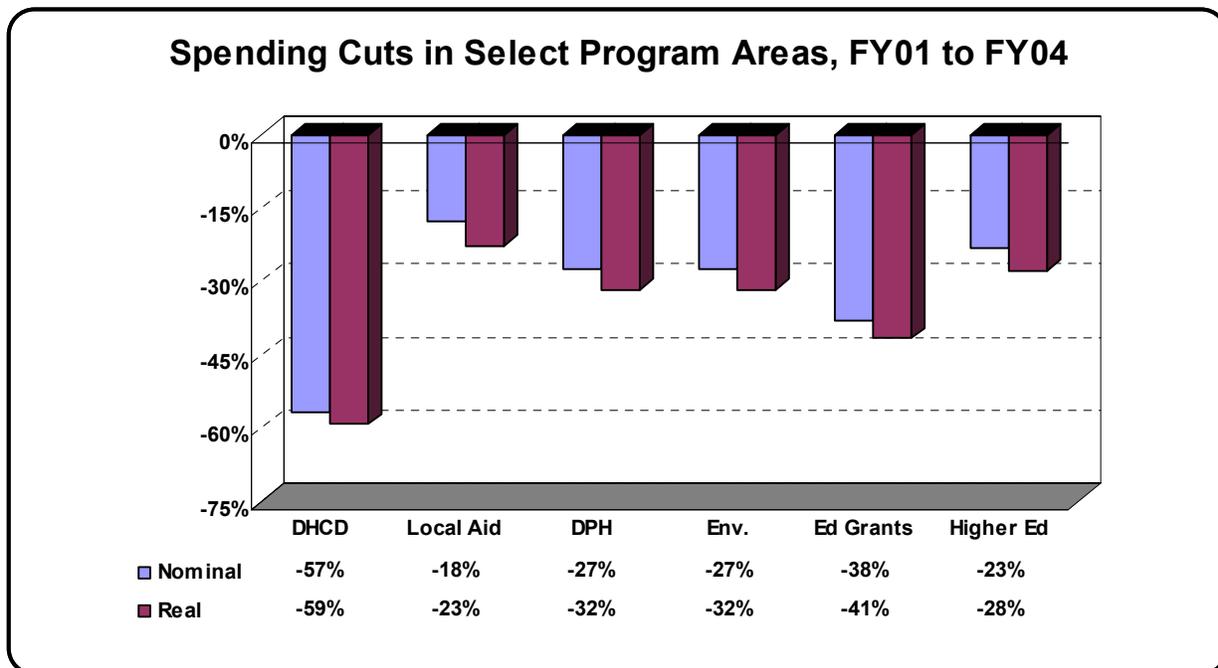


August 29, 2003

### THREE YEARS OF SPENDING CUTS AND THEIR EFFECTS ON LOW- AND MODERATE-INCOME PEOPLE

Much has been made of the extent to which the Governor and the Legislature relied on reductions in spending in seeking to close the Commonwealth’s fiscal year 2004 budget deficit. On July 1, the Boston *Globe* opined that “the new fiscal year dawns today with bleak prospects for students who rely on a healthful school breakfast, teachers hoping to avoid layoff, rape victims in need of crisis services and counseling, and many others dependent on services that will shrink this year or disappear altogether.” Indeed, the *Globe* concluded that “[Governor] Romney promised not to cut the core mission of state government, and his first budget fails that test badly.” Such attention is warranted, for, in the end, the budget that the Governor signed on June 30<sup>th</sup> held spending nearly \$2 billion below the level necessary to maintain current services, meaning that cuts comprised roughly two-thirds of the measures employed to address Massachusetts’ almost \$3 billion deficit.



What is not fully appreciated, however, is that, in many areas, the cuts enacted as part of the FY 2004 budget simply add to cuts already made in the last two fiscal years. While the use of most of the Commonwealth's \$2 billion Stabilization Fund, as well as the tax package that the Legislature adopted in 2002, forestalled some severe cuts, many did still occur. In nominal dollars alone, since the advent of the fiscal crisis in FY 2001:

- spending on higher education has declined 23 percent;
- funding for housing and community development programs in the state's annual operating budget has fallen 57 percent;
- state support for general local government services has dropped 18 percent;
- funding for public health programs in Massachusetts has fallen 27 percent, and;
- operational spending for K-12 education, excluding Chapter 70, has been reduced 38 percent.

This picture becomes even more bleak when one considers the effects of inflation. The prices of goods and services do not remain constant from year to year; rather, due to inflation, they tend to rise over time. Consequently, government spending must also rise from year to year in order to serve the same number of people or to provide the same quality or type of service. If it does not – as it has failed to do over the past few years – then the true – or real – effect of an apparent cut in spending is even worse. For instance, in nominal dollar terms, spending on higher education has fallen 23 percent since FY01, but, after adjusting for inflation, the real cut is 28 percent.<sup>1</sup> The same is true in other areas; the 27 percent cut that public health has endured in nominal terms since FY01 is a 32 percent cut after adjusting for inflation.

This degree of reliance on spending cuts is best considered in the context of the tax and budget policies of the last decade. Of particular note, the ongoing fiscal crisis is not due to excessive spending; total government spending, as a share of personal income, actually fell in the Commonwealth between FY 1991 and FY 2002. Rather, the ongoing crisis is due to a sharp decline in tax revenue, attributable, in part, to the recession of 2001, and, in the main, to the 42 tax cuts put in place since 1991. Such tax cuts have reduced revenue by a net amount of some \$3.5 billion annually. Just as importantly, the individuals and families who gained the most from that decade of tax cuts – and who continue to benefit from round after round of federal tax cuts – are not the same people who will bear the brunt of repeated spending cuts. The top 1 percent of taxpayers in

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<sup>1</sup> The Congressional Budget Office (CBO) projects that inflation in calendar years 2003 and 2004 will be 2.3 percent and 1.9 percent respectively; the figures in this document therefore assume inflation for FY 2004 will be 2.1 percent.

Massachusetts received 24 percent of the benefits of the *state* tax cuts adopted between 1991 and 2002; the top 1 percent of Massachusetts taxpayers will enjoy 46 percent of the benefits of the latest *federal* tax cut accruing to the Commonwealth between 2003 and 2006. In stark contrast, the individuals and families that will have to cope with reduced government services – whether in educating their children, finding housing, or merely staying healthy – are both those at the bottom of the income distribution and those solidly in the middle as well.

The following collection of fact sheets attempts to highlight the effects that certain spending cuts since FY 2001 will have on low- and moderate-income people across Massachusetts. It is not intended to provide a comprehensive analysis of public spending trends in the Commonwealth since the start of the fiscal crisis, but simply to illustrate the consequences of cuts in a variety of critical program areas.<sup>2</sup>

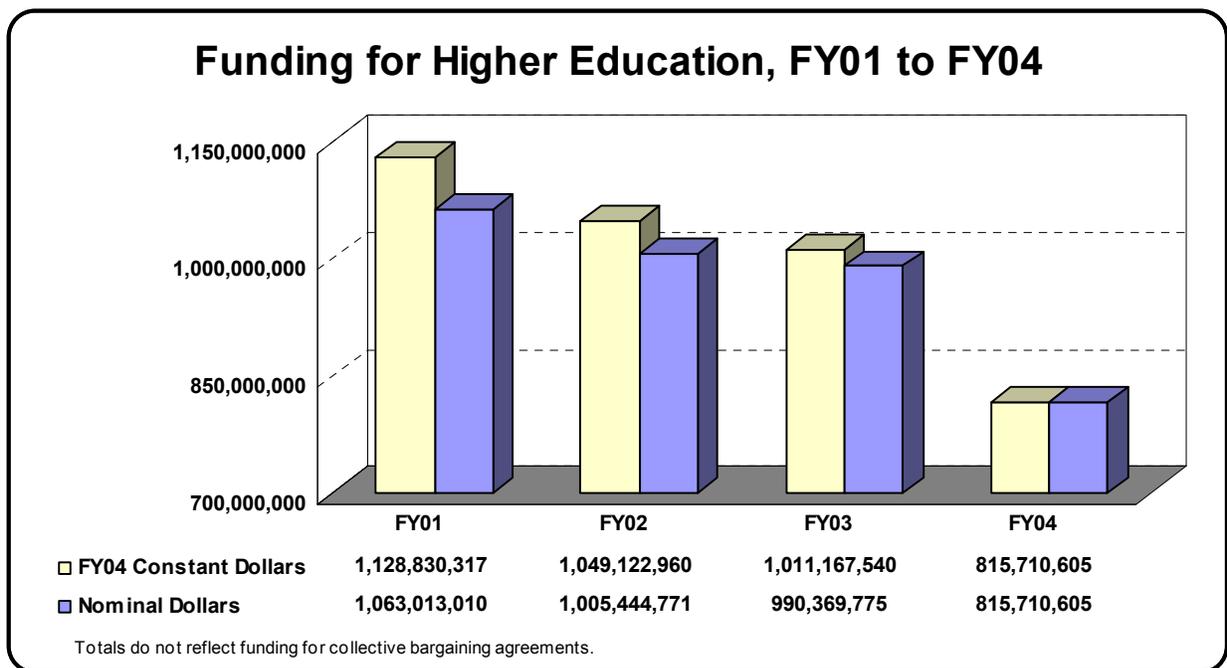
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<sup>2</sup> All figures presented for FY 2003 are initial appropriations.

## THREE YEARS OF SPENDING CUTS: Higher Education

*Almost 150,000 students attend public colleges and the University of Massachusetts. For many Massachusetts residents, public higher education is the best available path to economic security.*

### State Funding for Higher Education Has Fallen 23% in Nominal Terms – and 28% in Real Terms – in Three Years



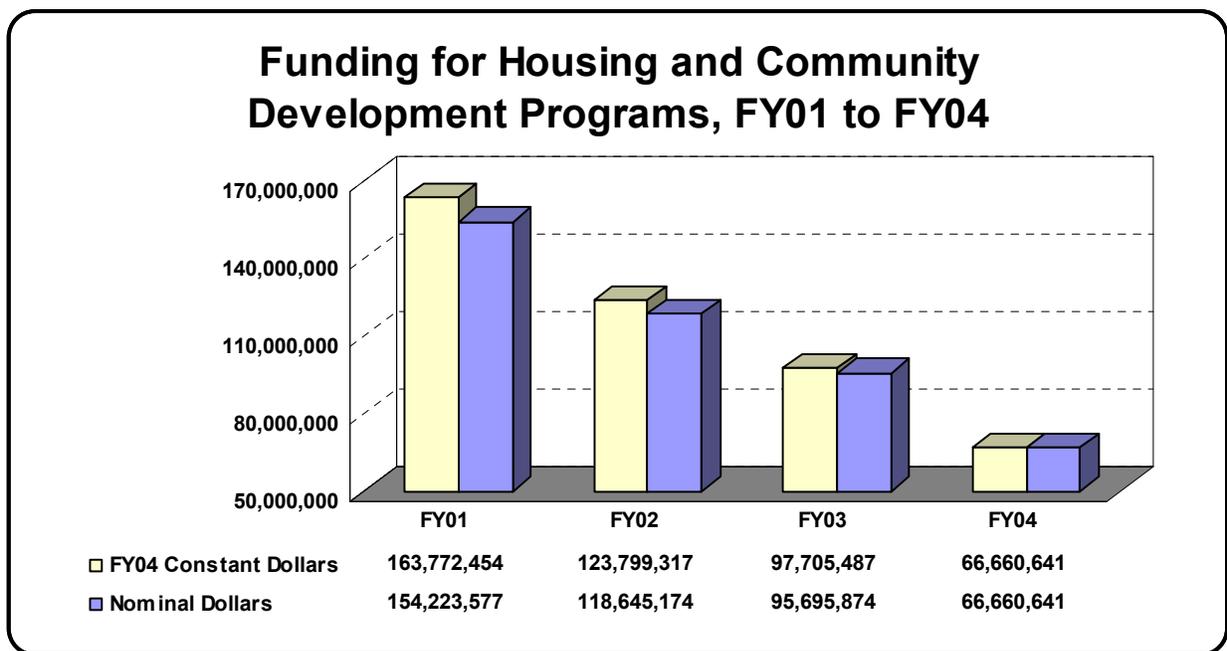
Cuts to higher education since FY 2001 include the following:

- Student financial assistance has been cut \$32.8 million.
- Funding for the University of Massachusetts has been cut \$138.4 million.
- Funding for state colleges has been cut \$25.3 million.
- Funding for community colleges has been cut \$47.0 million.

## THREE YEARS OF SPENDING CUTS: Housing and Community Development

*Massachusetts faces a severe long-term housing crisis. The 2000 Census shows that nearly 40 percent of renters in Massachusetts and almost a quarter of homeowners – or a total of 630,000 people – use 30 percent or more of their annual incomes to cover housing costs.*

### Funding for Housing and Community Development Has Fallen 57% in Nominal Terms – and 59% in Real Terms – In Three Years



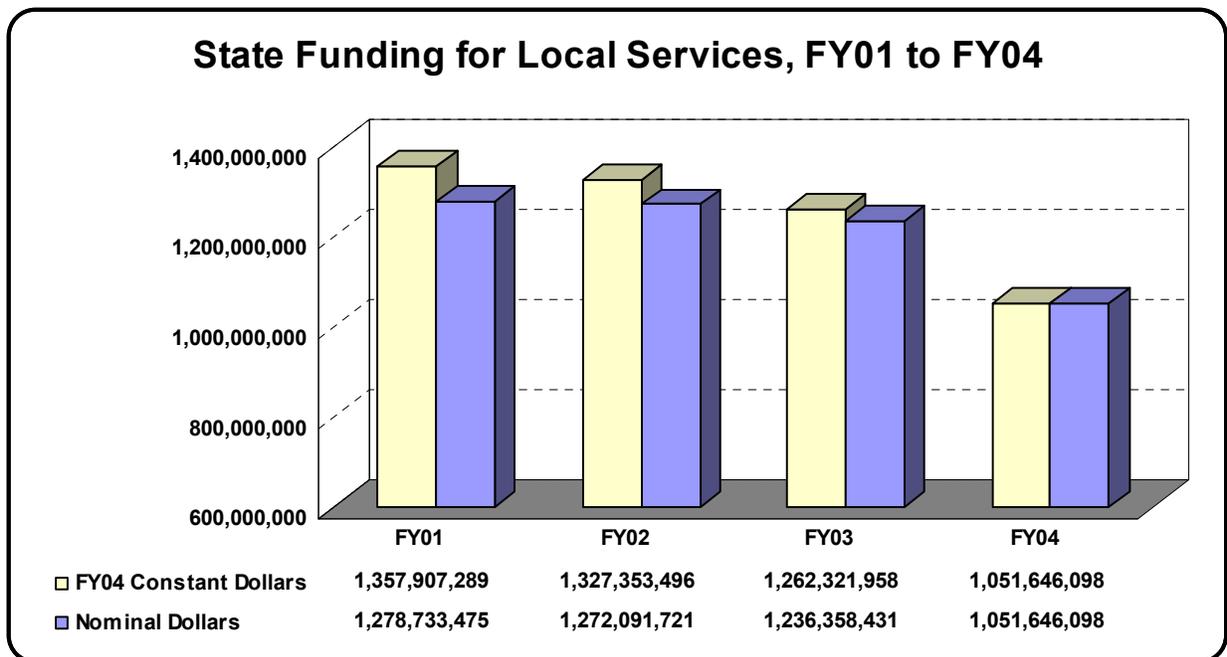
Cuts in the state’s operating budget since FY 2001 have harmed programs that help provide housing in many ways:

- Funding for housing vouchers has been reduced by more than one-third, resulting in more than 1,500 fewer households receiving support.
- Funding for the Individual Self-Sufficiency Initiative, which provided transitional housing subsidies for over 400 homeless people and which had been as high as \$2.5 million in FY01, was completely eliminated in the FY04 budget.
- The nearly \$9 million cut in funding for public housing authorities’ operating budgets since FY01 will make it increasingly difficult for those authorities to cover the costs of providing public housing.

## THREE YEARS OF SPENDING CUTS: Local Services

*The Commonwealth has historically provided cities and towns with funding to support local services, including police, fire, and education. Particularly in low income communities, this state aid is an essential component of the budgets that finance the most basic public services. While cuts to “education aid” are not counted in these numbers, schools will be hurt by these cut because general aid is also used for education.*

### State Funding for Local Services Has Been Reduced 18% in Nominal Terms – and 23% in Real Terms – in Three Years



Cuts in local aid, which includes both lottery aid and additional assistance, will be felt in cities and towns across the Commonwealth, but will have particularly far-reaching consequences in low- and moderate-income communities. For instance, since FY01:

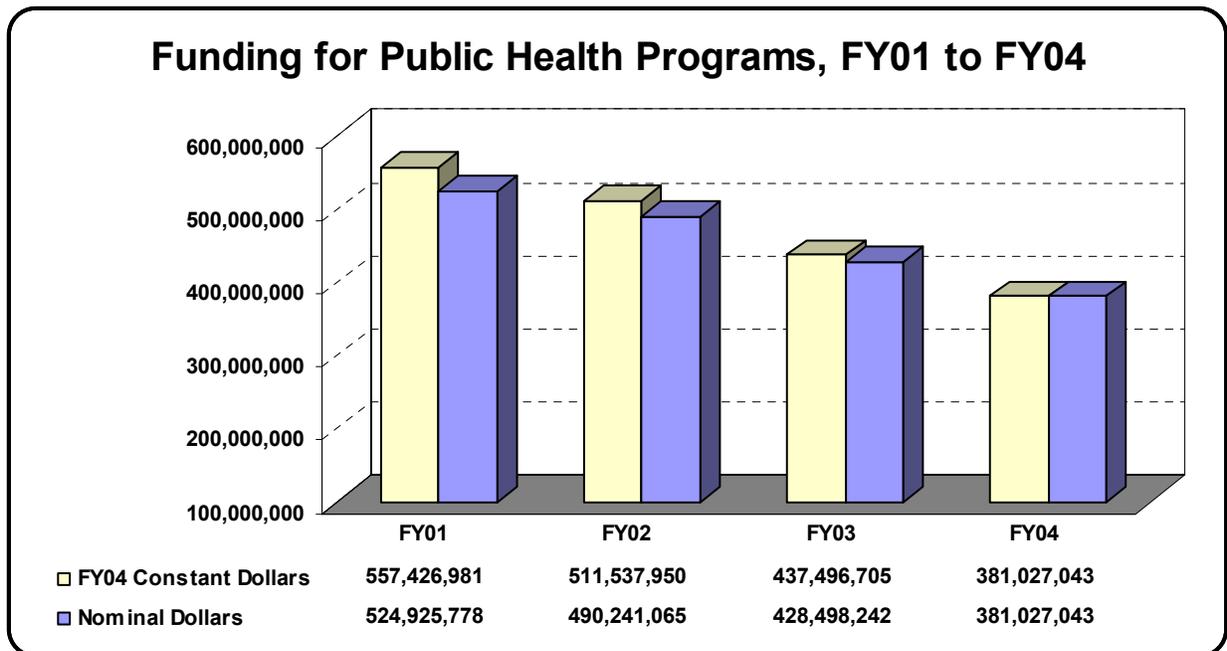
- Local aid to Boston has been cut \$52.9 million.
- Local aid to Fall River has been cut \$3.9 million.
- Local aid to Springfield has been cut \$5.7 million

It has been estimated that for every \$10 million in cuts, 200 municipal employees (chiefly teachers, firefighters and police) will be laid off.

## THREE YEARS OF SPENDING CUTS: Public Health

*Public health programs have helped thousands of people across Massachusetts to stay healthy. With funding for prevention and treatment of health threats from tobacco to AIDS, there have been particular efforts to protect vulnerable communities.*

### State Funding for Public Health Has Been Reduced 27% in Nominal Terms – and 32% in Real Terms – in Three Years



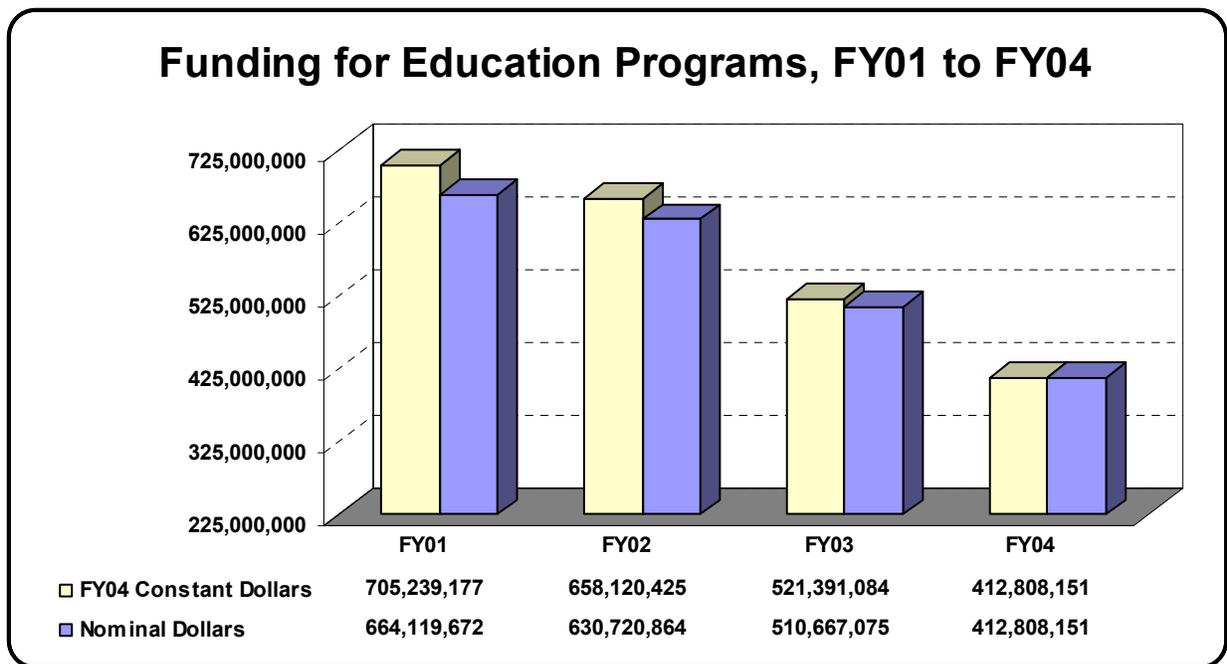
These cuts have reduced funding for programs that protect the health of thousands of low-and moderate-income people:

- Funding for smoking prevention and cessation programs has fallen from \$44.3 million in FY 2001 to just over \$2.5 million in FY 2004 – a 94 percent drop – despite the fact that, since their inception, such programs have contributed to a 36 percent decline in smoking rates statewide.
- Funding for the Bureau of Substance Abuse Services has dropped 25 percent – or \$11.3 million – between FY01 and FY04; as a result, 500 treatment slots have been eliminated and six detoxification centers have been closed.
- AIDS prevention and treatment programs have lost \$19 million since FY01, a decline of 37 percent.

## THREE YEARS OF SPENDING CUTS: Primary and Secondary Education

*In addition to general education aid, the state funds specific educational programs – often targeted at lower income children. These efforts include summer school and weekend programs for students at risk of failing the MCAS, early education programs for three and four year olds, and funding for smaller class sizes. The totals below also include other spending at the Department of Education including oversight functions, but they do not include costs for new buildings and general unrestricted education aid. Unrestricted education aid fell 4.6 percent in FY04, while cuts in general local aid will serve to further reduce education spending.*

### **State Funding for Education Programs Has Been Reduced 38% in Nominal Terms – and 41% in Real Terms – in Three Years**



Cuts since FY01 have drastically reduced funding for effective programs to help children learn:

- Funding to provide extra help to students at risk of failing the MCAS has been reduced by \$30 million.
- The \$18 million program to reduce class sizes has been eliminated.
- Early education for three and four year olds has been cut by \$40 million.

## **THREE YEARS OF SPENDING CUTS: Other Program Areas**

Among some of the other cuts contained in the FY04 budget are the following:

- The Massachusetts Commission for the Deaf and Hard of Hearing has experienced a 13 percent cut in funding since FY01. The nearly quarter of a million dollar cut that the Commission will absorb due to the FY04 budget (relative to its initial FY03 level) will likely result in the elimination of the screening of deaf-blind interpreters, a reduction in referral services, and a sharp decline in resources for the Assistive Technologies Fund, which provides funds for hearing aids, doorbell signalers, and other devices for deaf or hard of hearing persons who would not otherwise be able to purchase such technologies. One hundred and eighty people are already waiting to receive aid through this Fund.
- While funding for the Department of Mental Retardation as a whole has grown modestly over the past several years, specific programs and services have witnessed declining financial support. For instance, spending on community transportation services, which enable mentally-retarded clients either residing at home with their families or living in a DMR-supported setting to travel to day or work programs, has fallen from \$25 million in FY01 to just over \$13 million in FY04 (assuming the Governor's veto of another \$109,522 in funds is not overridden). The cut in this account from FY03 to FY04 alone – some \$1.5 million – will mean that 340 people will no longer be able to rely on this means of transportation.
- After several years of increases, funding for Emergency Assistance to the elderly, the disabled, and children was reduced by \$8 million in the FY04 budget. Under a plan recently announced by the Romney Administration, 16,000 people receiving such assistance would receive reduced benefits, with the average monthly payment shrinking from \$303 to \$268.
- Funding for employment and training services for people attempting to leave welfare for work fell from \$28 million in the initial FY03 budget to a little more than \$11 million in FY04; it is now well below its FY01 level of \$24.8 million.
- Approximately 10,000 adult legal immigrants have had their full MassHealth coverage terminated in order to save about \$15 million in the FY04 budget.