

News Release

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Question 1 Proponents Inflate State Spending

In order to try to minimize the enormous consequences of Question 1, the proponents argue **incorrectly** that total state spending is \$47 billion when, as the Foundation has shown, the correct number is approximately \$31.8 billion.¹

Proponents cite page 312 of the Commonwealth's Statutory Basis Financial Report for fiscal 2007 which lists total expenditures of \$44.907 billion,² but ignore page 314 of the same report which lists actual budgetary operating expenditures of \$29.476 billion.¹ The inflated figure includes several items that are not part of the operating budget, including gross lottery receipts, capital spending, fund transfers and federal grants, much of which constitutes double counting.

- Gross Lottery Receipts – Page 312 lists spending for the “Treasurer and Receiver-General” at \$5.267 billion for fiscal 2007. This amount includes \$4.7 billion in gross lottery receipts which are not part of the state budget, broken down as follows:
 - \$3.225 billion in prizes distributed to winners;
 - \$250 million in operating costs;
 - Slightly more than \$1 billion in distribution of lottery funds but which is already included in the \$7 billion under “Administration and Finance.” In short, the only portion of the \$4.7 billion that actually makes its way into the budget has been counted twice on page 312.
- Capital Spending – Page 312 includes \$3.1 billion of capital spending which is not part of the operating budget. Of that total, \$1.6 billion is for new capital spending and \$1.5 billion 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 – Unlike page 314 which counts spending only once, pages 308 and 312 track the movement of funds so there is some double counting. The total of double counted fund transfers on pages 308 and 312 is \$2.5 billion. The General Fund is the state's major fund, but there are many other funds which hold money for specific purposes such as health care. For example, there are \$1.7 billion in health care expenditures in five discreet funds that are counted twice – once when the monies are transferred from the General fund into another fund, and a second time when they are transferred from that fund for budgetary spending. Obviously, the money is spent only once, not twice.

¹ The \$31.8 billion is for fiscal 2008 and the \$29.476 for fiscal 2007.

² Proponents reach the \$47 billion number by adjusting this 2007 total for inflation.

- Federal Grants – The Commonwealth receives about \$2 billion in federal grants for a wide variety of purposes which are separate from federal reimbursements for Medicaid and other programs and are not part of the operating budget. For example, in fiscal 2007 the federal government gave \$230 million to the state for distribution to local communities for at-risk students as part of the No Child Left Behind legislation.

As explained in the Foundation's recently released report, *The Enormous Consequences of Question 1*, the \$12.5 billion in personal income taxes represents 60 percent of total tax revenues and 40 percent of the \$31.8 billion in state spending. After required spending on five legal obligations, every other agency and program of state government would face cuts of 70 percent if Question 1 passes.