



Massachusetts Taxpayers Foundation

CT Valley Superintendents Roundtable

Eileen McAnney, President
Massachusetts Taxpayers Foundation
Friday November 13, 2015



About us

Massachusetts Taxpayers Foundation

Founded in 1932, the Massachusetts Taxpayers Foundation is widely recognized as the state's premier public policy organization dealing with state and local fiscal, tax and economic policies. The Foundation'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 balanced, thoughtful recommendations that strengthen the state's finances and economy in order to foster the long-term well being of the Commonwealth. The Foundation has had a significant impact on a wide range of issues - from health care, business costs and transportation funding to tax competitiveness, capital investments and state and local finances.

Eileen McAnneny, President

Eileen McAnneny joined the staff of the Massachusetts Taxpayers Foundation as its President in February, 2015.

Ms. McAnneny, an attorney, comes to the Foundation after more than 20 years of government relations, public policy, advocacy and managerial experience in both the public and private sectors in Massachusetts. She held executive level positions at the Massachusetts Society of CPAs, serving as its President and CEO; at Fidelity Investments as a Director of Public Policy; and at Associated Industries of Massachusetts as its Senior Vice President of Government Affairs and Associate General Counsel, where she focused on health care and tax policy issues for the employer community.



Agenda

Current Fiscal Picture: Where we are

Current Fiscal Picture: Ongoing challenges

Municipal Revenue Growth

Chapter 70 Aid

Foundation Budget Review Commission Report

Charter Schools

Questions?





Current Fiscal Picture: Where we are

- Books just closed on eventful FY 2015
 - \$1.2 billion budget gap uncovered 6 months into year
 - Gap closed with 2 rounds of mid-year budget cuts and strong end of year tax receipts
 - End the fiscal year in balance and able to deposit \$120 million into Rainy Day Fund
- FY 2016 will be challenging
 - Administration downgraded non-tax revenues by \$145 million
 - Tax revenues have been slightly above benchmark thus far, but major tax months remain
- FY 2017 budget process about to begin
 - Consensus revenue hearing in December
 - Governor's budget released in January





Current Fiscal Picture: Ongoing challenges

- Massachusetts continues to face a structural budget deficit driven by non-discretionary costs
 - FY 2016 budget relied on \$650 million in non-recurring revenues
 - Non-discretionary spending (i.e. MassHealth, Debt Service) accounts for more than 80% of projected tax revenue growth between FY 2015 and FY 2016
- Massachusetts' reserves are not sufficient to see us through another fiscal crisis
 - Recent MTF report highlights the diversion of \$2.2 billion from stabilization over last 3 years





Ongoing challenges: Non-Discretionary Spending is Crowding Out Other Priorities

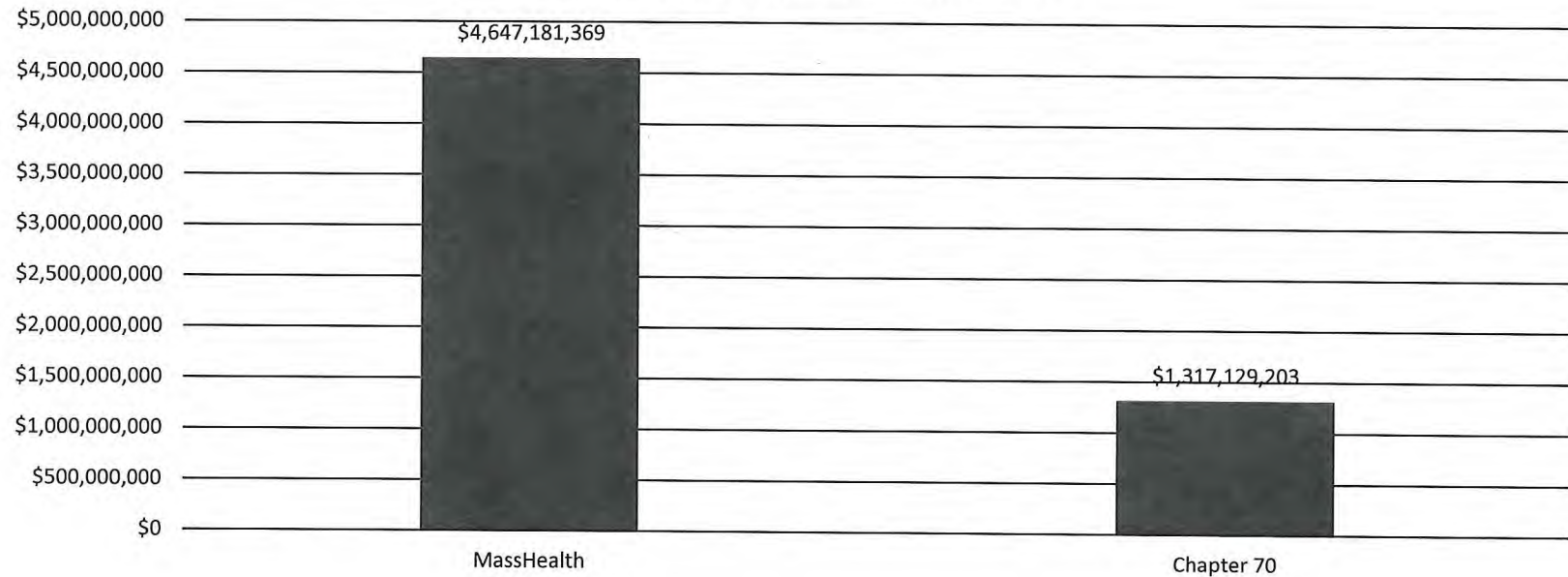
FY	Add'l Tax Revenues	Add'l MassHealth Reimbursement	Total Increase in Revenues	Growth in Non-Discretionary Spending	Available for Discretionary Accounts
2016	1,154	458	1,612	1,285	327
2017	1,024	487	1,511	1,370	141
2018	1,133	519	1,652	1,395	257
2019	1,011	553	1,564	1,479	86
2020	1,034	590	1,624	1,569	55
2021	1,099	629	1,728	1,665	63
2022	907	670	1,578	1,766	-189





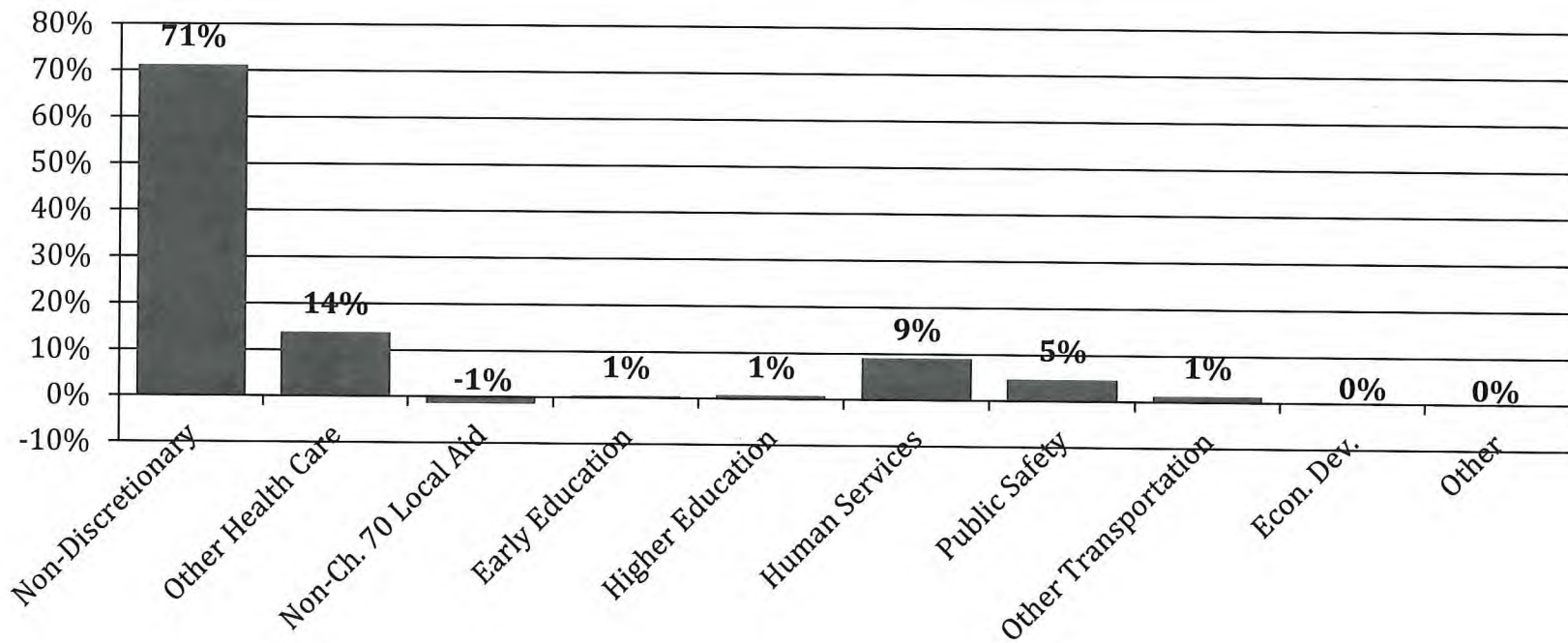
MassHealth Growth is the Biggest Factor

Spending Growth, FY 2005 to FY 2014





Since FY 2000, non-discretionary costs have accounted for 71% of new spending





Ongoing Challenges: Stabilization Fund

- Recent MTF report highlights the perilous position of emergency reserves
 - \$2.2 billion diverted/withdrawn from the Stabilization Fund in last 3 years
 - In spite of economic recovery, Stabilization Fund balance now lower than it was at the end of FY 2011
 - Stabilization Fund equal to 3% of state spending – compared to 8.1% prior to the last recession
- In order to replenish the fund to meet the next fiscal crisis, MTF recommends:
 - Increasing fund balance to an amount equal to 10% of tax revenues over 5 years
 - Deposit a minimum of 1% of budgeted tax revenues annually through a pre-budget transfer





Stabilization Fund Balance as a Percentage of Spending

