McCormack Graduate School of Policy Studies
MASSACHUSETTS BUDGET AND POLICY CENTER

November 2007

A MORE TRANSPARENT BUDGET: CONTINUING THE PROGRESS

Executive Summary

Massachusetts made dramatic progress toward a more transparent budget process over the past year. In the wake of an October 2006 report from the Massachusetts Budget Transparency Project (MBTP), and involvement of MBTP members with the new Governor's transition team, far more information was made available, particularly via the web, to those interested in understanding and following the budget's development.

Budget transparency means providing, in a clear, accessible, and timely manner, enough information for the public to be able to understand changes in spending and revenue levels, differences among particular budget proposals, and the purposes for all spending. The most important improvements in transparency made during the FY 2008 budget process are the following.

- A budget tracking tool on the Governor's website provided line item appropriation numbers for the FY 2007 budget and each FY 2008 budget proposal as it was released, allowing for easy comparison of proposals with each other and with the prior year.

- Historical spending levels for the past four fiscal years were provided on the Governor's website for each line item in the budget and historical government employment levels over the same period, along with FY 2008 projections, were included for each state department and agency.

- A departmental information link on the Governor's budget site provided information for each department and agency such as mission statements, goals, organization charts, and links to departmental sites.

- A budget navigation guide on the Governor's website provided a brief introduction to reading and interpreting the state budget, a particularly useful tool for individuals new to the budget process.

- Downloadable budget files were available on the sites of the Governor, the House, and the Senate and were updated in a timely fashion. Of particular note, the Governor's site contained a downloadable line item appropriation spreadsheet that was updated with each new budget proposal.

- Updated amendments were posted to the House and Senate sites as floor debate proceeded.

Beyond what was available via the internet, the staff with the Executive Office of Administration and Finance and the staffs of the two legislative Ways and Means committees provided much additional information upon request, most notably, spreadsheets showing detail on revenues.

While much progress was made in FY 2008, additional improvements are needed to achieve a fully transparent budget process in Massachusetts. The following steps could bring the state closer to the goal of full transparency.

- Provide a comprehensive statement of revenues and expenditures with each budget proposal, and throughout the year as new supplemental budgets are passed. Such a statement would include spending that is accomplished through transfers as well as that which is appropriated in line items and would differentiate between revenue and expenditure items that are one-time and those that are ongoing. This is the single most important improvement remaining to be done.

- Accompany each budget proposal with a spreadsheet of all revenues by source. Because revenue numbers change from one budget proposal to the next, this information is necessary to fully understand the differences between two proposals. Such a spreadsheet already exists; it is simply a matter of publishing it along with budget proposals.

- Publish a spreadsheet summarizing differences with previously released proposals and prior year budgets with the release of each proposal;

- For each line-item, explain whether the proposed funding level is the amount projected to be needed to continue providing the current level of services or it includes increases or decreases in funding that represent new policy choices.

- Expand the accomplishments in the FY08 budget, to include program descriptions and goals for each line item in the budget;

- Publish detailed information regarding the long-term fiscal obligations of the state for retiree benefits and debt repayment as well as an examination of fiscal risks facing the state.

- Publish printed copies of the budget when the budget is released and make them available to the public at libraries around the state. Given the size of the budget document, interested but non-professional readers can find it easier to navigate and understand the structure of a printed report than to view one screen at a time. Printed budget documents also recognize that on-line access, while a wonderful tool, is not yet universal.

The Massachusetts budget process will be fully transparent when the state publishes, with each budget, detailed information on the assumptions and estimates, such as caseloads and expected price increases, used to determine appropriation amounts for each line item. Without this detail a nominal increase in funding cannot be analyzed to understand whether it provides for an increase in services, the future cost of providing the same level of services, or a decrease in services masked by higher future costs.

Introduction

In October of 2006, the Massachusetts Budget Transparency Project (MBTP) published a report, *Creating a Transparent Budget for Massachusetts*. The MBTP was initiated by the Massachusetts Budget and Policy Center and participants included: Stephen Crosby of the University of Massachusetts, and former Secretary of Administration and Finance for Massachusetts; Katherine Craven, former Budget Director for the House Committee on Ways and Means; John McGinn, former Budget Director for the Senate Committee on Ways and Means; Michael Widmer of the Massachusetts Taxpayers Foundation; Katharine Gibson, formerly of the Federal Reserve Bank of Boston; and Noah Berger of the Massachusetts Budget and Policy Center. The report defined five goals for a transparent budget process that would enhance the ability of the state's populace to engage with and participate in budget decision-making. These goals are to:

1) Provide clear information on new initiatives and changes in each budget proposal;
2) Provide clear information on the purposes of – and costs for – all programs;
3) Provide clear information about revenue and the balance between revenue and expenditures;
4) Provide sufficient information to put the budget in context; and,
5) Create easier public access to budget information.

Members of the Transparency Project have, since the report's publication, had the opportunity to influence positively the degree of transparency in the state budget process. Two members, Michael Widmer and Stephen Crosby, co-chaired Governor Patrick's budget transition team, while the Massachusetts Budget and Policy Center prepared a memorandum on implementation measures that was submitted to the transition team and included in the transition team's report to the Governor.

The FY 2008 budget has now been proposed, debated, and enacted, providing an opportunity to evaluate the progress that has been made towards greater budget transparency. In fact, the greater attention focused on transparency, as a result of the efforts of the MBTP, led to a significantly more transparent budget-writing process in FY08. Among the major improvements are the following:

- <u>Governor's budget website</u>: The Governor's budget website for FY 2008 provides numerous useful tools for accessing and interpreting the budget. These include:
    - The budget tracking tool which, as each new budget proposal was released, provided amounts by line item, allowing for easy comparisons between proposals;
    - A downloadable spreadsheet with appropriation amounts by line item for each version of the budget;
    - Historical spending totals by line item for four previous fiscal years;
    - Historical and projected employment levels by line item;
    - An analysis of the Commonwealth's overall fiscal outlook;
    - The state's proposed capital budget;
    - Links to state financial statements;
    - Links to revenue forecast reports;

    - A budget navigation guide; and,
    - Descriptions of the mission of each state department of agency with links to organization charts, goals, and departmental websites.

- Governor's handouts: Handouts provided at the public release of the Governor's proposal, and subsequently posted to the budget website, provided a detailed analysis of the FY 2008 budget gap including estimates of the amount of funding needed to maintain services at FY 2007 levels, the amount being spent on new initiatives, and the amount being cut from maintenance-level spending. Although these categories were not presented at a line item level, they provided a framework to examine the methods employed to balance spending and revenue in the Governor's proposal.

- House Ways and Means website: The House Ways and Means Committee website provided HTML and PDF versions of all its budget documents. In addition, a complete list of filed amendments was posted to the Committee's website within a day of the filing deadline. As floor debate proceeded, the website contained the full text of consolidated amendments soon after each was passed. In addition, the House Ways and Means budget proposal provided more extensive information about revenue assumptions than had been provided previously.

- Senate Ways and Means website: The Senate Ways and Means Committee website also provided both HTML and PDF files of each of its budget documents. As budget debate proceeded the list of filed amendments was updated to reflect whether each was adopted or rejected. The Senate website also provided links to the state's most recent financial statements for purposes of fiscal context for the budget.

- Staff responsiveness: A number of items important to understanding the budget process were not available online but were made available upon request to the Executive Office of Administration and Finance and the committee staffs for the Legislature's two Ways and Means committees. These included:
    - A line item-by-line item list of the amount of funding eliminated through the removal of earmarks;
    - A line item-by-line item list of proposed spending cuts that would bring FY 2008 spending below the level necessary to maintain services at FY 2007 levels;
    - A breakdown of transfer spending and transfer revenues in the proposals of the Governor and the House Ways and Means Committee (in the official budget documents, transfers out of the General Fund and transfers into the General Fund are aggregated into a single number called Consolidated Transfers);
    - Once the budget was signed, the Executive Office of Administration and Finance provided a spreadsheet detailing every revenue component relied upon for each version of the budget, allowing for the development of a comprehensive statement of revenues and expenditures;
    - A line-item spreadsheet comparing the Governor's proposal with that of the House Ways and Means Committee, including a breakdown of line items that were consolidated in the Governor's proposal into a structure matching that of the Ways and Means Committee;

- Explanations of particular funding levels by line item, as needed, and whether or not they represented spending o new initiatives, maintenance increases, or cuts; and,
- The Executive Office of Administration and Finance provided line item spreadsheets for the House Ways and Means and Senate Ways and Means budgets, allowing for more timely analysis of the data than is possible from an HTML or PDF document.

These extensive efforts throughout the FY 2008 budget process made accessing, understanding and analyzing different proposals much easier. More remains, however, that could be done to increase transparency. The remainder of this report examines the transparency of the FY 2008 budget process relative to the five goals of the Transparency Project and identifies actions that can be taken in future years to further improve the process.[1]

Goal 1: Provide clear information on new initiatives and changes in each budget proposal

In an open and transparent budget process, a comprehensive list of new spending initiatives, and the dollar impact of each initiative, whether an increase or decrease, accompanies each budget proposal. Not all dollar changes are caused by new initiatives, however. The cost to provide the same level of service also changes from year to year due to changes in labor costs and other prices and changes in caseloads due to demographic trends. A maintenance budget is a useful tool for distinguishing the change in cost to provide the same level of service from a cost change due to an enhancement or cut in service.

A maintenance budget shows the cost of providing the same level of service as in the prior year; it does not include the effect of any policy decisions to change services or eligibility criteria. A maintenance budget for FY 2008, for example, would list the amount of money by line item necessary in FY 2008 to provide the same level of service to the same eligible population as is being provided in FY 2007. The maintenance budget for a particular year generally will be higher than the prior year's budget because typically inflation drives up the cost of providing the same level of service. The maintenance budget can be less than the prior year if caseloads decline due to demographic change sufficiently to offset the impact of price increases or if the price for a major cost component drops sufficiently to offset upward pressure from other sources.

It is very difficult to measure the impact of policy changes without a comparison, for each edition of the budget, of proposed spending to a maintenance budget. A maintenance budget also would facilitate comparisons among budget proposals, because it would be easier to identify the difference in policy choices.

[1] The original report of the Massachusetts Budget Transparency Project is available at: http://www.massbudget.org/article.php?id=521.

Short of developing a full maintenance budget, publishing information on the key assumptions used to project funding levels also would be very helpful. For example, it would be useful if projected caseloads were included with the proposed budget for the Department of Transitional Assistance. With this information, funding levels could be compared on a per case basis from one year to the next.

A maintenance budget does require making projections about costs and caseloads and judgments about related issues. Therefore, assumptions about what true maintenance funding levels are will likely change during the budget process. Rather than publishing a comprehensive maintenance budget, the Governor, and the House and Senate Ways and Means Committees could simply indicate with each line-item whether the amount proposed is their maintenance estimate or if it includes increases or decreases in funding as the result of policy choices.

The FY 2008 budget proposals did provide some information on new initiatives. As is usually the case, the budget narratives prepared by each branch of the government described areas of the budget where spending was increased above maintenance levels. Although detail at the line item level was not provided, the budget narratives did allow the development of rough estimates of spending beyond what is necessary to maintain the prior year's level of service.

The Governor's budget website did a particularly good job of providing timely information on differences among budget proposals through a web-based budget tracking tool which shows line item appropriation information for the Governor's budget proposal and each subsequent proposal (see an example below). This tool, available at www.mass.gov/gaa, enables anyone to look at funding levels not just by line item, but also grouped by department or secretariat. In addition, a downloadable spreadsheet on the Governor's website provided line item appropriation levels

A Maintenance Budget Example

Suppose a hypothetical state department in FY 2007 had a caseload of 10 people and provided services costing $5,000 per person for a total budget of $50,000 in FY 2007. Between FY 2007 and FY 2008, the cost of providing the same bundle of services rises by $500 to $5,500 per person. Simultaneously, two fewer people require services, dropping the total caseload to 8 people. In that case, the FY 2008 maintenance budget, the budget to provide the same level of services as in the prior year, for this department would be $44,000. In budgetary terms, this should be considered level-funding as the state provides the same level of services as were provided in the prior year to all eligible individuals. While the cost of services for the 8 remaining individuals rose by $500, or $4,000 total, costs drop by $10,000 for the two people no longer receiving services, resulting in a net decline of $6,000.

FY 2007 budget	FY 2008 maintenance
10 cases	8 cases
$5,000 each	$5,500 each
$50,000 budget	$44,000 budget

If the state elected to provide only $5,000 in funding per case for an FY 2008 budget of $40,000, that would be considered a spending cut of $4,000, because each person being served by the department would receive fewer services than in FY 2007 (because the cost of those services went up to $5,500).

from each budget proposal as soon as it was released, facilitating quick comparisons. Finally, the Executive Office of Administration and Finance provided, upon request, a spreadsheet cross-walking the Governor's recommendations with those of the House Ways and Means Committee. This spreadsheet unconsolidated some line items in the Governor's proposal to match the House Committee's structure and allow for apples-to-apples comparisons.

When the final budget was enacted and became the General Appropriations Act (GAA), the tracking tool was updated to include the GAA, the Governor's vetoes and explanations, and the GAA in the House 1 format, and to compare the GAA to prior year spending levels. This capability represents a significant improvement over prior practice.

Department of Social Services

FISCAL YEAR 2008 ($000)

		FY2007 GAA	FY2008 House 1	FY2008 House Final	FY2008 Senate Final
Budgetary Direct Appropriations		**769,488**	**790,254**	**795,299**	**798,253**
Direct Appropriations					
4800-0015	Department of Social Services Administration	75,564	78,959	78,959	78,031
4800-0025	Foster Care Review	2,822	2,822	2,822	2,866
4800-0030	DSS Regional Administration	0	0	0	20,931
4800-0034	Foster Care Services	0	0	0	137,908
4800-0035	Adoption and Guardianship Services	0	0	0	102,218
4800-0036	Sexual Abuse Intervention Network	737	739	739	739
4800-0038	Services for Children and Families	281,278	534,434	289,722	52,095
4800-0041	Group Care Services	235,963	0	249,168	228,237
4800-0151	Placement Services for Juvenile Offenders	311	319	319	319
4800-1100	Social Workers for Case Management	143,125	147,289	147,289	147,289
4800-1400	Support Services for People at Risk of Domestic Violence	21,689	21,691	21,280	22,620
4800-2025	Family Networks System of Care Reserve	3,000	0	0	0

Also available, upon request, was a list, by line item, of cuts to earmarks and spending in the Governor's budget proposal. These lists, together with the list of new spending initiatives in the budget's introduction, helped analysts understand where proposed funding levels were above or below maintenance budget levels. Comparable lists of cuts or earmark deletions were not available for the House or Senate budget proposals.

Both the House and Senate, in their respective introductory narratives, outlined new spending proposals, but did not provide line item numbers and, in some cases, specific dollar amounts. Without this information and without details on spending cuts, it was more difficult to identify policy decisions in the House and Senate proposals.

Baseline information on current year spending needs to be up-to-date in order to measure accurately the change in a budget proposal. Very little information on FY 2007 supplemental budgets was incorporated during the FY 2008 budgetary process. For example, the Governor's budget tracking tool compared the FY 2008 budget proposals to the FY 2007 General Appropriations Act (GAA). Because supplemental budgets passed in FY 2007 increased ongoing appropriations for some items, a comparison to the FY 2007 GAA overstates the true year-over-year increase. A better measure would compare FY 2008 proposed funding to FY 2007 GAA funding plus ongoing appropriations in supplemental budgets.

Next Steps:

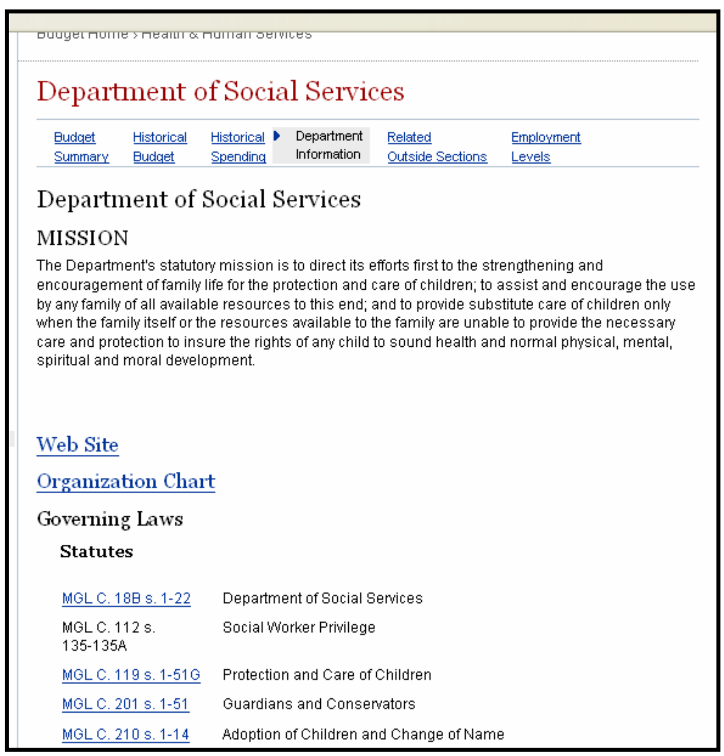
- Incorporate the impact of supplemental budgets into the current year baseline;
- Publish economic, demographic, and caseload assumptions that are relevant to the development of budget proposals. One step in this direction would be to direct all state agencies with caseload-driven budgets to regularly report their caseloads by budget line item. A second step would be to incorporate caseload and demographic data into the historical

information provided. This information alongside historical spending levels would permit an analysis of the relationship between caseloads and funding;

- In budget documents, and for all supplemental budgets passed during the year, identify those revenue and spending items that are one-time events. Because one-time spending should not be considered a component of future maintenance-level budget needs, budget analysts need to know which expenses are considered one-time purchases. Likewise, one-time or short-term revenue sources are not available in future years and can mask structural imbalance in the budget;
- With each new budget proposal, publish a list of line items for which proposed funding levels are higher or lower than the amount necessary to maintain the same level of services as in the prior fiscal year;
- When a new budget proposal is released, include an analysis, at the line-item level, of differences with previously released proposals. Ideally this analysis would identify whether differences in appropriation levels represent policy distinctions or differences in assumptions.

Goal 2: Provide clear information on the purposes of – and costs for – existing programs.

The state budget includes about 800 line items, many with detailed language and funding earmarks. A full understanding of the state budget requires understanding what each line item funds and what that funding is meant to accomplish. A transparent budget document includes, for every program in the budget, a short description of the nature of the program. While program descriptions already may exist within the various offices and departments of state government, they are not yet consistently accessible in the Massachusetts budget.



Each of the budget proposals for FY 2008 includes extensive line item language that, in some cases, describes the purposes of the funding. The Governor's budget website went further, providing a link titled "Departmental Information" with the budget recommendations for particular departments or agencies. The amount of information available varied by department, but included statements such as department or agency mission, descriptions of goals, organization charts, and links to departmental or agency websites. An example of one such Departmental Information page is shown here. Although descriptions of programmatic purposes were only sporadically available at a line-item level, the inclusion of departmental information on the budget page is a significant step forward.

The provision of historical spending totals and historical employment levels on the Governor's budget website was very useful in the analysis of spending trends over time. Trend analysis, however, is not sufficient to fully understand the assumptions behind particular funding levels. The staffs of the Executive Office of Administration and Finance and the House and Senate Ways and Means Committees are invaluable in providing, upon request, information about the funding level of particular line items. It would be impractical, however, to make requests in an attempt to understand funding assumptions behind every line item.

Next Step:
- Develop, in anticipation of the FY 2009 budget process, a simple program description and goal statement for each line item in the budget. In many cases, this could be accomplished simply by linking a particular line item to existing program information at the websites of relevant state agencies.

Goal 3: Provide clear information about revenue and the balance between revenue and expenditures.

A transparent budget provides clear and complete answers to these fundamental questions:
- How much are revenues?
- Are revenues and expenditures in balance?
- Are recurring expenditures being funded with one-time revenues?

The state of Massachusetts does not presently publish an annual statement of revenues and expenditures that fully answers these questions.

Examining the revenue/spending balance of a budget proposal requires having the information to identify all spending, whether appropriated or transferred, on one side of the ledger and all revenue on the other side of the ledger. The most significant shortcoming in the current format is the inclusion of a single consolidated (net) transfer revenue amount, which causes both revenues and expenditures to be understated.

Consolidated transfers are the aggregation of transfer of funds into the General Fund and transfers of funds out of the General Fund[2]. For example, lottery proceeds are transferred from the State Lottery Commission into the General Fund, while funding for the state's new health insurance law is transferred out of the General Fund into the Commonwealth Care Trust Fund. An example of the components of the Consolidated Transfers total, using the information in Section 1A of the House Ways and Means Committee budget proposal for FY 2008, is shown here.

Section 1A of the FY2008 budget reports $815.8 million in Consolidated Transfer revenues. As shown, this total includes $2.3 billion in transfers into the General Fund and $1.4 billion in

[2] All appropriations are made from the General Fund.

transfers out of the General Fund. These transfers out of the General Fund are, in fact, a form of spending and should be shown as expenditures.

Furthermore, prior to depositing revenues from other state funds into the General Fund, $2.8 billion was allocated from the other funds for school building assistance, the MBTA, and the state pension fund. These allocations also are a form of spending and should be shown as expenditures.

A complete statement of expenditures would include the appropriation reported in the budget, $26.8 billion in FY2008, plus the $1.4 billion transferred out of the General Fund and the $2.8 billion allocated from other state funds, yielding a total of $31 billion. This total is not evident in available budget documents.

Disaggregating the consolidated transfers total also changes the statement of total revenue, replacing the $0.8 billion net figure now reported with the $2.3 billion in transfers into the General Fund. The current format has a second shortcoming that obscures how much revenue is available for spending. The departmental[3] and consolidated transfer revenue totals in Section 1A include money that is not available for appropriation. For example, in the FY2008 budget proposals, the departmental revenue estimate includes $89 million in interest earned on the Stabilization Fund. This interest is deposited in the Stabilization Fund and cannot be used to fund appropriations unless the budget explicitly transfers the money from the Stabilization Fund to the General Fund. Revenue figures need to be adjusted to remove unavailable funds from the total.

Progress was made during the FY2008 budget process toward providing more complete revenue information. Though the information publicly available on the various budget websites did not provide revenue detail, lists of consolidated transfer revenues were provided, upon request, by the Executive Office of Administration and Finance and the House Ways and Means Committee. Conversations with staffers yielded additional information about revenue amounts that should be excluded from a statement of available revenues (such as the $89 million in interested earned on the Stabilization Fund.) Once the Governor signed the budget, the Executive Office of Administration and Finance also provided a spreadsheet with a complete list of revenues from all sources.

Using this unpublished information, the Massachusetts Budget and Policy Center was able to construct the example shown here of a more informative statement of revenues and expenditures. In this example, consolidated transfers are disaggregated into revenue and expenditure components, departmental and consolidated transfer revenues include only funds available for expenditure, and revenues are identified as one-time or ongoing. This example could be improved further by showing the breakdown of one-time and ongoing expenditures as well.

This example provides a much more complete picture of the balance between revenues and expenditures than was available in budget documents. While the Governor's budget included a

[3] Departmental revenues are revenues brought in by state departments and agencies in the course of their work and include items such as tuition paid to state colleges and fees collected for car registrations and drivers license renewals at the registry of Motor Vehicles.

high level statement of the balance between revenues and expenditures, none of the budget websites included a detailed statement of revenues and expenditures in which it was shown that total revenues equaled total expenditures.

Positively, all three budget proposals, in their introductory narratives, identified the amount of one-time revenue being used to balance the budget. This information is important because it contributes to understanding the overall structural balance of the state budget.

Next Steps:

- Publish a detailed statement of revenues and expenditures with all revenues itemized and all spending included (whether appropriated by line item or through transfer spending). The statement also should distinguish between one-time and ongoing spending and revenues. Identify the numbers contained in the statement somewhere in the budget documents.
- Provide, with the release of a budget proposal, a comprehensive breakdown of all departmental, transfer, and Federal revenues available for appropriation. These lists should total to the amounts for each category presented in Section 1A of the budget.
- Provide explanations and assumptions underlying revenue estimates with the release of the Governor's budget proposal. This information is important not only for tax revenues but for the other revenue categories as well.

Balancing the Budget
(in Millions of Dollars)

	FY 2008 GAA Ongoing	One-time	Total
Tax Revenues			
Consensus revenue estimate	19,879.0		19,879.0
Tax law changes	0.0		0.0
Departmental revenues			
To General Fund	1,920.4		1,920.4
To Highway Fund	415.6		415.6
Transfers into the General Fund			
Tobacco settlement proceeds	244.0		244.0
Lottery proceeds	1,016.0		1,016.0
From the Stabilization Fund		315.0	315.0
From the Health Care Security Trust Fund		111.5	111.5
Other	743.8		743.8
Federal grants and reimbursements	6,332.8		6,332.8
Prior Authorizations Continued			
Total Revenues	**30,551.6**	**426.5**	**30,978.1**
Budgeted Spending	***28,197.7***		***28,197.7***
Appropriations	26,771.3		26,771.3
Outside Sections	1,426.4		1,426.4
Local Aid - Lottery	935.0		935.0
Local Aid - Additional Assistance & PILOT	410.3		410.3
Local Education Aid (Chapter 70)	3,725.7		3,725.7
K-12 Education (non-Chapter 70)	578.5		578.5
Higher Education	1,054.4		1,054.4
Early Education and Care	536.5		536.5
Income Support Programs	598.9		598.9
Health Care Programs	9,352.9		9,352.9
Appropriations	8,282.4		9,352.9
Transfers	1,070.4		1,619.1
Public Health	548.7		548.7
Mental Health	667.4		667.4
Mental Retardation	1,226.4		1,226.4
Social Services	800.1		800.1
Elder Affairs	232.3		232.3
Other Health & Human Services	622.3		622.3
Environmental Affairs	214.8		214.8
Housing & Community Development	128.0		128.0
Economic Development	176.2		176.2
Appropriations	163.5		176.2
Transfers	12.8		1,472.3
Public Safety & Corrections	1,459.6		1,459.6
Judiciary	758.4		758.4
District Attorneys	96.1		96.1
Attorney General	41.2		41.2
Libraries	32.5		32.5
Transportation	151.1		151.1
Group Insurance	1,174.7		1,174.7
Appropriations	831.4		1,174.7
Transfers	343.2		1,067.0
Other Administrative	723.7		723.7
Debt Service	1,952.1		1,952.1
Pre-Budget Transfers from General Fund	***2,789.3***		***2,789.3***
Pensions	1,398.6		1,398.6
School Building Assistance	634.7		634.7
MBTA	756.0		756.0
Total Spending	**30,987.0**	**0.0**	**30,987.0**
Balance	**(435.4)**	**426.5**	**(8.9)**

Goal 4: Provide sufficient information to put the budget in context.

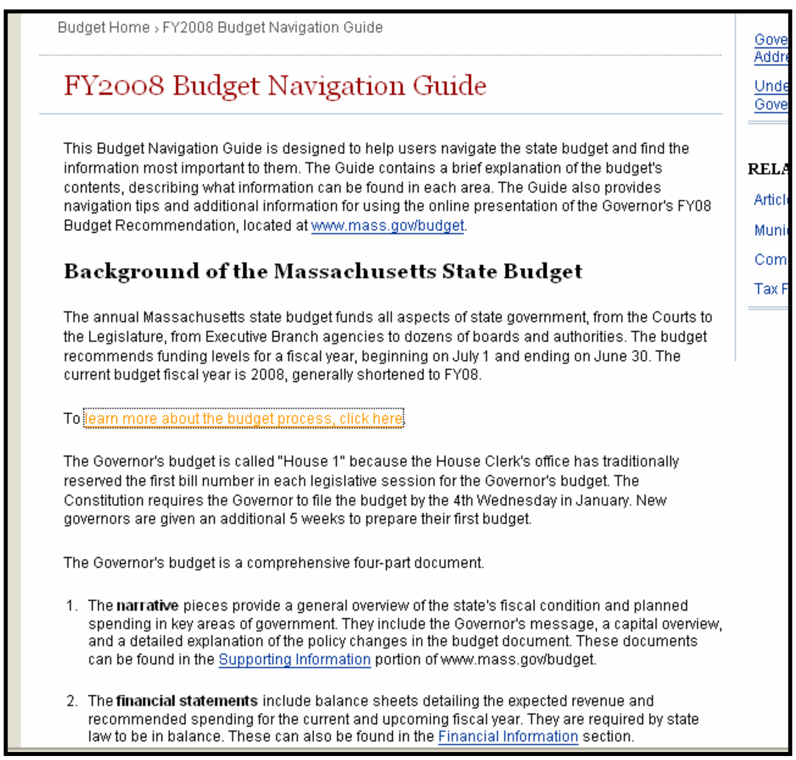
A transparent budget proposal provides the information necessary to understand the proposal in its short- and long-term context. The Budget Transparency Project recommended providing historical information to set the budget in the context of past spending, information on future commitments, such as debt repayments, and information on potential sources of significant disruption to budget expectations.

The Governor’s budget website for FY 2008 went a long way toward setting the budget in context. First, the website included data on appropriations and spending by line item for the prior four years. Second, the website provided historical employment levels for state agencies and departments, allowing an examination of staffing changes and their relationship to funding. Third, the Governor’s budget site included a detailed fiscal note outlining the state’s overall fiscal condition and describing the proposed budget in that context. Finally, the site contained links to the state’s financial reports and capital budget.

The Executive Summary to the Senate Ways and Means Committee budget provided HTML links to the state’s most recent financial statements for purposes of providing a fiscal context for the budget.

Next Steps:
Going forward, it would be beneficial if the Executive Office of Administration and Finance were to provide, with the budget proposal:

- A statement of the state’s liability for long-term obligations to retired employees;
- A statement of significant fiscal risks the Commonwealth faces;
- A statement of the state’s future year debt repayment obligation by year for all outstanding debt;
- A comparison of actual and budgeted revenues for the prior 10 years (with revenues detailed by source); and,
- A projection of spending and revenues for the year following the budget year to provide a better understanding of the implications of current year budget choices for the future.



Budget Home › FY2008 Budget Navigation Guide

FY2008 Budget Navigation Guide

This Budget Navigation Guide is designed to help users navigate the state budget and find the information most important to them. The Guide contains a brief explanation of the budget's contents, describing what information can be found in each area. The Guide also provides navigation tips and additional information for using the online presentation of the Governor's FY08 Budget Recommendation, located at www.mass.gov/budget.

Background of the Massachusetts State Budget

The annual Massachusetts state budget funds all aspects of state government, from the Courts to the Legislature, from Executive Branch agencies to dozens of boards and authorities. The budget recommends funding levels for a fiscal year, beginning on July 1 and ending on June 30. The current budget fiscal year is 2008, generally shortened to FY08.

To learn more about the budget process, click here.

The Governor's budget is called "House 1" because the House Clerk's office has traditionally reserved the first bill number in each legislative session for the Governor's budget. The Constitution requires the Governor to file the budget by the 4th Wednesday in January. New governors are given an additional 5 weeks to prepare their first budget.

The Governor's budget is a comprehensive four-part document.

1. The **narrative** pieces provide a general overview of the state's fiscal condition and planned spending in key areas of government. They include the Governor's message, a capital overview, and a detailed explanation of the policy changes in the budget document. These documents can be found in the Supporting Information portion of www.mass.gov/budget.

2. The **financial statements** include balance sheets detailing the expected revenue and recommended spending for the current and upcoming fiscal year. They are required by state law to be in balance. These can also be found in the Financial Information section.

Goal 5: Create easier public access to budget information

A transparent budget by definition is available and accessible. The web has made achievement of this goal much easier and each version of the proposed budget now appears online on the day of its release. The tools on the Governor’s budget website made budget information not only available, but easy to use. In addition to providing most budget documents in three file formats (HTML, PDF, and spreadsheet), the website included a budget navigation guide (seen here) helping those new to the state budget to use the site and understand the budget. A downloads page provided every component of the budget in all available file formats on a single page.

The Executive Office of Administration and Finance, in addition to providing extensive detail supporting the Governor's budget proposal, also posted a budget tracking tool that showed the amounts recommended by the Governor and all subsequent proposals by line item. This tool makes comparison of funding levels in different proposals much easier. Administration and Finance also provided, upon request, spreadsheet versions of the House and Senate Ways and Means Committees' proposals. In the future, it would be helpful if the House and Senate both posted their budget proposals in spreadsheet form as well as the HTML and PDF files provided for the FY 2008 budget.

The House and Senate, as amendments were adopted during respective floor debates, posted PDF files of adopted amendments, but no spreadsheet was released with the updated appropriations after floor debate. Without a spreadsheet showing changes by line item, an observer must read every amendment to find changes to final appropriation amounts for particular line items.

While internet access and web tools have great value to budget analysts, not all state residents have computer access or feel comfortable with these tools. Moreover, given the size of budget documents, interested but non-professional readers can find it easier to navigate and understand the structure of a printed report than to view one screen at a time. Therefore, print copies are still needed and ought to be distributed on the day of release to public libraries and other venues around the state. To our knowledge, printed versions of the various budget proposals were not made widely available.

Next Steps:

- Publish spreadsheet versions of the appropriation and revenue sections of the budget with the release of each proposal.
- Distribute printed copies of each budget proposal to public libraries throughout the state.

Conclusion

The FY 2008 Massachusetts budget process was significantly more transparent than in prior years. The ongoing development of the internet and internet technologies has made it much easier to widely circulate a large volume of information in formats that are useful for further analysis. Both branches of government made good use of their websites to make extensive budget information available in a timely fashion. One of the notable successes this budget year was the timeliness of updates, with both branches of the Legislature quickly posting amendments as they were filed or adopted, allowing for analysis of changes to the budget proposals as debate was ongoing. Three additions to the Governor's website also added great value: the budget tracking tool, inclusion of departmental and agency mission and structure information on budget pages, and the budget navigation guide.

Important next steps to further enhance budget transparency in Massachusetts include:

- With each budget proposal, and throughout the year as new supplemental budgets are passed, provide a comprehensive statement of revenues and expenditures that shows the degree of structural balance. Such a statement would include spending that is accomplished through transfers as well as that which is appropriated in line items and would differentiate between revenue and expenditure items that are one-time and those that are ongoing. This is the single most important improvement remaining to be done.

- Accompany each budget proposal with a downloadable spreadsheet of all revenues by source. Because revenue numbers change from one budget proposal to the next, it is not possible to fully understand the differences between two proposals without detailed revenue information. Such a spreadsheet already exists, it is simply a matter of publishing it along with budget proposals.

- With the release of each proposal, publish a spreadsheet summarizing differences with previously released proposals and prior year budgets.;

- For each line-item, provide an explanation of whether the proposed funding level is the amount projected to be needed to continue providing the current level of services or if it includes increases or decreases in funding that represent new policy choices.

- Building on the accomplishments in the FY08 budget, expand program descriptions and goals to cover every line item in the budget;

- Publish detailed information regarding the long-term fiscal obligations of the state for retiree benefits and debt repayment as well as an examination of fiscal risks facing the state.

- Publish printed copies of the budget at the same time the budget is released and make them available to the public at libraries around the state. Given the size of the budget document, interested but non-professional readers can find it easier to navigate and understand the structure of a printed report than to view one screen at a time. Printed budget documents also recognize that on-line access, while a wonderful tool, is not yet universal.

In the longest term, the state would benefit from the publication of, prior to or simultaneous with the release of the Governor's budget proposal, a maintenance-level budget for the upcoming fiscal year that identifies, at the line-item level, the amount of spending necessary in the new year to maintain services at the same level as was provided in the prior year. This would allow analysts to easily identify new spending and spending cuts as each budget proposal is released.

Progress on Budget Transparency, FY2008

	Governor	House	Senate
Goal 1: Clear Information on New Initiatives and Changes in each Proposal			
Comprehensive list of new revenues	Yes	Some	Some
Comprehensive list of new expenditures	Some	Some	Some
Changes from prior versions of the budget	Yes	Some	Some
Information about supplemental budgets			
Goal 2: Clear Information on the Purposes of - and Costs for - Existing Programs			
Descriptions of programs and key goals for each line item	Some		
Overview of economic, demographic, and caseload assumptions in developing costs	Some		
Goal 3: Provide Clear Information about Revenue and Balance			
Balance sheet showing all revenues and expenditures	Some		
Overview of economic assumptions underlying revenue projections			
Analysis of the incidence of broad-based tax changes			
Goal 4: Provide Sufficient Information to Put the Budget in Context			
List of major risk factors for short- and long-term revenues and spending	Some		Some
Statement of liability for long-term obligations	Some		Some
Provide actual spending for past five years by line item	Yes		
Provide analysis of actual and budgeted revenue for last 10 years			
Provide projection of revenue and spending for one year beyond the budget year			
Provide future years debt repayment obligations for all outstanding debt			
Goal 5: Create Easier Public Access to Budget Information			
Publish printed copies of the budget and distribute to public libraries across the state			
Publish downloadable and searchable budget information online	Yes	Yes	Yes
Publish user guidance to facilitate reading the budget	Yes		
Additional improvements			
Tracking tool to compare current year budget and each budget year proposal by line item	Yes		
Historical and projected government employment by department and agency	Yes		
Timely updating of downloadable budget files	Yes	Yes	Yes
Budget amendments updated during floor debate		Yes	Yes
Detailed revenue worksheets provided upon request	Yes	Yes	Yes
Responsiveness to Information Requests	Yes	Yes	Yes