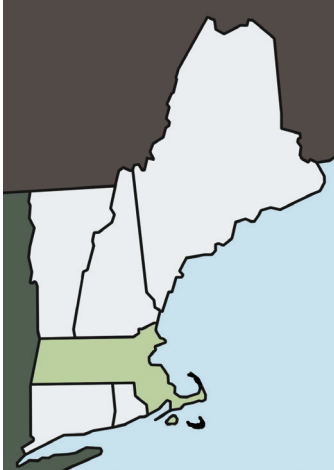


## MASSACHUSETTS Budget Report Card



IN ITS \$41.3 BILLION budget for fiscal 2019, as well as in the four prior spending plans studied, Massachusetts relied on budget maneuvers – one-time measures – to achieve balance, which resulted in the state’s earning a C average in the category.

For example, the state used bond refunding transactions in fiscal 2019, structured with new repayment schedules that allowed it to forgo principal payments due in fiscal 2019 and 2020. The largest transaction refinanced \$225 million in bonds maturing in 2019–20 and amortized them through 2027, with no principal due until fiscal 2021 and the bulk owed after 2023.

The state also relied on other maneuvers, including expenditure deferrals, the transfer of special fund dollars to the general fund, and asset disposals to generate revenue. In fiscal 2017, the sale of the vacant Edward J. Sullivan Courthouse in Cambridge netted \$30 million for operating expenditures. Massachusetts also failed to make actuarially determined contributions to its public employee pension plans in all years studied, which led to an average of D-minus, the lowest grade possible, in legacy costs. In 2018 and 2019, Massachusetts funded the state workers’ and teachers’ retirement systems at 73 percent and 75 percent, respectively, of actuarial recommendations. The state’s pension overall funded ratio was 59 percent in 2019, 12 percentage points below the total for all states. Massachusetts also failed to provide actuarially recommended annual contributions for its other postemployment benefits (OPEB), largely health care, for all five years.

The state fared best in the reserve funds category. Its funding policies were linked to revenue volatility, a practice deployed in nineteen other states, which earned Massachusetts a top A average.


### NEW ENGLAND STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	B	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	B	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: Preparing for the Storm* at [VolckerAlliance.org](http://VolckerAlliance.org).


## MASSACHUSETTS Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING						
	2015	2016	2017	2018	2019	TREND
	CATEGORY GRADE	C	C	C	C	'15 '16 '17 '18 '19
	Consensus Revenue Forecasts	✓	✓	✓	✓	
	Multiyear Expenditure Forecasts	X	X	X	X	
	Multiyear Revenue Forecasts	X	X	X	X	● ● ● ● ●
	Revenue Growth Projections	✓	✓	✓	✓	
5-YEAR AVERAGE						C

BUDGET MANEUVERS						
	2015	2016	2017	2018	2019	TREND
	CATEGORY GRADE	D	C	D	C	'15 '16 '17 '18 '19
	Deferring Recurring Expenditures	X	X	X	✓	✓
	Revenue and Cost Shifting	X	X	X	X	X
	Funding Recurring Expenditures with Debt	✓	✓	✓	✓	X
	Using Asset Sales and Up-Front Revenues	X	✓	X	X	✓
5-YEAR AVERAGE						C

LEGACY COSTS						
	2015	2016	2017	2018	2019	TREND
	CATEGORY GRADE	D	D	D	D	'15 '16 '17 '18 '19
	Public Employee OPEB Funding	X	X	X	X	X
	Public Employee Pension Funding	X	X	X	X	X
	Public Employee Pension Funded Ratio*	62%	58%	60%	61%	59%
5-YEAR AVERAGE						D

RESERVE FUNDS						
	2015	2016	2017	2018	2019	TREND
	CATEGORY GRADE	A	A	A	A	'15 '16 '17 '18 '19
	Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓
	Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓
	Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓
	Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓
5-YEAR AVERAGE						A

TRANSPARENCY						
	2015	2016	2017	2018	2019	TREND
	CATEGORY GRADE	B	B	B	B	'15 '16 '17 '18 '19
	Consolidated Budget Website	✓	✓	✓	✓	✓
	Provides Debt Tables	✓	✓	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X
	Discloses Tax Expenditures	✓	✓	✓	✓	✓
5-YEAR AVERAGE						B

### 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.

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