

FY2026 H.1 BUDGET BRIEF

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

Fair Share Two Years Later: Investments and Impacts

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Fair Share Revenue

In November of 2022, the voters approved a “Fair Share” ballot initiative to impose a 4% income surtax on individuals earning over \$1 million annually. Over the partial year of collections in FY23 and the first year of complete collections in FY24, revenues have come in well above forecast; Massachusetts’ Department of Revenue (DOR) has certified \$2.702 billion in collections for both FY23 and FY24. \$2.460 billion alone was collected in FY24, well over the spending cap agreed upon in consensus of \$1 billion. Our approach to spending has remained conservative to protect against potential revenue volatility. The consensus revenue number for FY26 has been set at \$2.400 billion and in addition to the H.1 budget, the Administration is filing a supplemental budget proposal on spending a portion of the excess Fair Share revenue from fiscal year 2024.

Fair Share Revenue Projections and Actuals (\$M)

Fiscal Year	FY23	FY24	FY25	FY26	Total
Consensus Estimate	-	\$1,000	\$1,300	\$2,400	\$4,700
Actual Collections	\$242	\$2,460	TBD*	TBD*	TBD*
Appropriated Spend	-	\$1,000	\$1,300	\$1,950**	\$4,250

*Fair Share actual collections are certified in October for the fiscal year ending on the preceding June 30. Fair Share actuals for FY 2025 (ending June 30, 2025) and FY 2026 (ending June 30, 2026) won’t be known until October 2025 and October 2026 respectively.

**Planned appropriations in FY26 House 1

These revenues are constitutionally dedicated to “quality public education and affordable public colleges and universities, and for the repair and maintenance of roads, bridges, and public transportation.” Across FY24 and FY25, the Commonwealth has appropriated a total of \$2.3 billion of Fair Share revenues, split across priority education and transportation programs without supplanting prior commitments.

The Administration has focused on targeting investments to date to achieve transformative change that increases affordability, equity, and competitiveness across the Commonwealth. The investment goals to date have included supporting and stabilizing the child care sector,

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providing wraparound supports for K-12 and higher education students, providing free community college to residents of the Commonwealth, increasing Chapter 90-type support to municipalities, providing support for Regional Transit Authorities, and increasing support for the MBTA, among others.

Education

Fair Share revenues have enabled Massachusetts to make transformative investments in education at all levels, from early childhood to higher education. Over FY24 and FY25, \$348.5 million has been allocated to expand access to and the affordability of early education and child care through grant programs, subsidies, and pilot initiatives. Elementary and secondary education has received \$468.5 million, supporting universal school meals, student learning programs, and critical infrastructure projects. For higher education, \$468 million has been committed to initiatives like free community college, scholarship programs, and campus capacity-building projects. Together, these investments are improving education opportunities and outcomes across the Commonwealth.

Early Education and Child Care

Early Education and Care investments have been focused on increasing affordability and access for families, supporting and stabilizing providers, and making capital investments to improve and expand the capacity of early education facilities. Specifically, across FY24 and FY25, \$58 million in Fair Share revenues has been allocated to child care financial assistance for income-eligible families. In FY25, through a combination of Fair Share and General Funds, the Commonwealth invested \$872 million in Child Care Financial Assistance (CCFA) programs. Today, more than 65,000 low-income children and their families receive state support to better access and pay for early education and care.

Other FY24 and FY25 investments from Fair Share revenues in Early Education and Care include:

- \$175 million out of Fair Share revenues for the Commonwealth Cares for Children (C3) Program, combined with \$300 million in General Fund revenues, maintains federal pandemic-era funding levels, supporting 7,900 child care programs, employing more than 41,000 educators, and sustaining more than 25,000 licensed seats for children and families statewide. The funding in FY25 budget also made the C3 program permanent.
- To further assist providers, \$25 million in Fair Share revenues, combined with \$40 million in General Fund revenues, funded a 5.5% rate increase for both center-based and family child care providers in FY24. This funding allowed for updates to the rate methodology to reflect the cost of care, ensuring regions with similar economic conditions receive equitable rates. A further \$65 million was appropriated for rate increases in FY25, \$45 million of which annualizes the FY24 rate increases and \$20 million of which will go to new rate increases.
- \$15 million for two capital investment grant programs in FY24. One improved and expanded capacity of 20 center-based early education programs. Established a second grant program, the first to be dedicated to family child care programs, that will award grants of up to \$25,000.

- \$10.5 million was appropriated across both fiscal years to expand universally accessible pre-K through the Commonwealth Preschool Partnership Initiative (CPPI), increasing capacity in Gateway Cities and rural communities. CPPI is now supporting 203 preschool classrooms and serving 2,891 young learners statewide, including 31 new classrooms directly funded by Fair Share revenues.

K-12 Education

To support student learning and growth, Fair Share revenues in FY24 and FY25 have funded Universal School Meals, enhanced mental health supports, and increased minimum per-pupil aid through Chapter 70. In FY24, Massachusetts required schools, and provided the needed funding, to provide breakfast and lunch free of charge to all students, becoming one of only eight states to maintain universal free meals after the expiration of federal pandemic-era funding. During school year 2022-2023:

- Schools served 12.2 million more lunches and 9 million more breakfasts compared to the last pre-pandemic year of data (school year 2018-2019);
- This commitment of funding has allowed 61,500 more students to eat lunch and 43,400 more to eat breakfast daily.

Revenues have also supported the Healey-Driscoll Administration's Literacy Launch initiative to address one of the most pressing issues in K-12 education: early literacy. Literacy Launch received \$20 million in FY25, which, alongside \$38.4 million in federal funds, provides high quality literacy materials, coaching, and professional development for educators working with students in preschool through third grade.

Other FY24 and FY25 investments in K-12 Fair Share highlights include:

- \$5 million in FY25 to address mental health and behavioral health needs, specifically supporting the development of a comprehensive framework for children from birth through higher education.
- \$7.5 million across both fiscal years for expansion to the network of early college, workforce, technical, and innovation career pathway programs. This supported the launch of 11 new Innovation Career Pathway programs in previously underserved districts, the expansion of existing programs in 15 districts.
- \$160 million for two construction and infrastructure grant programs, distributed through MassCEC for the Clean Energy Infrastructure Grants and Technical Assistance (Green School Works) and the Massachusetts School Building Authority (MSBA) for capital supports.

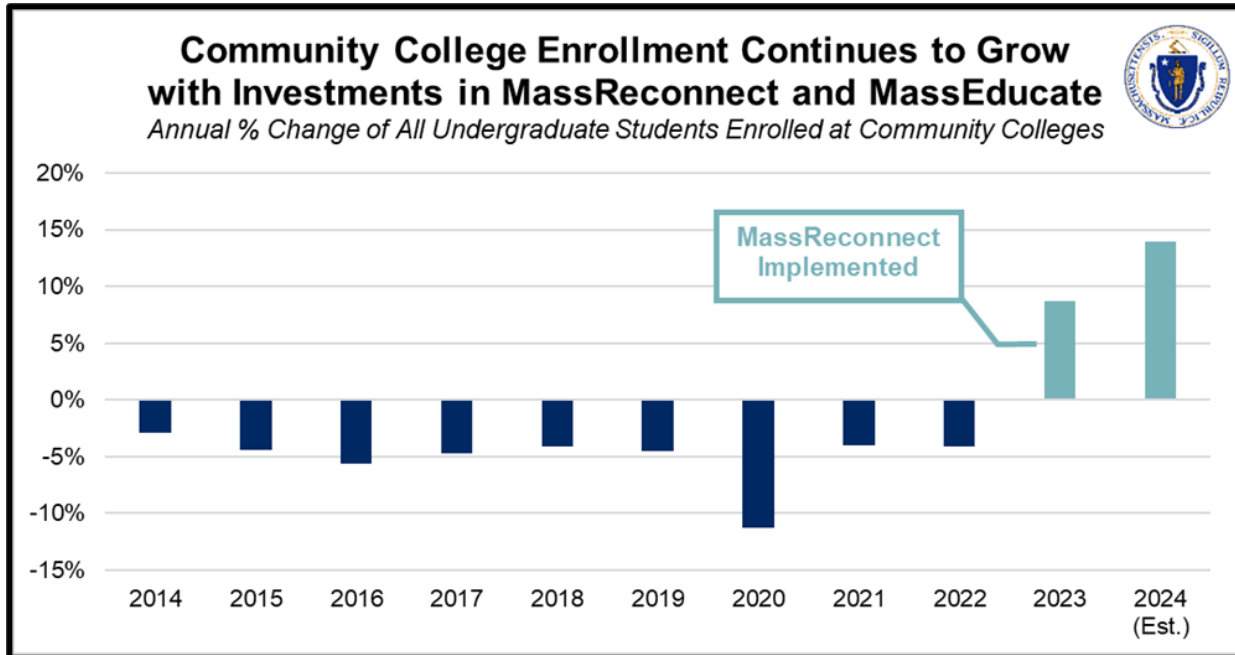
Higher Education

Massachusetts is known for its excellent higher education system, which drives innovation and strengthens our economy. To support access to, and the affordability of, the state's public higher education system, Massachusetts used Fair Share to make community college tuition and fee free through two critical programs: MassEducate, which makes public community colleges free for all students, and MassReconnect, through which residents aged 25 and older can pursue associate degrees or high-quality certificates in in-demand fields such as healthcare and clean energy. The MassReconnect program, begun in FY24, increased adult enrollment by 45% and supported over 4,500 students in its first

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year. The MassEducate initiative built upon that success, covering tuition and fees for eligible students with additional allowances for books, supplies, and other costs. These initiatives, combine, have resulted in a 14% enrollment increase in the fall semester of 2024.



To further improve affordability and access for students, the Commonwealth has distributed additional Fair Share revenues across several grant programs that reduce barriers and improve outcomes for public higher education students:

- Financial Aid Expansion including MASSGrant Plus (\$164 million over FY24 and FY25), which covers tuition, fees, books, and supplies for Pell Grant-eligible students while offering a 50% discount on remaining costs for middle-income families.
- The In-Demand Professions Financial Aid (\$35 million over FY24 and FY25) and Scholarships for Nursing Students at Community Colleges (\$18 million in FY24) programs, which support students in areas that are critical to the Massachusetts workforce.
- For the first time, the SUCCESS Grant (\$14 million in FY25), which already provided wraparound services for vulnerable students at community colleges, was expanded to state universities.
- Basic needs assistance (\$2.5 million in FY25), helping students cover non-tuition costs like transportation, food security, and childcare.

Another \$97 million in Fair Share revenues supports key capital and capacity-building projects in higher education across FY24 and FY25. Highlights include:

- A one-time investment in FY24 in decarbonization, accessibility, and campus security projects (\$50 million) at public colleges and universities

- Funding for the UMass system (\$20 million over FY24 and FY25) and for state universities and community colleges (\$15 million over FY24 and FY25) to match private fundraising for endowments including scholarships, professorships, STEM programs, research positions, and more
- Additional revenues (\$12 million in FY24) for community colleges to expand staffing and make system upgrades at community colleges, supporting their ability to serve expanding student populations

Education (\$ in millions)	FY24 GAA	FY25 GAA	FY26 H.1	Fair Share Supplemental
Executive Office of Education	-	-	-	32.5
Reimagining High School	-	-	-	32.5
Early Education & Care	70.5	278.0	373.0	150.0
Commonwealth Cares for Children (C3) Program	-	175.0	275.0	-
Child Care Supports	-	-	98.0	-
EEC Capacity Building	-	-	-	100.0
Provider Rates	25.0	65.0	-	-
CPPI Pre-K Initiative	5.5	5.0	-	50.0
Child Care Affordability	-	18.0	-	-
Reduce Income Eligible Waitlist	25.0	15.0	-	-
Child Care Provider Capital Improvements	15.0	-	-	-
K-12 Education	224.0	244.5	475.0	280.0
Student Opportunity Act (Ch. 70)	-	-	225.0	-
Universal School Meals	69.0	170.0	170.0	-
Special Education Circuit Breaker	-	-	-	150.0
Career Technical Education Schools Capital/Grants	-	-	-	75.0
Literacy Launch	-	20.0	25.0	-
Adult Basic Ed/ESOL	-	-	-	30.0
High Dosage Tutoring	-	-	-	25.0
Mental Health Systems and Wraparounds	-	5.0	5.0	-
Early College and Innovation Pathways	5.0	2.5	-	-
Clean Energy Infrastructure Grants	50.0	10.0	-	-
MSBA Project Cost Increase Mitigation	100.0	-	-	-
Minimum Per Pupil Aid	-	37.0	-	-
Education Transportation	-	-	50.0	-
Higher Education	229.0	239.0	337.0	-
Higher Education Capital Funding	50.0	-	125.0	-
MassEducate	-	93.5	94.0	-
MASSGrant Plus	84.0	80.0	80.0	-
MassReconnect	20.0	24.0	24.0	-
In-Demand Professions Financial Aid	25.0	10.0	-	-
State U and Community College Endowment Match	10.0	5.0	-	-
UMass Endowment Match	10.0	10.0	-	-
Capacity Building for Free Community College	12.0	-	-	-
Scholarships for Nursing Students at Community Colleges	18.0	-	-	-
State U SUCCESS	-	14.0	14.0	-
Higher Education Persistence and Basic Needs	-	2.5	-	-
Total	523.5	761.5	1,185.0	462.5

Transportation

Fair Share revenues have significantly reshaped the transportation landscape, driving transformative investments while ensuring the sustainability of historical services. Over FY24 and FY25, a total of \$1.015 billion has been allocated to strengthen the Commonwealth's transportation system. This funding has enhanced the Commonwealth Transportation Fund's (CTF) bonding capacity, supported MassDOT operations, stabilized and bolstered the MBTA, expanded services offered by the Regional Transit Authorities (RTAs), and provided vital municipal assistance through Chapter 90.

CTF Bonding Capacity Pledge

In FY25, \$250 million of Fair Share revenues was dedicated to expand the borrowing capacity of the CTF by an additional \$1.1 billion from FY25 to FY29. This dedicated investment will strengthen debt service coverage in the CTF and enable the financing of additional capital projects for both MassDOT and the MBTA over the next five years. Through the expansion of CTF capital, the MBTA will receive an additional \$601 million in capital funding for the Rail Reliability Program, including \$85 million allocated specifically for the Track Improvement Program. Riders felt the effects of the Track Improvement Program as it helped remove over 200 speed restrictions and replaced over 250,000 feet of rail resulting in riders saving 2.4 million minutes every weekday commute. Without the Fair Share investment, the CTF bond programs would remain at capacity, with just \$740 million in planned borrowing available, all of which had already been committed to existing projects.

To learn more about unlocking capital capacity from the CTF, please refer to the **Transportation in the Commonwealth** budget brief.

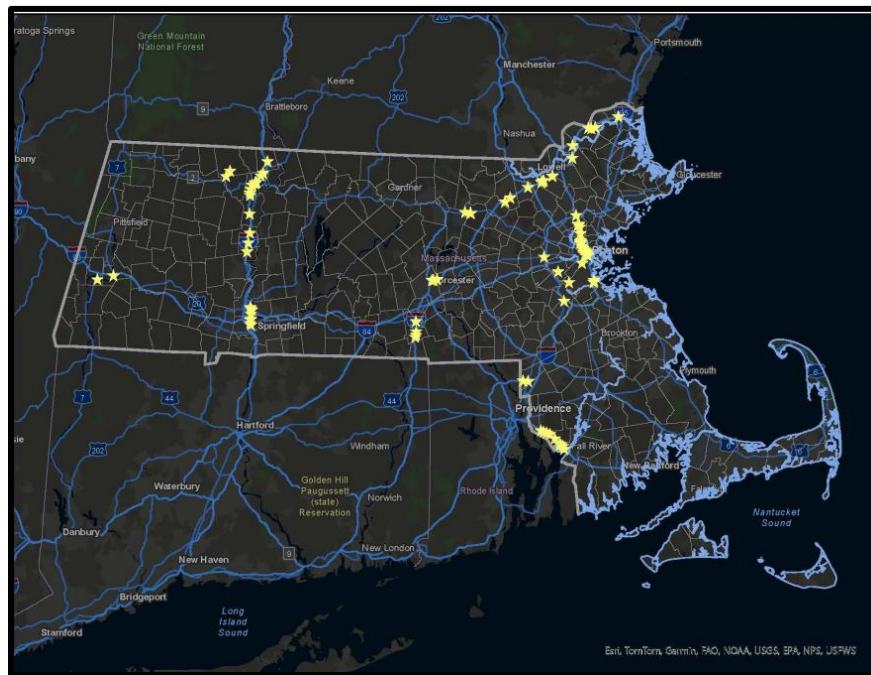
MassDOT Operations

To bolster Massachusetts's primary transportation authority, the Department of Transportation, Fair Share revenues have been allocated to fund a range of new initiatives while maintaining essential services. From FY24 and FY25, MassDOT operations received \$135 million in Fair Share revenue, which supported service investments, highway bridge preservation, and federal matching funds.

In FY25, MassDOT received a \$60 million service investment. This helped to support core operations. Notably, MassDOT funneled funds towards implementing the Work and Family Mobility Act (WFMA). Under WFMA, eligible residents could obtain a Standard (Class D or M) driver's license.

Another \$50 million in FY24 was dedicated to the construction, preservation, reconstruction and repair of highway bridges. With this, MassDOT supported the funding for 20 projects statewide. MassDOT utilized a multi-factor prioritization that weighed current conditions, anticipated near term deterioration, resiliency, and network significance. Projects selected in FY24 were primarily preservation-focused - i.e. sought to extend the useful life of a structure by preventing deterioration and/or address existing defects. A consistent preservation program reduces the number of poor condition bridges that continue to deteriorate and increases the need for more costly replacement.

Bridge Locations Across the Commonwealth



Also in FY24, MassDOT received \$25 million for matching funds to unlock funding from the federal United States Department of Transportation for state or municipal transportation projects. As of September 30, 2024, two noteworthy projects have secured federal matching dollars from the following grant programs: Safe Streets and Roads for All and Consolidated Rail and Infrastructure (CRISI). Safe Streets and Roads' total awarded federal funding amounts to \$4.3 million to date and aims to provide grants to local, regional, and tribal communities for the implementation and planning efforts to reduce deaths and serious injuries on the nation's roadways. Specifically, Massachusetts regional planning agencies have received funds to develop regional safety action plans. Additionally, \$1.8 million of federal funding to date was awarded to the Springfield Reconfiguration project from the CRISI program. MassDOT, as the recipient of these federal funds, will use these dollars for track, signal, and infrastructure improvements in and around Union Station in Springfield.

MBTA

The MBTA has received \$345 million in Fair Share funds to support a range of infrastructure, service, and rider experience improvements to date. Specifically, these funds have been directed towards initiatives such as the Federal Transit Administration's (FTA) Workforce and Safety Reserve; Income-Eligible Reduced Fares; Capital Investments; Water Transportation; and the MBTA Academy.

With the release of the FTA's report in August 2022, the MBTA has been focused on responding to the findings of the report. The FTA identified 20 findings and outlined numerous required action items across four categories: managing the impact of operations,

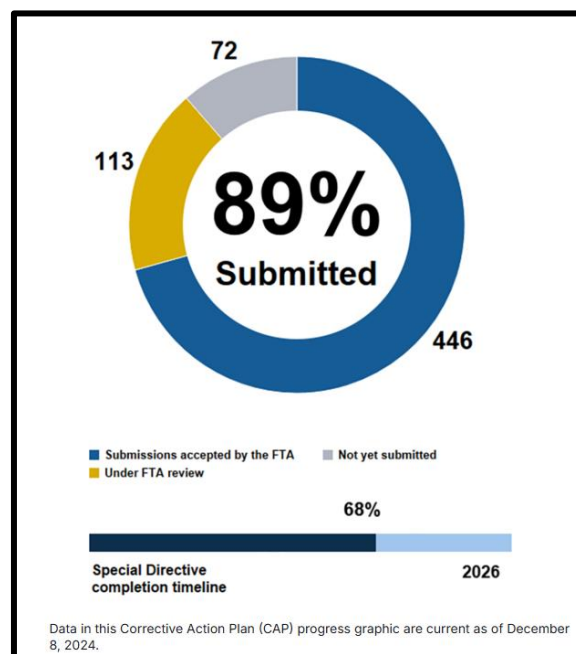
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maintenance, and capital project requirements on the existing workforce; prioritization of safety management information; effectiveness of safety communications; and operating conditions and policies, procedures, and training.

To address these required action items, the MBTA created Corrective Action Plans (CAP). The chart below illustrates the status of those CAPs as of December 8, 2024. To resolve CAPs, the MBTA has been given additional state assistance, supplemented by a Fair Share investment to the FTA Workforce and Safety Reserve.

Since FY24, the FTA Workforce and Safety Reserve has received \$56 million from Fair Share revenues. These funds have been used to cover existing CBAs to stabilize the existing workforce, reducing turnover, and addressing remaining CAPs.



Note: Total number of CAPs generated by the FTA's special directive is funded with a combination of Fair Share revenues and other sources.

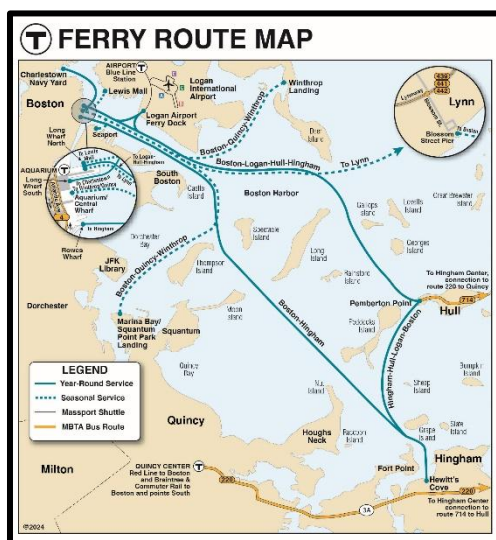
Another noteworthy Fair Share transportation investment has been Income-Eligible Reduced Fares. In FY24, the MBTA received \$5 million to research the feasibility of means-tested or income-eligible reduced fares program. These funds were used to engage with community-based partners, update fare collection technology, expand staffing for the fare revenue department, and support other initiatives. Building on the feasibility study, MBTA was authorized to implement the program with a \$20 million Fair Share investment in FY25. Since its recent launch, MBTA is actively working to enroll eligible individuals to ensure that they can benefit from this program. Since the program launched in September, 33,724 eligible riders have enrolled through early January 2025.

In FY24, MBTA received \$181 million for capital investments, supporting the following infrastructure projects:

Capital Investments	FY24 State Budget
Fairmount Line Bridge Repair and Rehabilitation	\$50.0M
Central Square Station Accessibility	\$37.6M
Ruggles Station Improvements	\$9.7M
Rapid Transit Elevator Repairs	\$7.7M
Free Standing Mini-Highs at Inaccessible Commuter Rail Stations	\$15.0M
Red-Blue Connector	\$10.8M
Rail Modernization Early Actions	\$20.0M
Subway Line Track and Signal Improvements - Green and Blue Line	\$30.0M
Total	\$180.8 M

In FY25, capital investments received an additional \$60 million in Fair Share revenues. These dollars are currently being programmed out to support existing and new physical infrastructure and MBTA assets.

The MBTA operates ferry services across six lines – Hingham, Hingham/Hull/Logan, East Boston, Charlestown, Lynn, and Winthrop. These operations were supported by Fair Share funds through a \$5 million investment in FY24 and a \$7.5 million investment in FY25. Furthermore, investments in ferry services were notably useful during the closure of the Sumner Tunnel in the summers of 2023 and 2024. During the closure, residents and visitors could use ferry services as an alternative form of transportation to alleviate traffic.



The MBTA is budgeted to spend \$22.6 million on training in FY25. Increased training activities are made possible through the \$10 million MBTA Academy appropriation. Along with training, MBTA Academy also supports hiring ventures. Examples of initiatives funded via the \$10 million include the following:

- Piloting an MBTA apprentice program for critical positions, such as machinists and rail repairers
- Increased training space leased at South Station

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- Internship programs for juniors and seniors at technical high schools to gain experience working at the MBTA
- Purchasing driving simulators for heavy rail, light rail, and bus drivers
- Providing de-escalation training

Regional Transit Authorities

Across FY24 and FY25, \$200 million in Fair Share revenue has been allocated to Massachusetts's 15 Regional Transit Authorities (RTAs) for purposes including operational enhancements and improvements, expanded service hours, expanded bus service, innovation in areas like rural connectivity and service delivery models, and more. The RTAs service urban, suburban, and rural areas across the Commonwealth, providing fixed route and paratransit services to connect people to jobs, education, medical care, and other necessities.

A portion of this funding has been dedicated to fare-free programs, demonstrating a commitment to equity and affordability. In FY24, \$15 million of the funding was allocated to RTAs as operating funds to pilot fare-free programs. Building on the success of these pilots, \$30 million in FY25 funding was used to implement year-round systemwide fare-free service in 13 of Massachusetts's 15 RTAs. These investments align with the Administration's emphasis on supporting affordability for working families, including those who ride the RTA regularly. RTA ridership rose from 13.7 million rides in FY21 to 18.77 million in FY22, and further to 22.5 million in FY23.

The remaining funding was distributed as follows:

- Operational enhancements and improvements: \$122 million across both fiscal years was allocated to RTAs to support improvements to their operations and services
- Innovation initiatives: FY24 funding included \$15 million for an innovation grant program administered by MassDOT, supporting projects such as electrification and innovative service delivery models
- Connectivity between public transportation routes: In FY25, \$10 million was provided as grants to RTAs to create or alter routes that advance regional connectivity between existing public transportation services
- Mobility options for vulnerable populations: \$8 million across both fiscal years went to the Community Transit Grant Program, which expands mobility options for older adults, people with disabilities, and low-income individuals

Supplemental Chapter 90/ Rural Road Aid

In FY24 and FY25, the Commonwealth allocated supplemental funds for Chapter 90 and rural road aid to support municipal road construction and reconstruction. The funding included \$100 million in FY24 and \$45 million in FY25, representing increases over the traditional \$200 million allocation. These additional funds enabled the Commonwealth to revisit its funding distribution formula. In FY24, 50% of the funds were distributed using the traditional formula, which considers local road mileage, population, and employment, while the remaining 50% was distributed based solely on road mileage, providing enhanced support for rural communities with extensive road networks.

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Transportation (\$ in millions)	FY24 GAA	FY25 GAA	FY26 H.1	Fair Share Supplemental
CTF Debt Service	-	63.0	100.0	-
MassDOT	175.0	105.0	55.0	52.5
Winter Resilience Assistance Program (WRAP)	-	-	-	25.0
MassDOT Service Investments	-	60.0	55.0	17.5
MicroTransit and Last Mile Innovation Grants	-	-	-	10.0
Supplemental C90/Rural Road Aid	100.0	45.0	-	-
Service, Safety, and Sustainability	-	-	-	-
Highway Bridge Preservation	50.0	-	-	-
Federal Matching Funds	25.0	-	-	-
MBTA	211.5	260.5	500.0	780.0
MBTA Operating Subsidy/Supports	-	127.0	500.0	780.0
FTA Findings Workforce & Safety Reserve	20.0	36.0	-	-
Low-income fares	5.0	20.0	-	-
Capital Investments	180.8	60.0	-	-
MBTA Academy	-	10.0	-	-
Water Transportation	5.7	7.5	-	-
RTAs	90.0	110.0	110.0	25.0
RTA Funding, Grants, and Fare Equity/Supports	90.0	110.0	110.0	25.0
Total	476.5	538.5	765.0	857.5