

New Federal Spending Makes It Crucial to Add State Funds for Education and Transportation

The Fair Share Amendment in the Context of Recent Federal Legislation

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The federal and state governments act as partners to ensure high-quality education and transportation. In response to the COVID pandemic, the federal government has made available billions of one-time dollars for the Commonwealth. Federal funding for transportation and education from the American Rescue Plan Act (ARPA), from other relief bills passed by Congress during the pandemic, and enhanced funding opportunities in the newly signed Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Framework (BIF) are important but insufficient sources of revenue for the Commonwealth to move beyond the pandemic to a future with equity at its center.

At the same time, voters are preparing to consider a November 2022 ballot initiative known as the “Fair Share Amendment” (FSA) that would provide [over \\$2 billion yearly](#) in additional state funding for education and transportation. The new investment would be funded by a 4 percent additional tax on the portion of tax filers’ annual income over \$1,000,000.

One-time federal funds during the pandemic have been crucial in providing immediate relief and helping recover from COVID, but are insufficient to meet the long-term needs or close the kinds of gaps in access to transportation and education that the Fair Share Amendment (FSA) seeks to address. The state has

Key Takeaways

- Short-term federal funds are not a substitute for long-term state funding for education and transportation, but they can be strong complements.
- The Fair Share Amendment (FSA) when coupled with federal funding could go a long way towards meeting the state’s as-yet-unfunded commitments to education and transportation.
- Much of current federal transportation funding increases support for existing programs. Billions in additional federal funds are available, but the state will need to compete with other states to receive this money, partly by showing it has the state revenue to support these programs.
- Federal pandemic funds have been crucial for education through the crisis, but meeting existing commitments to improve K-12 funding, making early education and care accessible and affordable, and achieving our higher education potential will require long-term revenues, such as those from the FSA.

made numerous commitments, such as to improve education in low-income communities and to reduce climate emissions. There is strong public support for maintaining and improving truly equitable transportation and education in ways that will not be possible without the revenue that would be supplied by the FSA.

Policymakers have hesitated to use one-time federal funds for improvements for which they lack longer term sources of revenue to sustain. Moreover, passage of the FSA would enable the Commonwealth to better compete against other states for the many billions in upcoming federal funds that will be awarded as competitive grants that would allow for more ambitious and high-impact investments.

Transportation

New federal funding provides opportunities to jumpstart important transportation improvements, but it is inadequate for the needs ahead. Moreover, it would be problematic to invest in new projects and greater accessibility without additional sources of state revenue to sustain these commitments. Most of the potential funding is also in grants that Massachusetts will compete for against other states, and will compete more successfully with accompanying investments from the Fair Share Amendment. Enhancing our transportation system, as well as making it more reliable and accessible, can especially improve the lives of people with low incomes and communities of color.

Three considerations show how the significant limits of current federal transportation funding turn to enormous opportunities if they are paired with long-term funding from the FSA.

- **Inadequacy of federal funds** – Large amounts of federal money will be made available for states to spend through [pandemic recovery transportation funds](#) and the infrastructure act, but it is inadequate compared to Massachusetts' investment needs to secure a better transportation future. Around the state, [1 out of 11 bridges](#) are considered structurally deficient and public transit systems large and small will see big dropoffs in revenue when the short-term federal relief funding runs out. Regional Transit Authorities, such as the Worcester Regional Transit Authority, have been able to use federal funds to improve service and eliminate fares, which particularly helps [low-income riders and people of color](#). But they lack a way to continue these improvements in a few years when federal pandemic funds are depleted. Business groups have identified transportation funding shortfalls that far exceed anticipated levels of federal investment support. The Massachusetts Taxpayers Association [warns that the MBTA faces](#) an annual operating shortfall of hundreds of millions of dollars after July 2023, and the following year faces a \$13 billion shortfall in capital funding compared to the authority's projected needs, even without taking on the expansion and improvement projects that are being planned for. The business group A Better City similarly found [\\$43 billion in projects](#) across the region that are in the Massachusetts Department of Transportation (MassDOT) capital plan, consistent with completed long-term master planning efforts, or recommended by MassDOT-supported commissions, but which lack

sources of funding. None of these estimates count the cost of electrifying fleets to meet emissions targets or making infrastructure resilient to deal with the changing climate. Most of the transportation funding in the infrastructure act that is definitely coming to Massachusetts is just a somewhat generous reauthorization of the normal multi-year surface transportation acts which consistently provides federal funds according to formula and are [already relied on](#) for a large portion of state transportation funding. The infrastructure act is slated to [provide Massachusetts with \\$2.5 billion](#) for public transit across federal fiscal years 2022 to 2026. The final year amount is 36 percent more than the current 2021 funding level. This is a meaningful increase, but hardly dramatic considering that the increase will be diluted by five years of inflation and population growth, and the costs of vehicles, fuel, and professional drivers are rising briskly.

- **FSA can sustain and enable better spending of federal funds** – Federal pandemic funds must be fully spent in the next few years. Massachusetts’ transportation needs won’t cease when federal funding does. Ramping up major new infrastructure systems and commitments to more frequent and accessible service on existing systems without a backstop of permanent increases in transportation revenues would set up a funding cliff after federal funds run out. Lawmakers on Beacon Hill are understandably hesitant to invest in new commitments that they won’t be able to sustain. They don’t want to have to withdraw popular programs like low-income fare discounts, free fares, nighttime buses, or promises to quickly fix bridges. This uncertainty constrains the ways Massachusetts can use ARPA dollars, unless the Legislature has steady future funding sources to sustain such efforts. The Fair Share Amendment can serve as such a backstop to sustain long-term transportation improvements jumpstarted by federal funds. Ongoing state revenue from the FSA would allow federal dollars to be used more ambitiously and with greater certainty.
- **FSA can leverage far more new federal funds** – The most promising part of the federal infrastructure act is not the incremental amounts of additional formula funding guaranteed to Massachusetts. The \$8 billion nationwide for competitive Capital Investment Grants, and billions more for clean buses, state of good repair, and other grants represent a far larger upside. How important the infrastructure act ultimately will be for Massachusetts largely depends on how successfully we will compete against other states for these grants. Like with the current Green Line extension that was financed through competitive grants in the 2009 federal stimulus package, states must offer partial state matching funds from state revenues. Winning federal grants will also be easier if the Commonwealth demonstrates a commitment to innovation, repair, increasing transit ridership, and improving the transportation networks that would connect to new federally-supported projects. Showing the U.S. Department of Transportation and the Federal Transit Administration that Massachusetts is putting its own skin in the game with potential transportation revenue will provide a big advantage.

Education

Similarly, federal pandemic relief has helped avert education cuts, but it is insufficient and too short-term to meet the Commonwealth’s existing promises to improve education, much less to

make bold new investments in early education, vocational education, school buildings, higher education, English instruction for adults, or other important needs. Consider three of the the largest needs below:

- **Early Education** – Federal relief since 2020 has provided close to \$730 million for child care, and if a robust federal Build Back Better is enacted, this scale of investment could be sustained over the coming years. The pandemic has exposed that families cannot always count on being able to go to work secure in knowledge that they will have reliable and affordable child care. In our research earlier this year [MassBudget found](#) the cost of a full, universal, high quality and affordable system for early education and care in Massachusetts was projected at \$5 billion above the amount of existing funding at that time. The Commonwealth will need a multi-year investment plan including both state and federal dollars. Proposed new federal funding in the “Build Back Better” plan will also likely come with state match requirements, making ongoing state revenue from FSA even more important.
- **K-12 Schooling** – Massachusetts enacted a seven-year funding plan in 2019 to improve education equity and quality (the Student Opportunity Act or SOA). This state commitment did not identify a specific ongoing source of revenue to pay for it yet many lawmakers have presumed that the FSA would be part of the solution. Federal pandemic relief in K-12 is very significant, especially the estimated \$1.84 billion for school districts [included in ARPA](#). However, when those dollars are spent in a couple of years we will still need to fulfill and sustain the commitment to funding increases under the SOA to ensure equity for low-income school districts and students of color. The SOA creates growing commitments to continue to fund state [Chapter 70](#) support for school districts at this higher level permanently. Reliable state resources will necessarily be part of meeting that promise. Back in 2019, the complete figure for increasing Chapter 70 funds under the SOA was estimated at \$1.5 billion after 7 years. The exact numbers will shift, but it is a reasonable estimate of the ongoing higher funding that we will have to sustain without ongoing pandemic relief.
- **Higher Education** – Massachusetts’ excellent higher education system is part of what makes this a good place to live and also creates a well-educated workforce. Especially in light of [flagging state funding since 2001](#), federal higher education relief has played an important role both in supporting students and state colleges and universities. Current federal relief funding addresses COVID-era harms such as decreased enrollment, disruption to other funding streams like housing and dining that depend on in-person life on campuses, and some staff layoffs. With additional ongoing revenue from FSA, Massachusetts could start heading towards where we want to go: world-class campuses at UMass/state universities/community colleges, well-supported staff and faculty, and affordable opportunities for students to learn without taking on massive debt. The Commonwealth has not yet come together on long-term plans to address years of underfunding in higher education, rising tuition and fees that feed student debt, or the unrealized potential for our community college system. Current federal relief helps with the crisis now, but fixing the long-term issues will be an ongoing concern that will require ongoing revenue such as FSA.