February 2003

Fragile Progress:
Reining in Massachusetts' High Business Costs

Massachusetts Taxpayers Foundation

with

ASSOCIATED INDUSTRIES OF MASSACHUSETTS

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OF MASSACHUSETTS

Established in 1915, Associated Industries of Massachusetts is the largest nonprofit, nonpartisan association of Massachusetts employers, with a statewide membership of more than 7,500. A.I.M.'s mission is to promote the well-being of its members and their employees and the prosperity of the Commonwealth of Massachusetts by improving the economic climate of Massachusetts, proactively advocating fair and equitable public policy, and providing relevant, reliable information and excellent services.

The Greater Boston Chamber of Commerce is a broad-based association representing more than 1700 businesses of all sizes from virtually every industry and profession in the region. The Chamber provides leadership in creating a healthy climate for economic development and job creation. The Chamber is an important resource for its members for advocacy, information, and marketing exposure that enhances their business success. And most important, the Chamber adds value to the community at large by working for legislative changes that are critical to economic growth.

Massachusetts Taxpayers Foundation

The Massachusetts Taxpayers Foundation is an independent nonprofit organization working to promote the most effective use of tax dollars, improve the operations of state and local governments, and foster positive economic policies. Founded in 1932, MTF ranks among the largest and most effective organizations of its kind in the country. The Foundation has won seven prestigious national awards in as many years for its work on business costs, capital spending, state finances, reform of the MBTA, and health care.

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Economic recovery — and future tax revenues — depend critically upon maintaining and improving Massachusetts' long-term competitive position.

Executive Summary

While the state's immediate fiscal problems are at the top of everyone's agenda, policy makers and others must remain focused on the fact that economic recovery – and future tax revenues – depend critically upon maintaining and improving Massachusetts' long-term competitive position. The costs of doing business in the Commonwealth are an important part of that competitive picture.

The three organizations authoring this report, individually and collectively, have worked extensively on a number of competitive issues, ranging from education, workforce training and transportation infrastructure to tax policy, business costs and steps to enhance the state's leading industries. Business costs have always ranked high on our collective agenda, in part because they are to a considerable extent influenced or directly controlled by public policy decisions.

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Monitoring our business costs and comparing them against those of our rival states is a baseline measure of economic competitiveness. History tells us that it is a particularly important measure during the recovery phase of the business cycle – a phase in which a higher cost structure has proved to be a serious drag on growth. With Massachusetts again forecast to emerge from the recession more slowly than other parts of the nation, and with virtually all of our economic engines sensitive to high business costs, this is no less pressing an issue today than it was in the last fiscal crisis.

Building on the work of two earlier reports by the Massachusetts Taxpayers Foundation (MTF), *The Competitive Disadvantage: The High Costs of Doing Business in Massachusetts* (1995) and *Interstate Tax Comparisons: Where Does Massachusetts Stand?* (1997), this study compares business costs in Massachusetts with other states in five key areas – health care, workers' compensation, unemployment insurance, electricity, and taxes.

That is not to dismiss the importance of other business costs, including housing, wages and the cost of regulatory compliance, which also play heavily into business decisions. Several recent analysis have documented the extremely high cost of housing in the Commonwealth, a cost that is indirectly influenced by state policies. Regarding wages, which were relatively high in Massachusetts in the 1995 analysis and remain so today, a 1999 MTF report (*Dynamics of Growth: The Two Massachusetts Economies*) concluded that the state's high wages are due in large part to high educational attainment levels and thus the greater productivity of the Massachusetts economy. The costs of regulatory compliance, while substantial, deserve their own study and are not analyzed in this report.

This report compares Massachusetts business costs against both national averages and our specific competitors. These include large industrial states (Florida, Illinois, Michigan, New Jersey, New York, Ohio and Pennsylvania), so-called "high technology" states (California, Colorado, Maryland, Minnesota, North Carolina, Texas and Washington) and other New England states.

The Commonwealth made progress on business costs during the 1990s, but there is need for further improvement.

Associated Industries of Massachusetts and the Greater Boston Chamber of Commerce, like MTF, are devoted to improving the competitiveness and strength of the Massachusetts economy. A.I.M., with 7,500 members, is the largest employer association in the Commonwealth and has focused much of its legislative advocacy on reducing the costs of doing business in the Commonwealth in order to promote investments in our economy that sustain and create well-paying jobs. The Boston Chamber, within its broad agenda, advocates policies to strengthen the region's leading industries, including financial services, high technology, health care, higher education and tourism.

Key Findings

This study finds that the Commonwealth made progress on business costs during the 1990s, but there is need for further improvement. Ten years ago, the Commonwealth ranked well above the national average in all five areas, but since then the gap has narrowed in each category. The improvement in workers' compensation costs has been particularly dramatic: Massachusetts is now below the national average.

Nevertheless, Massachusetts businesses continue to pay a premium compared to our competitors in the other four

Costs are still well above national averages in health care, electricity, and unemployment insurance, particularly in comparison to other high technology states.

categories considered in this report. Specifically, costs are still well above national averages in health care, electricity, and unemployment insurance. Massachusetts' disadvantage is particularly large in comparison to other high technology states. Although business tax reforms improved our competitive position in the second half of the 1990s, our corporate tax burden remains significantly higher than the national average.

Policy makers must maintain a sharp focus on the issue of competitiveness by preserving the gains that have been achieved and by taking additional actions to reduce the Commonwealth's disadvantages. The state's fragile economy makes it even more important that we improve our cost competitiveness. Threats to our position include not only direct imposition of costs (increases in taxes and rates), but also new mandates or shifting of costs to business as a result of reductions in public funding. The following is a summary of the findings for each category:

The state's fragile economy makes it even more important that we improve our cost competitiveness.

Health Care

Although the rate of employer health care premium rate hikes eased during the mid-1990s, health care cost increases paid by employers and consumers alike have again returned to double digit annual levels, nationally and in Massachusetts. The health care finance situation in the Commonwealth is compounded by low Medicaid reimbursement rates from federal and state governments and rapidly growing uncompensated care costs.

Premiums for both single and family plans in the state remain above national and competitor averages, but unevenly so: The state's family premiums, which in 1993 were second highest in the nation, were still the third highest by 2000, and they remain higher than in any other high tech state. The single plan cost gap between Massachusetts and the nation is now just 2.4 percent, but only one other high tech state had higher single plan costs than Massachusetts.

Electricity

Commercial and industrial electricity rates in Massachusetts have been well above average over the last decade, but the gap is closing. Commercial rates were 25 percent above the national average in 2000, compared to a 36 percent gap in 1997. Most competitor states have lower commercial rates, though costs in other New England states are higher. While the industrial rate gap has also improved in recent years, Massachusetts remains high relative to competitor states.

The Commonwealth has one of the heaviest personal income tax burdens in the country and higher-than-average corporate income and property taxes, but one of the lowest sales tax burdens and relatively low fees and charges.

Industrial rates in Massachusetts were 81 percent above the national average and fourth highest in the nation in 2000.

Enactment of utility restructuring legislation in 1997 is already paying some dividends, though the act's full benefits will take years to unfold. A number of new, cleaner and more efficient generating plants being built or in the pipeline promise to lower rates by increasing the supply of electricity; a competitive electricity market is also beginning to emerge. In 2001, only four percent of all electricity used by Massachusetts businesses came from competitive sources; by 2002, that figure had risen to 34 percent.

Unemployment Insurance

Although the state's average UI cost has declined considerably over the past decade (as has the state's effective tax rate on wages), it remains among the highest in the nation. In addition, state policy perpetuates an inherent inequity: the experience rating system does not fully allocate costs to firms that drive up UI costs by routinely laying off workers. As a result, the majority of the state's employers shoulder a disproportionate share of UI costs, in essence subsidizing heavy users of the system.

In 2002, the average cost per employee in Massachusetts was 70 percent above the national average and seventh highest in the country. Though high, that's a major improvement over the 150 percent gap in 1992. Also in 1992, employers in only two other states paid a higher effective tax rate on total wages; in 2001, 11 states, including five competitor states, exceeded Massachusetts' effective UI tax rate.

Workers' Compensation

By far the state's greatest business cost success story, workers' compensation costs have fallen while retaining strong protections and benefits for workers. The 1991 reforms and their implementation demonstrate the capacity of state policy to lower costs in areas over which the state has significant influence.

The Commonwealth has improved significantly in this category. Costs per $100 of payroll were 51 percent above the national average in 1989; they were 20 percent below the national average in 2002, when only two of our competitor states had lower rates. Rising health care costs are, however, exerting upward pressure on workers' compensation rates.

Taxes

The Commonwealth has one of the heaviest personal income tax burdens in the country and higher-than-average corporate income and property taxes, but one of the lowest sales tax burdens and relatively low fees and charges. Since 1992,

The report's overarching recommendation is to preserve and strengthen the reforms and policies that have produced significant progress in reducing business costs relative to other states over the last decade.

Massachusetts has narrowed its disparity with other states for personal income taxes but has lost some ground on corporate income and property taxes. While the progress on the personal income tax has probably accelerated since the passage of the Question 4 rate rollback, revenue raising measures adopted in the 2003 budget and the possibility of additional tax increases stemming from the ongoing fiscal crisis could slow – or possibly reverse – the improvement in the Commonwealth's competitive position.

In general, the corporate income tax burden in Massachusetts remains above that of competitor states. Corporate income taxes in Massachusetts compared to personal income were 26 percent above the national average in 2000; the gap with other states has narrowed since 1996.

Comparing tax burdens across states is difficult, often producing different results depending on the measure used. For example, all taxes and fees relative to personal income were

11.5 percent below the national average in 2000, but 13.0 percent above average on a per capita basis.

Recommendations

The report's overarching recommendation is to preserve and strengthen the reforms and policies that have produced significant progress in reducing business costs relative to other states over the last decade. The importance of protecting these gains cannot be overstated. It is important to recall that many of the measures that have promoted competitiveness were put in place as part of an ultimately successful response to the last economic crisis.

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Taxes

Over the past decade the legislature has approved a number of tax changes that have improved the competitiveness of the Massachusetts economy. These reforms have focused on key sectors, including manufacturing, banks, insurers and mutual fund companies. The organizations authoring this report, which strongly supported these changes when initially proposed, oppose efforts to undo these incentives that have helped to keep jobs in Massachusetts. It would be folly for the Commonwealth to attempt to solve its short-term fiscal problems at the expense of long-term economic competitiveness.

As part of this recommendation, we urge the Legislature to make the state's three percent investment tax credit (ITC) permanent before it expires at the end of this calendar year. Raised to its current rate in 1993, the ITC has been an important tool for encouraging investment and creating jobs, especially in the critically important manufacturing sector of our economy.

Unemployment Insurance

The cost of unemployment insurance (UI) and the status of the state's UI trust fund will continue to require the attention of the business community and state policy makers. Having averted an 80 percent increase in rates for 2003, attention must now turn to systemic reforms that will replenish the trust fund while allocating costs more equitably. Specifically, major reform to the experience rating system must be part of any effort to stabilize the system. Such reform should ensure that employers who avoid laying off their employees are not required to subsidize those who are chronic "users" of the system.

Workers' Compensation

Reform of the workers' compensation system, which was on the verge of collapse in 1991, is one of the true success stories of the last decade. We urge that no changes be made to the current system without clear and convincing evidence that any adjustment is necessary. Any proposed modifications should be subject to an independent and thorough cost/benefit analysis.

Electricity

The continued evolution of competitive wholesale and retail electricity markets requires stable rules, prices and supplies. Massachusetts must stay the course in restructuring and not make any sudden or severe changes that would slow the progress toward lower electricity rates.

Health Care

The rising cost of health care is a major issue for all Massachusetts businesses. Recognizing this fact, the Commonwealth should not impose new mandated health care benefits, expand HMO liability, or enact other laws that produce higher costs. Policy makers must also avoid continuing to shift costs from public to private sources in an attempt to close the state's budget deficit, as was effectively done by tapping the Medical Security Trust Fund. Adding to these cost burdens would exacerbate an already serious problem and lead to an increase in the state's uninsured population. Reforming the costly medical malpractice insurance system would lead to lower costs for public and private employers alike.

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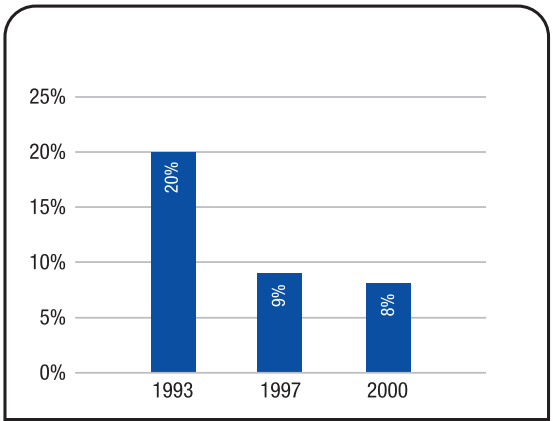
After slow growth in the second half of the 1990s, health care costs are again increasing at double digit rates in both Massachusetts and the country as a whole.

Health Care

After slow growth in the second half of the 1990s, health care costs are again increasing at double-digit rates in both Massachusetts and the country as a whole. Although the gap between the Commonwealth and other states diminished during the 1990s, health care costs in Massachusetts remain among the highest in the nation.

The average cost of family health insurance premiums in Massachusetts, the most direct measure of health care costs to businesses, was 8.4 percent more than the national average in 2000, placing the Commonwealth third among the 40 states for which state-level data is available. On another widely cited measure, total personal health care spending per capita, Massachusetts was 31 percent above average and highest in the nation in 1998, the most recent year for which expenditures have been tabulated. However, this measure includes spending by Medicare and Medicaid that does not directly impact business costs.

For most employers health care is the single largest cost of doing business after wages, making the growth in health costs and the disparity with other states all the more important. While the advent of managed care and other cost containment measures held down cost increases for much of the 1990s, the explosion in health costs since 1999, with annual increases in the 11 to 13 percent range, has returned health care to the top of the list of business cost concerns.



Massachusetts Family Premiums
Percentage Above US Average

While national forces are driving the escalation in health care costs, state-level factors play an important role as well. The presence of major teaching hospitals, while an enormous asset, makes health care more expensive in Massachusetts. And state policy decisions influence cost growth in Massachusetts relative to other states. The level of Medicaid reimbursements to providers, financing of uncompensated care and mandated health coverage benefits are major factors in the allocation of costs and the financial stability of the health care system, and need to be addressed to help bring rising costs under control.

Insurance Premiums

With most business spending on health care taking the form of insurance coverage provided to employees, premiums are the most direct measure of the impact of health care on the cost of doing business. The average premium for family health coverage in Massachusetts rose from $5,758 in 1993 to $7,341 in 2000, with nearly all of this 27.5 percent increase occurring between 1997 and 2000.[1]

The resurgence in health care inflation accelerated between 1999 and 2000, when average premiums increased by 12.1 percent in Massachusetts and 11.8 percent in the country as a whole. While more recent 50-state data is not available, other sources suggest that these growth rates have accelerated

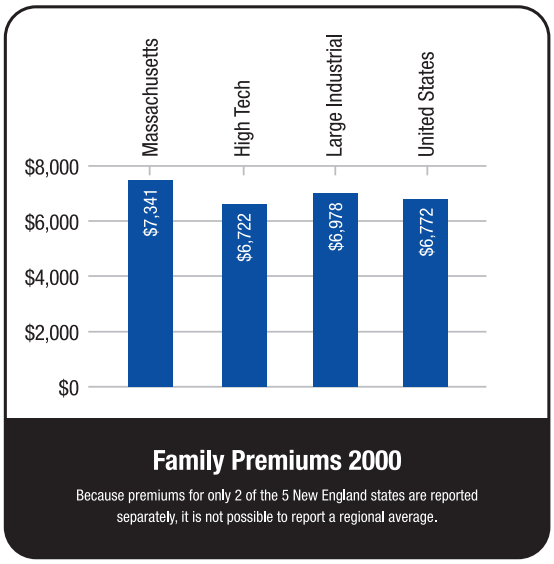
since 2000. In 2001 the average family premium increased by 15.4 percent in Massachusetts [2] and 12.7 percent nationwide.[3] Surveys suggest that health benefit costs in the US will continue to increase at similar rates for at least the next few years.[4]

Although the range in costs for family plan premiums has narrowed over the last decade and Massachusetts has moved closer to the national average, health insurance still costs more in the Commonwealth than in almost any other state. In 2000, family premiums in Massachusetts were 8.4 percent above the nation. Because not all 50 states are reported separately in the new data, national rankings cannot be reliably determined; of the 40 states detailed in the report, Massachusetts ranked third. In 1993, premiums were 20 percent above average and second highest in the nation.

Health care costs are an especially large handicap in the competition between high technology states, with Massachusetts' family plan premiums higher than those in any other high technology state in 1993, 1997 and 2000, the three years compared in this report. In 2000, four of the eight high technology states had health care premiums that were below the national average, with California's rates being the most competitive at 8.1 percent below average. Both Washington and California have significantly improved their relative positions over the course of the 1990s.

Premiums in Massachusetts are also higher than in most other large industrial states. In 2000, New Jersey, with the highest premiums in the country, was the only industrial state with higher costs than Massachusetts. However, the variation in costs among the industrial states has narrowed. In 1993, premiums ranged from 8.5 percent below the national average in Michigan to 20.3 percent above in Massachusetts, while in 2000 they ranged from 2.6 percent below average in Ohio to 12.1 percent above in New Jersey.

The costs of single plan premiums in Massachusetts are closer to average and, like family premiums, the disparity with other states has been narrowing. While the average single plan in Massachusetts rose from $2,316 in 1993 to $2,719 in 2000, an increase of 17.4 percent, Massachusetts' position among the states improved from nearly 12 percent



Family Premiums 2000

Because premiums for only 2 of the 5 New England states are reported separately, it is not possible to report a regional average.

above the national average in 1993 to 9.1 percent above in 1997, and only 2.4 percent above in 2000. Between 1999 and 2000, the cost of single premiums grew 7.1 percent, half the national rate of 14.2 percent. However, this trend may have been reversed in 2001 when other surveys found that single premiums jumped by 18.8 percent to $3,545 in Massachusetts [5] versus a 15.5 percent increase in the nation.[6]

However, single plan premiums are almost as much of a handicap in the competition among high technology states as are family plan premiums. Among high technology states, only Washington had higher premiums than Massachusetts in 2000. While Massachusetts' position among these states has improved, California has shown even greater improvement, moving from 1.1 percent above the national average in 1993 to 10.9 percent below in 2000, when it had the lowest costs among the high technology states and second lowest in the nation as a whole.

The position of Massachusetts in relation to other large industrial states has also improved. In 1993, only New Jersey had higher premiums, while Massachusetts currently ranks in the middle, with Illinois, New York, New Jersey and Michigan all having higher costs for single premiums.

Massachusetts has moved closer to the national average, but health insurance still costs more in the Commonwealth than in almost any other state.

Several factors peculiar to the Commonwealth combine to keep the costs of health care in general and business-paid insurance premiums in particular well above national norms.

Health Care Expenditures

Personal health care spending by all payers is another means of comparing costs across states. While insurance premiums are a more direct measure of the costs faced by business, total spending per capita gives a picture of the total costs of services. In addition to insurance premiums, health care spending is financed by federal Medicare and federal/state Medicaid reimbursements, and the proportion of costs covered by each funding source differs among states. This affects comparisons of premiums since they depend on both the cost of health care services and the share of costs paid by private insurance. Comparisons of total spending per capita, on the other hand, include spending from all sources and are not affected by the allocation of costs.

Personal health care expenditures per capita in Massachusetts in 1998, the most recent year for which data is available, were $4,920, 31.2 percent above the national average and highest in the nation.[7] Even if spending on out-of-state residents who come to Massachusetts for treatment is excluded, health care spending on state residents was still 28.0 percent above average and highest in the nation.[8]

Other spending measures paint a somewhat more positive picture. Health care spending as a share of the state's economy is closer to average: Personal health care expenditures in Massachusetts were 13 percent of the gross state product in 1997 compared to 12 percent nationally, placing the state 14th. And health care spending per capita grew slightly more slowly between 1991 and 1998 in Massachusetts than the country as a whole – 8.8 percent vs. 9.0 percent average annual increase – with several states increasing at more than ten percent annually.

Cost Drivers

The rapid increase in health care costs over the last few years is a national phenomenon driven by forces far larger than the health care market in Massachusetts. Rising costs result from increased demand for and utilization of new and expensive prescription drugs and medical technologies, as well as large research and development expenditures. Demographic factors such as longer lifespans and the aging of the population also contribute to heavier utilization of services, particularly in Massachusetts where a greater-than-average percentage of the population is over 65 years old. A shortage of nurses and other health care professionals has caused labor costs to rise faster than payments for services.[9] Federal budget-balancing Medicare cuts add to the pressure on providers to shift costs to private insurers.

While each of these cost drivers is at work in Massachusetts, several factors peculiar to the Commonwealth combine to keep the costs of health care in general and business-paid insurance premiums in particular well above national norms:

- Under growing financial stress as a result of low reimbursement rates from each of the major payers – Medicare, Medicaid and private insurers – hospitals and other providers negotiated higher payments from managed care organizations when contracts came up for renewal starting in the late 1990s. The costs were then passed on to employers in the form of higher premiums, ending a run of several years of modest increases.

- Managed care organizations, under pressure from consumer advocates and lawmakers, also relaxed some restrictions and allowed consumers greater access to their choice of hospitals and physicians. With a higher percentage of its population enrolled in managed care plans than nearly any other state, Massachusetts was particularly affected by the reduced ability of managed care to limit costs.

- Medicaid reimbursement rates that fall further below the cost of providing services every year keep the pressure on providers to shift more of those costs to private insurers. Massachusetts' Medicaid payments have fallen from 85 percent of provider costs in 1997 to only 71 percent in 2000.[10] Providers have little ability to influence Medicaid rates, one of the few factors affecting health care costs determined largely by state government.

- Massachusetts is a national center of medical research and teaching, which enhance the quality of health care and provide a major economic engine for the state. Massachusetts leads the pack in bringing in research funding from the National Institutes of Health – $1.7 billion or $269 per capita, far more than any other state. Research creates thousands of professional jobs in the short term and leads to breakthrough discoveries and the creation of new industries in the long term. But these benefits come with a cost. While federal grants support much of the spending on research and Medicare reimbursements include substantial premiums for teaching hospitals,[11] some of the costs are built into private insurance premiums. In addition, health care spending totals are boosted relative to other states by the disproportionate amount of teaching in Massachusetts.[12]

- Delivering basic health care services in a teaching hospital setting is often more expensive than providing the same services in a community hospital, and the large market share of teaching hospitals drives up costs in Massachusetts. This phenomenon has become a larger factor in recent years, as financial pressures have led to the consolidation of community hospitals and the creation of hospital networks managed by teaching institutions. However, an analysis of Medicare cost data found that academic health centers in Massachusetts spent 4.0 percent less per case, and other teaching hospitals spent 15.8 percent less, than similar hospitals in other states when costs are adjusted for differences in the mix of cases and local wage rates.[13]

- The higher-than-average share of expenditures devoted to nursing home care in Massachusetts also contributes to the cost gap. In 1998, 11.9 percent of all health care expenditures on state residents in Massachusetts went to nursing home care, compared to only 8.6 percent in the nation as a whole.

- The large number of mandated health benefits that prevent consumers from buying basic coverage in Massachusetts makes the cost of all health insurance policies more expensive.

- Massachusetts also has a relatively small uninsured population, due in large part to the state's initiatives to expand Medicaid eligibility in the late 1990s. Insurance coverage generally increases health care utilization and adds to spending totals, even as it makes care more cost-effective by promoting preventive services.

- Health care providers are businesses that, like any other, are affected by the costs of doing business in Massachusetts, such as the state's high pay scales, unemployment taxes and energy costs.

State Policy Implications

The state's health care system is in crisis, with rapidly escalating costs, financially stressed providers, over-stretched funding sources and insurance coverage unavailable or unaffordable for a significant number of state residents. The stresses and strains afflicting the system do not operate in isolation, but are intricately linked. State government has control over relatively few of the many factors that drive health care costs, despite the fact that the Commonwealth is by far the largest health care purchaser in Massachusetts. At the same time, designing policies that positively influence the health care market is enormously complex. Policy options are further limited by the state's fiscal crisis, which makes sustaining even the current levels of health care coverage and provider payments extraordinarily difficult, and the weak economy, which limits the ability of employers to cover their share of the rising costs.

Attempting to address one issue can trigger a domino effect of unintended consequences that exacerbates other problems. For example, paying for increased state reimbursements to shore up provider finances under the state's current fiscal constraints could necessitate further reductions in Medicaid

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The state needs to develop and implement a long-term plan to cover a fairer share of provider costs.

eligibility or benefits, swelling the ranks of the uninsured or underinsured. Reducing Medicaid coverage would add to the demands on the uncompensated care pool and, ultimately, hospitals and other providers, adding to the financial strain on the private payers who ultimately bear the cost of free care. Allocating more of the rising costs to private insurers would lead to unaffordable increases in premiums, forcing some employers to scale back coverage or shift more of the burden to their employees.

A Health Care Task Force was convened by the Governor, the House Speaker, and the Senate President in 2000 to address the challenges facing the Commonwealth's health care system. In January 2002 the Task Force released a set of broad recommendations, including higher Medicaid rates for hospitals and nursing homes, evaluation of uncompensated care financing reforms, redistributing care to lower cost settings, economic incentives for providers and consumers to become more cost-conscious, quality improvement initiatives, and increased monitoring and analysis.

The Task Force made clear that underpaying providers is destabilizing the finances of the entire system and is not a sustainable policy for the Commonwealth. The increasing gap between Medicaid reimbursement rates and costs drives up health care premiums, as hospitals use premiums to cross-subsidize Medicaid care. While the state clearly cannot afford to reconcile its reimbursement rates with provider costs in one year, particularly in the midst of a severe budget shortfall, it does need to develop and implement a long-term plan to cover a fairer share of provider costs. Not only is it the right thing to do, but adequate payments will take some of the pressure off the rest of the system.

Even more urgent is devising new means of financing uncompensated care. Hospitals and community health centers that provide care to the indigent are reimbursed from the uncompensated care pool, which is currently funded by contributions from state government, hospitals and health insurance plans. The latter contribution is passed along to employers through higher insurance premiums. Despite a significant decrease in the number of Massachusetts residents without health insurance in the late 1990s, payments from the pool have increased faster than its funding, raising significant questions about pool usage and the kinds of services being paid by the pool. It is also important to note that hospitals and community health centers account for only about half of the free care provided in the state, with physicians and others receiving no reimbursement for the free care they provide.

Dropping 50,000 people from the Medicaid rolls in response to the state's fiscal crisis will compound the demands on the pool and put even more pressure on providers. A special commission on uncompensated care was created in the state's fiscal 2002 budget. In crafting its recommendations, the commission will need to consider the financial and economic realities of state government, employers, hospitals and health plans.

The state has recently taken a positive step by enacting legislation requiring cost-benefit analysis of the plethora of bills filed each session that mandate health care plans to provide specific benefits. While individual bills may appear attractive, their collective costs are large. Until now, there has been little serious analysis of their impacts on the Commonwealth, employers, providers and consumers. The new law must be rigorously implemented and expensive new mandates need to be resisted to keep from further driving up the cost of health care in Massachusetts.

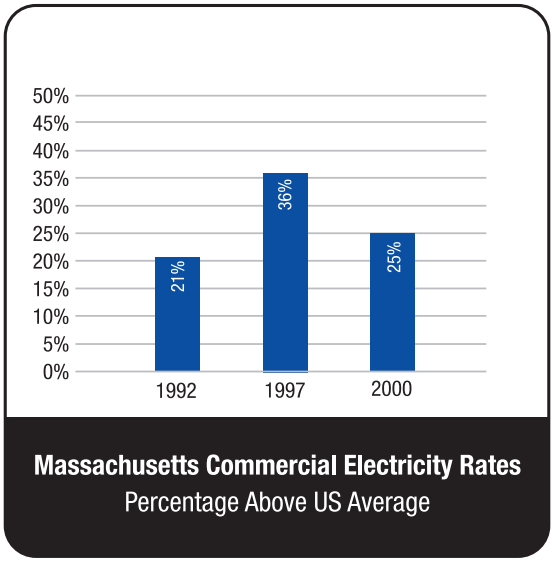
Commercial and industrial electricity rates in Massachusetts have been well above average over the last decade, but the gap is closing.

Electricity

Commercial and industrial electricity rates in Massachusetts have been well above average over the last decade, but the gap is closing. A competitive electricity market is beginning to take hold in Massachusetts, a result of the Commonwealth's 1997 deregulation law. As competition expands, the disparity between electric rates in Massachusetts and other states and regions is expected to narrow.

Commercial Rates

Although rates remain relatively high, the cost of commercial electricity in Massachusetts has been dropping. In the years leading up to deregulation, rates in Massachusetts rose while the average cost across the nation was falling. The state's average cost per commercial kilowatt-hour increased from 21 percent above the national average in 1992 to 36 percent above average and 8th highest the nation in 1997. Since 1997, however, rates have fallen, both in absolute terms and in relation to national and competitor averages. In 2000, the average commercial rate in Massachusetts was 9.2 cents per kilowatt-hour, placing the Commonwealth 25 percent above the nation and 11th highest.[14]



Massachusetts Commercial Electricity Rates
Percentage Above US Average

Despite this improvement, Massachusetts continues to have higher commercial rates than most states, including our competitors. Among the high tech states, Massachusetts is second only to California, where rates were 43 percent above average in 2000. Massachusetts and California were the only high tech states with rates higher than the US average throughout the last ten years. Rates in Washington, in contrast, were 34 percent below average in 2000.

Massachusetts ranks third among the large industrial states, though the industrial states typically have higher costs than the high tech states. All of the industrial states except Florida have rates above the national average. The costliest states in 2000 were New York, with rates 70 percent above the nation, followed by New Jersey, where rates were nearly identical to those in Massachusetts at 25 percent above average, and Pennsylvania at 11.5 percent above.

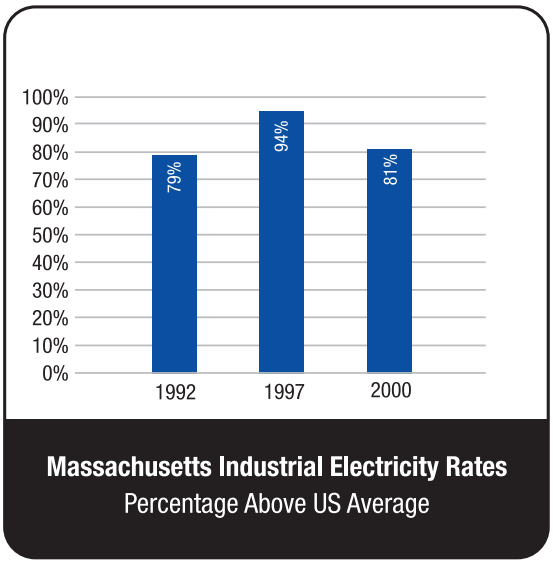
Rates in all New England states are extremely high. Massachusetts had the second lowest rates in 1992, but by 2000 the Commonwealth's rates were the lowest among the New England states. Rates in 2000 ranged from 9.2 cents per kilowatt-hour in Massachusetts to 10.9 cents in New Hampshire, nearly 48 percent higher than the national average.

Industrial Rates

In 2000, industrial electricity rates in Massachusetts were 81 percent above the national average, making the state's 8.3 cents per kilowatt-hour rate the fourth highest in the country. Although an improvement over 1997 when rates were 94 percent over the average, industrial electricity

remains one of the business cost measures on which the Commonwealth is most out of line with its competitors.

Massachusetts has consistently had industrial rates higher than other high technology states. The second costliest high tech competitor, California, had an average rate of 7.2 cents per kilowatt-hour, 58 percent higher than the US average. And California faces sizeable cost increases due to problems experienced with their version of restructuring. Those costs are reflected in 2000 and beyond, with the state presently locked into long-term, high-priced contracts at a time when electricity costs are low. There is a considerable gap between California and the next competitor, North Carolina, whose rates are just above the average. While costs are important to high tech companies, often power quality and reliability are equally important.



Massachusetts Industrial Electricity Rates
Percentage Above US Average

Massachusetts also ranks first among the large industrial states. New Jersey is only slightly less costly with rates almost 79 percent above the national average. The third most costly industrial competitor, Pennsylvania, has considerably lower rates at 5.3 cents per kilowatt-hour or 16 percent above average. Ohio is the only large industrial state with below-average rates over the last decade. One reason for the lower costs in Ohio and Pennsylvania may be that a significant share of their power is produced by generating plants fueled by much less expensive coal.

As with commercial rates, industrial electricity is relatively expensive throughout New England, but several of our neighbors are more competitive than Massachusetts. In 2000, the Commonwealth ranked third after New Hampshire, where the rate of 9.1 cents per kilowatt-hour was 99 percent above the national average, and Rhode Island. Connecticut placed fourth at 60 percent above the nation. Massachusetts ranked second in 1992 (after Rhode Island) and 1997 (after New Hampshire).

Restructuring

Deregulation is the Commonwealth's primary strategy for making energy costs competitive. In 1997, a landmark electricity restructuring bill was enacted in Massachusetts which opened the door to competition among electricity providers. The bill promised lower electricity rates and cleaner generation facilities. The latter is taking place as a sizeable number of cleaner and more efficient generating plants are being built. As they come on line, they will increase the supply of electricity in Massachusetts and help lower rates.

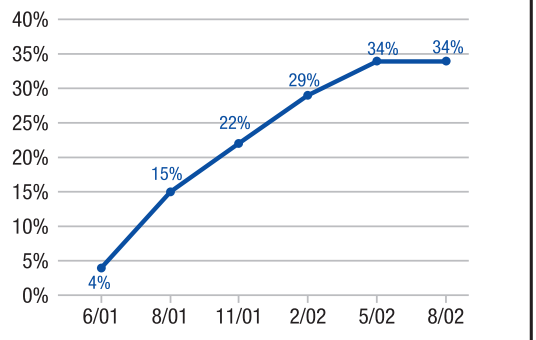
Most of the new plants are fueled by natural gas, lessening the Commonwealth's reliance on imported oil. However, a mix of fuels is essential to ensure affordable and dependable electric power. For example, lower-cost coal-fired plants play an important role in holding down energy prices. Maintaining fuel diversity in the years ahead will help moderate the effects of fluctuations in fuel prices or disruptions in supplies.

The development of a competitive market has resulted in expanded generating capacity which will drive rates down over the long term while providing greater reliability. It is important to note that the electricity market is a regional market and does not operate purely within Massachusetts' borders. At this time, Massachusetts' power grid includes the six New England states, but efforts are underway to merge a number of regional markets. The proposed mergers, supported by the Federal Energy Regulatory Commission, have met with considerable resistance across the country including here in New England. Although some argue that larger markets will provide a number of benefits, including increased reliability, the recent joint filing to merge the Independent System Operators of New England and New York was withdrawn.

The development of a competitive market has resulted in expanded generating capacity which will drive rates down over the long term while providing greater reliability.

The development of new and cleaner generating plants at no additional cost to ratepayers and the emergence of a competitive retail market demonstrate that deregulation is working in Massachusetts.

Data from the state Division of Energy Resources (DOER) indicates that in September 2002, 34 percent of all electricity used by Massachusetts businesses was obtained from competitive sources. After several years with little or no growth, the competitive share has been increasing steadily over the past 15 months due to the developing marketplace and a number of initiatives undertaken by the Department of Telecommunication and Energy (DTE) to remove barriers to retail competition. In June 1999, only 12 percent of all



Electricity from Competitive Sources:
Market Share

electricity used by Massachusetts businesses was obtained from competitive sources. The figure fell to 9 percent in June 2000 and 4 percent in June 2001, but then jumped to 15 percent in September 2001, 22 percent in December 2001, 29 percent in March 2001 and 34 percent in June 2002, and remained at 34 percent in September 2002. For the first time, there is a critical mass of demand in the competitive energy market to spur price competition and innovation in technology, energy services, energy efficiency and demand response.

For example, under restructuring, Massachusetts businesses play an important role in the electric market by participating in electric load response and demand side management programs that reduce electricity consumption during peak energy use periods, cutting energy prices for all consumers and improving system reliability.

Such efforts are being encouraged by the creation of a system where the price of power reflects its real costs to the consumer and reduces cross-subsidies between regions. Implementation of "locational marginal pricing" may result in short-term price increases in the Boston area, where congestion increases the cost of delivering electricity, but in the long run will create stronger incentives for improved distribution and transmission systems.

This progress makes it even more important to stay the course on restructuring. The development of new and cleaner generating plants at no additional cost to ratepayers and the emergence of a competitive retail market demonstrate that deregulation is working in Massachusetts. Neither of these critical steps would have happened without the 1997 legislation. The stage has been set for cost reductions and system improvements in the years ahead.

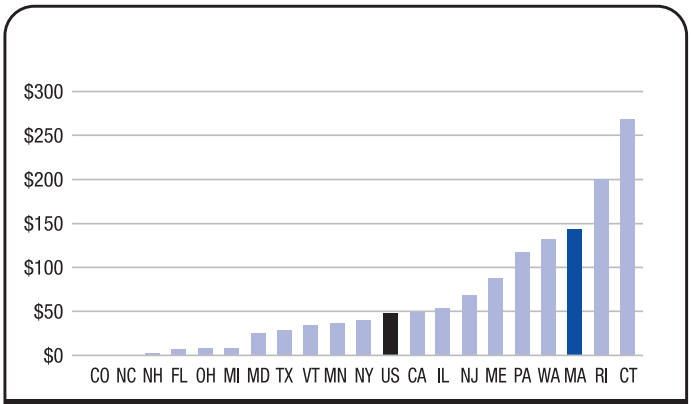
Restructuring in Massachusetts is part of a broader trend that began two decades ago. The passage of the federal Energy Policy Act of 1992 encouraged competition in the wholesale electricity business and accelerated restructuring in the US. While states around the country have all approached restructuring in a different way, the debacle in California with unprecedented electricity shortages, wholesale price spikes, and the resulting financial crisis has received more attention than any of the success stories. Massachusetts has been able to avoid California's problems through practical decision making by the Legislature and DTE. As a result, the Commonwealth has experienced stable electricity markets, and DOER estimates $1.7 billion in savings to all Massachusetts rate payers from March 1998 through December 2000.

Restructuring, however, takes place in the context of historical factors which have contributed to high energy costs in Massachusetts. The Commonwealth's location far from energy sources such as oil fields, coal mines and, until recently, natural gas wells has meant higher-than-average transport costs.[15] The delivery of electricity is also affected by our region's high wage base and urban environments. To a lesser degree, a number of charges incorporated in the restructuring legislation, including surcharges for energy efficiency programs and promotion of renewable power sources, also affect higher energy costs.

The Commonwealth's average unemployment cost per employee remains among the highest in the nation, despite the fact that the state's monthly unemployment rate has been below the national average for over seven years.

Unemployment Insurance

While Massachusetts has reduced the cost of unemployment insurance over the past decade, the state's employers continue to pay higher UI taxes than do employers in most other states. The Commonwealth's average unemployment cost per employee remains among the highest in the nation, despite the fact that the state's monthly unemployment rate has been below the national average for over seven years. Massachusetts' competitive position could be weakened even further if mounting unemployment claims lead the state to move to a higher tax rate schedule.



Minimum Unemployment Insurance Tax 2002
$ per employee

The high burden of Massachusetts UI taxes is made worse for many employers because of the inequitable means of allocating costs among employers through the experience rating system. The state's UI system provides a massive cross-subsidy – $300 million in 2001 – that forces employers with positive unemployment records to shoulder a disproportionate share of unemployment insurance costs, while allowing businesses that frequently lay off employees to push their costs onto others.

Several factors determine an employer's unemployment insurance payments, including the total amount of wages paid, the amount of wages subject to the UI tax and the UI tax rate itself. The tax rate, in turn, depends on the total number of claims for benefits among all employers as well as the employer's own experience and how the state's rates reflect that experience. A rise in statewide unemployment will trigger higher rates for all employers; a particular employer's history of frequent claims will mean higher rates for that employer. In addition, the level and duration of benefits provided to unemployed workers under state law affect the program's costs and the taxes paid by employers.

Three of these variables – total wages paid, an employer's experience and the state's total number of UI claims – are largely beyond the control of state government. The other variables – UI tax rates, the wage base subject to the tax, the level and duration of benefits, and the variation in rates based on experience – are the direct result of state policy.

Experience Rating

Under the experience rating system, state law specifies the range of tax rates assessed on individual employers based on the firm's history of worker layoffs. Stable employers – those with fewer layoffs – are taxed at lower rates than employers with a record of more frequent layoffs.

Unfortunately, the Commonwealth's range of tax rates does not adequately reflect an individual employer's use of the unemployment system and fails to appropriately allocate costs to firms that routinely lay off employees. The rate structure provides no incentives for frequent users to curtail their reliance on the UI system, leading directly to excessive benefit payments and higher than necessary costs for the vast majority of the Commonwealth's employers. Stable employers wind up paying millions more each year in unemployment taxes than their former employees have collected in UI benefits.

In 2002, employers with the best records paid a "minimum tax" of $143 per employee per year under the present system, but employees of those companies received an average of only $78 in UI benefits. In other words, the best employers paid into the system almost twice as much as their employees received. The employers at the other end of the scale – those that most frequently lay off employees – paid a higher tax, $780 per year, but their employees received an average of $2,883 per year, nearly four times what their employers paid. While the heaviest users of the system paid more than five times as much in taxes as the least frequent users, benefits paid to employees of heavy users were 37 times greater than payouts to employees of light users.

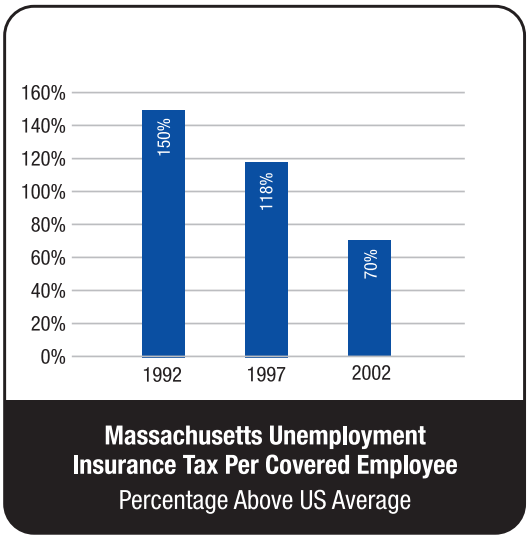
The Commonwealth's $143 minimum tax is the fifth highest in the country, nearly three times greater than the national average minimum tax of $49 per employee. In 19 states, including six competitor states, the minimum tax for the most stable employers is $10 or less.[16]

Unemployment Tax Costs

While the gap between Massachusetts and the rest of the nation is narrowing, our UI costs are higher than in most states on both of the measures commonly used to compare UI costs: the average cost per covered employee and the effective UI tax on total wages.

The Commonwealth's employers paid an average of $311 per covered employee in the second quarter of 2002, 7th highest in the country and 70 percent above the national average. However, the state's average cost has declined considerably over the past ten years, from $486 in 1992 – second highest in the country and two and a half times the US average – and $449 in 1997 – more than twice the national average. In general, northeastern states impose a higher average cost per employee than do states in other regions of the country, with four of the top ten average cost states located in the Northeast.

Massachusetts UI costs are also high by the second measure, the effective UI tax rate on total wages, which calculates the average amounts companies pay as a percentage of the total salary base. The Commonwealth's rate of 0.7 percent in 2002



Massachusetts Unemployment Insurance Tax Per Covered Employee
Percentage Above US Average

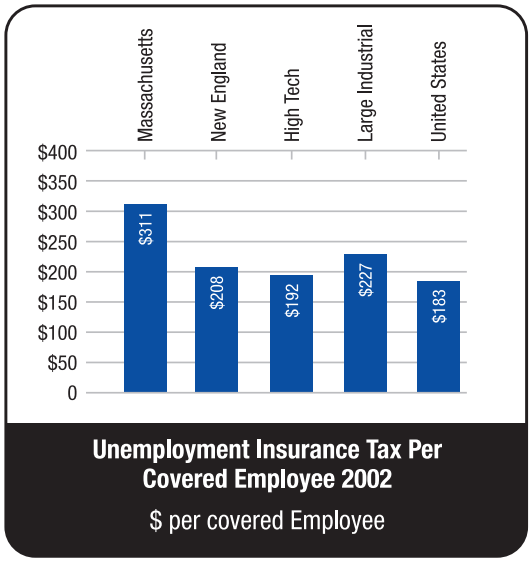
was 40 percent above the national average. However, significant improvement has also occurred by this measure as the effective tax rate declined more than 50 percent over the last ten years, falling from 1.7 percent of total wages in 1992. During this time, the 50-state average effective tax rate dropped from 0.8 percent to 0.5 percent of total wages.

While employers in only two other states paid a higher effective tax rate on total wages in 1992, 11 states surpassed Massachusetts' effective tax rate in 2002, including five benchmark states. Massachusetts' relatively high average

The high burden of Massachusetts UI taxes is made worse for many employers because of the inequitable means of allocating costs among employers through the experience rating system.

weekly wage – $863 in 2002, fourth highest in the country – is the main reason that the state's ranking for the effective tax rate on total wages is somewhat better than for the average cost per employee.

The effective tax rate is a function of the UI tax rate schedule, total wages paid and the state's taxable wage base, i.e., the amount of employee earnings subject to UI taxes. The Commonwealth assesses unemployment taxes on the first $10,800 of wages paid to each employee, an amount unchanged since 1992. The relatively low wage base is one of the few factors that works in Massachusetts' favor to moderate the cost of unemployment insurance. Massachusetts' wage base is 10.0 percent below the $12,053 average of its competitors. Wage bases in competing states range from $7,000 in California and Florida to $28,500 in Washington and $23,500 in New Jersey. High tech states in particular



Unemployment Insurance Tax Per Covered Employee 2002

$ per covered Employee

tend to have higher wage bases. Increasing the wage base in Massachusetts would erase the state's only competitive advantage in UI and drive costs even higher.

While the state's UI wage base is the same for all employers, each firm's tax rate depends on its experience rating – which is determined by the employer's history of worker layoffs – and the state's rate schedule. Massachusetts has seven rate schedules, designated A – the lowest schedule – through G. The balance in the Commonwealth's unemployment insurance trust fund largely determines which rate schedule is used – with a healthy balance resulting in lower tax rates and vice versa. State law contains a trigger mechanism designed to automatically set the schedule based on the trust fund balance, but over the past decade the Legislature has set the actual schedule every year except one.

Throughout the late 1990s and into 2001, the Commonwealth accumulated a healthy trust fund balance – $1.8 billion through the first quarter of 2001 – enabling the state to use the second-lowest tax rate schedule (schedule B). Under this schedule, employers, depending on their experience rating, are taxed between 1.325 percent and 7.225 percent of base wages, i.e., of the first $10,800 paid to each employee. However, the downturn in the economy and the resulting increase in unemployment claims have rapidly diminished the trust fund, with the account balance dipping below $1 billion by the end of 2002.

As a result, the Legislature considered revisions to the tax rate schedule and the taxable wage base in 2003. While the schedule B rates were ultimately retained for 2003, an increase in the taxable wage base for 2004 may be debated.

If the Legislature had adopted the rate schedule dictated by the statutory trigger in 2003 – schedule F, the second highest level – the additional cost to businesses would have totaled $620 million with an average rate increase of 80 percent, pushing Massachusetts' standing relative to other states through the roof.

Although this massive increase was averted, policy makers should be mindful of the impact of increasing the wage base on the Commonwealth's competitive position. The weak economy has led many businesses to lay off employees, negatively impacting their experience ratings and raising the UI tax rates they pay. As a result, even with schedule B rates and the $10,800 wage base in place, total costs to employers will go up by $160 million or 21 percent in 2003, with the average cost per employee jumping from $310 to $366. If the wage base had been increased to $12,800, as had been proposed in the House, total UI costs would have increased by $290 million or 38 percent in 2003, and the average cost per employee would have jumped to $418.

As part of its review of the taxable wage base, lawmakers should address the inherent inequities in the current experience rating system, which results in stable employers underwriting a disproportionate share of UI costs caused by heavy users of the system.

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Unemployment Benefits

The strong safety net provided to unemployed workers is another reason for the high cost of unemployment insurance in the Commonwealth. Paralleling the state's high wages, Massachusetts has the largest average weekly benefit in the country, and its difference from the US average has grown over the last decade. In 1992, the state's average weekly benefit of $233 – the second highest in the country – was 33 percent above the US average. By 2002, the average benefit had climbed to $360, 40 percent above average and first in the nation.

Most of the benchmark states have relatively high average weekly benefit levels, likely due to higher average wages, with only seven of the 20 competitor states paying an average weekly benefit below the national average in 2002.

In addition, Massachusetts provided benefits to individuals receiving unemployment compensation for an average of 18.2 weeks in the year ending in the second quarter of 2002, the second longest duration in the country. Over the past decade the Commonwealth has consistently ranked among the top four in terms of the average duration of unemployment benefits. However, the duration of benefits in a number of competitor states also exceeded the US average of 15.6 weeks in 2002, including the top three states – Washington, New Jersey and New York.

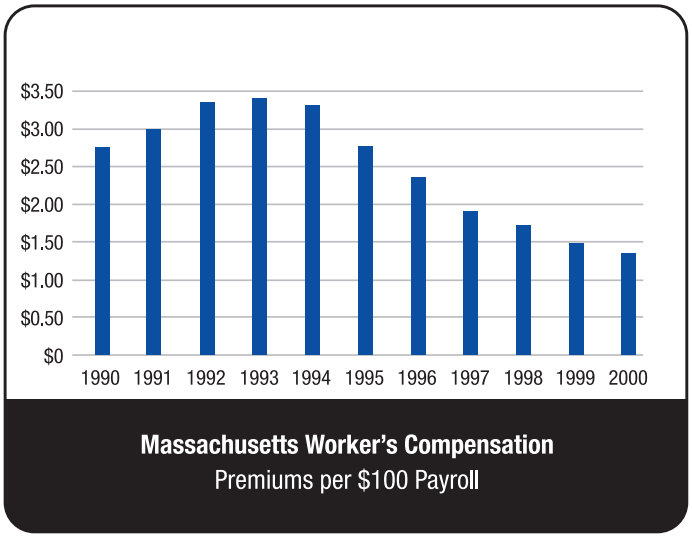
If the Commonwealth is committed to maintaining these high benefit levels, it needs to allocate the costs more equitably among employers. Correcting the experience rating schedule to reduce the massive subsidies to heavy users is critical in making the UI system fair to both employees and employers.

The 1991 workers' compensation reforms may be the Commonwealth's single most important achievement over the past decade in reducing the cost of doing business.

Workers' Compensation

While Massachusetts' competitive position has improved in several areas, the 1991 workers' compensation reforms may be the Commonwealth's single most important achievement over the past decade in reducing the cost of doing business. The major changes to the workers' compensation system have saved employers well over $2 billion, with Massachusetts now considered a "low cost" state after years of being a "high cost" state. These improvements have occurred while protecting the proper care and benefits provided to injured workers.

The decade-long reduction in workers' compensation insurance premiums resulting from the reforms is without precedent in Massachusetts. Since 1993, the average premium has declined by over 50 percent.[17] To put this multi-year drop into perspective, when rates were reduced in 1994 it marked the first decline in 22 years. In 2001, rates rose for the first time since 1993, but only by an average of 1.0 percent.



Massachusetts Worker's Compensation
Premiums per $100 Payroll

With the years of double-digit declines in Massachusetts premiums at an end, it is particularly important to preserve the 1991 reforms, which resulted in a fairer system with incentives for safe workplaces as well as lower costs. In each legislative session, bills have been filed that would roll back the reforms, but the Legislature has wisely chosen not to act on any of these bills.

Workers' Compensation Reform

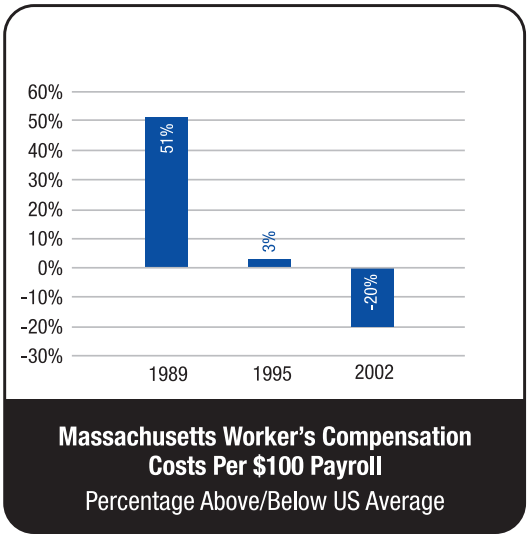
The workers' compensation law is designed to provide benefits for income replacement to injured workers, prompt and appropriate medical care, and incentives for employers to return employees to work and maintain a safe workplace. Employers purchase workers' compensation insurance to help them manage their claims.

The 1991 legislation changed almost every aspect of the state's workers' compensation system. Major administrative reforms included the strengthening of the impartial medical examiner to eliminate the litigious "dueling doctors" phenomenon. The law also expanded the pay-without-prejudice period from 60 to 180 days to allow insurers to better manage claims. The reform also brought benefits into line with those in other states to encourage efforts to return injured employees to work. Utilization review and treatment protocols were implemented to contain medical costs. Criminal penalties for fraud were enacted and a fraud investigation unit was created.

Judicial reforms included the appointment of a senior administrative judge to oversee dispute resolutions and the hiring of temporary judges to eliminate the backlog of over 10,000 cases which existed in 1991. Since the reforms, disputes at the Department of Industrial Accidents are being resolved far more promptly and the backlog has been eliminated.

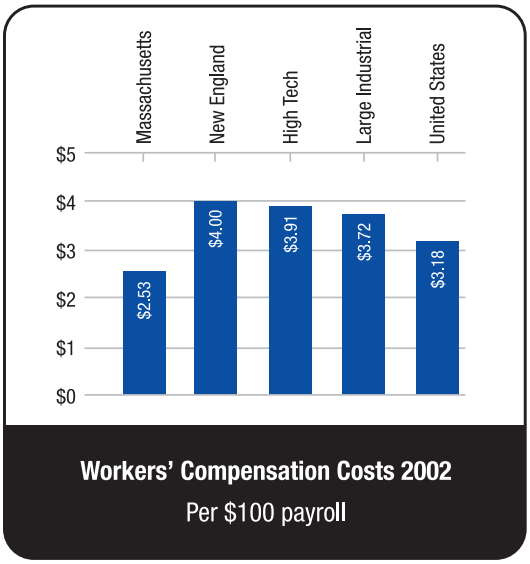
Insurance Rates

Since 1989 – two years before the state reformed its workers' compensation system – workers' compensation costs per $100 of payroll in Massachusetts have dropped from 51 percent above the national average to 20 percent below in 2002. The Commonwealth's ranking declined from 13th to 32nd among the 45 states where commercial coverage was sold in 2002.[18] Most of the improvement has taken place over the last several years: Costs have declined 54 percent since 1995 when Massachusetts still ranked 19th with costs 2.8 percent above the national average. The Commonwealth's standings were even better in 2001 when it ranked 37th with costs 26 percent below average. Workers' compensation costs across the nation increased between 2001 and 2002 as insurers brought rates into line with their costs, with larger-than-average rate hikes in Massachusetts.



Massachusetts Worker's Compensation Costs Per $100 Payroll
Percentage Above/Below US Average

Massachusetts' decade-long decline in workers' compensation costs is particularly striking in comparison to its competitor states. In 2002, only North Carolina and Maryland had lower average workers' compensation costs among the competitors.



Workers' Compensation Costs 2002
Per $100 payroll

Costs in all other New England states were well above average. Rhode Island and Vermont businesses faced costs that were 34 percent above the national average, while Connecticut, Maine and New Hampshire had costs ranging from 19 to 21 percent above average.

The high tech states represent opposite ends of the spectrum, with California and Texas ranked first and third highest, respectively, while Maryland and North Carolina are "low cost" states. Washington and Ohio do not allow private insurance carriers, and therefore their costs are not included in this survey.

Because each state establishes and administers its own workers' compensation system – unlike unemployment insurance whose basic structure is largely determined by federal law – comparing costs across states is often difficult. Programs vary in terms of who can provide insurance, which

It is particularly important to preserve the 1991 reforms, which resulted in a fairer system with incentives for safe workplaces as well as lower costs.

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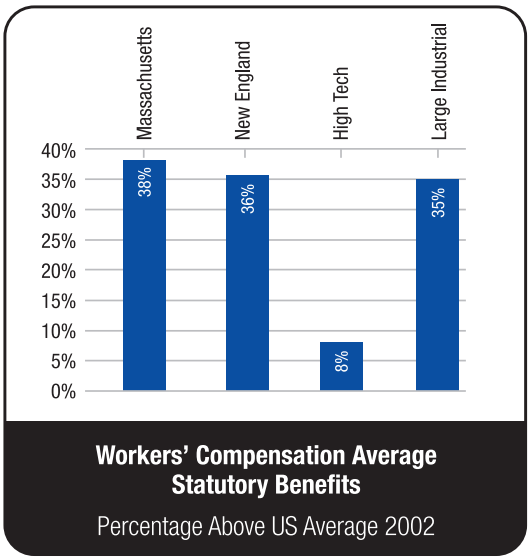
injuries or illnesses are compensable, how benefit levels are determined, and whether certain employees or employers are exempt from participating in the system.[19] In addition, while most employers purchase insurance, some choose to self-insure, and in some states coverage is provided for some or all employers by a state fund. In addition to the structure of its program, a state's industry mix will affect workers' compensation costs. Mining coal or cutting timber carries a much higher risk of injury than managing mutual funds or working as a software engineer.



Workers' Compensation Average Statutory Benefits

Percentage Above US Average 2002

The comparisons in this report are based on the analysis of Actuarial & Technical Solutions, Inc. (ATS), which produces state-by-state rankings of workers' compensation insurance premium costs for the manufacturing industry each year.[20] Insurance premiums provide a useful basis for making comparisons across states since they represent the employers' costs of insurance, although employers that self-insure are not included. ATS corrects for a state's industry mix and measures the relative difference in costs between firms in the same industry with comparable payrolls and job classifications.[21]

While the ATS study focuses exclusively on manufacturers, the state of Oregon produces a semi-annual report comparing each state's workers' compensation insurance premiums for both manufacturing and non-manufacturing employment. For 50 job classifications, the Oregon report presents an average premium per $100 of payroll for each state. These rates are then weighted based on the occupation's relative share of Oregon payroll in order to obtain an average manual rate. While the report is focused on the most prevalent types of employment in Oregon – and the industry mix in Oregon will not mirror the employment distribution in other states – these rankings provide another useful means of comparing insurance rates and measuring change over time.

The Oregon studies show that from 1996 to 2000 the average workers' compensation premium in Massachusetts dropped from $3.71 per $100 of payroll to $1.77. While workers' compensation insurance rates declined by an average of 35 percent across the country during this period, the 52 percent reduction in the Commonwealth's average premium was the second sharpest decline in the nation. Massachusetts' ranking fell from 20th in 1996 to 35th in 2000, lower than all other New England states and every large industrial state. Only Maryland and North Carolina, among high tech states, had lower average premiums.

The change in premium rates for various job classes reported in Oregon's analysis helps illuminate the turnaround in the cost of workers' compensation insurance in Massachusetts. For example, the trucking industry – which had the second highest level of workers' compensation losses in Massachusetts in 1997-98 – experienced a 45 percent reduction in average premiums. The cost of insurance fell from $14.06 per $100 of payroll in 1996 to $7.68 in 2000, as the Commonwealth's national ranking for the trucking industry dropped from 19th to 38th, lower than every other competitor state except Maryland.

Benefits

While premium rates are the best way to measure the cost of workers' compensation across states and over time, comparing statutory benefit provisions and reviewing multi-year changes in benefits paid per covered employee can also shed light on a state's workers' compensation system.

Despite the sharp drop in insurance premiums during the 1990s, Massachusetts' statutory benefits remain relatively generous. Statutory benefits are the payments required by state law for a given injury, and they take two forms: wage replacement benefits and unlimited medical benefits.[22] Among other factors, statutes dictate the duration and maximum weekly benefit provided injured workers, cost-of-living adjustments, and the extent of benefits to dependents.[23] The study by ATS calculated an average cost per case for wage replacement benefits, excluding medical benefits. Each state's statutory benefits cost per case was then indexed around the national average.

As of January 2002, the average statutory benefit in Massachusetts was the seventh highest in the country, about 38 percent above the 50-state average. All New England states have comparatively high statutory benefits, except New Hampshire, which is at the national average.

Despite the fact that the state's statutory benefits remained high, the total of all yearly payments has declined as the number and duration of claims have fallen since the early 1990s. While benefit payments represent amounts actually paid in a calendar year on open claims and do not constitute the premiums paid by employers, benefits paid generally account for about 80 percent of workers' compensation premiums. The remaining 20 percent includes reserves, taxes, licenses and fees, and other operating expenses.

As of January 2002, the average statutory benefit in Massachusetts was the seventh highest in the country, about 38 percent above the 50-state average.

Since 1992 Massachusetts has narrowed its disparity with other states for personal income taxes but has lost some ground on corporate income and property taxes.

State and Local Taxes

As with most states, Massachusetts' standing on taxes varies widely, depending on which tax is considered. The Commonwealth has one of the heaviest personal income tax burdens in the country and higher-than-average corporate income and property taxes, but one of the lowest sales tax burdens and relatively low fees and charges. Since 1992 Massachusetts has narrowed its disparity with other states for personal income taxes but has lost some ground on corporate income and property taxes. While the progress on the personal income tax has probably accelerated since the passage of the Question 4 rate rollback, revenue raising measures adopted in the 2003 budget and the possibility of additional tax increases stemming from the ongoing fiscal crisis could slow – or possibly reverse – the improvement in the Commonwealth's competitive position.

While the results regarding individual taxes are clear and consistent, conclusions about the total tax burden are profoundly impacted by the measure used to compare taxes. Looking at all taxes, fees and charges collected by state and local governments, the two most common measures – comparing revenues to a state's population or to the total income of a state's residents – produce markedly different results. Using the per capita measure, Massachusetts government revenues are above the national average; measured per $1,000 of personal income they are below the national average. In other words, while the overall tax burden per person is high, Massachusetts residents pay a smaller-than-average share of their incomes for government services.

Methodology for Interstate Tax and Revenue Comparisons

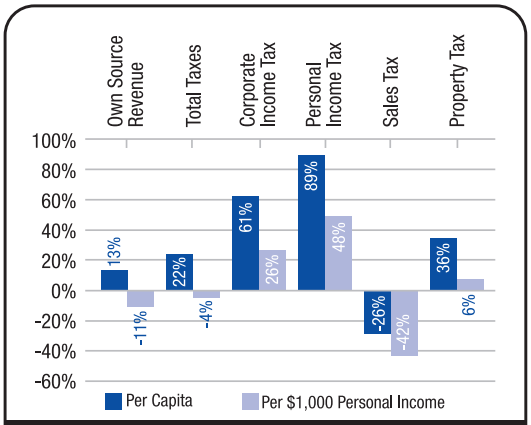
To account for differences across states, the two most common means of comparing taxes and revenue control for population (per capita) and personal income (per $1,000 of personal income). These measures provide a common means of comparing the cost of government in states such as New York, with 18.2 million residents in 1999 and $32,169 in average income, with that of South Dakota, whose population was 733,000 and per capita income was $23,726.

Each measure has its advantages. The income measure takes into account residents' ability to pay by calculating a state's tax and revenue burden as the share of total income paid to the government, expressed in dollars per $1,000 of personal income. States with relatively high levels of personal income and modest populations, like Massachusetts, tend to have lower relative burdens under this measure.

However, the per capita basis may provide a more realistic view of the relative cost of government. Since the provision of services tends to increase proportionally with a state's population, the per capita measure is a better indicator of the demand for – and residents' willingness to pay for – governmental programs. States with larger populations and lower incomes generally have lower relative per capita burdens.

Both measures provide only an aggregate means of assessing taxes and fail to account for the distributional burden of taxes, i.e., tax liability by level of income. In addition, states that are able to export a significant portion of their taxes – for example, Alaska, which relies almost entirely on oil and gas extraction fees – will appear to have a much heavier tax burden than the state's residents actually pay.

Comparing tax rates is another means of evaluating interstate tax burdens. However, state tax systems are replete with credits, exemptions and deductions that are not captured by tax rate comparisons. For example, many property tax systems include exemptions for homeowners and special rates for different types of property; income tax systems are loaded with a variety of personal exemptions, deductions and credits; and sales taxes in many states exempt food, clothes and a host of other items. As a result, comparing tax rates paints a substantially incomplete, and often inaccurate, picture.



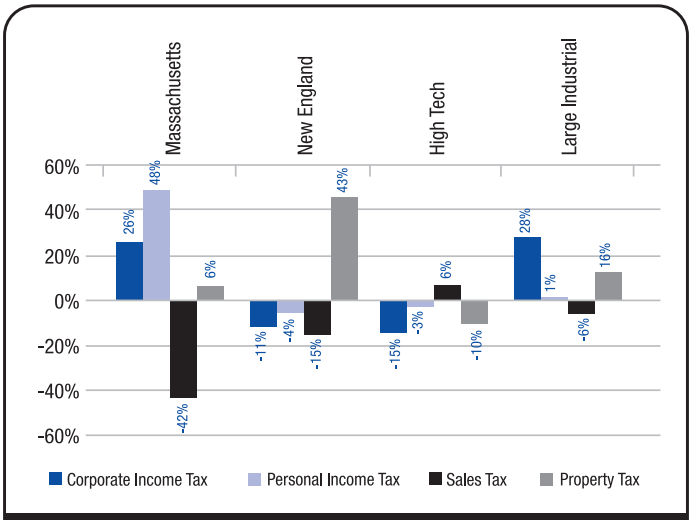
Massachusetts Taxes & Revenues 2000
Percentage Above/Below US Average

The dramatically different results are due to the fact that Massachusetts residents have among the highest average personal incomes in the nation. Both measures are valid and neither by itself represents a complete picture. In general, the per capita measure provides a better comparison of the unit cost of government services, but measures based on personal income more accurately portray taxes relative to what taxpayers can afford (see the sidebar on methodology for interstate comparisons).

This report compares revenues from all the major tax categories in 2000 – the most recent year for which both state and local government data is available – with 1992 and 1996.[24] In addition, the 2000 figures for Massachusetts are compared against data for the New England, high tech and large industrial states with which it competes.

Because the roles and responsibilities of state governments vary significantly from state to state – with some states assuming a large role relative to local governments while other states shift more responsibility to local governments – it is important to include both state and local government receipts when analyzing tax and revenue burdens. For example, in 2000 Hawaii's state government collected nearly 80 percent of all state and local revenue raised, while New York's state government generated 46 percent of the revenue raised by state and local governments throughout New York. Across the nation, state governments accounted for 57 percent of state and local governments' revenues (excluding federal aid), while in Massachusetts the state collected 68 percent. Focusing solely on state revenues significantly understates the real burden placed on a state's residents and can produce faulty conclusions regarding a state's relative position.

MTF's 1995 report focused on corporate income taxes as a measure of the cost of doing business in Massachusetts. However, businesses also pay sales and property taxes and their employees pay personal income taxes. Moreover, constructing meaningful comparisons of corporate income taxes is more difficult than for any other tax. Accordingly, this report analyzes all state and local taxes and revenues, with the corporate income tax just one piece of the larger picture.

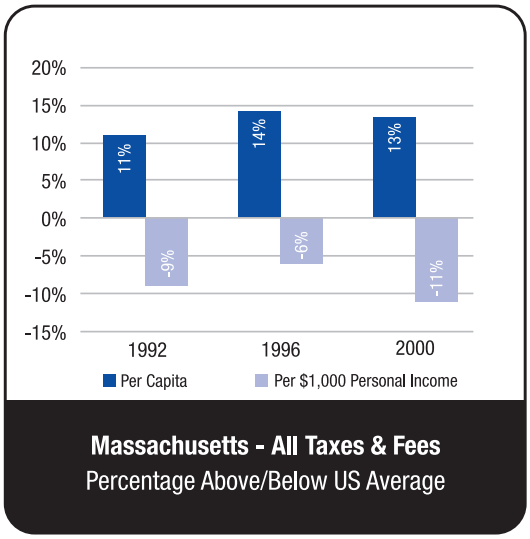


Taxes Per $1,000 Personal Income 2000
Percentage Above/Below US Average

Total or "Own Source" Revenues

Because each state collects a different mix of taxes and fees, comparing all state revenues provides a more complete

When measured per $1,000 of personal income, Massachusetts ranked among the bottom ten states in the country in terms of all taxes and fees. When measured on a per capita basis, however, the state placed in the top ten.



Massachusetts - All Taxes & Fees
Percentage Above/Below US Average

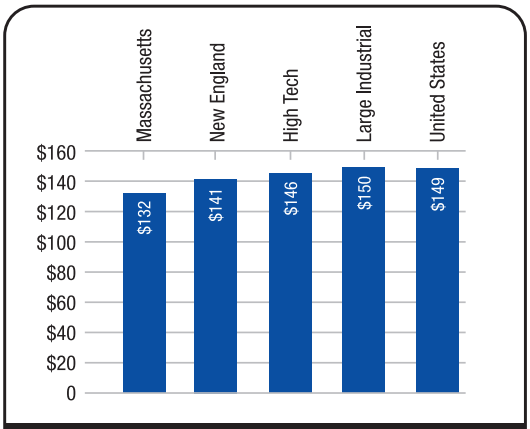
assessment than focusing on individual taxes.[25] As discussed above, Massachusetts' standing relative to other states depends on how revenues are compared. When measured per $1,000 of personal income, Massachusetts ranked among the bottom ten states in the country in terms of all taxes and fees collected by state and local governments, referred to as "own source revenue."[26] When measured on a per capita basis, however, the state placed in the top ten. In 2000, own source revenue measured by income was 11 percent below the national average, placing the state 46th. Measured per capita, revenues were 13 percent above average and 8th highest among the states. Measured by personal income, Massachusetts standings have improved slightly since 1992; the per capita rankings are nearly identical to the state's standings in 1992 and 1996.

Comparisons of the Commonwealth's own source revenues with those of its competitor states in 2000 are similar. When viewed against all of its competitors, Massachusetts ranked 18th out of 20 for own source revenue per $1,000 of personal income, with only Texas, and New Hampshire collecting less revenue. On a per capita basis, only New York, Connecticut, Minnesota and New Jersey collected more, landing Massachusetts in fifth place. Both rankings have changed little since 1992.

All of the New England states except New Hampshire collected more own source revenue per $1,000 of personal income than Massachusetts in 2000. Maine collected the most – 34 percent more than Massachusetts – while New Hampshire – lowest in the nation – took in 15 percent less. The Commonwealth's 5th place standing relative to other New England states has improved since the early and mid-1990s.

On the personal income measure, Massachusetts' $132 ranked 7th for own source revenue among the eight high tech states and last among the eight large industrial states in 2000, and the Commonwealth has moved further below to the average of both groups since 1992. New York, Minnesota and Michigan have the highest own source revenue relative to personal income of the states in these groups.

On a per capita basis, own source revenue of $5,017 per person in 2000 placed Massachusetts second among the New



All Taxes & Fees
Per $1,000 Personal Income 2000

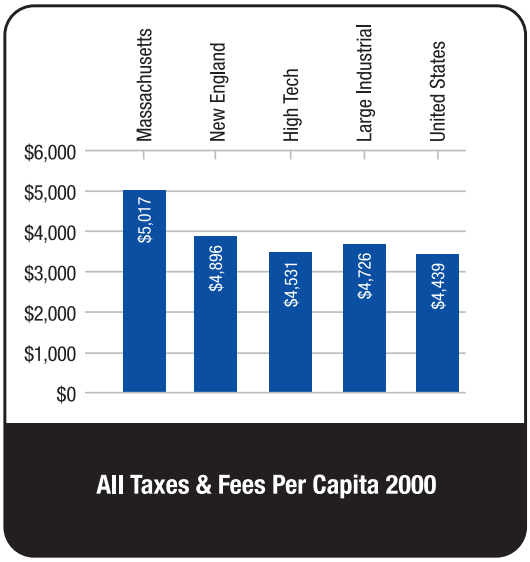
England states (Connecticut was first) and also among the high tech states (after Minnesota), and third among the industrial states (behind New York and New Jersey). Texas, New Hampshire and North Carolina have the lowest taxes and fees per capita among the 20 competitor states.

Total Taxes

Comparing total taxes – excluding fees and charges – is another useful measure of relative tax burdens. Comparisons of total taxes are somewhat less favorable for Massachusetts than for own source revenues. This is because taxes comprise a larger-than-average share of own source revenues in Massachusetts, or, to put it another way, the Commonwealth collects less in fees and charges than the typical state.[27]

In 2000 the state, cities and towns collected $100 in taxes per $1,000 of personal income, placing the Commonwealth 35th. The state's ranking on this measure has improved since 1992, when Massachusetts placed 27th, though tax revenues were four percent below the national average in both 1992 and 2000.

Among the 20 competitor states, Massachusetts' tax collections ranked 15th on an income basis in 2000. This represents a substantial improvement since 1996, when Massachusetts ranked 10th on the income measure. Tax revenues in Massachusetts in 2000 were significantly lower



All Taxes & Fees Per Capita 2000

than the average industrial or New England state and slightly lower than the high tech average. Among the Commonwealth's rivals, New York, Maine, Minnesota, Vermont and Rhode Island had the highest taxes, while New Hampshire, Texas, Florida, Colorado and North Carolina had the lowest.

On a per capita basis, the Commonwealth's total taxes of $3,787 per person in 2000 were 22 percent above the national average of $3,100 and the fourth highest in the nation. Massachusetts has lost ground on this measure; it ranked sixth in 1992 and 1996. The state ranked fourth among the 20 competitors in 2000, with only Connecticut, New York and New Jersey having higher taxes per capita. Taxes in the average high tech state were 17 percent below Massachusetts.

Corporate Income Taxes

Using the standard personal income and per capita comparisons, corporate income taxes in Massachusetts are higher than in most states, but these measures, particularly the per capita metric, are less useful for assessing corporate taxes than for other, broader taxes (see the sidebar for a discussion of the particular challenges of comparing corporate income taxes across states).[28] In 2000, Massachusetts' $5.41 in corporate income taxes per $1,000 of personal income ranked 11th highest and 26 percent above the national average of $4.30. The Commonwealth's position relative to the average has slipped significantly since 1992, when the state's tax collections likewise ranked eleventh but were only 9.0 percent above average. The deterioration took place between 1992 and 1996, when Massachusetts corporate taxes had risen to seventh highest and 37 percent greater than the national average, and have improved somewhat since then. However, these swings reflect the state of the economy and corporate profit levels as much as changes in the state's tax code. Since 2000, corporate income taxes in Massachusetts and nearly every other state have fallen due to the recent recession, whether measured in terms of dollars per $1,000 of personal income or dollars per capita, but the data that would allow updated interstate comparisons is not yet available.

Massachusetts' relatively better standing in 1992 may be attributable to the recession of the early 1990s, which hit the Commonwealth harder than almost any other state, an example of the difficulties of comparing corporate income tax burdens. The improvement in the ranking between 1996 and 2000, a period in which the economy and corporate incomes soared, is due, in part, to a series of business tax reforms: bank tax reforms and the single sales factor apportionment formula

Comparing Corporate Income Taxes

Comparisons of corporate income taxes based on state populations or personal incomes can be misleading. Because neither basis is strongly related to corporate income, it is difficult to discern whether high corporate tax measures are the result of high tax rates or strong corporate income in the state. In addition, states that rank low in corporate income taxes per capita or per $1,000 of personal income may not necessarily have an advantage over states with relatively high corporate income tax collections. A favorable business climate – which likely includes a competitive tax structure – will encourage businesses to locate in a state, thereby increasing the state's receipt of corporate income taxes.

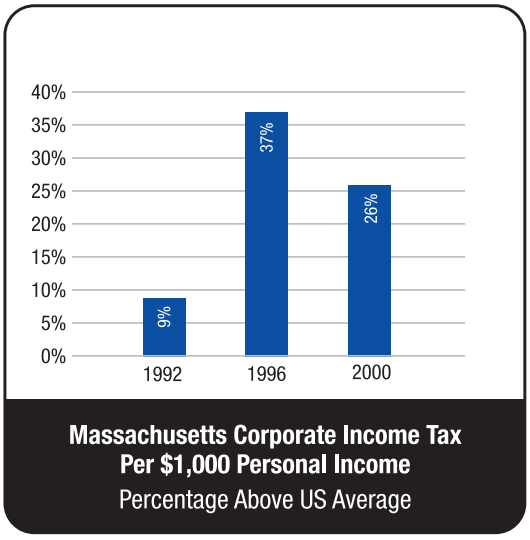
Were it feasible, the most meaningful comparison of business tax burdens might measure corporate tax collections per $1,000 of business net income. However, complex accounting methods for multi-state and multi-national firms effectively prohibit this type of analysis. In this report we do present estimates of average effective corporate tax rates based on estimated business profits for each state. Many businesses may pay significantly more or less than the average rate, however, because within each state, the types of firms subject to the corporate income tax and the manner by which a state apportions corporate income will also affect an employer's tax liability.

Comparing corporate income tax rates would also present an inaccurate picture, since state corporate income tax systems – to a greater extent than personal income tax systems – commonly include credits, exemptions and deductions that are not captured by a simple rate comparison. For example, Illinois has one of the lowest corporate income tax rates – 4.3 percent – yet collected the eighth highest amount of corporate income taxes per $1,000 of personal income in 2000. At the same time, Iowa had the nation's highest corporate income tax rate but ranked 36th in corporate income taxes per $1,000 of personal income.

With these caveats in mind, most state-level comparisons of business taxation do use corporate income taxes per capita or per $1,000 of personal income as a proxy for comparing tax burdens across states. In this report we focus on the personal income measure because it should show a stronger correlation with corporate income. However, these figures hardly reflect the business community's total tax burden. Employers pay a wide variety of taxes and fees, with many firms paying more in state and local sales and property taxes than they do in corporate income taxes.

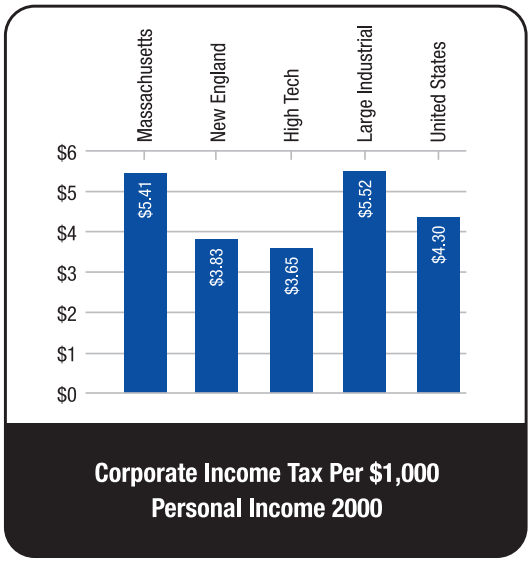
for manufacturers adopted in 1995, mutual fund tax reform in 1996 and insurance tax reform in 1998. The single sales factor in particular improved the state's competitive picture for export industries by apportioning corporate income solely based on the ratio of in-state sales to total sales. Preserving the single sales factor and other business tax reforms is critical to maintaining the Commonwealth's competitive position since a number of competitor states – including Connecticut, Illinois, Michigan, Ohio and Pennsylvania – have followed suit and increased the weight given to in-state sales in their corporate income tax codes.

Among the 20 competing states, Massachusetts ranked 7th in 2000 for corporate income taxes relative to personal income. The Commonwealth ranked second among the New England states, third among the high tech states and



Massachusetts Corporate Income Tax Per $1,000 Personal Income
Percentage Above US Average

fourth among the industrial states. Among the Commonwealth's rivals that impose a corporate income tax (Texas and Washington do not), taxes collected per $1,000 of personal income ranged from a low of $1.97 in Ohio, the lowest of the industrial states and sixth lowest in the nation, to a high of $9.09 in New York, the highest industrial state and third highest in the country.[29] New Hampshire had the highest corporate income taxes in New England at $7.50. The most dramatic change occurred in Connecticut, which



Corporate Income Tax Per $1,000 Personal Income 2000

saw its corporate income taxes fall from $6.93 in 1992, ranked ninth in the nation, to $3.02 in 2000, ranked 30th. Of the high tech states, only California and North Carolina ranked higher than Massachusetts.

An alternative measure, calculations of average effective state corporate income tax rates, supports the results of the comparisons based on personal income. Under this analysis, which relies on estimates of the share of business profits attributable to each state based on 1997 Economic Census data, Massachusetts' overall corporate income tax rate was 6.0 percent, 12th in the nation and 23 percent above the national average.[30]

Massachusetts' corporate income taxes also ranked high in per capita terms, though this is an even less meaningful measure than the comparisons based on personal income. At $206 per person, the Commonwealth's per capita corporate tax receipts were sixth highest in the nation, compared to ninth in 1992 and fifth in 1996. The premium paid by Massachusetts' employers increased from 33 percent above the national average in 1992 to 67 percent above in 1996, then dropped to 61 percent above in 2000. Among its competitors, Massachusetts ranked fourth on a per capita basis in 2000 after New York, New Hampshire and Michigan.

Preserving the single sales factor and other business tax reforms is critical to maintaining the Commonwealth's competitive position.

Even though the discrepancy between Massachusetts and other states has lessened, the Commonwealth's personal income taxes still rank near the top of the nation.

Personal Income Taxes

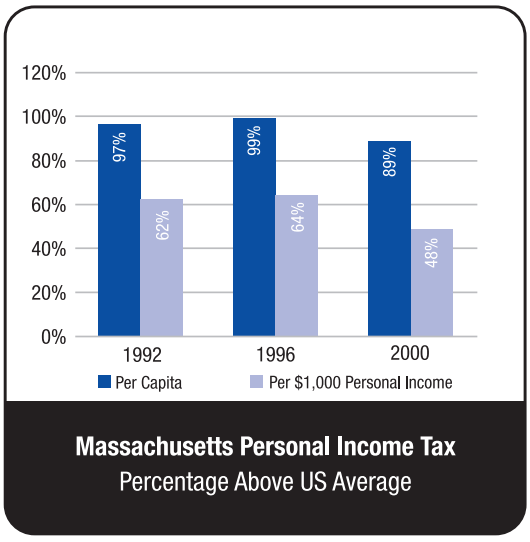
Even though the discrepancy between Massachusetts and other states has lessened, the Commonwealth's personal income taxes still rank near the top of the nation. In 2000 Massachusetts placed fifth on the basis of income, with a burden of $37 per $1,000 of income. On a per capita basis, the state ranked second nationally, with income taxes of $1,424. The income ranking represents a slight improvement over the state's placement in 1992 and 1996; the per capita ranking is unchanged.

On a positive note, Massachusetts' disparity with other states fell between 1996 and 2000 after rising slightly between 1992 and 1996. Using the income measure, Massachusetts' income taxes declined from 62 percent higher than the US in 1992 to 48 percent higher in 2000. On the per capita measure, they dropped from 97 percent above the US average in 1992 to 89 percent above in 2000.

The improvement reflects differences in the growth rates for incomes and taxes during the 1990s. While incomes and personal income taxes increased in every state over the course of the decade, the average state increased the share of incomes it collected as taxes while the share in Massachusetts remained virtually unchanged. Personal income taxes per $1,000 of income increased by 5.6 percent across the US between 1992 and 2000 but decreased by 3.2 percent in Massachusetts.

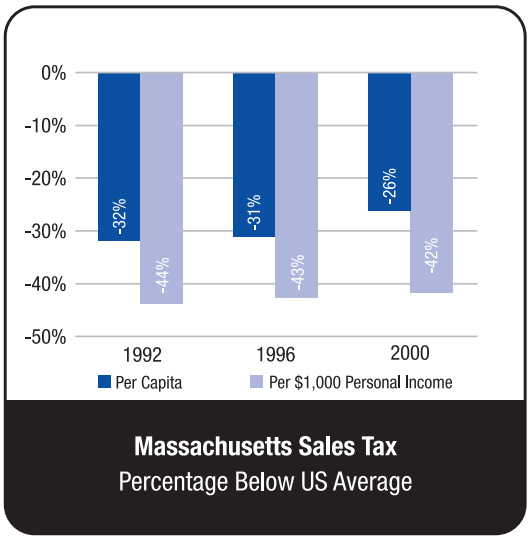
The narrowing of the gap between Massachusetts and other states has probably accelerated since 2000 (the latest year for which data is available) as a result of the Question 4 income tax rate reduction and the other tax cuts adopted over the last three years. Even with some of the cuts frozen or undone by the fiscal 2003 state budget, Massachusetts has likely reduced its income tax burden and improved its competitive position. However, the potential for additional tax increases in response to the Commonwealth's continuing budget shortfalls could slow or reverse this progress.

Compared to the New England, high tech and industrial states, Massachusetts' personal income taxes rank at or near the top, but its standing has improved somewhat relative to the average income taxes of all three groups over the course of the 1990s. In 2000 Massachusetts ranked first among the New England states and second among the high tech states and industrial states on the income measure. However, between 1992 and 2000, personal income taxes per $1,000 of income fell from 91.8 percent above the New England average to 54.5 percent, from 83.7 percent above the high tech average to 52.8 percent, and from 51.1 percent above the industrial state average to 46.6 percent. Most of this improvement has taken place since 1996. On a per capita basis, the Commonwealth also narrowed the disparity with New England and high tech states, the latter from 121 percent above average to 87.7 percent, though Massachusetts still ranks first among these groups and second among the industrial states. New York has the highest personal income taxes in the nation by any measure, and Maryland collects more than Massachusetts as a share of personal income. Of the Commonwealth's rivals, New Hampshire, Florida, Texas and Washington have no personal income tax.



Massachusetts Personal Income Tax
Percentage Above US Average

Massachusetts is more dependent on personal income taxes to fund government services than all but three other states. Personal income taxes provide 41.4 percent of total state and local revenues in Massachusetts compared to 27.4 percent in the average state.



Massachusetts Sales Tax
Percentage Below US Average

Sales and Excise Taxes

Massachusetts has one of the lowest sales tax burdens in the US regardless of how the taxes are compared. This is true both for general sales taxes and for a larger category that includes excise taxes on a variety of specific goods and services, such as gasoline, tobacco products, hotel stays and insurance premiums. Using the broader definition of sales taxes that includes these narrower excises, Massachusetts ranked 45th on the basis of income in 2000 – unchanged from 1992 or 1996 – with a sales tax burden 42 percent below the US average. The five states at the bottom of the list – Oregon, Delaware, New Hampshire, Montana and Alaska – have no general statewide sales tax. The gap has narrowed slightly since 1992 when the Commonwealth was 44 percent below the nation. Sales taxes relative to personal income decreased 6.4 percent in Massachusetts over this period – from $22.83 in 1992 to $21.37 in 2000 – compared to a decrease of 9.4 percent across the nation.

The state ranked 44th on a per capita basis in 2000, nearly unchanged from 45th in 1992 and 1996. Sales taxes of $812 were 26 percent below the national average of $1,099. This gap has also narrowed since 1992 when the state's sales tax burden was 32 percent below the national average. Sales tax per capita increased 54.7 percent in Massachusetts between 1992 and 2000 compared to 42.9 percent for the US.

Sales taxes in Massachusetts are lower than in nearly all of its competitor states, including all of the high tech and industrial states, on both measures. The Commonwealth ranked 19th out of 20 on the personal income basis and dead last if New Hampshire, which has no general sales tax, is excluded. On a per capita basis, Massachusetts placed 18th in 2000, with only New Hampshire and Vermont ranked lower. These standings changed little over the course of the 1990s. Washington has by far the highest sales taxes in the nation by either measure, with Florida and Texas also in the top tier. Connecticut also places near the top when sales taxes are measured on a per capita basis.

In contrast to personal income taxes, Massachusetts depends on the sales tax for only 23.6 percent of state and local revenues, the 5th lowest percentage in the country. The average is 40.2 percent.

Massachusetts' sales tax rankings are low because of its narrow base – few other states exempt food and services to the same extent – and the absence of local option sales taxes, which many other states authorize. The Commonwealth's 5.0 percent sales tax rate is in the middle of the pack.

Property Taxes

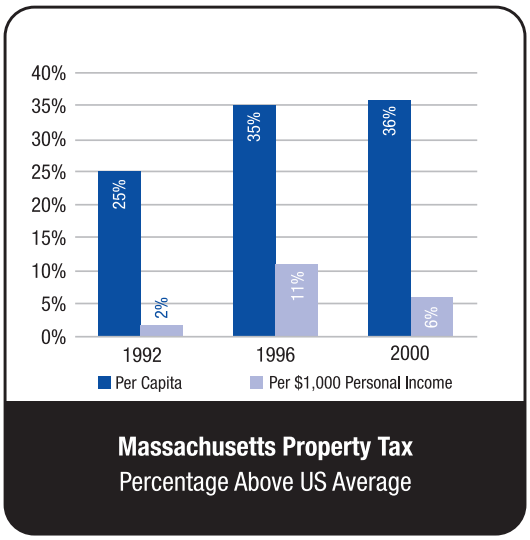
Following a dramatic drop in the years after the passage of Proposition 2½ in 1980, property taxes in Massachusetts relative to other states edged upwards in the 1990s. While the landmark tax limitation measure capped the impact of rising property values, a combination of new construction in Massachusetts and the effect of tax limitation measures passed in other states pushed the Commonwealth's ranking for property taxes relative to income from 23rd in 1992 to 17th in 1996 and 20th in 2000, and from two percent above the national average in 1992 to six percent in 2000.

Even with the recent erosion of Massachusetts' standing, Proposition 2½ has still had a dramatic effect on property taxes in the Commonwealth. In 1981 the state had the fourth highest burden based on income, 67 percent above the nation.

As with other taxes, Massachusetts' property taxes rank higher when measured on a per capita basis. In 2000, with a per capita property tax burden of $1,204, the Commonwealth

Sales tax per capita increased 54.7 percent in Massachusetts between 1992 and 2000 compared to 42.9 percent for the U.S..

Following a dramatic drop in the years after the passage of Proposition 2 1/2 in 1980, property taxes in Massachusetts relative to other states edged upwards in the 1990s.



Massachusetts Property Tax
Percentage Above US Average

ranked 9th in the nation, inching up from 10th place in 1992. Its burden grew from 25 percent above the national average to 36 percent during this period. Even so, this is still markedly improved from 1981, when Massachusetts had the third highest property taxes in the nation on a per capita basis with a burden 78 percent above the national average.

Because other New England and industrial states also tend to collect greater amounts of property taxes, Massachusetts' ranking among its competitors is somewhat more favorable. The Commonwealth placed 11th of 20 relative to personal income, slipping from 13th place in 1992, and eighth per capita, the same as 1992.

Because of the wide variation in property taxes across the country, Massachusetts' standing relative to particular groups of competitor states differs considerably. New England states generally have high property taxes and low, Massachusetts ranks last in the region whether compared relative to population or income. Maine has the highest property taxes in New England and the highest in the nation compared to personal income, with New Hampshire very close behind. On a per capita basis, New Hampshire has the highest property taxes in New England and second highest in the country.

High tech states, on the other hand, collect relatively low property taxes, particularly North Carolina, California and Maryland. Massachusetts ranks first among the high tech states on a per capita basis and second measured by income (only Texas is higher). Compared to other industrial states, Massachusetts falls near the middle of the pack: third of eight measured per capita and fifth measured on the basis of income. New Jersey has the highest property taxes of the industrial states (and the highest in the nation measured per capita), while Pennsylvania, Ohio and Florida have the lowest.

While property taxes in Massachusetts have increased relative to population and personal income, they have declined relative to property values, particularly over the last two years. Dramatic increases in housing prices caused assessed values across the state to increase by 40 percent between 2000 and 2002, but property tax revenues increased by only 18 percent. As a result, the average effective tax rate fell from 1.7 percent of assessed value in 2000 to 1.4 percent in 2002.

Health Insurance Premiums Average Annual Cost, 2000

Family Premiums		
1	*NEW JERSEY*	$7,592.14
2	NEW HAMPSHIRE	7,525.39
3	***MASSACHUSETTS***	7,340.53
4	CONNECTICUT	7,292.12
5	**MARYLAND**	7,287.34
6	*ILLINOIS*	7,219.73
7	Wisconsin	7,112.16
8	Kentucky	7,096.35
9	*NEWYORK*	7,090.21
10	**MINNESOTA**	6,957.13
11	Oklahoma	6,936.63
12	West Virginia	6,843.94
13	*MICHIGAN*	6,816.83
14	*FLORIDA*	6,811.50
15	**COLORADO**	6,796.73
16	Arizona	6,767.23
17	Nebraska	6,760.36
18	South Dakota	6,759.52
19	Missouri	6,730.63
20	*PENNSYLVANIA*	6,721.41
21	Virginia	6,684.31
22	Oregon	6,654.09
23	**NORTH CAROLINA**	6,648.70
24	**TEXAS**	6,638.42
25	Georgia	6,637.33
26	Indiana	6,627.90
27	South Carolina	6,599.76
28	*OHIO*	6,595.57
29	Tennessee	6,550.32
30	Louisiana	6,536.39
31	**WASHINGTON**	6,495.62
32	Iowa	6,487.48
33	Arkansas	6,354.59
34	Utah	6,305.03
35	Alabama	6,262.19
36	Kansas	6,236.66
37	**CALIFORNIA**	6,226.73
38	New Mexico	6,222.17
39	NorthDakota	6,124.08
40	Mississippi	5,982.94
	United States	$6,772.47
	NEW ENGLAND	N/A
	HIGH TECH	6,717.00
	LARGE INDUSTRIAL	6,978.00

Single Premiums		
1	CONNECTICUT	$3,056.94
2	*ILLINOIS*	2,979.69
3	*NEW YORK*	2,955.97
4	*NEW JERSEY*	2,910.51
5	Wisconsin	2,825.65
6	*MICHIGAN*	2,808.18
7	NEW HAMPSHIRE	2,790.35
8	West Virginia	2,762.84
9	**WASHINGTON**	2,740.31
10	Oklahoma	2,733.85
11	***MASSACHUSETTS***	2,718.85
12	**MINNESOTA**	2,711.70
13	**NORTH CAROLINA**	2,670.17
14	Georgia	2,669.73
15	Missouri	2,664.36
16	**MARYLAND**	2,662.82
17	Indiana	2,653.00
18	Kansas	2,640.25
19	Kentucky	2,627.56
20	**TEXAS**	2,627.42
21	Alabama	2,616.78
22	Nebraska	2,614.08
23	South Carolina	2,609.01
24	*FLORIDA*	2,599.92
25	Louisiana	2,598.38
26	Arkansas	2,592.07
27	New Mexico	2,591.08
28	Utah	2,584.60
29	Virginia	2,574.22
30	*OHIO*	2,573.78
31	Tennessee	2,569.76
32	South Dakota	2,562.71
33	Iowa	2,499.13
34	Mississippi	2,495.07
35	Arizona	2,493.60
36	*PENNSYLVANIA*	2,467.06
37	Oregon	2,466.53
38	**COLORADO**	2,449.62
39	**CALIFORNIA**	2,365.17
40	North Dakota	2,292.79
	United States	$2,654.67
	NEW ENGLAND	N/A
	HIGH TECH	2,603.89
	LARGE INDUSTRIAL	2,756.44

Average total premium per enrolled employee at private sector establishments that offer health insurance. Data was not reported separately for the states of Alaska, Delaware, Hawaii, Idaho, Maine, Montana, Nevada, Rhode Island, Vermont and Wyoming, and the District of Columbia. The national average was calculated using data from all states.

Source: Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey*.

Electricity Rates, 2000

Cents per Kilowatt-hour

Industrial		
1	Hawaii	11.7
2	NEW HAMPSHIRE	9.1
3	RHODE ISLAND	8.7
4	***MASSACHUSETTS***	8.3
5	*NEW JERSEY*	8.2
6	Alaska	7.6
7	CONNECTICUT	7.3
8	VERMONT	7.3
9	**CALIFORNIA**	7.2
10	MAINE	7.2
11	*PENNSYLVANIA*	5.3
12	Arizona	5.3
13	*MICHIGAN*	5.1
14	Louisiana	5.0
15	Nevada	5.0
16	*NEW YORK*	5.0
17	*FLORIDA*	4.8
18	*ILLINOIS*	4.8
19	New Mexico	4.7
20	**NORTH CAROLINA**	4.6
21	**MINNESOTA**	4.6
22	Kansas	4.6
23	South Dakota	4.5
24	*OHIO*	4.5
25	Missouri	4.4
26	**TEXAS**	4.4
27	**COLORADO**	4.3
28	Arkansas	4.2
29	Mississippi	4.1
30	**MARYLAND**	4.1
31	Georgia	4.1
32	Tennessee	4.1
32	Oklahoma	4.1
34	Wisconsin	4.0
35	North Dakota	4.0
36	Virginia	3.9
37	Iowa	3.9
38	Alabama	3.9
39	Indiana	3.8
40	West Virginia	3.8
41	South Carolina	3.7
42	Delaware	3.7
43	Nebraska	3.6
44	Oregon	3.6
45	**WASHINGTON**	3.4
46	Wyoming	3.4
47	Utah	3.4
48	Idaho	3.1
49	Kentucky	3.0
50	Montana	2.5
	United States	4.6
	NEW ENGLAND	8.0
	HIGH TECH	4.7
	LARGE INDUSTRIAL	5.4

Commercial		
1	Hawaii	14.8
2	*NEW YORK*	12.5
3	NEW HAMPSHIRE	10.9
4	MAINE	10.8
5	VERMONT	10.6
6	**CALIFORNIA**	10.6
7	Alaska	9.8
8	RHODE ISLAND	9.7
9	CONNECTICUT	9.3
10	*NEW JERSEY*	9.2
11	***MASSACHUSETTS***	9.2
12	*PENNSYLVANIA*	8.2
13	*MICHIGAN*	7.9
14	*OHIO*	7.6
15	*ILLINOIS*	7.5
16	Arizona	7.4
17	Louisiana	7.2
18	New Mexico	7.1
19	**TEXAS**	6.9
20	Nevada	6.7
21	South Dakota	6.6
22	Alabama	6.6
23	Iowa	6.6
24	**MARYLAND**	6.6
25	Georgia	6.5
26	Mississippi	6.4
27	**MINNESOTA**	6.4
28	**NORTH CAROLINA**	6.4
29	South Carolina	6.4
30	Tennessee	6.3
31	Kansas	6.3
32	*FLORIDA*	6.3
33	Oklahoma	6.1
34	Delaware	6.1
35	North Dakota	6.1
36	Wisconsin	6.0
37	Indiana	5.9
38	Arkansas	5.9
39	Missouri	5.8
40	Montana	5.7
41	Virginia	5.7
42	**COLORADO**	5.6
43	West Virginia	5.5
44	Nebraska	5.4
45	Wyoming	5.3
46	Utah	5.2
47	Kentucky	5.1
48	Oregon	5.1
49	**WASHINGTON**	4.9
50	Idaho	4.2
	United States	7.4
	NEW ENGLAND	10.1
	HIGH TECH	6.7
	LARGE INDUSTRIAL	8.5

Source: US Department of Energy, *Electric Sales and Revenue Report.*

Unemployment Insurance Costs and Benefits, 2002

Average Cost per Employee		
1	Alaska	$470
2	**WASHINGTON**	450
3	Oregon	398
4	RHODE ISLAND	370
5	*NEW YORK*	327
6	*PENNSYLVANIA*	315
7	***MASSACHUSETTS***	311
8	West Virginia	280
9	Nevada	265
10	*MICHIGAN*	262
11	Hawaii	250
12	**CALIFORNIA**	248
13	*ILLINOIS*	234
14	MAINE	231
15	Idaho	222
16	*NEW JERSEY*	221
17	Arkansas	218
18	Delaware	192
19	Wisconsin	189
20	CONNECTICUT	188
21	Kansas	181
22	VERMONT	181
23	Kentucky	180
23	North Dakota	180
25	Montana	176
26	Iowa	173
27	Tennessee	157
28	**MARYLAND**	153
29	**MINNESOTA**	146
30	**TEXAS**	144
31	New Mexico	143
32	*OHIO*	133
33	Mississippi	130
34	**NORTH CAROLINA**	128
35	Alabama	120
36	Louisiana	117
36	South Carolina	117
38	Wyoming	112
39	*FLORIDA*	95
39	Indiana	95
41	Utah	90
42	Nebraska	85
43	**COLORADO**	76
44	NEW HAMPSHIRE	71
45	Arizona	67
46	Missouri	65
47	Oklahoma	56
48	South Dakota	51
49	Virginia	37
50	Georgia	35
	United States	$183
	NEW ENGLAND	208
	HIGH TECH	192
	LARGE INDUSTRIAL	227

Average Effective Tax Rate		
1	Alaska	1.60%
2	MAINE	1.20%
3	**WASHINGTON**	1.20%
4	Oregon	1.10%
4	RHODE ISLAND	1.10%
6	*NEW JERSEY*	0.90%
6	*PENNSYLVANIA*	0.90%
6	West Virginia	0.90%
9	Hawaii	0.80%
9	Idaho	0.80%
9	Nevada	0.80%
12	Arkansas	0.70%
12	***MASSACHUSETTS***	0.70%
12	*MICHIGAN*	0.70%
12	Montana	0.70%
12	North Dakota	0.70%
17	Iowa	0.60%
17	*NEW YORK*	0.60%
17	VERMONT	0.60%
17	Wisconsin	0.60%
17	Wyoming	0.60%
22	**CALIFORNIA**	0.50%
22	*ILLINOIS*	0.50%
22	Kansas	0.50%
22	Kentucky	0.50%
22	New Mexico	0.50%
27	Alabama	0.40%
27	CONNECTICUT	0.40%
27	Delaware	0.40%
27	Louisiana	0.40%
27	**MARYLAND**	0.40%
27	**MINNESOTA**	0.40%
27	Mississippi	0.40%
27	*OHIO*	0.40%
27	South Carolina	0.40%
27	Tennessee	0.40%
37	**COLORADO**	0.30%
37	*FLORIDA*	0.30%
37	Indiana	0.30%
37	Missouri	0.30%
37	Nebraska	0.30%
37	**NORTH CAROLINA**	0.30%
37	**TEXAS**	0.30%
37	Utah	0.30%
45	Arizona	0.20%
45	NEW HAMPSHIRE	0.20%
45	Oklahoma	0.20%
45	South Dakota	0.20%
45	Virginia	0.20%
50	Georgia	0.10%
	United States	0.50%
	NEW ENGLAND	0.70%
	HIGH TECH	0.49%
	LARGE INDUSTRIAL	0.61%

Source: US Department of Labor, Massachusetts Division of Employment and Training

Unemployment Insurance Costs and Benefits, 2002

Minimum Tax

1	CONNECTICUT	$270.00
2	Alaska	260.00
3	Oregon	225.00
4	RHODE ISLAND	199.20
5	***MASSACHUSETTS***	143.10
6	**WASHINGTON**	133.95
7	West Virginia	120.00
8	*PENNSYLVANIA*	118.40
9	North Dakota	85.26
10	MAINE	85.20
11	*NEW JERSEY*	70.50
12	Idaho	55.20
13	*ILLINOIS*	54.00
14	Nevada	52.25
15	South Carolina	51.80
16	**CALIFORNIA**	49.00
17	Arkansas	45.00
18	*NEW YORK*	42.50
19	**MINNESOTA**	35.70
20	Alabama	35.20
21	VERMONT	32.00
22	Mississippi	28.00
23	**TEXAS**	27.00
24	Delaware	25.50
25	**MARYLAND**	25.50
26	Montana	24.57
27	Kentucky	24.00
28	Wyoming	22.05
29	Utah	22.00
30	Tennessee	21.00
31	Louisiana	10.50
32	*MICHIGAN*	9.50
33	*OHIO*	9.00
34	New Mexico	7.95
35	*FLORIDA*	7.00
35	Indiana	7.00
37	Iowa	6.88
38	Arizona	3.50
38	Nebraska	3.50
40	Kansas	3.20
41	NEW HAMPSHIRE	0.80
42	**COLORADO**	0.00
42	Georgia	0.00
42	Hawaii	0.00
42	Missouri	0.00
42	**NORTH CAROLINA**	0.00
42	Oklahoma	0.00
42	South Dakota	0.00
42	Virginia	0.00
42	Wisconsin	0.00
	United States	$49.03
	NEW ENGLAND	117.44
	HIGH TECH	38.74
	LARGE INDUSTRIAL	44.41

Average Weekly Benefit

1	***MASSACHUSETTS***	$359.83
2	*NEW JERSEY*	338.69
3	**WASHINGTON**	333.11
4	**COLORADO**	313.92
5	Virginia	313.81
6	**MINNESOTA**	313.05
7	RHODE ISLAND	305.59
8	Hawaii	294.59
9	*PENNSYLVANIA*	293.52
10	CONNECTICUT	286.16
11	*ILLINOIS*	281.64
12	Oregon	281.18
13	Utah	278.42
14	*MICHIGAN*	277.88
15	*NEW YORK*	277.67
16	Kansas	277.40
17	**TEXAS**	261.41
18	**NORTH CAROLINA**	259.29
19	NEW HAMPSHIRE	255.53
20	Indiana	252.39
21	*OHIO*	251.99
22	Iowa	251.19
23	Kentucky	249.75
24	Wisconsin	247.83
25	VERMONT	242.21
26	**MARYLAND**	241.57
27	Georgia	238.87
28	Oklahoma	235.82
29	Idaho	234.99
30	Wyoming	232.84
31	Delaware	229.96
32	Nevada	229.81
33	*FLORIDA*	227.31
34	MAINE	224.88
35	Arkansas	223.36
36	**CALIFORNIA**	218.66
37	West Virginia	218.25
38	North Dakota	215.54
39	Tennessee	211.84
40	Nebraska	209.82
41	South Carolina	209.34
42	Missouri	206.05
43	New Mexico	200.54
44	Louisiana	198.26
45	South Dakota	196.42
46	Alaska	188.89
47	Montana	178.26
48	Arizona	175.95
49	Mississippi	167.21
50	Alabama	166.08
	United States	$257.90
	NEW ENGLAND	262.87
	HIGH TECH	277.29
	LARGE INDUSTRIAL	278.39

Source: US Department of Labor, Massachusetts Division of Employment and Training.

Workers Compensation Costs, 2001

Average Cost per $100 Payroll

1	**CALIFORNIA**	$7.23
2	*FLORIDA*	5.33
3	**TEXAS**	4.79
4	Delaware	4.74
5	Oklahoma	4.26
5	VERMONT	4.26
7	RHODE ISLAND	4.25
8	*NEW YORK*	4.06
9	Alabama	3.91
10	CONNECTICUT	3.86
11	MAINE	3.84
12	NEW HAMPSHIRE	3.79
13	**COLORADO**	3.65
14	Hawaii	3.64
15	Alaska	3.57
16	Louisiana	3.53
17	Tennessee	3.43
18	Missouri	3.37
19	*PENNSYLVANIA*	3.34
20	*MICHIGAN*	3.28
21	*ILLINOIS*	3.22
22	Montana	3.17
23	Georgia	3.13
24	Kansas	3.11
25	*NEW JERSEY*	3.10
26	Nevada	3.05
27	**MINNESOTA**	2.81
28	Nebraska	2.76
29	Kentucky	2.73
30	Mississippi	2.71
31	Iowa	2.55
32	***MASSACHUSETTS***	2.53
33	**MARYLAND**	2.51
34	Idaho	2.46
34	**NORTH CAROLINA**	2.46
36	South Dakota	2.44
37	Wisconsin	2.43
38	Arkansas	2.26
39	South Carolina	2.09
40	Indiana	1.91
41	Virginia	1.83
42	New Mexico	1.80
43	Oregon	1.44
44	Utah	1.26
45	Arizona	1.15
	United States	$3.09
	NEW ENGLAND	3.88
	HIGH TECH	3.63
	LARGE INDUSTRIAL	3.61

Average Stautory Benefits

1	*MICHIGAN*	3.486
2	Nevada	2.388
3	**WASHINGTON**	1.908
4	CONNECTICUT	1.773
5	Louisiana	1.650
6	RHODE ISLAND	1.408
7	***MASSACHUSETTS***	1.376
8	MAINE	1.373
9	**COLORADO**	1.328
10	*ILLIINOIS*	1.268
11	*PENNSYLVANIA*	1.257
12	Virginia	1.206
13	VERMONT	1.205
14	Arizona	1.180
15	*NEW YORK*	1.176
16	Delaware	1.165
17	Kentucky	1.129
18	Georgia	1.120
19	New Mexico	1.119
20	Nebraska	1.075
21	Iowa	1.069
22	Alaska	1.051
23	Mississippi	1.034
24	NEW HAMPSHIRE	1.020
25	North Dakota	1.009
26	Montana	0.991
27	**MINNESOTA**	0.971
28	**NORTH CAROLINA**	0.957
29	Hawaii	0.951
30	West Virginia	0.945
31	**MARYLAND**	0.924
32	Tennessee	0.921
33	Wisconsin	0.903
34	Alabama	0.898
35	South Carolina	0.884
36	*OHIO*	0.873
37	Wyoming	0.862
38	**TEXAS**	0.850
39	Kansas	0.836
40	Oklahoma	0.829
41	Indiana	0.788
42	Missouri	0.754
43	*FLORIDA*	0.729
44	Utah	0.724
45	Oregon	0.696
46	Idaho	0.689
47	Arkansas	0.676
48	*NEW JERSEY*	0.672
49	**CALIFORNIA**	0.597
50	South Dakota	0.585
	United States	1.000
	NEW ENGLAND	1.360
	HIGH TECH	1.069
	LARGE INDUSTRIAL	1.367

Source: Actuarial & Technical Solutions, Inc., Compensation State Rankings Manufacturing Industry Costs and Statutory Benefit Provisions, 2002

State & Local Taxes and Revenues Per $1000 Personal Income, 2000

Own-Source Revenues

1	Alaska	$406.51
2	Wyoming	194.18
3	New Mexico	192.69
4	MAINE	177.16
5	Delaware	176.55
6	North Dakota	173.98
7	*NEW YORK*	172.43
8	Utah	171.71
9	Montana	171.71
10	Hawaii	168.99
11	Mississippi	168.03
12	Wisconsin	166.80
13	Louisiana	166.36
14	West Virginia	166.19
15	Oregon	164.94
16	**MINNESOTA**	164.89
17	Iowa	157.46
18	Idaho	157.33
19	South Carolina	157.18
20	*MICHIGAN*	156.89
21	VERMONT	155.40
22	**CALIFORNIA**	154.54
23	Nebraska	153.79
24	Kentucky	151.11
25	Oklahoma	150.74
26	Alabama	150.53
27	*OHIO*	150.09
28	Indiana	148.24
29	RHODE ISLAND	148.11
30	Arkansas	147.94
31	**WASHINGTON**	147.69
32	Kansas	147.17
33	**NORTH CAROLINA**	146.79
34	*PENNSYLVANIA*	142.80
35	*FLORIDA*	141.26
36	Georgia	140.50
37	Arizona	140.39
38	Nevada	139.44
39	**COLORADO**	138.17
40	CONNECTICUT	137.69
41	*NEW JERSEY*	137.46
42	Virginia	136.74
43	**MARYLAND**	135.66
44	South Dakota	134.36
45	*ILLINOIS*	133.73
46	***MASSACHUSETTS***	132.01
47	Missouri	131.81
48	**TEXAS**	131.06
49	Tennessee	123.07
50	NEW HAMPSHIRE	112.72
	United States	$149.15
	NEW ENGLAND	141.00
	HIGH TECH	146.44
	LARGE INDUSTRIAL	149.95

Total Taxes

1	*NEW YORK*	$130.64
2	MAINE	129.97
3	Alaska	123.14
4	Wisconsin	121.26
5	New Mexico	120.70
6	Hawaii	119.55
7	**MINNESOTA**	114.43
8	VERMONT	112.37
9	Utah	111.61
10	RHODE ISLAND	111.05
11	CONNECTICUT	110.88
12	West Virginia	110.42
13	North Dakota	110.32
14	Wyoming	109.69
15	**CALIFORNIA**	109.21
16	*MICHIGAN*	107.15
17	*OHIO*	106.87
18	Delaware	105.73
19	Idaho	105.20
20	Mississippi	105.20
21	Louisiana	104.86
22	Nebraska	104.62
23	Iowa	104.00
24	Kentucky	103.67
25	*NEW JERSEY*	103.48
26	Montana	103.10
27	Kansas	102.75
28	Arizona	101.80
29	**MARYLAND**	101.41
30	Arkansas	100.69
31	*ILLINOIS*	100.38
32	**WASHINGTON**	100.25
33	*PENNSYLVANIA*	100.23
34	Georgia	100.15
35	***MASSACHUSETTS***	99.63
36	Oklahoma	99.37
37	Indiana	98.68
38	Oregon	98.65
39	**NORTH CAROLINA**	98.11
40	South Carolina	97.72
41	Nevada	97.16
42	Virginia	94.76
43	Missouri	93.05
44	**COLORADO**	92.58
45	*FLORIDA*	92.35
46	Alabama	88.99
47	South Dakota	88.97
48	**TEXAS**	88.94
49	Tennessee	82.69
50	NEW HAMPSHIRE	78.75
	United States	$104.14
	NEW ENGLAND	108.29
	HIGH TECH	101.85
	LARGE INDUSTRIAL	109.16

Source: US Census Bureau

State & Local Taxes and Revenues Per $1000 Personal Income, 2000

Corporate Income Tax

1	Alaska	$23.35
2	Delaware	9.70
3	*NEW YORK*	9.09
4	*MICHIGAN*	8.11
5	NEW HAMPSHIRE	7.50
6	**CALIFORNIA**	6.04
7	*ILLINOIS*	5.64
8	Indiana	5.58
9	West Virginia	5.51
10	**NORTH CAROLINA**	5.48
11	***MASSACHUSETTS***	5.41
12	**MINNESOTA**	5.06
13	North Dakota	4.88
14	Montana	4.83
15	*PENNSYLVANIA*	4.65
16	MAINE	4.58
17	Oregon	4.27
18	*NEW JERSEY*	4.25
19	Tennessee	4.08
20	Idaho	4.02
21	New Mexico	4.01
22	Arkansas	4.00
23	Arizona	3.99
24	Mississippi	3.80
25	Wisconsin	3.78
26	Kansas	3.68
27	Utah	3.30
28	Kentucky	3.12
29	Georgia	3.07
30	CONNECTICUT	3.02
31	Nebraska	2.95
32	Iowa	2.76
33	VERMONT	2.66
34	*FLORIDA*	2.60
35	Virginia	2.54
36	RHODE ISLAND	2.44
37	**MARYLAND**	2.39
38	**COLORADO**	2.35
39	Oklahoma	2.34
40	South Carolina	2.33
41	South Dakota	2.31
42	Alabama	2.30
43	Hawaii	2.19
44	Louisiana	2.14
45	*OHIO*	1.97
46	Missouri	1.73
47	Nevada	0.00
48	**TEXAS**	0.00
49	**WASHINGTON**	0.00
50	Wyoming	0.00
	United States	$4.30
	NEW ENGLAND	3.83
	HIGH TECH	3.65
	LARGE INDUSTRIAL	5.52

Personal Income Tax

1	NEW YORK	$43.07
2	Oregon	42.95
3	**MARYLAND**	39.67
4	Wisconsin	38.92
5	***MASSACHUSETTS***	37.47
6	**CALIFORNIA**	36.00
7	OHIO	35.74
8	Kentucky	35.14
9	**MINNESOTA**	34.93
10	**NORTH CAROLINA**	32.99
11	MAINE	32.84
12	Utah	31.38
13	Delaware	31.29
14	Hawaii	31.02
15	Idaho	30.83
16	Virginia	30.69
17	CONNECTICUT	28.15
18	Georgia	27.41
19	RHODE ISLAND	26.98
20	MICHIGAN	26.31
21	VERMONT	25.88
22	Indiana	25.74
23	Oklahoma	25.71
24	**COLORADO**	25.48
25	PENNSYLVANIA	25.44
26	Kansas	25.11
27	South Carolina	25.04
28	Missouri	25.03
29	Montana	24.97
30	Arkansas	24.83
31	Iowa	24.79
32	Nebraska	24.70
33	West Virginia	24.44
34	NEW JERSEY	22.81
35	New Mexico	22.15
36	Alabama	20.41
37	ILLINOIS	19.04
38	Arizona	17.50
39	Mississippi	16.81
40	Louisiana	15.24
41	North Dakota	12.39
42	NEW HAMPSHIRE	1.58
43	Tennessee	1.20
44	Alaska	0.00
45	FLORIDA	0.00
46	Nevada	0.00
47	South Dakota	0.00
48	**TEXAS**	0.00
49	**WASHINGTON**	0.00
50	Wyoming	0.00
	United States	$25.27
	NEW ENGLAND	24.25
	HIGH TECH	24.52
	LARGE INDUSTRIAL	25.56

Source: US Census Bureau

State & Local Taxes and Revenues Per $1000 Personal Income, 2000

Sales & Excise Taxes

1	Hawaii	$62.41
2	**WASHINGTON**	61.44
3	New Mexico	61.19
4	Louisiana	59.97
5	Nevada	59.81
6	Mississippi	53.48
7	Arkansas	49.78
8	*FLORIDA*	49.03
9	Tennessee	48.66
10	West Virginia	46.49
11	Arizona	46.35
12	Utah	46.18
13	**TEXAS**	45.26
14	South Dakota	44.79
15	North Dakota	44.56
16	Alabama	43.35
17	Wyoming	42.53
18	Georgia	40.05
19	Oklahoma	38.95
20	Kansas	38.93
21	Missouri	37.92
22	Kentucky	37.57
23	**MINNESOTA**	37.20
24	MAINE	36.45
25	**CALIFORNIA**	36.11
26	CONNECTICUT	35.81
27	South Carolina	35.63
28	Nebraska	35.55
29	Wisconsin	34.86
30	Iowa	34.68
31	Idaho	34.17
32	**COLORADO**	33.96
33	*NEW YORK*	33.79
34	*MICHIGAN*	33.72
35	*ILLINOIS*	33.35
36	**NORTH CAROLINA**	32.95
37	RHODE ISLAND	32.69
38	*OHIO*	32.31
39	Indiana	30.83
40	*PENNSYLVANIA*	29.69
41	VERMONT	29.04
42	Virginia	26.83
43	*NEW JERSEY*	25.93
44	**MARYLAND**	25.63
45	***MASSACHUSETTS***	21.37
46	Montana	16.72
47	Alaska	15.11
48	NEW HAMPSHIRE	13.34
49	Delaware	12.02
50	Oregon	9.56
	United States	$36.92
	NEW ENGLAND	31.54
	HIGH TECH	38.98
	LARGE INDUSTRIAL	34.59

Property Tax

1	MAINE	$48.74
2	NEW HAMPSHIRE	48.71
3	VERMONT	46.86
4	*NEW JERSEY*	45.53
5	RHODE ISLAND	44.24
6	Montana	43.91
7	Alaska	40.55
8	CONNECTICUT	38.31
9	*NEW YORK*	37.90
10	Wyoming	37.38
11	Wisconsin	37.20
12	*ILLINOIS*	36.18
13	**TEXAS**	33.75
14	Indiana	33.48
15	Iowa	33.41
16	North Dakota	32.89
17	Nebraska	32.59
18	South Dakota	32.41
19	*MICHIGAN*	32.34
20	***MASSACHUSETTS***	31.67
21	*FLORIDA*	31.05
22	Arizona	29.82
23	OHIO	29.79
24	**WASHINGTON**	29.39
25	Kansas	29.32
26	Oregon	29.23
27	**MINNESOTA**	28.74
28	Idaho	27.69
29	*PENNSYLVANIA*	27.58
30	South Carolina	27.44
31	Virginia	26.90
32	**MARYLAND**	26.67
33	**COLORADO**	25.78
34	Georgia	25.55
35	Utah	24.77
36	Mississippi	24.42
37	Nevada	23.98
38	**CALIFORNIA**	23.86
39	Missouri	22.13
40	West Virginia	21.65
41	**NORTH CAROLINA**	21.08
42	Tennessee	19.20
43	Hawaii	17.57
44	Kentucky	17.55
45	Louisiana	16.78
46	Arkansas	16.31
47	Oklahoma	15.69
48	New Mexico	15.60
49	Delaware	15.44
50	Alabama	12.67
	United States	$29.75
	NEW ENGLAND	42.49
	HIGH TECH	26.89
	LARGE INDUSTRIAL	34.57

Source: US Census Bureau

State & Local Taxes and Revenues Per Capita, 2000

Own-Source Revenues

1	Alaska	$12,171
2	*NEW YORK*	6,042
3	CONNECTICUT	5,706
4	Delaware	5,577
5	Wyoming	5,392
6	**MINNESOTA**	5,324
7	*NEW JERSEY*	5,184
8	***MASSACHUSETTS***	5,017
9	**CALIFORNIA**	5,016
10	Hawaii	4,784
11	Wisconsin	4,756
12	**WASHINGTON**	4,682
13	*MICHIGAN*	4,637
14	**MARYLAND**	4,620
15	Oregon	4,600
16	**COLORADO**	4,586
17	MAINE	4,556
18	North Dakota	4,343
19	RHODE ISLAND	4,343
20	*ILLINOIS*	4,318
21	Virginia	4,298
22	Nebraska	4,273
23	VERMONT	4,259
24	*PENNSYLVANIA*	4,244
25	*OHIO*	4,235
26	New Mexico	4,213
27	Iowa	4,186
28	Nevada	4,184
29	Kansas	4,058
30	Utah	4,046
31	Indiana	4,043
32	*FLORIDA*	4,014
33	**NORTH CAROLINA**	3,986
34	Georgia	3,985
35	Montana	3,936
36	Louisiana	3,865
37	South Carolina	3,826
38	Idaho	3,807
39	NEW HAMPSHIRE	3,796
40	**TEXAS**	3,691
41	Kentucky	3,668
42	West Virginia	3,631
43	Oklahoma	3,627
44	Missouri	3,624
45	Arizona	3,584
46	Alabama	3,581
47	Mississippi	3,537
48	South Dakota	3,472
49	Arkansas	3,277
50	Tennessee	3,252
	United States	$4,439.50
	NEW ENGLAND	4,896
	HIGH TECH	4,531
	LARGE INDUSTRIAL	4,726

Total Taxes

1	CONNECTICUT	$4,595
2	*NEW YORK*	4,578
3	*NEW JERSEY*	3,903
4	***MASSACHUSETTS***	3,787
5	**MINNESOTA**	3,694
6	Alaska	3,687
7	**CALIFORNIA**	3,545
8	Wisconsin	3,458
9	**MARYLAND**	3,454
10	Hawaii	3,384
11	MAINE	3,343
12	Delaware	3,340
13	RHODE ISLAND	3,256
14	*ILLINOIS*	3,241
15	**WASHINGTON**	3,178
16	*MICHIGAN*	3,167
17	VERMONT	3,080
18	**COLORADO**	3,073
19	Wyoming	3,046
20	*OHIO*	3,016
21	*PENNSYLVANIA*	2,979
22	Virginia	2,978
23	Nevada	2,915
24	Nebraska	2,906
25	Georgia	2,841
26	Kansas	2,833
27	Iowa	2,765
28	North Dakota	2,754
29	Oregon	2,751
30	Indiana	2,691
31	**NORTH CAROLINA**	2,664
32	NEW HAMPSHIRE	2,652
33	New Mexico	2,639
34	Utah	2,630
35	*FLORIDA*	2,624
36	Arizona	2,599
37	Missouri	2,558
38	Idaho	2,546
39	Kentucky	2,517
40	**TEXAS**	2,505
41	Louisiana	2,436
42	West Virginia	2,413
43	Oklahoma	2,391
44	South Carolina	2,379
45	Montana	2,363
46	South Dakota	2,299
47	Arkansas	2,230
48	Mississippi	2,214
49	Tennessee	2,185
50	Alabama	2,117
	United States	$3,099.80
	NEW ENGLAND	3,760
	HIGH TECH	3,151
	LARGE INDUSTRIAL	3,470

Source: US Census Bureau

State & Local Taxes and Revenues Per Capita, 2000

Corporate Income Tax

1	Alaska	$699
2	*NEW YORK*	319
3	Delaware	307
4	NEW HAMPSHIRE	253
5	*MICHIGAN*	240
6	***MASSACHUSETTS***	206
7	**CALIFORNIA**	196
8	*ILLINOIS*	182
9	**MINNESOTA**	163
10	*NEW JERSEY*	160
11	Indiana	152
12	**NORTH CAROLINA**	149
13	*PENNSYLVANIA*	138
14	CONNECTICUT	125
15	North Dakota	122
16	West Virginia	120
17	Oregon	119
18	MAINE	118
19	Montana	111
20	Tennessee	108
21	Wisconsin	108
22	Arizona	102
23	Kansas	101
24	Idaho	97
25	Arkansas	89
26	New Mexico	88
27	Georgia	87
28	Nebraska	82
29	**MARYLAND**	81
30	Mississippi	80
31	Virginia	80
32	**COLORADO**	78
33	Utah	78
34	Kentucky	76
35	*FLORIDA*	74
36	Iowa	73
37	VERMONT	73
38	RHODE ISLAND	71
39	Hawaii	62
40	South Dakota	60
41	South Carolina	57
42	Oklahoma	56
43	*OHIO*	56
44	Alabama	55
45	Louisiana	50
46	Missouri	47
47	Nevada	0
48	**TEXAS**	0
49	**WASHINGTON**	0
50	Wyoming	0
	United States	$128.13
	NEW ENGLAND	133
	HIGH TECH	113
	LARGE INDUSTRIAL	174

Personal Income Tax

1	*NEW YORK*	$1,509
2	***MASSACHUSETTS***	1,424
3	**MARYLAND**	1,351
4	Oregon	1,198
5	**CALIFORNIA**	1,168
6	CONNECTICUT	1,167
7	**MINNESOTA**	1,128
8	Wisconsin	1,110
9	*OHIO*	1,009
10	Delaware	988
11	Virginia	965
12	**NORTH CAROLINA**	896
13	Hawaii	878
14	*NEW JERSEY*	860
15	Kentucky	853
16	**COLORADO**	846
17	MAINE	845
18	RHODE ISLAND	791
19	*MICHIGAN*	778
20	Georgia	777
21	*PENNSYLVANIA*	756
22	Idaho	746
23	Utah	740
24	VERMONT	709
25	Indiana	702
26	Kansas	693
27	Missouri	688
28	Nebraska	686
29	Iowa	659
30	Oklahoma	619
31	*ILLINOIS*	615
32	South Carolina	610
33	Montana	572
34	Arkansas	550
35	West Virginia	534
36	Alabama	486
37	New Mexico	484
38	Arizona	447
39	Louisiana	354
40	Mississippi	354
41	North Dakota	309
42	NEW HAMPSHIRE	53
43	Tennessee	32
44	Alaska	0
45	*FLORIDA*	0
46	Nevada	0
47	South Dakota	0
48	**TEXAS**	0
49	**WASHINGTON**	0
50	Wyoming	0
	United States	$752.11
	NEW ENGLAND	842
	HIGH TECH	759
	LARGE INDUSTRIAL	805

Source: US Census Bureau

State & Local Taxes and Revenues Per Capita, 2000

Sales & Excise Taxes

1	**WASHINGTON**	$1,947
2	Nevada	1,795
3	Hawaii	1,767
4	CONNECTICUT	1,484
5	Louisiana	1,393
6	*FLORIDA*	1,393
7	New Mexico	1,338
8	Tennessee	1,286
9	**TEXAS**	1,275
10	**MINNESOTA**	1,201
11	*NEW YORK*	1,184
12	Arizona	1,183
13	Wyoming	1,181
14	**CALIFORNIA**	1,172
15	South Dakota	1,157
16	Georgia	1,136
17	**COLORADO**	1,127
18	Mississippi	1,126
19	North Dakota	1,112
20	Arkansas	1,103
21	Utah	1,088
22	*ILLINOIS*	1,077
23	Kansas	1,074
24	Missouri	1,042
25	Alabama	1,031
26	West Virginia	1,016
27	*MICHIGAN*	997
28	Wisconsin	994
29	Nebraska	988
30	*NEW JERSEY*	978
31	RHODE ISLAND	958
32	MAINE	937
33	Oklahoma	937
34	Iowa	922
35	Kentucky	912
36	OHIO	912
37	**NORTH CAROLINA**	895
38	*PENNSYLVANIA*	882
39	**MARYLAND**	873
40	South Carolina	867
41	Virginia	843
42	Indiana	841
43	Idaho	827
44	***MASSACHUSETTS***	812
45	VERMONT	796
46	Alaska	452
47	NEW HAMPSHIRE	449
48	Montana	383
49	Delaware	380
50	Oregon	267
	United States	$1,099.02
	NEW ENGLAND	1,095
	HIGH TECH	1,206
	LARGE INDUSTRIAL	1,090

Property Tax

1	*NEW JERSEY*	$1,717
2	NEW HAMPSHIRE	1,641
3	CONNECTICUT	1,588
4	*NEW YORK*	1,328
5	RHODE ISLAND	1,297
6	VERMONT	1,284
7	MAINE	1,254
8	Alaska	1,214
9	***MASSACHUSETTS***	1,204
10	*ILLINOIS*	1,168
11	Wisconsin	1,061
12	Wyoming	1,038
13	Montana	1,007
14	*MICHIGAN*	956
15	**TEXAS**	950
16	**WASHINGTON**	932
17	**MINNESOTA**	928
18	Indiana	913
19	**MARYLAND**	908
20	Nebraska	905
21	Iowa	888
22	*FLORIDA*	882
23	**COLORADO**	856
24	Virginia	846
25	*OHIO*	841
26	South Dakota	838
27	North Dakota	821
28	*PENNSYLVANIA*	820
29	Oregon	815
30	Kansas	809
31	**CALIFORNIA**	775
32	Arizona	761
33	Georgia	725
34	Nevada	719
35	Idaho	670
36	South Carolina	668
37	Missouri	609
38	Utah	584
39	**NORTH CAROLINA**	572
40	Mississippi	514
41	Tennessee	507
42	Hawaii	497
43	Delaware	488
44	West Virginia	473
45	Kentucky	426
46	Louisiana	390
47	Oklahoma	377
48	Arkansas	361
49	New Mexico	341
50	Alabama	301
	United States	$885.42
	NEW ENGLAND	1,476
	HIGH TECH	832
	LARGE INDUSTRIAL	1,090

Source: US Census Bureau

End Notes

[1] Except where noted otherwise, health premium data used in this report originates from the Medical Expenditure Panel Survey, which the federal Agency for Healthcare Research and Quality conducts annually. MEPS is a comprehensive collection of data about health care use and costs in the United States.The 1993 data in this report comes from the National Employer Health Insurance Survey, the predecessor to the MEPS.

[2] Massachusetts Division of Health Care Finance and Policy, 2001 Employer Health Insurance Survey.

[3] Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits 2002 Annual Survey.

[4] Mercer Human Resource Consulting, US Mercer/Foster Higgins employer-sponsored health plans survey - key findings, January 3, 2002, and Hewitt Associates.

[5] Massachusetts Division of Health Care Finance and Policy, 2001 Employer Health Insurance Survey. These figures are not directly comparable to the MEPS figures.

[6] Kaiser Family Foundation and Health Research and Educational Trust, Employee Health Benefits 2002 Annual Survey.

[7] US Department of Health and Human Services, Center for Medicare & Medicaid Services. http://www.cms.hhs.gov/statistics/nhe/default.asp

[8] Anne Martin, Lekha Whittle, Katharine Levit, Greg Won and Lindy Hinman, Health Care Spending During 1991-1998: A Fifty-State Review, *Health Affairs*, Vol. 21, No. 4, July/August 2002. In addition to attracting residents of other states, the Commonwealth's world-class providers also boost spending totals by drawing patients from around the globe; the analysis of spending by state of residency did not correct for this factor.

[9] The Massachusetts Health Care Task Force, "Final Report to the Task Force from the Co-Chairs and Working Groups," January 25, 2001, 14.

[10] The Lewin Group, Inc. *Analysis of the Reimbursement Rates for Acute Hospitals, Non-Acute Hospitals, and Community Health Centers*, June 25, 2001.

[11] An analysis of hospital spending on patient care per capita in 1997 found that 50 percent of the difference between Massachusetts hospitals and the US average was explained by research and teaching. When adjusted for these factors, as well as patients traveling to Massachusetts from outside the state, differences in the severity of cases, and local wage rates, Massachusetts hospital costs were comparable to the US. Mechanic & Associates, Benchmarking Healthcare Market Conditions in Massachusetts, November 5, 2002. Based on a Lewin Group analysis of AHA survey and HCFA Impact File.

[12] Federal research grants are excluded from the personal health care spending data.

[13] Mechanic & Associates, Benchmarking Healthcare Market Conditions in Massachusetts, November 5, 2002.

[14] This study uses the U.S. Department of Energy's *Electric Sales and Revenue* report, which is prepared annually by the Electric Power Division of the Energy Information Administration based on the *Annual Electric Utility Report*, a census of electric utilities in the United States. The data, which is currently available through 2000, reflects only the initial impacts of Massachusetts restructuring. The impact of the competitive market that has emerged since the fall of 2001 will appear in 2002 and 2003 data when it becomes available. It should be noted that electricity costs in 1999 – 2000 were severely affected by a rapid and unprecedented increase in natural gas pricing.

[15] With natural gas coming from offshore eastern Canada, Massachusetts now has a nearby source of energy.

[16] The most stable employers in Colorado, Florida, Michigan, New Hampshire, North Carolina and Ohio pay a minimum UI tax of $10 or less.

[17] Massachusetts Workers' Compensation Rating and Inspection Bureau.

[18] Nevada switched from a state fund to a commercial insurance system in 1999.

[19] Every state except Texas mandates workers' compensation coverage for most private employees.

[20] Workers Compensation State Rankings Manufacturing Industry Costs and Statutory Benefit Provisions, 2002 Edition. Actuarial & Technical Solutions, Inc., Ronkonkoma, New York.

End Notes

[21] ATS determines each state's comparative cost by applying the state's average manual rate – the starting point in determining what an individual employer pays for workers' compensation coverage – for more than 60 manufacturing codes, which represent about 70 percent of all manufacturing employment. The 60 manual rates are then weighted using a nationwide distribution of payroll to derive the comparative cost for each state. Adjustments are made for a number of factors, including payroll rules, state taxes and assessments, experience rating, and premium discounts. An average rate is computed for each state and then indexed rather than reported in absolute terms since they reflect relative costs rather than absolute figures.

[22] Unlimited medical benefits refer to the fact that no state imposes an aggregate cap on the amount of medical benefits an injured worker may receive.

[23] Cost-of-living adjustments do not apply to temporary total and partial injuries in Massachusetts, the two most common types.

[24] The source for all of the data in this section is the US Census Bureau except where noted.

[25] For an analysis of the wide differences in dependence on various revenue sources, see State Policy Reports, Volume 20, Issue 21, November 2002.

[26] Own source revenues exclude federal funds provided to the states.

[27] Fees and charges constitute only nine percent of state and local revenues in Massachusetts, the 4th lowest share in the nation. The average state relies on fees or charges for 14.5 percent of its revenues.

[28] Corporate income taxes, as reported by the U.S. Census Bureau, include the Massachusetts taxes on banks, public utilities and insurance companies in addition to the corporate income tax since not all states have separate taxes on these types of businesses.

[29] Among the states used as benchmarks in this report, Texas and Washington do not have a corporate income tax. However, Texas imposes a significant corporate licensing fee based on a percentage of annual sales receipts, which generated $3.90 per $1,000 of personal income and $101 per capita in 2000. By comparison, Massachusetts' corporate licensing fees were $0.10 per $1,000 of personal income and $3.61 per capita.

[30] Source: Robert Tannenwald, Federal Reserve Bank, *New England Economic Review* 2002:Q3, forthcoming, based on data from the 1997 Economic Census and the Bureau of Economic Analysis.