MASSACHUSETTS BUDGET AND POLICY CENTER

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NEW REPORT SHOWS THAT STATE SPENDING FELL AS SHARE OF PERSONAL INCOME IN 1990s – REVERSING TREND OF THE 1980s

A report released today by the Massachusetts Budget and Policy Center examines factors in the state's fiscal crisis and finds that spending grew more slowly than personal income in the 1990s. State spending fell from 9.4% of personal income in 1991 to 9.1% of personal income in 2002. During the same period taxes were cut by $3.7 billion dollars, creating a structural deficit in the state budget. The report, *Trading Places: The Role of Taxes and Spending in the Fiscal Crisis*, concludes that restoration of some of this tax revenue is a necessary ingredient in addressing the state's budget gap.

"By examining actual state spending in the 1990s, this report shows that each year the state was taking a smaller portion of the personal income of Massachusetts residents. During the good times, taxes were slashed by billions of dollars while the legislature held the line on spending," said Noah Berger, Executive Director of the MBPC. "The spending increases that did occur were focused in three areas: education, healthcare, and public safety."

The report contrasts the experience of the 1990s with that of the 1980s. During the 1980s, spending grew faster than personal income. In the 1990s, real growth in spending was 2.3% a year -- less than the 2.6% rate at which personal income grew and less than half the 4.7% annual growth rate of spending in the 1980s. The report also analyzes U.S. Census data to show that Massachusetts ranks low in the share of state resources devoted to public services: the state is 42nd in the nation in public employees per capita.

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. Copies of the full report are available at www.massbudget.org.

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