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"TELing" it like it is: How Massachusetts could eliminate its structural deficit and still spend generously on safety-net programs

(BOSTON) In a new study entitled *Massachusetts Fiscal Policy: The Legend v. the Facts*, the Beacon Hill Institute shows how Massachusetts could eliminate the "structural deficit" in its state budget and still spend generously on safety-net services. The solution is to adopt a "TEL" (Tax and Expenditure Limitation) that fixes the growth of state spending at a rate equal to inflation plus the growth of population.

The study tackles two Massachusetts budget legends: 1) that the state is stingy toward the provision of safety-net services and 2) that it faces intractable "structural deficits."

David G. Tuerck, Executive Director of the Institute and co-author of the study, observed that "both legends are regularly invoked to justify new taxes and both legends are based on fantasy, not facts."

The study shows that the volume of services provided by the Commonwealth to individual residents by state and local governments under the rubric of Public Welfare, Veterans Services and Unemployment Compensation exceeds the national average by 30%. Massachusetts ranks fifth among all states for its generosity on this score. Indeed, it could have reduced spending in 2007 (the latest year for which comparative data are available) in all three categories by $1.6 billion and still exceeded the national average by 13%.

These facts mean that there is little justification for tax increases that were recently enacted in order to avoid cuts in state budgets. Had the state adopted the proposed TEL in 1999, it could have preserved the already-generous safety-net services it provides residents and come close to funding its FY 2010 budget without the $1.32 billion in sales, excise and corporate tax increases that it enacted in part to close the budget gap.

The study reveals other facts about Massachusetts budget priorities. Massachusetts outspends the rest of the country also on transit services. It under-spends on highways and parks and recreation. The study shows how the state could shift spending from categories in which it overspends to those in which it under-spends and still have a billion dollars left over to "pay for" tax cuts or new services.

Said Tuerck: "Massachusetts policy makers can draw only one lesson from our study, which is that the state can avoid future tax increases by resolving now to fix the growth of spending to a rate that reflects the availability of future revenues under current tax law. The Massachusetts budget crisis has more to do with misplaced priorities than with any shortage of revenues."

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