Presentation by
Massachusetts Budget and Policy Center
Our State Budget: 
Building a Better Future Together

Massachusetts Budget and Policy Center
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www.massbudget.org
Education
Transportation
Libraries, Parks and Recreation
Clean Air and Safe Drinking Water

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Information. Participation. Democracy.
Public Safety
Prisons and the Courts

[Image of a courtroom scene]

[Image of a prison interior]

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Health Care and Public Health
Human Services
What Percent of our Income Funds these Programs?

Total Personal Income in Massachusetts
Mass. Taxes are About Average, 2010

State and local taxes as % of state personal income

US 10.6%
MA 10.2%
Why We are Called “Taxachusetts”

Fiscal Year 1977

State and local taxes as % of state personal income

MA 13.8%

US 11.4%
MA Taxes Among Largest Declines: 1977-2010

Percent change in state and local taxes as % of state personal income

US 7.0% Decrease
MA 26.0% Decrease
Before 1998, state tax revenues were roughly 6.3% of personal income.

Values measured as a percentage of personal income.  
Source: Tax cut cost estimates from Mass. DOR
Before 1998, state tax revenues were roughly 6.3% of personal income.

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Tax Cuts

Income Tax Rate
- $1.55 billion

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Before 1998, state tax revenues were roughly 6.3% of personal income.

Tax Cuts

Income Tax Rate
- $1.55 billion

Dividends & Interest
- $850 million

Values measured as a percentage of personal income.

Source: Tax cut cost estimates from Mass. DOR
Before 1998, state tax revenues were roughly 6.3% of personal income.

**Tax Cuts**

- Income Tax Rate: -$1.55 billion
- Dividends & Interest: -$850 million
- Personal Exemption: -$550 million

Values measured as a percentage of personal income.

Source: Tax cut cost estimates from Mass. DOR
Three income tax changes cost nearly $3 billion per year

Before 1998, state tax revenues were roughly 6.3% of personal income.

Tax Cuts

- Income Tax Rate: -$1.55 billion
- Dividends & Interest: -$850 million
- Personal Exemption: -$550 million

Since 2003, state tax revenues have been closer to 5.3%.

Values measured as a percentage of personal income.

Source: Tax cut cost estimates from Mass. DOR
Tax Cuts Have Affected Services
Selected cuts across the state budget

Percentage cut FY2001 to FY 2013, inflation adjusted

- Local Aid: -45%
- Envir. & Rec.: -38%
- Higher Educ.: -31%
- Early Educ.: -28%
- Public Health: -25%
A Tax System Should Be . . .

Adequate

Stable

Simple/Efficient

Fair
State and Local Taxes are Regressive

% personal income paid in state and local taxes, 2012

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<thead>
<tr>
<th>Income Range</th>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Middle 20%</th>
<th>Fourth 20%</th>
<th>Next 15%</th>
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Source: Institute for Taxation and Economic Policy.
The Sales Tax is Regressive

% personal income paid in sales tax, 2012

Income Range:  
- Lowest: 20%  
- Second: 20%  
- Middle: 20%  
- Fourth: 20%  
- Next: 15%  
- Next: 4%  
- Top: 1%

Source: Institute for Taxation and Economic Policy.
Why the Sales Tax is Regressive

Average Income & Average Spending, U.S. 2008

The Income Tax is Progressive

% personal income paid in income tax, 2012

Source: Institute for Taxation and Economic Policy.

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State and Local Taxes are Regressive

% personal income paid in state and local taxes, 2012

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Source: Institute for Taxation and Economic Policy.
Investing in a strong state economy
No Clear Relationship Between Tax Levels & Wages, 2010

Median Hourly Wage vs. State and Local Taxes as a Share of State Personal Income

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Strong Relationship Between Education and Wages, 2010

Median hourly wage vs. Percent of Workforce with Bachelor's Degree

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Weak Relationship Between Education and Wages 30 Years Ago, 1979

Median hourly wage (2009 dollars)

Percent of Workforce with Bachelor's degree

Tools to Learn More

- Massachusetts Budget and Policy Center: www.massbudget.org

- MassBudget Online Budget Browser: http://browser.massbudget.org

- Commonwealth of Massachusetts Budget: www.mass.gov/budget
Welcome to the Budget Browser

**Compare Past Years Budgets**
Compare budgets by category and subcategory from 2001 to present.

[Access Past Years Budgets](http://browser.massbudget.org/)

**Compare Current Budget Proposals**
Compare current year budget proposals from the Governor and the Legislature by category and subcategory.

[Access Current Proposals](http://browser.massbudget.org/)

**Compare Current vs. Past Budgets**
Customize your own budget comparison, selecting from past years budgets and current budget proposals.

[Access Current and Past Years](http://browser.massbudget.org/)

**Search Line Items & Categories**
Compare spending levels for a single line item or a group of line items from 2001 to the present.

[Access Line Items or Categories](http://browser.massbudget.org/)

**Tax Revenue Information**
Review information about the state’s tax system, how it has changed over time and how it compares to other states.

[Review Tax Revenue Information](http://browser.massbudget.org/)

**Resources & Glossary**
Review a glossary of budget terms, an overview of the state budget process and other important resources.

[Review Resources & Glossary](http://browser.massbudget.org/)

**About the Budget Browser**
Review what kinds of data are available through the Budget Browser, learn what is in each budget category and a description of inflation adjustments.

[Review About the Budget Browser](http://browser.massbudget.org/)
Tuition/Fees Grew Sharply While State Support Declined

Percent change, inflation adjusted, relative to base year (FY 2002)

Student tuition and fee growth

State Universities, 116%
UMass Campuses, 105%
Community Colleges, 72%
State Higher Ed. Appropriations, -25%
The Governor’s Investment Proposal for FY 2014

- **Income & Sales Tax Rate Changes:** $1,236,000,000
- **Deduction & Exemption Changes (Individual):** $204,000,000
- **Business Tax Changes:** $483,000,000

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The Governor’s Investment Proposal for FY 2014

Revenue

Available for FY 2014
$1,179,000,000

Spending

Cuts Avoided
$581,000,000

Education
$367,000,000

Transportation
$231,000,000
Gov's Proposal Increases Education Funding, Early Ed. to College

Projected increases over maintenance funding for FY 2014, based upon Governor's press statements

- $367 million
- Higher Education
- Chapter 70 Aid
- Early Education
- Gateway Cities
- Schools
- Expanded Learning Time

FY 2014
Governor’s Tax Reform Proposal

Consensus Revenue Estimate

Billions

$0

$5

$10

$15

$20

$25
Governor’s Tax Reform Proposal

Consensus Revenue Estimate

Income Tax Changes

Billions

Governor’s Tax Reform Proposal

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Governor’s Tax Reform Proposal

Consensus Revenue Estimate

Double Personal Exemption

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Governor’s Tax Reform Proposal

Sales Tax Changes

Consensus Revenue Estimate

Billions
Governor’s Tax Reform Proposal

Consensus Revenue Estimate

Sales Tax Rate 6.25% to 4.5%
Governor’s Tax Reform Proposal

Consensus Revenue Estimate

Other Tax Changes

Billions

$0
$5
$10
$15
$20
$25

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Governor’s Tax Reform Proposal

Consensus Revenue Estimate

Total New Revenue

$1.97 billion fully phased-in

Billions

$25

$20

$15

$10

$5

$0
Governor’s Tax Reform Proposal

FY14 New Revenue

Consensus Revenue Estimate

$1.2 billion in first year

Billions

$25

$20

$15

$10

$5

$0
Individual Wages Increase with Level of Education

Median hourly wage in Massachusetts by educational level, 2010

- High school: $14.81
- Some college: $15.86
- Bachelor's or higher: $27.16
The Property Tax is Regressive

% personal income paid in property tax, 2012

Source: Institute for Taxation and Economic Policy.
Revenue Plunged in FY09 as Recession Hit

Total Annual Tax Revenue (billions), in FY12 dollars

FY09 Consensus Revenue Estimate (July 2008): $22.2
FY09 Final Collections (June 2009): $19.4

$2.8 billion decrease

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Revenue Still Below FY08 Total

Total Annual Tax Revenue (billions), in FY12 dollars

Source: DOR, Actual collection totals for all budgeted funds, fully comparable with the Consensus Revenue Estimate
Local Aid

45% decrease since FY01

Billions, Inflation Adjusted, FY14 $
Early Education and Care

28% decrease since FY01

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Higher Education

Billions, Inflation Adjusted, FY14 $

30% decrease since FY01
Public Health

25% decrease since FY01

Millions, Inflation Adjusted, FY14 $
Human Services

Billions, Inflation Adjusted, FY14 $

Essentially level since FY01
Mental Health

15% decrease since FY01
Some costs shifted
Environment and Recreation

Millions, Inflation Adjusted, FY14 $

38% decrease since FY01