



*The Enormous Consequences
of Question 1*

OCTOBER 2008

MTF

I. INTRODUCTION

The personal income tax produced \$12.5 billion in revenues in fiscal 2008. That is approximately 60 percent of total tax revenues and 40 percent of state spending (see Table 1).¹

**Table 1: Income Tax as Percentage
of Revenue and Spending**
(Fiscal 2008 - \$ millions)

	Total	Personal Income Tax	% of Total
Tax Revenue	20,888	12,493	59.8%
Spending²	31,808	12,493	39.3%

Question 1 would eliminate the income tax in two phases – cutting it in half (from 5.3 percent to 2.65 percent) on January 1, 2009 and ending it altogether on January 1, 2010. Given the two-phased reduction and the fact that the phases would take effect in the middle of fiscal years, the revenue impact would be approximately as follows:

Fiscal 2009 (January-June) - \$3 billion

Fiscal 2010 - \$9 billion

Fiscal 2011 - \$12.5 billion

Passage of Question 1 would have a profound impact on citizens of the Commonwealth and the broad range of services provided by state government. The purpose of this report is to describe that impact. The report is divided into four areas:

- Who pays the income tax and who would benefit most from its repeal;
- What would be the consequences on the operating budget;
- What would be the impact on capital spending;
- How do the nine states without a state income tax raise the revenues they require.

¹ In addition to tax revenue, the state budget is also supported by non-tax revenue sources, principally federal reimbursements, but also the state Lottery and a wide range of fees such as for vehicle registrations and drivers' licenses.

² The \$31.8 billion in spending includes the General Appropriation Act and all subsequent supplemental spending plans for fiscal 2008, as well as certain "off-budget" authorizations for health care, pensions, the MBTA and school building assistance. Final fiscal 2008 expenditures, including unspent reversions, will not be certified by the state Comptroller until the end of October.

II. WHO PAYS THE INCOME TAX?

Proponents of Question 1 assert that the average taxpayer would save \$3,700 annually if the income tax is repealed. While true as an average, the \$3,700 figure is overstated by nearly \$3,000 for 65 percent of Massachusetts taxpayers, with higher income taxpayers receiving a much larger reduction.

In Table 2, the number of income tax filers and the total taxes paid are broken down by six income groups using 2005 data.³ To make the numbers current, both the total taxes and the average amount paid by each group were inflated by 30.6 percent to reflect the \$12.5 billion in total income taxes paid in 2008 compared to \$9.6 billion in 2005. With substantial increases in capital gains taxes from 2005 to 2008, the table likely understates the amount of taxes paid by those making more than \$100,000 annually.

The average income tax payment for the 2.15 million taxpayers with incomes below \$50,000 is less than \$850. Filers with incomes below \$10,000, comprising 21 percent, pay \$53; another 20 percent with incomes between \$10,000 and \$25,000 pay \$577; the 24 percent with incomes from \$25,000 to \$50,000 pay \$1,773.

Table 2 – Income Tax Payments by Personal Income Levels

Filers Income	under \$10,000	\$10,001 - \$25,000	\$25,001 - \$50,000	\$50,001 - \$75,000	\$75,001 - \$100,000	\$100,001 and higher
Number of filers	696,332	668,782	789,993	450,165	275,214	480,031
Total tax paid in millions - 2005	\$28	\$296	\$1,073	\$1,147	\$1,034	\$5,991
* Total tax paid - adjusted 2008	\$37	\$386	\$1,401	\$1,498	\$1,349	\$7,822
Average tax paid per filer - 2005	\$41	\$442	\$1,358	\$2,549	\$3,756	\$12,481
* Average tax paid - adjusted 2008	\$53	\$577	\$1,773	\$3,328	\$4,903	\$16,295
Percent of filers	21%	20%	24%	13%	8%	14%
Percent of total income tax	0.3%	3.1%	11.2%	12.0%	10.8%	62.6%

In contrast, tax filers with incomes in excess of \$100,000 pay an average of \$16,295, nearly 20 times more per filer than the 65 percent of taxpayers who have incomes less than \$50,000. The 14 percent of filers with incomes greater than \$100,000 pay nearly 63 percent of all state income taxes. Clearly, a small fraction of wealthier taxpayers would receive the greatest cuts from passage of Question 1, a fact that is clouded by the average tax figures used by proponents.

In addition, as we discuss below, the large cuts in state aid to cities and towns would lead to much higher property taxes. As a result, the lower income taxpayers who would receive the smallest savings from repealing the income tax would in the end likely see an increase in their overall tax burden, the jump in property taxes more than offsetting the income tax savings.

³ 2007 Comprehensive Annual Finance Report, p. 166.

III. OPERATING BUDGET

Obviously, there is no way to predict what actions the Governor and Legislature would take if Question 1 were approved by the voters. There are literally thousands of possible permutations to cut \$12.5 billion out of a \$32 billion budget.⁴ Nevertheless, the scale of the cuts is so dramatic that one can describe the impact in a meaningful way, which is the purpose of this report.

A significant share of state spending is required by the state constitution, federal requirements or legal obligations. As a result, if Question 1 passes, discretionary spending would have to be cut by a much larger amount than the income tax's 40 percent share of the state budget. Table 3 summarizes these obligations which are described below. They total \$12.48 billion, approximately 40 percent of the state budget.

Table 3: Constitutional and Legal Obligations
(\$ millions)

Program	FY08 Spending	Obligations
Medicaid	\$8,681	\$6,322
Chapter 70	\$3,725	\$2,704
Debt Service		\$2,066
MBTA		\$756
MSBA		\$635
TOTAL		\$12,483

Medicaid

Accounting for almost one-third of state spending, Medicaid provides subsidized health care to 1.1 million children and families, disabled individuals and low-income seniors at a cost of \$8.7 billion in fiscal 2008. Health care for senior citizens, including nursing homes, makes up about \$2.3 billion, or 26 percent, of the total. As a general matter, the Medicaid program is reimbursed 50 percent by the federal government.⁵

Under federal law, if Massachusetts is to remain in the Medicaid program and receive the 50 percent federal match, it must provide coverage to residents who are categorically eligible if they meet any of the following: 1) over 65 years of age; 2) eligible for institutional care; 3) disabled; 4) children up to 150 percent of the federal poverty level; 5) have breast or cervical cancer up to 200 percent of the federal poverty level; or 6) pregnant up to 200 percent of the federal poverty level.

⁴ The \$47 billion in state spending frequently referred to by the “Committee for Small Government” – sponsors of Question 1 – includes fund transfers, federal grants, gross lottery receipts, fiduciary revenue, and capital items, thereby inflating actual spending.

⁵ SCHIP (State Children’s Health Insurance Program) is part of the Medicaid program but is federally reimbursed at 65 percent.

In fiscal 2008, spending on these groups totaled approximately \$6.3 billion, the minimum amount required to be spent on the Medicaid program (see Table 3).

K-12 Education

Approximately \$3.7 billion of the \$4.3 billion in state support for elementary and secondary education consists of so-called Chapter 70 aid to local schools. A large fraction of the Chapter 70 aid is necessary to meet the state constitutional requirement that every child receive an adequate education, which is reflected in the 1993 education reform legislation establishing a minimum, or foundation, level of per pupil spending in each community.

In determining the foundation level amount, or minimum funding necessary to ensure an adequate education, the state uses a statutory formula based on student enrollment, inflation, and a municipality's aggregate property values among other components. The state must make up the difference between a community's required local contribution and the foundation budget.

Based on the state's analysis, the Commonwealth would need to fund Chapter 70 aid at \$2.704 billion, 71.1 percent of its 2008 level of \$3.725 billion (see Table 3).

Debt Service

Each year the state borrows money by selling bonds in the credit markets to pay for the construction of major capital projects with long-term life such as roads and bridges, college buildings, prisons, courthouses, state parks and many other important infrastructure investments throughout the state. The repayment terms on these bonds are typically 20- and 30-year notes whose annual cost, the debt service, combines the principal and interest needed to repay the notes, not unlike the mortgage on a house.

Debt service costs, which are based on the Commonwealth's \$18.7 billion in outstanding bonds, were \$2.066 billion in fiscal 2008.

Holding debt service payments constant does not suggest that the state's capital spending can continue unaffected. In fact, with the elimination of the income tax there would be a drastic impact on the state's ability to pay for capital projects for the next decade. For a discussion of this impact, see section on capital spending on page 10.

State Employees

In fiscal 2008 the total cost of wages and health care benefits for the 67,729 state employees was approximately \$5.3 billion – \$4.3 billion in wages and salaries and \$1 billion in health insurance and employee expenses.

The elimination of all state judges, nurses, mental health workers, prison guards, state troopers, park rangers, college professors and every other state employee would save less than half of the \$12.5 billion in lost revenues from repealing the income tax.

MBTA

As part of the 2000 legislation reforming the MBTA's financial structure, known as "forward funding," the Authority receives 20 percent of the state's sales tax receipts,⁶ with a guarantee that the state's contribution will never decline from the previous year. For 2008 the MBTA received \$756 million from the state yet faces large and growing budget deficits.

MSBA

A portion of sales tax revenues is also earmarked to the Massachusetts School Building Authority (MSBA) to assist cities and towns with school construction costs. The 2004 legislation creating the MSBA established a phased-in schedule of funding from the sales tax, culminating in 20 percent of sales tax receipts going to the Authority in 2011. In fiscal 2008 the amount was \$635 million.

Table 4: Impact of Eliminating the Income Tax
(\$ millions)

2008 Total Spending	\$31,808
Legal Obligations (Table 3)	<u>(\$12,483)</u>
Balance	<u>\$19,325</u>
Income Tax Loss	(\$12,493)
Federal Revenue Loss	(\$1,250)
Total Revenue Impact	<u>(\$13,743)</u>
Final Balance	<u>\$5,582</u>
<u>Across-the-Board Cuts of 71.1%</u>	

Impact of Income Tax Elimination

As Table 4 shows, after subtracting the \$12.48 billion for these five obligations, there is a balance of \$19.3 billion to support the broad array of state programs and responsibilities. These encompass state and county prisons, the entire court system, the wide range of human services programs, state parks and environmental programs, support for the University of Massachusetts and state and community colleges, state employee pensions and health benefits, and the Department of Revenue and Registry of Motor Vehicles, as well as many other programs and services. A more detailed listing of these programs is provided in Appendix A.

That \$19.3 billion would be cut by \$12.5 billion if Question 1 is approved by the voters. In addition, the reduced spending stemming from the elimination of the income tax would have a further revenue impact – the loss of some fraction of federal reimbursements. For example, the \$2.4 billion in Medicaid spending that is not legally required would be cut by a large amount,

⁶ Excluding the 5 percent sales tax imposed on meals.

and the federal matching funds would consequently disappear. Similarly, the reduction in spending on health reform would result in fewer federal dollars.

According to the Foundation’s calculations, the cuts in spending would reduce federal reimbursements by at least \$1.25 billion, which is included in Table 4.

As a result, as Table 4 shows, the state would have only \$5.6 billion to spend on all the rest of state government, rather than the \$19.3 billion that was actually spent in fiscal 2008. This translates into a 71.1 percent reduction for every agency and program of state government outside of the five legal obligations described above. Table 5 summarizes the impact of that reduction for each of the broad categories of spending.

Even this drastic result understates the fiscal consequences since the state is already contending with a deficit of at least \$1.5 billion in fiscal 2009 which will require major cuts in programs and services this fiscal year and next.

Table 5: Across-the-Board Cuts of 71.1 Percent
(\$ millions)

Program	FY08 Spending	Cut	Balance
Non-Obligatory Medicaid*	2,359	1,680	679
Non-Obligatory Chapter 70*	1,021	726	295
Non-Chapter 70 Education Aid	571	406	165
Municipal Aid	1,521	1,081	440
Health Reform	1,046	744	302
Human Services	5,160	3,669	1,491
Transportation	203	144	59
Labor & Workforce Development	73	52	21
Business Development	123	87	36
Environment	233	166	67
State Employee & Retiree Benefits	2,638	1,876	762
General Services	259	184	75
Higher Education	1,049	746	303
Public Safety	2,255	1,603	652
Other	814	579	235
TOTAL	19,325	13,743	5,582

* The non-obligatory expenditures for Medicaid and Chapter 70 are the difference between 2008 spending and the minimum amount necessary to ensure compliance with federal and constitutional requirements. These expenditures would be subject to cuts of 71.1 percent.

Impact on Local Communities

In fiscal 2008 the state provided approximately \$1.5 billion in non-education aid to local communities, including \$1.3 billion in categorical assistance through the Lottery and “additional assistance.” The balance supported public libraries, police grants, veterans’ benefits, property tax exemptions, water and sewer relief, and payments in lieu of property taxes for state-owned land (see Table 6).

With across-the-board reductions of 71.1 percent, this non-education aid would be cut by more than \$1 billion. Lottery support would drop from \$935 million to \$270 million. While present law stipulates that Lottery profits be distributed to cities and towns, the state has a history of diverting these funds during fiscal crises. Appendix B details the impact of the across-the-board cuts to Lottery and additional assistance for all 351 cities and towns.

Table 6: Non-Educational Municipal Aid Cuts of 71.1 Percent
(\$ millions)

	FY08 Spending	Cut	Balance
Lottery	\$935	\$665	\$270
Additional Assistance	\$380	\$270	\$110
PILOT	\$28	\$20	\$8
Libraries	\$31	\$22	\$9
Police Grants	\$74	\$53	\$21
Veterans' Benefits	\$18	\$13	\$5
Water & Sewer Rate Relief	\$23	\$16	\$7
Racing Share & Underground	\$3	\$2	\$1
Storage Tank Reimbursement			
Property Tax Exemptions	\$29	\$21	\$8
TOTAL	\$1,521	\$1,081	\$440

Table 7: Education Aid Cuts of 71.1 Percent
(\$ millions)

	FY08 Spending	71.1 % Cut	Balance
Non-Obligatory Chapter 70	1,021	726	295
Non-Chapter 70 Education Aid	571	406	165
Special Education	220	156	64
Charter School Reimbursements	78	55	23
Regional Public Transportation	58	41	17
Kindergarten Expansion Grants	34	24	10
Other	180	128	52
TOTAL	1,592	1,132	460

There would be a similar impact on education aid that is not required to support the foundation level of spending, as shown in Table 7. The 2008 spending total of \$1.6 billion would be cut by more than \$1.1 billion. Non-obligatory Chapter 70 aid would be reduced from \$1 billion to \$295 million.

The large cuts in education and non-education aid would have a devastating impact on cities and towns that are already facing serious fiscal problems. The result would be major cuts in services in almost all communities and ever higher property taxes that would fall more heavily on low and moderate income taxpayers.

IV. CAPITAL SPENDING

Each year the state develops a capital budget, separate from the operating budget, for investments in assets that last longer than a year such as roads, bridges, buildings, and equipment (see Table 9 for a breakdown of these investments by category). Capital spending is funded through the sale of 20- and 30-year bonds; the principal and interest on the bonds is paid from the operating budget as debt service.

Last August the administration unveiled its five-year capital investment plan for fiscal 2008 – 2012. As part of the plan the administration developed a debt affordability analysis designed to allow expansion in capital spending in a fiscally responsible fashion by limiting growth in borrowing to growth in state revenues. To calculate the amount the state could afford to borrow and to control its future rate of growth, the administration imposed a cap to ensure that debt service payments did not exceed 8 percent of annual budgeted revenues.

Based on this analysis, the administration increased the state's borrowing limit or bond cap from \$1.25 billion in 2007 to \$1.5 billion in 2008, with planned increases of \$125 million a year up to \$2 billion in 2012 as long as state revenues grow 3 percent annually. However, the present economic and fiscal problems will place some limit on the growth in capital spending.

Passage of Question 1 would have two major consequences for the state's capital program:

- The state would not be able to finance any capital spending for the next seven years.
- The Commonwealth's bond rating would likely plummet.

As a result of the loss of \$13.74 billion in revenues if Question 1 passes (see Table 4), debt service costs would jump to 12.2 percent of budgeted revenues in 2009, forcing the state to cease borrowing funds for capital spending until debt service returned to less than 8 percent of budgeted revenues. As shown in Table 8, debt service would exceed 8 percent of budgeted revenues until 2016, assuming annual revenue growth of 3 percent after fiscal 2009.

Table 8 – Debt Service as a Percent of Revenues
(\$ millions)

	Budgeted Revenues*	Existing Debt Service	Debt Service as a Percent of Revenues
2008	31,807	2,066	6.5%
2009	18,065	2,207	12.2%
2010	18,607	2,156	11.6%
2011	19,165	2,165	11.3%
2012	19,740	1,996	10.1%
2013	20,332	1,996	9.8%
2014	20,942	1,907	9.1%
2015	21,571	1,854	8.6%
2016	22,218	1,562	7.0%
2017	22,884	1,431	6.3%
2018	23,571	1,195	5.1%

* Assumes 3 percent annual revenue growth beginning in 2010

The impact would be dramatic – an estimated loss of \$20 billion in capital investments between 2009 and 2015 (including \$13 billion in state borrowing, \$4.5 billion in anticipated federal matching funds, and \$2.9 billion under the recently approved bridge repair bill). Table 9 shows an estimated breakdown by category of planned capital spending for 2009 – 2015 which would be foregone if Question 1 passes.

Table 9 – Estimated Capital Spending 2009 - 2015⁷
(\$ millions)

Higher Education	1,300
Transportation	11,200
Economic Development	2,000
Housing	1,400
Energy and Environment	1,100
Public Safety	700
Information Technology	850
Health and Human Services	600
State Facilities	350
Courts	650
Building Maintenance	250
TOTAL	20,400

⁷ FY 2008 – 2012 Five-Year Capital Investment Plan and documents provided by Administration and Finance.

The Commonwealth is already facing a capital funding crisis with widespread deterioration in the state's infrastructure, from transportation and public higher education to state parks and courthouses. Even the \$20 billion in planned capital investments will fall well short of the state's needs.

The transportation system is in particularly desperate shape. The Transportation Finance Commission projected a \$20 billion shortfall in funding for roads, bridges and public transit over the next 20 years. The loss of another \$11 billion in transportation funds would drive the system into collapse. For example, there would be no funds for the recently passed \$2.9 billion bridge bill to repair 250 structurally deficient bridges.

The loss of \$2 billion in economic development investments, including \$500 million for life sciences, as well as \$1.3 billion for public higher education would take a large economic toll.

A second consequence of the loss of \$12.5 billion in income tax revenues is the almost inevitable downgrading of Commonwealth bonds to junk grade which would raise interest rates by 3 to 4 percent on any short-term borrowing. In addition to roughly \$1.5 billion in auction-rate and variable rate bonds, which are regularly restructured in the credit market, the state may borrow as much as \$1 billion during the fiscal year to manage cash flow needs. Lower bond ratings could add tens of millions of dollars in increased interest costs.

Should the state have to forego \$20 billion in public capital investments over the next seven years and suffer a substantial downgrade in the Commonwealth's bond rating, businesses would face enormous disincentives to invest in Massachusetts.

V. STATES WITHOUT AN INCOME TAX

There are nine states operating without a broad-based personal income tax. How do they do it?

Our analysis shows that there are three principal answers to this question:⁸

- Several of the nine states have a strategic asset such as oil in Alaska, minerals in Wyoming, gaming resorts in Nevada or tourism in Florida which raise large amounts of money.
- Five of the states rely heavily on state and local sales taxes – Florida, Nevada, South Dakota, Tennessee and Washington all rank among the top 11 states in terms of their sales tax burden whether measured per capita or adjusted for income. Alternatively, New Hampshire ranks third in the nation in the burden of state and local property taxes.
- Eight of the nine states rely substantially more on taxes generated at the local level than Massachusetts does, as displayed in Table 10. In Florida, Tennessee and Texas, well over half of total revenues are from local sources while Nevada, New Hampshire, South Dakota and Washington are at or close to 50 percent, compared to 39 percent in Massachusetts.

Table 10 – State and Local Revenues⁹

	Revenues		Total State and Local	Percent Local
	State	Local		
Alaska	6,780	2,121	8,901	24%
Florida	46,580	60,886	107,466	57%
Massachusetts	27,889	17,562	45,452	39%
Nevada	7,604	7,610	15,214	50%
New Hampshire	3,469	3,059	6,528	47%
South Dakota	1,968	1,694	3,663	46%
Tennessee	15,442	19,685	35,127	56%
Texas	54,762	68,127	122,889	55%
Washington	21,555	20,822	42,377	49%
Wyoming	2,888	2,233	5,121	44%

⁸ There is also the issue of the level of public services provided in Massachusetts compared to the other states, which we have not attempted to measure.

⁹ U.S. Census Bureau, State and Local Government Finances by Level of Government and by State: 2005 – 06. State and local revenues include all taxes, charges for services, and water, electric, gas and transit utility revenue. Intergovernmental transfers and insurance trust revenues are not included.

Individual State Data¹⁰

Massachusetts¹⁰

Massachusetts relies particularly heavily on the personal income tax. However, the state's sales tax burden is near the bottom (45th) of the 50 states, and local taxes are significantly lower than in states without an income tax. Only 39% of total revenues come from local sources.

Massachusetts			
Population	6,449,755		
	Rate	in millions	% of Total
Income	5.3%	11,399	57%
General sales	5.0%	4,076	20%
Selective sales		1,920	10%
Other		2,610	13%
Total State Tax Revenue		20,005	

Alaska

Oil accounts for over 80% of state revenues from severance taxes and petroleum corporate income taxes. Adjusting for Alaska's population, oil revenues alone produce more than Massachusetts raises from all state taxes.

Alaska			
Population	683,478		
	Rate	in millions	% of Total
Oil revenue		2,811	82%
Selective sales		220	6%
Other		413	12%
Total State Tax Revenue		3,443	

Florida

With 82 million visitors in 2007, tourism alone produces as much sales tax revenue as Massachusetts. Florida ranks ninth in sales tax burden due to a 6% sales tax rate, county sales surtaxes, and a broad base including services such as amusements, automotive and repairs. Although Florida has three times the population, it collects five times more in sales taxes than Massachusetts. Local revenues account for 57% of total revenues.

Florida			
Population	18,251,243		
	Rate	in millions	% of Total
General sales	6.0%	21,749	61%
Tourist sales tax		4,000	11%
Selective sales		5,786	16%
Other		8,203	23%
Total State Tax Revenue		35,738	

Nevada

As a tourist and gaming destination, 50 million annual visitors generate billions in sales tax revenues and another billion in gaming taxes. Nevada has a 6.5% sales tax rate and ranks sixth in sales taxes per capita and ninth adjusted for personal income.

Nevada			
Population	2,565,382		
	Rate	in millions	% of Total
General sales	6.5%	3,213	51%
Selective sales		1,913	30%
Gaming		1,089	17%
Other		90	1%
Total State Tax Revenue		6,305	

New Hampshire

With no broad based income or sales tax, New Hampshire relies heavily on state and local property taxes, ranking third in the country in property tax burden. Unlike most states, property taxes support a significant portion of state government spending. Only Vermont has a higher dependence on property taxes for total state tax revenues.

New Hampshire			
Population	1,315,828		
	Rate	in millions	% of Total
Selective sales		735	34%
Corp. tax		596	27%
Property		385	18%
Other		456	21%
Total State Tax Revenue		2,172	

¹⁰ U.S. Census Bureau, State Government Tax Collections: 2007

South Dakota

Ranking last in total state tax revenues but 11th in overall sales tax burden, South Dakota has an extremely broad sales tax base including food, clothing and more than 100 services. Adjusted for its population, South Dakota collects twice as much in sales tax revenue as Massachusetts.

South Dakota			
Population	796,214		
	<u>Rate</u>	<u>in millions</u>	<u>% of Total</u>
General sales	4.0%	711	57%
Selective sales		307	24%
Other		238	19%
Total State Tax Revenue		1,256	

Tennessee

With a sales tax rate of 5.5% on food and 7% on merchandise, clothing and services including software, automotive, amusements and repairs, Tennessee ranks fifth in sales taxes per capita and seventh per personal income. Local sales taxes range from 1.5% to 2.75%, raising \$1.9 billion in 2007. Local revenues account for 56% of all revenues.

Tennessee			
Population	6,156,719		
	<u>Rate</u>	<u>in millions</u>	<u>% of Total</u>
General sales	7%	6,764	60%
Food	5.5%	865	8%
Selective sales		1,592	14%
Corp income		1,120	10%
Other		1,869	16%
Total State Tax Revenue		11,345	

Texas

Texas has a state sales tax rate of 6.25% and a broad based sales tax on services including insurance, construction, software, security and amusements as well as local sales taxes up to 2%. Gas and oil taxes on production generated nearly \$3 billion in 2007. Local revenues account for 55% of all revenues.

Texas			
Population	23,904,380		
	<u>Rate</u>	<u>in millions</u>	<u>% of Total</u>
General sales	6.25%	20,435	51%
Selective sales		11,377	28%
Gas & oil		2,763	7%
Other		5,740	14%
Total State Tax Revenue		40,315	

Washington

In addition to a 6.5% sales tax rate, Washington taxes a broad base of services at rates ranging from 0.5% to 6.5% including construction, transportation, insurance, software and amusements. Washington ranks first in sales tax burden, collecting double what Massachusetts does with virtually the same population.

Washington			
Population	6,468,424		
	<u>Rate</u>	<u>in millions</u>	<u>% of Total</u>
General sales	6.5%	10,654	60%
Selective sales		2,991	17%
Property		1,689	10%
Other		2,359	13%
Total State Tax Revenue		17,693	

Wyoming

The least populated state, Wyoming receives 40% of state revenues from severance taxes on minerals and another 40% from general and selective sales taxes. Adjusted for its population, Wyoming collects twice as much in general sales tax revenue as Massachusetts.

Wyoming			
Population	522,830		
	<u>Rate</u>	<u>in millions</u>	<u>% of Total</u>
General sales	4.0%	698	34%
Selective sales		128	6%
Minerals		804	40%
Other		395	20%
Total State Tax Revenue		2,025	

APPENDIX A

Public Safety – \$2.3 billion

Prisons:

- 18 State Prisons and 5,000 Employees
- 13 County Prisons, 14 Sheriffs and 6,200 Employees
- Over 10,000 State Prisoners
- Over 14,000 County Prisoners
- Cost: \$1.01 billion

Courts:

- Supreme Judicial Court (1)
- Appeals Court (1)
- Land Court (1)
- Superior Courts (14)
- District Courts (62)
- Housing Courts (5)
- Probate & Family Courts (14)
- Juvenile Courts (11)
- Boston Municipal Court (8)
- 1.1 Million Cases a Year
- 7,400 Employees
- Cost: \$812 million

District Attorneys:

- 11 District Attorneys
- 1,500 Employees
- 300,000 Cases a Year
- Cost: \$100 million

State Police:

- 2,300 Troopers
- 400 Employees
- Cost: \$291 million

Environment – \$233 million

Department of Conservation and Recreation (DCR):

- 450,000 Acres of State Parks and Historical Sites
- 87 Public Beaches
- 786 Employees
- Cost: \$125 million

Department of Environmental Protection (DEP):

- 4 Regional Offices
- Ensure Clean Air and Water
- Manage Toxics and Hazards
- Recycle Solid and Hazardous Wastes
- Clean Up Hazardous Waste Sites and Spills
- Preserve Wetlands and Coastal Resources
- 689 Employees
- Cost: \$108 million

General Services – \$259 million

Department of Revenue (DOR):

- 150,000 Corporate Returns Filed Annually
- City and Town Services
- Underground Storage Tank (UST) Program
- Child Support Enforcement
 - 273,000 Cases
 - \$520 million in Child Support Collections in Fiscal 2007
- 2,000 Employees
- Cost: \$196 million

Registry of Motor Vehicles (RMV):

- 2.3 million Drivers' Licenses
- 5.1 million Vehicle Registrations
- 750 Employees
- Cost: \$63 million

Transportation – \$203 million

Highway Department:

- 9,500 Miles of Roadway
- Snow and Ice Removal
- 390 Employees
- Cost: \$145 million

Regional Transit Authorities (RTAs):¹¹

- 88,000 Commuters
- Elderly and Disabled Transport
- Cost: \$58 million

¹¹ The state supports 50 to 75 percent of RTA operating budgets.

Higher Education – \$1.05 billion

The Commonwealth contributes just over \$1 billion to support the operations of state and community colleges and the University of Massachusetts. Even though a great deal of college funding stems from tuition, fees and grants, state support ranges from 20 percent of operating expenses for UMass to 44 percent for Roxbury Community College.

University of Massachusetts:

- 5 Campuses (including medical school)
- 70,000 Students
- 13,000 Employees
- Cost: \$449 million¹²

State Colleges:

- 9 Campuses
- 74,000 Students
- 3,800 Employees
- Cost: \$207 million¹³

Community Colleges:

- 15 Campuses
- 116,000 Students
- 4,000 Employees
- Cost: \$226 million¹⁴

State Employee & Retiree Benefits – \$2.6 billion

Group Insurance Commission (GIC):

- Health Insurance for 81,000 State Employees and 77,000 Retired State Employees
- Cost: \$1.2 billion

Pensions:

- 50,000 Retired State Employees
- 52,000 Retired Teachers
- 180,000 Future State and Teacher Retirees
- Cost: \$1.4 billion

¹² State support for the University of Massachusetts is \$449 million, approximately 20 percent of the university's \$2.3 billion budget.

¹³ State support for state colleges is \$207 million, approximately 35 percent of their total operating costs of \$597 million.

¹⁴ State support for community colleges is \$226 million, approximately 37 percent of their total operating costs of \$619 million.

Human Services – \$5.2 billion

Seniors:

- Prescription Advantage Program
 - 64,000 Recipients
- Home Care
- Cost: \$145 million

Department of Transitional Assistance:

- Welfare Benefits
 - Transitional Aid to Families with Dependent Children (TAFDC) – 106,000 Recipients
 - Emergency Aid to the Elderly, Disabled, and Children (EAEDC) – 20,000 Recipients
 - State Supplemental Security Income – 177,000 Recipients
 - Food Stamps – 499,000 Recipients
 - Homelessness Emergency Assistance – 5,000 Recipients
- 1,600 Employees
- Cost: \$734 million

Department of Developmental Services:

- Serves 32,000 Individuals
- Residential Services
- Community Work Programs
- 6 Facilities
- 293 Contracting Providers and Organizations
- 6,900 Employees
- Cost: \$1.2 billion

Department of Public Health:

- Communicable Disease Control
- Food Protection
- Emergency Preparedness
- AIDS/HIV Prevention
- Substance Abuse Help
- Immunizations
- Women, Infant and Children (WIC) Nutrition Program
- 4 Public Health Hospitals
- 2,400 Employees
- Cost: \$550 million

Department of Mental Health:

- Serves 24,000 Individuals
- 3 State Hospitals
- 7 Community Mental Health Centers
- 212 Contracting Providers and Organizations

- 3,700 Employees
- Cost: \$674 million

Department of Housing and Community Development (DHCD)

- Housing Subsidies
- 25,000 Rental Vouchers
- Utility Assistance
- 93 Employees
- Cost: \$160 million

Department of Early Education and Care

- Provides Financial Assistance to Low-Income Families, Including 72,000 Children
- Licenses 12,000 Adoption, Foster Care and Residential Care Agencies (serving 275,000 children)
- Head Start Grants
- Universal Pre-Kindergarten
- 196 Employees
- Cost: \$551 million

Labor and Workforce Development – \$73 million

- Management of Workers' Compensation and Unemployment Insurance Programs
- 101 Registered Apprenticeship Programs
- 37 One-Stop Career Centers
- Safety Inspections of Workplaces
- Cost: \$73 million

Business Development – \$123 million

Department of Business Development:

- 9 Offices
- Massachusetts Office of Travel and Tourism and 13 Regional Tourism Councils
- Massachusetts Permit Regulatory Office
 - Assist Businesses with State and Local Permitting, Licensing, and Regulatory Processes

Office of Consumer Affairs and Business Regulation:

- Division of Insurance
 - Regulates Insurance for 2.3 million Massachusetts Drivers
- Division of Banks
- Division of Professional Licensure
 - Licensing of 50 Trades and Professions (330,000 individuals and companies) such as Nurses, Optometrists, Electricians and Real Estate Agents

Cost: \$123 million

APPENDIX B

351 Municipalities	Non-education Local Aid (Fiscal 2008)	After 71.1% Cut
ABINGTON	2,823,013	815,851
ACTON	1,993,697	576,178
ACUSHNET	2,007,955	580,299
ADAMS	2,671,531	772,072
AGAWAM	5,019,912	1,450,755
ALFORD	19,258	5,566
AMESBURY	2,694,581	778,734
AMHERST	10,581,990	3,058,195
ANDOVER	3,102,582	896,646
AQUINNAH	9,367	2,707
ARLINGTON	10,119,355	2,924,494
ASHBURNHAM	1,008,887	291,568
ASHBY	574,200	165,944
ASHFIELD	241,493	69,791
ASHLAND	1,910,818	552,226
ATHOL	3,101,303	896,277
ATTLEBORO	7,692,298	2,223,074
AUBURN	2,418,676	698,997
AVON	912,216	263,630
AYER	1,033,001	298,537
BARNSTABLE	3,543,570	1,024,092
BARRE	1,132,631	327,330
BECKET	191,881	55,454
BEDFORD	2,299,842	664,654
BELCHERTOWN	2,406,208	695,394
BELLINGHAM	2,298,895	664,381
BELMONT	3,139,188	907,225
BERKLEY	834,098	241,054
BERLIN	308,721	89,220
BERNARDSTON	381,213	110,171
BEVERLY	7,740,335	2,236,957
BILLERICA	8,217,240	2,374,782
BLACKSTONE	1,635,466	472,650
BLANDFORD	177,822	51,391
BOLTON	274,739	79,400
BOSTON	258,226,804	74,627,546
BOURNE	2,932,899	847,608
BOXBOROUGH	369,423	106,763
BOXFORD	765,252	221,158
BOYLSTON	476,202	137,622
BRAINTREE	7,674,173	2,217,836
BREWSTER	1,219,279	352,372
BRIDGEWATER	4,638,320	1,340,474
BRIMFIELD	566,714	163,780
BROCKTON	27,338,120	7,900,717

351 Municipalities	Non-education Local Aid (Fiscal 2008)	After 71.1% Cut
BROOKFIELD	727,563	210,266
BROOKLINE	8,822,752	2,549,775
BUCKLAND	372,027	107,516
BURLINGTON	3,680,732	1,063,732
CAMBRIDGE	28,582,268	8,260,275
CANTON	3,174,409	917,404
CARLISLE	553,506	159,963
CARVER	2,104,737	608,269
CHARLEMONT	242,299	70,024
CHARLTON	1,773,265	512,474
CHATHAM	285,324	82,459
CHELMSFORD	6,753,443	1,951,745
CHELSEA	11,047,760	3,192,803
CHESHIRE	813,399	235,072
CHESTER	253,833	73,358
CHESTERFIELD	201,971	58,370
CHICOPEE	15,738,241	4,548,352
CHILMARK	17,604	5,088
CLARKSBURG	499,818	144,447
CLINTON	3,179,448	918,860
COHASSET	675,870	195,326
COLRAIN	377,760	109,173
CONCORD	2,273,639	657,082
CONWAY	259,223	74,915
CUMMINGTON	144,057	41,632
DALTON	1,368,633	395,535
DANVERS	4,140,446	1,196,589
DARTMOUTH	3,936,360	1,137,608
DEDHAM	4,579,386	1,323,443
DEERFIELD	709,757	205,120
DENNIS	1,082,630	312,880
DIGHTON	931,235	269,127
DOUGLAS	1,177,390	340,266
DOVER	421,329	121,764
DRACUT	4,880,547	1,410,478
DUDLEY	2,077,245	600,324
DUNSTABLE	324,880	93,890
DUXBURY	1,349,282	389,942
EAST BRIDGEWATER	2,031,479	587,097
EAST BROOKFIELD	362,519	104,768
EAST LONGMEADOW	2,005,520	579,595
EASTHAM	284,380	82,186
EASTHAMPTON	3,772,362	1,090,213
EASTON	3,145,548	909,063
EDGARTOWN	1,201,504	347,235
EGREMONT	209,213	60,463

351 Municipalities	Non-education Local Aid (Fiscal 2008)	After 71.1% Cut
ERVING	150,025	43,357
ESSEX	344,617	99,594
EVERETT	9,567,265	2,764,940
FAIRHAVEN	3,244,591	937,687
FALL RIVER	32,020,222	9,253,844
FALMOUTH	3,330,812	962,605
FITCHBURG	11,860,974	3,427,821
FLORIDA	91,328	26,394
FOXBOROUGH	2,147,566	620,647
FRAMINGHAM	13,681,812	3,954,044
FRANKLIN	3,561,589	1,029,299
FREETOWN	1,544,885	446,472
GARDNER	5,616,759	1,623,243
GEORGETOWN	1,187,824	343,281
GILL	289,797	83,751
GLOUCESTER	5,415,881	1,565,190
GOSHEN	133,185	38,490
GOSNOLD	26,955	7,790
GRAFTON	2,078,696	600,743
GRANBY	1,214,065	350,865
GRANVILLE	246,129	71,131
GREAT BARRINGTON	1,100,083	317,924
GREENFIELD	4,300,812	1,242,935
GROTON	1,125,689	325,324
GROVELAND	1,074,633	310,569
HADLEY	693,686	200,475
HALIFAX	1,245,843	360,049
HAMILTON	1,034,016	298,831
HAMPDEN	830,429	239,994
HANCOCK	201,007	58,091
HANOVER	2,839,123	820,507
HANSON	1,624,139	469,376
HARDWICK	564,026	163,004
HARVARD	1,914,122	553,181
HARWICH	778,772	225,065
HATFIELD	423,438	122,374
HAVERHILL	13,047,111	3,770,615
HAWLEY	84,026	24,284
HEATH	110,294	31,875
HINGHAM	2,395,385	692,266
HINSDALE	313,277	90,537
HOLBROOK	2,033,330	587,632
HOLDEN	2,394,769	692,088
HOLLAND	272,413	78,727
HOLLISTON	2,078,036	600,552
HOLYOKE	13,414,192	3,876,701
HOPEDALE	883,522	255,338
HOPKINTON	1,389,113	401,454

351 Municipalities	Non-education Local Aid (Fiscal 2008)	After 71.1% Cut
HUBBARDSTON	591,573	170,965
HUDSON	2,715,538	784,790
HULL	2,861,178	826,880
HUNTINGTON	454,796	131,436
IPSWICH	2,458,622	710,542
KINGSTON	1,425,686	412,023
LAKEVILLE	1,175,772	339,798
LANCASTER	1,194,980	345,349
LANESBOROUGH	519,867	150,242
LAWRENCE	25,993,151	7,512,021
LEE	916,740	264,938
LEICESTER	2,255,722	651,904
LENOX	796,578	230,211
LEOMINSTER	7,737,414	2,236,113
LEVERETT	241,402	69,765
LEXINGTON	2,303,325	665,661
LEYDEN	112,812	32,603
LINCOLN	1,316,069	380,344
LITTLETON	986,755	285,172
LONGMEADOW	1,921,433	555,294
LOWELL	34,249,342	9,898,060
LUDLOW	4,132,211	1,194,209
LUNENBURG	1,487,857	429,991
LYNN	29,392,315	8,494,379
LYNNFIELD	1,471,618	425,298
MALDEN	16,419,725	4,745,301
MANCHESTER	342,460	98,971
MANSFIELD	3,031,845	876,203
MARBLEHEAD	1,594,287	460,749
MARION	369,587	106,811
MARLBOROUGH	7,300,901	2,109,960
MARSHFIELD	3,155,818	912,031
MASHPEE	1,439,801	416,102
MATTAPOISETT	633,502	183,082
MAYNARD	2,076,325	600,058
MEDFIELD	1,981,190	572,564
MEDFORD	15,609,883	4,511,256
MEDWAY	1,655,719	478,503
MELROSE	6,717,993	1,941,500
MENDON	594,091	171,692
MERRIMAC	978,828	282,881
METHUEN	7,687,759	2,221,762
MIDDLEBOROUGH	3,608,172	1,042,762
MIDDLEFIELD	190,955	55,186
MIDDLETON	795,541	229,911
MILFORD	4,305,735	1,244,357
MILLBURY	2,456,428	709,908
MILLIS	1,369,753	395,859

351 Municipalities	Non-education Local Aid (Fiscal 2008)	After 71.1% Cut
MILLVILLE	484,446	140,005
MILTON	5,021,739	1,451,283
MONROE	31,374	9,067
MONSON	1,782,021	515,004
MONTAGUE	1,785,396	515,979
MONTEREY	197,318	57,025
MONTGOMERY	117,595	33,985
MOUNT WASHINGTON	206,517	59,683
NAHANT	534,684	154,524
NANTUCKET	536,094	154,931
NATICK	5,339,074	1,542,992
NEEDHAM	2,411,550	696,938
NEW ASHFORD	36,160	10,450
NEW BEDFORD	30,842,805	8,913,571
NEW BRAINTREE	208,178	60,163
NEW MARLBOROUGH	173,537	50,152
NEW SALEM	139,140	40,211
NEWBURY	844,325	244,010
NEWBURYPORT	3,696,409	1,068,262
NEWTON	8,426,267	2,435,191
NORFOLK	1,526,370	441,121
NORTH ADAMS	5,697,188	1,646,487
NORTH ANDOVER	3,111,899	899,339
NORTH ATTLEBOROUGH	3,882,613	1,122,075
NORTH BROOKFIELD	1,055,243	304,965
NORTH READING	2,511,835	725,920
NORTHAMPTON	6,054,771	1,749,829
NORTHBOROUGH	1,642,782	474,764
NORTHBRIDGE	2,864,161	827,743
NORTHFIELD	454,425	131,329
NORTON	2,851,687	824,138
NORWELL	1,460,745	422,155
NORWOOD	6,263,625	1,810,188
OAK BLUFFS	299,403	86,527
OAKHAM	293,621	84,856
ORANGE	2,147,734	620,695
ORLEANS	355,541	102,751
OTIS	126,964	36,693
OXFORD	2,731,559	789,421
PALMER	2,753,426	795,740
PAXTON	713,753	206,275
PEABODY	9,738,726	2,814,492
PELHAM	243,533	70,381
PEMBROKE	2,204,434	637,081
PEPPERELL	1,667,997	482,051
PERU	199,412	57,630
PETERSHAM	201,125	58,125
PHILLIPSTON	270,509	78,177

351 Municipalities	Non-education Local Aid (Fiscal 2008)	After 71.1% Cut
PITTSFIELD	11,544,187	3,336,270
PLAINFIELD	82,603	23,872
PLAINVILLE	1,317,992	380,900
PLYMOUTH	6,471,834	1,870,360
PLYMPTON	322,362	93,163
PRINCETON	530,911	153,433
PROVINCETOWN	256,399	74,099
QUINCY	26,655,330	7,703,390
RANDOLPH	7,025,148	2,030,268
RAYNHAM	2,076,484	600,104
READING	4,456,633	1,287,967
REHOBOTH	1,425,696	412,026
REVERE	14,193,458	4,101,909
RICHMOND	155,673	44,989
ROCHESTER	603,352	174,369
ROCKLAND	3,609,578	1,043,168
ROCKPORT	664,444	192,024
ROWE	11,533	3,333
ROWLEY	812,302	234,755
ROYALSTON	286,448	82,783
RUSSELL	324,392	93,749
RUTLAND	1,125,210	325,186
SALEM	9,286,732	2,683,866
SALISBURY	1,142,732	330,250
SANDISFIELD	94,509	27,313
SANDWICH	2,202,827	636,617
SAUGUS	5,006,028	1,446,742
SAVOY	252,100	72,857
SCITUATE	2,733,208	789,897
SEEKONK	1,727,312	499,193
SHARON	2,066,517	597,223
SHEFFIELD	356,643	103,070
SHELBURNE	345,050	99,719
SHERBORN	321,188	92,823
SHIRLEY	1,759,233	508,418
SHREWSBURY	3,889,253	1,123,994
SHUTESBURY	232,469	67,184
SOMERSET	2,234,252	645,699
SOMERVILLE	31,177,992	9,010,440
SOUTH HADLEY	3,546,851	1,025,040
SOUTHAMPTON	875,785	253,102
SOUTHBOROUGH	669,601	193,515
SOUTHBRIDGE	4,607,961	1,331,701
SOUTHWICK	1,552,611	448,705
SPENCER	2,706,938	782,305
SPRINGFIELD	50,230,052	14,516,485
STERLING	961,811	277,963
STOCKBRIDGE	189,272	54,700

351 Municipalities	Non-education Local Aid (Fiscal 2008)	After 71.1% Cut
STONEHAM	4,994,356	1,443,369
STOUGHTON	4,419,949	1,277,365
STOW	555,680	160,592
STURBRIDGE	1,179,644	340,917
SUDBURY	1,928,153	557,236
SUNDERLAND	753,937	217,888
SUTTON	1,238,043	357,794
SWAMPSCOTT	1,835,975	530,597
SWANSEA	2,718,906	785,764
TAUNTON	11,900,070	3,439,120
TEMPLETON	1,684,583	486,844
TEWKSBURY	4,023,522	1,162,798
TISBURY	172,559	49,870
TOLLAND	151,356	43,742
TOPSFIELD	959,634	277,334
TOWNSEND	1,851,779	535,164
TRURO	49,451	14,291
TYNGSBOROUGH	1,422,833	411,199
TYRINGHAM	34,791	10,055
UPTON	750,536	216,905
UXBRIDGE	1,886,142	545,095
WAKEFIELD	4,588,202	1,325,990
WALES	332,097	95,976
WALPOLE	3,580,499	1,034,764
WALTHAM	13,727,991	3,967,389
WARE	2,310,588	667,760
WAREHAM	2,885,409	833,883
WARREN	1,036,732	299,616
WARWICK	268,174	77,502
WASHINGTON	168,291	48,636
WATERTOWN	8,412,556	2,431,229
WAYLAND	1,332,195	385,004
WEBSTER	3,322,243	960,128
WELLESLEY	2,069,818	598,177
WELLFLEET	159,436	46,077
WENDELL	299,363	86,516
WENHAM	587,682	169,840
WEST BOYLSTON	1,096,608	316,920
WEST BRIDGEWATER	995,044	287,568
WEST BROOKFIELD	649,045	187,574
WEST NEWBURY	464,482	134,235
WEST SPRINGFIELD	5,162,532	1,491,972
WEST STOCKBRIDGE	137,934	39,863
WEST TISBURY	779,579	225,298
WESTBOROUGH	1,818,459	525,535
WESTFIELD	8,567,196	2,475,920
WESTFORD	2,933,733	847,849
WESTHAMPTON	183,088	52,912

351 Municipalities	Non-education Local Aid (Fiscal 2008)	After 71.1% Cut
WESTMINSTER	1,044,645	301,902
WESTON	631,201	182,417
WESTPORT	2,083,550	602,146
WESTWOOD	1,148,534	331,926
WEYMOUTH	11,815,942	3,414,807
WHATELY	203,406	58,784
WHITMAN	2,799,623	809,091
WILLIAMSBURG	410,210	118,551
WILLIAMSTOWN	1,368,912	395,616
WILMINGTON	3,533,836	1,021,279
WINCHENDON	2,296,675	663,739
WINCHESTER	2,123,750	613,764
WINDSOR	199,362	57,616
WINTHROP	5,450,529	1,575,203
WOBURN	8,111,672	2,344,273
WORCESTER	58,028,529	16,770,245
WORTHINGTON	188,490	54,474
WRENTHAM	1,356,684	392,082
YARMOUTH	2,204,124	636,992