



Massachusetts
Taxpayers Foundation

MTF Fiscal Update & Session Preview

*Presented to Rasky Partners on
November 16th, 2022*



About MTF

Founded in 1932, the Massachusetts Taxpayers Foundation (MTF) is a non-profit, non-partisan public policy organization focused on state and local fiscal, tax and economic policies.

MTF's record of high quality research and non-partisan analysis has earned the organization broad credibility on Beacon Hill and across the Commonwealth.

Our mission is to provide accurate, unbiased research with thoughtful recommendations that strengthen the state's finances and economy to foster the long-term well-being of the Commonwealth and economic opportunity for all.



Outline

I. Commonwealth fiscal picture

- Revenues & spending
- Local finance

II. FY 2023/24 preview

- Tax
- Federal COVID resources
- Health care
- Transportation
- Workforce & economic development
- Energy, infrastructure & climate

III. MTF in 2023





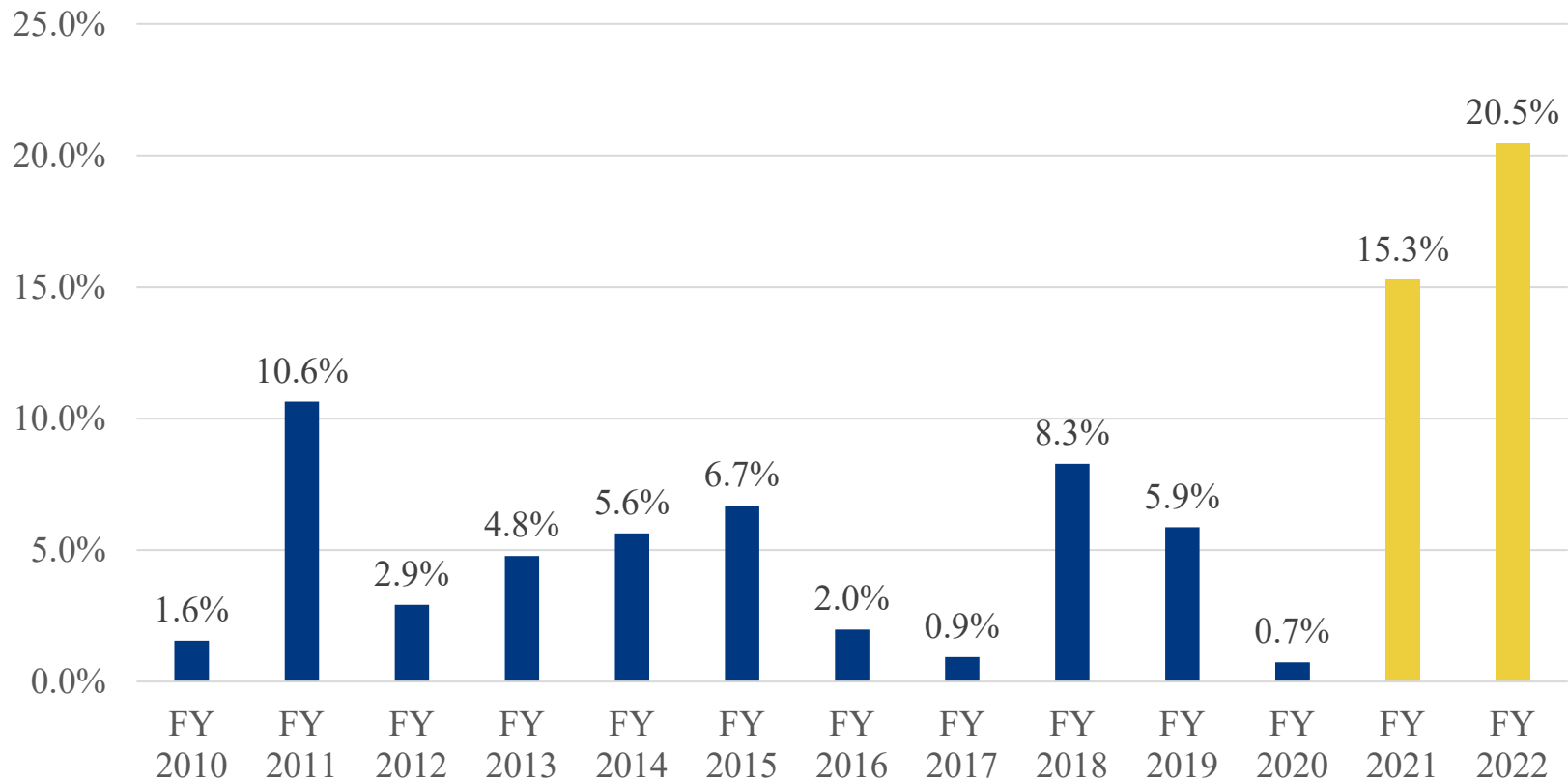
Commonwealth Fiscal Picture

Most Important Things to Know

1. The state has experienced 2.5 years of unprecedented revenue growth
2. Revenue growth & the availability of federal funds has led to significant increase in spending
3. At the same time, the state has been able to grow reserves to record levels
4. Worrying economic signs create significant fiscal uncertainty
5. Also significant uncertainty regarding tax policy

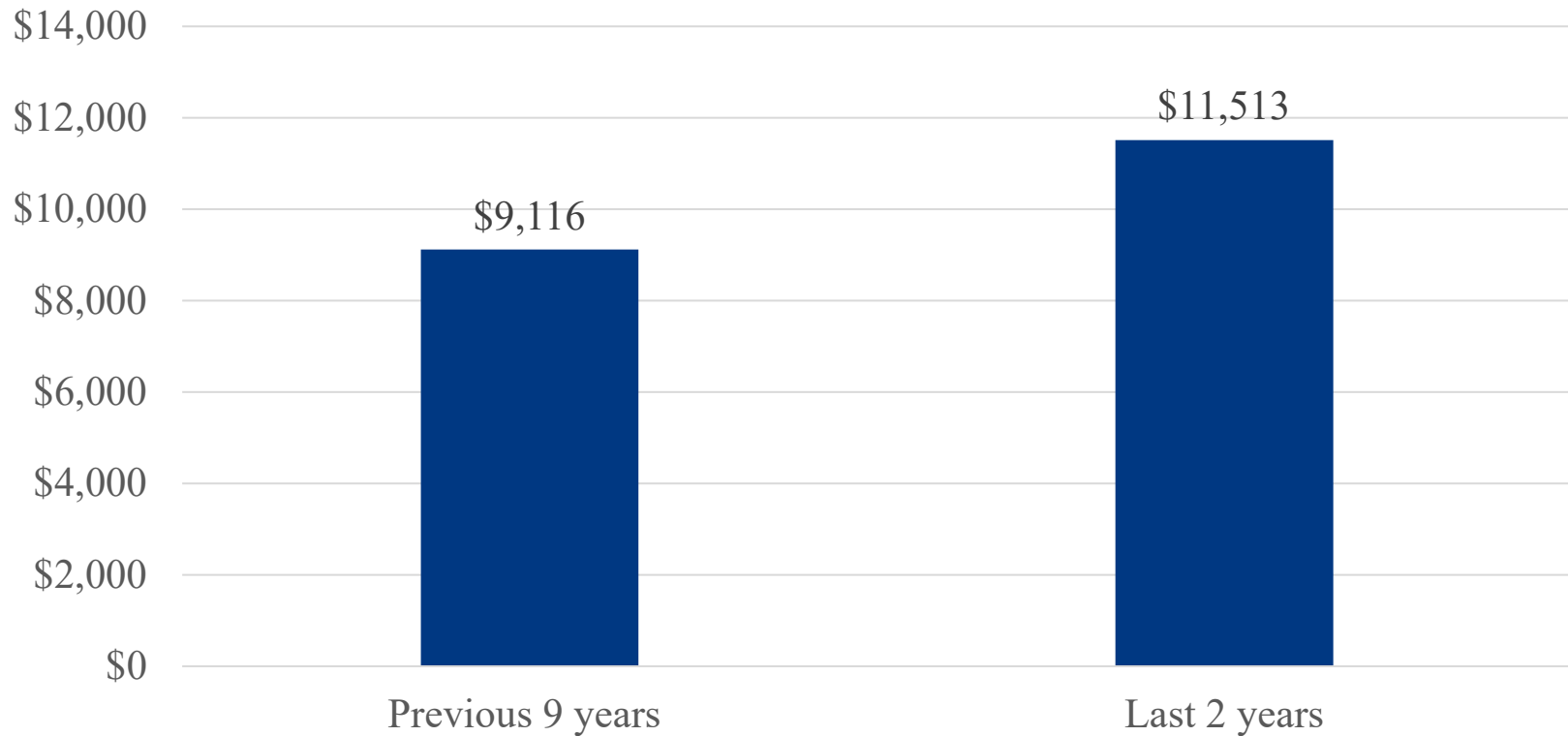
Tax Growth in Context

Year over Year Tax Revenue Growth



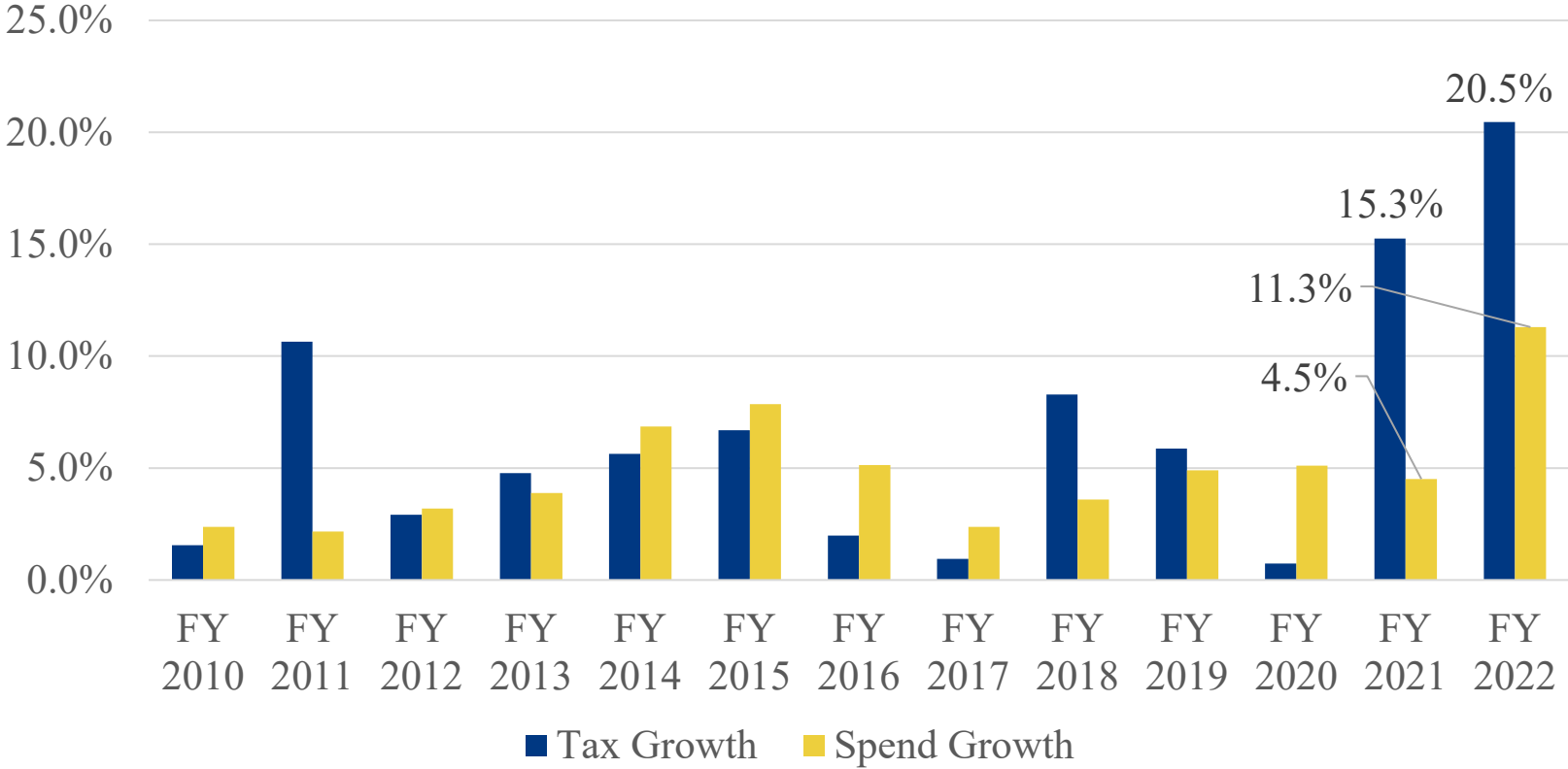
To Put a Finer Point on It

Tax Revenue Growth over Two Time Periods
(\$ in millions)



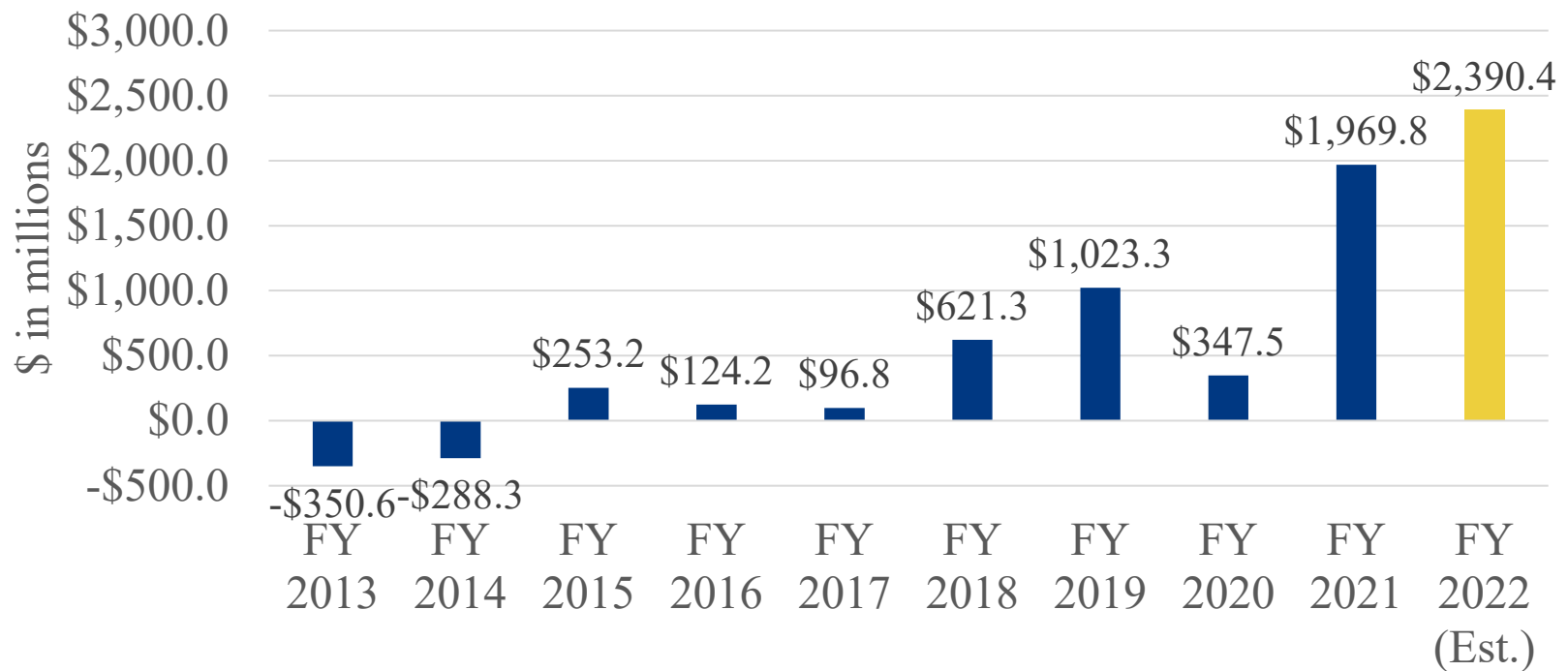
Comparing Tax and Spending Growth

Tax Revenue Growth v. Spending Growth

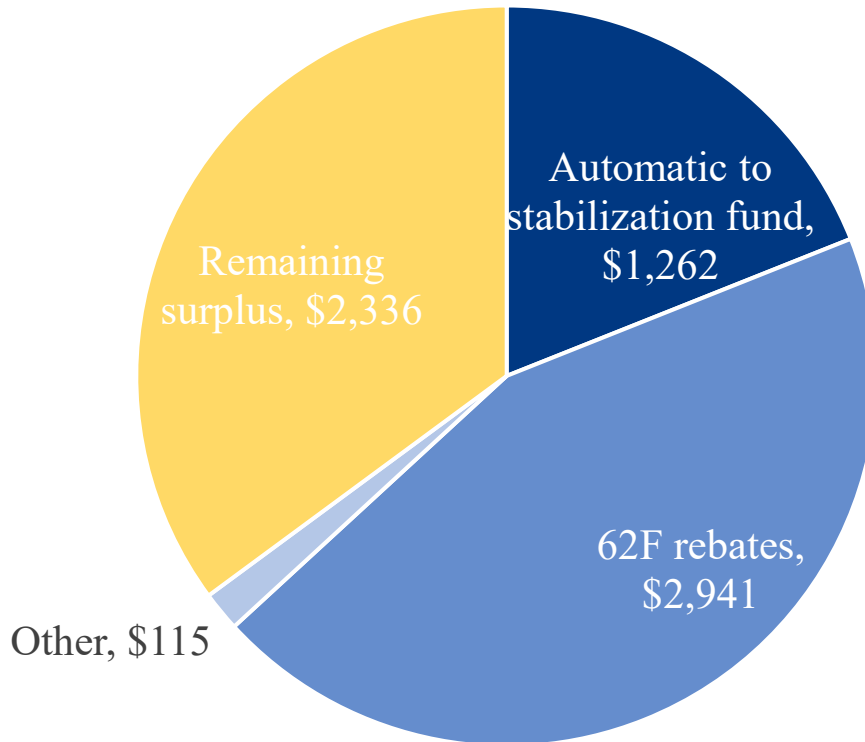


Translating to End of Year Surpluses

Estimated Resources Available before Final Supplemental Budget
(\$ in millions)



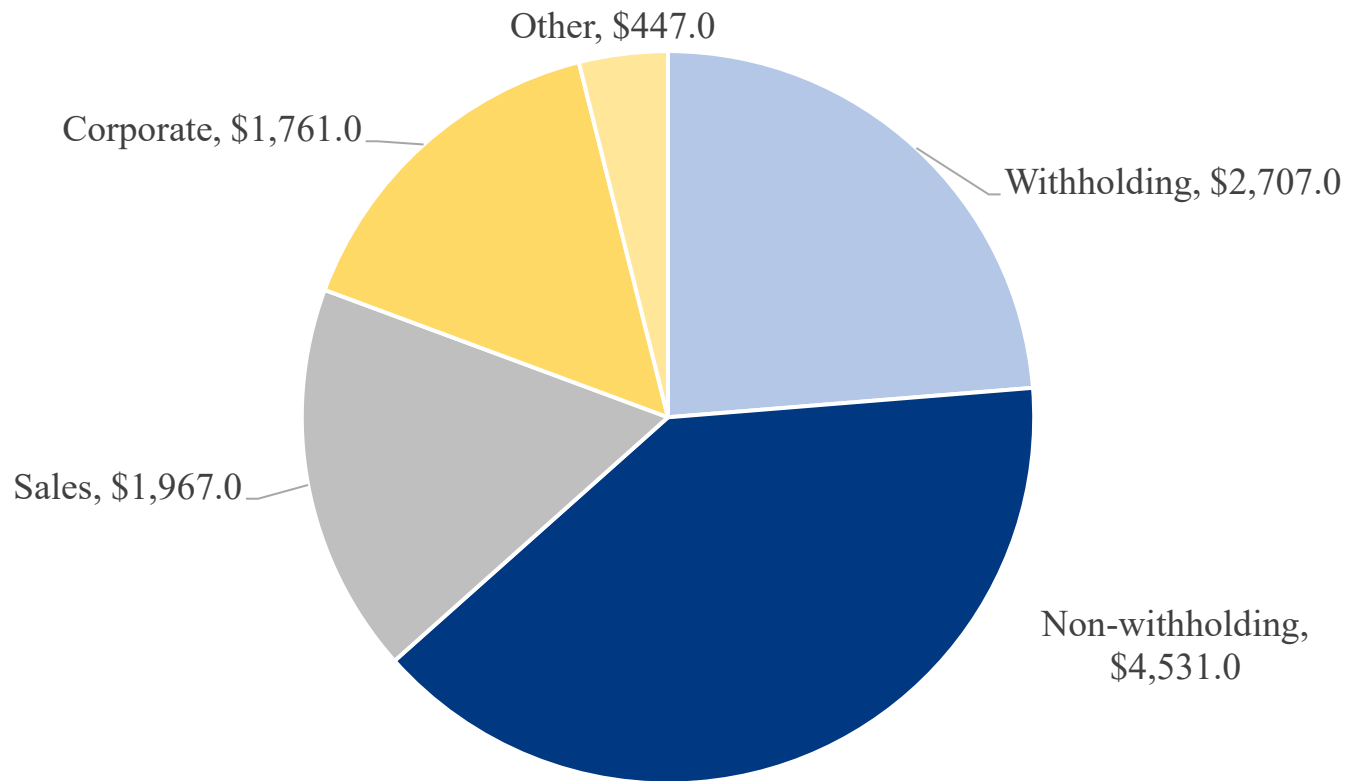
Disposition of FY 2022 Surplus



Composition of Tax Growth

FY 2019 - FY 2022 Tax Growth

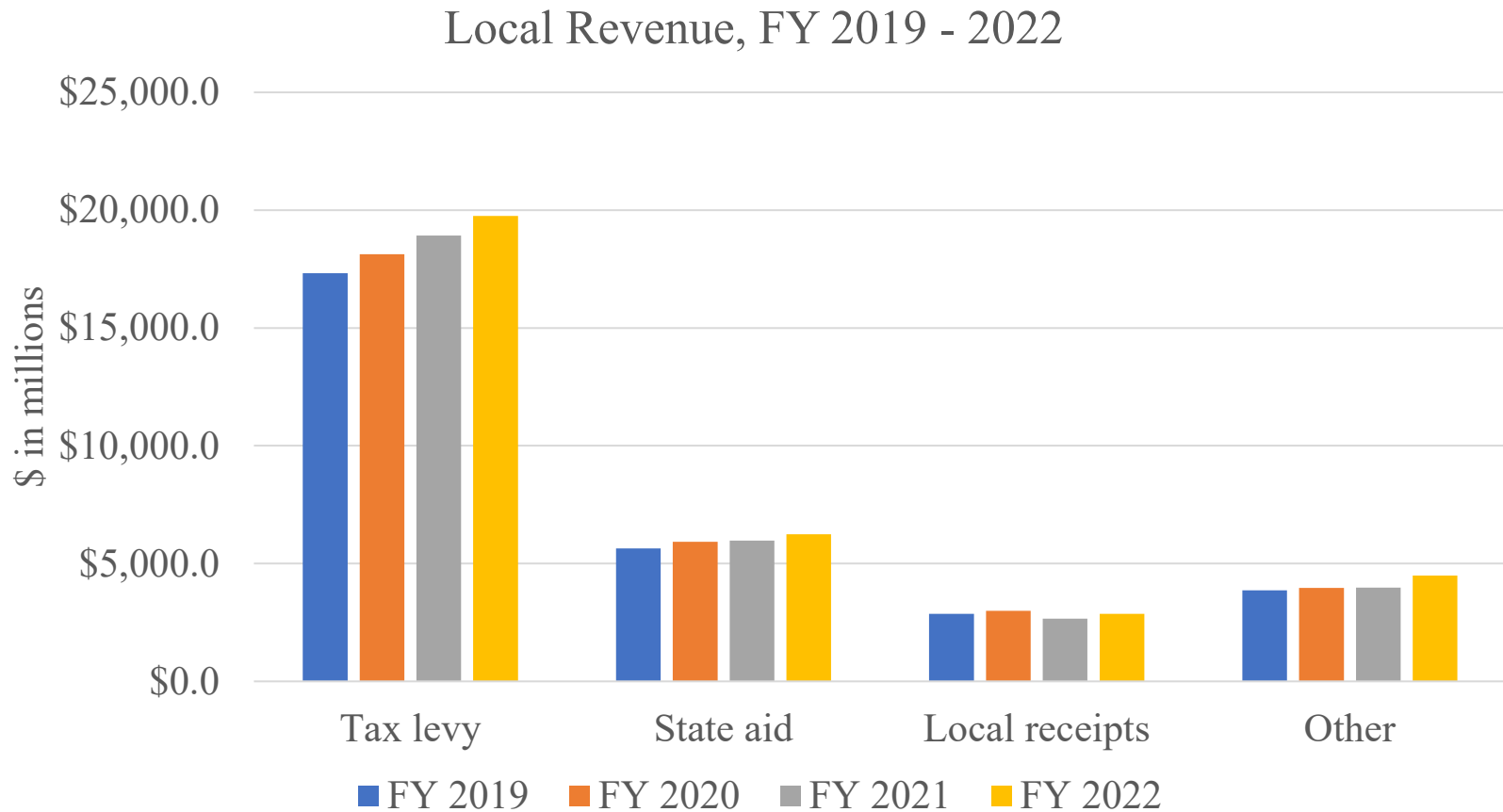
(\$ in millions)



Income Surtax Update

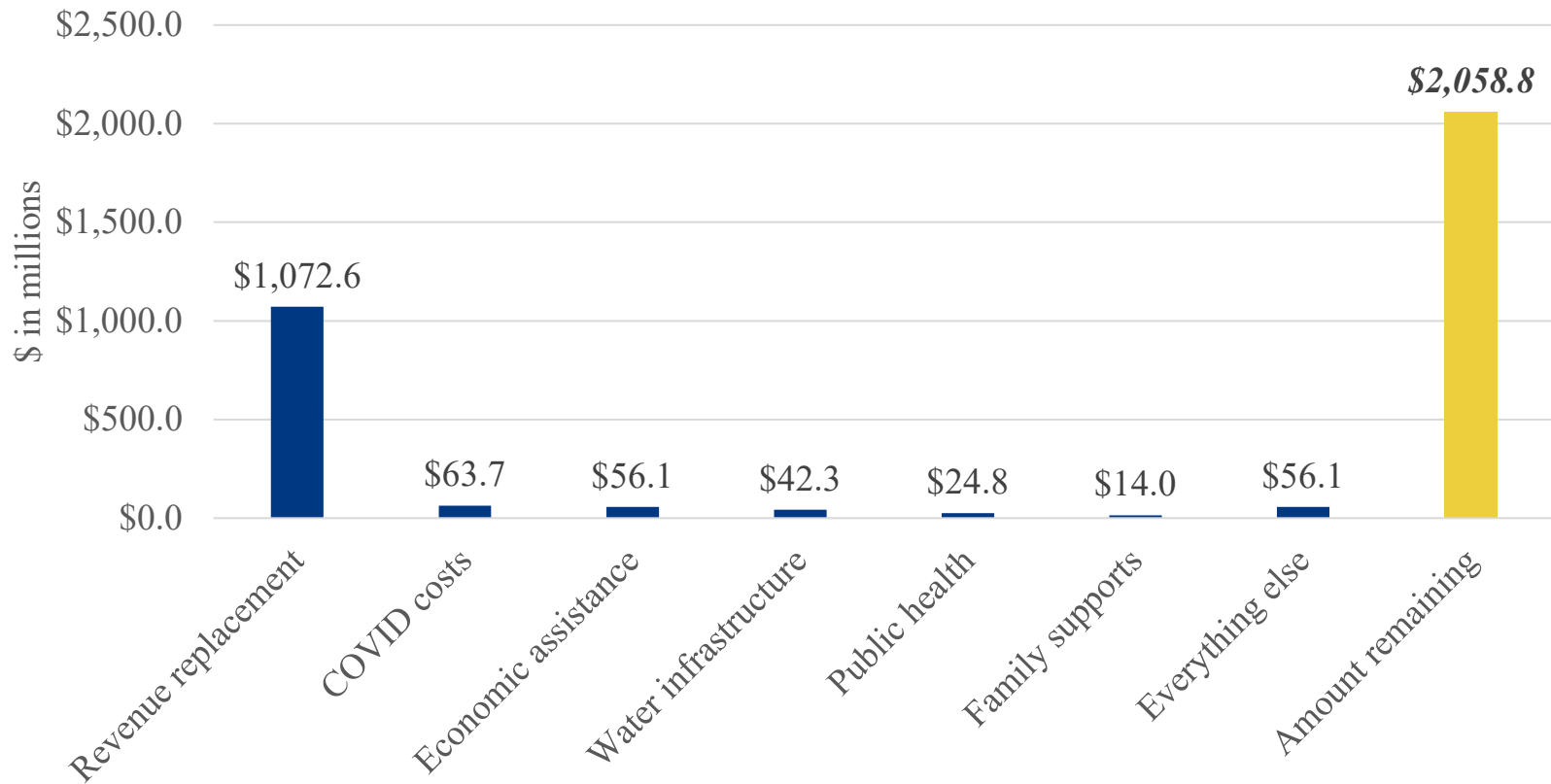
- Passed 52%-48%
 - Strong support in Boston, surrounding cities & Western Mass.
 - Opposition in Central Mass, Merrimack Valley, Southeast
- Most recent revenue projection is \$1.3B when annualized
 - Same as 0.25 – 0.5% in income tax rate
- Tax effective for TY 2023, but revenue will not fully materialize until FY 2025

Local Fiscal Picture Much Different



Local Picture of ARPA Funds

Local Fiscal Recovery Fund Spending by Use

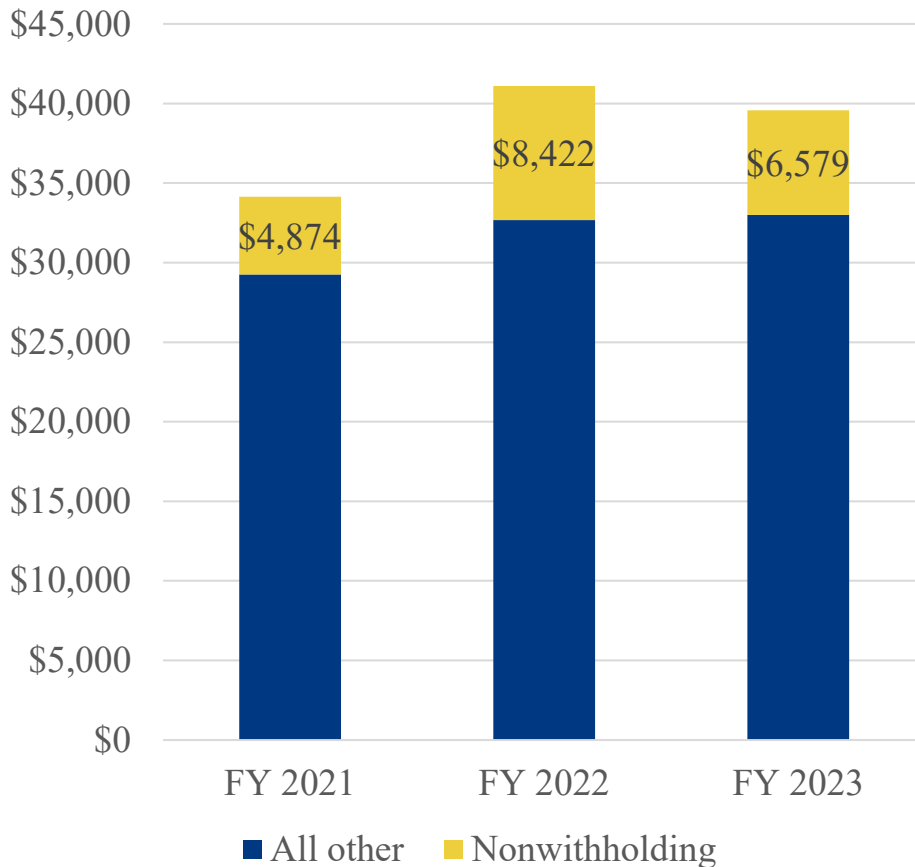




Session Preview

Tax Policy Preview

FY 2021 – FY 2023 Tax Revenues

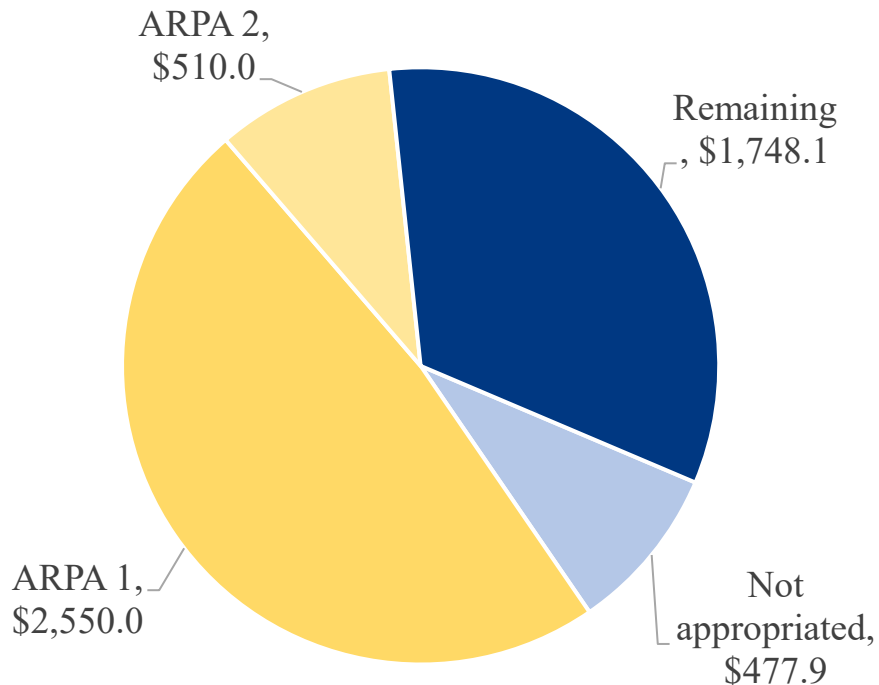


Key Questions

- When do current trends stop?
- Does income surtax require legislation?
- What's the future of tax 2022 relief bill?
- What's Governor Healey's tax plan?

Federal Funds Preview

Status of \$5.3B in ARPA Funds

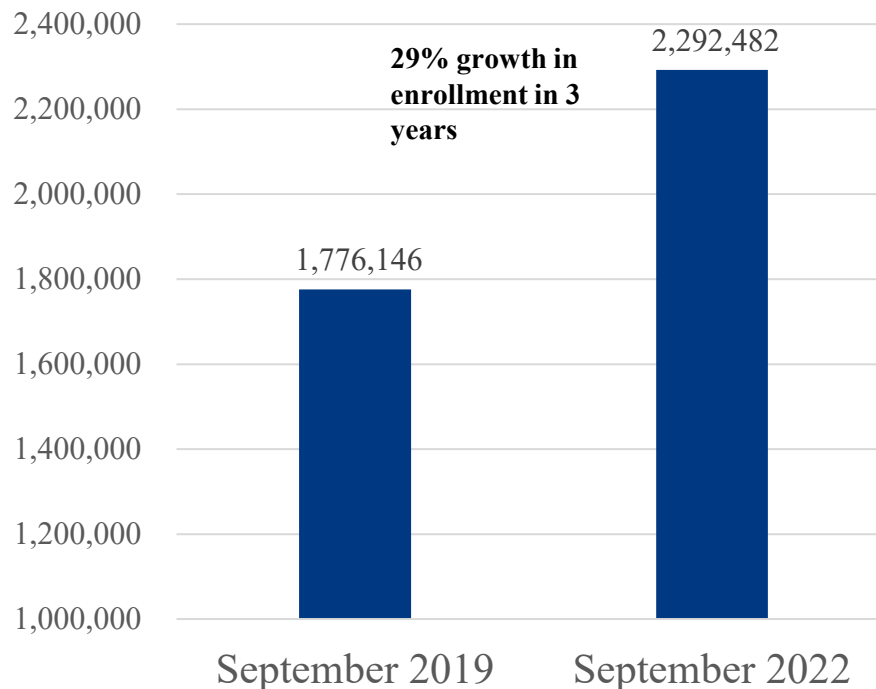


Key Questions

- Will Baker spend down FRF prior to January?
- When is the next FRF vehicle?
- How much from ARPA 1 & 2 will go unspent?
- How does federal education \$ interact with SOA?

Health & Human Services Preview

MassHealth Enrollment,
2019 v. 2022

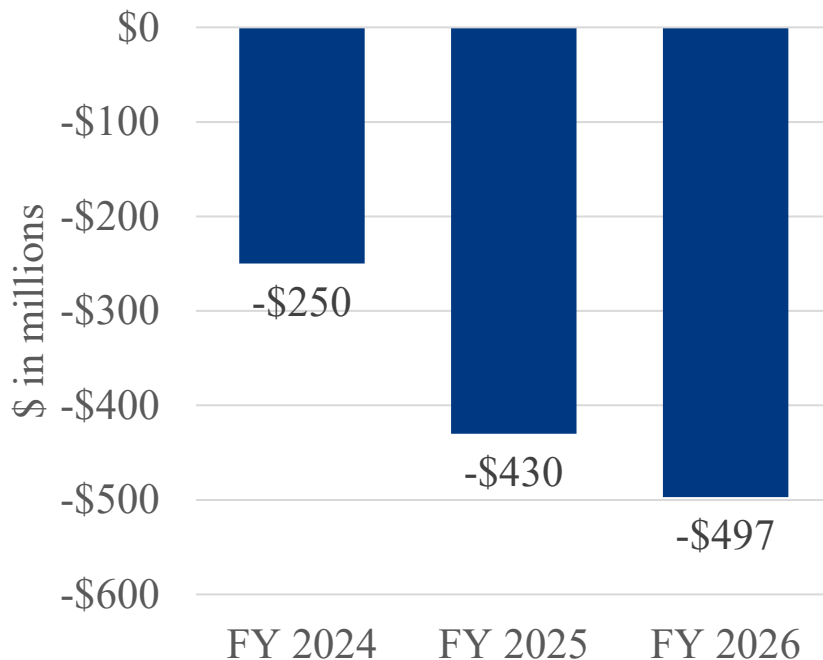


Key Questions

- When does the federal PHE end and what does it mean for the budget?
- What happens to key HC bills left unfinished?
- What's the plan for WF and cost growth pressures?
- Is there appetite to overhaul 257?

Transportation Preview

MBTA Projected Operating Deficit

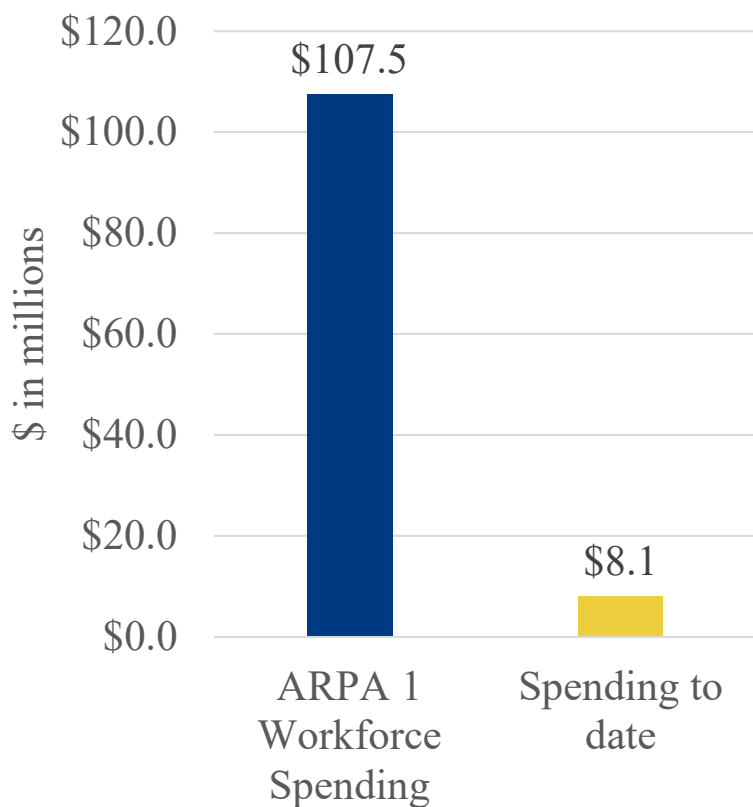


Key Questions

- What's the top MBTA priority: money or governance?
- What's the plan for workforce shortages?
- Is there a new safety agency?
- What's the transportation share of surtax...and what's it for?

Workforce & Economic Development Preview

ARPA 1 Workforce \$ Update

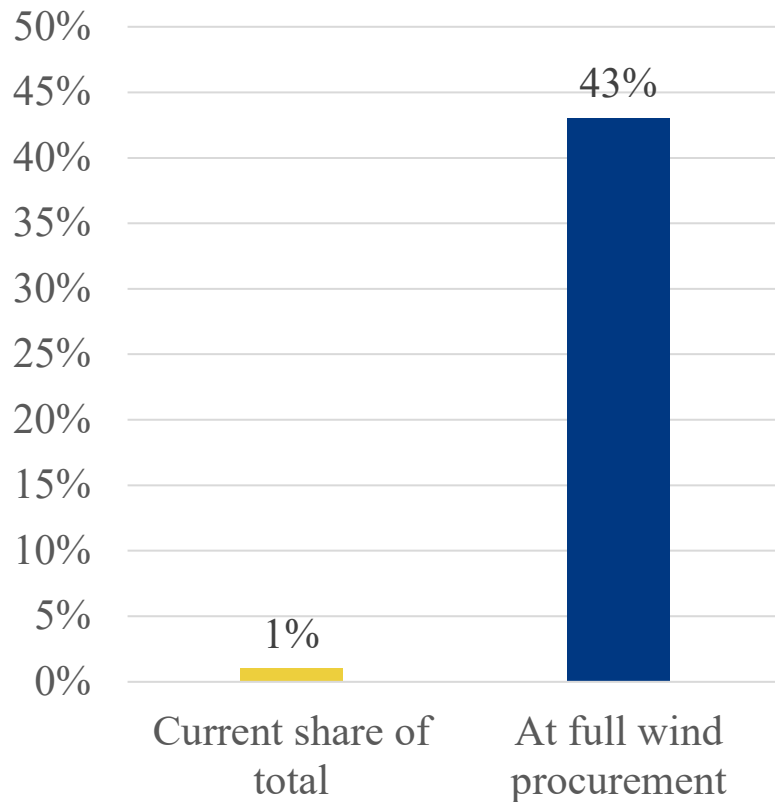


Key Questions

- What is the plan to train 300K workers in the next 8 years?
- How do we figure out what works and is scalable?
- Does a new Housing Secretary focus on access or production?
- Is there a vehicle to pick up broken pieces of EcDev bill prior to 2024?

Energy, Environment & Infrastructure Preview

Share of electric usage



Key Questions

- We know where we want to go, how do we get there?
- How do we communicate/ coordinate conflicting goals?
- Is the moment for environmental infrastructure lost?
- Can Gov. Healey take control of predictable climate legislation process?

What's Next?

- This session, MTF is on how the state's economy can succeed in a post-pandemic world
- The challenges:
 - Demographics
 - Workforce trends
 - Competition with other states and regions
- The foundations for success:
 - Workforce & education
 - Transportation
 - Childcare
 - Tax & fiscal policy



Thank You!

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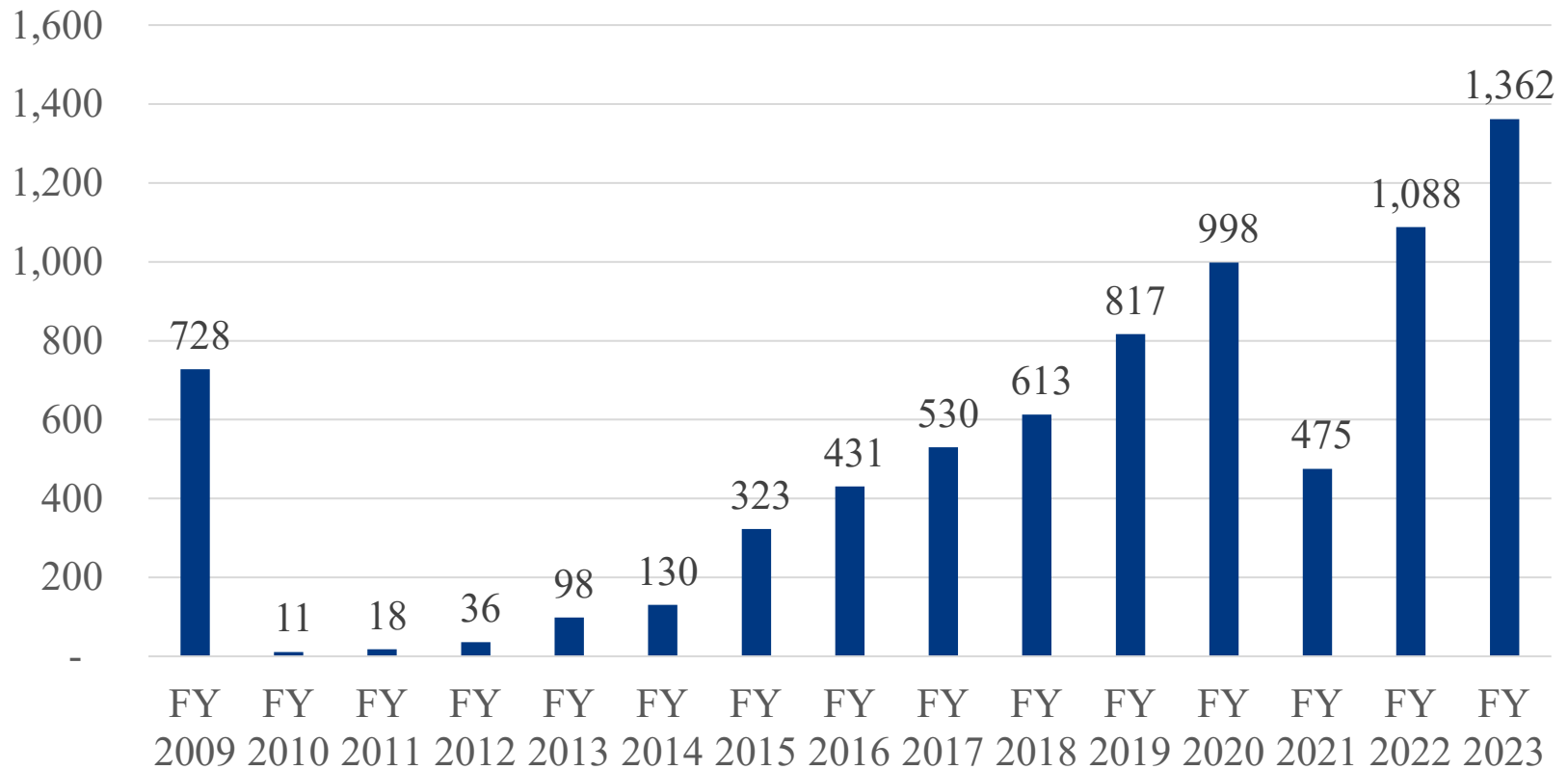




Appendix

Budget Earmarks by Year

Budget Earmarks by Year



FY 2022 Closeout/EcDev

	Original bills	Amount in Final	Difference
Shared spending	\$2,101.5	\$1,417.4	-\$684.1
House unique	\$955.2	\$534.0	-\$421.2
Senate unique	\$1,101.9	\$800.3	-\$301.6
Governor unique	\$1,597.4	\$918.2	-\$679.2
New spending	\$0.0	\$91.5	\$91.5
Total	\$5,756.0	\$3,761.4	-\$1,994.6
<i>\$ in millions</i>			



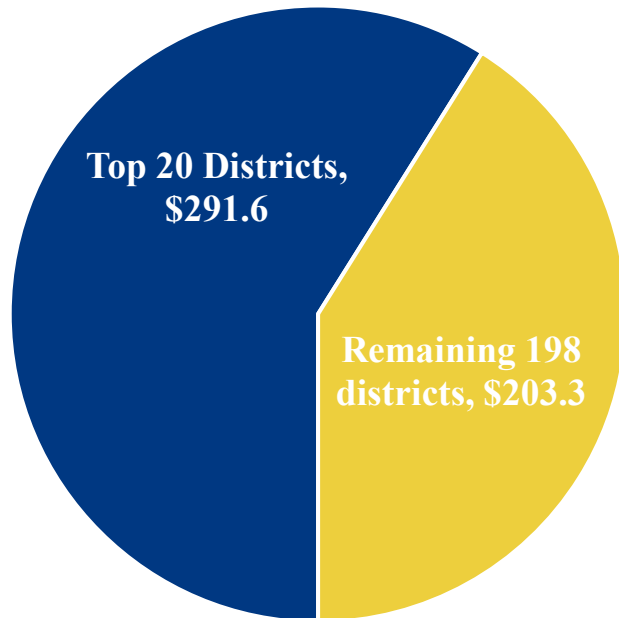
FY 2022 Surplus Detail

Taxes above original benchmark	\$6,654
Capital gains above benchmark	-\$1,262
Dedicated to SBA/MBTA	-\$224
Starting balance	\$106
Supplemental spending to date	-\$1,781
Additional federal revenue	\$988
Reversions	\$625
Non-tax revenue	\$225
Initial surplus	\$5,331
EcDev/Closeout Spending	\$3,761
<i>ARPA offset</i>	<i>-\$510</i>
<i>Other offsets</i>	<i>-\$915</i>
Set aside for 62F Escrow	\$2,941
CNS transfers	\$30
Remaining	\$24



Education & Childcare Preview

Distribution of \$500M in New
FY 2023 K-12 Aid



Key Questions

- Does the local contribution side of education funding need adjusting?
- What does a comprehensive ECE plan look like?
- Can the state continue to backfill for fed funds?
- Will Gov. Healey prioritize MassReconnect?

Real Time Analysis & Insight

- Timely overviews of key fiscal legislation:
 - Each stage of the budget process
 - COVID recovery plans
 - Economic development legislation
- Member-only summaries of important legislation:
 - Health care
 - Workforce
 - Childcare & early education
- Monthly virtual briefings
- Member conversations with key decision-makers

Shaping the Long-term Agenda

- In the last two years, MTF's research has played a critical role in issues that matter the economy:
 - Heeding the Warning Signs: What Massachusetts Must Do to Remain Competitive
 - The MBTA Crisis is Complicated – Fixing It Will Be Too
 - The Untold Cost of Inadequate Child Care
 - The Estate Tax in Massachusetts: In Dire Need of Reform
 - How States Can Successfully Manage ARPA Funds
 - The Implications of Telework for Massachusetts
 - Closing the Racial Divide in the US and Massachusetts: A Baseline Analysis