

Budgeting analysis and report of massachusetts research papers examples

[Economics](#), [Budget](#)



\n[[toc title="Table of Contents"](#)]\n

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1. [Population](#) \n \t
2. [Weather](#) \n \t
3. [Key Industries](#) \n \t
4. [Welfare programs](#) \n \t
5. [Policy priorities](#) \n \t
6. [Politics](#) \n \t
7. [Taxation and competitiveness](#) \n \t
8. [Economic performance](#) \n \t
9. [Sources of revenue](#) \n

\n[/toc]\n \n

Budgeting is a crucial aspect of any institution or government's operations with an aim of enhancing goals and objectives' achievement in line with specific environment and needs. Thus, budgeting is greatly guided by policies that define the suitable actions in line with set goals and objectives either in response to changing environment or as a way of fostering opportunities' utilization. In that respect, governments have budgeting planning that is specific to their constituents' needs and that defines the objective of this analysis which seeks to demonstrate the budgeting process for a State in view of its status and environment. To achieve the objective, the analysis uses the case of Massachusetts State in the US. To begin with, the analysis provides an overview of the state covering various aspects including its location, demographics, weather, industries, business

environment and economic competitiveness as well as policies priorities. In addition, the report provides a summary of the State budgets' analysis, addressing issues as revenue source, budgeting priorities, budgeting policies, legislative budgeting and context as well as the budgeting trend over the past five years.

Massachusetts is located 42. 336N; 71. 017W bordering with New York, Rhodes Island, New Hampshire, Connecticut as well as Vermont and its capital city is Boston. The state ranks 44th in size with a total area of 10555 M2 and was admitted to statehood on 6th February 1788. In addition, the State's economy is mainly based on industries and agriculture. Further, Massachusetts largest cities include Boston, Lowell, Lynn, Quincy, Cambridge, Springfield, Worcester and Brockton. (Galvin, 2014)

Population

Education

Massachusetts is the centre of American higher education hosting universities including MIT, Harvard among others. (Massachusetts Government, 2014) In that respect, the State has potential for technological advance and skills to foster economic development.

Weather

Massachusetts is relatively small but has significant differences in its eastern and western climate. However, the state has moderately warm summers and cold winters but Berkshires have the coolest summers and coldest winters. (Galvin, 2014) Thus, Massachusetts has suitable climate for agricultural and

industrial operations hence a need for suitable policies and budgeting to enhance the activities.

Key Industries

Massachusetts' key industries include finance, IT, manufacturing, life sciences, defense and renewable energy as well as creative industries. In that respect, the Finance industry has been the pillar of the State's economy comprising services as consulting, insurance, asset management and accounting. In addition, the State outperforms the others in terms of IT growth and development. (Massachusetts Government, 2014) Thus, the state's policies and budgeting should address the industrial needs as a way of enhancing economic growth and development.

Welfare programs

The state's government has a number of programs that seek to enhance its peoples' welfare covering diverse aspects including childcare, education, financial, healthcare, and legal as well as tax credit. A good example of the welfare programs is the popular TAFDC Welfare program which includes providing basic necessities to families that have dependent children. (Massresources, 2014) That is appropriate considering that the State has had a poverty level of 11%.

Policy priorities

In view of the State's economic and demographic situation, Massachusetts government sets policies that prioritize strengthening the community development, support development of small businesses and funding of

affordable housing projects. In addition, fostering sustainable homeownership and maintenance of transportation networks as well as increasing minimum wage are among the government's policy priorities.

(MACDC, 2014)

- Strengthening of the community's development

This is done by MACD through implementation of community investment tax credit for purpose of achieving high impact community development which is community led. In that respect, MACD works with the housing department as well as the department of revenue in determining suitable funding as well as in developing procedures and systems through which donors claim their credits. Thus, through the Acts that are relative to the Economic development Reorganization (Chap. 240), the government has been certifying organizations for purpose of offering subsidized housing development. (MACDC, 2014)

- Small business support

The government had been funding the small Business Technical Assistance program until 2011 when budget cuts were introduced after the great recession. Afterwards, the Massachusetts Growth Capital Corporation took over the funding but there is increasing pressure to get the legislature to restore the funding to its previous \$2 million level.

- Transportation network maintenance

With an example of the 2013's finance bill passage that provided for \$600 million annual budget to transportation infrastructure development, the State's government has a high priority on investing in regional transit as well as roads and bridges networks.

- Raising minimum wage

The government supports the raising of minimum wage to \$10. 50 per hour as a way of addressing the increase in the cost of living. (MACDC, 2014)

Politics

Massachusetts government is normally elected after a four years period with its legislature having 40 members of senate and a house of representatives that has 160 members who serve for a two years term. The state has 11 electoral votes as it sends two senators and nine representatives to the US Congress. In respect to party's dominance, the state is predominantly Democratic but has had only Republican governors since the year 1991. (Galvin, 2014)

Taxation and competitiveness

Employers and Businesses are usually faced with business costs ranging from operational cost to taxes. In that respect, tax rates affect business performance as well as economic growth. Thus tax rates are a great consideration for businesses and employees in their hiring and investments choice as they determine their competitiveness. In that view Massachusetts' tax burden that was measured in terms of tax collections' proportion of the states' production was the 8th largest in US for the year 2010. Further, the burden was 39% higher than the national average rate hence companies and investors seeking to establish operations in the State would find their ventures relatively unattractive. Thus, there is a need for the government to address its tax climate as a way of playing to its strengths and generate jobs as well as foster investments' growth. In comparison with other states,

- Maine's tax burden was 59% lower.
- Connecticut's was 63 lower.
- Vermont's was 24% lower.
- Rhode Island's was 57% lower.
- New Hampshire's was 63% higher. (Boston Chamber, 2010)

Economic performance

The State's economy outperformed the US economy during and immediately after the great recession of 2008. In addition, the state experienced a lower fall in Home prices with an 18% fall compared to the nation's 34% decline. However, the State's unemployment has been marked by a cyclical pattern with an increase to a high of 9. 5% in 2011 from 5. 2% in July 2008 which then declined to 6% in June 2013 and finally resting at 7% in November 2013. That marked a higher rate than the nation's unemployment. (Benison, 2013)

Sources of revenue

Massachusetts government's sources of revenue are mainly taxes that are classified into various types including income tax, corporate tax and sales tax. In addition, the government earns revenue from lottery charges as well as capital gain tax. Finally, the State's government gets grants from the Federal government. In that view, different types of revenues' significance can be demonstrated by revenue trends through a review of the year 2013's collections. The State's largest tax revenue source is the income tax revenue with an example of 2013's income tax collections that accounted for 57. 1% of the total \$22. 599 billion in tax revenue. On the other hand, sales tax

accounted for 8.6% while corporate tax accounted for 23.2%. In addition, motor fuel taxes accounted for 2.9% of the total taxes and 8.2% was accounted for, by other forms of taxes. (Benison, 2013)

Lottery also marked a significant income source in 2013's collections when it accounted for \$5.041 billion which was a 55% of the commonwealth's governmental charges. Further, the state government received grants with the largest being the Federal subsidies on Medicaid which amounted to \$7.092 billion while education and education grants were \$2.777 and \$7.092 respectively. Further, the government received grants for the purpose of highways construction and maintenance. (Benison, 2013) In that view, Massachusetts government's budget can be termed as mainly self funded with the high tax rates being the significant revenue source.

Budgetary priorities

The State's budgeting priorities are guided by the State's policy priorities with the budget focus being summarized by allocation to various government departments as shown on the following table.

Source: (Massachusetts Government, 2014b)

In view of the allocations, the policies priorities on community development support, small business support, transport network development and maintenance as well as minimum wage policies, are reflected by a great share and increasing allocation in health and human development services as well as education. In addition, a significant allocation to Finance and Administration as well as public policy is an indication of the State's focus on supporting small businesses and community development. In the same manner, a significant and increasing allocation to the transport department

shows the commitment to roads and transport development and maintenance.

Governor and legislators Budget context

In view of the Governor and legislature's participation in the budgeting process, the government seeks to establish responsible revenue options as well as achieve budget cuts whenever spending is projected to be excessive. That is demonstrated by the government's action of spending cuts through the order of Finance and Administration Commissioner. In addition, the government seeks to identify and use additional revenue sources as a means of avoiding further increase in tax burden. Further, the governor and legislature applies measures that seek to stimulate the economy to enhance growth as well as address economic and financial challenges. It is also notable that the government through the governor and legislature seeks to partner with the Federal government in budget management in terms of funds sourcing for functions that are of national interest. In that respect, the Massachusetts' government addresses some spending issues of national interest as development of highways and education institutions that are done in partnership with the federal government. In that view, Massachusetts government focuses on enhancing the community's welfare by establishing strategies that mainly focus on enhancing health services, jobs creation as well as setting of suitable wage standards. (Massachusetts Government, 2010)

Budgets' Balance

The government's net position has been on deficit for a number of years as demonstrated by a summary of the figures as follows. The government had a

deficit of \$25.94 billion in 2013 that reflected its net position which was highly attributed to the commonwealth's policy that favored financing of assets and construction owned by other government entities including bridges and commonwealth roads. That resulted from the commonwealth's inability to serve the purpose as a result of its massive \$6.036 billion long-term debt from previous borrowings and grants which had financed schools construction in commonwealth towns and cities. (Benison, 2013) Further, the government had a deficit of \$24.3 billion in 2012 that was also attributed to its decision to finance obligations that belonged to other entities; precisely the commonwealth bridges and roads. Finally, the government reported a fund balance of \$6.32 billion in June 2012 that was an increase from the 2011's balance of \$1.05. (Benison, 2012) In that view, Massachusetts' government and State budget have been marked by negative net positions that result from increased spending cuts by the Federal government as well as the growing needs and allocation in key departments.

Budget balancing policies

Massachusetts has not adopted a formal policy for minimum fund balance although most of its government funds cannot be allowed to end the fiscal year with a deficit. In that respect, the government has stabilization fund agreements in accordance with the Massachusetts General Laws Section 2H (Chap. 29). The law provides that commonwealth States should maintain a stabilization fund that is mainly referred to as the "Rainy Day Fund" which is usually expended whenever there are non-routine budget shortfalls.

However, the expenditure must be appropriated by legislature and authorized by the Governor. In that respect, the chapter provides that the

net surplus calculated from the commonwealths' consolidated funds should have 1% of the tax revenue being carried forward to be available for the next fiscal year's appropriation while 1% should be transferred to the stabilization fund. In addition, some lottery collections are withheld for transfer to the stabilization fund. (Benison, 2012)

Further, the Controller transfers any capital gains tax in excess of \$1 billion to the stabilization fund upon certification by Commissioner of Revenue. The controller also transfers to the stabilization fund, any judgments and individual settlements in excess of \$10 million upon certification by the Attorney General and the Commissioner of Revenue. Thus, the stabilization fund has been applied to address budget shortfalls during the recessionary periods. Finally, a projection of a budget shortfall is addressed through reduction of state agencies spending by the Secretary of Finance and Administration. (Benison, 2012)

Budget trend

Massachusetts budget trend over the period beginning the year 2010 have been marked by increased spending in some key areas as well as growth in revenue collections. Tax revenue had a healthy growth in the year 2013 resulting to a growth of \$1. 642 billion in the government activities position. However, adjustments to reduce the government's negative net position offset the growth with the key factors underlying the deficit change being:

- Growth in Tax revenue by \$1. 196 from the year 2012's collections. That was attributed to an increase in income tax which was boosted by collections from capital gains. However, the non-tax government revenue did not experience any growth mainly because of the effect of the American

government to phase out the stimulant recovery spending program.

(Benison, 2013)

- The accrual of \$701 million in common wealth funds of the post-employment benefits in the year 2013 that served to reduce the net position.

(Benison, 2013)

Further, the primary government's liabilities exceeded its assets in 2013 by \$21. 099 which was an increase from the year 2012's \$1. 137 billion deficit.

(Benison, 2013) On the other hand, the government's activities net deficit grew by \$1. 5 billion in 2012 accompanied by a modest growth in tax revenue although the other revenues registered a decline. (Benison, 2012) In that view, the State experiences an increase in the government's negative net position hence a need to establish suitable budgeting measures to address the issue.

Politics and policies connection to budget and financial statements

In most cases, state and national budgets express political priorities rather than economic ones. In that respect, the budgeting and government structures plays a great role in ensuring that there are necessary checks and balances. However, the representation of both democrats and republicans in Massachusetts' government provides a balance that ensures that there are suitable policies that address the States budgeting needs. In addition, suitable budgeting policies ensure that there are appropriate procedures for addressing budgeting issues including budget balancing as well as deficits and borrowing. In that view, the Massachusetts political leadership and policies enhances budgeting planning.

Conclusion

The analysis has demonstrated Massachusetts as a significant economy within the US with a large middle aged population and low poverty level. In addition, the State being the centre of higher education has been demonstrated as having significant literacy level and human development. Further, the State's reliance on industries and agriculture for its economic activities makes its policy priorities in human development, transportation, finance, healthcare and human services appropriate as a means of enhancing the States growth and development. On the other hand, with the country having a Democrat affiliation whereas its governors have been from the Republican Party, it has a balanced political representation and that is a crucial check on the public policy and governance. In addition, the country's economic performance has been significantly high being above the nation's average since 2008 to 2013. However, the State has had high tax rates that make it unattractive to businesses and investors relative to the other states. In addition, unemployment rate has been cyclical with great variation over the period from 2008 to 2013.

In that view the high tax rates have made taxes to be the highest revenue source for the government with income tax accounting for the largest share. In addition, the government relies on grants from the Federal government for projects including roads and bridges construction. However, the government's has had high spending since the great recession as a way of stimulating the economy hence resulting to high expenditures that makes its net position to maintain a deficit. In respect to budget balancing, the government applies a stabilization fund that caters for unusual budget shortfalls and which draws its funds from different revenue sources. Finally,

the States' politics have had great commitment to budgeting in terms of policies and suitable allocations considering representation of both Republican and Democrats.

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