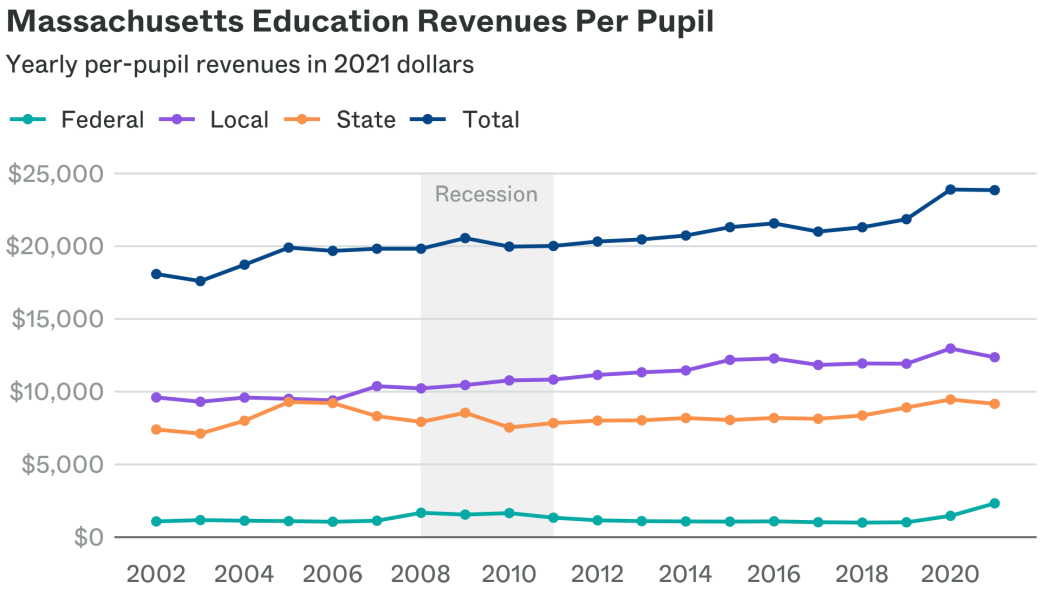
MASSACHUSETTS

Lessons from the Great Recession

1. How did the Great Recession affect education spending?

The Great Recession provides some indication of how Massachusetts's education budget may fare during a future recession. Real funding per pupil had already sharply declined prior to the recession due to Chapter 70's too-low inflation adjustment. The state was able to increase per-pupil revenues between 2008 to 2009, which cushioned the initial impact of the recession, especially when combined with federal stimulus funds. But after 2009, state revenues declined, then stagnated, and it was not until 2019 that revenues surpassed their 2009 peak in real terms.[1] Still, it is worth noting that revenues were more stable in Massachusetts than in other states. In 2012, it was one of only 16 states with inflation-adjusted state spending per student higher than in 2008.[2]

An analysis of state spending using data from the National Association of State Budget Officers (NASBO)[3] reveals that while Massachusetts made some cuts to K–12 education spending, these were proportionally less than cuts to other sectors, including Medicaid. The 2009 state budget narrative discusses the state's approach to budget cuts, highlighting education as a core investment area while it made cuts to municipal aid and Medicaid.[4] This indicates that education spending has been prioritized during periods of fiscal stress, even before the introduction of the earmarked Fair Share Tax funding.



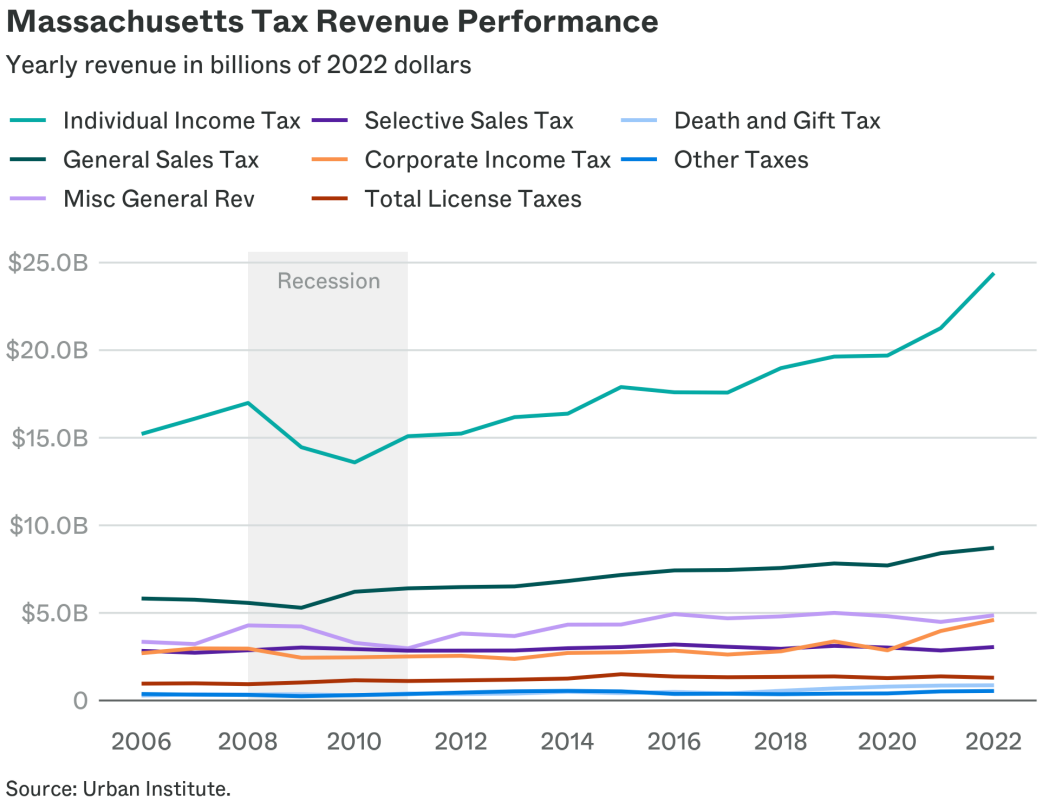
Source: National Center for Education Statistics.

2. How did the state's revenue base perform during the Great Recession?

After the onset of the Great Recession, Massachusetts saw a 25 percent drop in income tax revenue, the state's largest source of revenue. Revenues began to recover by 2011 and had surpassed their pre-recession peak in 2015. Recovery was impeded by slow labor income growth, particularly in high-wage sectors.[5] General sales taxes, the second largest source of revenue, also saw an initial decline, but had rebounded by 2010, facilitated by a permanent increase in the sales tax rate and the elimination of the exemption on alcoholic beverages.[6]

It took roughly 4.5 years for Massachusetts's tax revenues to fully recover from the Great Recession, matching the national average state recovery time.[7] To meet the budget gaps created by reduced revenues, the state withdrew funds from the Stabilization Fund and trust funds and reduced spending.[8]

A future recession may be driven by different economic factors. But this analysis does suggest that a future recession could put significant and long-lasting pressure on the state budget, especially if high-wage sectors see a sluggish recovery. Massachusetts especially relies on knowledge-based industries that are exposed to federal cuts, such as higher education and the life sciences.[9]



Source: Urban Institute.

Notes

1. Massachusetts Budget and Policy Center, *Fiscal Fallout: The Great Recession, Policy Choices, and State Budget Cuts, Fiscal Years 2009–2012* (MassBudget, August 12, 2011), https://massbudget.org/reports/pdf/Final_Cuts_20July_2011.pdf.
2. Phil Oliff and Michael Leachman, New School Year Brings Steep Cuts in State Funding for Schools (Center on Budget and Policy Priorities, October 7, 2011), https://www.cbpp.org/research/new-school-year-brings-steep-cuts-in-state-funding-for-schools.
3. National Association of State Budget Officers, "Archive of State Expenditure Report," https://www.nasbo.org/reports-data/state-expenditure-report/state-expenditure-archives.
4. Mass.gov, "Governor Deval Patrick's Budget Recommendation—House 2 Fiscal Year 2009," 2008, https://budget.digital.mass.gov/bb/h1/fy2009h1/exec2_09/hdefault.htm.
5. Giovanni Olivei, Robert Triest, and Geoffrey Tootell, "Why Has Massachusetts State Tax Revenue Growth Failed to Keep up with the Recovery?" memorandum to Eric Rosengren (president, Federal Reserve Bank of Boston), January 13, 2017, https://www.bostonfed.org/-/media/Documents/neppc/20170113-MA-state-revenue-analysis-memo.pdf.
6. Nicholas Johnson, Catherine Collins, and Ashali Singham, *State Tax Changes in Response to the Recession* (Center on Budget and Policy Priorities, March 8, 2010), https://www.cbpp.org/sites/default/files/atoms/files/3-8-10sfp.pdf.
7. Barb Rosewicz, Justin Theal, and Alexandre Fall, "Decade After Recession, Tax Revenue Higher in 45 States," Pew, January 9, 2020, https://pew.org/39AxqhJ.
8. Bruce A. Wallin and Douglas Snow, "Budget Deficits in the States: Massachusetts," *Public Budgeting & Finance* 30, no. 1 (2010): 80–104, https://doi.org/10.1111/j.1540-5850.2010.00950.x.
9. Molly Glass, "Massachusetts Could See Drastic, Cascading Economic Downturn from New Policies, BU Study Finds," The Brink, Boston University, May 3, 2025, https://www.bu.edu/articles/2025/massachusetts-economic-downturn-from-new-policies/.