

Massachusetts faces a budget deficit that Governor Mitt Romney estimates at \$3 billion for the 2004 fiscal year beginning July 1. How this problem is resolved will dramatically affect the future of public education, our healthcare system, our social safety net, every family that pays taxes, and the future of our economy.

State policymakers are currently struggling to balance the budget. Now it's your turn.

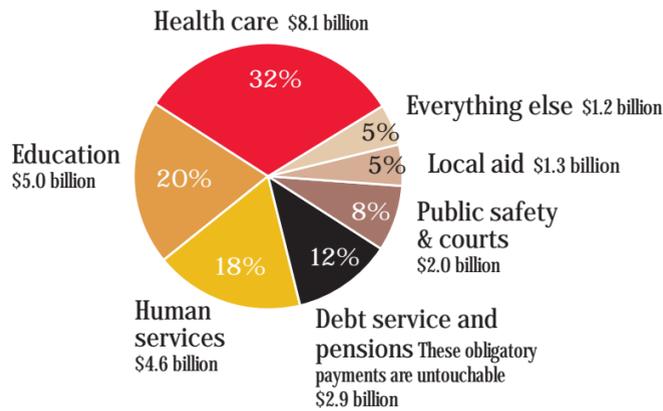
This list of government spending is not exhaustive; there are more than 700 line items in the budget. But these five areas—plus the “untouchable” commitments to pensions and debt service—represent 95 percent of state spending. Some of the savings and impacts listed here are estimates, because of “ripple effects” elsewhere in the budget that can't be precisely calculated.

The worksheet below shows where your tax dollars are spent, presents cuts and other savings options that policy makers have proposed, and lets you implement these or other ideas to try to close the \$3 billion budget gap.

Good luck!

The \$25 billion state budget

Providing services at the same level as Fiscal 2003 will cost \$3 billion more than what the state expects to collect in Fiscal 2004.



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2004 budget worksheet



BUDGET CATEGORY	BACKGROUND	PROGRAMS YOU COULD CUT	WORTH CONSIDERING	Amount of money you could cut from budget	Percent of budget amount you would cut	Amount to cut
Health Care — \$8.087 billion total spending The state's Medicaid program (MassHealth) provides health coverage for one of every six residents of the state, including low-income children and adults, as well as nursing home care for senior citizens. Just over half of all Medicaid spending is reimbursed by the federal government—in other words, each dollar the state spends brings in a federal dollar, while each dollar cut saves taxpayers 50 cents. Healthcare spending also covers the state's share of health coverage for state employees.	<ul style="list-style-type: none"> ● People who lose Medicaid coverage will likely turn to hospital emergency rooms or community health centers for care, which will ultimately increase state costs. ● Because health care is a key sector in the state economy, cuts in this area will have a wider impact. For every \$10 million in Medicaid cuts Massachusetts will ultimately lose 191 jobs. ● Medicaid pays for 70% of all nursing home care in Massachusetts. ● Administrative costs account for just 3 percent of total Medicaid spending. 	<ul style="list-style-type: none"> — Health coverage for long-term unemployed — Health Care Expansion initiatives — Nursing home care — Prescription Advantage program — State employee health insurance 	Covers 43,000 adults, most with net incomes less than \$4,000 per year. About 200,000 people—half of them children—with incomes up to 200% of poverty level received insurance starting in 1996. For every \$100 million cut, at least 4,100 senior citizens will lose nursing home coverage. Covers 80,000 seniors and disabled people The state now covers 85% of workers' health insurance. Reduce state share to 80% 75%	\$110 million \$323 million \$900 million \$98 million \$30 million \$60 million		
Education — \$4.970 billion total spending Spending helps pay for K-12 education and also funds the university, state college, and community college system. Most education funding—about \$3.3 billion—goes directly to cities and towns to use in their school budgets. Other funding is targeted to specific uses, such as early childhood education or school transportation. 91 percent of the students in higher education are Massachusetts residents. Community colleges—48,092 students. Resident full-time students pay \$2,861/year. State colleges—32,295 students. Resident full-time students pay \$3,839/year. UMass system—57,992 students. Resident full-time students pay \$5,750/year.	<ul style="list-style-type: none"> ● The 1993 Education Reform Act that increased state spending on schools came partly in response to a lawsuit against the state; cutting K-12 education spending too deeply could lead to legal action. ● The state pays about 42 percent of total K-12 costs, lower than state support in 40 states. ● Funding for higher education has been cut 12 percent since FY01. The state now pays two-thirds of operating costs at 4-year colleges and three-quarters of the cost at community colleges. 	<ul style="list-style-type: none"> — Local education aid — Early Education for 3- to 5-year-olds — Class size reduction program — MCAS extra help — Community college system — State college system — UMass system — Privatize UMass. Medical School 	Each 1 percent cut of \$33 million represents the salaries for about 610 teachers. 20,500 low- and moderate- income children get extra preparation before they enter first grade. Current funding has paid for approximately 400 new teachers in 54 lower income communities. Last year, 32 percent of sophomores in urban districts failed at least one portion of the MCAS. Every \$1 invested in public higher education generates an estimated \$5 in economic activity. In the last two years, student charges at public colleges in Massachusetts increased by a greater percentage than in any other state, while funding for scholarships had the biggest decline. Eliminating state subsidy means fewer low- and middle-income students could become doctors.	\$3.3 billion \$95 million \$18 million \$50 million \$225 million \$196 million \$442 million \$35 million		
Human services and elders — \$4.557 billion total spending Spending in this area funds a wide array of programs ranging from services for the disabled to homeless shelters to child care programs. The portion of the budget devoted to human services has fallen from 25% over the past decade, partly due to a big drop in welfare rolls.	<ul style="list-style-type: none"> ● Some human services spending is required for matching federal funds and block grants, such as the federal welfare block grant of \$459 million. ● Even during good economic times, many human services programs had waiting lists. In FY01, the waiting list for subsidized child care for low-income working families stood at 20,248, while Department of Mental Retardation waiting lists totaled 2,437. 	<ul style="list-style-type: none"> — Welfare/cash assistance—70% of caseload is disabled or caring for a disabled child. — Community-based residential services for mentally disabled adults. — Adult mental health and support services — Home care 	The average grant in Massachusetts is \$493/month. For each \$10 million cut, 180 people lose services. For each \$10 million cut, 250 people lose services. For each \$10 million cut, 2,500 elders will lose supportive services that allow them to remain in their own homes.	\$327 million \$454 million \$272 million \$168 million		
Public safety and courts — \$2.011 billion total spending The Executive Office of Public Safety funds programs ranging from community policing to the state prisons. This category also includes funding for the operations of the district attorneys and attorney general, as well as funding for the state's courts.	<ul style="list-style-type: none"> ● Since 1991, spending on prisons has increased by 56 percent, largely due to stricter sentencing laws. ● In the past two years, funding for the court system has been cut by \$32 million, or 5%. 	<ul style="list-style-type: none"> — Closing courts and restructuring judiciary — Quinn bill (incentives for police to seek additional education) — State Police — State prisons and county jails 	Could reduce access to courts. Because this is a joint city-state program, cuts shift costs to cities and towns. Cuts could threaten public safety, particularly in light of heightened security demands The state spends \$44,000/prisoner; cutting funding would likely require early releases.	\$46 million \$46 million \$201 million \$845 million		
Local aid — \$1.272 billion total spending In addition to local education aid, cities and towns receive state funds to help pay for local services such as police and fire protection. Nearly all of this aid comes from lottery profits and a form of aid called “additional assistance.” ▶ The lottery was created in 1971 in order to provide additional revenue to cities and towns.	<ul style="list-style-type: none"> ● Cuts shift the burden to local communities, which will have to choose between cutting services and raising property taxes. ● Since 1979, spending on state and local services, measured as a share of personal income, fell more in Massachusetts than in any other state. 	<ul style="list-style-type: none"> — Unrestricted local aid — The state paid out 71% of lottery revenues to winners last year. Cut to 63% payout. 	For every \$10 million in cuts, 200 municipal employees (chiefly teachers, firefighters, and police) will ultimately be laid off. Our state lottery pays more in prizes than any other. Paying out 63% of revenue could save the state \$274 million— unless fewer people play. If lower payouts caused revenue to drop to the average of the 10 most-profitable states, Massachusetts would lose \$187 million.	\$1.24 billion		

Your suggestions

The cuts specified above suggest about \$9.5 billion in possible spending cuts. Space doesn't allow us to itemize hundreds of other programs on which the state spends the remaining \$12.5 billion available, but we provide this space to write in your suggestions.

	Total cuts
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Now what? Still haven't reached \$3 billion?

You'll need to suggest new revenue to bridge the gap.

Governor Romney and the Legislature have already given you a start by implementing some \$360 million in new fees and closing corporate loopholes. (In fact, if you assume those measures will be continued into the new fiscal year the \$3 billion gap shrinks to \$2.64 billion).

Keep in mind, though, that not all revenue increases are created equal:

Sales taxes on food hit lower-income people harder, while tax hikes on gasoline might have beneficial environmental effects.

Then there's the matter of casino-style gambling, which some estimate could bring \$300 million into the state, though at the expense of lottery proceeds. And, of course, all of that represents money lost by gamblers.

IMPLEMENTED THIS YEAR

: Closed corporate tax loopholes	\$130 million	100%	\$130 million
: Increased fees at registries of deeds; for example, recording a mortgage changed from \$20 to \$150	\$230 million	100%	\$230 million

OTHER REVENUE POSSIBILITIES

: Increase court fees, such as doubling small claims court filing fees	\$7.5 million		
: Increase firearms licensing and identification card fees from \$25 to \$100	\$3.3 million		
: Increase income tax from 5.3% to 5.6%, the rate in 2001 or to 5.95%, the rate in 1999	\$475 million \$1 billion		
: Increase the sales tax from 5% to 6%	21 states have a sales tax higher than 5%	\$700 million	
: Make alcohol subject to the 5% sales tax	25 states have a sales tax on liquor, 39 on beer	\$60 million	
: Extend 5% sales tax to groceries	18 states have a sales tax on groceries	\$436 million	
: Raise gasoline tax 1¢ per gallon (from 21¢ to 22¢)		\$33 million	

Your suggestions — other revenue Write in your ideas for raising money.

Total new revenue