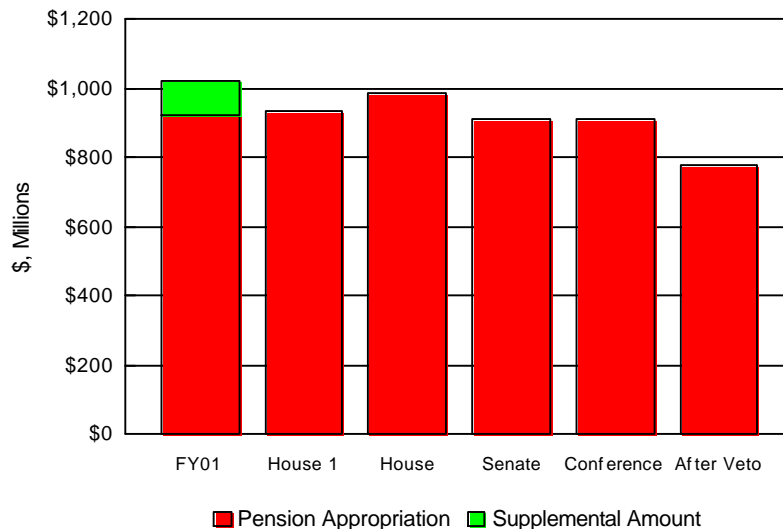# Massachusetts Taxpayers Foundation

Fiscal 2002 Budget
Key Points in Considering Veto Overrides and Supplemental Requests

- If the administration's vetoes were sustained, and all pending supplemental requests approved, the FY2002 budget would be $150 million out of balance, $48 million more out of balance than the budget approved by the Legislature.

- The Governor proposes to use $655 million of reserves compared to $806 million approved by the Legislature. The Governor's vetoes of the use of $226 million of reserves is offset by separate supplemental requests to use $75 million of reserves for public safety and early retirement costs.

- The administration proposes to rely on reversions -- unidentified savings in agency accounts at the end of the year -- to balance the budget, requiring $150 million of such savings based on MTF's analysis. This plan is unprecedented and unwise, especially given the level of cuts already taken and the likelihood that deficiency needs will rise even higher in the coming months.

- In her supplemental request, the Governor is recommending the restoration of $138 million of cuts, which would be partially offset by $38 million of additional revenue. Given the substantial imbalance of the budget under her recommendations, this level of restorations is unaffordable without offsetting changes elsewhere.

- The Governor's fiscally risky veto of pension funding would reduce the pension appropriation $208 million below the amount approved by the House, extending the burden of these already incurred liabilities another 10 years. This would reverse the positive step taken by the Legislature and administration in 1997 to eliminate the state's unfunded pension liability by 2018 instead of 2028, a move specifically cited by rating agencies in deciding to upgrade the Commonwealth's credit rating.

State Pension Funding
FY01 Actual and FY02 Recommendations

Legend: ■ Pension Appropriation ■ Supplemental Amount

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Updated MTF Fiscal Analysis
2002 Budget
($, Millions)

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	Conference Budget	Budget with Governor's Vetoes and Proposed Supplementals	Differ- ence
Resources			
Budgetary revenues			
Base amount	21,791	21,791	
Additional transfer revenues due to capital needs veto	--	18	
Additional reimbursements due to supplemental spending	--	187	
Proposed use of clean elections fund balance	--	23	
Total budgetary revenues	21,791	22,019	228
Use of reserves			
Rainy day fund	422	422	
Transitional escrow			
Base amount	350	158	
Supplemental - transfer for early retirement costs	--	51	
Supplemental - transfer for public safety costs	--	24	
Tax reduction fund	34	--	
Total use of reserves	**806**	**655**	**(152)**
Total resources	22,597	22,674	77
Expenditures			
Line item appropriations	22,257	22,257	
Vetoes			
Pension costs	**--**	**(134)**	
Other accounts*	--	(99)	
Proposed supplementals			
Early retirement costs	--	51	
Public safety costs not included in conference budget	--	24	
Supplemental request for underfunded items	--	457	
Restorations of cuts	--	138	
Total expenditures	22,257	22,693	436
Balance	340	(20)	
Required adjustments			
Spending of retained revenues not counted in line item total	14	14	
Underfunding of Medicaid and other unavoidable costs	458	--	
Less: Federal reimbursements	(149)	--	
Unfunded collective bargaining costs***	118	116	
Total adjustments	441	130	
Balance after adjustments	**(101)** **	**(150)** ****	**(48)**

*   Excludes $20 million veto of appropriations in legislative accounts carried forward from fiscal 2001, which were not counted in the budget's line item totals and thus do not affect the state's operating balance.

**   Based on updated information about the conference budget's treatment of revenues to be transferred to the capital needs investment trust, the Foundation has revised downward its previous estimate of a $144 million deficit shown in the recent MTF bulletin, "2002 State Budget: Falling Short of the Mark."

*** Requested by the administration in its "fiscal recovery" budget and its most recent supplemental.

**** Under the administration's plan, this deficit would be offset by questionable reversions.