

News Release

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Question 3 Proponents Inflate State Spending

In order to try to minimize the enormous consequences of Question 3, the proponents argue incorrectly that total state spending is \$52 billion when the correct number is approximately \$32 billion, as shown on page 137 of the 2009 *Comprehensive Annual Financial Report* (see copy attached).

For their inflated estimates, proponents cite page 164 of the 2009 *Comprehensive Annual Financial Report*, which lists total expenditures and other financing uses at \$51.789. However, this inflated figure includes a long list of items that are not part of the state's annual operating budget, including gross lottery receipts, capital spending, and transfers among funds, most of which constitutes double counting and is not spending at all.

- Gross Lottery Receipts – Page 164 lists spending for the “Treasurer and Receiver-General” at \$5.097 billion for fiscal 2009. This amount includes \$4.8 billion in gross lottery receipts, broken down as follows:
 - \$3.69 billion in prizes distributed to winners;
 - \$106 million in operating costs;
 - Slightly more than \$1 billion in distribution of lottery funds that is also included in the \$1.7 billion under “Administration and Finance.” In short, the only portion of the \$4.8 billion that actually makes its way into the state budget has been counted twice on page 164.
- Capital Spending – Page 164 includes \$2.9 billion of capital spending which is not part of the operating budget. Of that total, \$2.5 billion is for new capital spending and \$390 million simply reflects refinancing of existing bonds with no spending whatsoever. Capital spending is funded through the sale of 20- and 30-year bonds; the principal and interest on the bonds is paid from the operating budget as debt service. Therefore, including capital spending amounts to double counting.

Fund Transfers – Page 164 includes \$7.9 billion in transfers among various funds, almost all of which is not spending at all but rather an accounting of the flow of funds. The General Fund is the state's major fund, but there are many other funds which hold money for specific purposes. The \$7.9 billion in fund transfers simply reflects the movement of dollars from one fund to another, similar to an individual moving money from one savings account to another; there is no spending involved in transferring funds. For example, there are \$1.5 billion in health care expenditures and \$2 billion in debt service payments that are included in the \$7.9 billion of fund transfers but which are already reflected in the \$32 billion operating budget and included in other items on page 164. This is another example of double counting in the \$52 billion.

The Foundation's report, *Question 3: Heading Over the Cliff*, concludes that voter approval of Question 3 would result in across-the-board cuts of approximately 30 percent in virtually all state programs, including local aid, higher education, human services, prisons, courts, environmental protection, and state parks and beaches.

The Massachusetts Taxpayers Foundation is an independent, nonprofit organization that conducts research on state and local taxes, government spending, and the economy. Founded in 1932, the Foundation has won numerous prestigious national awards over the last decade for its work on business costs, capital spending, state finances, MBTA restructuring, state government reform, and health care.

	<u>Revenues</u>	<u>Expenditures</u>
General Appropriation Act, Chapter 182 of the Acts of 2008:		
Direct appropriations.....	\$ 30,374,067	\$ 26,767,219
Estimated revenues, transfers, direct appropriations retained revenue appropriations, interagency chargebacks and appropriations carried forward from FY2008	<u>1,402,294</u>	<u>1,897,147</u>
Total original budget.....	31,776,361	28,664,366
Supplemental Acts of 2008:		
Chapter 302.....	-	7,421
Chapter 367.....	-	15,000
Chapter 461.....	-	500
Supplemental Acts of 2009:		
Chapter 5.....	-	108,759
Chapter 14.....	-	62,000
Chapter 16.....	-	78,812
Chapter 26.....	-	51,481
Planned Savings.....	<u>-</u>	<u>(631,374)</u>
Total as of June 30, 2009	31,776,361	28,356,965
Supplemental Acts of 2009, passed after June 30:		
Chapter 120	<u>-</u>	<u>66,296</u>
Total budgeted revenues and expenditures per Legislative action.....	31,776,361	28,423,261
Plus: Transfers of revenues and expenditures (including rounding).....	<u>-</u>	<u>3,849,961</u>
Budgeted revenues and expenditures as reported.....	<u>\$ 31,776,361</u>	<u>\$ 32,273,222</u>

In addition, the Legislature overrode late in its session approximately \$24,209,000 of Gubernatorial vetoes that are not reflected in the information for Chapter 120 above. These overrides will be reflected in FY2010.

As the budget is not passed taking into account the structure of funds, but of appropriations, reports contained within the Commonwealth's MMARS accounting system demonstrate budgetary compliance by appropriation. Those reports are available upon request at the Office of the State Comptroller, Financial Reporting and Analysis Bureau, at (617) 973-2660.