

News Release

333 WASHINGTON STREET
BOSTON, MA 02108-5170
617-720-1000
FAX 617-720-0799

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MTF Report on Question 3: Heading Over the Cliff

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, according to a report released today by the Massachusetts Taxpayers Foundation.

The MTF report, *Question 3: Heading Over the Cliff*, concludes that if Question 3 passes, state leaders would face a \$4.5 billion dollar shortfall in the fiscal 2012 budget – an already existing structural deficit of at least \$2 billion plus \$2.5 billion of reduced tax revenues by cutting the sales tax from 6.25 percent to 3 percent. Because almost half of the state’s \$32 billion budget is spending that is legally required, the \$4.5 billion in reductions must be spread over the remaining \$16.9 billion of “discretionary” spending, which would require across-the-board cuts of 28.4 percent. State programs have already been cut by more than \$2 billion since the fiscal crisis began in 2009.

In addition, since the tax cut would take effect on January 1, 2011, the state would have to deal with the loss of approximately \$1 billion in sales tax revenues in fiscal 2011, requiring large mid-year cuts across state government.

“It is not an exaggeration to say that the resulting massive spending cuts would eliminate or erode a wide range of services – from education and public safety to health care and human services – that for decades the citizens of Massachusetts have counted on the government to provide,” the report said.

The report concludes that the cuts in local aid would result in thousands of layoffs of municipal employees, chiefly teachers, police and fire, decimating the core services of education and public safety and falling most severely on cities and poorer communities that depend so heavily on state aid.

Since state aid and property taxes are far and away the two major sources of municipal revenues, the cuts in state aid would inevitably lead to higher property taxes in many communities. This would put an added burden on many lower and middle income taxpayers.

Similarly, for the 270,000 students attending the University of Massachusetts and the 24 state and community colleges, the cuts in higher education would result in sharp increases in tuition and fees, as well as fewer course offerings, reduced faculty time and other elements of a quality education.

The report also points out that even with last year's increase in the sales tax from 5 percent to 6.25 percent, Massachusetts still ranks in the bottom group of states in terms of sales tax burden. Of the 45 states with a broad-based sales tax, Massachusetts ranks 43rd in revenues collected per \$1,000 of income and 35th per capita. Massachusetts has a very narrow base on which sales taxes are collected (e.g. exempting food, clothing up to \$175, and services), which is the principal explanation for its low ranking even with a rate of 6.25 percent.

The Massachusetts Taxpayers Foundation is nationally recognized, 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 transportation reform, business costs, capital spending, state finances, MBTA restructuring, state government reform, and health care.
