

## Technical Documentation: Calculating State and Local Expenditures on Care

### *State Expenditures:*

In calculating state expenditures on the care sector we used detailed state budget data for FY07 (July 1 2007-June 30 2008) available through the Commonwealth's Executive branch on the Mass.gov website. Specifically we obtained historical data on actual expenditures for monies allocated through direct appropriations, available at [http://www.mass.gov/bb/h1/fy2009h1/brec2\\_09/ga09/hodefault.htm](http://www.mass.gov/bb/h1/fy2009h1/brec2_09/ga09/hodefault.htm). Spending is recorded by line item for each state-level department. We examined all allocations in two departments: Education and Health and Human Services. In the education area, we included almost all expenditures made through the Department of Education on K-12 education and Early Education and Care. Under Health and Human Services, we included almost all expenditures except those listed under Refugees and Immigrants in five of the six subaccounts (Health and Human Services; Elder Affairs; Health Services; Children, Youth and Family Services; and Disability and Community Services). Federal grants (not already included in line items) and trust funds expenditures are not listed for FY07 accounts, so we have not included them here.

Revenues expended are listed by line item in the budget and every amount in each line item is divided into six spending categories: wages and salaries; employee benefits; operating expenses; public assistance; aid to cities and towns; and debt service. We include expenditures from 231 line items in which funds are used to assure the provision of pre-k and K-12 educational services, health care and other related health services (such as public health) as well as direct care services for children, disabled adults and elders.

We do not include other state expenditures, notably those from outside sections of the budget (such as teachers' pensions), trust funds or some federal grants.<sup>1</sup> Some expenditures financed by federal revenues provided to the state are included in the state budget, most notably Medicaid funds.

### *Local Expenditures:*

We use various spreadsheets provided by the Department of Revenue's Division of Local Services for FY07 (found at [http://www.mass.gov/?pageID=dorterminal&L=4&L0=Home&L1=Local+Officials&L2=Municipal+Data+and+Financial+Management&L3=Data+Bank+Reports&sid=Ador&b=terminalcontent&f=dls\\_allfiles&csid=Ador](http://www.mass.gov/?pageID=dorterminal&L=4&L0=Home&L1=Local+Officials&L2=Municipal+Data+and+Financial+Management&L3=Data+Bank+Reports&sid=Ador&b=terminalcontent&f=dls_allfiles&csid=Ador) ). In particular we included General Fund Expenditures, Special Revenue Funds, and Trust Funds, which accounts for just under 85 percent of all local spending. We excluded expenditures from Capital Project Funds and Enterprise Funds. Capital projects are typically funded through borrowing (general expenditures the cost of borrowing through debt service). We exclude Enterprise Funds – funds collected for specific fees for service rendered

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<sup>1</sup> Capital projects are often financed through borrowing (interest paid on that debt is included); state trust funds are excluded as they are funds collected and reserved for specific purposes (like unemployment insurance); while we would have liked to include all federal grants, that information was not available for FY07.

(such as for sewer, water, electricity, golf courses) – because of the uneven use of these funds across communities. Some residents of communities purchase these services through the private market while others through their local government. Including expenditures made with these fees distorts the data and comparisons across communities.

Division of Local Services' expenditure data is distinguished by spending categories, but not finely. From the General Fund Expenditures, which accounts for close to 2/3 of all local spending, we include under care provision expenditures from the categories Education, Human Services and Fixed Costs to care. Fixed Costs include workers' compensation, unemployment, health insurance and other employee benefits for all workers. To attribute the portion spent on workers providing care, we allocated the percentage of wages expended in the state to those employed in education and social services as reported by the Department of Labor and Workforce Development's Employment and Wages ES202 Series on local government workers ([http://lmi2.detma.org/lmi/lmi\\_es\\_a.asp#IND\\_LOCATION](http://lmi2.detma.org/lmi/lmi_es_a.asp#IND_LOCATION)). We do the same calculation for Trust Fund Expenditures under the categories Workers Compensation, Pension Reserve, and Health Claims (which exhaust the spending we include from Trust Fund expenditures). Special Revenue Funds come from a wide range of sources, including the state, federal government, and revolving funds. We included all care expenditures we could identify.

#### *Intergovernmental expenditures:*

Typically, “higher” levels of government provide substantial money to lower levels. Some intergovernmental revenues are tagged (or earmarked) for specific services or goods or for categories of expenditures, but others are not (e.g. lottery monies that go to cities and towns). Occasionally, lower levels of governments transfer funds to higher levels – typically for services that are provided regionally. Intergovernment revenues complicate our accounting of state and local government's expenditure on care. When the Commonwealth provides “Chapter 70” money to cities and towns to help pay for schools, this is a state expenditure that is also recorded by cities and town as a local expenditure. But, when it comes to counting total state and local government expenditures on care, it should only be counted once. Total expenditures provide a sense of the funding priorities of the state but we do not want to overestimate the total amount spend on care provision. In reporting data here, we distinguish between total state expenditures and state expenditures minus those allocated to municipalities. We report total state expenditures as the total of all the line items on the care sector and total state expenditures net those transfer to local governments (total expenditures minus the total amount spent on aid to cities and towns). Similarly, we distinguish between total local expenditures and those expenditures minus state allocations. In calculating all non-state financed local expenditures we identify all state funds and state charges to municipalities (e.g. tuition from students attending a charter school) to calculate net state aid by care category. These can be found in Cherry Sheet Receipts as funds allocated to General Fund expenditures and under State Grants (a subcategory of Special Revenue Funds). We are easily able to identify education-related state revenues and charges as listed in FY07 Cherry Sheet Receipts as well as education grants and grants to Councils on Aging (used to provide services to elders in communities) in State Grants Special Revenue Funds. However, there are general government state funding that provides funding for all local functions. In these

cases, we allocate a portion equal to the percentage of General Funds expenditures on care, delineated by education and non-education care.

Just under one-quarter (23 percent) of the state's budget appropriations go directly to cities and towns, with about 30 percent of all local expenditures are financed from all intergovernmental revenues.