percent), respectively. Programs that received less funding under EOE and EOLWD, such as Targeted Scholarships and Career Technical Institutes, have outstanding resources to supplement spending.

Economic Development Policy in Massachusetts

Unlike workforce development, the primary source of financing for economic development policy comes through the state's capital budget, as set forth in the annual Capital Investment Plan (CIP). The economic development component of the CIP is typically refreshed every two years through a targeted bond bill (usually called the economic development bill), which includes a mix of reauthorizations for existing capital programs, new spending initiatives, and policy proposals.

Economic Development Bond Cap Spending, FY 2021-FY 2025

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Economic Development	$218.8	$209.0	$245.0	$242.0	$269.0
Share of Bond Cap	**8.9%**	**7.9%**	**8.8%**	**8.3%**	**8.6%**

$ in millions

Historically, economic development spending makes up slightly less than 10 percent of the state's total bond cap. You can learn more about the bond cap in MTF's Legislative Session Preview: Capital Spending & Infrastructure. Over the last five years, economic development investments have remained stable – ranging between 7.9 percent and 8.9 percent of all state bond cap spending.

The largest share of annual state capital spending on economic development typically goes to the MassWorks program (planned spending of $96 million in FY 2025). MassWorks provides capital grants to municipalities and other public entities for infrastructure projects likely to leverage private investment and development. Other major longstanding capital spending programs include the Life Sciences Capital Program ($35 million in FY 2025), site remediation[1] ($20.9 million in FY 2025), and support for ports and harbor projects ($20.9 million in FY 2025).[2]

Economic development capital spending is governed by the economic development bills referenced above. These bills provide five-year authorizations for major capital spending programs – like MassWorks. Spending authorizations in the economic development bills provide an upper limit on the amount that can be included in the state's Capital Investment Plan over a five-year period, but the administration makes annual determinations on actual spending amounts within those broad authorizations.

Economic development legislation is not limited to capital spending, and every two years hundreds of policy proposals are put forward in the three versions of the bill developed by the administration, House, and Senate. In the 2023 – 2024 legislative session, policy proposals put forward in various versions of the economic development bill included new tax credits, changes to the law governing ticket sales, civil service reform, and criminal justice policy.

Economic development bills are typically filed by the administration in the spring of the second year of the legislative session, with House and Senate action occurring in the summer. Because economic development bills authorize bond sales, they require a roll call vote to be enacted. Under House and Senate rules, formal sessions in which roll call votes can be recorded, end on July 31st of the second year of the session. In spite of this deadline, final legislative action on economic development bills in each of the last three sessions has not occurred by July 31st and either special sessions have been called to finalize the bill (as in 2020 and 2024) or the bill has waited until the following session (2022).

While omnibus bills every two years are the most consistent vehicles for economic development policy, action is not limited to those bills. Each year's budget includes appropriations and often new initiatives for the state's EOED, which implements the state's economic development policy, and the budget can also include economic development policy "outside sections."

In the 2023 – 2024 session, a tax bill was also a major component of the state's ongoing economic development strategy. As detailed below, Governor Healey signed into law the

[1] Site preparation and remediation includes Revitalization of Underused Properties ($16.6M), Site Readiness ($3M), and Brownfields Redevelopment ($1.3M)
[2] Port and harbor support includes Seaport Council grants ($13.5M), Dredging grants ($4.1M), and New Bedford harbor dredging ($3.3M).

largest tax reductions in Massachusetts in more than 20 years, with each component of the bill intended to increase the state's competitiveness and affordability. Finally, other capital spending bills, like the Affordable Homes Act passed in 2024, often have major implications for larger economic development policies.

While economic development bills and other related legislation must be passed by both the House and Senate before being signed into law, each administration also develops a formal economic development plan every four years. The Healey administration's plan, Team Massachusetts: Leading Future Generations, is detailed below.

Key Actions in the 2023-2024 Legislative Session

Workforce Development

Significant Investments in Key Sectors - Over the last two years, investments in sector-based workforce programs saw the largest proportional increase in spending compared to basic skill development and employment opportunities for state-serving populations. Policymakers focused workforce investments in key sectors, such as behavioral health and ClimateTech, where the state is looking to address significant challenges filling entry-level positions, upskilling incumbent workers to fill mid-entry positions, and meeting demand for services and supporting new industries.

- Behavioral Health - One of the state's largest ever workforce investments is the MA Repay program, a student loan repayment assistance program for healthcare workers, primarily supported by funds from the COVID recovery bills ($110 million) and funds deposited into the Behavioral Health Trust Fund ($192 million). In FY 2024, $192 million from the Behavioral Health Trust Fund was used to support a range of behavioral health workforce programs, including $100 million for the MA Repay Program and $70 million for upcoming scholarships, funded field placements, and clinical supervision incentives to support the behavioral healthcare workforce.

- ClimateTech – Building on the investments made in the COVID recovery bills, the economic development bond bill included a $200 million authorization for the Clean Energy Investment Trust Fund. The fund supports a range of clean energy workforce development programs administered by the Massachusetts Clean Energy Center. Notable workforce programs include the Equity Workforce Training Implementation Grants program, which awards funding to organizations that can build and scale career pathways leading to ClimateTech occupations and provide wraparound and retention support services.

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[2] Port and harbor support includes Seaport Council grants ($13.5M), Dredging grants ($4.1M), and New Bedford harbor dredging ($3.3M).

COVID-Era Resources Continued to Support Spending - After several years of significant increases in budgeted spending, policymakers faced tough funding decisions during the FY 2024 and FY 2025 budget development processes following a slowdown in tax revenue collections. While workforce development funding slightly decreased in FY 2024 and FY 2025, many workforce programs continue to be supported by remaining resources from the COVID recovery bills to offset funding decreases in the budget. However, the availability of these funds for programming in FY 2025 and beyond varies. For example, workforce programs supported through grant funding from the Workforce Competitiveness Trust Fund (WCTF) operate over three years on a cost reimbursement model, meaning all awarded funds are obligated and reimbursed over the grant cycle. While the WCTF balance is $102.3 million, the remaining $12.8 million from the COVID recovery bill is fully obligated, meaning these funds are unavailable to support new programs.

Economic Development

2024 Economic Development Bill (An Act Relative to Strengthening Massachusetts' Economic Leadership) – In November of 2024, Governor Healey signed a $3.96 billion biennial economic development bill, which the House and Senate passed in special legislative sessions. The bill, which included 35 separate capital authorizations and 329 different policy sections, was notable for reauthorizing the state's life sciences initiative for a further ten years and providing $400 million in authorized capital spending for a new ClimateTech initiative to be housed at the state's Clean Energy Center. Policy sections in the final bill included a process to allow for the development of a soccer stadium in Everett, the merging of the Mass. Growth Capital Corporation and MassDevelopment, reforms to the state's civil service process, and the creation of new tax credits for live theater productions, data centers, and employment of interns.

Tax Relief Legislation – In October of 2023, Governor Healey signed into law a $951 million tax relief bill, which included all major tax relief proposals put forward by the administration, House, and Senate earlier in the year. The final bill included 17 separate tax provisions, each designed to reduce costs and increase affordability for residents and employers. Major elements included an expansion of the Child and Dependent Tax Credit ($300 million fiscal impact), an increase in the estate tax threshold ($213 million fiscal impact), an increase to the earned income tax credit ($91 million fiscal impact), and implementation of universal single sales factor apportionment for businesses ($79 million fiscal impact).

Healey-Driscoll Administration Economic Development Plan – In December of 2023, the Executive Office of Economic Development released its four-year economic development plan, Team Massachusetts: Leading Future Generations. The plan identified three areas of focus: fundamentals to the state's economy, maintaining and expanding the state's talented workforce, and key historic and emerging economic development sectors in the state. The plan highlighted the importance of accessible and available housing and a reliable transportation system to our long-term economic health. It also prioritized continued support of the tech and life sciences sectors in Massachusetts, as well as the need to implement a strategy to support emerging sectors like ClimateTech. Many of the areas highlighted in the plan were then included in the administration's economic development bill filed in the spring of 2024.

Key Policy Questions for the 2025-2026 Legislative Session

Workforce Development

How can statutory changes improve workforce development coordination across agencies?

The siloed nature of the workforce system across state agencies makes it challenging to coordinate investments that often overlap in policy goals and have varying data reporting methods. The availability of sufficient data for workforce development programs is often contingent on whether language requiring reporting is in budget line-item language. Codifying the WSC provides an opportunity for the state to clearly define the cabinet's role in streamlining the workforce development system and create a reporting structure that demonstrates the impact on workforce needs. Without timely and sufficient data on program participation and outcomes, it is challenging to evaluate the efficacy of programs and determine appropriate funding.

During the last session, two bills intended to address some of these data reporting challenges were filed, but not enacted. These bills could provide a starting framework for future legislative action to continue building on recent workforce investments.

- *An Act to make data on workforce development outcomes public and accessible (S.1187)* – The bill proposed several improvements to workforce program evaluations and longitudinal outcomes, including better access to data and the establishment of a common case management system for agencies with a shared customer base.

- *An Act establishing an education-to-career data center (H.4421/S.2666)* – The bill proposed codifying the Massachusetts Education-to-Career Data Center under the Executive Office of Technology Services and Security. The Center maintains a longitudinal data system by collaborating with state agencies on how children progress from early education and care settings to the workforce.

What policy tools could be used to reduce workforce barriers?

A priority of recent workforce development investments has been to not only grow the workforce but also to diversify the workforce across key sectors. However, barriers to employment remain, especially for individuals from underrepresented populations and newly arrived migrants. In MTF's recent report on the Behavioral Health Workforce Challenge, several recommendations are included to reduce barriers to one of the state's in-demand sectors, such as providing financial assistance throughout the entire credentialing process to address the high training costs associated with the field. Other barriers, such as licensure requirements, often make it more difficult for foreign-trained professionals, in many cases with years of experience, to practice at an equivalent level in the state. These barriers often limit individuals from underrepresented backgrounds from entering the field, which also negatively impacts the accessibility of behavioral healthcare for underserved populations.

How will the end of COVID-era funding impact future workforce development funding?

Notable workforce programs, including the Workforce Competitiveness Trust Fund and MA Repay, were supported by significant pandemic-era funding made possible by the American Rescue Plan Act and significant state surpluses, which will no longer be available to support new training or professionals for loan repayment assistance. These programs may face funding cliffs if the operating budget is strained by slowed revenue growth and supplemental funding is unavailable. Careful consideration will be required when determining future funding for programs critical to supporting growth and diversity in key sectors of the state's economy. Here, the availability of consistent reports of performance and outcome metrics for workforce development programs could play a crucial role in determining appropriate funding levels or whether programs could be combined to improve efficiency.

Will Massachusetts have to repay the federal government for improper use of federal pandemic-era unemployment funds?

A unique challenge facing policymakers is the $2.5 billion in federal funding mistakenly used to pay state pandemic-era unemployment benefits. During the pandemic, several new state and federal benefit programs were created and in 2023 an audit identified $2.5 billion in payments incorrectly made from federal funds. It is unclear whether Massachusetts will have to pay the federal government back, and if so, how that can be accomplished without further burdening employers already paying an Unemployment Insurance surcharge. The Healey administration has been working with the U.S. Department of Labor to address the issue. However, the outcome of ongoing conversations with the federal government could be impacted by the new Presidential administration.

Economic Development

What policy tools can be used to improve Massachusetts' competitiveness and affordability?

As highlighted in MTF's 2024 Competitiveness Index, Massachusetts is increasingly competing with regional and economic rivals for people, employment, and investment and the state's high-cost structure is contributing to outmigration among young professionals as well as those at both ends of the economic spectrum. The three most notable legislative accomplishments of the 2023 – 2024 legislative session: the Affordable Homes Act, tax relief, and the economic development bill, all directly relate to these concerns of affordability and competitiveness. Looking to the next session, that same focus is likely to remain in place.

The 2026 economic development bill will certainly be a key vehicle to support the policy themes identified in the state's economic development plan, but the upcoming Environmental Bond Bill and the FY 2026 budget will also offer an opportunity to build on recent ClimateTech investments. In addition, investments to improve the state's transportation system will be necessary to support the reliability of the current system and provide residents from around the state with improved options.

How can the state and its cities adjust to changes in work and commute patterns?

MTF's research has made clear the connection between the economic future of Downtown Boston and our housing and transportation challenges. The data tell us that if workers cannot get to the office within a reasonable amount of time, they are much more likely to work from home and so housing affordability and the reliability of transportation networks is critical. The Affordable Homes Act included record authorizations to support affordable and other housing production, but continuing to make it easier to build market-rate housing has to remain a policy priority. At the same time, stabilizing short-term transportation operating deficits to allow the MBTA and other transportation agencies to continue to improve reliability and access must also top the priority list.

Can the economic development bill process be expedited?

As MTF noted in our Economic Development Bill Reasons to Act , the timeline for the economic development bill has gotten increasingly delayed in recent sessions. In 2024, the House acted on Economic Development legislation on June 27th and the Senate engrossed its bill on July 11th, leaving less than three weeks to resolve hundreds of differences in the two bills, all while competing with other legislation being negotiated at the end of the session. Allowing at least six weeks for conference committee negotiations in the next session will significantly increase the likelihood of timely resolution and allow for more thoughtful deliberation.

Related Research from the Massachusetts Taxpayers Foundation

Workforce Development

- The Behavioral Health Workforce Challenge
- FY 2025: Conference Committee Preview: Workforce Development
- Massachusetts Workforce Investments: COVID Relief and State Surplus Funding
- FY 2025 Budget: Workforce Investments
- Massachusetts Workforce Investments: Training Opportunities for State-Serving Populations
- Massachusetts Workforce Investments: Sector-Based Programs
- Massachusetts Workforce Investments: Individual Training Programs
- Massachusetts Workforce Development System: Understanding State Investments

Economic Development

- Massachusetts 2024 Competitiveness Index
- Economic Development Legislation Reasons to Act
- Economic Development Legislation: Conference Committee Preview
- Keeping the State's Economic Edge: Key Sectors Under Pressure
- MTF Summary of Mass Leads Act
- The Real Estate Market of Downtown Boston

For more information on workforce policy, reach out to MTF Researcher Pablo Suarez at psuarez@masstaxpayers.org