

# FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

*Maura T. Healey, Governor | Kimberley Driscoll, Lt. Governor*



## ***Fair Share Investments in Education & Transportation***

*Dana Sullivan, Chief of Strategy and Operations*

---

### **Introduction**

In November 2022, the voters of Massachusetts approved a new 4 percent surtax on income above \$1 million annually, known as the Fair Share amendment. This new source is constitutionally dedicated to “quality public education and affordable public colleges and universities, and for the repair and maintenance of roads, bridges, and public transportation.”

The Healey-Driscoll Administration is committed to maximizing this historic funding opportunity and utilizing Fair Share revenues to make impactful investments in education and transportation. Building off the \$1 billion Fair Share investment in FY24, the FY25 House 2 budget recommends \$1.3 billion for programs ranging from financial aid for public higher education to implementing low-income fare relief at the MBTA – designed to leverage this resource to make meaningful change towards improving affordability, equity, and competitiveness across the state. This funding provides the opportunity to leverage Fair Share revenues for more substantial capital investments in key infrastructure: public higher education campuses, roads, bridges, and public transportation.

This brief will highlight our current year Fair Share spending as well as the proposal for Fair Share investments in FY25, including transformative capital investments.

### **FY25: Building on our Investments in Education and Transportation**

The FY25 House 2 budget furthers the investments made in year one of Fair Share. House 2 includes \$1.3 billion of spending, continuing many key investments from FY25 and investing in emerging priorities. A total of \$750 million is budgeted for use on early education and care, K-12 education, and higher education, and \$550 million is proposed to be invested in transportation.

Investments are spread across multiple segments of education and transportation, with a focus on achieving meaningful, equitable impacts for each. Fair Share investments are planned in the context of other, significant investments across the budget.

Each investment is described in detail in Budget Briefs on individual topics. Please refer to the budget briefs listed below for details on individual investments.

- **Access to Education**
- **Mass Mobility: Transportation in the Commonwealth**

**Executive Office for Administration and Finance**

[www.mass.gov/budget/governor](http://www.mass.gov/budget/governor)

## ***Budget Brief: Fair Share Investments in Education and Transportation***

### ***Education***

Highlights of the FY25 Education investments from Fair Share include:

- \$21 million to put the Commonwealth on a path towards universal Pre-K, starting in Gateway Cities
- \$150 million (adding to the operating investment for a total of \$475 million) supporting stabilization of the early education and care system through continued funding of the Commonwealth Cares for Children (C3) grant program
- \$75 million for expanded access to child care financial assistance for additional families with incomes up to 85% of state median income
- \$5 million for expanded access for high school students towards high-quality college and career pathways and opportunities complete college-level coursework for free while still in high school
- \$24 million investment in MassReconnect, which provides students 25 years of age and older without a higher education credential the opportunity to obtain a free associate degree at any public community college in the state
- \$80 million to sustain the investment in the expansion of MASSGrant Plus, which covers costs for Pell Grant-eligible students and reduces out-of-pocket expenses for middle-income students by up to half
- \$125 million in Fair Share funding to expand bonding capacity and support capital improvements across campuses

<b>Education</b>	<b>FY25</b>
<i>\$ in millions</i>	<b>H.2</b>
<b>Early Education &amp; Care</b>	<b>311.0</b>
Child Care Grants to Providers	150.0
CPPI Pre-K Initiative	21.0
Provider Rates	65.0
Child Care Affordability	75.0
<b>K-12 Education</b>	<b>210.0</b>
Early College and Innovation Pathways	5.0
Universal School Meals	170.0
Mental Health Systems and Wraparounds	5.0
Early Literacy	30.0
<b>Higher Education</b>	<b>229.0</b>
Financial Aid Expansion: MASSGrant Plus	80.0
Higher Education Capital Funding	125.0
MassReconnect	24.0
<b>Total</b>	<b>750.0</b>

### ***Higher Education Capital Funding***

House 2 recognizes the importance of investments in high-quality infrastructure for our public institutions of higher education, their students, and the state as a whole, recommending \$125 million in Fair Share funding to support capital improvements across Massachusetts' public

## ***Budget Brief: Fair Share Investments in Education and Transportation***

higher education campuses, including instructional and lab facilities, infrastructure modernization, decarbonization, critical repairs, and deferred maintenance. In addition to supplementing FY25 capital needs, the House 2 budget will initiate a policy discussion to transform higher education facilities for future generations of Massachusetts students, instructors, employers, and surrounding communities.

House 2 calls for the Secretary of Administration and Finance to convene a working group to develop a comprehensive facilities financing plan that will consider the future needs of the public higher education system to provide affordable, equitable, and competitive higher education in Massachusetts. This planning effort is expected to result in creation of a permanent financing structure to leverage Fair Share revenues to support the issuance of up to \$2.5 billion of debt for the benefit of public higher education capital needs, unlocking the power of Fair Share to change the game for higher education facilities in Massachusetts.

### ***Transportation***

Highlights of the FY25 Transportation investments from Fair Share include:

- \$250 million dedicated to the Commonwealth Transportation Fund (CTF) - will increase borrowing capacity of the CTF by \$1.1 billion over the next 5 years
- \$100 million in supplemental Chapter 90 for cities and towns
- \$56 million for safety, service, and sustainability investments at MassDOT
- \$56 million to enhance regional transit operating and capital investments
- \$45 million to support the MBTA's implementation of Low-Income Fare Relief
- \$24 million for local road funds for rural and regional projects
- \$15 million for fare equity programs at RTAs
- \$4 million for transit providers to support expanded mobility options for older adults, people with disabilities and low-income individuals

<b>Transportation</b>	<b>FY25</b>
<i>\$ in millions</i>	<b>H.2</b>
<b>Municipal Assistance</b>	<b>124.0</b>
Municipal Partnership Programs	-
Supplemental C90/Rural Road Aid	124.0
<b>MassDOT</b>	<b>306.0</b>
CTF Bonding Capacity	250.0
Service, Safety, and Sustainability	56.0
<b>MBTA</b>	<b>45.0</b>
Fare Equity	45.0
<b>MassDOT Rail and Transit</b>	<b>75.0</b>
Regional Transit Funding, Grants, and Fare Equity	75.0
<b>Total</b>	<b>550.0</b>

**Budget Brief: Fair Share Investments in Education and Transportation**

**Leveraging Fair Share Revenues to Increase Transportation Capital Funding**

House 2 proposes to dedicate \$250 million from Fair Share revenues to expand the borrowing capacity of the CTF by an additional \$1.1 billion from FY25-29. Dedicated Fair Share revenue will increase debt service coverage in the CTF, unlocking the capacity to finance more capital projects at both MassDOT and the MBTA over the next 5 years, starting with an additional \$300 million capital for the MBTA in FY25. Without new dedicated Fair Share revenues, the CTF bond programs are at capacity, with only \$740 million of planned borrowing available, all of which is already programmed for spending.

	Planned CTF Issuance	New CTF Capacity	Increase in Capacity
<b>FY25</b>	\$275	\$300	\$25
<b>FY26</b>	165	250	\$85
<b>FY27</b>	150	250	\$100
<b>FY28</b>	100	250	\$150
<b>FY29</b>	50	55	\$5
<b>Total</b>	<b>\$740</b>	<b>\$1,105</b>	<b>\$365</b>

*Dollars (\$) shown in millions.*

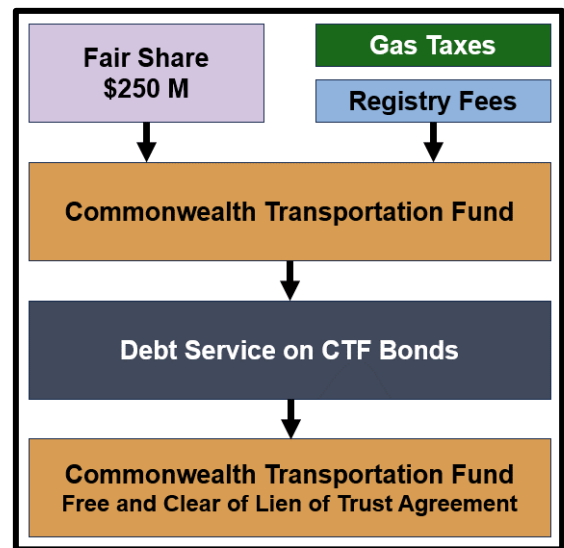
**CTF Funding Proposal**

House 2 will dedicate \$250 million of Fair Share revenues to the CTF to leverage additional CTF borrowing capacity.

The \$250 million of dedicated revenue will also supplement CTF funds that are available for spending on transportation programs, after accounting for debt service on the additional CTF debt.

In House 2, from the \$250 million deposit in CTF, \$63 million will be reserved for debt service on the additional CTF bonds, which will leverage an additional \$1.1 billion of borrowing capacity for capital purposes over FY25-29.

The remaining \$187 million in CTF will be available for spending after debt service obligations are met. House 2 proposes using \$127 million to double the MBTA’s operating subsidy and \$60 million to support MassDOT operations, such as customer service at RMV.



**Capital Funds for Needed Transportation Repairs**

Immediately in FY25, the Fair Share proposal will allow for the issuance of an additional \$300 million of CTF bonds for the MBTA’s Track Improvement Program. The Track Improvement

**Budget Brief: Fair Share Investments in Education and Transportation**

Program will reduce slow zones, improve rider experience, address safety issues, and update tracks on all MBTA lines. Future capital funds can be used to address core safety, service, and sustainability priorities at the MBTA.

The dedication of Fair Share transportation revenues will continue to provide additional CTF borrowing capacity for MassDOT in FY26-29 as well, building upon success of previous CTF borrowing programs to help improve and maintain conditions of critical bridge infrastructure. All of these new investments will improve the state’s vital transportation infrastructure, take pressure off of the state’s general obligation credit, put people to work on needed and overdue construction projects, and make Massachusetts a better place to live, work, and travel in.

Once pledged to CTF bonds, the pledge of Fair Share revenues will continue in future years, making transformational investments in the state’s transportation infrastructure possible over time. Capital funding through CTF is better suited for planning and executing multi-year transportation capital projects than annual operating budget infusions. The Healey-Driscoll Administration’s approach will help the state make the best use of its Fair Share revenues.

CTF credit has been used by Massachusetts since 2010 to finance the successful Accelerated Bridge Program (ABP) and Rail Enhancement Program (REP). Dedicating new Fair Share revenues to the CTF will expand upon these successful capital financing programs for new projects.

The Commonwealth Transportation Fund (CTF) credit is currently supported by dedicated motor fuel taxes and fee revenues from the Registry of Motor Vehicles (RMV). However, the CTF credit is reaching its total borrowing capacity, and without new revenues, CTF cannot afford additional bonds beyond the \$740 million that are already planned to be issued from FY25-29.

	Source	CTF Pledged Funds	Amount Deposited to CTF
Motor Fuels Tax	Gasoline Tax	•24¢ per gallon upon each gallon of gasoline sold or used in the Commonwealth	23.964¢, or 99.85%*
	Special Fuels Tax	•24¢ per gallon upon each gallon of special fuels sold or used in the Commonwealth and a tax of 19.1% of the average price per gallon of liquefied gas sold or used in the Commonwealth	100%
	Motor Carrier Tax	•24¢ per gallon upon each gallon of gasoline and special fuels acquired outside and used within the Commonwealth	100%
Registry Fees	Registry Fees	•Motor vehicle registration fees •Motor vehicle license fees •Miscellaneous fees and other revenues relating to the operation and use of motor vehicle transportation	100%

*(\*0.15% of Gas Tax is dedicated to the Inland Fisheries and Game Fund)*

**Local Partnerships**

House 2 Fair Share investments in transportation continue a critical partnership between the state and its 351 local cities and towns. House 2 proposes \$100 million in supplemental Chapter 90 - in addition to traditional \$200 million of Chapter 90 funding from legislation that is

## ***Budget Brief: Fair Share Investments in Education and Transportation***

---

being filed separately from House 2, for a total of \$300 million in FY25 for local road aid. In addition, House 2 proposes another \$24 million for rural and regional transportation funding to address the needs of smaller communities across the state.

### **FY24: A Look Back**

In FY24, the GAA supported \$1 billion in historic new investments in our education and transportation systems. Of that billion, a total of \$510 million is allocated for use on early education and care, K-12 education, and higher education, and \$490 million invested in transportation.

Investments are spread across multiple segments of education and transportation, with a focus on achieving meaningful, equitable impacts for each. Since this is the first full year of Fair Share funding, expenditures continue to ramp up while Education and Transportation agencies are working diligently to ensure funds are used for their targeted purposes, including multi-year capital projects.

#### *Education*

FY24 has been a landmark year for education investment, and the Healey-Driscoll Administration looks forward to continuing our historic investment in FY25. Through \$510 million in Fair Share investments the administration was able to make progress on key education priorities, including:

- Launching MassReconnect, providing free community college to students age 25 or older without a prior higher education credential
- Announcing historic expansion of financial aid totaling \$84 million to make public higher education more affordable, and making it tuition- and fee-free for all Pell Grant recipients
- Expanding the Early College program, allowing more than 8,200 students to attend a college course for free while still in high school
- Fully funding Universal Free School Meals, ensuring that all of our learners have access to a free and nutritious meal during the school day
- Supporting capital projects across Child Care, Elementary and Secondary Education, and Higher Ed
- Increasing Child Care Provider Rates to bring the payments child care providers receive for subsidized families closer to the market rate
- Expanding the Commonwealth Preschool Partnership Initiative to put the Commonwealth on the path towards Universal Pre-K



**Budget Brief: Fair Share Investments in Education and Transportation**

Education \$ in millions	FY24		
	FY24 GAA	FY24 Est. Spending	Est. PAC Forward
<b>Early Education &amp; Care</b>	<b>70.5</b>	<b>70.5</b>	<b>-</b>
Child Care Grants to Providers			-
Reduce Income Eligible Waitlist	25.0	25.0	-
CPPI Pre-K Initiative	5.5	5.5	-
Child Care Provider Capital Improvements	15.0	15.0	-
Provider Rates	25.0	25.0	-
Child Care Affordability	-		-
<b>K-12 Education</b>	<b>224.0</b>	<b>166.5</b>	<b>57.5</b>
Early College and Innovation Pathways	5.0	2.5	2.5
Universal School Meals	69.0	69.0	-
Clean Energy Infrastructure Grants	50.0	5.0	45.0
MSBA Project Cost Increase Mitigation	100.0	90.0	10.0
Mental Health Systems and Wraparounds	-	-	-
Early Literacy	-	-	-
<b>Higher Education</b>	<b>229.0</b>	<b>131.5</b>	<b>97.5</b>
Financial Aid Expansion: MASSGrant Plus	84.0	65.0	19.0
Higher Education Capital Funding	50.0	10.0	40.0
MassReconnect	20.0	20.0	-
In-Demand Professions Financial Aid	25.0	3.0	22.0
State U and Community College Endowment Match	10.0	10.0	-
UMass Endowment Match	10.0	10.0	-
Capacity Building for Free Community College	12.0	4.5	7.5
Scholarships for Nursing Students at Community Colleges	18.0	9.0	9.0
<b>Total</b>	<b>523.5</b>	<b>368.5</b>	<b>155.0</b>

**Transportation**

In FY24, \$490 million of Fair Share funding was appropriated for Transportation. These funds are supporting efforts by MassDOT to improve municipal roadways, plan for bridge repairs across the state, and make matching grants to improve Massachusetts’ competitiveness for federal funding opportunities.

Fair Share funding in FY24 is also supporting significant transit investments at the MBTA and the 15 RTAs. For the MBTA, these funds support improvements in the infrastructure, stations and accessibility, as well as planning for future capital projects. Additionally, Fair Share investments are enabling the MBTA to make safety improvements, as guided by the Federal Transit Authority audit. With funds from Fair Share, the Regional Transit Authorities (RTAs) have implemented operational enhancements and improvements, including expanded service hours, weekend services, and route expansions. RTAs also use Fair Share funding to support fare equity.

Finally, Fair Share funding is enabling innovative local and regional mobility projects around the state. MassDOT’s Rail and Transit division used Fair Share to expand the Community Transit Grant Program, which supports projects serving low-income riders, as well as seniors and people with disabilities, and grants to rural areas.



**Budget Brief: Fair Share Investments in Education and Transportation**

Some of these capital investments will need more than one fiscal year to complete, therefore, MassDOT is planning to request to continue approximately \$185 million of FY24 appropriations into FY25.

Transportation \$ in millions	FY24		
	FY24 GAA	FY24 Est. Spending	Est. PAC Forward
<b>Municipal Assistance</b>	100.0	50.0	50.0
Supplemental C90/Rural Road Aid	100.0	50.0	50.0
<b>MassDOT</b>	75.0	37.5	37.5
CTF Bonding Capacity	-	-	-
Service, Safety, and Sustainability	-	-	-
Highway Bridge Preservation	50.0	25.0	25.0
Federal Matching Funds	25.0	12.5	12.5
Roadside Maintenance and Beautification	-	-	-
<b>MBTA</b>	205.8	205.8	-
Capital Investments	180.8	180.8	-
Fare Equity	5.0	5.0	-
FTA Findings Workforce & Safety Reserve	20.0	20.0	-
<b>MassDOT Rail and Transit</b>	185.7	88.2	97.5
Regional Transit Funding, Grants, and Fare Equity	90.0	82.5	7.5
Palmer and Pittsfield Rail Projects	90.0	-	90.0
Water Transportation	5.7	5.7	-
<b>Total</b>	<b>566.5</b>	<b>381.5</b>	<b>185.0</b>