How to use the state budget and taxes to drive social change

Monique Ching and Anastasia Martinez

Massachusetts Budget and Policy Center

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We all pay taxes. And we all use the public goods funded by the state budget.

So why don’t we understand them better?

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Our goal as a group for today.

- What is the state budget?
  - Who controls it?
  - What is the process?
- How do taxes and revenue work in Massachusetts?
- How do these two things relate to our lives?
  - What is our role?

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How the state budget works

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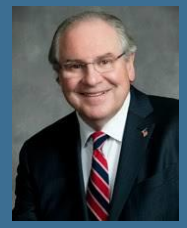
Some key terms

- "Leadership" = Leaders of House and Senate
  - House Speaker Robert DeLeo  Senate President Karen Spilka.
- House Ways and Means (HWM); Senate Ways and Means (SWM) = Committees that consider all bills having to do with money, including the budget.
- "Fiscal Year" (FY) = The calendar MA's budget runs on. Runs from July 1 to June 30. (We are currently in FY 2021.)
- "Balanced Budget" = The state cannot spend more money than it brings in.
- "Rainy Day Fund" = The state's savings account.

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The state budget is about:

• opportunity • health equity • racial justice • power

What is the state budget?

It’s a set of *choices* we make about the kind of community we want.

It’s a statement of our *values*.

What is the state budget?

State tax collections

(Money from the state's savings account, when needed)

Fines, fees, gambling revenue

Federal funding

State budget

schools

housing

parks

roads

transit

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Who creates the state budget?

	EXECUTIVE	*LEGISLATIVE*		*JUDICIAL*
MA STATE GOV'T	Governor	House	Senate	-
	Gov. Charlie Baker	Rep. Aaron Michlewitz (Chair of HWM)	Sen. Michael Rodrigues (Chair of SWM)	-

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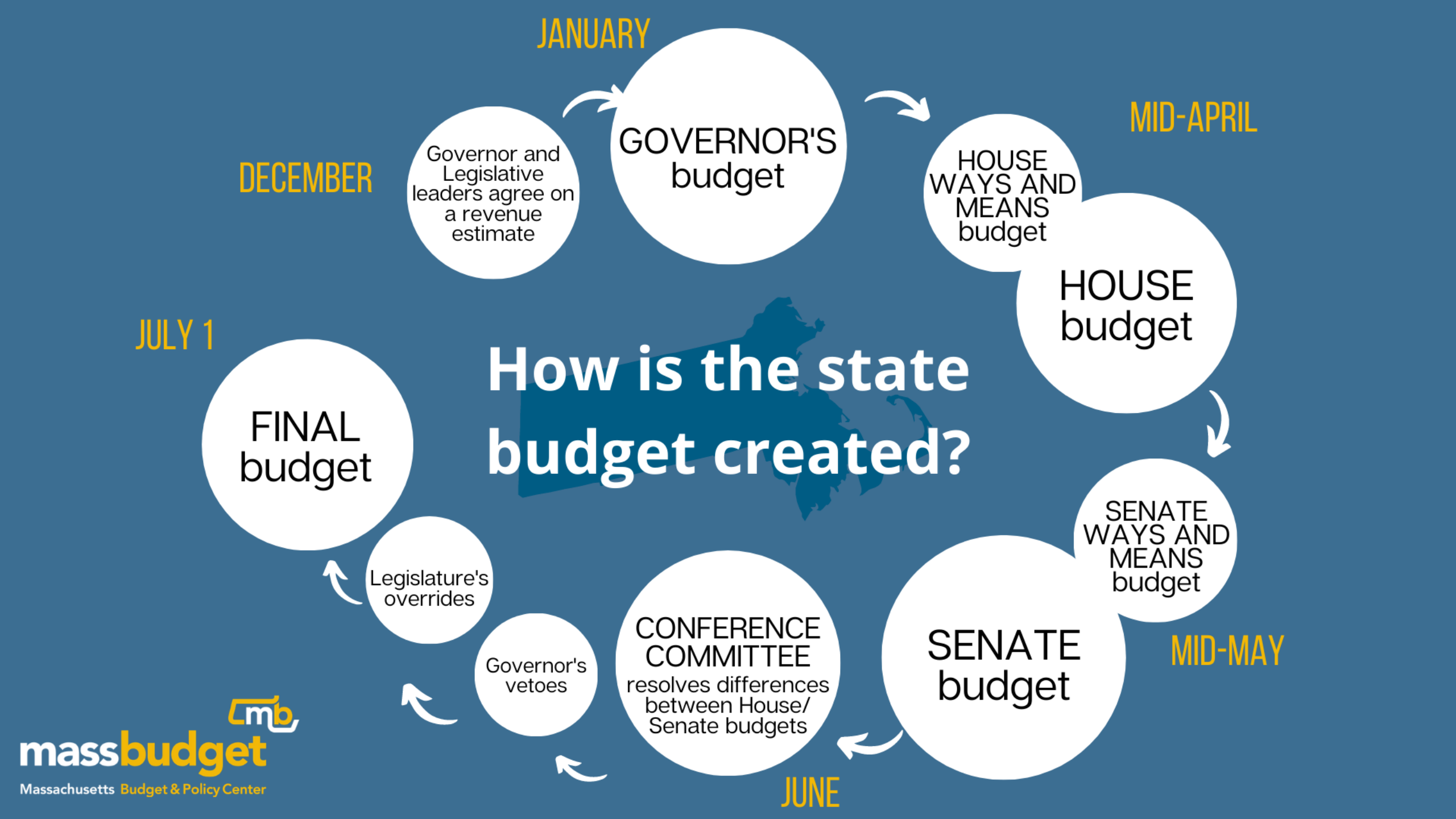
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The FY 2021 budget cycle

DECEMBER 2019

Governor and Legislative leaders agree on a revenue estimate

JANUARY 2020

GOVERNOR'S budget

MID-APRIL

Legislative leaders gather information about revenue outlook

MID-MAY

GOV'S revised budget

HOUSE budget

SENATE budget

CONFERENCE COMMITTEE

JUNE

State leaders gather info about revenue. Agree on new estimate.

JULY 1 temporary budget

AUGUST temporary budget

SEPTEMBER temporary budget

OCTOBER temporary budget

NOVEMBER temporary budget

DECEMBER

Gov's vetoes

FINAL FY21 budget? Overrides?

SWM budget

HWM budget

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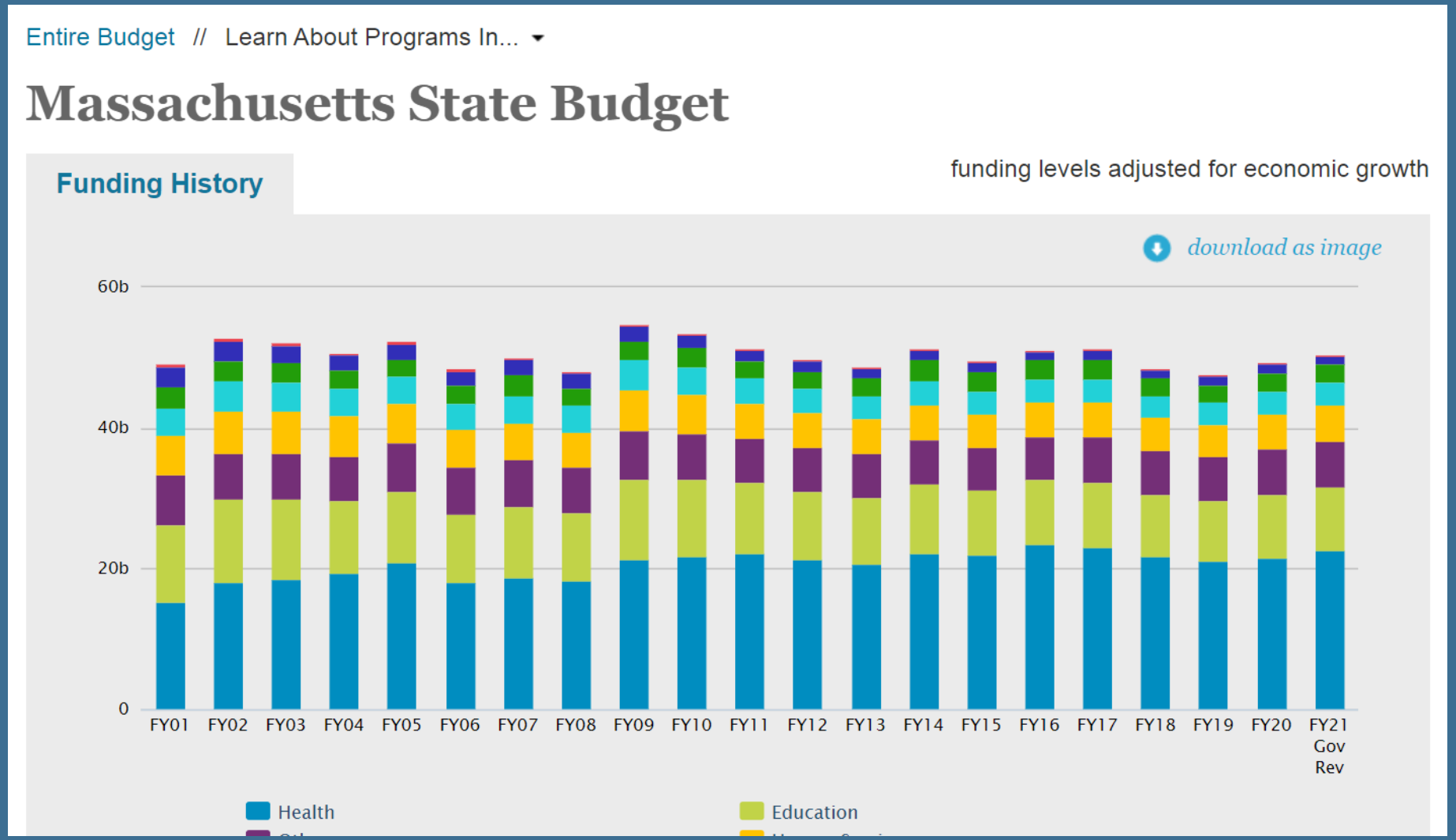
What is in the budget?



Our ***Budget Browser*** tracks every line item since FY 2001.

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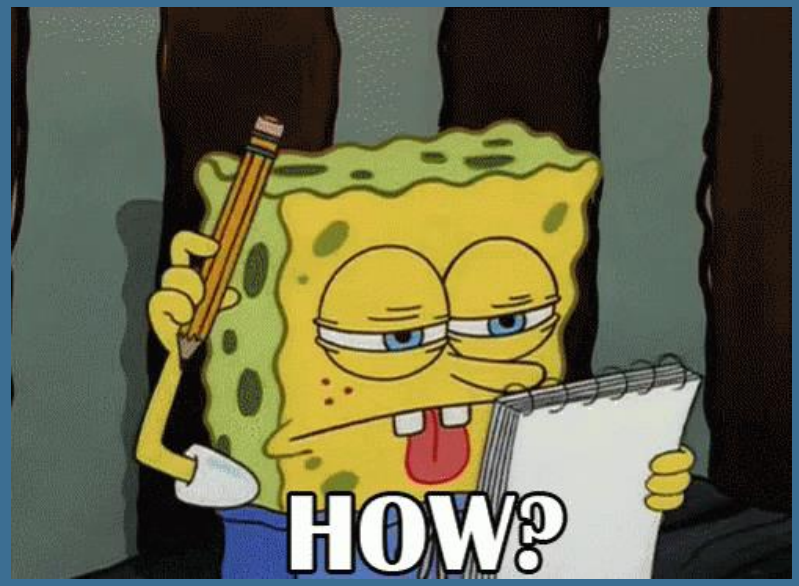
The big question is:



How do we raise the revenue we *need*?

- For communities hit hardest by COVID?
- For racial equity and opportunity?
- For a healthy and thriving Commonwealth for all?

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This matters because our State Constitution says:

We must have a balanced budget.

We cannot spend more than we bring in.

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How taxes work

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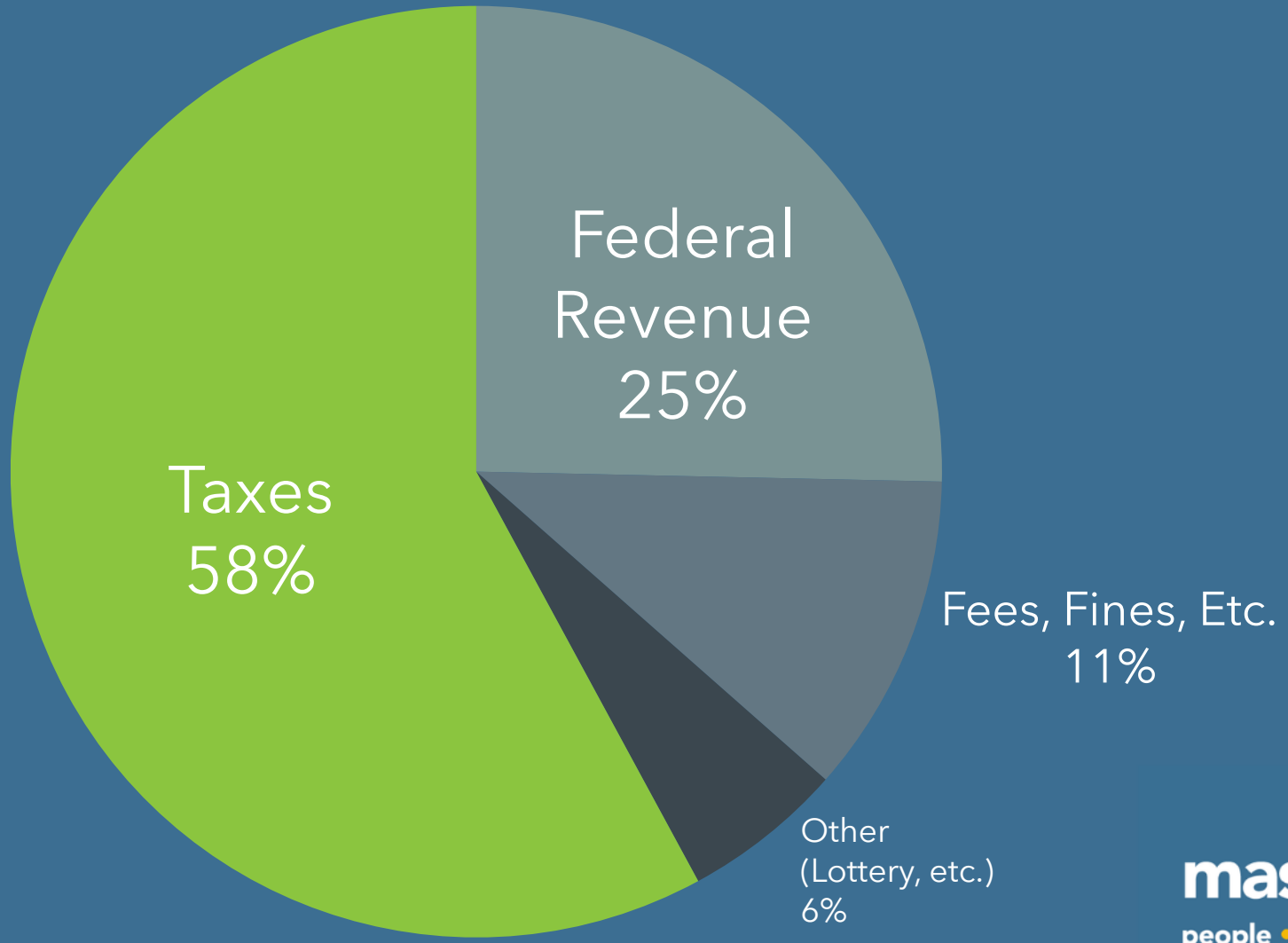
Where does Massachusetts' revenue come from?



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Where does Massachusetts' revenue come from?

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What does our tax system look like?

Guess: what does the average MA household pay in state and local taxes?

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Guess: what does the average MA household pay in state and local taxes?

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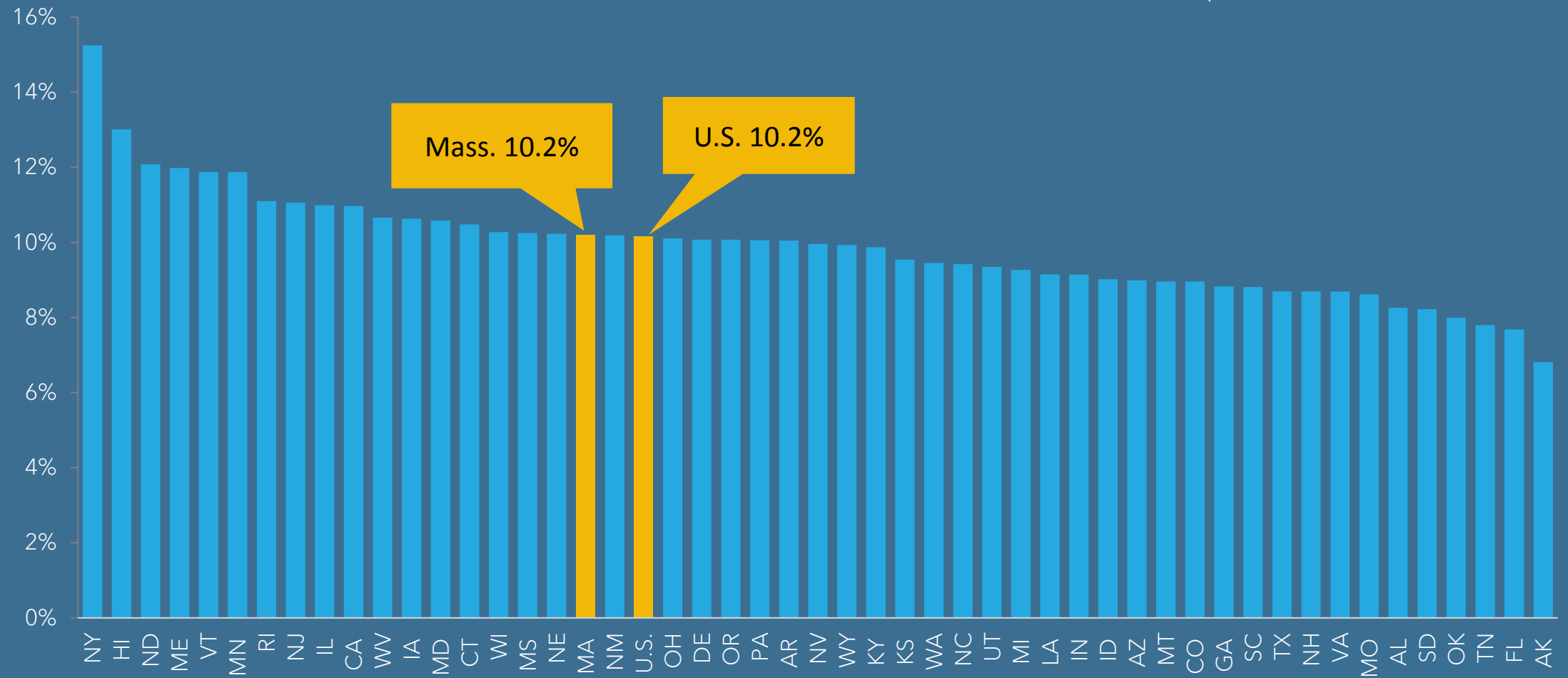
Massachusetts' taxes are average

State and Local Taxes as a Percent of State Personal Income, 2016



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These decades-old tax cuts today cost about $4 billion/year.

These tax cuts affect essential services.

These cuts to services laid the foundation for the health inequalities we are seeing now.

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And this erosion of public services is happening amid growing income inequality.

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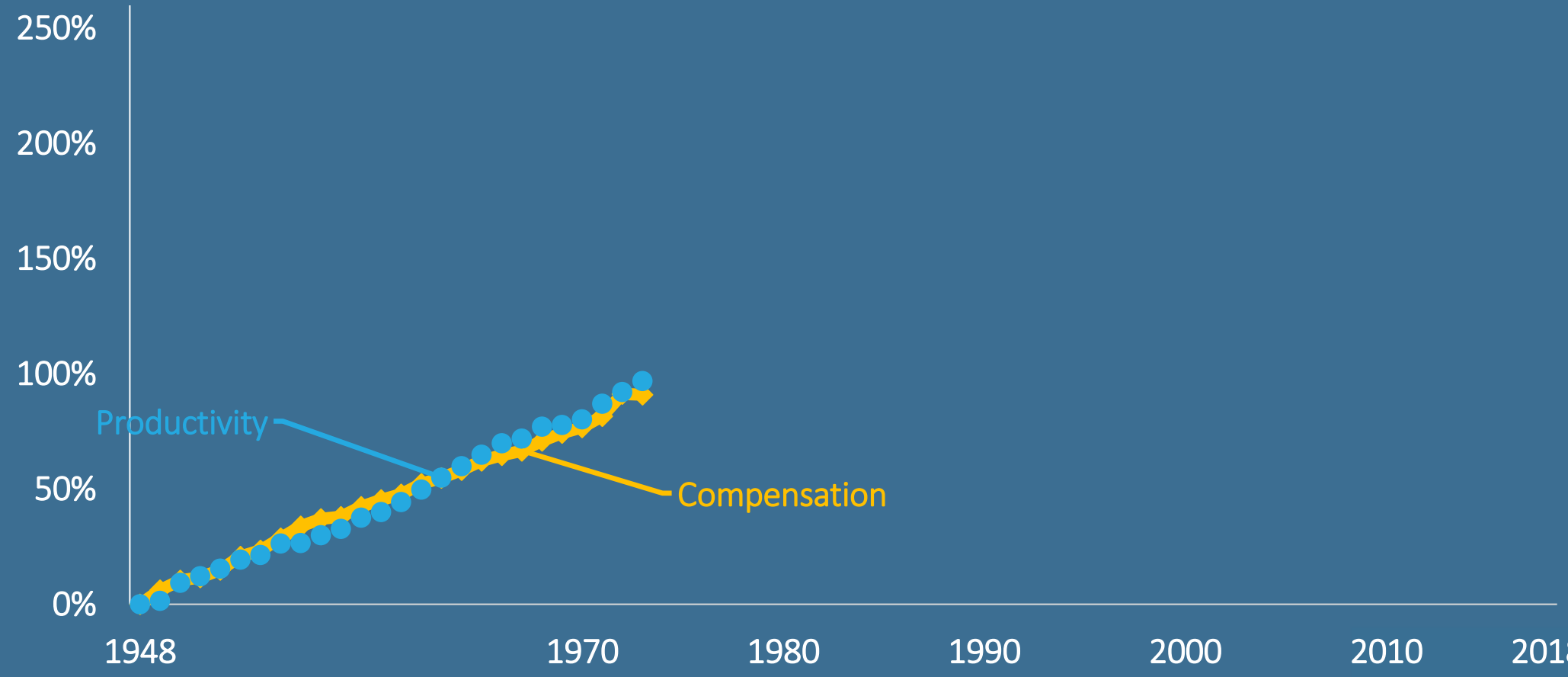
Wages used to grow with the economy

How it started:



Net Productivity and Hourly Compensation data
from the Economic Policy Institute

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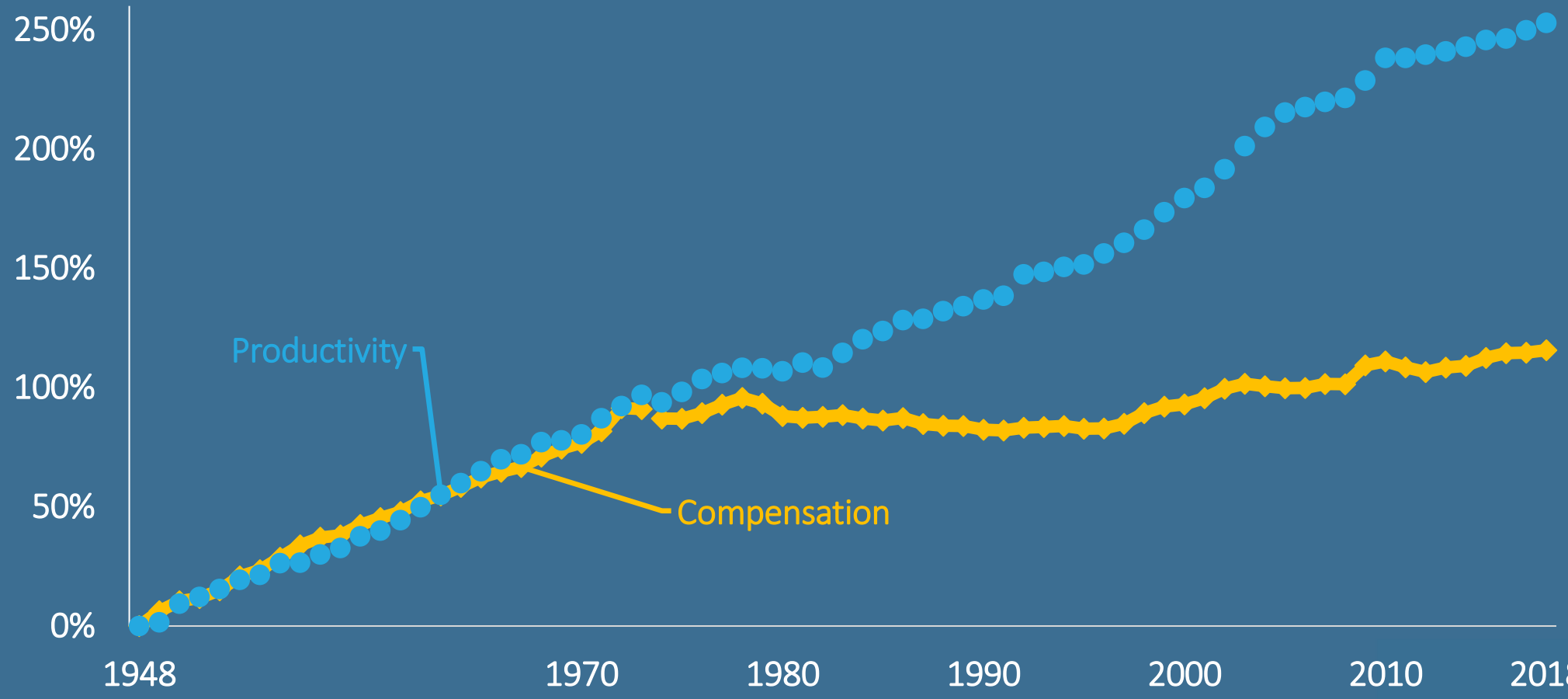
Wages used to grow with the economy

How it started: How it's going:



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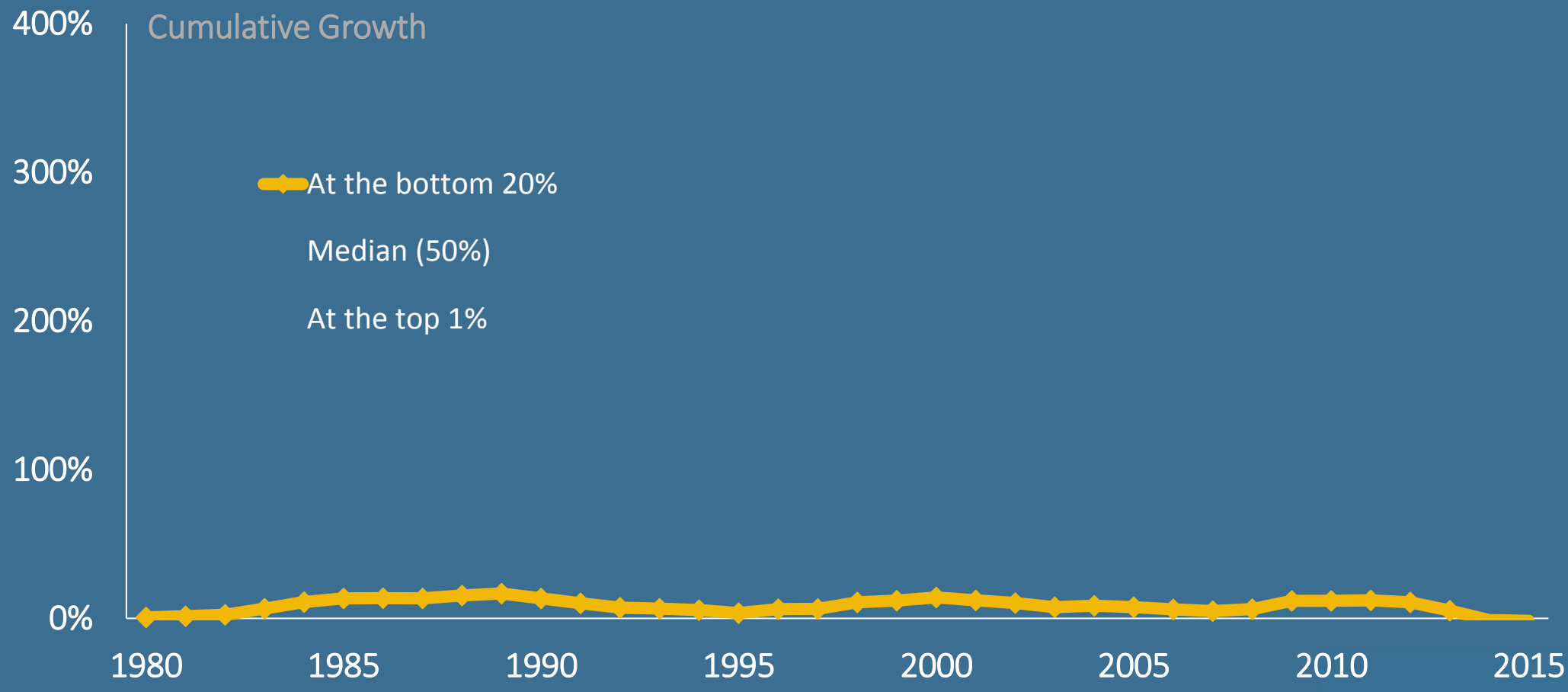
Stagnant wages can lead to stagnant incomes, limiting economic opportunity



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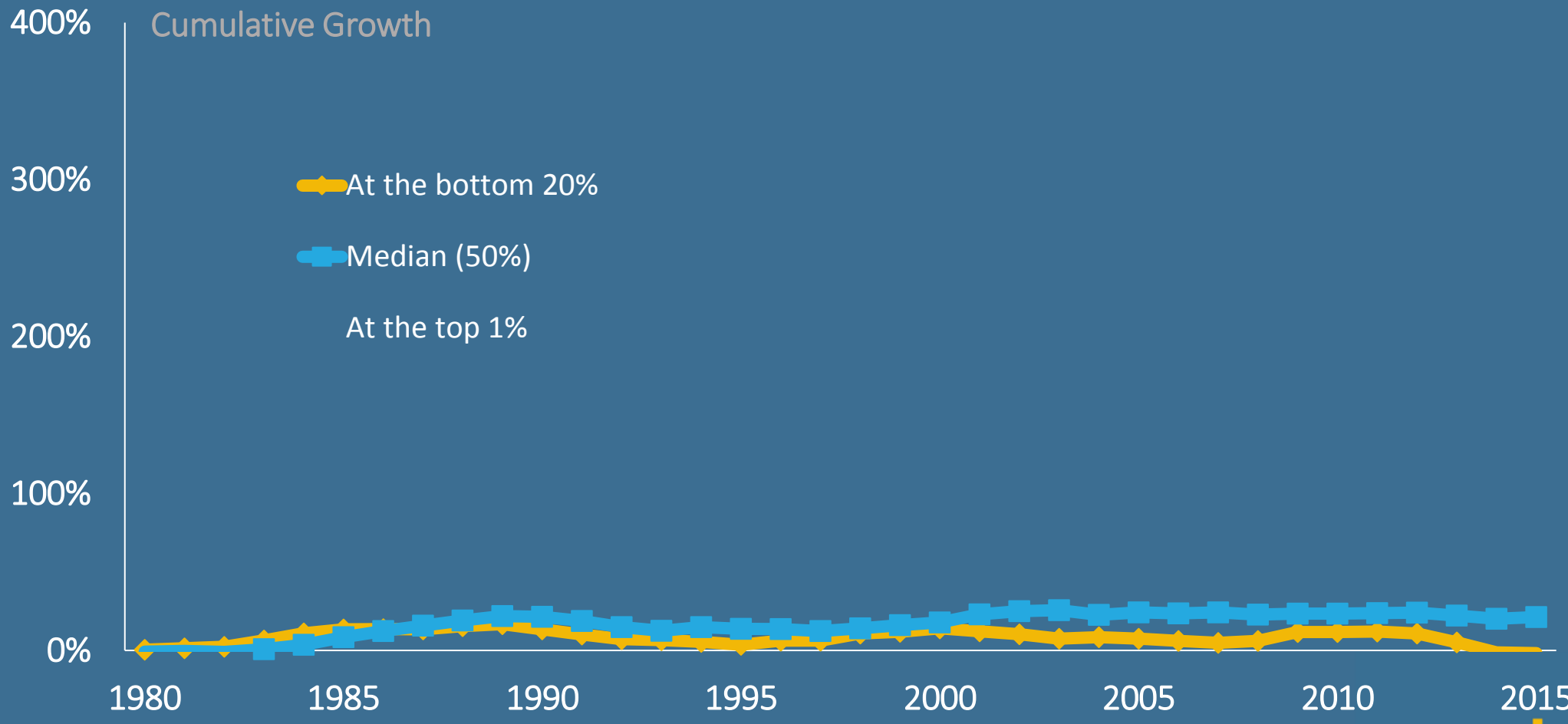

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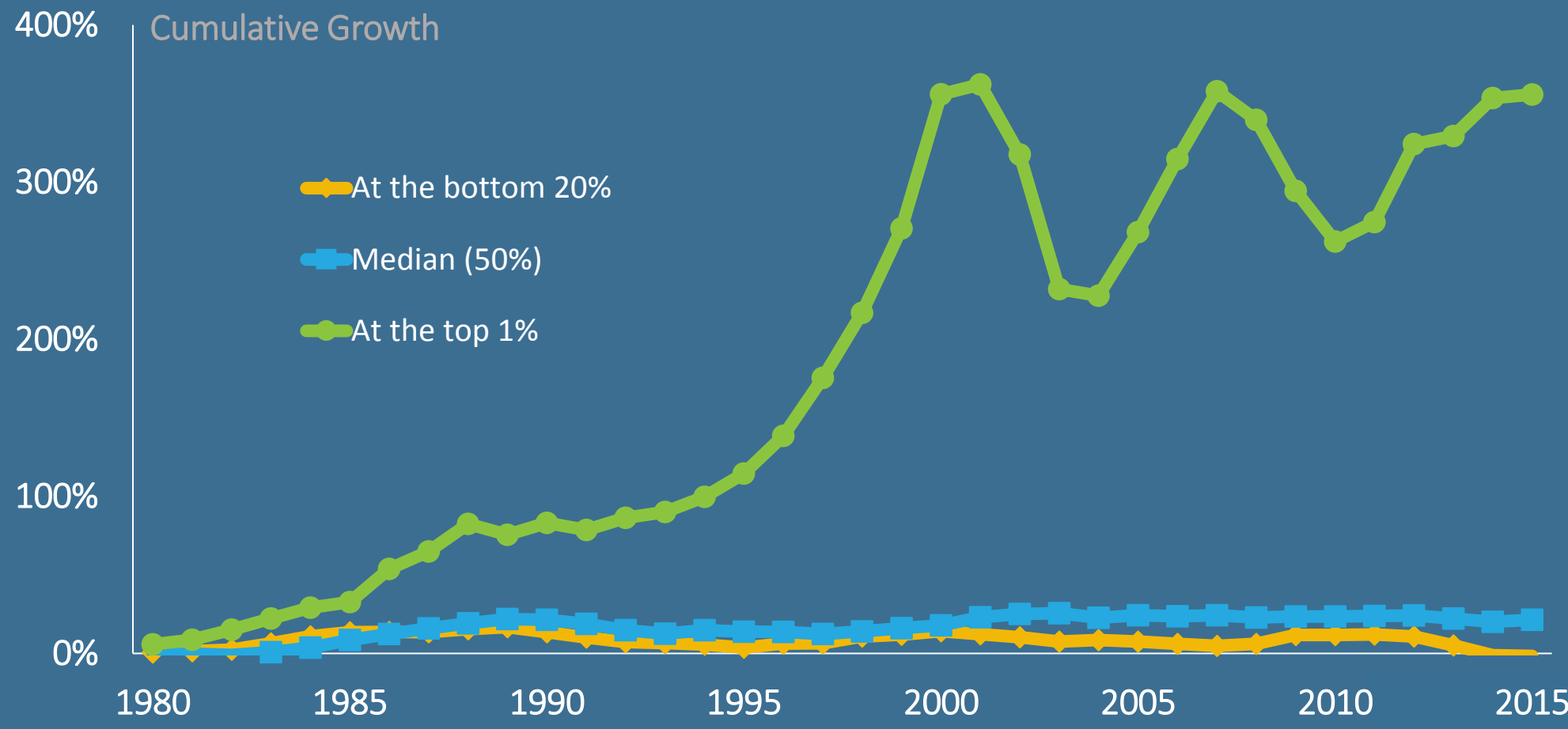
The growth in the economy has most benefitted those at the top



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And this inequality shows up in our state's tax system, too.

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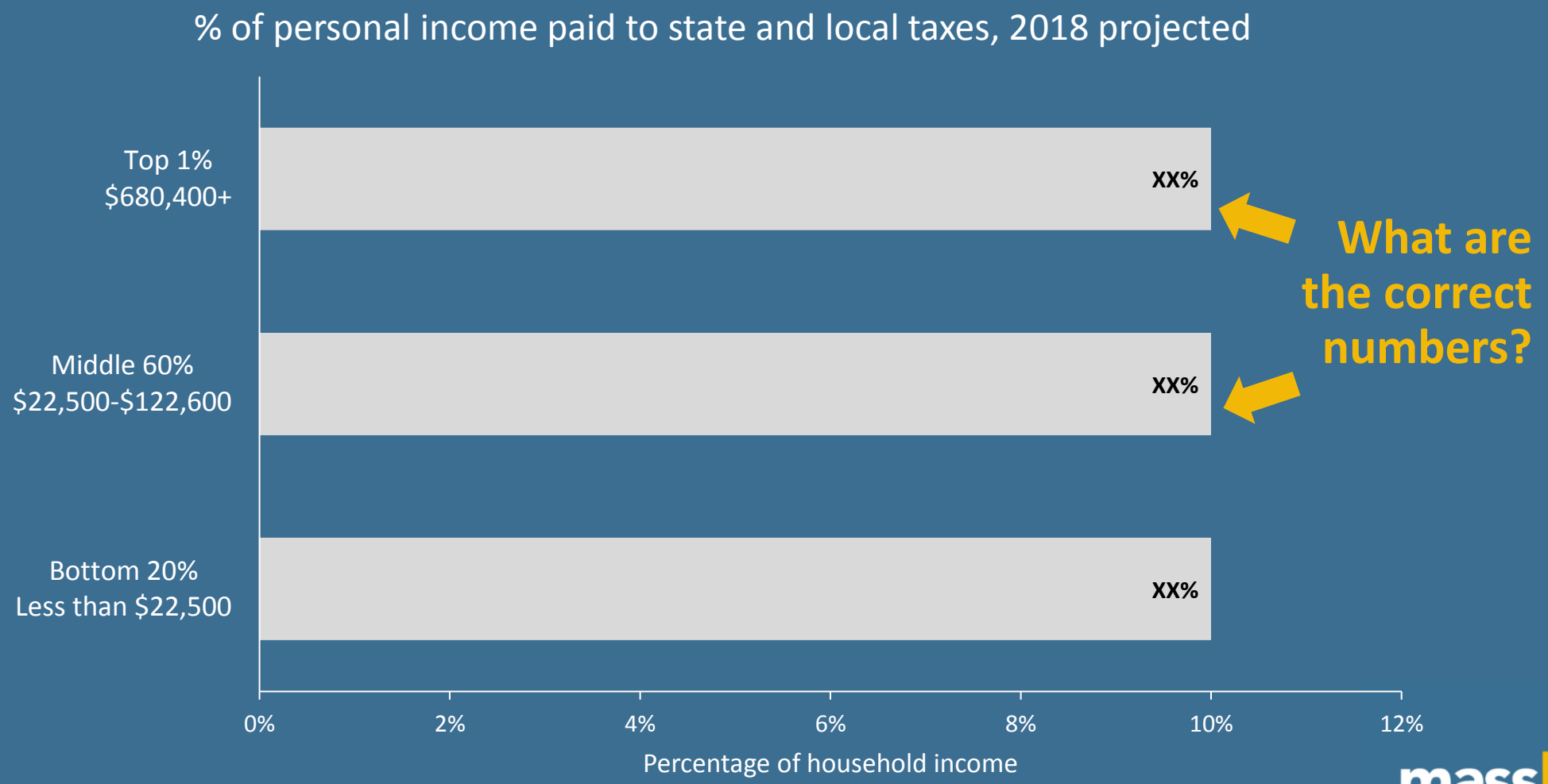
Who pays Massachusetts taxes?
Fill in the chart



What are the correct numbers?

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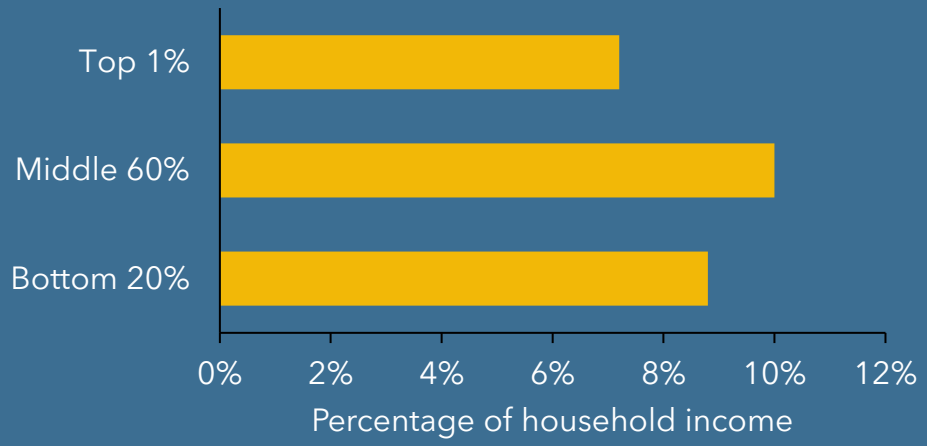
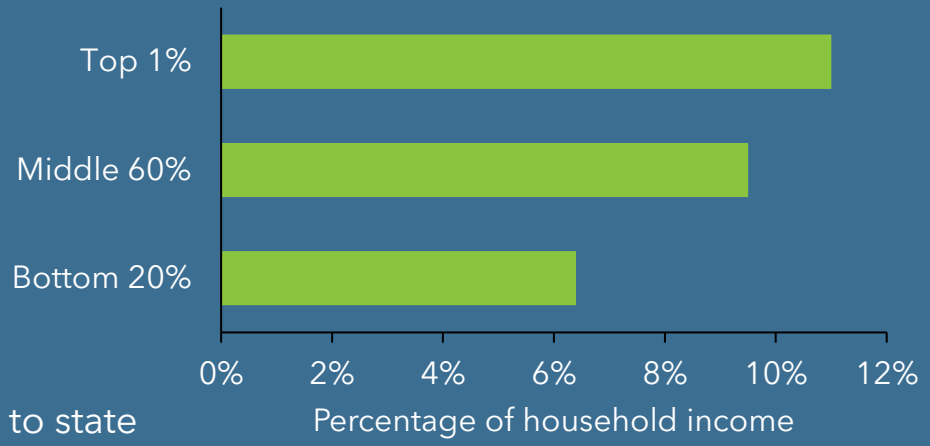
Who pays Massachusetts taxes?
Pick the correct chart

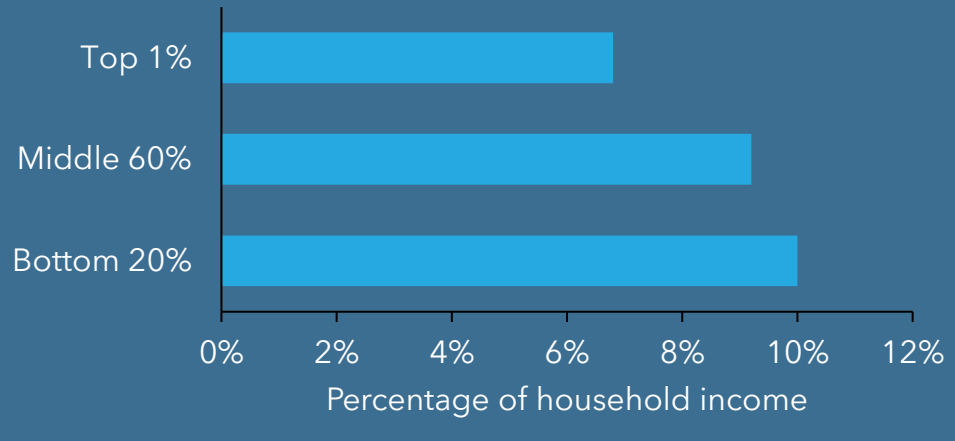
A) % of personal income paid to state and local taxes



B) % of personal income paid to state and local taxes



C) % of personal income paid to state and local taxes



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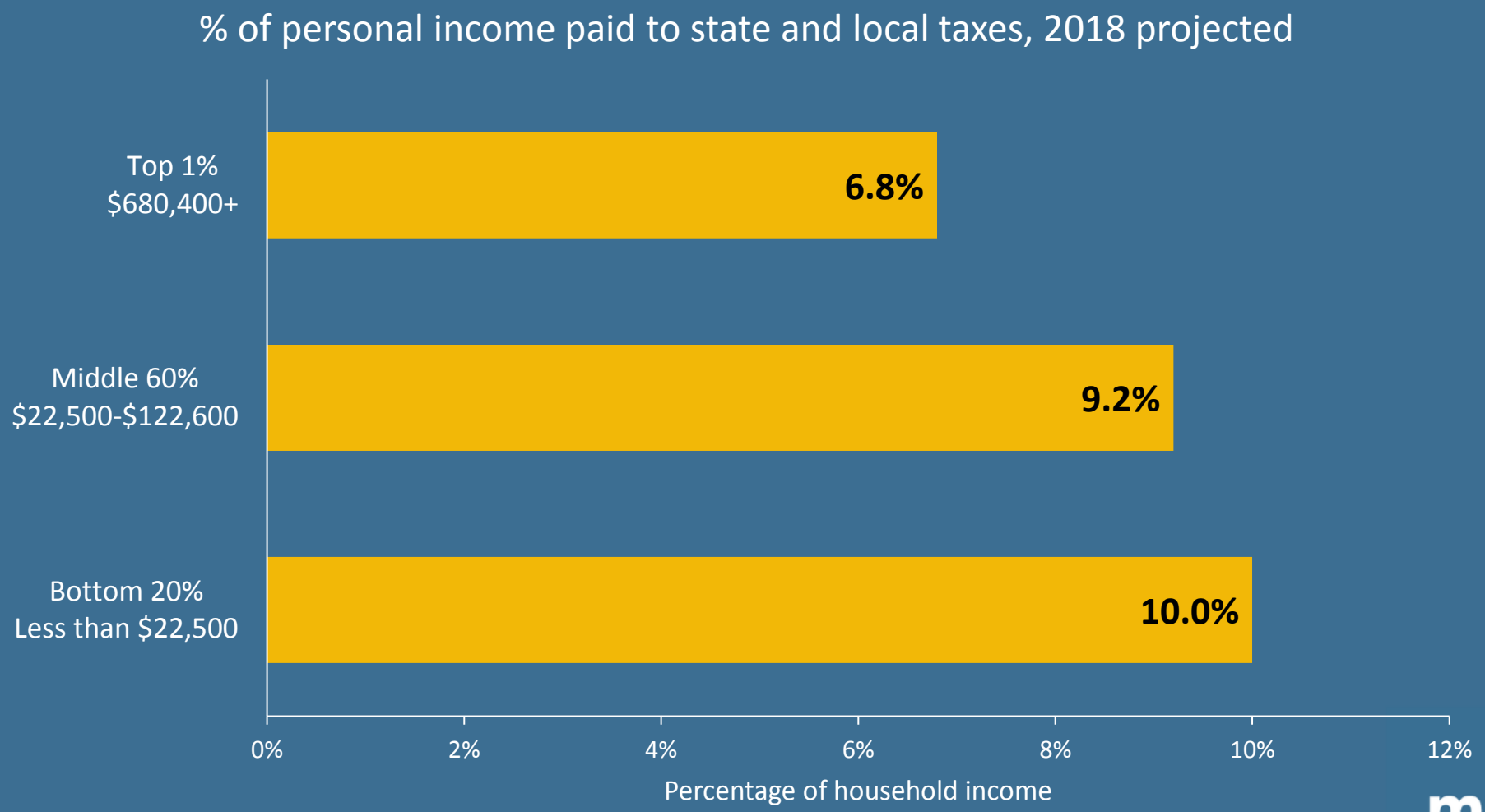
Who pays Massachusetts taxes?



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A few tax terms

- **Regressive taxes** = Taxes that ask households with the *lowest* incomes to contribute the *largest percentage* of their incomes in taxes.
- **Progressive taxes** = The opposite of regressive taxes, which ask households with the most income to contribute the largest percentage in taxes.

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What are some ways to raise progressive taxes?

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Plenty of options…

- Increase the tax rate on corporate profits.
- Recapture some of the most egregious forms of off-shore tax dodging.
- Increase the tax rate that investors pay on income from the stock market, dividends, assets.

raiseupma.org/invest/

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January 14, 2019

14 Options for Raising Progressive Revenue

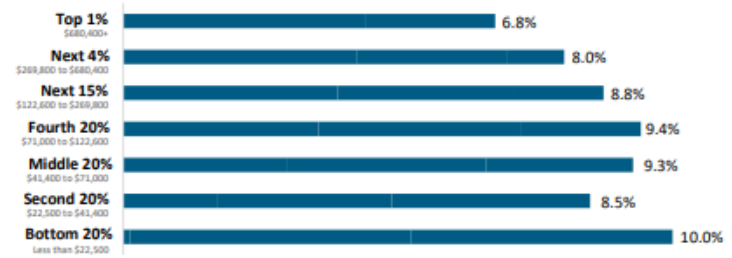
By Phineas Baxandall and Kurt Wise

People in Massachusetts seek to live in communities that provide a high quality of life for their family and neighbors. We value good schools, police and fire protection, libraries and parks, smooth roads and reliable transit, and supports to help families struggling through tough times. A community's day-to-day well-being and its long-term prosperity are built on these fundamentals. State and local taxes are the way we all work together to pay for these investments. How to collect enough revenue to pay for them – and how to collect that revenue fairly – are questions that every community and every state needs to examine.

Large tax cuts enacted in Massachusetts during the last several decades – affecting both state and local tax collections - have significantly reduced our ability to invest in our communities.[1] At the same time, our state and local tax system remains "upside-down": low- and moderate-income households pay a larger share of their income in taxes than do households with higher incomes.[2] In fact, the highest-income households in Massachusetts – those in the top 1 percent – pay a smaller share of their income in state and local taxes than does any other income group.

Highest-Income Taxpayers Pay Smaller Share of Income in State and Local Taxes

% of personal income paid in state and local taxes, 2018 projection



Source: Institute for Taxation and Economic Policy

Moreover, the upside-down structure of our tax system is particularly detrimental to Black and Latinx communities. Due to a long history of systemic barriers to opportunity, Black and

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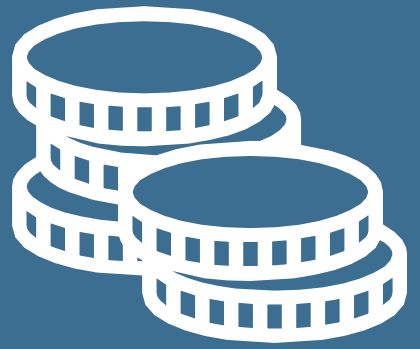
Longer term option:
Fair Share Amendment "millionaire's tax"



- Would add 4% tax to income above $1 million.
- Would raise about $2 billion/year for the state.
- Requires amendment of MA Constitution.
- If all goes well, it will be on the November 2022 ballot.
- If voters (like you!) say yes, it would take effect January 2023.

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How and when can I make my voice heard on the state budget and taxes?

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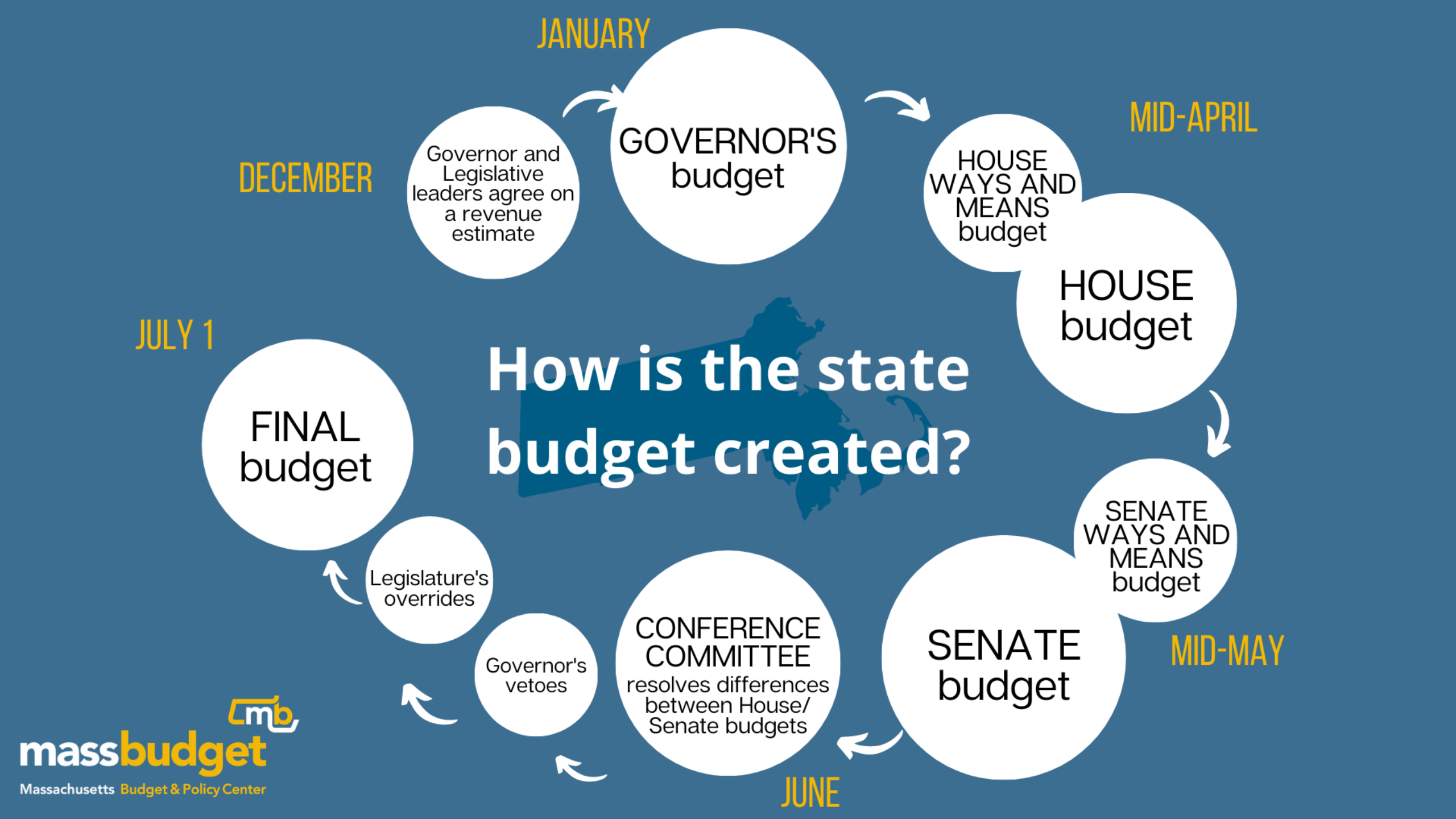
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When/ how can I have a say in the state budget?

DECEMBER

Governor and Legislative leaders agree on a revenue estimate

JANUARY

GOVERNOR'S budget

Ask the Governor to support your issue

Attend a lobby day, talk to legislative champions

Attend public hearings

MID-APRIL

HOUSE WAYS AND MEANS budget

HOUSE budget

Ask your state rep to file an amendment on/ co-sponsor/ vote for your issue

MID-MAY

SENATE WAYS AND MEANS budget

SENATE budget

Ask your senator to file an amendment on/ co-sponsor/ vote for your issue

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Ask your legislators to override/ not override the veto on your issue

JULY 1

FINAL budget

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Keep an eye out for opportunities to advocate for the programs you care about.

MASS WORKFORCE ASSOCIATION
ONE SYSTEM – ONE VOICE

Public Policy Alert

FY21 Budget Update:

Yesterday, the House Ways and Means (HWM) Committee released its **proposed budget for FY21**. Due to COVID-19, this proposal has been delayed for nearly 8 months as the Legislature and Administration waited to get a better sense of the impact that the pandemic would have on state revenues.

According to the **Chairman's letter**, the proposed $46 billion budget is based on an assumed $2 billion reduction in tax revenues from fiscal year 2020. The proposed budget does not increase taxes, instead it relies on various one-time revenues including: (1) $1.5 billion from the stabilization or "rainy day" fund; (2) $550 million in CARES Act funding; and (3) $834 million in enhanced Medicaid reimbursements for MassHealth.

In addition to line item appropriations, it includes language that would restrict courts in MA from finalizing evictions if a tenant has an active application for rental assistance. Additionally it would infuse another $50 million into the Rental Assistance for Families in Transition (RAFT) program to help families facing eviction now that the state's moratorium is no longer in place.

Despite the fiscal challenges facing the state, the HWM budget proposal includes many important investments in workforce development:

- **Career Centers:** $3.96M (same as **Governor's revised H2 budget proposal**)
- **YouthWorks:** $19.33M (higher than revised H2)
- **Connecting Activities:** $6M (higher than revised H2)

Our tax system and our government budgets say a lot about **who** and **what** we value.

It's time we **all** have a say.