



333 WASHINGTON STREET

BOSTON, MA 02108-5170

617-720-1000

FOR IMMEDIATE RELEASE

March 17, 2020

Contact: Eileen McAnneny

Phone: 617-834-5328

COVID-19 Impact on State Finances Unknown but Significant

Policymakers Need to Revise Tax Estimates, Revisit Spending Levels for FY20 and FY21

BOSTON – On March 10, 2020, Governor Charlie Baker declared a state of emergency in Massachusetts regarding the Coronavirus 2019 (COVID-19) pandemic and has ordered sweeping measures to slow the outbreak.

“Public health remains the paramount concern,” said Eileen McAnneny, the President of Massachusetts Taxpayers Foundation (MTF). “The impact on the Massachusetts economy and the state’s finances is unknown at this point but significant. In the coming months and years, the state will be pressured to increase spending to respond to the crisis while revenues decline as a result of dramatically reduced economic activity.”

Further research and analysis will be necessary to evaluate the magnitude of the problem, but policymakers should consider the following points as they manage the crisis:

- Tax collections for both fiscal 2020 and fiscal 2021 will be materially decreased compared to previous estimates.
- MTF’s initial estimate is for FY 2020 revenues to fall between \$300 million and \$500 million below benchmark from the loss of economic activity.
- There is a significant likelihood of an economic recession the length and depth of which cannot yet be quantified. Should FY 2021 revenues fall by 3 percent to 5 percent, the tax revenue impact would range from \$2 billion to \$3 billion.

- Lawmakers should take steps now, such as revising the consensus tax revenue amount, to prepare now for a downturn while tracking the revenue impacts over the next three months.
- As [MTF highlighted in our recent report](#) on the key decision points of the fiscal 2021 budget before the impact of COVID-19, policymakers already confronted tough choices related to funding the new education finance reform plan, proposed tax law changes, and other recommended policy changes. COVID-19 exacerbates all these challenges.
- State agencies and local governments are incurring numerous unanticipated costs associated with the COVID-19 pandemic. Policymakers should revisit the spending plans to prioritize emergency response and curtail all other non-essential spending in both fiscal 2020 and fiscal 2021.
- The state’s “rainy day” fund, the Commonwealth Stabilization Fund, has a balance of approximately \$3.5 billion but policymakers should proceed with an abundance of caution when considering its uses.

“Managing the state’s finances is a key responsibility for policymakers in normal circumstances,” McAnney concluded. “In extraordinary times like these, the fiscal decisions made during this time take on heightened importance as they will determine how well the state bounces back from this crisis.”

About the Massachusetts Taxpayers Foundation

The Massachusetts Taxpayers Foundation (MTF) is a non-partisan research organization that serves as an independent source of information for the Commonwealth’s decision-makers.

Founded in 1932, MTF’s mission is to provide accurate, unbiased research with balanced, thoughtful recommendations that strengthen the state’s finances and economy in order to foster the long-term wellbeing of the Commonwealth.

MTF contributes to the public policymaking process in several key ways, including an annual forecast of tax revenue provided as part of the state’s consensus tax revenue deliberations, budget planning and tracking, policy research on major issues such as transportation financing, the opioid epidemic, the income surtax, and migration trends, and supporting policymakers and opinion leaders with high quality analysis.



###

