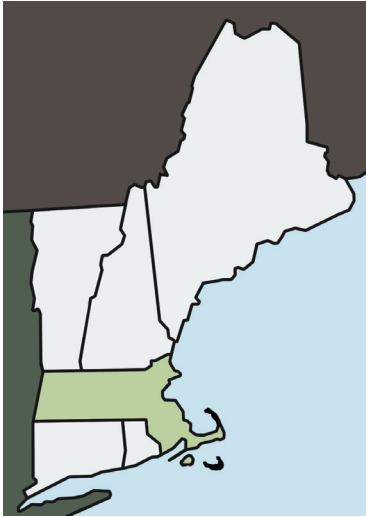


MASSACHUSETTS Budget Report Card



MASSACHUSETTS EARNED an average grade of D in budget maneuvers for fiscal 2016 through 2018, the second-lowest mark possible. It has relied heavily on one-time actions to close a long-term gap between revenues and expenditures after passing tax cuts in 2000 without either sufficiently reducing spending or growing its economy to cover shortfalls. As a result, Massachusetts has chronically deferred recurring expenditures to future years.

The state relies by statute on consensus revenue estimates, yet it received only a C average in budget forecasting. Its budgetary revenue and expenditure projections do not extend beyond the current fiscal year, thus providing leaders with incomplete information about potential budget stresses.

Massachusetts was one of just six states to receive the lowest possible average of D-minus in legacy costs. It failed to make the full contribution recommended by actuaries for public employee pension funds and other postemployment benefits, principally health care, in all three years studied. Its pension funded ratio in 2017 was 59.9 percent, about nine percentage points below the US total.

The state's lone A average was in the reserve funds category: Massachusetts's rainy day fund contributions are tied to revenue volatility, and the state has clear policies for replenishing and disbursing money it has set aside.


NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	D	D-	A	B
New Hampshire	D	A	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	A	D	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


MASSACHUSETTS Budget Report Card

BUDGET FORECASTING				
	2016	2017	2018	
	CATEGORY GRADE	C	C	C
	Consensus Revenue Forecasts	✓	✓	✓
	Multiyear Expenditure Forecasts	X	X	X
	Multiyear Revenue Forecasts	X	X	X
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE		C	3-YEAR TREND —	

BUDGET MANEUVERS				
	2016	2017	2018	
	CATEGORY GRADE	C	D	D
	Deferring Recurring Expenditures	X	X	X
	Revenue and Cost Shifting	X	X	X
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Up-Front Revenues	✓	X	X
3-YEAR AVERAGE		D	3-YEAR TREND ↘	

LEGACY COSTS				
	2016	2017	2018	
	CATEGORY GRADE	D	D	D
	Public Employee OPEB Funding	X	X	X
	Public Employee Pension Funding	X	X	X
	Public Employee Pension Funded Ratio*	58%	60%	60%
3-YEAR AVERAGE		D	3-YEAR TREND —	

RESERVE FUNDS				
	2016	2017	2018	
	CATEGORY GRADE	A	A	A
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	✓	✓	✓
	Reserve Funds Replenishment Policy	✓	✓	✓
	Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE		A	3-YEAR TREND —	

TRANSPARENCY				
	2016	2017	2018	
	CATEGORY GRADE	B	B	B
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	X	X
	Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE		B	3-YEAR TREND —	

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* SOURCE Bloomberg; 2017 data also used for 2018.