MTF Brief   *March 1, 2023*

Governor Healey's Fiscal Year 2024 Budget in Two Pages

This Healey-Driscoll $54.8 billion spending plan kicks off a budget process that will take place over the next four months. There are many notable elements of the spending plan, but three key thematic elements emerge: tax relief designed to ease out-migration pressures, sustainable investments in critical areas like child care, workforce and transportation, and a transparent and forward-looking approach to managing surtax revenues and building reserves.

5 Things to Know

1. Governor Healey's budget reflects the **$987 million tax reform package** proposed in companion legislation, which has an FY 2024 cost of $859 million and a net cost to the budget of **$742 million**. While much of the administration's tax relief initiatives follow the same framework as the reforms debated last session; Governor Healey's tax policy proposals go further to target high costs for working families and older adults, while addressing other taxes out-of-line with the rest of the nation.

2. The FY 2024 budget proposal utilizes **$1 billion in new income surtax revenue** to support recurring investments in education and transportation. Through outside policy sections, Governor Healey creates a new trust fund to collect surtax revenue and establishes a transitional funding structure to clearly articulate how the funds will be collected, tracked, and spent from FY 2023 through FY 2025.

3. Governor Healey uses surtax revenue to provide major **increases in funding for child care, education, and transportation.** Surtax investments are in addition to full funding of the Student Opportunity Act, which is supported using general fund resources. Notable surtax spending areas include:

   - $181 million for capital investments at the MBTA;
   - $152 million to provide increased financial aid through expansion of the MASSGrant Plus program and tuition certainty for public higher education;
   - $140 million to fully fund C3 stabilization grants and invest in the early childcare system;
   - $50 million to provide immediate matching funds for state and local transportation projects seeking federal support.

4. **Workforce stands out as a major funding priority** in the administration's budget, with the launch of a new program (MassReconnect) to connect adults 25 years and older with

no-cost community college, new investments for clean energy job training, and an expansion of the successful Early College and Innovation Pathways models.

5. The Healey Administration expects **MassHealth spending to drop significantly in FY 2024,** reflecting an expected 400,000 member drop in MassHealth enrollment related to the end of the federal Public Health Emergency and the sun-setting of its related policies.

The Surtax and Healey-Driscoll Budget

The Healey-Driscoll budget approaches the collection and use of surtax revenues as follows:

*   All surtax revenue certified by DOR (annually by comptroller) and deposited into new Education & Transportation Trust;
*   Recurring spending subject to an annual cap, which is $1 billion in FY 2024;
*   Fund required to maintain a balance of 1/3 of recurring spending cap; and
*   Surtax revenue exempt from 62F tax revenue limit and automatic deposit of capital gains.

Surtax spending in the Healey-Driscoll budget:

	Operating Investments	One-Time Investments	$ Total	% of Total
Education	**$370.00**	**$140.00**	**$510.00**	**51.0%**
Early Education	$140.00	$0.00	$140.00	14.0%
K-12 Education	$10.00	$0.00	$10.00	1.0%
Higher Education	$220.00	$140.00	$360.00	36.0%
Transportation	**$39.00**	**$451.00**	**$490.00**	**49.0%**
MBTA	$0.00	$186.00	$186.00	18.6%
MassDOT	$14.00	$250.00	$264.00	26.4%
RTAs	$25.00	$0.00	$25.00	2.5%
Local/Pilot Program	$0.00	$15.00	$15.00	1.5%
Total Investments	**$409.00**	**$591.00**	**$1,000.00**	**100.0%**