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# The Massachusetts Fiscal System: Structure and Performance

Padraig O'Malley

*University of Massachusetts Boston*, [padraig.omalley@umb.edu](mailto:padraig.omalley@umb.edu)

Raymond G. Torto

*University of Massachusetts Boston*

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Center for Studies in Policy and  
the Public Interest

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# **The Massachusetts Fiscal System: Structure and Performance**

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THE MASSACHUSETTS FISCAL SYSTEM:  
STRUCTURE AND PERFORMANCE

Padraig O'Malley and Raymond G. Torto

March, 1981

Center for Studies in Policy and the Public Interest  
University of Massachusetts



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## **NOTE:**

Earlier drafts of this study have generated some controversy, and its results have been quoted misleadingly, and often out of context.

The study does not take a position on whether fiscal comparisons in real terms are better than comparisons in nominal terms. That is a question for the debate to follow. Moreover, the use of the term “real” is not to imply that the real figures are more correct than the nominal figures. The term is limited strictly to the meaning that the data are adjusted to reflect differences in the cost of living.

## PREFACE

In mid-1980, our Fact Book on Proposition 2½ was published as a contribution to citizen understanding of a critical taxation issue about to be decided at the polls. The present study comes in the aftermath of the passage of Proposition 2½, at a time when the impact of that measure is raising serious questions for communities of the state and for leaders in Massachusetts state government.

These questions—beginning with issues of drastic reduction in public services at the local level, debate about major state expenditures in welfare and other fields, and discussion of the need for greater state aid to cities and towns—lead inexorably to a larger concern about the Massachusetts fiscal system as a whole. What strengths and weaknesses show up in our total fiscal system, state and local, if we look beyond immediate issues to the system's basic structure and performance? How does the fiscal system of Massachusetts, state and local, compare with the system of other comparable states?

This study responds to the serious present need for establishing a larger context in which to identify desirable systemic reforms and changes, as well as to consider narrower fiscal issues and proposals. While the study is a technical one, employing technical terminology and table presentations familiar to the professional field of public finance, it is our sense that interested lay people also will be able to manage the terminology and tables and grasp the substance and implications of the study's conclusions. For the convenience of all readers, the study's conclusions are presented early in the paper, and in as nearly non-technical language as possible. The conclusions are supported by the discussion sections that follow, and by the tabular summaries and analyses that accompany them. We hope that the study's conclusions and discussion will prove helpful to policy makers and other citizens concerned with fiscal matters of the Commonwealth in the current critical period.

The authors of the present study are experts in the political economy of Massachusetts. Padraig O'Malley is Economist and Senior Research Specialist with the University Center for Studies in Policy and the Public Interest, with particular experience in economic policy analysis and survey research. Raymond G. Torto, Associate Professor of Economics at the University of Massachusetts at Boston and Senior Research Specialist with this Center, is presently on extended leave, serving as Commissioner of Assessment for the City of Boston. Professor Torto has been a principal public finance adviser to the Mayor of Boston for the past several years.

Both Mr. O'Malley and Professor Torto wish to acknowledge the special assistance of Wendy Sullivan in the preparation of this study.

We wish to acknowledge and thank those within the University, and in the larger community, who have criticized drafts of the present report, assisted in the collection and analysis of data, and otherwise been of substantial help. These include President David Knapp of the University of Massachusetts, who has given encouragement and support to this study, as he did with our studies of Proposition 2½. They also include Michael Capuano and Michael Myers of the House Committee on Taxation Staff and Suzanne Tompkins of the Massachusetts Taxpayers Foundation, and Robin Lambert who typed the manuscript and tables.

It is our hope that, through the following study, the University of Massachusetts will make a further contribution to the Commonwealth it serves.

**Franklin Patterson**

Boyden Professor of the University  
and Director of the Center for Studies  
in Policy and the Public Interest  
University of Massachusetts

March 1981



## INTRODUCTION

On November 4, 1980 the citizens of Massachusetts, by a vote of 59% to 41%, resoundingly endorsed a tax reduction plan known as Proposition 2½. All communities in the Commonwealth were faced with an immediate reduction in their local revenues due to the immediate cut in the excise tax that Proposition 2½ called for, and up to 130 communities will have to implement a 15% reduction in their tax levies for FY 1982.

Already there are protestations from many local officials that they cannot make the required tax cuts without severely reducing the level of local services. The Commonwealth's older cities and towns are caught in a dual bind. On the one hand, they will face a series of tax cuts over the next few years, and on the other, they will have to cope with an annual rate of inflation that is not expected to fall under 10% for the rest of the decade. The combination of the two factors could effectively dismantle the structure of local government in these communities.

Many commentators have interpreted the vote for Proposition 2½ as a protest against the regressive and inordinately high local property tax, and not as a call for a cut in services. In short, this view holds that people want to cut the price of services but not the quantity of services.

This view also holds that the public will be more amenable to a restructuring of the state and local tax systems when they begin to feel the pinch of the service cuts that will follow the implementation of Proposition 2½. Accordingly, a number of proposals are already being advanced that would restructure the state tax system, and provide for an increase in state aid to the local municipalities to compensate for the revenues lost under Proposition 2½. Other proposals call for modifying some of the more severe provisions of Proposition 2½ and allow the option of a local override.

The debate, therefore, is being joined at many levels. It involves state and local government officials, public employee unions, educators, business leaders, and representatives of many special interest constituencies. Since it is in the nature of things that each group will seek to address its own special needs and see the problem in the light of its own concerns and constituencies, it is important, indeed imperative, that an objective framework is available which defines the context of the debate, establishes its objectives, and sets its limits.

It is the purpose of this study to provide that framework. It has a two-fold purpose:

- To examine the structure of the Massachusetts fiscal system.
- To examine the performance of the Massachusetts fiscal system.

For both of these purposes, the comparative yardstick is the seven-teen industrial states with which Massachusetts competes, and which were specifically mentioned in the Social Contract drawn up in 1979 between the High Technology Council and Governor King as the Commonwealth's particular competition for the high technology resources and jobs that are the basis of the state's reindustrialization.

The following questions are addressed:

- Is the structure of state and local expenditures in Massachusetts out of line with the structure of expenditures in the competitor states?
- Is the level of state and local expenditures in Massachusetts out of line with the level of expenditures in the competitor states?
- Is the structure of state and local revenues in Massachusetts out of line with the structure of revenues in the competitor states?
- Is the level of state and local revenues in Massachusetts out of line with the level of revenues in the competitor states?
- Is the burden of state and local taxes in Massachusetts out of line with the burden of taxes in the competitor states?

## METHODOLOGY

The cost of living varies from state to state, and interstate comparisons of income and expenditure should take account of interstate variations in costs of living. Accordingly, the analysis of expenditures and revenues was carried out in both nominal and real terms. Figures in real terms were obtained by applying cost of living deflators for 1977 calculated for each state by the National Center for Economic Alternatives. The index number for each state represents the cost of living in the state relative to the national average. It is a weighed average of the low, intermediate and high level consumption budgets for Autumn 1977 published by the Bureau of Labor Statistics. The index for Massachusetts is 114.05, while the composite average index for the competitor states is 104.17. It was calculated by weighing the index for each state by the state's population.

Two observations are in order. First, the use of these indexes to deflate the data in nominal terms assumes that the relative differences in costs of living that existed between Massachusetts and the competitor states in 1977 continue to exist in 1979. Second, since the relatively higher cost of living in Massachusetts is due in part to its relatively higher housing costs which are in turn due in part to its relatively higher property taxes, the index for Massachusetts may have an upward bias. However, it is also true that energy costs have risen more rapidly in Massachusetts since 1977 than they have in the other states, and to this extent the Massachusetts index may have a downward bias.

All things considered, it seems that the relative difference of 9.6% between Massachusetts and the competitor states in their costs of living is a good approximation of the actual difference.

The competitor states' nominal averages were calculated by aggregating total expenditures, revenues or taxes for the seventeen states and dividing by either aggregate population or aggregate personal income.

The competitor states as they appear in the Social Contract are:

Arizona	New York
California	North Carolina
Connecticut	Ohio
Illinois	Pennsylvania
Maine	Rhode Island
Maryland	Texas
Michigan	Vermont
New Hampshire	Washington
New Jersey	

## DEFINITIONS AND SOURCES

### Definitions:

#### Total Expenditure:

All amounts of money paid out by a government. The aggregate for state and local governments excludes intergovernmental transactions such as state aid to local governments and local reimbursements to the state.

#### Direct Expenditure:

Total expenditure other than intergovernmental expenditures. It includes all payments to employees, suppliers, contractors, beneficiaries, and other final recipients of government payments.

#### Direct General Expenditure:

Direct expenditure other than capital outlay expenditure and the three expenditures comprising "Other Direct Expenditure" (utility expenditure, liquor store expenditure, and insurance trust expenditure).

#### Capital Outlay Expenditure:

Direct expenditure for contract construction, for purchase of equipment (including replacements), and for purchase of land and existing structures.

#### Other Direct Expenditure:

Utility expenditure, liquor store expenditure, and insurance trust expenditure.

#### Public Welfare:

Expenditures under this heading include: Cash Assistance Payments directly to needy persons under categorical and other welfare programs; vendor payments made directly to private purveyors for medical care, burials, and other services provided under welfare programs; and all intergovernmental or other direct expenditure for welfare purposes.

#### Insurance Trust System:

A government-administered program for employee retirement and social insurance protection relating to unemployment compensation, workmen's compensation, Old Age, Survivors' Disability, and Health Insurance, and the like.

Insurance Trust Revenue:

This comprises amounts from contributions required of employers and employees for financing these latter social insurance programs, and earnings on assets of such systems.

Insurance Trust Expenditure:

Expenditures on behalf of the Insurance Trust System.

Utility Expenditure:

Consists of capital outlay for utility facilities such as a water supply, electric light and power, a gas supply or a transit system owned and operated by a government; interest paid on utility debt, and current operating expenditures of the utility.

Own Source Revenue:

Revenues generated by the state or local government from its own sources. They include taxes, fees, charges, etc. They exclude state aid or federal reimbursements.

Charges and Misc. General Revenue:

Current charges comprise amounts received from the public for performance of specific services benefitting the person charged, and amounts received from sales of commodities and services except those by liquor store systems and local utilities. They include fees, toll charges, tuition, and other reimbursements for current services and particular governmental functions, and the gross income of commercial-type activities such as parking lots, and school lunch programs. Misc. General Revenue includes special assessments and all other general revenue except taxes and intergovernmental revenue.

Sources:

1. Governmental Finances in 1978-79; U.S. Department of Commerce, Bureau of the Census GF 79, No. 5 issued in Oct. 80:

Table 12, p. 34; Table 23, p. 75; for government expenditures.

Table 5, p. 18; Table 23, p. 64; for government revenues.

Table 27, p. 95 for population and income statistics.

2. Interstate Comparisons of Family Tax Burdens With Residence Based on Each State's Largest City: Stephen E. Lile, Western Kentucky University. June 30, 1978.

## SCHEMA OF EXPENDITURES

State:

State total expenditure					
minus	state aid to local				
-	government	=			State direct expenditure (A)

State direct expenditure					
minus	other state direct				
-	expenditure*				
minus	state capital outlay	=			State direct general expenditure (B)
-					

Local:

Local total expenditure					
minus	local reimbursements				
-	to the state	=			Local direct expenditure (C)

Local direct expenditure					
minus	other local direct				
-	expenditure*				
minus	local capital outlay	=			Local direct general expenditure (D)
-					

State and local:

State and local total expenditure		=	State and local direct expenditure
		=	State direct expenditure
			+
			Local direct expenditure
			(A + C)

State and local direct general expenditure		=	State direct general expenditure
			+
			Local direct general expenditure
			(B + D)

\*Utility expenditure, liquor store expenditure, and insurance trust expenditure.



- Consequently, the overall level of government spending is higher in Massachusetts than it is in the competitor states. The overall level of state and local direct expenditure is higher, and the overall level of state and local direct general expenditure is also higher.
- The higher level of state and local direct general government expenditure in Massachusetts is not due solely to a higher level of welfare assistance. In fact, the variation of \$63.30 in total per capita welfare assistance between Massachusetts and the competitor states accounts for just 38.4% of the per capita variation in direct general expenditure. Other factors contributing to this variation are the higher levels of expenditures in Massachusetts on Police and Fire Protection, and on Retirement.

Thus, the analysis of government expenditure shows that in nominal terms there are significant differences with regard to both fiscal structure and fiscal performance between Massachusetts and the competitor states. Government spending is higher both at the state and local level. However, in real terms, when adjustments are made for differences in the states' costs of living, a different picture emerges:

- On both a per capita and per \$1000 income basis, state total expenditure in Massachusetts is actually lower than it is in the competitor states. However, state expenditure for goods and services measured in terms of either state direct expenditure or state direct general expenditure is still significantly above state expenditure for goods and services in the competitor states.
- The higher level of state direct general expenditure is due almost entirely to the higher level of state welfare assistance.
- On both a per capita and per \$1000 income basis, local total expenditure in Massachusetts is no higher than it is in the

## SCHEMA OF REVENUES

### State:

Individual and corporation  
income tax  
plus  
General sales tax  
plus  
Motor fuels tax  
plus  
Motor vehicle license  
plus  
Other state taxes = Total state taxes (A)

Total state taxes  
plus federal revenues  
plus  
Current charges  
plus  
Insurance trust revenues  
plus  
All other revenues = Total state revenues (B)

### Local:

Property taxes  
plus  
Other local taxes = Total local taxes (C)

Total local taxes  
plus  
State aid  
plus  
Charges/misc. general  
revenues  
plus  
All other local revenues = Total local revenues (D)

### State and Local:

Total state and  
local revenues = Total state revenues  
+  
Total local revenues (B + D)

Total state and  
local taxes = Total state taxes  
+  
Total local taxes (A + C)

competitor states. Moreover, local expenditure for goods and services measured in terms of either total direct expenditure or local direct general expenditure is actually slightly lower than local expenditure for goods and services in the competitor states.

- The higher level of state direct expenditure in Massachusetts is offset somewhat by the relatively lower level of direct local expenditure. As a result, overall state and local government spending in Massachusetts is just 1% above the average for the 17 states on a per capita criterion, and 4.2% above on the personal income criterion.

Accordingly, in real terms it would be difficult to conclude that the overall level of state and local government spending in Massachusetts is significantly different from the average level of expenditure in the other states.

### Revenues

In nominal terms, the analysis shows that:

- The structure of state revenues (state taxes, federal revenues, charges, insurance trust revenues, and all other revenues) in Massachusetts is similar to the structure of state revenues in the competitor states.
- The structures of state taxes (income taxes, sales taxes, motor fuel taxes, motor vehicle licenses, and other taxes) in Massachusetts and the competitor states are dissimilar.
- The structures of local revenues (property taxes, state aid, charges and fees, misc. revenues, and other taxes) in Massachusetts and the competitor states are very dissimilar.
- On both a per capita and per \$1000 income basis, state total revenues in Massachusetts are slightly higher than they are in the competitor states.
- State taxes in Massachusetts are higher than they are in the competitor states.

- On both a per capita and per \$1000 income basis, local total revenues in Massachusetts are higher than they are in the competitor states while property taxes are very much higher.
- Accordingly, own-source revenues (revenues generated by state and local governments from their own sources), and state and local total taxes are higher in Massachusetts.

Thus, the analysis of government revenues shows that in nominal terms, there are significant differences with regard to both fiscal structure and fiscal performance between Massachusetts and the competitor states. State taxes and local taxes are higher in Massachusetts. However, in real terms, when adjustments are made for differences in the states' costs of living, a somewhat different picture emerges:

- Neither the level of state government revenues nor the level of local government revenues in Massachusetts is out of line with the corresponding level in the competitor states.
- The level of state taxes in Massachusetts is just about the same as the level in the other states.
- The level of local taxes in Massachusetts is significantly above the average level in the competitor states.
- As a result total state and local taxes in Massachusetts are 7.3% above the 17 state average on a per capita basis and 10.6% above average on a per \$1000 income basis.
- However, total state and local "own source" revenues — that is, all revenues generated either by taxes or by charges and fees are just about at the same level in Massachusetts as they are in the competitor states.
- With regard to state taxes, the differences between Massachusetts and the other states are due to differences in their tax structures — particularly Massachusetts' relative overutilization of the income tax as a source of revenue and its relative underutilization of the sales tax.
- At the local government level, the differences between Massachusetts and the other states are due to differences in their revenue structures. Massachusetts' lack of a diversified local revenue structure resulting in its overwhelming reliance on the property tax as the source of local revenue is at the root of the problem. The other states give significantly higher levels of state aid and utilize user charges to a far greater extent. Hence they do not have to rely on the property tax as the main source of local revenue.

Thus, when differences in costs of living are taken into account, the fiscal differences between Massachusetts and the competitor states appear to be structural in nature.

- The structures of state expenditures are different, particularly the shares going to welfare and state aid.
- The structures of state taxes are different, particularly the relative shares of the income tax and the sales tax.
- The structures of local revenues are different, particularly the relative shares of state aid and the property tax.

The other major conclusions are:

- A transfer of resources from welfare assistance to state aid which brought welfare assistance into line with the 17 state average would almost be sufficient to bring the level of state aid in Massachusetts up to the level of aid in the competitor states. The welfare alignment would free \$63.30 per capita for additional state aid. This would bring the level of net aid up to \$351.50, which is just 3.8% shy of the net level of per capita aid in the competitor states (\$365.20).
- A transfer of resources from welfare assistance to state aid specifically earmarked for property tax relief would reduce the structural imbalances, but it would not eliminate them. For example, while the alignment of welfare assistance in Massachusetts with the average level in the competitor states would free \$63.30 per capita for additional state aid, the resulting reduction in property taxes would still leave property taxes in Massachusetts 53.1% above the level in the competitor states.

- An increase in state aid to the level prevailing in the competitor states would alleviate the property tax problem, but it would not do very much to solve it. While the increase would make an additional \$77.00 available in per capita aid, the application of the entire amount to property tax relief would still leave property taxes in Massachusetts 48.8% above the level in the competitor states.
- An increase in the sales tax to the level prevailing in the competitor states would provide almost sufficient revenue to bring state aid in Massachusetts into line with state aid in the competitor states. The additional \$60.90 in per capita state taxes that would result would allow for an increase of 21.1% in state aid. This would leave the level of aid in Massachusetts just 4.4% below the 17 state average.
- An increase in the sales tax to the level prevailing in the competitor states coupled with a reduction in welfare expenditure that equalized the levels of assistance would not generate sufficient revenue to bring property taxes in Massachusetts into line with property taxes in the competitor states. The \$124.20 in per capita revenue that the combination of the two actions would provide could bring state aid up to \$412.40 per capita—12.9% above the 17 state average. However, even if all the additional aid was used for tax relief, property taxes in Massachusetts would still remain 33.8% above the 17 state average.
- At the local level, Massachusetts needs a diversified revenue structure. It needs to look to the other forms of non-property taxation which account for tax revenues of \$98.80 per capita in the competitor states compared to a meager \$3.70 per capita in Massachusetts, and it needs to utilize charges and fees to a far greater extent. These local revenue sources account for \$166.10 per capita in the competitor states compared with \$97.80 in Massachusetts.

In short, it is a mistake to believe that Massachusetts' fiscal imbalances can be eliminated by cutting state welfare expenditures, raising the sales tax, increasing state aid, and applying that aid to property tax relief. While this would go a long way towards bringing the overall level of state direct expenditure and state direct general expenditure into line with the competitor states, it would not substantially alleviate the disparity between the levels of property taxes at the local level. This will require a much more comprehensive approach — nothing short of a total restructuring of the local revenue system.

The imbalances between Massachusetts and the competitor states with regard to the structure of their state and local tax systems affect the relative burdens of taxation in both. The relative burden of state and local taxes is greater in Massachusetts because the system is more regressive. Business pays a relatively lower share of taxes, while the income tax and the property tax are relatively more regressive than their counterparts in the competitor states. The sales tax is the only tax that is relatively less regressive in Massachusetts.

Finally, when the levels of government expenditure and taxes are adjusted for differences in the relative costs of living in Massachusetts and the competitor states, and related to ability to pay, that is to the respective levels of real income, Massachusetts has a higher real burden in every category of expenditure and taxation because Massachusetts has both a higher cost of living and a lower money income  $\hat{c}$  per capita than the competitor states.

Table 1.1

Where the state government dollar is expended.

	%	%
	Massachusetts	17 State Average
State Aid to Local Government	27.3	35.4
Public Welfare	24.2	12.7
Health & Hospitals	7.7	5.7
Public Higher Education	6.4	9.4
Other Education	2.4	3.0
Corrections & Protection	1.7	2.1
Interest on Debt	4.1	2.8
Retirement	4.1	4.5
All Other Expenditure	<u>22.1</u>	<u>24.4</u>
	100.0	100.0

Table 1.2

Where the state government dollar is expended excluding state aid to local government.

	%	%
	Massachusetts	17 State Average
Public Welfare	33.3	19.6
Health & Hospitals	10.6	8.8
Public Higher Education	8.8	14.5
Other Education	3.3	4.6
Corrections & Protection	2.3	3.2
Interest on Debt	5.6	4.3
Retirement	5.6	6.9
All Other Expenditure	<u>30.3</u>	<u>37.6</u>
	100.0	100.0



## 1. The structure of state and local government spending in Massachusetts compared with the structure of spending in the competitor states

State and local government budgets determine state and local priorities, and the structure of expenditures—their distribution among different categories of social and economic activity—is the best indicator of the direction and thrust of state and local government policies.

### State expenditures:

Table 1.1 indicates that the structure of state expenditures in Massachusetts is different from the structure in the 17 competitor states in a number of ways:

- State aid to local government is a far more important component of expenditures in the competitor states, accounting for 35.4% of resources compared to 27.3% in Massachusetts.
- Welfare expenditure in Massachusetts accounts for twice the proportion of total state resources welfare expenditure accounts for in the competitor states.

When state aid to local government is excluded, the structural imbalances between the allocations of expenditures in Massachusetts and the competitor states becomes even more pronounced (Table 1.2).

- In Massachusetts, welfare then accounts for one-third of all final state expenditure compared to one-fifth in the competitor states.

Table 1.3

Where the local government dollar is expended.

	% Massachusetts	% 17 State Average
Education	36.8	37.2
Health & Hospitals	3.7	5.6
Public Welfare	.5	6.6
Highways	3.7	4.3
Police & Fire Protection	8.7	6.8
Interest on Debt	2.3	3.1
Retirement	3.1	1.8
All Other Expenditure	<u>41.2</u>	<u>34.6</u>
	100.0	100.0

- On the other hand, the competitor states devote almost twice the Massachusetts proportion of resources to higher education (14.5% versus 8.8%).
- Massachusetts gives a higher priority to Health and Hospitals and to Interest on Debt.
- The competitor states give a higher priority to Corrections and Protection, and to Retirement.

Local government expenditures:

Table 1.3 shows that the structures of local government expenditures in Massachusetts and the competitor states are broadly similar:

- Education accounts for the highest proportion of expenditures, and the proportion of local resources devoted to education is roughly the same in both Massachusetts and the competitor states.
- The differences in expenditures at the local level reflect the differences at the state level. Whereas the competitor states devote a higher proportion of state resources to Corrections and Protection, and to Retirement, the situation is reversed at the local level—Massachusetts devotes a higher proportion of local resources to Police and Fire Protection, and to Retirement. Conversely, while Massachusetts devotes a higher proportion of state resources to Health and Hospitals, Welfare, and to Interest on Debt, the competitor states do likewise at the local level.
- The difference in the proportion of resources allocated to welfare at the local level is the most striking. In Massachusetts, these expenditures account for just 0.5% of local resources compared with 6.6% in the competitor states.

### Summary and Conclusions:

At the state government level, there are significant structural differences between the allocation of resources in Massachusetts and their allocation in the competitor states, particularly with regard to state aid to local government and public welfare assistance. At the local level, the structures of expenditures are more or less comparable, education being the most important item in both. However, welfare assistance has a far higher priority at the local level in the competitor states than it has in Massachusetts. In fact, in Massachusetts, local welfare assistance is just about non-existent.



Table 2.1

Total State Expenditure Per Capita

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
State Aid to Local Government	\$301.9	\$264.7	\$375.9	\$360.8
Public Welfare	267.3	234.4	135.0	130.5
Health & Hospitals	85.6	75.0	61.2	58.7
Public Higher Education	71.0	62.2	99.4	95.4
Other Education	26.4	23.1	31.5	30.2
Corrections & Protection	19.1	16.8	22.7	21.8
Interest on Debt	45.4	39.8	30.2	28.9
Retirement	45.0	39.5	47.9	45.9
Other Expenditure	<u>243.6</u>	<u>213.6</u>	<u>259.0</u>	<u>248.6</u>
Total Expenditure	1105.4	969.2	1063.0	1020.5
Direct Expenditure	803.5	704.5	687.1	659.7

Table 2.2

Massachusetts state expenditure per capita as % of the 17 state averages.

	%	
	Nominal Terms	Real Terms
State Aid to Local Government	80.3	75.0
Public Welfare	198.0	179.6
Health & Hospitals	139.8	127.8
Public Higher Education	71.4	65.2
Other Education	83.8	76.4
Corrections & Protection	84.1	77.1
Interest on Debt	150.3	137.7
Retirement	93.9	86.0
All Other Expenditure	<u>94.1</u>	<u>85.9</u>
Total Expenditure	104.0	94.9
Direct Expenditure	116.9	106.6

## 2. The level of state and local government spending in Massachusetts compared with the level of spending in the competitor states

A number of yardsticks are used to evaluate fiscal performance:

- (a) aggregate spending per capita,
- (b) aggregate spending per \$1000 personal income,
- (c) disaggregated spending per capita, and per \$1000 personal income,
- (d) aggregate and disaggregated spending adjusted for costs of living differences among the states.

### State expenditure:

Tables 2.1 and 2.2 indicate the following:

- The nominal per capita level of state total expenditure in Massachusetts is 4.0% above the overall level in the competitor states. However, when relative differences in the states' cost of living are taken into account, the per capita level of state total expenditure is actually 5.1% lower in Massachusetts.
- The per capita level of state direct expenditure (total expenditure less state aid to local government) is 16.9% above the level in the competitor states in nominal terms and 6.6% above in real terms.

The aggregate comparisons conceal some major differences between Massachusetts and the competitor states with regard to the levels of expenditure on individual items.

Table 2.3

See Appendix

Table 2.4

Breakdown of state expenditure per capita in Massachusetts as % of the 17 state averages.

	% Massachusetts	
	Nominal Terms	Real Terms
Direct General Expenditure	132.7	121.2
Capital Outlay	82.8	75.6
Intergovernmental Transfer		
Local Government	80.3	73.4
Transfer to Federal Government	205.7	188.0
Other Direct Expenditures	<u>71.6</u>	<u>65.4</u>
Total Expenditure	104.0	94.9
Direct Expenditure	116.9	106.6

Table 2.5

See Appendix

Table 2.6

Massachusetts state expenditure per \$1000 income as % of the 17 state averages.

	% Massachusetts	
	Nominal Terms	Real Terms
State Aid to Local Government	83.0	75.7
Public Welfare	204.2	186.7
Health & Hospitals	144.0	131.9
Public Higher Education	73.6	67.2
Other Education	84.6	78.3
Corrections & Protection	85.7	77.8
Interest on Debt	154.5	138.9
Retirement	96.6	87.7
All Other Expenditure	<u>97.1</u>	<u>88.8</u>
Total Expenditure	107.3	98.0
Direct Expenditure	120.0	109.8



- The most pronounced difference occurs in the area of state welfare assistance. Massachusetts' spending per capita is almost twice the average spending in the competitor states. Even when expenditures are adjusted, Massachusetts has a state welfare expenditure that is 79.6% higher than the average expenditure for the other states—a difference that dwarfs all other item differences.
- On the other hand, per capita expenditure on higher education in Massachusetts is significantly below the average for the 17 states, being 28.3% lower in nominal terms and 34.8% lower in real terms.
- Interest on the Public Debt is 50.3% above the 17 state average in nominal terms and 37.7% above in real terms.

The differences between Massachusetts and the other states with regard to state direct expenditure on goods and services become more apparent in Tables 2.3 and 2.4.

- State direct general expenditure per capita in Massachusetts is 32.7% above the 17 state average in nominal terms and 21.2% above in real terms.
- Capital outlay in Massachusetts is 17.2% lower than the average capital outlay expenditure in the competitor states in nominal terms and 24.4% lower in real terms.

Tables 2.5 and 2.6 examine state expenditures in relation to state personal income. The results are a little different from the per capita results because per capita income in Massachusetts is less than the average per capita income in the other states. However, in every case the direction of the results are the same. Thus:

Table 2.7

See Appendix

Table 2.8

Breakdown of state expenditure per capita in Massachusetts as % of the 17 state averages.

	% Massachusetts	
	Nominal Terms	Real Terms
Direct General Expenditure	137.2	125.2
Capital Outlay	85.1	77.4
Intergovernmental Transfer to Local Government	82.6	75.0
Transfer to Federal Government	207.6	191.7
Other Direct Expenditure	<u>73.9</u>	<u>67.1</u>
Total Expenditure	107.3	98.0
Direct Expenditure	120.0	109.8

Table 2.9

See Appendix

Table 2.10

Massachusetts local government expenditure per \$1000 income as % of the 17 state averages.

	% Massachusetts	
	Nominal Terms	Real Terms
Education	105.9	96.7
Health & Hospitals	69.0	63.0
Public Welfare	8.7	8.0
Highways	93.1	85.1
Police & Fire Protection	137.2	125.3
Interest on Debt	80.0	72.9
Retirement	184.8	168.5
All Other Expenditure	<u>127.2</u>	<u>116.2</u>
Total Expenditure	107.0	97.7

- State total expenditure in Massachusetts per \$1000 personal income is 7.3% above the 17 state level in nominal terms, and 2.0% below in real terms.
- State direct expenditure in Massachusetts (total expenditure less state aid to local government) is 20% higher than direct expenditure in the competitor states in nominal terms, and 9.8% higher in real terms.
- State welfare expenditure in Massachusetts is 100.0% above state welfare expenditure in the other states in nominal terms, and 87.5% above in real terms.
- State aid to local government is 17.4% lower in nominal terms and 25.0% lower in real terms.
- Expenditure on public higher education in Massachusetts is 26.4% lower in nominal terms and 32.8% lower in real terms.
- Interest on the Public Debt is 54.5% higher in nominal terms and 38.9% higher in real terms.

These disparities are borne out by the data in Tables 2.7 and 2.8:

- State direct general expenditure per \$1000 personal income is 37.2% higher in Massachusetts than it is in the other states.
- Even with adjustments for differences in the cost of living, state direct general expenditure in Massachusetts continues to be 25.2% higher than it is in the other states.

#### Local government expenditure:

Tables 2.9 and 2.10 indicate the following:

- The levels of per capita local government spending in Massachusetts and the other seventeen states are about similar. In nominal terms, local total expenditure in Massachusetts is 7.0% above the other states but in real terms it is actually 2.3% lower.

Table 2.11

Breakdown of local government expenditure per capita.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Direct General Expenditure	\$885.2	\$776.1	\$875.5	\$840.4
Capital Outlay	104.8	91.9	121.3	116.4
Intergovernmental Transfers to State Government	13.7	20.0	10.7	10.3
Other Direct Expenditure	<u>219.3</u>	<u>192.2</u>	<u>136.1</u>	<u>130.6</u>
Total Expenditure	1223.1	1072.4	1143.6	1097.8
Direct Expenditure	1209.4	1060.4	1132.9	1087.5

Table 2.12

Breakdown of local expenditure per capita in Massachusetts as % of the 17 state averages.

	% Massachusetts	
	Nominal Terms	Real Terms
Direct General Expenditure	101.1	92.3
Capital Outlay	86.4	78.9
Intergovernmental Transfers to State Governments	128.0	116.5
Other Direct Expenditure	<u>161.1</u>	<u>147.2</u>
Total Expenditure	107.0	97.7
Direct Expenditure	106.7	97.5

- In the main area of local government spending — Education — per capita expenditure in Massachusetts and the other states is also similar.
- In two areas — Retirement, and Police and Fire Protection — Massachusetts has higher levels of expenditure in both nominal and real terms while in the four remaining classifications of activity — Health and Hospitals, Public Welfare, Highways, and Interest on Debt — Massachusetts' levels of expenditures are below the 17 state averages.
- The most conspicuous difference in the levels of spending occurs in the area of welfare assistance. Here the local expenditure in Massachusetts is just 8.7% of the level of local assistance in the competitor states in nominal terms and 8.0% in real terms.

The differences between the levels of local government expenditure in Massachusetts and the competitor states are more apparent from Tables 2.11 and 2.12.

- Local direct general expenditure per capita in Massachusetts is just 1.1% above local direct general expenditure in the other states in nominal terms, and is actually 7.7% below in real terms.
- In addition, while local direct expenditure (total expenditure net of intergovernmental transfers) is 6.7% higher in Massachusetts in nominal terms, it is 2.5% lower in real terms.
- Local capital outlay per capita in Massachusetts is well below capital outlay in the other states.
- In Massachusetts, other direct expenditures — utility expenditures, liquor store expenditures, and insurance trust expenditures — are well above the average for the other states, due to a much higher level of local expenditure on utilities in Massachusetts.

Tables 2.13 through 2.16

See Appendix

Table 2.17

Breakdown of state and local expenditure per capita

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Direct General Expenditure	\$1514.2	\$1327.7	\$1349.2	\$1295.1
Capital Outlay	163.5	143.3	192.2	184.5
Transfers to State & Local Gov.	315.6	276.7	386.6	371.1
Transfers to Federal Gov.	21.4	18.8	10.4	10.0
Other Direct Expenditure	<u>313.7</u>	<u>275.1</u>	<u>267.9</u>	<u>257.2</u>
Total Expenditure	2328.4	2041.6	2206.3	2118.0
Direct Expenditure	2012.8	1764.8	1819.7	1746.8

Table 2.18

Breakdown of state and local government expenditure per capita in Massachusetts as % of the 17 state averages.

	%	
	Massachusetts Nominal Terms	Real Terms
Direct General Expenditure	112.2	102.5
Capital Outlay	85.1	77.7
Transfers to State & Local Government	81.6	74.6
Transfers to Federal Government	205.7	188.0
Other Direct Expenditure	<u>117.1</u>	<u>106.9</u>
Total Expenditure	105.5	96.4
Direct Expenditure	110.6	101.0

Table 2.19

See Appendix

Table 2.20

Breakdown of state and local government expenditure per \$1000 income in Massachusetts as % of the 17 state averages.

	%	
	Massachusetts Nominal Terms	Real Terms
Direct General Expenditure	115.8	105.8
Capital Outlay	87.6	80.4
Transfers to State & Local Gov.	84.3	77.3
Transfers to Federal Gov.	207.7	191.7
Other Direct Expenditure	<u>121.1</u>	<u>110.8</u>
Total Expenditure	108.9	99.5
Direct Expenditure	114.1	104.2

The comparisons on the basis of personal income are presented in Tables 2.13 through 2.16. They reinforce the conclusions of the per capita analysis.

- Local total expenditure is 10.3% higher in Massachusetts in nominal terms and 0.7% in real terms.
- Local direct expenditure is 10.1% higher in nominal terms and 0.6% higher in real terms in Massachusetts.
- Local direct general expenditure is 4.3% higher in nominal terms and 4.8% lower in real terms.

State and local government expenditures:

Tables 2.17 through 2.20 combine the analyses for both state and local governments. They show that:

- On a per capita basis, state and local direct general government expenditure in Massachusetts is 12.2% above the average for the other 17 states in nominal terms but just 2.5% above in real terms.
- Capital outlay per capita in Massachusetts is below the average for the competitor states in both nominal and real terms.
- State and local direct governmental expenditure per capita (total expenditure net of intergovernmental transfers to state and local governments) is 10.6% above the 17 state average in nominal terms, but just 1.0% above the average in real terms.
- On the basis of the personal income criterion, state and local direct general expenditure in Massachusetts is 15.8% above the 17 state average in nominal terms and 5.8% above in real terms.
- Capital outlay in Massachusetts per \$1000 income is 12.4% lower in nominal terms and 19.6% lower in real terms.
- State and local direct expenditure per \$1000 income is 14.1% higher in nominal terms and 4.2% higher in real terms.

Table 2.21

Fiscal performance:  
 Massachusetts compared with the competitor states  
 where the index for the competitor states is 100.

	Per capita criterion		Per \$1000 income criterion	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
State:				
Total Expenditure	104.0	94.9	107.3	98.0
Direct Expenditure	116.9	106.6	120.0	109.8
Direct General Expenditure	132.7	121.2	137.2	125.2
Local:				
Total Expenditure	107.0	97.7	110.3	100.7
Direct Expenditure	106.7	97.5	110.1	100.6
Direct General Expenditure	101.1	92.3	104.3	95.2
State and Local:				
Direct Expenditure	110.6	101.0	114.1	104.2
Direct General Expenditure	112.2	102.5	115.8	105.8



## Summary and Conclusions:

Table 2.21 summarizes the main features of fiscal performance in Massachusetts and the 17 competitor states as it pertains to expenditures. It indicates that:

- In nominal terms, government spending is higher in Massachusetts than it is in the competitor states. The level of state expenditure is higher; the level of local expenditure is higher, and consequently the overall level of state and local expenditure is higher.

However, when differences in the states' costs of living are taken into account, the picture changes:

- On both a per capita and per \$1000 income basis, state total expenditure in Massachusetts is actually lower than it is in the competitor states. However, state expenditure for goods and services measured in terms of either state direct expenditure or state direct general expenditure is still significantly above state expenditure for goods and services in the competitor states.
- The higher level of state direct general expenditure is due almost entirely to the higher level of state welfare assistance.
- On both a per capita and per \$1000 income basis, local total expenditure in Massachusetts is no higher than it is in the competitor states. Moreover, local expenditure for goods and services measured in terms of either total direct expenditure or local direct general expenditure is actually slightly lower than local expenditure for goods and services in the competitor states.
- The higher level of state direct expenditure in Massachusetts is offset somewhat by the relatively lower level of direct local expenditure. As a result, overall state and local government spending in Massachusetts is just 1% above the average for the 17 states on a per capita criterion, and 4.2% above on the personal income criterion.

In real terms, therefore, it would be difficult to conclude the overall level of state and local government spending in Massachusetts is significantly different from the average level of government spending in the competitor states.

Two factors account for state direct expenditure and state direct general expenditure being higher in Massachusetts than they are in the competitor states—the relative level of state aid to local government (lower in Massachusetts), and the relative level of state welfare assistance (higher in Massachusetts). Even if state total expenditure in both Massachusetts and the competitor states was equal, a relatively lower level of state aid to local government in Massachusetts would necessarily mean a relatively higher level of direct expenditure.

However, this observation is not to deny the overriding impact of the level of state welfare assistance in Massachusetts. The per capita variation in the level of state welfare assistance between Massachusetts and the competitor states can account for all of the variation in the relative levels of direct state expenditure, and for 85.2% of the variation in state direct general expenditure. This means that if state aid to local government in Massachusetts was brought into line with the level of state aid in the competitor states by reducing state welfare assistance by the full \$77.00 per capita it would take, state welfare assistance per capita in Massachusetts would still be 41% above the level of state assistance in the competitor states. Moreover, if the per capita state expenditure on welfare was brought into line with the level of state welfare expenditures in the other states, it would result in a \$132.30 per capita decrease in state expenditure in Massachusetts—enough to allow for a 43.8% increase in state aid to local governments.

However, this analysis is deceptive since it only looks at one source of welfare expenditure. The level of state welfare assistance should not be confused with total state and total welfare assistance. At the local level, the competitor states compensate to a large extent for their relatively low expenditure on welfare at the state level. On the other hand, the Massachusetts local expenditure on welfare is negligible. Thus, when both state and local welfare assistance are combined, the Massachusetts level of assistance is far less dramatic—\$273.90 per capita versus \$210.60 in the competitor states. This means that if total state and local welfare expenditures in Massachusetts were brought into line with welfare expenditures in the other states, Massachusetts could increase state aid per capita by \$63.30. This would bring the level of net state aid in Massachusetts (state aid net of intergovernmental transfers from local to state government) up to \$351.50 which is just 3.8% shy of the average level of net state aid in the competitor states. Thus, the imbalance in the relative levels of state aid between Massachusetts and the competitor states is almost offset by the counter imbalance in the relative levels of state and local welfare assistance.

Finally, while the higher level of state direct general expenditure in Massachusetts is due almost entirely to the higher level of state welfare assistance, the higher level of state and local direct general expenditure is not so easily explained. In fact, the variation of \$63.30 in total per capita welfare assistance between Massachusetts and the competitor states accounts for just 38.4% of per capita variation in direct general expenditure. Other factors contributing to this variation are the higher levels of expenditures in Massachusetts on Police and Fire Protection, and on Retirement.

Table 3.1

Where the state government dollar is obtained.

	%	%
	Massachusetts	17 State Average
State Tax Revenue	53.0	50.2
Federal Revenue	25.3	21.2
Current Charges	5.4	5.3
Insurance Trust Revenue	9.7	16.1
Liquor Store & Utility Revenue	.1	1.7
All Other Revenue	6.7	7.5
	<u>100.0</u>	<u>100.0</u>

### 3. The structure of state and local government revenues in Massachusetts compared to the structure of revenues in the competitor states

While the order of responsibility for providing the day-to-day services of government places local government first, state government second, and the federal government third, revenue-raising power moves in the opposite direction. The federal government takes the major share of all tax revenues (60.9%), and it has a virtual monopoly on tax revenue sources that are the most progressive—individual and corporate income taxes, and wealth and inheritance taxes. This leaves state and local governments with the most regressive taxes—property taxes and sales taxes—as their principal revenue sources.

#### State revenues:

Table 3.1 indicates that the structure of state government revenues in Massachusetts is broadly similar to the structure of revenues in the other states.

- State taxes are the major source of state revenues. In Massachusetts they are relatively more important, accounting for 53.0% of total revenues compared with 50.2% in the other states.
- Massachusetts does better at securing federal revenues. These account for 25.3% of total revenues compared with 21.2% in the other states.
- On the other hand, insurance trust revenues are a far more important source of revenues in the competitor states.

Table 3.2

Where the state tax dollar is obtained.

	%	%
	Massachusetts	17 State Average
Individual and Corporation		
Income Tax	58.5	36.7
General Sales Tax	19.9	31.6
Motor Fuels Tax	6.2	7.2
Motor Vehicle License	1.6	3.8
Other Taxes	<u>14.0</u>	<u>20.9</u>
	100.0	100.0

Table 3.3

Where the local government revenue dollar is obtained.

	%	%
	Massachusetts	17 State Average
Property Taxes	46.0	27.4
State Aid	24.7	33.1
Other Taxes	.4	8.6
Charges/Misc. Gen. Revenues	8.3	14.4
All Other Revenues	<u>20.9</u>	<u>16.7</u>
Total Revenue	100.0	100.0

Table 3.4

Where the local government revenue dollar is obtained excluding state aid.

	%	%
	Massachusetts	17 State Average
Property Taxes	60.8	40.9
Other Taxes	.5	12.8
Charges/Misc. Gen. Revenues	11.0	21.5
All Other Revenues	<u>27.6</u>	<u>25.0</u>
	100.0	100.0

Table 3.2 looks at state tax revenues. Here it is clear that the structure of state taxes in Massachusetts is very different from the structure in the other states.

- Individual and corporate income taxes account for 58.5% of tax revenues in Massachusetts compared with 36.7% in the other states.
- Sales taxes account for 31.6% of tax revenues in the competitor states compared with 19.9% in Massachusetts.

Local government revenues:

Tables 3.3 and 3.4 indicate that the structure of local government revenues in Massachusetts is very different from the structure in the competitor states.

- Property taxes are the major source of local revenues in Massachusetts. They account for 46.0% of total local revenues compared with 27.4% in the other states.
- State aid is the major local revenue source in the competitor states accounting for 33.1% of total local revenues compared with 24.7% in Massachusetts.
- Charges are a far more important source of local revenues in the competitor states where they account for 14.4% of revenues than they are in Massachusetts, where they account for just 8.3% of revenues.

The disparities in the revenue structures are even more apparent when state aid is excluded. In this case, property taxes in Massachusetts account for 60.8% of the revenue local governments must raise compared with 40.9% in the other states. The competitor states have a more diverse local revenue structure since 12.8% of their revenues come from other forms of taxation compared to a meager 0.5% in Massachusetts, while charges and fees account for a further 21.5% of revenues in the competitor states, compared with 11.0% in Massachusetts.

Summary and Conclusions:

State revenue structures in Massachusetts and the competitor states are similar. State tax structures are dissimilar while local government revenue structures are still more dissimilar.





Table 4.1

## Total state revenues per capita

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
State tax Revenue	\$626.8	\$549.6	\$587.6	\$564.1
Federal Revenue	299.2	262.3	247.5	237.6
Current Charges	63.7	55.8	61.8	59.3
Insurance Trust Revenue	113.8	99.8	188.5	181.0
All Other Revenues	<u>79.4</u>	<u>69.6</u>	<u>106.9</u>	<u>102.6</u>
Total Revenues	1182.0	1036.3	1170.7	1123.8
Total Revenues Excluding State Taxes	555.2	486.7	583.1	559.7
Total Revenues Excluding Federal Revenues	882.8	774.0	923.2	886.2

Table 4.2

## Massachusetts state revenues per capita as % of the 17 state averages.

	%	
	Massachusetts Nominal Terms	Real Terms
State Tax Revenue	106.7	97.4
Federal Revenue	120.9	110.4
Current Charges	103.1	94.1
Insurance Trust Revenue	60.4	55.1
All Other Revenues	<u>74.3</u>	<u>67.8</u>
Total Revenues	101.0	92.2
Total Revenues Excluding State Taxes	95.2	86.9
Total Revenues Excluding Federal Revenues	95.6	87.3

Table. 4.3

See Appendix

Table 4.4

See Appendix

#### 4. The level of state and local government revenues in Massachusetts compared with the level of revenues in the competitor states

Again, a number of yardsticks are used to evaluate fiscal performance in terms of the levels of state and local revenues in Massachusetts and the other states:

- (a) aggregate revenue per capita,
- (b) aggregate revenue per \$1000 personal income,
- (c) disaggregated revenue per capita, and per \$1000 personal income,
- (d) aggregate taxes per capita and per \$1000 personal income,
- (e) disaggregated taxes per capita, and per \$1000 personal income,
- (f) aggregate and disaggregated revenues and taxes adjusted for differences in the states' cost of living.

#### State revenues:

Tables 4.1 through 4.4 indicate the following:

- The level of state revenues per capita in Massachusetts is just 1.0% above the level in the other states in nominal terms, and 7.8% below in real terms.
- Federal Revenues per capita in Massachusetts are 20.9% above the competitor states' average in nominal terms, and 10.4% above in real terms. All other per capita revenues are below the corresponding 17 state averages in real terms.
- In Massachusetts both per capita state revenues excluding state aid, and per capita state revenues excluding federal revenues, are below their respective competitor state averages in both nominal and real terms.

Table 4.5

## State taxes per capita

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Individual and Corporation				
Income Tax	\$336.6	\$321.4	\$215.6	\$207.0
General Sales Tax	124.5	109.1	185.4	178.0
Motor Fuels Tax	38.8	34.0	41.9	40.2
Motor Vehicle License	9.7	8.5	22.3	21.4
Other Taxes	<u>87.2</u>	<u>76.5</u>	<u>122.3</u>	<u>117.4</u>
Total Taxes	626.8	549.5	587.6	564.1

Table 4.6

Massachusetts state taxes per capita as  
% of the 17 state averages.

	Massachusetts	
	Nominal Terms	Real Terms
Individual and Corporation		
Income Tax	170.0	155.3
General Sales Tax	67.2	61.3
Motor Fuels Tax	92.6	84.6
Motor Vehicle License	43.5	39.7
Other Taxes	<u>71.3</u>	<u>65.2</u>
Total Taxes	106.7	97.4

Table 4.7

See Appendix

Table 4.8

Massachusetts state taxes per \$1000  
income as % of the 17 state averages.

	Massachusetts	
	Nominal Terms	Real Terms
Individual and Corporation		
Income Tax	175.0	160.0
General Sales Tax	69.2	63.3
Motor Fuels Tax	96.1	87.7
Motor Vehicle License	44.4	42.3
Other Taxes	<u>73.8</u>	<u>67.1</u>
Total Taxes	110.0	100.5

- Insurance Trust Revenues—revenues that come from the contributions required of employers and employees for financing social insurance programs—are a far more important source of revenue in the competitor states than they are in Massachusetts where their per capita level is 45.9% below the 17 state average in real terms, and 39.6% below in nominal terms.
- On the basis of the personal income criterion, total state revenues per \$1000 personal income are 4.2% above the 17 state average in nominal terms and 4.9% below in real terms, while total state revenues excluding state taxes, and total state revenues excluding federal revenues are also below the corresponding 17 state averages in both nominal terms and real terms.

Tables 4.5 through 4.8 refer to state taxes only. They show that:

- While the level of state taxes per capita is 6.7% above the competitor states' average in nominal terms, the level is actually 2.6% lower in real terms.
- The corresponding figures on the basis of \$1000 income put Massachusetts taxes 10.0% above the 17 state average in nominal terms and 0.5% above in real terms.
- There are striking differences when individual taxes are examined. Income taxes in Massachusetts are well above the level in the other states—70% in nominal terms on a per capita basis, and 55.3% in real terms. According to the per \$1000 income criterion, they are 75.0% higher in nominal terms and 60.0% higher in real terms.

Table 4.9

Total local government revenue per capita.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Property Taxes	\$545.9	\$478.6	\$315.1	\$302.5
State Aid	293.7	257.5	381.5	366.2
Other Taxes	3.7	3.2	98.8	94.8
Charges/Misc. Gen. Revenues	97.8	85.8	166.1	159.5
All Other Revenues	<u>247.5</u>	<u>217.0</u>	<u>192.1</u>	<u>184.4</u>
Total Revenues	1188.5	1042.0	1153.7	1107.5
Total Revenues Less Property Taxes	642.6	563.4	838.6	805.0
Total Revenues Less State Aid	894.8	784.4	772.2	741.2

Table 4.10

Massachusetts local government revenue per capita as % of the 17 state averages.

	%	
	Nominal Terms	Real Terms
Property Taxes	173.2	158.2
State Aid	77.0	70.3
Other Taxes	3.7	3.4
Charges/Misc. Gen. Revenues	58.9	53.4
All Other Revenues	<u>128.8</u>	<u>117.6</u>
Total Revenues	103.0	94.1
Total Revenues Less Property Taxes	76.6	70.0
Total Revenues Less State Aid	115.9	105.8

Table 4.11

See Appendix

Table 4.12

See Appendix

- On the other hand, all other taxes are lower in Massachusetts in both nominal terms and real terms, and on the basis of both the per capita and per income yardsticks.
- Sales taxes per capita are 32.8% lower in nominal terms and 38.7% lower in real terms, while the corresponding figures for per \$1000 personal income are 30.8% and 36.7%.

Local government revenues:

Tables 4.9 through 4.12 indicate the following:

- The level of total local government revenues per capita in Massachusetts is 3.0% above the average level in the other states in nominal terms and 5.9% below the 17 state average in real terms.
- The level of total local government revenues per capita in Massachusetts excluding state aid is 15.9% above the 17 state average in nominal terms and 5.8% higher in real terms.
- The level of per capita property taxes in Massachusetts is 73.2% higher in nominal terms and 58.2% higher in real terms. Revenues other than property taxes are significantly lower in Massachusetts.
- Local charges in Massachusetts are well below the level of such charges in the other states. They are 41.1% lower in nominal terms and 46.6% lower in real terms.
- Total local revenues per \$1000 personal income are 6.3% above the 17 state average in nominal terms and 2.9% lower in real terms.
- Total local revenues per \$1000 other than state aid are 19.6% higher in nominal terms and 9.3% higher in real terms, while revenues other than property taxes once again are significantly lower in Massachusetts.

Table 4.13

Total revenues and taxes per capita and per \$1000 income.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Own Source Revenues per Capita	\$1384.9	\$1214.3	\$1279.5	\$1228.2
Own Source Rev. per \$1000 Income	174.6	153.0	156.5	150.2
Taxes Per Capita	1176.4	1031.5	1001.5	961.4
Taxes Per \$1000 Income	148.3	130.0	122.4	117.5
State and Local Revenues per Capita Excluding State Aid	2076.8	1820.9	1942.9	1865.1
State and Local Revenues per \$1000 Income Excluding State Aid	262.0	229.7	237.5	228.0

Table 4.14

Massachusetts state and local revenues and taxes as % of the 17 state averages

	%	
	Nominal Terms	Real Terms
Own Source Revenues per Capita	108.2	98.9
Own Source Rev. per \$1000 Income	111.6	101.8
Taxes Per Capita	117.5	107.3
Taxes Per \$1000 Income	121.1	110.6
State and Local Revenues per Capita Excluding State Aid	106.8	97.6
State and Local Revenues per \$1000 Income Excluding State Aid	110.3	100.7



- Property taxes per \$1000 personal income are 78.7% above the competitor states' average in nominal terms and 62.9% higher in real terms.

#### State and local government revenues:

Tables 4.13 and 4.14 combine the data for state governments and local governments. They show that:

- Total state and local taxes per capita and per \$1000 personal income in Massachusetts are above the corresponding levels in the competitor states in both nominal terms and real terms. This is not due to a higher level of state taxes in Massachusetts since the level of state taxes in real terms is about the same in both Massachusetts and the competitor states. The source of the variation is Massachusetts' overreliance on the property tax to finance local expenditures.
- Total "own source" revenues in Massachusetts—that is, revenues generated by taxes, charges, fees, etc.—are 8.2% higher on a per capita income basis in nominal terms, and 1.1% lower in real terms than they are in the competitor states. On the income criterion, they are 11.6% higher in nominal terms, and 1.8% higher in real terms. Thus, total state and local "own source" revenues are just about at the same level in Massachusetts as they are in the competitor states when differences in the states' relative costs of living are taken into account.

#### Summary and Conclusions:

Table 4.15 summarizes the main features of fiscal performance as it pertains to revenues in Massachusetts and the competitor states.

- In nominal terms state revenues are marginally higher in Massachusetts, but in real terms state revenues are lower according to both the per capita and the per income criteria.

Table 4.15

Fiscal performance:  
 Massachusetts compared with the competitor states  
 where the index for the competitor states is 100.

	Per capita criterion		Per \$1000 income criterion	
	NominalTerms	RealTerms	NominalTerms	RealTerms
State:				
Total Revenues	101.0	92.2	104.2	95.1
Total Revenues Excluding State Taxes	95.2	86.9	98.3	89.6
Total Revenues Excluding Federal Taxes	95.6	87.3	98.8	90.2
Total State Taxes	106.7	97.4	110.0	100.5
Local:				
Total Revenues	103.0	94.1	106.3	97.1
Total Revenues Excluding State Aid	115.9	105.8	119.6	109.3
Total Revenue less Property Taxes	76.6	70.0	79.1	72.3
Property Taxes	173.2	158.2	178.7	162.9
Total Local Taxes	132.7	121.2	136.9	124.9
State and Local:				
Total Revenues	102.0	93.0	105.2	96.1
Total Revenues Excluding State Aid	106.8	97.6	110.3	100.7
Total State and Local Taxes	117.5	107.3	121.1	110.6
Own Source Revenues	108.2	98.9	111.6	101.8

- In nominal terms, total state taxes are higher in Massachusetts. However, in real terms, total state taxes are actually lower in Massachusetts than they are in the competitor states.
- In both nominal and real terms, the overall level of state and local taxes is higher in Massachusetts than the 17 state average.
- In nominal terms, local revenues are higher in Massachusetts. But when comparisons are made in real terms, total local revenues are lower in Massachusetts according to both the per capita and per income criteria.
- Total local revenues excluding state aid are significantly higher in both nominal and real terms in Massachusetts than they are in the competitor states.
- While the level of state and local revenues in nominal terms in Massachusetts remains higher than the 17 state average when state aid is excluded, it is not higher in real terms.

Thus, in real terms there are four major differences between the level of state and local revenues in Massachusetts and the competitor states. At the state level Massachusetts overutilizes the income tax and underutilizes the sales tax. On the other hand, at the local level Massachusetts underutilizes state aid and overutilizes the property tax. Thus, at the state level, for example, it would require a 48.9% increase in the sales tax per capita to bring Massachusetts into line with the competitor states. On the other hand, an alignment of income tax levels would require a 41.2% reduction in the per capita level in Massachusetts.

At the local level, the distortion of the revenue structure in Massachusetts as a result of its almost exclusionary reliance on the property tax is brought into sharper focus when increased state aid is considered as a substitute source of revenue. For example, if state aid in Massachusetts was brought up to the average level in the competitor states, the state government would have to make a further \$77.00 per capita available in aid to local governments. However, even if this entire sum was then used to lower property taxes, property taxes in Massachusetts would continue to be 48.8% above the 17 state average. Conversely, if the level of property taxes in Massachusetts was brought into line with the level in the competitor states, it would require a \$230.80 increase in state aid per capita to maintain local revenues at their current level. This would bring the level of state aid in Massachusetts up to \$519.00, or put it 42.1% above the average for the competitor states.

Finally, an increase in the state sales tax to the level prevailing in the competitor states would almost provide sufficient revenue to bring state aid in Massachusetts into line with state aid in the competitor states. The additional \$60.90 in per capita state taxes that would result would allow for an increase of 21.1% in state aid. This would leave the level of aid in Massachusetts just 4.4% below the 17 state average.

## 5. The burden of taxation in Massachusetts compared with the burden in the competitor states

One of the first principles of taxation is that the distribution of the tax burden should be equitable—everybody should pay his or her “fair share.” Tax incidence which measures the percentage of income paid in taxes is probably the most important yardstick of tax fairness.

- A tax is progressive if the fraction of income paid in taxes increases as income rises, so that the increase in tax payments is more than proportional.
- A tax is regressive if the opposite is true—the fraction of income paid in taxes declines as income rises.
- A tax is proportional if the fraction of income paid in taxes is a constant proportion of income no matter what the income level.

The analysis of the relative tax burdens in Massachusetts and the competitor states examines the following:

- The tax-mix
- The business share of taxes
- Tax burdens relative to family income

### The tax mix

Table 5.1 shows clearly that Massachusetts overutilizes the property tax and underutilizes the sales tax compared to the uses of these taxes in the competitor states.

Table 5.1

## The Tax-Mix

Tax revenues as a percent of personal income

	Massachusetts Nominal Terms	17 State Average Nominal Terms	Massachusetts as % of the 17 state averages
	%	%	%
Property Taxes	6.9	3.9	173.2
Income Taxes	4.6	2.6	175.0
Sales Taxes	1.6	2.3	69.2

Table 5.2

## The business share of taxes

	Massachusetts %	17 State Average %
Taxes on business as % of Total Taxes	23.6	30.3
% change in the business share 1957-77	-29.8	-16.2

Table 5.3

Tax burdens relative to family income.  
Comparisons for largest city in each state:  
1976.

Income of Family of four:	% of personal income taken:	
	Massachusetts	17 State Average
7,500	17.5 (153.5)	11.4
10,000	16.0 (153.8)	10.4
15,000	14.2 (156.0)	9.1
17,500	13.7 (153.9)	8.9
25,000	12.7 (151.2)	8.4
50,000	11.4 (139.0)	8.2

Figures in paranthesis are the  
Massachusetts shares as % of the 17 state  
average shares for each income group.

- The property tax in Massachusetts takes 6.9% of personal income compared to 3.9% in the other states. Massachusetts ranks first among the states in this category, and has ranked first for a number of years.
- It ranks third to New York and Maryland in terms of state and local income taxes as a percent of state personal income.
- On the other hand, Massachusetts takes 1.6% of state income in sales tax revenues compared to an average of 2.3% in the competitor states. In fact, only Vermont ranks below Massachusetts in this category.

#### The business share of taxes:

Table 5.2 indicates that taxes on business come to 23.6% of total tax revenues in Massachusetts compared to 30.3% in the competitor states. Moreover, the business share of taxes has dropped 29.8% in Massachusetts between 1957 and 1977 compared to a drop of 16.2% in the other states during the same period.

Thus, the business share of taxes in Massachusetts is well below the average share business pays in the competitor states, and that share has declined far more rapidly in Massachusetts than it has in the other states.

#### The tax burden:

The measures of relative tax burden in Tables 5.3 through 5.10 suffer from two drawbacks. \* First, they are based on 1976 data; and second, they properly refer only to the largest city in each state. It is assumed here that the tax burden in the largest city of each state is a good approximation of the true tax burden for the whole state, and that changes in state and local taxes in Massachusetts and the competitor states since 1976 have not seriously distorted the measures. To the extent that either or both of these assumptions is incorrect, the measures of tax burden presented here are deficient.

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\* The measures of tax burden were derived from Interstate Comparisons of Family Tax Burdens With Residence Based on Each State's Largest City. Stephen E. Lile, Western Kentucky University. June 30, 1978.

Table 5.4

The tax burden for family income groups relative to the tax burden in the highest income group.

Income of Family of Four:	Massachusetts %	17 State Average %
7,500	153.5	139.0
10,000	140.4	126.8
15,000	124.5	110.9
17,500	120.2	108.5
25,000	111.4	102.4
50,000	100.0	100.0

Table 5.5

The income tax burden relative to family income. Comparison for the largest city in each state: 1976.

% of personal income taken

Income of Family of Four	Massachusetts	17 State Average
5,000	.5	.03
7,500	1.9 (220.9)	.86
10,000	2.7 (209.3)	1.29
15,000	3.3 (203.7)	1.62
17,500	3.6 (189.4)	1.90
20,000	3.8 (185.4)	2.05
25,000	4.0 (160.6)	2.49
50,000	4.6 (116.4)	3.95

Figures in parenthesis are the Massachusetts shares as % of the 17 % average share for each income group.

Table 5.6

The income tax burden for family income groups relative to the income tax burden in the highest income group.

Income of Family of Four	Massachusetts %	17 State Average %
5,000		
7,500	41.3	21.8
10,000	58.7	32.6
15,000	71.7	41.0
17,500	78.2	48.1
20,000	82.6	51.9
25,000	87.0	63.0
50,000	100.0	100.0



Tables 5.3 and 5.4 show that the overall burden of state and local taxes is higher in Massachusetts than it is in the competitor states.

- The tax system in Massachusetts is more regressive than the average composite tax system in the competitor states. At every level of income, Massachusetts takes a proportion of income in taxes that is higher than the proportion taken at the corresponding level of income in the competitor states.
- The proportion of income paid in taxes increases more rapidly in Massachusetts as income falls than it does in the other states. For example, in Massachusetts, a family of four with an income of \$7,500 pays 53.5% more of its income in taxes than a family with an income of \$50,000. The comparable statistic for the competitor states is 39.0%.

Tables 5.5 through 5.10 examine the relative tax incidences of the three major taxes—the individual income tax, the sales tax, and the property tax.

- The analyses of the income tax shows that Massachusetts takes a proportion of income in state and local income taxes at every level of income that is higher than the proportion taken at the corresponding level of income in the competitor states. Moreover, while the income tax system in Massachusetts is progressive, insofar as a smaller proportion of income is paid in taxes as income rises, it is less progressive than the composite average income tax system in the competitor states. Thus, while the income share paid by a family of four with an income of \$7,500 is 59.7% less than the income share paid by a family with an income of \$50,000 in Massachusetts, the corresponding difference in the competitor states is 79.2%.

Table 5.7

The sales tax burden relative to family income. Comparisons for the largest city in each state: 1976.

Income of Family of Four:	% of personal income taken	
	Massachusetts	17 State Average
7,500	.56 (31.2)	1.60
10,000	.54 (36.0)	1.50
15,000	.50 (38.5)	1.30
17,500	.49 (38.6)	1.27
25,000	.41 (37.2)	1.10
50,000	.30 (40.5)	.74

Figures in parenthesis are the Massachusetts shares as to % of the 17 state average share each income group.

Table 5.8

The sales tax burden for family income groups relative to the sales tax burden in the highest income group.

Income of Family of Four	Massachusetts	17 State Average
	%	%
7,500	186.6	216.2
10,000	180.0	202.7
15,000	166.7	175.6
17,500	163.3	171.6
25,000	136.7	148.6
50,000	100.0	100.0

Table 5.9

The property tax burden relative to family income. Comparisons for the largest city in each state: 1976.

Income of Family	% of personal income	
	Massachusetts	17 State Average
7,500	10.3 (177.5)	5.8
10,000	9.1 (175.0)	5.2
15,000	8.0 (170.2)	4.7
17,500	7.6 (168.8)	4.5
25,000	6.8 (165.8)	4.1
50,000	5.7 (167.6)	3.4

Figures in parenthesis are the Massachusetts shares as % of the 17 state average shares for each income group.

- On the other hand, the sales tax in Massachusetts is relatively less regressive than the composite sales tax in the competitor states (Tables 5.7 and 5.8). It takes a lower proportion of personal income in taxes at every level of income than it does at the corresponding level of income in the competitor states. In addition, as income falls the proportion of income taken in taxes rises less rapidly than it does at each income level in the competitor states.
- The property tax is a regressive tax, and in Massachusetts it is far more regressive than it is in the competitor states. At every level of income the property tax takes at least 65.0% more in Massachusetts than it does at the corresponding level of income in the competitor states, and as income falls the proportion paid in property taxes in Massachusetts increases more rapidly than it does in the other states.

Table 5.10

The property tax burden of family income groups relative to the property tax burden in the highest income group.

Income of Family of Four	Massachusetts %	17 State Average %
7,500	180.7	170.6
10,000	159.6	152.9
15,000	140.3	138.2
17,500	133.3	132.3
25,000	119.2	120.6
50,000	100.0	100.0

Real burdens:

In sections 2 and 4 of this study measures were derived which expressed the levels of government expenditures and taxes in terms which took account of the relative costs of living in Massachusetts and the competitor states. When these measures of the levels of expenditures and taxes are related to ability to pay, that is to the respective levels of real income, Massachusetts has a higher real burden in every category of expenditure and taxation because Massachusetts has both a higher cost of living and a lower money income per capita than the competitor states (table 5. 11).

Table 5. 11

Relative burdens of expenditures and taxes in real terms per \$1,000 real income when the index for the competitor states is 100.

<u>State</u>	
Total expenditure	107.3
Direct expenditure	120.0
Direct general expenditure	137.2
<u>Local</u>	
Total expenditure	110.3
Direct expenditure	110.1
Direct general expenditure	104.3
<u>State and Local</u>	
Direct expenditure	114.1
Direct general expenditure	115.8
<u>State</u>	
Total state taxes	110.0
<u>Local</u>	
Property taxes	178.7
Total local taxes	136.9
<u>State and local</u>	
State and local taxes	121.1
“Own-Source” revenues	111.6

#### Summary and Conclusions:

The imbalances between Massachusetts and the competitor states with regard to the structure of their state and local tax systems affect the relative burdens of taxation in both. The overall burden of state and local taxes is greater in Massachusetts because the system is more regressive. Business pays a relatively lower share of taxes, while the income tax and the property tax are relatively more regressive than their counterparts in the competitor states. The sales tax is the only tax that is relatively less regressive in Massachusetts. Finally, Massachusetts has a higher real burden in every category of expenditure and taxation because Massachusetts has both a higher cost of living and a lower money income per capita than the competitor states.

# APPENDIX



Table 2.3

## Breakdown of state expenditure per capita

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Direct General Expenditure	\$629.0	\$551.5	\$473.7	\$454.7
Capital Outlay	58.7	51.5	70.9	68.1
Intergovernmental transfers to Local Government	301.9	264.7	375.9	360.8
Transfer to Federal Government	21.4	18.8	10.4	10.0
Other Direct Expenditure	94.4	82.8	131.8	126.5
Total Expenditure	1105.4	969.2	1062.7	1020.1
Direct Expenditure	803.5	704.5	686.8	659.2

Table 2.5

## Total state expenditure per \$1000 personal income.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
State Aid to Local Government	\$38.1	\$33.4	\$45.9	\$44.1
Public Welfare	33.7	29.5	16.5	15.8
Health & Hospitals	10.8	9.5	7.5	7.2
Public Higher Education	8.9	7.8	12.1	11.6
Other Education	3.3	2.9	3.9	3.7
Corrections & Protection	2.4	2.1	2.8	2.7
Interest on Debt	5.7	5.0	3.7	3.6
Retirement	5.7	5.0	5.9	5.7
All Other Expenditure	30.7	26.9	31.6	30.3
Total Expenditure	139.4	122.2	129.9	124.7
Direct Expenditure	101.3	88.8	84.0	80.6

Table 2.7

## Breakdown of state expenditure per \$1000 personal income.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Direct General Expenditure	\$79.3	\$69.5	\$57.8	\$55.5
Capital Outlay	7.4	6.5	8.7	8.4
Intergovernmental transfer to Local Government	38.1	33.4	45.9	44.1
Transfer to Federal Government	2.7	2.3	1.3	1.2
Other Direct Expenditure	11.9	10.4	16.1	15.5
Total Expenditure	139.4	122.2	129.8	124.6
Direct Expenditure	101.3	88.8	84.0	80.6

Table 2.9

Total local government expenditure per capita.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Education	\$450.0	\$394.5	\$425.1	\$408.0
Health & Hospitals	44.5	39.0	64.5	61.9
Public Welfare	6.6	5.8	75.6	72.6
Highways	45.6	40.0	49.0	47.0
Police & Fire Protection	106.8	93.6	77.8	74.7
Interest on Debt	28.0	24.5	35.0	33.6
Retirement	37.9	33.2	20.5	19.7
All Other Expenditure	<u>503.8</u>	<u>441.7</u>	<u>396.1</u>	<u>380.2</u>
Total Expenditure	1223.1	1072.4	1143.6	1097.8

Table 2.13

Total local government expenditure per \$1000 state personal income.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Education	\$56.7	\$49.7	\$52.0	\$50.0
Health & Hospitals	5.6	4.9	7.9	7.6
Public Welfare	.8	.7	9.2	8.8
Highways	5.7	5.0	6.0	5.7
Police and Fire Protection	13.4	11.7	9.5	9.1
Interest on Debt	3.5	3.1	4.3	4.1
Retirement	4.8	4.2	2.5	2.4
All Other Expenditure	<u>63.5</u>	<u>55.7</u>	<u>48.4</u>	<u>46.5</u>
Total Expenditure	154.2	135.2	139.8	134.2

Table 2.14

Massachusetts local expenditure per \$1000 income as % of the 17 state averages.

	%	
	Nominal Terms	Real Terms
Education	109.0	99.4
Health & Hospitals	70.9	64.5
Public Welfare	8.8	8.0
Highways	95.0	87.7
Police & Fire Protection	141.0	128.6
Interest on Debt	81.0	75.6
Retirement	192.0	175.0
All Other Expenditure	<u>131.2</u>	<u>119.8</u>
Total Expenditure	110.3	100.7



Table 2.15

Breakdown of local government expenditure per \$1000 personal income.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Direct General Expenditure	\$111.6	\$97.8	\$107.0	\$102.7
Capital Outlay	13.2	11.6	14.8	14.2
Intergov. Transfers to State Gov.	1.7	1.5	1.3	1.2
Other Direct Expenditure	<u>27.7</u>	<u>24.3</u>	<u>16.6</u>	<u>15.9</u>
Total Expenditure	154.2	135.2	139.8	134.2
Direct Expenditure	152.5	133.7	138.5	132.9

Table 2.16

Breakdown of local expenditures per \$1000 income in Massachusetts as % of the 17 state averages.

	Massachusetts	
	Nominal Terms	Real Terms
Direct General Expenditure	104.3	95.2
Capital Outlay	89.2	81.6
Intergov. Transfers to State Gov.	130.8	125.0
Other Direct Expenditure	<u>166.9</u>	<u>152.8</u>
Total Expenditure	110.3	100.7
Direct Expenditure	110.1	100.6

Table 2.19

Breakdown of state and local government expenditure per \$1000 income

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Direct General Expenditure	\$190.9	\$167.4	\$164.8	\$158.2
Capital Outlay	20.6	18.1	23.5	22.5
Transfers to State and Local Gov.	39.8	35.0	47.2	45.3
Transfers to Federal Gov.	2.7	2.3	1.3	1.2
Other Direct Expenditure	<u>39.6</u>	<u>34.7</u>	<u>32.7</u>	<u>31.3</u>
Total Expenditure	293.6	257.4	269.6	258.8
Direct Expenditure	253.8	222.4	222.4	213.5



Table 4.3

Total state revenues per \$1000 state personal income.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
State Tax Revenue	\$79.0	\$69.3	\$71.8	\$68.9
Federal Revenue	37.7	33.1	30.3	29.1
Current Charges	8.0	7.0	7.6	7.3
Insurance Trust Revenue	14.3	12.5	23.0	22.1
All Other Revenues	<u>100.1</u>	<u>87.8</u>	<u>130.7</u>	<u>125.5</u>
Total Revenues	149.1	130.7	143.1	137.4
Total Revenues Excluding State Taxes	70.1	61.4	71.3	68.5
Total Revenues Excluding Federal Revenues	111.4	97.7	112.8	108.2

Table 4.4

Massachusetts state revenues per \$1000 income as % of the 17 state averages.

	% Massachusetts	
	Nominal Terms	Real Terms
State Tax Revenue	110.0	100.5
Federal Revenue	124.4	113.7
Current Charges	105.3	95.6
Insurance Trust Revenue	62.2	56.6
All Other Revenues	<u>76.6</u>	<u>70.0</u>
Total Revenues	104.2	95.1
Total Revenues Excluding State Taxes	98.3	89.6
Total Revenues Excluding Federal Revenues	98.8	90.2

Table 4.7

State taxes per \$1000 personal income

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Individual and Corporation Income Tax	\$46.2	\$40.5	\$26.4	\$25.3
General Sales Tax	15.7	13.8	22.7	21.8
Motor Fuels Tax	4.9	4.3	5.1	4.9
Motor Vehicle License	1.2	1.1	2.7	2.6
Other Taxes	<u>11.0</u>	<u>9.6</u>	<u>14.9</u>	<u>14.3</u>
Total Taxes	79.0	69.3	71.8	68.9

Table 4.11

Total local government revenue per \$1000 personal income.

	Massachusetts		17 State Average	
	Nominal Terms	Real Terms	Nominal Terms	Real Terms
Property Taxes	\$68.8	\$60.3	\$38.5	\$37.0
State Aid	37.0	32.4	46.6	44.7
Other Taxes	.5	.4	12.1	11.6
Charges/Misc. Gen. Revenues	12.3	10.8	20.3	19.5
All Other Revenues	<u>31.2</u>	<u>27.4</u>	<u>23.5</u>	<u>22.6</u>
Total Revenue	149.9	131.4	141.0	135.3
Total Revenues Less Property Taxes	81.1	71.1	102.5	98.4
Total Revenue less State Aid	112.9	99.0	94.4	90.6

Table 4.12

Massachusetts local government revenues per \$1000 income as % of the 17 state averages.

	Massachusetts	
	Nominal Terms	Real Terms
Property Taxes	178.7	162.9
State Aid	79.4	72.5
Other Taxes	4.1	3.4
Charges/Misc. Gen. Revenues	60.1	55.4
All Other Revenues	<u>132.8</u>	<u>121.2</u>
Total Revenues	106.3	97.1
Total Revenues less Property Taxes	79.1	72.3
Total Revenues less State Aid	119.6	109.3













