

## Your Fair Share Dollars at Work: Critical Investments and Hard Choices

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The Fiscal Year 2024 budget is the first state budget to include money raised from the Fair Share Amendment. Approved by voters last November, Fair Share amended the state constitution to include a 4 percent surtax on taxable income over \$1 million. Enabled by this new Fair Share revenue, the Fiscal Year (FY) 2024 budget makes important investments in education and transportation.<sup>1</sup> These investments show what can be accomplished when the Commonwealth raises the revenue it needs from those best able to afford it. While Fair Share is doing what the voters intended, the legislature was forced to make difficult choices over what to fund with Fair Share this year, and more can be done to protect the intent of this voter approved amendment.

This piece gives an overview of the Fair Share Amendment, reviews Fair Share funding in FY 2024, and discusses how Fair Share funding is being protected.

### **What's Fair Share Again?**

Voters took to the polls last November and approved the [Fair Share Amendment](#) (FSA). FSA amended the state constitution to introduce a 4 percent surtax only on taxable income over \$1 million. The \$1 million threshold is adjusted annually to reflect increases in the cost of living to ensure that the surtax applies only to the Commonwealth's highest income taxpayers. The state constitution requires Fair Share money to be spent on education and transportation.

FSA was approved to raise more adequate revenue for the Commonwealth's education and transportation needs. Crumbling infrastructure, [burning trains](#) (remember those?), unaffordable childcare, rising student debt, and other problems made clear the need for additional investments by our Commonwealth. The Fair Share surtax raises money from those earning the most to make investments in [education](#) and [transportation](#). These investments will help make Massachusetts a more affordable, competitive, and livable state.

The Fair Share Amendment was also approved because Massachusetts' tax system is [upside-down](#): Even with the amendment, the highest-income families in the state still pay a smaller percent of their household income in taxes than the bottom 99 percent. Not only is an upside-down tax system unfair, but it also worsens [racial inequality](#) and limits our ability to invest in the things we need as a Commonwealth. Fair Share uses an additional tax, a "surtax" on the highest-income households, to help make our tax system fairer.

The surtax will advance racial justice in Massachusetts, both in the way the tax is collected – from predominantly white, very high-income households – and by making possible transformative investments

that [can help address](#) the accumulated effects of a centuries-long history of systemic racism. The FY 2024 Fair Share spending is a down payment on a more equitable Commonwealth.

**Next Stop: First Fair Share Benefits**

Fair Share is funding items of importance to communities across the Commonwealth: free community college programs, expanded early childhood education supports, free school meals, greener school buildings, support for Regional Transit Authorities, discounted fares for low-income riders on the MBTA and eliminating fares altogether at some regional transit authorities, road and bridge improvement, and more. Taken together, the items funded by Fair Share in FY 2024 will have a positive impact on communities from Pittsfield to Provincetown.

Fair Share dollars are supporting a wide variety of education and transportation needs (see Table 1 for a breakdown). Public transit had a big Fair Share moment in FY 2024, with \$301.5 million in funding for capital and service improvements. Higher education also had a big moment, with \$234 million to support capital improvements, free community college initiatives, and scholarships. K-12 education will see \$219 million to provide free school meals and for the construction and greening of school buildings. These three subcategories represent 75 percent of Fair Share spending in FY 2024.

Table 1. Fair Share Addresses Variety of Needs in FY 2024		
Subcategory	Totals	Percent
Public Transit	\$301,500,000	30.15%
Higher Education	\$234,000,000	23.40%
K-12 Education	\$219,000,000	21.90%
Roads and Bridges	\$175,000,000	17.50%
Early Education & Care	\$70,500,000	7.05%

These initiatives directly impact our lives and the lives of our neighbors. For example, in many regions, public bus service doesn't run on nights or weekends and does not run frequently enough to meet people's needs. The \$90 million in Fair Share dollars for regional transit means that regional transit authorities can improve and expand services and keep fares low. More people will be able to get to a doctor or grocery store or commute to new employment opportunities.

Fair Share dollars will also work in concert with other funding to move education and transportation forward in Massachusetts. For example, Student Opportunity Act funding elsewhere in the FY 2024 budget will help increase educational equity across school districts, and Fair Share funding will help ensure these students are nourished and ready to learn in greener, newer school buildings.

Appendix 1 provides a detailed breakdown of FY 2024 Fair Share funding by individual line items.<sup>2</sup>

### Difficult Choices

Lawmakers identified more priorities than they had Fair Share funding for in FY 2024, and this required making difficult choices about what to fund. While Fair Share funding was capped at \$1 billion in FY 2024,<sup>3,4</sup> the Governor, House, and Senate together identified **more than** \$1 billion<sup>5</sup> in priorities this year. Some unfunded Fair Share priorities were then addressed elsewhere in the budget,<sup>6</sup> while others were left unfunded or were funded at a reduced level.

Of the 24 line items finally funded by Fair Share in FY 2024, 16 are funded at a level lower than proposed by either the Governor, House, or Senate. Collectively, these 16 items were allocated \$506 million less in Fair Share dollars than the amounts these bodies sought. For example, two college financial aid programs received \$41 million less than the higher amounts proposed for those items.<sup>7</sup>

Some priorities that were not given Fair Share dollars were also not included elsewhere in the budget. Items left unfunded<sup>8</sup> in the budget included additional money for student support services and tuition and fee stabilization at state colleges and universities, roadside maintenance and beautification, university diversity, equity, and inclusion initiatives, and rail improvement projects in Pittsfield and Palmer as initial steps for creating rapid passenger rail traversing the state.<sup>9</sup> These unfunded items alone total \$133.5 million and represent unmet needs, such as a first generation student who takes on more debt for college or does not receive support services that would help them graduate.

The Fair Share Amendment is doing what voters wanted it to do: making new, important investments in our Commonwealth and making our tax system more equitable. Yet, the unfunded Fair Share spending priorities for FY 2024 highlighted that there are still unmet needs.

### Protecting Fair Share

Our elected officials took important steps toward protecting Fair Share investments this year, but there is still work to do. Lawmakers created a dedicated fund, called the Education and Transportation Fund, to hold money collected under FSA.<sup>10</sup> The dedicated fund means that Fair Share dollars are not placed in the General Fund. This helps ensure that Fair Share money is not used for something other than education or transportation. Lawmakers also created a new separate section of the budget (Section 2F) to detail how Fair Share dollars are spent. Both actions help build transparency by making it easier to track Fair Share dollars and how they are spent.

Lawmakers took additional critical action by exempting Fair Share funding from the “tax cap law,” also known as “62F,” and from calculation of capital gains revenue to be held in reserve each year.<sup>11</sup> The tax cap law sets an [artificial limit](#) on how much tax revenue Massachusetts can collect, regardless of the current needs of the Commonwealth, and [disproportionately benefits](#) higher-income households. Including Fair Share dollars in the 62F calculation would have undermined the intent of the Fair Share Amendment by diverting Fair Share revenue away from education and transportation.

While these are good first steps toward protecting the Fair Share Amendment, new tax cuts for higher earners would undermine the intent of Fair Share. Yes, the voters approved FSA to make our tax system fairer and invest in education and transportation, but Fair Share was also meant to collect additional revenue available for public investment. Tax cuts for higher earners shrink the entire pie, reducing money

available for education and transportation as well as other priorities like housing, environmental justice, and healthcare.

Tax cuts should be well targeted and support economic and racial equity. This year, the legislature is debating cuts to capital gains and estate taxes, which are taxes that are overwhelmingly paid by the highest earners<sup>12,13</sup> - the same people who are supposed to be paying more as a result of voters' approval of Fair Share. These cuts will make our tax system [less equitable](#) and would erode the total funding available to the budget.<sup>14</sup>

**Appendix 1. Detailed Breakdown of FY 2024 Fair Share Spending**

Line Item	Title	Category	GAA <sup>15</sup> Section 2F
1596-2411	Income Eligible Waitlist	Early Education & Care	\$25,000,000
1596-2412	CPPI Pre-K Initiative	Early Education & Care	\$5,500,000
1596-2413	Early College and Innovation Pathways	Higher Education	\$5,000,000
1596-2414	Financial Aid Expansion	Higher Education	\$84,000,000
1596-2417	Higher Education Capital Funding	Higher Education	\$50,000,000
1596-2418	MassReconnect	Higher Education	\$20,000,000
1596-2422	Free School Meals	K-12 Education	\$69,000,000
1596-2423	Targeted In-Demand Scholarships	Higher Education	\$25,000,000
1596-2424	Green Schoolworks	K-12 Education	\$50,000,000
1596-2425	Department of Higher Education Endowment Match	Higher Education	\$10,000,000

1596-2426	UMass Endowment Match	Higher Education	\$10,000,000
1596-2429	Early Education & Care Provider Capital	Early Education & Care	\$15,000,000
1596-2431	MSBA Capital Supports	K-12 Education	\$100,000,000
1596-2432	Free Community College Implementation Supports	Higher Education	\$12,000,000
1596-2433	Nursing Programs Free Community College	Higher Education	\$18,000,000
1596-2434	Reimbursement Rate Increase, Center-Based Early Ed.	Early Education & Care	\$25,000,000
1596-2401	Matching Funds for Municipal and State Transportation Projects	Roads and Bridges	\$25,000,000
1596-2402	Highway Bridge Preservation	Roads and Bridges	\$50,000,000
1596-2404	MBTA Capital Investments	Public Transit	\$180,800,000
1596-2405	MBTA Means Tested Fares	Public Transit	\$5,000,000
1596-2406	Regional Transit Funding and Grants	Public Transit	\$90,000,000
1596-2408	Water Transportation	Public Transit	\$5,700,000
1596-2427	MBTA Workforce/Safety Reserve	Public Transit	\$20,000,000
1596-2428	Roads & Bridges Supplemental Aid	Roads and Bridges	\$100,000,000
Total Fair Share Funding (Fiscal Year 2024)			\$1,000,000,000

**Appendix 2: Range of FY 2024 Fair Share Funding for Individual Proposals**

Line Item	Title	Maximum Proposed	Minimum Proposed
1596-2400	Municipal Partnership Programs	\$100,000,000	\$0
1596-2401	Matching Funds for Municipal and State Transportation Projects	\$50,000,000	\$0
1596-2402	Highway Bridge Preservation	\$100,000,000	\$50,000,000
1596-2403	Roadside Maintenance and Beautification	\$14,000,000	\$0
1596-2404	MBTA Capital Investments	\$250,000,000	\$180,800,000
1596-2405	MBTA Means Tested Fares	\$5,000,000	\$5,000,000
1596-2406	Regional Transit Funding and Grants	\$100,000,000	\$25,000,000
1596-2407	Palmer and Pittsfield Rail Projects	\$12,500,000	\$0
1596-2408	Water Transportation	\$10,000,000	\$2,500,000
1596-2410	Childcare Grants to Providers	\$100,000,000	\$0
1596-2411	Income Eligible Waitlist	\$25,000,000	\$25,000,000
1596-2412	CPPI Pre-K Initiative	\$15,000,000	\$0

1596-2413	Early College and Innovation Pathways	\$10,000,000	\$0
1596-2414	Financial Aid Expansion	\$100,000,000	\$84,000,000
1596-2416	Student Support Services	\$30,000,000	\$0
1596-2417	Higher Education Capital Funding	\$140,000,000	\$0
1596-2418	MassReconnect	\$20,000,000	\$20,000,000
1596-2419	Tuition and Fee Stabilization	\$59,000,000	\$0
1596-2420	State University Equity and Inclusion Initiatives	\$8,000,000	\$0
1596-2421	UMass Diversity, Equity, and Inclusion Initiatives	\$10,000,000	\$0
1596-2427	MBTA Workforce/Safety Reserve	\$65,000,000	\$0
1596-2422	School Meals	\$161,000,000	\$0
1596-2423	Targeted In-Demand Scholarships	\$50,000,000	\$0
1596-2424	Green Schoolworks	\$100,000,000	\$0
1596-2425	DHE Endowment Match	\$10,000,000	\$0

1596-2426	UMass Endowment Match	\$10,000,000	\$0
1596-2428	Roads & Bridges Supplemental Aid	\$100,000,000	\$100,000,000
1596-2429	Early Education & Care Provider Capital	\$25,000,000	\$15,000,000
1596-2430	EEC Provider Workforce Aid	\$15,000,000	\$0
1596-2431	MSBA Capital Supports	\$100,000,000	\$100,000,000
1596-2432	Free Community College Implementation Supports	\$15,000,000	\$12,000,000
1596-2433	Nursing Programs Free Community College	\$20,000,000	\$18,000,000
1596-2434	Reimbursement Rate Increase, Center-Based Early Ed.	\$25,000,000	\$25,000,000

**Appendix 3: Proposed Fair Share Budget Items NOT Appropriated Fair Share Dollars in FY 2024**

Line Item	Title	Governor Section 2F	House Section 2F	Senate Section 2F	GAA <sup>16</sup> Section 2F
1596-2400	Municipal Partnership Programs	\$100,000,000	\$0	\$0	\$0
1596-2403	Roadside Maintenance and Beautification	\$14,000,000	\$0	\$0	\$0
1596-2407	Palmer and Pittsfield Rail Projects	\$12,500,000	\$0	\$0	\$0
1596-2410	Childcare Grants to Providers	\$100,000,000	\$40,000,000	\$0	\$0



1596-2416	Student Support Services	\$30,000,000	\$0	\$30,000,000	\$0
1596-2419	Tuition and Fee Stabilization	\$59,000,000	\$0	\$0	\$0
1596-2420	State University Equity and Inclusion Initiatives	\$8,000,000	\$0	\$0	\$0
1596-2421	UMass Diversity, Equity, and Inclusion Initiatives	\$10,000,000	\$0	\$0	\$0
1596-2430	EEC Provider Workforce Aid	\$0	\$0	\$15,000,000	\$0

<sup>1</sup> The State Fiscal Year (FY) starts in July. FY 2024 started in July 2023.

<sup>2</sup> The language accompanying these line items, which governs how the money in each line item can be used, can be found in Section 2F of the budget.

<sup>3</sup> The [consensus revenue estimate](#) for Fair Share revenue in FY 2024 was set at \$1 billion. See the Department of Revenue [briefing book](#) for additional data on estimated surtax revenue.

<sup>4</sup> [Multiple projections](#) estimate that Fair Share revenue will exceed the \$1 billion agreed upon in the Consensus Revenue Process. The FY 2024 budget outlines the mechanisms that will determine how Fair Share revenue that exceeds the initial spending cap will subsequently be directed to education and transportation.

<sup>5</sup> Taking the sum of the maximum proposed for each spending item, lawmakers proposed about \$1.85 billion in Fair Share spending in FY2024. The [Massachusetts Taxpayers Foundation](#) sought to treat largely similar proposals as identical and estimated the aggregate Fair Share spending proposals for FY 2024 at \$1.55 billion, with \$1.1 billion in unique priorities. Regardless, more spending was proposed than could be supported by the \$1 billion in Fair Share dollars available in FY 2024.

<sup>6</sup> For example, grants to early education and care providers for their own personal childcare were shifted from Fair Share (1596-2430) to an earmark in 3000-1042. While 3000-1042 was vetoed, the [Administration claims](#) that this will be included in existing resources.

<sup>7</sup> 1596-2414, 1596-2423

<sup>8</sup> MassBudget analysts compared the language of each unfunded Fair Share line item with relevant line items elsewhere in the budget (outside Section 2F). Analysts also examined new funding (compared to FY 2023 GAA) for the same non-Section 2F line items.

<sup>9</sup> The five-year [Capital Investment Plan](#) authorizes borrowing funds for the Pittsfield and Palmer projects, but like many capital budget authorizations, the actual funding may never be appropriated.

<sup>10</sup> Virtually every dedicated funding source includes a dedicated fund this way, such as the [Massachusetts Bay Transportation Authority State and Local Contribution Fund](#), which sets aside approximately 1 cent for every dollar subject to the sales tax revenue for the MBTA.

<sup>11</sup> Ninety percent of capital gains revenue that exceeds a threshold set by law is transferred to the Stabilization Fund. See [Section 5G](#).

<sup>12</sup> <https://itep.org/several-states-make-new-moves-to-tax-wealth/>

<sup>13</sup> <https://massbudget.org/2023/05/16/house-tax-proposal-racial-equity/>

<sup>14</sup> The conference budget includes \$580 million in lost revenue as a placeholder for tax cuts. See the following for estimates of the cost of capital gains and estate tax cuts: <https://massbudget.org/2023/07/25/what-should-be-in-conference-tax-package/>

<sup>15</sup> Once passed, the state budget is called the General Appropriations Act (GAA)

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