

# **MEASURING UP**

## **Taxes and Spending in Massachusetts FY 2000**

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**JANUARY 2003**



**MASSACHUSETTS**  

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**BUDGET AND POLICY CENTER**

The Massachusetts Budget and Policy Center provides independent research and analysis of state budget and tax policies, as well as economic issues, that affect low- and moderate-income people in Massachusetts. Work on this project was supported by grants from the Ford and Charles Stewart Mott Foundations, as well as by individual donors.

# MEASURING UP

## Taxes and Spending in Massachusetts – FY 2000

### EXECUTIVE SUMMARY

*Measuring Up* provides a comparative context for policymakers to consider as they weigh a range of options for resolving the Commonwealth's fiscal difficulties. Specifically, this report compares Massachusetts to the other 49 states on the basis of the amount of revenue generated through various methods and the amount of spending devoted to certain program areas. In addition, it illustrates the manner in which the Commonwealth's tax and spending priorities have changed over the last two decades.

The picture that emerges is one in which Massachusetts raises less and spends less than nearly any other state. Moreover, tax and spending levels have fallen more over the last two decades than in any other state. In FY 1979, Massachusetts stood out among the states for the commitments it made to educate its children, to protect its citizens, and to aid its families that were struggling to make ends meet. By FY 2000, the state had distinguished itself only by how far it had fallen.

The report analyzes combined state and local revenue and spending in fiscal year 2000, the most current data available from the U.S. Census Bureau. In particular, it measures state and local fiscal data relative to personal income in each state in order to facilitate useful interstate comparisons. The highlights of the report include the following:

#### ***State and Local Revenue***

- Total state and local revenue constituted a smaller share of income in Massachusetts than in all but six other states; that is, Massachusetts ranks 44<sup>th</sup> among the 50 states. In fiscal year 2000, state and local revenue amounted to 13.9 percent of personal income in Massachusetts, compared to the national average of 15.5 percent (Figure 1). ***State and local revenue would have been \$3.5 billion higher in FY00 if Massachusetts had been at the national average.***
- Massachusetts also ranked in the bottom half of all states in terms of total taxes as a share of personal income. In the Commonwealth in FY00, taxes equaled 10.5 percent of personal income, slightly below the overall national level of 10.8 percent and 30<sup>th</sup> out of the 50 states.

- While Massachusetts' income tax collections, as a share of personal income, were higher than most states in FY00, its sales and excise tax revenue was nearly the lowest in the country. In fact, the only states with lower consumption taxes were the five states without any general sales tax at all.
- ***Over the last 20 years, Massachusetts has cut revenue more than any state in the nation.*** Massachusetts ranked 7<sup>th</sup> in total “own-source” revenue in 1979, but, by 2000, it had fallen to 44<sup>th</sup>. Over this 20-year period, state and local revenue fell by 10.3 percent, while, nationally, state and local revenue grew by 13.1 percent (Figure 2).

### ***State and Local Expenditures***

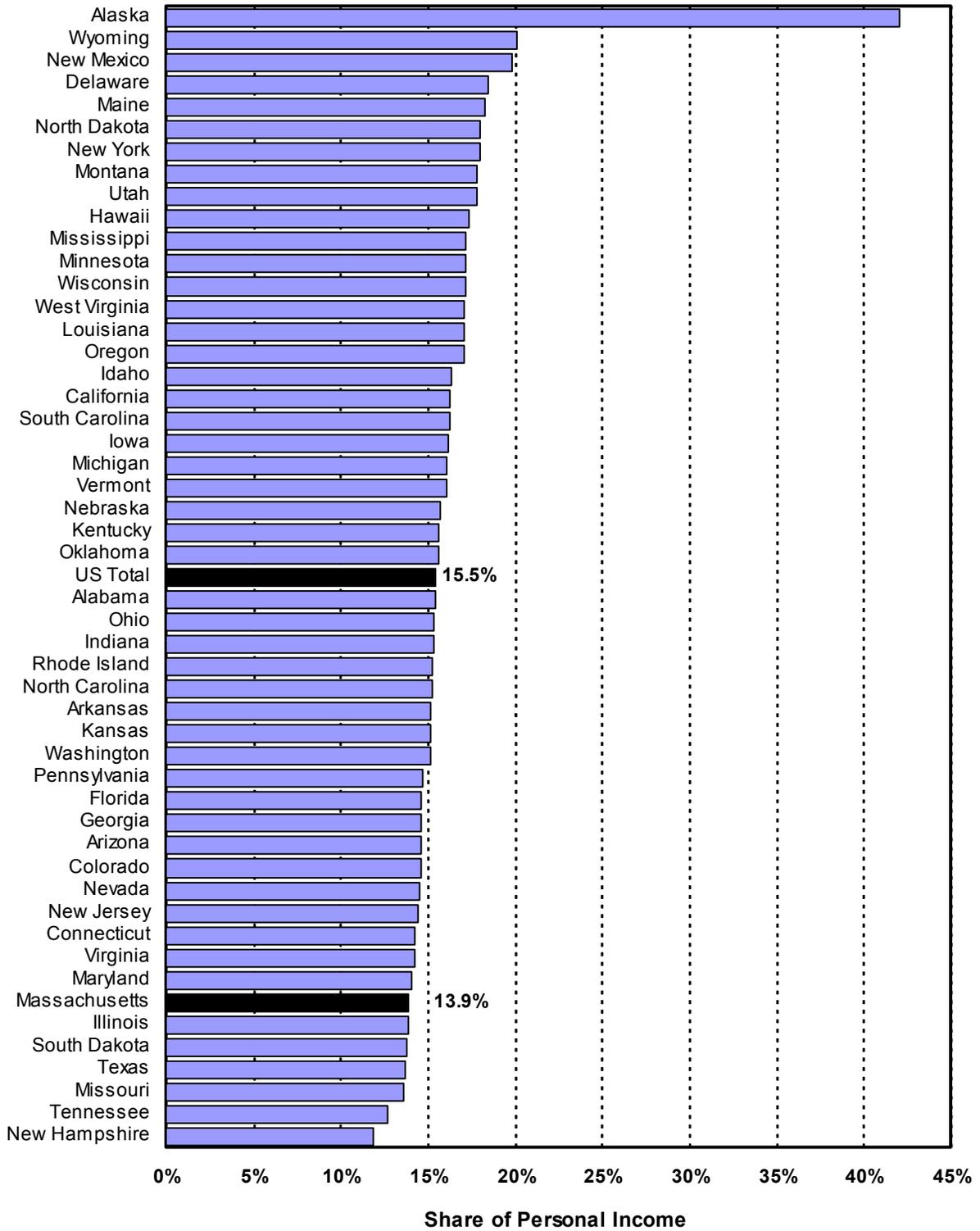
- Since a state's level of spending is, to some extent, a function of the level of revenue it raises, it should come as no surprise that Massachusetts ranked 45<sup>th</sup> in terms of total state and local spending in FY00 (Figure 3).
- Massachusetts spent less as a share of income on elementary and secondary education, on higher education, and on education overall than virtually every state in the nation in FY00. In fact, Massachusetts ranked 49<sup>th</sup> on overall spending on education, 49<sup>th</sup> on spending for elementary and secondary education, and 49<sup>th</sup> on spending for higher education (Figure 4).
- Massachusetts also ranked exceptionally low in terms of spending on wages and salaries for state and local government employees (such as teachers, firefighters, and police officers). Massachusetts placed 47<sup>th</sup> in this category in FY00.
- The change in spending between 1979 and 2000 is stark. In FY79, Massachusetts direct general expenditures stood at 18.8 percent of personal income, but fell to 16.5 percent by FY00. In contrast, spending in most states grew during this period, with the national average rising from 16.5 percent in 1979 to 18.6 percent in 2000. ***The drop in spending relative to personal income in Massachusetts during this period exceeded that of all other states (Figure 5).***
- Nowhere was this drop in spending relative to the size of the economy more disturbing than in education. Between 1979 and 2000, spending on education in Massachusetts relative to personal income plunged by 18.4 percent, despite the implementation of education reform during the latter half of the 1990s. Only Arizona saw a sharper drop in school funding between 1979 and 2000 (Figure 6).

These data are critical in understanding the roots of the current fiscal crisis. In demonstrating that spending overall, as well as spending in key areas, is significantly below the national average, this analysis makes clear that excessive spending is not the cause of multi-billion dollar state budget deficits.<sup>1</sup> Instead, low levels of taxation and other sources of revenue – levels that have fallen dramatically over the last two decades – must be addressed if Massachusetts is to regain a degree of fiscal stability while improving its ability to invest in the future. This analysis will help voters and policymakers alike evaluate recent charges that Massachusetts will once again become “Taxachusetts” if any of the tax cuts enacted during the 1990s are reconsidered in light of the current budget shortfall. With total own-source revenue in Massachusetts almost 12 percent below the national average, the chance of Massachusetts becoming a high-tax state appears remote.

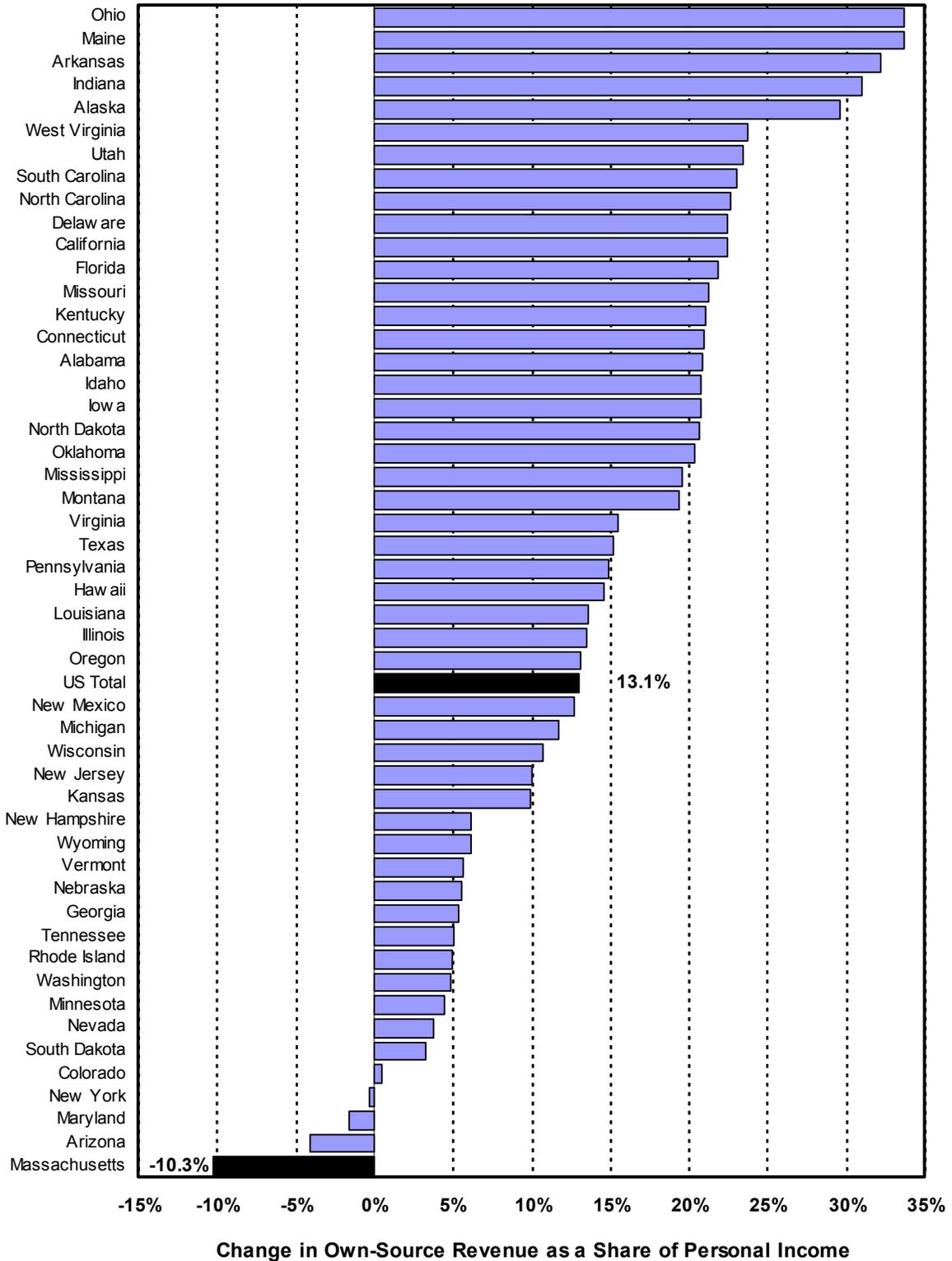
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<sup>1</sup> See also *Where Have All the Dollars Gone? Massachusetts Budget Priorities in the 1990s* (TEAM Education Fund, June 2001). This report documents the relatively slow growth in state spending during the 1990s compared to either spending growth in the 1980s or the growth in personal income during the 1990s.

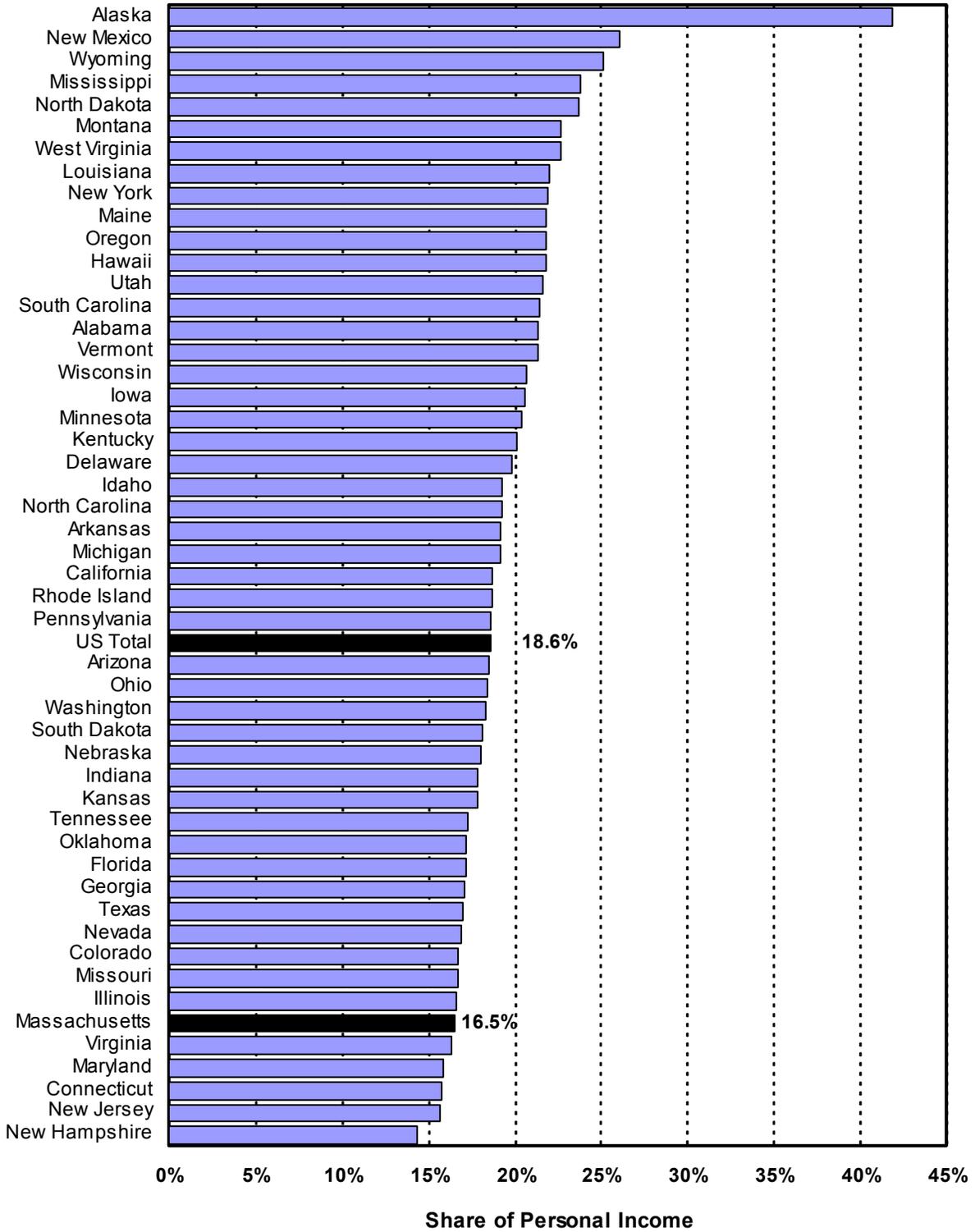
**Figure 1. Total State and Local Own Source Revenue, FY 2000**



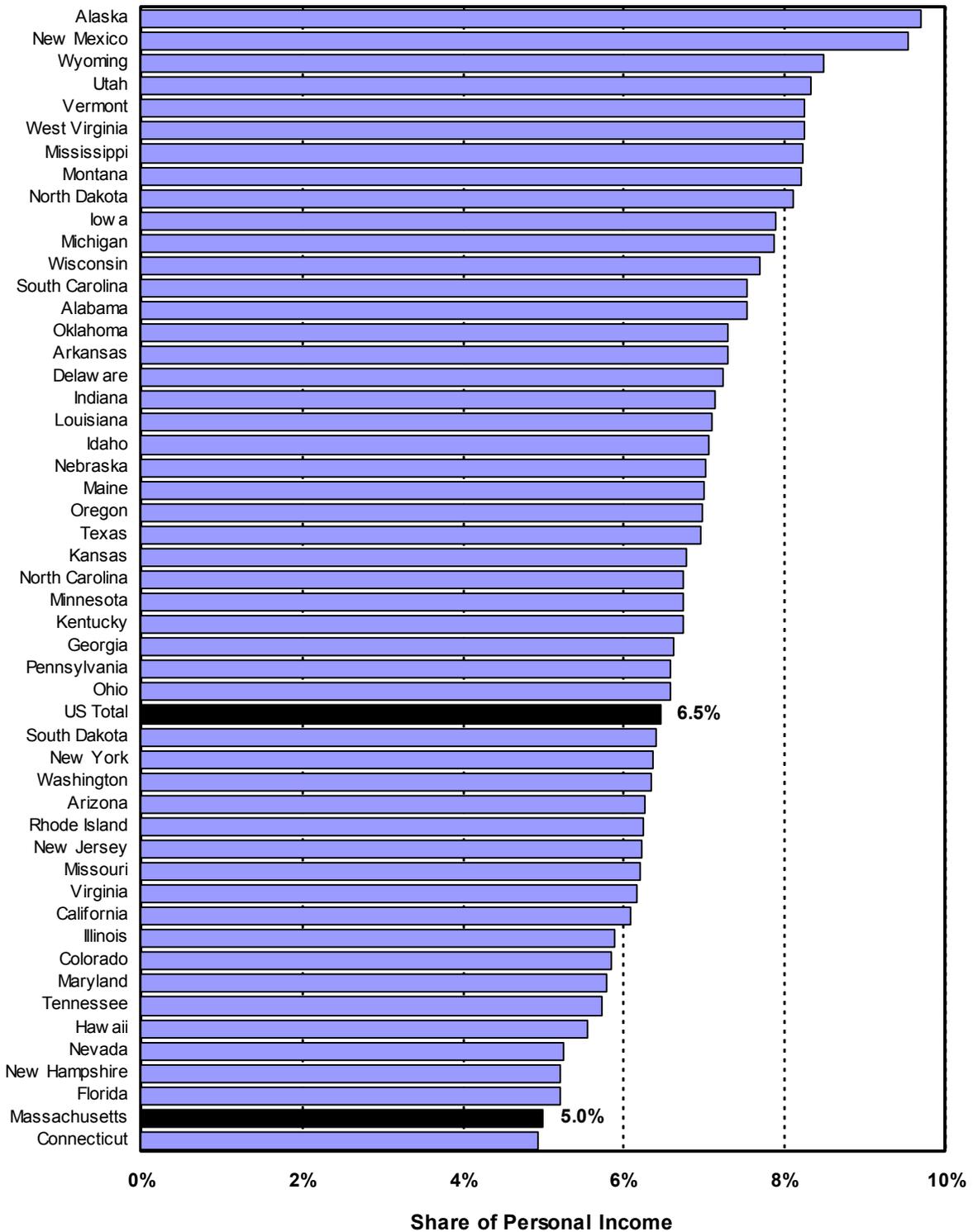
**Figure 2. Change in Total State and Local Own-Source Revenue, FY 1979 to FY 2000**



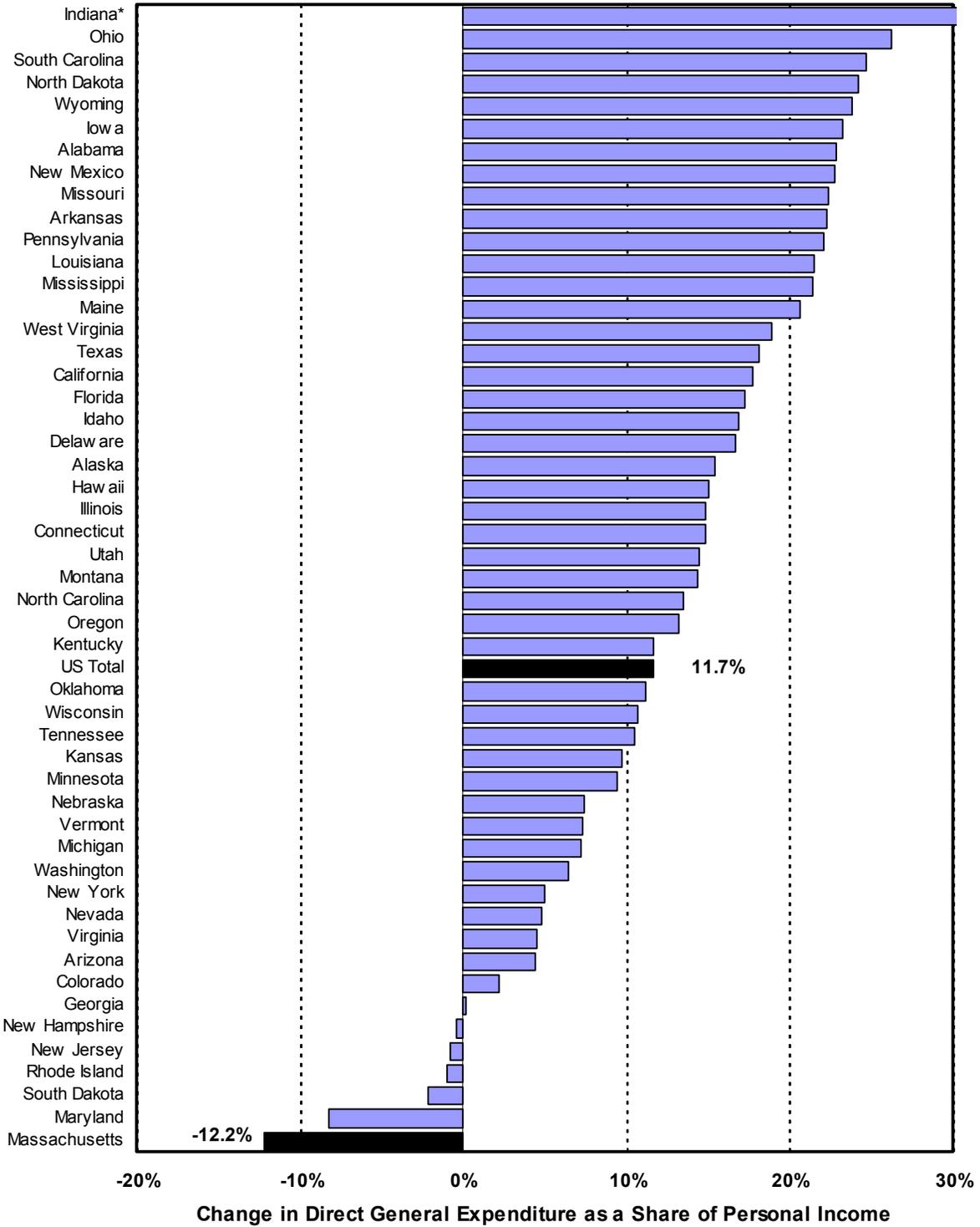
**Figure 3. Total State and Local Direct General Expenditure,  
FY 2000**



**Figure 4. Total State and Local Spending on Education, FY 2000**

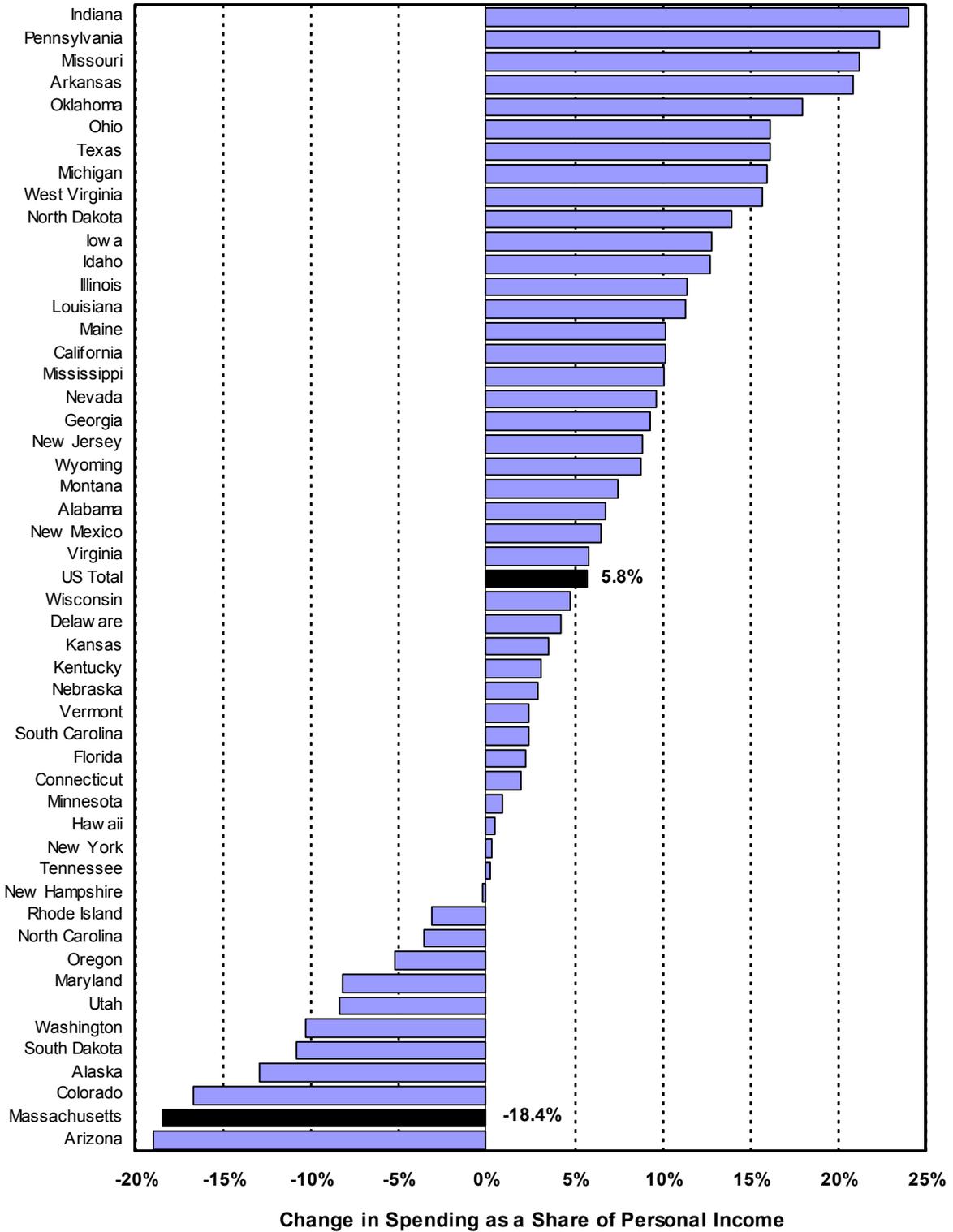


**Figure 5. Change in State and Local Direct General Expenditure, FY 1979 to FY 2000**



Indiana increased direct general expenditures by 36.4 percent between FY 1979 and FY 2000.

**Figure 6. Change in State and Local Spending on Education, FY 1979 to FY 2000**





## I. INTRODUCTION

Massachusetts is expected to face a budget deficit that will likely exceed \$2 billion in fiscal year 2004, with additional deficits projected for years to come. To close the projected gap, policymakers need to make difficult decisions about raising taxes or cutting spending. Such decisions cannot, of course, take place in a vacuum. They should take into account not only the burdens that certain taxes may (or may not) already impose on the citizens of the Commonwealth, but also the resources spent in order to address important priorities like education, health, and public safety. Given that much of the debate over tax and spending levels takes place in the context of the Commonwealth's "competitive position" relative to other states, policymakers should also bear in mind the levels of taxes and spending in other states as well as how the levels of taxes and spending in Massachusetts may have changed over time.

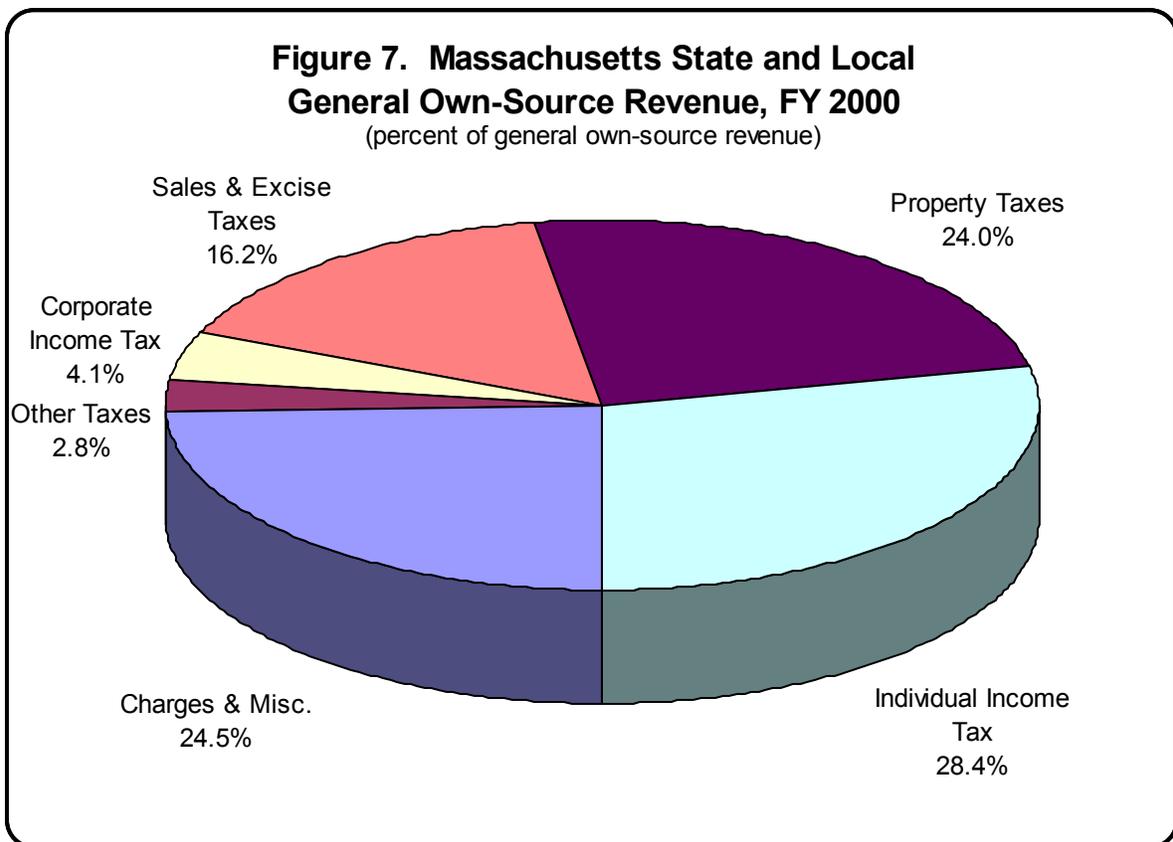
This report – based on data from the U.S. Census Bureau that incorporates revenue and expenditure data for state and local governments across the country – attempts to provide that context. It examines the major sources of revenue for the Commonwealth of Massachusetts (including its cities and towns) and the categories of spending to which that revenue is distributed. In addition, it compares Massachusetts to the other 49 states of the union on the basis of the amount of revenue generated through various methods and on the basis of the amount of spending devoted to certain program areas. Finally, this report illustrates the manner in which the Commonwealth's tax levels and spending priorities have changed over the last two decades.

It is important to note that this report is based on data for fiscal year 2000, the most recent data available from the Census Bureau. Obviously, from the perspective of the state budget, a great deal has happened in Massachusetts since that time: partial implementation of the Question 4 ballot initiative approved by the voters in the fall of the 2000; the accumulation and, subsequently, the almost total depletion of a multi-billion dollar rainy day fund; and the adoption of a FY 2002 budget that reduced spending below the level necessary to maintain current services by more than a billion dollars and that increased revenue by a similar amount. Nevertheless, the data presented in this report demonstrate that, by the end of the 1990s, neither expenditures nor taxes in Massachusetts – when taken in the aggregate – were excessively high when compared with other states. Indeed, analysis of the Census Bureau data shows that Massachusetts raises and spends much less than most states.

## II. REVENUE

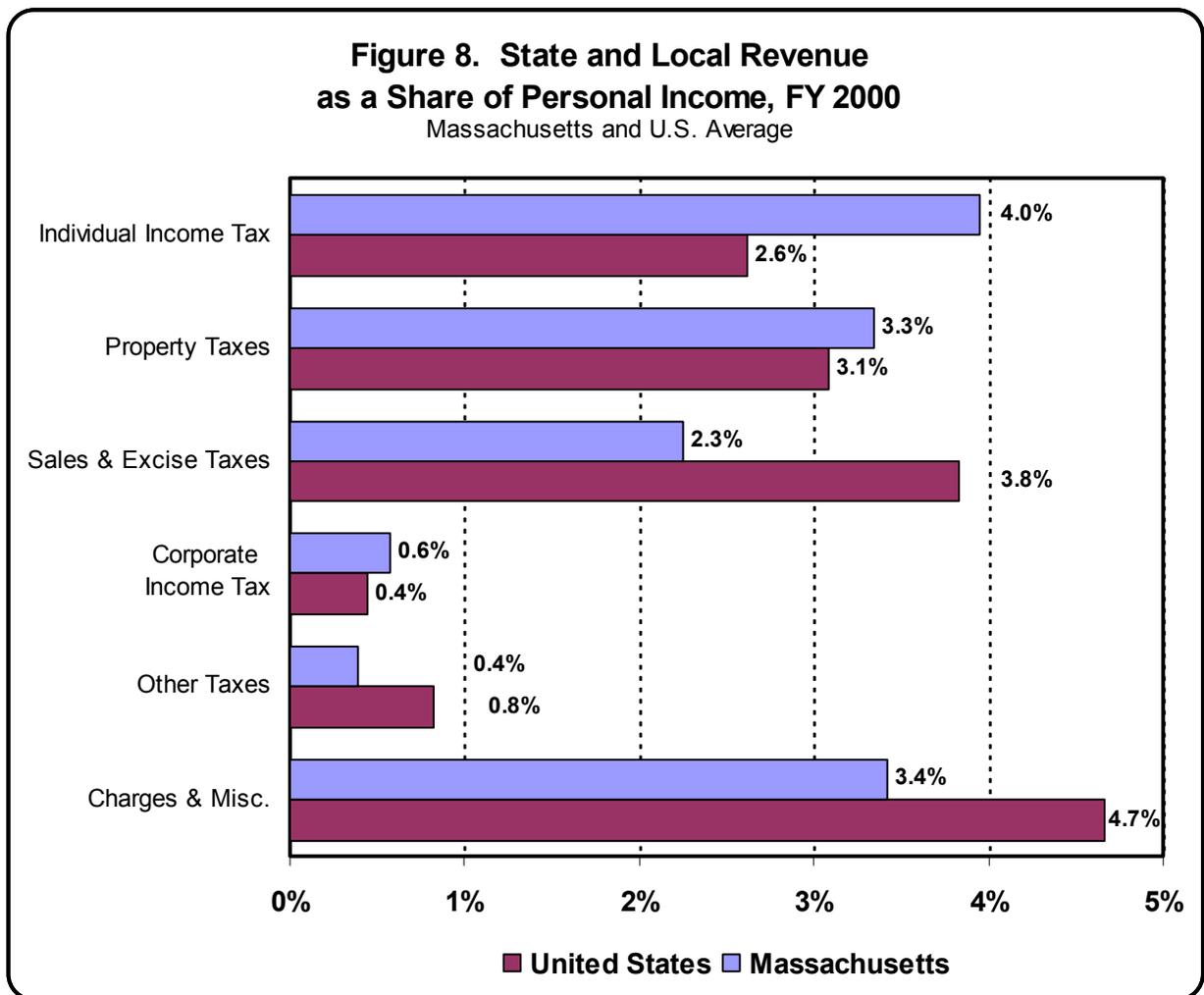
### A. Overview

Based on the Census Bureau's data, in fiscal year 2000, Massachusetts state and local general revenue totaled \$38.3 billion. The overwhelmingly majority of those funds – nearly \$32 billion or 83.2 percent of the total – came from sources within the Commonwealth. The federal government provided the remaining 16.8 percent through such means as grants or matching funds. This report focuses largely on the former type of revenue – commonly referred to as “own-source” revenue – since state and local officials have the most control over those resources.



As Figure 7 indicates, the single largest source of general revenue within the Commonwealth in FY00 was the individual income tax, which generated 28.4 percent of general own-source revenue that year. Miscellaneous charges such as tuition for public institutions of higher education and highway tolls produced a quarter (24.5 percent) of general own-source revenue in FY00, while property taxes accounted for nearly a quarter as well (24.0 percent). Sales and excise taxes yielded a noticeably smaller share (16.2 percent) of own-source revenue.

The preceding figure offers some insight into the various methods used to generate state and local revenue in Massachusetts. Figure 8 goes further and shows the amount of revenue – expressed as a share of personal income – that each method yielded in FY00. Figure 8 also demonstrates that the country as a whole followed a somewhat different approach to revenue generation in FY00 than Massachusetts did. In particular, the 50 states, when taken together, relied more heavily on fees and miscellaneous charges and on sales and excise taxes than Massachusetts did. Respectively, these two sources produced revenue equal to 4.7 percent and 3.8 percent of personal income nationally, but amounted to only 3.4 percent and 2.3 percent of personal income in Massachusetts. Not surprisingly then, the states in aggregate were able to depend less than Massachusetts on individual income taxes in FY00, using them to raise revenue equal to just 2.6 percent of personal income.



Many people assume that taxes are too high in Massachusetts. As the following pages demonstrate however, Massachusetts actually ranks in the bottom half of all states in terms of total tax revenue as a share of personal income. Specifically, total tax revenue equaled 10.5 percent of personal income in the Commonwealth in FY00, slightly below the overall national level of 10.8 percent and 30<sup>th</sup> out of the 50 states. What's more, total state and local revenue in Massachusetts – which includes both taxes and miscellaneous charges – was 44<sup>th</sup> in the country in 2000.

It is also important to consider the reasons certain sources of revenue play a larger role in Massachusetts than in the rest of the United States. First, not all means of raising revenue are created equal – while their principal purpose is, to be sure, to provide the resources necessary to finance the operations of government, some means are preferable to others. For example, individual income taxes are generally more fair than sales taxes. Individuals who are not working do not have to pay income taxes, while sales taxes tend to fall more heavily on lower-income individuals, who spend a greater percentage of their total income than upper-income individuals do. Individual income taxes, in some respects, are also more transparent than other sources of revenue, such as direct charges and fees. Individual income taxes may be anticipated well in advance, with the burden apparent in regular income tax withholdings and the total burden evident when taxes are filed after the end of the year. In contrast, some may feel that they are continuously being “nickel and dimed” by the Commonwealth through licensing fees and other charges. Second, precisely because certain sources generate less revenue in Massachusetts than elsewhere, the Commonwealth must rely more heavily on individual income taxes. In a sense then, the individual income tax is simply “picking up the slack” for other sources of revenue.

*B. Total State and Local Own-Source General Revenue*

In Massachusetts in FY 2000, state and local own-source revenue equaled 13.9 percent of personal income. In fact, own-source revenue, which provides the bulk of funding for government operations, comprised a smaller share of personal income in Massachusetts than in all but six states.

Total state and local own-source revenue ranged from a high of 42.1 percent of personal income in Alaska to a low of 11.9 percent in New Hampshire. Alaska outdistanced all other states on this measure largely on the strength of revenues associated with its oil reserves. Across the country as a whole, total state and local “own-source” revenue was 15.5 percent of personal income.

Under the Census Bureau’s classification system, state and local general revenue from “own sources” has two components:

- taxes and
- charges and miscellaneous general revenue.

The tax category naturally ranges from property and sales taxes to individual and corporate income taxes. Charges and miscellaneous general revenue includes, but is not limited to, revenue arising from school lunch sales, tuition at public institutions of higher learning, fees related to parks and recreation, and “commercial-type operations of governments, such as port facilities, airports, toll highways, and housing projects.”

However, the Census Bureau’s definition of “own-source” general revenue excludes revenue associated with utility operations (e.g. water supply or electric power), liquor stores (which seventeen state governments run), and insurance trust transactions (e.g. contributions to public employee retirement systems as well as to unemployment compensation and workers compensation funds).

TABLE 1

RANK	STATE	SHARE OF PERSONAL INCOME
1	Alaska	42.1%
2	Wyoming	20.1%
3	New Mexico	19.8%
4	Delaware	18.5%
5	Maine	18.3%
6	North Dakota	18.0%
7	New York	18.0%
8	Montana	17.8%
9	Utah	17.8%
10	Hawaii	17.3%
11	Mississippi	17.2%
12	Minnesota	17.2%
13	Wisconsin	17.2%
14	West Virginia	17.1%
15	Louisiana	17.1%
16	Oregon	17.1%
17	Idaho	16.3%
18	California	16.3%
19	South Carolina	16.3%
20	Iowa	16.2%
21	Michigan	16.1%
22	Vermont	16.1%
23	Nebraska	15.7%
24	Kentucky	15.7%
25	Oklahoma	15.7%
--	<b>US Total</b>	<b>15.5%</b>
26	Alabama	15.4%
27	Ohio	15.4%
28	Indiana	15.3%
29	Rhode Island	15.3%
30	North Carolina	15.3%
31	Arkansas	15.2%
32	Kansas	15.2%
33	Washington	15.1%
34	Pennsylvania	14.8%
35	Florida	14.7%
36	Georgia	14.7%
37	Arizona	14.6%
38	Colorado	14.6%
39	Nevada	14.5%
40	New Jersey	14.5%
41	Connecticut	14.3%
42	Virginia	14.3%
43	Maryland	14.1%
<b>44</b>	<b>Massachusetts</b>	<b>13.9%</b>
45	Illinois	13.9%
46	South Dakota	13.8%
47	Texas	13.7%
48	Missouri	13.6%
49	Tennessee	12.7%
50	New Hampshire	11.9%

C. *Total State and Local Tax Revenue*

Massachusetts also ranks in the bottom half of all states in terms of total tax revenue as a share of personal income. In FY00, total tax revenue equaled 10.5 percent of personal income in Massachusetts, or 30<sup>th</sup> out of the 50 states.

In New York, where it was highest, total tax revenue amounted to 13.6 percent of personal income. In New Hampshire, where it was lowest, total tax revenue as a share of income was 8.3 percent. Taken together, the fifty states generated total tax revenue of 10.8 percent of personal income in FY00.

The various types of taxes that the Census Bureau includes in this category are:

- property taxes;
- sales taxes, including taxes on motor fuels, alcoholic beverages, and tobacco products;
- individual income taxes;
- corporate income taxes, and;
- motor vehicle license and other taxes.

TABLE 2

RANK	STATE	SHARE OF PERSONAL INCOME
1	New York	13.6%
2	Maine	13.4%
3	Alaska	12.8%
4	Wisconsin	12.5%
5	New Mexico	12.4%
6	Hawaii	12.3%
7	Minnesota	11.9%
8	Vermont	11.6%
9	Utah	11.6%
10	Connecticut	11.5%
11	California	11.5%
12	Rhode Island	11.5%
13	North Dakota	11.4%
14	Wyoming	11.3%
15	West Virginia	11.3%
16	Delaware	11.1%
17	Michigan	11.0%
18	Ohio	10.9%
19	Idaho	10.9%
20	New Jersey	10.9%
--	<b>US Total</b>	<b>10.8%</b>
21	Mississippi	10.8%
22	Louisiana	10.8%
23	Kentucky	10.8%
24	Iowa	10.7%
25	Nebraska	10.7%
26	Montana	10.7%
27	Arizona	10.6%
28	Kansas	10.6%
29	Maryland	10.6%
<b>30</b>	<b>Massachusetts</b>	<b>10.5%</b>
31	Georgia	10.4%
32	Illinois	10.4%
33	Pennsylvania	10.4%
34	Arkansas	10.4%
35	Oklahoma	10.3%
36	Washington	10.3%
37	North Carolina	10.2%
38	Oregon	10.2%
39	Indiana	10.2%
40	Nevada	10.1%
41	South Carolina	10.1%
42	Virginia	9.9%
43	Colorado	9.8%
44	Missouri	9.6%
45	Florida	9.6%
46	Texas	9.3%
47	South Dakota	9.1%
48	Alabama	9.1%
49	Tennessee	8.5%
50	New Hampshire	8.3%

#### D. Property Taxes

With regards to specific forms of taxation, Massachusetts ranked 17<sup>th</sup> in terms of property taxes as a share of personal income. Property taxes totaled 3.3 percent of personal income in FY00, only slightly higher than the aggregate level of property taxes for the United States as a whole (3.1 percent).

It is true that despite Proposition 2 ½ – the property tax-cutting initiative enacted in 1980 – property taxes in Massachusetts are still modestly above the national average. However, as is evident in Table 3, northeastern states typically rely more on property taxes than other states.<sup>2</sup> Of the states in this region, Massachusetts has a relatively low level of property tax collections.

Property taxes were highest in New Hampshire in FY00. There they were equal to 5.1 percent of personal income. They were lowest in Alabama, where they generated revenue amounting to 1.3 percent of personal income.

TABLE 3

RANK	STATE	SHARE OF PERSONAL INCOME
1	New Hampshire	5.1%
2	Maine	5.0%
3	Vermont	4.9%
4	New Jersey	4.8%
5	Rhode Island	4.6%
6	Montana	4.6%
7	Alaska	4.2%
8	Connecticut	4.0%
9	New York	4.0%
10	Wyoming	3.9%
11	Wisconsin	3.8%
12	Illinois	3.8%
13	Texas	3.5%
14	Indiana	3.5%
15	Iowa	3.4%
16	North Dakota	3.4%
<b>17</b>	<b>Massachusetts</b>	<b>3.3%</b>
18	Nebraska	3.3%
19	South Dakota	3.3%
20	Michigan	3.3%
21	Florida	3.2%
22	Arizona	3.1%
--	<b>US Total</b>	<b>3.1%</b>
23	Ohio	3.1%
24	Oregon	3.0%
25	Kansas	3.0%
26	Washington	3.0%
27	Minnesota	3.0%
28	Idaho	2.9%
29	Pennsylvania	2.9%
30	South Carolina	2.8%
31	Virginia	2.8%
32	Maryland	2.8%
33	Colorado	2.7%
34	Georgia	2.7%
35	Utah	2.6%
36	California	2.5%
37	Mississippi	2.5%
38	Nevada	2.5%
39	Missouri	2.3%
40	West Virginia	2.2%
41	North Carolina	2.2%
42	Tennessee	2.0%
43	Kentucky	1.8%
44	Hawaii	1.8%
45	Louisiana	1.7%
46	Arkansas	1.7%
47	Oklahoma	1.6%
48	Delaware	1.6%
49	New Mexico	1.6%
50	Alabama	1.3%

<sup>2</sup> The three states in the top ten in this category that are not in the northeast rely on the property tax because they either have no sales tax (Montana), no income tax (Wyoming), or neither an income tax nor a sales tax (Alaska).

### E. Sales and Excise Taxes

Massachusetts was fairly close to the bottom end of the range of states when it came to sales and excise taxes in fiscal year 2000. In fact, sales and excise taxes combined were equal to 2.3 percent of personal income, putting the Commonwealth in 45<sup>th</sup> place overall. The only states with lower consumption taxes were the five states with no general sales tax at all.

Taken together, sales and excise taxes as a share of personal income were highest in Hawaii and lowest in Oregon. These taxes generated revenue equal to 6.4 percent in the former state and 1.0 percent in the latter. The comparable figure for the country as a whole was 3.8 percent.

Separately, excise and other selective sales taxes (such as taxes on gasoline, alcoholic beverages, or tobacco products) amounted to 0.7 percent of personal income in Massachusetts in FY00. The state ranked last in the country in this category. Overall, excise taxes were 1.2 percent of personal income in the United States in FY00.

TABLE 4

RANK	STATE	SHARE OF PERSONAL INCOME
1	Hawaii	6.4%
2	Washington	6.3%
3	New Mexico	6.3%
4	Nevada	6.2%
5	Louisiana	6.2%
6	Mississippi	5.5%
7	Arkansas	5.1%
8	Florida	5.1%
9	Tennessee	5.0%
10	Arizona	4.8%
11	Utah	4.8%
12	West Virginia	4.8%
13	Texas	4.7%
14	North Dakota	4.6%
15	South Dakota	4.6%
16	Alabama	4.4%
17	Wyoming	4.4%
18	Georgia	4.2%
19	Oklahoma	4.0%
20	Kansas	4.0%
21	Missouri	3.9%
22	Kentucky	3.9%
23	Minnesota	3.9%
--	<b>US Total</b>	<b>3.8%</b>
24	California	3.8%
25	Maine	3.8%
26	Connecticut	3.7%
27	South Carolina	3.7%
28	Nebraska	3.6%
29	Colorado	3.6%
30	Wisconsin	3.6%
31	Iowa	3.6%
32	Idaho	3.5%
33	New York	3.5%
34	Michigan	3.5%
35	Illinois	3.5%
36	North Carolina	3.4%
37	Rhode Island	3.4%
38	Ohio	3.3%
39	Indiana	3.2%
40	Pennsylvania	3.1%
41	Vermont	3.0%
42	Virginia	2.8%
43	New Jersey	2.7%
44	Maryland	2.7%
<b>45</b>	<b>Massachusetts</b>	<b>2.3%</b>
46	Montana	1.7%
47	Alaska	1.6%
48	New Hampshire	1.4%
49	Delaware	1.3%
50	Oregon	1.0%

## F. Individual Income Taxes

For fiscal year 2000, individual income taxes in the Commonwealth yielded an amount of revenue equal to 4.0 percent of personal income. Only four states – New York, Oregon, Maryland, and Wisconsin – generated more revenue from the personal income tax than Massachusetts when measured as a share of personal income. In contrast, nine states, including Texas and Florida, do not have an individual income tax and, therefore, did not generate any revenue in this fashion.<sup>3</sup>

In the aggregate, individual income taxes among the 50 states produced funds equal to 2.6 percent of personal income in FY00.

The data for this section and for the preceding section on sales taxes illustrate quite clearly a choice Massachusetts makes. Sales taxes in Massachusetts were 2.3 percent of personal income in FY00, a relatively small amount compared to other states. Indeed, 44 other states had greater proceeds from sales taxes – when measured as a share of income – in FY00. In contrast, Massachusetts ranked relatively high on the individual income tax scale. Yet, precisely because certain sources of revenue make a smaller contribution to the state budget in Massachusetts than elsewhere, the Commonwealth must rely more heavily on individual income taxes.

Consequently, if individual income tax revenue were reduced, revenue from other sources would have to be higher or spending would have to be lower. Indeed, this is the situation that Massachusetts faces for fiscal year 2004 and beyond, as the state continues to feel the effects of tax cuts enacted during the boom years of the 1990s.

TABLE 5

RANK	STATE	SHARE OF PERSONAL INCOME
1	New York	4.5%
2	Oregon	4.4%
3	Maryland	4.1%
4	Wisconsin	4.0%
<b>5</b>	<b>Massachusetts</b>	<b>4.0%</b>
6	California	3.8%
7	Ohio	3.7%
8	Kentucky	3.6%
9	Minnesota	3.6%
10	North Carolina	3.4%
11	Maine	3.4%
12	Delaware	3.3%
13	Utah	3.3%
14	Virginia	3.2%
15	Idaho	3.2%
16	Hawaii	3.2%
17	Connecticut	2.9%
18	Georgia	2.9%
19	Rhode Island	2.8%
20	Michigan	2.7%
21	Colorado	2.7%
22	Vermont	2.7%
23	Oklahoma	2.7%
24	Indiana	2.7%
25	Pennsylvania	2.6%
--	<b>US Total</b>	<b>2.6%</b>
26	Missouri	2.6%
27	South Carolina	2.6%
28	Montana	2.6%
29	Kansas	2.6%
30	Arkansas	2.6%
31	Iowa	2.6%
32	Nebraska	2.5%
33	West Virginia	2.5%
34	New Jersey	2.4%
35	New Mexico	2.3%
36	Alabama	2.1%
37	Illinois	2.0%
38	Arizona	1.8%
39	Mississippi	1.7%
40	Louisiana	1.6%
41	North Dakota	1.3%
42	New Hampshire	0.2%
43	Tennessee	0.1%
44	Alaska	0.0%
45	Florida	0.0%
46	Nevada	0.0%
47	South Dakota	0.0%
48	Texas	0.0%
49	Washington	0.0%
50	Wyoming	0.0%

<sup>3</sup> New Hampshire and Tennessee do not tax wages, but do levy an income tax on investment income.

*G. Charges and Miscellaneous  
General Revenue*

Lastly, revenue generated from such miscellaneous sources as state-operated parking facilities or tuition for public institutions of higher education amounted to 3.4 percent of personal income in Massachusetts in FY00. Only Connecticut derived a smaller amount of revenue, measured as a share of personal income, from these sources in FY00.

Charges and miscellaneous general revenue in Alaska, which garners a considerable amount of state revenue from its oil reserves, amounted to 29.3 percent of personal income in FY00, by far the highest level of any state. Again, Connecticut produced the least amount of revenue in this fashion, generating funds equal to 2.8 percent of personal income. Overall, the 50 states generated revenues equal to 4.7 percent of personal income in FY00 from such miscellaneous sources.

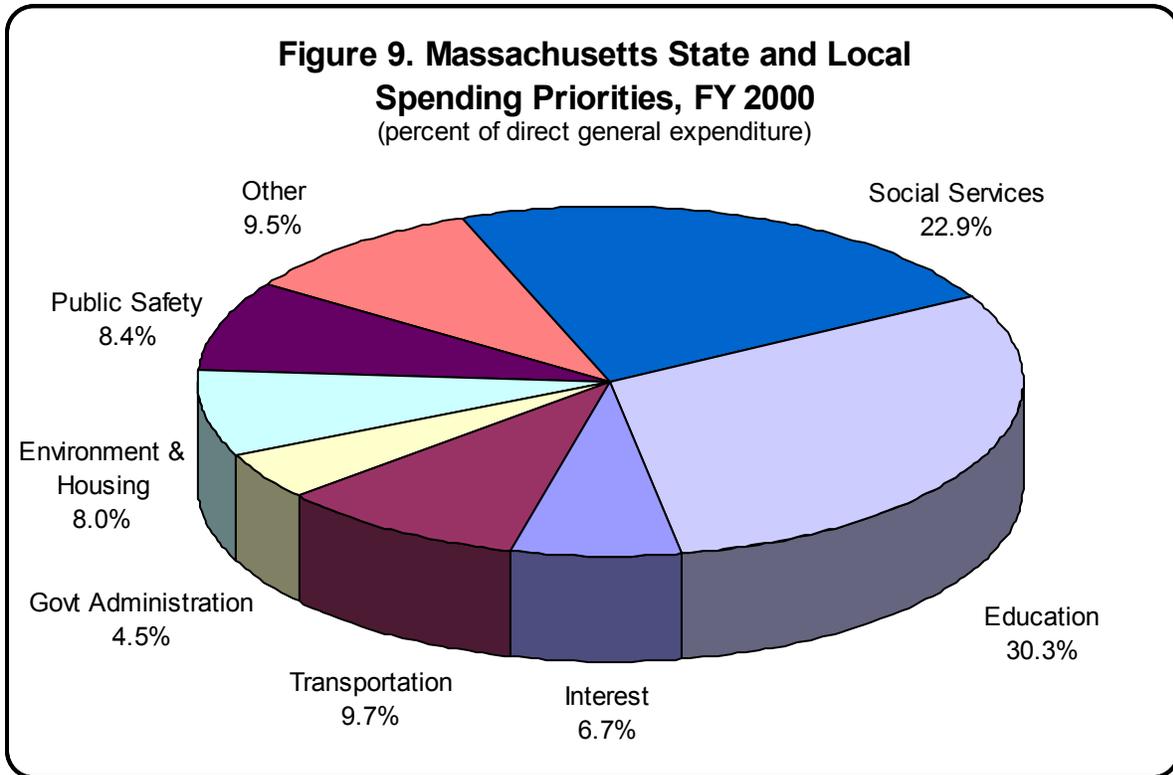
TABLE 6

RANK	STATE	SHARE OF PERSONAL INCOME
1	Alaska	29.3%
2	Wyoming	8.7%
3	Delaware	7.4%
4	New Mexico	7.4%
5	Montana	7.1%
6	Oregon	6.9%
7	North Dakota	6.6%
8	Mississippi	6.4%
9	Alabama	6.3%
10	Louisiana	6.3%
11	Utah	6.2%
12	South Carolina	6.2%
13	West Virginia	5.7%
14	Iowa	5.5%
15	Idaho	5.4%
16	Oklahoma	5.3%
17	Minnesota	5.3%
18	Indiana	5.1%
19	Michigan	5.1%
20	Hawaii	5.1%
21	Florida	5.1%
22	North Carolina	5.1%
23	Nebraska	5.0%
24	Kentucky	4.9%
25	Maine	4.9%
26	Washington	4.9%
27	Arkansas	4.9%
28	Colorado	4.8%
29	California	4.8%
30	Wisconsin	4.7%
--	<b>US Total</b>	<b>4.7%</b>
31	South Dakota	4.7%
32	Kansas	4.6%
33	Vermont	4.5%
34	Ohio	4.4%
35	Nevada	4.4%
36	Pennsylvania	4.4%
37	Texas	4.4%
38	Virginia	4.4%
39	New York	4.4%
40	Georgia	4.2%
41	Tennessee	4.2%
42	Arizona	4.0%
43	Missouri	4.0%
44	Rhode Island	3.8%
45	New Hampshire	3.6%
46	New Jersey	3.6%
47	Maryland	3.6%
48	Illinois	3.5%
<b>49</b>	<b>Massachusetts</b>	<b>3.4%</b>
50	Connecticut	2.8%

### III. EXPENDITURES

#### A. Overview

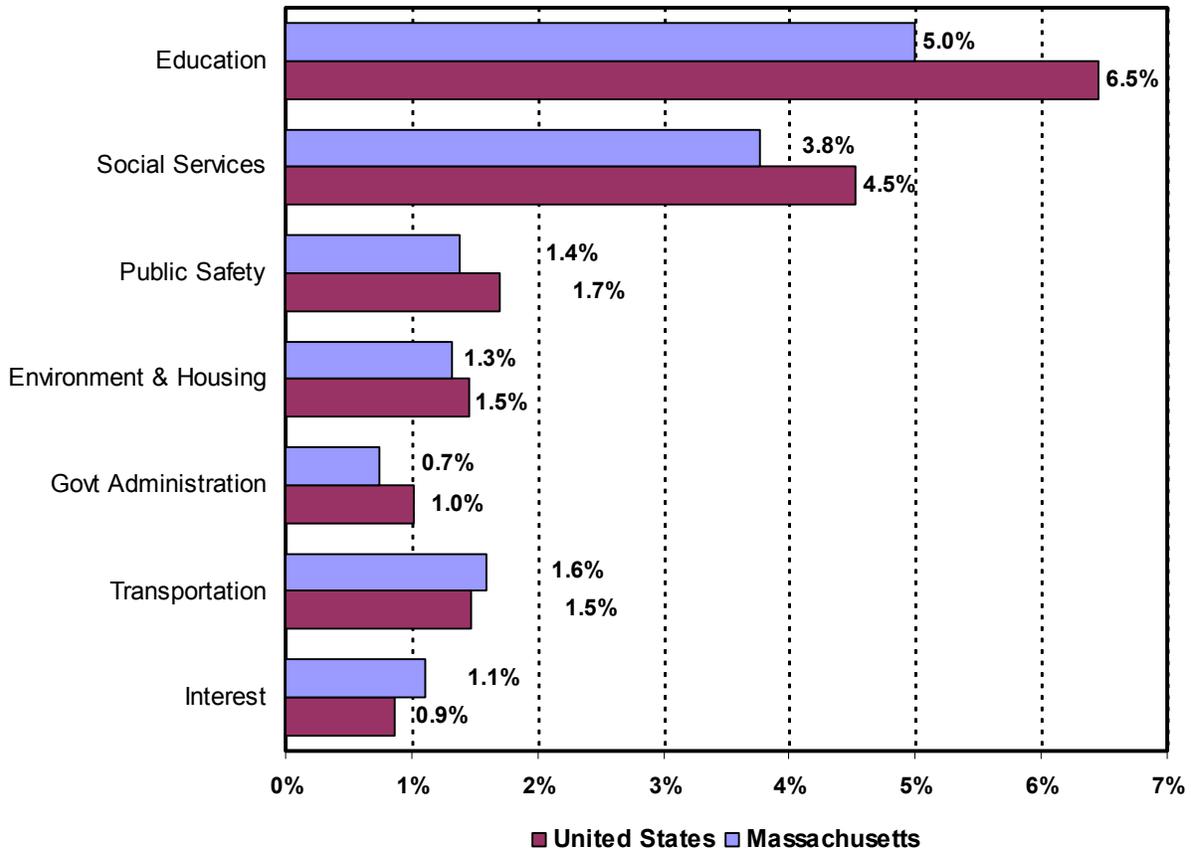
In fiscal year 2000, Massachusetts devoted over half of all state and local direct general expenditures to two priorities, education and social services. As Figure 9 shows, spending on education comprised 30.3 percent of all state and local spending, while spending on social services – chiefly, public welfare, hospitals, and health – constituted 22.9 percent of such expenditures. Spending on transportation, public safety, and environment and housing each accounted for slightly less than 10 percent of general expenditures. Notably, the Commonwealth used 6.7 percent of general expenditures to pay interest on previous borrowing, well above the national average of 4.6 percent.



However, as Figures 10 and 11 reveal, Massachusetts is neither keeping up with the country as a whole nor is it matching the level of resources it allocated to many vital spending priorities 20 years ago. As shown in Figure 10, Massachusetts spent a smaller share of the state’s total personal income on education, on social services, and on public safety than the country as a whole did in FY00.

**Figure 10. State and Local Spending  
as a Share of Personal Income, FY 2000**

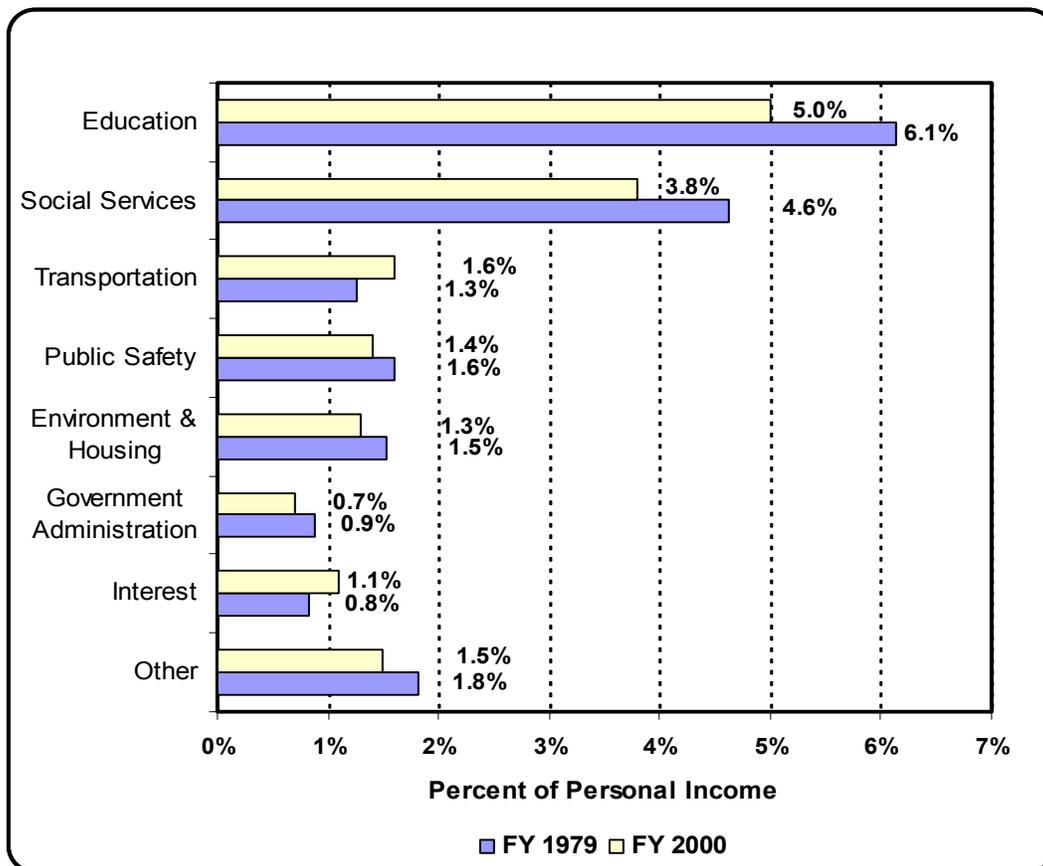
Massachusetts and U.S. Average



As troubling as this comparison may be, the difference between spending in Massachusetts in FY00 and Massachusetts in FY79 is more disturbing still. As shown in Figure 11, direct general expenditure stood at 18.8 percent of personal income in the Commonwealth in FY79, but had declined to 16.5 percent by FY00. K-12 education spending shrank over those 20 years as well, from 5.0 percent of personal income in FY79 to 3.8 percent in FY00, with the state's ranking plummeting from 7<sup>th</sup> in the nation to 49<sup>th</sup>. (The share of personal income dedicated to higher education did grow slightly during that time, from 0.8 percent to 0.9 percent.) Social services spending was not exempt from this overall trend either. In FY79, social services spending equaled 4.6 percent of personal income. By FY00, it was 3.8 percent.

**Figure 11. Changes in State and Local Spending as a Share of Income, FY 1979 to FY 2000**

	FY 1979		FY 2000	
	Percent of Personal Income	Rank	Percent of Personal Income	Rank
Direct Expenditure	18.8%	14th	16.5%	45th
<i>Wages and Salaries</i>	8.2%	8th	5.7%	47th
Education	6.1%	33rd	5.0%	49th
<i>K-12</i>	5.0%	7th	3.8%	49th
<i>Higher education</i>	0.8%	49th	0.9%	49th
Social Services	4.6%	4th	3.8%	36th
<i>Public welfare</i>	3.1%	3rd	2.8%	31st
<i>Health &amp; hospitals</i>	1.5%	22nd	1.0%	43rd
Transportation	1.3%	44th	1.6%	30th
Public Safety	1.6%	5th	1.4%	37th
Environment & Housing	1.5%	9th	1.3%	34th
Gov't Administration	0.9%	23rd	0.7%	49th
Interest	0.8%	13th	1.1%	7th
Other	1.8%	7th	1.5%	10th



In fiscal year 1979, these figures put Massachusetts near the top end of all states in terms of the share of personal income it dedicated to various priorities. In FY79, it ranked 14<sup>th</sup> in direct general expenditures, 7<sup>th</sup> in spending on primary and secondary education, 4<sup>th</sup> in social service spending generally, 3<sup>rd</sup> in spending for public welfare in particular, and 5<sup>th</sup> in public safety spending. By fiscal year 2000, it stood 45<sup>th</sup>, 49<sup>th</sup>, 36<sup>th</sup>, 31<sup>st</sup>, and 37<sup>th</sup> in these categories. In short, in FY79, Massachusetts stood out among the states for the commitments it made to educate its children, to protect its citizens, and to aid its families that were struggling to make ends meet. By FY00, the state had distinguished itself only by how far it had fallen.

## B. Direct General Expenditures

As noted above, direct general expenditure in Massachusetts in FY00 ranked 45<sup>th</sup> in the country.

In that year, the Commonwealth made direct general expenditures equal to 16.5 percent of personal income. Only five states – Virginia, Maryland, Connecticut, New Jersey, and New Hampshire – had spending below that level.

At the opposite end of the spectrum, Alaska dedicated a larger share of personal income to direct general expenditure than any other state. It spent the equivalent of 41.9 percent of personal income in FY00. Among the 50 states overall, direct general expenditure amounted to 18.6 percent of personal income.

Direct general expenditure may be viewed as the converse of state and local general own-source revenue. It is a broad measure of total state and local spending that encompasses not only current programmatic and operational spending but capital spending as well. It does not include utility, liquor store, or insurance trust expenditures, just as general own-source revenue did not count funds emerging from such categories.

TABLE 7

RANK	STATE	SHARE OF PERSONAL INCOME
1	Alaska	41.9%
2	New Mexico	26.1%
3	Wyoming	25.1%
4	Mississippi	23.8%
5	North Dakota	23.7%
6	Montana	22.7%
7	West Virginia	22.7%
8	Louisiana	22.0%
9	New York	22.0%
10	Maine	21.9%
11	Oregon	21.9%
12	Hawaii	21.8%
13	Utah	21.7%
14	South Carolina	21.5%
15	Alabama	21.4%
16	Vermont	21.4%
17	Wisconsin	20.7%
18	Iowa	20.6%
19	Minnesota	20.5%
20	Kentucky	20.1%
21	Delaware	19.8%
22	Idaho	19.3%
23	North Carolina	19.3%
24	Arkansas	19.2%
25	Michigan	19.2%
26	California	18.8%
27	Rhode Island	18.7%
28	Pennsylvania	18.7%
--	<b>US Total</b>	<b>18.6%</b>
29	Arizona	18.5%
30	Ohio	18.4%
31	Washington	18.4%
32	South Dakota	18.1%
33	Nebraska	18.1%
34	Indiana	17.9%
35	Kansas	17.9%
36	Tennessee	17.3%
37	Oklahoma	17.2%
38	Florida	17.2%
39	Georgia	17.1%
40	Texas	17.0%
41	Nevada	17.0%
42	Colorado	16.7%
43	Missouri	16.7%
44	Illinois	16.7%
<b>45</b>	<b>Massachusetts</b>	<b>16.5%</b>
46	Virginia	16.3%
47	Maryland	15.8%
48	Connecticut	15.8%
49	New Jersey	15.7%
50	New Hampshire	14.4%

*C. State and Local Capital Spending*

Capital spending in Massachusetts was the equivalent of \$25 out of every \$1,000 of personal income in FY00, slightly more than the states in aggregate devoted to this category of spending. Nonetheless, 29 states still spent a larger share of personal income on capital projects than the Commonwealth did.

Looking at the states individually, capital spending ranged from \$65 per \$1,000 of personal income in Alaska to \$13 per \$1,000 of personal income in Rhode Island.

Note that for this and other smaller categories of spending, this report calculates interstate comparisons relative to \$1,000 of personal income. The difference between this measure and the “share of income” measure used in other categories is simply the placement of the decimal point. That is, describing total state spending in Massachusetts as 16.5 percent of income is the same as \$16.50 per \$100 of income or \$165.00 per \$1,000 of income. Thus, the report switches to this “spending per \$1,000 of personal income” measure solely to provide more detail for smaller spending categories.

TABLE 8

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	Alaska	\$64.78
2	Wyoming	\$43.66
3	North Dakota	\$41.47
4	New Mexico	\$34.53
5	Nevada	\$33.82
6	Utah	\$33.69
7	Mississippi	\$32.58
8	South Dakota	\$32.23
9	Iowa	\$30.11
10	Arizona	\$29.57
11	South Carolina	\$29.25
12	Minnesota	\$28.94
13	Nebraska	\$28.80
14	Wisconsin	\$28.71
15	Kentucky	\$28.64
16	Alabama	\$28.56
17	Washington	\$28.31
18	Georgia	\$28.22
19	Hawaii	\$27.90
20	Montana	\$27.46
21	Louisiana	\$26.61
22	Florida	\$26.44
23	Texas	\$26.23
24	Idaho	\$26.08
25	Ohio	\$25.91
26	Tennessee	\$25.61
27	Colorado	\$25.27
28	Delaware	\$24.84
29	Oklahoma	\$24.73
<b>30</b>	<b>Massachusetts</b>	<b>\$24.59</b>
31	Indiana	\$24.55
32	West Virginia	\$24.36
33	Oregon	\$24.12
--	<b>US Total</b>	<b>\$23.80</b>
34	North Carolina	\$23.73
35	Missouri	\$23.38
36	New York	\$23.30
37	Kansas	\$23.08
38	Michigan	\$22.85
39	Illinois	\$22.63
40	Arkansas	\$20.57
41	Maryland	\$19.98
42	Pennsylvania	\$19.61
43	California	\$19.50
44	Virginia	\$18.79
45	Maine	\$18.42
46	Connecticut	\$16.00
47	New Hampshire	\$14.83
48	Vermont	\$14.50
49	New Jersey	\$13.21
50	Rhode Island	\$13.08

*D. State and Local Spending on Wages and Salaries*

Spending on wages and salaries for state and local government employees (such as firefighters, police officers, and teachers) amounted to 5.7 percent of personal income in Massachusetts in FY00. Only three states – Hawaii, Connecticut, and New Hampshire – spent a smaller share of personal income on its workforce than Massachusetts did in FY00.

In the aggregate, state and local governments spent 6.8 percent of personal income on wages and salaries, with Alaska leading the way at 11.6 percent of personal income.

TABLE 9

RANK	STATE	SHARE OF PERSONAL INCOME
1	Alaska	11.6%
2	Wyoming	9.2%
3	New Mexico	8.8%
4	Nebraska	8.5%
5	Louisiana	8.3%
6	Iowa	8.2%
7	New York	8.2%
8	Mississippi	8.2%
9	South Carolina	8.0%
10	West Virginia	8.0%
11	Montana	7.9%
12	Oregon	7.8%
13	Vermont	7.7%
14	Utah	7.7%
15	Alabama	7.4%
16	North Dakota	7.4%
17	North Carolina	7.3%
18	Delaware	7.3%
19	Minnesota	7.2%
20	Washington	7.2%
21	Idaho	7.2%
22	Arkansas	7.1%
23	Kansas	7.0%
24	Kentucky	6.9%
25	Oklahoma	6.9%
26	California	6.9%
27	Wisconsin	6.9%
28	Michigan	6.8%
--	<b>US Total</b>	<b>6.8%</b>
29	Ohio	6.8%
30	Maryland	6.7%
31	Rhode Island	6.6%
32	Arizona	6.6%
33	Missouri	6.5%
34	Florida	6.5%
35	Texas	6.4%
36	Maine	6.4%
37	Nevada	6.4%
38	Georgia	6.3%
39	New Jersey	6.3%
40	Indiana	6.3%
41	Colorado	6.2%
42	Illinois	6.1%
43	South Dakota	6.1%
44	Pennsylvania	5.8%
45	Virginia	5.8%
46	Tennessee	5.8%
<b>47</b>	<b>Massachusetts</b>	<b>5.7%</b>
48	Hawaii	5.5%
49	Connecticut	5.4%
50	New Hampshire	4.9%

### E. State and Local Spending on Education

As discussed previously, education was Massachusetts' top priority in FY00, with 30 percent of the Commonwealth's budget dedicated to that purpose. However, relative to the other states, Massachusetts devoted an exceptionally low level of resources to education in FY00. The \$50.02 per \$1,000 of personal income it spent on education overall was the lowest level of funding of any state in the country, save one. Only Connecticut, which spent \$49.49 per \$1,000 of personal income, allocated a smaller share of personal income to education overall than Massachusetts did.

In stark contrast, fourteen states, including Wyoming, Mississippi, and North Dakota, spent more than \$75 per \$1,000 of personal income on education overall in FY00. The states as a whole spent \$64.60 per \$1,000 of personal income on education that same year, 29 percent more than in Massachusetts.

TABLE 10

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	Alaska	\$97.12
2	New Mexico	\$95.51
3	Wyoming	\$84.85
4	Utah	\$83.35
5	Vermont	\$82.51
6	West Virginia	\$82.48
7	Mississippi	\$82.42
8	Montana	\$82.24
9	North Dakota	\$81.11
10	Iowa	\$78.99
11	Michigan	\$78.69
12	Wisconsin	\$76.98
13	South Carolina	\$75.49
14	Alabama	\$75.32
15	Oklahoma	\$73.05
16	Arkansas	\$72.97
17	Delaware	\$72.46
18	Indiana	\$71.36
19	Louisiana	\$70.99
20	Idaho	\$70.70
21	Nebraska	\$70.23
22	Maine	\$70.10
23	Oregon	\$69.90
24	Texas	\$69.73
25	Kansas	\$67.85
26	North Carolina	\$67.50
27	Minnesota	\$67.49
28	Kentucky	\$67.38
29	Georgia	\$66.32
30	Pennsylvania	\$65.91
31	Ohio	\$65.90
--	<b>US Total</b>	<b>\$64.60</b>
32	South Dakota	\$64.08
33	New York	\$63.73
34	Washington	\$63.46
35	Arizona	\$62.63
36	Rhode Island	\$62.49
37	New Jersey	\$62.29
38	Missouri	\$62.08
39	Virginia	\$61.68
40	California	\$60.88
41	Illinois	\$58.86
42	Colorado	\$58.62
43	Maryland	\$58.03
44	Tennessee	\$57.41
45	Hawaii	\$55.46
46	Nevada	\$52.51
47	New Hampshire	\$52.18
48	Florida	\$52.14
<b>49</b>	<b>Massachusetts</b>	<b>\$50.02</b>
50	Connecticut	\$49.49

*F. State and Local Spending on Primary and Secondary Education*

Given the relatively parsimonious level of resources it allotted to education overall, Massachusetts naturally lagged behind almost all of the states in terms of funding for primary and secondary education. In FY00, Massachusetts spent \$38.07 per \$1,000 of personal income on primary and secondary education. This level of spending once again put Massachusetts in 49<sup>th</sup> place.

Alaska spent nearly twice as much on K-12 education – \$73.62 per \$1,000 of personal income – as Massachusetts did in FY00. Hawaii’s \$34.25 per \$1,000 of personal income was the least of any state.

It is worth reiterating how far Massachusetts has fallen in this regard. In FY79, Massachusetts was a national leader in spending on primary and secondary education spending, devoting \$50.36 per \$1,000 of personal income to meeting the educational needs of its children. In fact, it ranked 7<sup>th</sup> in the nation in spending on K-12 education 20 years ago. Since then, spending on K-12 education has fallen by almost 25 percent.

TABLE 11

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	Alaska	\$73.62
2	Wyoming	\$57.00
3	West Virginia	\$55.86
4	New Mexico	\$55.13
5	Vermont	\$54.67
6	Michigan	\$52.83
7	Maine	\$52.57
8	Wisconsin	\$52.49
9	New York	\$52.13
10	Montana	\$51.98
11	South Carolina	\$51.17
12	Texas	\$50.51
13	Mississippi	\$50.29
14	New Jersey	\$49.28
15	Alabama	\$48.10
16	North Dakota	\$47.99
17	Iowa	\$47.95
18	Oklahoma	\$47.71
19	Georgia	\$47.58
20	Utah	\$47.53
21	Minnesota	\$47.01
22	Louisiana	\$46.67
23	Idaho	\$46.62
24	Pennsylvania	\$46.35
25	Ohio	\$46.34
26	Indiana	\$45.82
27	Oregon	\$45.79
28	South Dakota	\$45.35
29	Rhode Island	\$45.32
30	Arkansas	\$45.29
--	<b>US Total</b>	<b>\$45.22</b>
31	Nebraska	\$44.47
32	Missouri	\$43.58
33	North Carolina	\$43.36
34	Kansas	\$42.81
35	Virginia	\$42.81
36	Illinois	\$42.64
37	Delaware	\$42.47
38	Washington	\$42.08
39	Kentucky	\$41.74
40	California	\$41.32
41	Arizona	\$40.70
42	Nevada	\$40.14
43	Tennessee	\$39.09
44	Maryland	\$38.78
45	New Hampshire	\$38.72
46	Colorado	\$38.45
47	Connecticut	\$38.41
48	Florida	\$38.39
<b>49</b>	<b>Massachusetts</b>	<b>\$38.07</b>
50	Hawaii	\$34.25

*G. State and Local Spending on Higher Education*

The same pattern emerges when spending on higher education is examined. Massachusetts also stood 49<sup>th</sup> in this category in FY00. It spent \$9.20 per \$1,000 of personal income on higher education in FY00, while states such as Utah and New Mexico spent more than \$30 per \$1,000 in personal income in this area.

Across the country, spending on higher education was \$16.64 per \$1,000 of personal income in FY00, 81 percent above the Massachusetts level.

Spending on higher education in Massachusetts, as a share of personal income, actually rose between FY79 and FY00, climbing from \$8.01 per \$1,000 to \$9.20 per \$1,000. Massachusetts' ranking in FY79 was the same as it was in FY00 – a dismal 49<sup>th</sup>.

TABLE 12

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	New Mexico	\$36.41
2	Utah	\$32.12
3	North Dakota	\$29.81
4	Iowa	\$26.91
5	Mississippi	\$26.72
6	Montana	\$24.02
7	Michigan	\$23.97
8	Delaware	\$23.42
9	Wyoming	\$23.41
10	Nebraska	\$23.25
11	Kansas	\$23.15
12	Vermont	\$23.02
13	Alabama	\$23.02
14	Indiana	\$22.55
15	Oklahoma	\$22.31
16	Oregon	\$22.10
17	West Virginia	\$21.77
18	Wisconsin	\$21.74
19	Arkansas	\$21.57
20	Kentucky	\$21.49
21	North Carolina	\$21.41
22	Idaho	\$20.88
23	Alaska	\$20.67
24	Hawaii	\$20.61
25	South Carolina	\$20.59
26	Arizona	\$19.65
27	Louisiana	\$19.37
28	Colorado	\$18.64
29	Washington	\$18.30
30	Texas	\$17.42
31	California	\$17.25
32	Minnesota	\$17.15
33	Maryland	\$16.69
--	<b>US Total</b>	<b>\$16.64</b>
34	Virginia	\$16.45
35	Tennessee	\$16.32
36	Ohio	\$16.23
37	South Dakota	\$16.05
38	Missouri	\$15.36
39	Georgia	\$15.11
40	Maine	\$14.56
41	Pennsylvania	\$14.47
42	Rhode Island	\$13.49
43	Illinois	\$13.08
44	New Hampshire	\$11.76
45	Florida	\$11.57
46	New Jersey	\$11.55
47	Nevada	\$11.41
48	New York	\$9.56
<b>49</b>	<b>Massachusetts</b>	<b>\$9.20</b>
50	Connecticut	\$8.80

*H. State and Local Social Services Spending*

Overall in FY00, Massachusetts spent \$37.72 for every \$1,000 in personal income on social services and income maintenance. This category of spending includes expenditures for public welfare programs, health programs, veterans' services, hospitals, and payments to augment Supplemental Security Income (SSI) benefits for the elderly and the disabled.

Unfortunately, Massachusetts did not compare particularly well to the other states on the basis of social services spending in FY00. The \$37.72 per \$1,000 of personal income that the Commonwealth spent put it at 36<sup>th</sup> in the nation.

Mississippi had the highest level of social services spending across the country in FY00, while New Jersey had the lowest. In the former state, it amounted to \$77.13 per \$1,000 of personal income and in the latter it totaled \$27.19.

TABLE 13

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	Mississippi	\$77.13
2	Alabama	\$70.22
3	South Carolina	\$69.30
4	Louisiana	\$64.51
5	New York	\$64.41
6	Maine	\$63.29
7	New Mexico	\$61.45
8	West Virginia	\$61.20
9	Alaska	\$61.19
10	Wyoming	\$58.87
11	North Carolina	\$56.94
12	Oregon	\$55.46
13	Kentucky	\$55.42
14	Iowa	\$53.30
15	Tennessee	\$52.79
16	Arkansas	\$52.45
17	Minnesota	\$51.95
18	Hawaii	\$50.40
19	Pennsylvania	\$49.64
20	Rhode Island	\$49.31
21	Vermont	\$48.62
22	Ohio	\$47.17
23	Washington	\$46.92
24	California	\$45.66
25	Montana	\$45.52
--	<b>US Total</b>	<b>\$45.23</b>
26	Idaho	\$44.28
27	Michigan	\$44.15
28	North Dakota	\$43.87
29	Utah	\$43.79
30	Indiana	\$43.58
31	Wisconsin	\$43.23
32	Nebraska	\$42.54
33	Missouri	\$42.42
34	Georgia	\$41.67
35	Florida	\$38.47
<b>36</b>	<b>Massachusetts</b>	<b>\$37.72</b>
37	Texas	\$36.63
38	Delaware	\$35.45
39	Connecticut	\$35.39
40	Arizona	\$35.23
41	Illinois	\$34.91
42	South Dakota	\$34.53
43	Virginia	\$33.94
44	New Hampshire	\$33.06
45	Kansas	\$32.02
46	Maryland	\$30.85
47	Colorado	\$30.49
48	Nevada	\$28.84
49	Oklahoma	\$28.45
50	New Jersey	\$27.19

## I. State and Local Public Welfare Spending

Massachusetts spent \$27.57 per \$1,000 of personal income on public welfare programs in FY00 – one category of social services spending – an amount slightly below the level of spending for the country as a whole (\$28.90 per \$1,000).

Massachusetts ranked 31<sup>st</sup> in the country in terms of public welfare expenditures in FY00. Measured as a share of personal income, Maine dedicated more money than any other state to its public welfare programs in FY00. It spent \$49.89 per \$1,000 of personal income. Oklahoma spent the least of any state – just \$11.08 for every \$1,000 in personal income.

While Massachusetts spent less than most states on public welfare in FY00, it ranked relatively high 20 years ago; in FY79, the Commonwealth stood 3<sup>rd</sup> among the states, spending slightly more than \$30 for every \$1,000 in personal income.

Under the Census Bureau’s classification, public welfare spending includes direct cash assistance payments to low-income families and individuals, vendor payments under Medicaid, and expenditures made to cover the costs of administering such programs.

TABLE 14

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	Maine	\$49.89
2	West Virginia	\$45.85
3	New York	\$45.78
4	Alaska	\$44.67
5	Vermont	\$43.48
6	Kentucky	\$43.30
7	Mississippi	\$39.69
8	Minnesota	\$39.18
9	New Mexico	\$39.15
10	Rhode Island	\$38.51
11	Pennsylvania	\$37.75
12	North Dakota	\$37.48
13	South Carolina	\$36.63
14	Arkansas	\$34.76
15	Alabama	\$34.18
16	Tennessee	\$33.42
17	Oregon	\$33.28
18	Hawaii	\$31.11
19	Nebraska	\$30.64
20	Ohio	\$30.59
21	Louisiana	\$30.34
22	Wisconsin	\$30.11
23	North Carolina	\$30.02
24	Iowa	\$29.91
25	Utah	\$28.99
--	<b>US Total</b>	<b>\$28.90</b>
26	Michigan	\$28.85
27	New Hampshire	\$28.20
28	Washington	\$27.99
29	California	\$27.98
30	Montana	\$27.83
<b>31</b>	<b>Massachusetts</b>	<b>\$27.57</b>
32	Missouri	\$27.20
33	Indiana	\$26.58
34	Idaho	\$26.20
35	South Dakota	\$25.66
36	Georgia	\$25.01
37	Arizona	\$23.44
38	Delaware	\$23.15
39	Maryland	\$23.14
40	Connecticut	\$22.94
41	Illinois	\$22.93
42	Wyoming	\$21.98
43	Florida	\$21.71
44	Virginia	\$21.08
45	Texas	\$20.38
46	Colorado	\$20.26
47	New Jersey	\$19.31
48	Kansas	\$18.80
49	Nevada	\$15.40
50	Oklahoma	\$11.08

*J. State and Local Hospital Spending*

Massachusetts ranked 45<sup>th</sup> in the country in terms of hospital spending in FY00 – another category of social services spending – when the Commonwealth spent \$2.97 per \$1,000 of personal income in this area. Aggregate spending on hospitals by state and local governments was \$9.41 per \$1,000 of personal income in FY00.

Vermont spent just eighteen cents for every \$1,000 of personal income on hospitals in FY00, the lowest level of spending of any state by far. Mississippi spent over 170 times that level, allocating \$31.05 per \$1,000 of personal income to its hospitals.

TABLE 15

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	Mississippi	\$31.05
2	Wyoming	\$28.19
3	Louisiana	\$27.89
4	Alabama	\$26.99
5	South Carolina	\$23.14
6	North Carolina	\$18.22
7	Iowa	\$17.27
8	Oregon	\$13.58
9	Tennessee	\$13.01
10	New York	\$12.67
11	Indiana	\$12.66
12	New Mexico	\$12.49
13	Idaho	\$12.37
14	Texas	\$11.62
15	Oklahoma	\$11.40
16	Arkansas	\$11.37
17	Georgia	\$11.20
18	Nevada	\$9.82
19	Florida	\$9.53
--	<b>US Total</b>	<b>\$9.41</b>
20	Missouri	\$9.26
21	West Virginia	\$8.92
22	Washington	\$8.86
23	Utah	\$8.78
24	California	\$8.77
25	Nebraska	\$8.59
26	Connecticut	\$8.44
27	Virginia	\$7.98
28	Kansas	\$7.31
29	Minnesota	\$7.29
30	Ohio	\$7.07
31	Colorado	\$6.44
32	Michigan	\$5.87
33	Kentucky	\$5.85
34	Hawaii	\$5.74
35	Wisconsin	\$5.47
36	Illinois	\$5.07
37	Montana	\$4.84
38	Pennsylvania	\$4.40
39	New Jersey	\$4.36
40	Alaska	\$4.16
41	Rhode Island	\$4.09
42	South Dakota	\$3.78
43	Arizona	\$3.59
44	Maine	\$3.27
<b>45</b>	<b>Massachusetts</b>	<b>\$2.97</b>
46	North Dakota	\$2.75
47	Delaware	\$2.66
48	Maryland	\$2.08
49	New Hampshire	\$1.11
50	Vermont	\$0.18

*K. State and Local Transportation Spending*

In FY00, Massachusetts dedicated \$16.02 per \$1,000 of personal income to transportation spending, slightly higher than the \$14.73 per \$1,000 of personal income that all state and local governments spent that year.

The high and low states in terms of transportation spending for FY00 were Alaska and New Jersey, which respectively spent \$55.79 and \$7.97 per \$1,000 of personal income.

The Census Bureau includes highway spending (both current and capital), spending on airports, and spending on sea and inland port facilities in this category of expenditure.

TABLE 16

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	Alaska	\$55.79
2	Wyoming	\$34.38
3	North Dakota	\$31.15
4	South Dakota	\$29.47
5	New Mexico	\$29.12
6	Montana	\$27.08
7	Iowa	\$25.54
8	Kansas	\$24.34
9	West Virginia	\$24.07
10	Nevada	\$22.46
11	Mississippi	\$22.35
12	Utah	\$21.88
13	Vermont	\$21.17
14	Nebraska	\$20.34
15	Kentucky	\$19.99
16	Idaho	\$19.65
17	Minnesota	\$19.34
18	Wisconsin	\$19.33
19	Maine	\$19.17
20	Louisiana	\$18.98
21	Oklahoma	\$18.76
22	Delaware	\$18.68
23	Arizona	\$18.63
24	Alabama	\$17.00
25	Hawaii	\$16.72
26	Missouri	\$16.67
27	Oregon	\$16.60
28	South Carolina	\$16.44
29	Washington	\$16.12
<b>30</b>	<b>Massachusetts</b>	<b>\$16.02</b>
31	Arkansas	\$15.90
32	Florida	\$15.86
33	Virginia	\$15.52
34	Colorado	\$14.80
--	<b>US Total</b>	<b>\$14.73</b>
35	Tennessee	\$14.72
36	Texas	\$14.58
37	North Carolina	\$13.77
38	Ohio	\$13.61
39	New York	\$13.40
40	Indiana	\$13.15
41	Georgia	\$13.09
42	Pennsylvania	\$13.03
43	Illinois	\$12.73
44	New Hampshire	\$12.42
45	Michigan	\$12.42
46	Rhode Island	\$12.09
47	California	\$11.47
48	Maryland	\$10.29
49	Connecticut	\$9.36
50	New Jersey	\$7.97

*L. State and Local Public Safety Spending*

Massachusetts spent \$13.88 per \$1,000 of personal income for public safety purposes in FY00, making it 37<sup>th</sup> in the country in this area.

Overall, state and local governments spent \$17.07 per \$1,000 of personal income on public safety in FY00. Alaska led the way in FY00, with public safety spending amounting to \$24.74 per \$1,000 of personal income. South Dakota spent \$10.98 per \$1,000 of personal income, the lowest level of any state.

The Census Bureau defines public safety spending as spending on police and fire protection as well as on corrections facilities.

TABLE 17

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	Alaska	\$24.74
2	Nevada	\$23.50
3	Arizona	\$23.05
4	New Mexico	\$23.00
5	Florida	\$21.10
6	Oregon	\$20.98
7	California	\$20.92
8	New York	\$20.35
9	Delaware	\$19.56
10	Louisiana	\$19.47
11	Wisconsin	\$18.45
12	Rhode Island	\$18.06
13	Utah	\$17.90
14	Wyoming	\$17.60
15	Idaho	\$17.23
16	Oklahoma	\$17.15
--	<b>US Total</b>	<b>\$17.07</b>
17	Ohio	\$17.04
18	Illinois	\$16.51
19	Maryland	\$16.43
20	Washington	\$16.41
21	Montana	\$16.30
22	Kentucky	\$15.96
23	Mississippi	\$15.73
24	Michigan	\$15.64
25	South Carolina	\$15.55
26	Texas	\$15.51
27	Colorado	\$15.48
28	New Jersey	\$15.47
29	North Carolina	\$15.34
30	Hawaii	\$15.31
31	Georgia	\$15.16
32	Arkansas	\$15.01
33	Virginia	\$14.89
34	Pennsylvania	\$14.35
35	Kansas	\$14.10
36	Tennessee	\$14.01
<b>37</b>	<b>Massachusetts</b>	<b>\$13.88</b>
38	Missouri	\$13.88
39	Alabama	\$13.52
40	Nebraska	\$13.32
41	Connecticut	\$12.92
42	Indiana	\$12.79
43	Maine	\$12.63
44	Minnesota	\$12.47
45	Iowa	\$12.04
46	West Virginia	\$11.76
47	North Dakota	\$11.56
48	Vermont	\$11.52
49	New Hampshire	\$10.99
50	South Dakota	\$10.98

*M. State and Local Spending on Housing and the Environment*

Under the Census Bureau’s classification, this category of expenditure encompasses a wide range of activities. It includes spending for the conservation and development of state and local natural resources, for parks and recreation, for housing and community development, and for sewers and solid waste management.

For this category of expenditure, Massachusetts ranked 34<sup>th</sup> out of the fifty states in FY00, spending \$13.15 for every \$1,000 of personal income. Taken together, state and local governments around the country spent \$14.50 per \$1,000 in FY00.

Alaska spent the most of any state – \$35.94 per \$1,000 of personal income – on housing and the environment, while New Hampshire spent the least – \$8.66 per \$1,000.

TABLE 18

RANK	STATE	SPENDING PER \$1000 OF PERSONAL INCOME
1	Alaska	\$35.94
2	Hawaii	\$24.70
3	North Dakota	\$23.90
4	Oregon	\$19.94
5	Wyoming	\$19.65
6	Montana	\$19.56
7	New Mexico	\$18.39
8	Florida	\$18.05
9	Minnesota	\$17.88
10	Washington	\$16.98
11	Louisiana	\$16.81
12	California	\$16.55
13	Maine	\$16.37
14	Idaho	\$16.25
15	Vermont	\$16.15
16	Maryland	\$15.97
17	Utah	\$15.58
18	Wisconsin	\$15.48
19	Nevada	\$15.26
20	North Carolina	\$14.84
21	Delaware	\$14.72
22	South Dakota	\$14.64
23	Arizona	\$14.63
24	Nebraska	\$14.57
--	<b>US Total</b>	<b>\$14.50</b>
25	Ohio	\$14.36
26	New York	\$14.34
27	Illinois	\$14.10
28	Alabama	\$14.09
29	West Virginia	\$13.91
30	Colorado	\$13.78
31	Iowa	\$13.49
32	Georgia	\$13.48
33	Tennessee	\$13.22
<b>34</b>	<b>Massachusetts</b>	<b>\$13.15</b>
35	Mississippi	\$13.14
36	Michigan	\$13.02
37	Indiana	\$13.02
38	Arkansas	\$12.90
39	South Carolina	\$12.87
40	Pennsylvania	\$12.87
41	Kentucky	\$12.80
42	Rhode Island	\$12.79
43	Virginia	\$12.47
44	Oklahoma	\$12.28
45	New Jersey	\$12.05
46	Texas	\$11.63
47	Kansas	\$11.03
48	Connecticut	\$10.85
49	Missouri	\$10.63
50	New Hampshire	\$8.66

## IV. APPENDIX

### A. *Data and Methodology*

Unless otherwise noted, all of the revenue and expenditure data in this report are available from the U.S. Census Bureau and are for fiscal year 2000. Personal income data (the use of which is discussed below) was provided by the U.S. Department of Commerce, Bureau of Economic Analysis, and has been adjusted to reflect income for fiscal year 2000 for each state.

Much of the information in this report is expressed as a “share of income.” To illustrate, in fiscal year 2000, Massachusetts raised \$9.0 billion in individual income taxes, while personal income totaled \$229 billion, meaning that individual income taxes were equal to 4.0 percent of personal income (\$9.0 billion divided by \$229 billion) or that their “share of income” was 3.8 percent. This measure is employed in an attempt to remove the variations in population, income, and the cost of living that exist among the states and, thus, to create a proper standard for comparison. Dollar to dollar comparisons would simply mirror such differences in population, income, and the cost of living, while comparisons on the basis of “shares of income” provide a more accurate picture of the available resources states have devoted to certain program areas.

Finally, in some cases, spending levels are defined as “dollars per \$1,000 of personal income.” This measure is essentially the same as “share of income,” but has been used to facilitate comprehension and analysis in those instances in which the “share of income” concept would have yielded exceptionally small figures. Returning to the example above, individual income tax payments could be described as either 4.0 percent of personal income or \$39.52 per \$1,000 of personal income.