

# Emerging Issues **2024** **FORUM**

## **02. State of the State Economy**

Thoughts on the Massachusetts Economy

**Evan Horowitz** | Director  
Center for State Policy Analysis, Tufts University

**DoubleTree by Hilton**  
Westborough, MA

**September 18, 2024**



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Five Middlesex Avenue  
Suite 304  
Somerville, MA 02145

Phone 617 666 4446  
Fax 617 628 4002  
TTY 617 591 8917  
Web [www.mass.gov/perac](http://www.mass.gov/perac)

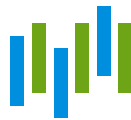


# THOUGHTS ON THE MASSACHUSETTS ECONOMY

September 2024



Jonathan M. Tisch  
College of Civic Life



THE CENTER FOR  
**STATE POLICY  
ANALYSIS**

## ABOUT CSPA

Founded in 2020, the Center for State Policy Analysis does detailed analysis of live legislative issues to:

- Give lawmakers the information they need to improve their legislation
- Help citizens understand — and productively debate — the stakes of new laws and ballot initiatives
- Allow advocates to identify the most effective interventions

## TOPICS FOR TODAY

- Higher Ed.
- AI
- Housing
- State Budget
- Commercial Real Estate

## NOTES:

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# HIGHER EDUCATION

## MA IS SMAHT

“Having no other mines to work, Massachusetts has mined into the human intellect; and, from its limitless resources, she has won more sustaining and enduring prosperity and happiness than if she had been founded on a stratification of silver and gold, reaching deeper down than geology has yet penetrated.”

-- Horace Mann, 1846

## NOTES:

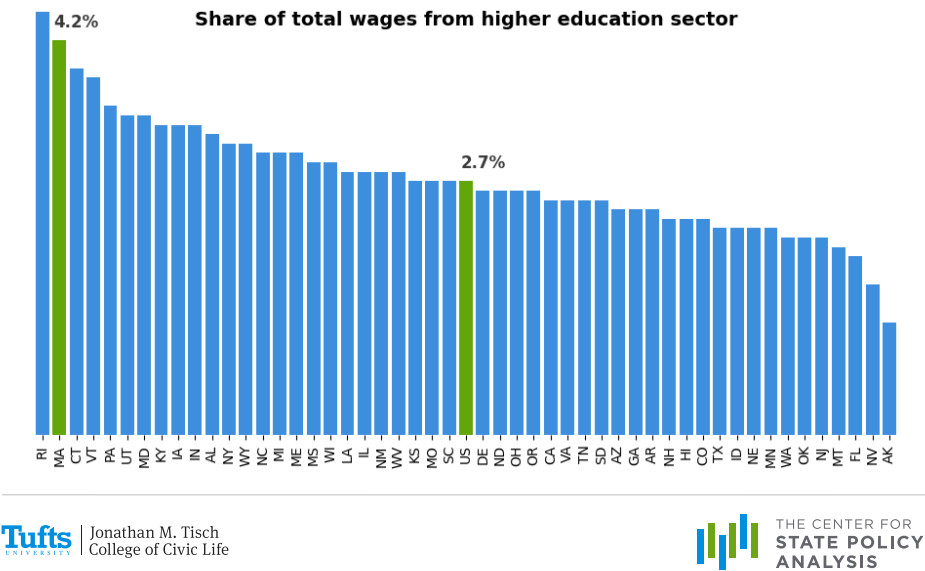
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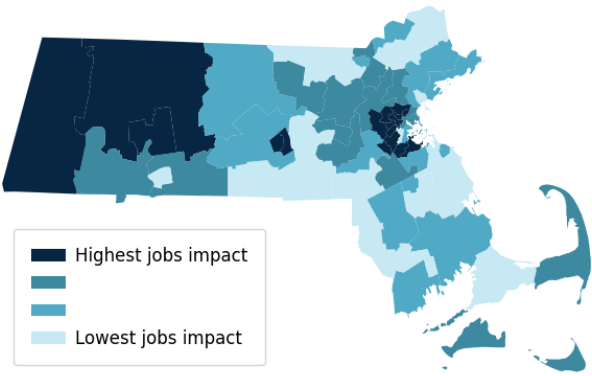
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# HIGHER ED. CENTRAL TO ECONOMY



# BROAD REGIONAL BENEFITS

The grounding  
benefits of higher  
ed. are spread  
around the state



## NOTES:

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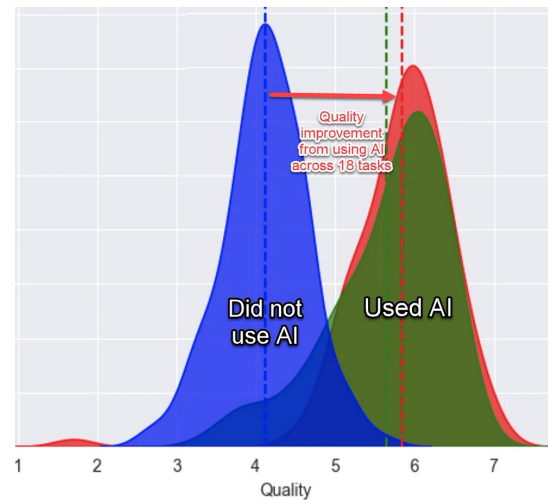
## ↓ TRUST IN HIGHER EDUCATION

Shrinking number of Americans say they have confidence in higher ed.

% of U.S. adults with "a great deal" or "quite a lot" of confidence in higher education				
GALLUP	2015	2018	2023	2015-2023 change
	%	%	%	pct. pts.
<b>Party identification</b>				
Republicans	56	39	19	-37
Independents	48	44	32	-16
Democrats	68	62	59	-9
<b>Education</b>				
No college degree	54	45	29	-25
College degree only	57	50	47	-10
Postgraduate degree	67	60	50	-17
<b>Gender</b>				
Men	52	45	33	-19
Women	61	51	39	-22
<b>Age</b>				
18 to 34	60	51	42	-18
35 to 54	55	49	39	-16
55 and older	55	46	31	-24

## RISKS OF AI

The ability of modern AI to write well and think creatively calls into question some core principles of higher ed.



## NOTES:

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# AI

## AI AT CSPA

Before I talk about AI trends in general, let me say that we use it extensively:

- To create many of the charts in this presentation
- To model the impact of new laws and shifting circumstances
- For brainstorming and idea generation
- Not to mention: lit. review, grant writing, copy-editing, and a great deal besides

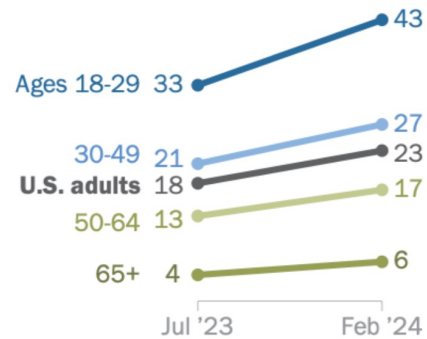
## NOTES:



## UBIQUITY OF AI

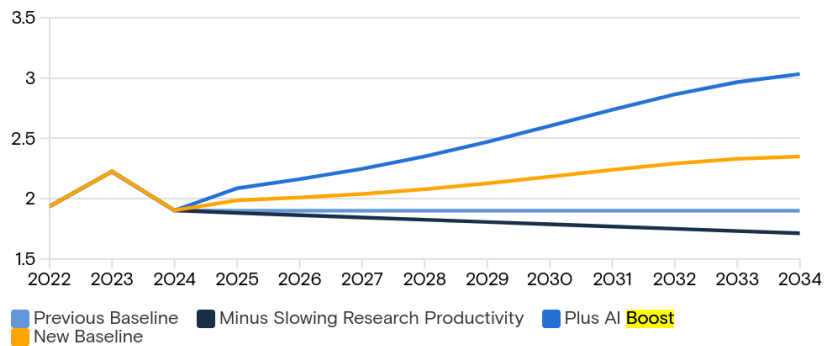
We're hardly alone.  
People are increasingly  
using AI for work,  
pleasure, and edification.

% of U.S. adults who say they have  
ever used ChatGPT



## AI AND GROWTH

GS GDP growth scenarios: US



Source: Goldman Sachs Research  
New baseline shows AI **boost** minus slowing research productivity, net of  
prior technology trend. All aggregates computed using FX country weights.

Goldman  
Sachs

## NOTES:

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# HOUSING

## HOUSING MARKET CHALLENGES

Number of factors plaguing the housing market--and affected our ability to attract and keep talent:

- High interest rates
- Rate lock
- Limited supply, limited construction
- Elevated prices



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## NOTES:

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**RATE LOCK**



## HOUSING POLICY

## HOUSING POLICY

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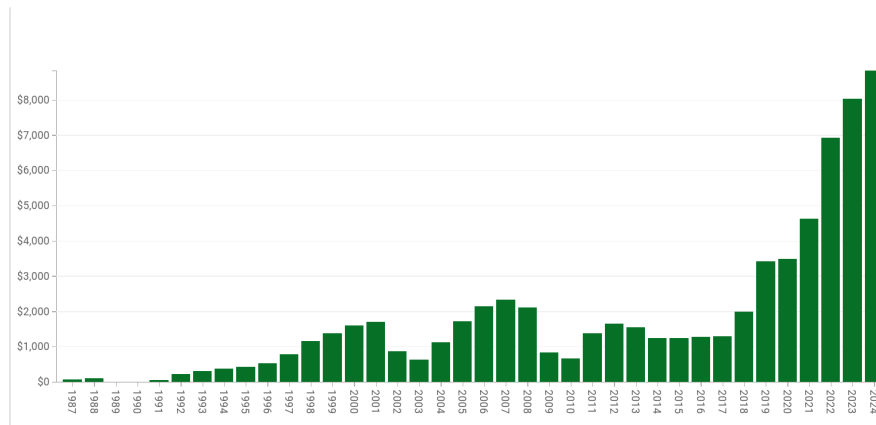
# STATE BUDGET

## PUZZLING FY24 REVENUE

		<b>FY24 Actual Collections</b>	<b>FY24 vs FY23 \$ Fav/(Unfav)</b>	<b>FY24 vs FY23 % Fav/(Unfav)</b>
<b>Millionaires Tax \$2.2b</b>	<b>Income</b>			
	Income Withholding	17,967	1,320	+7.9%
<b>State GDP Growth ~6%</b>	Income Est. Payments	3,919	160	+4.3%
	Income Returns/Bills	5,005	1,074	+27.3%
	Income Refunds Net (outflow)	(2,775)	(218)	-8.5%
	Subtotal Non-withheld Income	6,150	1,016	+19.8%
	<b>Subtotal Income</b>	<b>24,117</b>	<b>2,336</b>	<b>+10.7%</b>
	<b>Subtotal Sales &amp; Use</b>	<b>9,323</b>	<b>(73)</b>	<b>-0.8%</b>
	<b>Corporate &amp; Business - Total</b>	<b>4,833</b>	<b>(232)</b>	<b>-4.6%</b>
	<b>All Other</b>	<b>2,528</b>	<b>(395)</b>	<b>-13.5%</b>
	<b>Total Tax Collections</b>	<b>40,800</b>	<b>1,636</b>	<b>+4.2%</b>

## NOTES:

## AMPLE RESERVES



## DUBIOUS PRACTICES

Behind the general stability are some concerning practices:

- Profound lack of understanding about how risks of millionaires tax would materialize
- Substantial use of one-time funds in the FY25 budget
- Unrealistic accounting assumptions, like this in the latest UI report: "The unemployment rate is now expected to stabilize at a rate higher than the previous projection from 2025 onward: up to 3.75% from 3.4%."

## NOTES:

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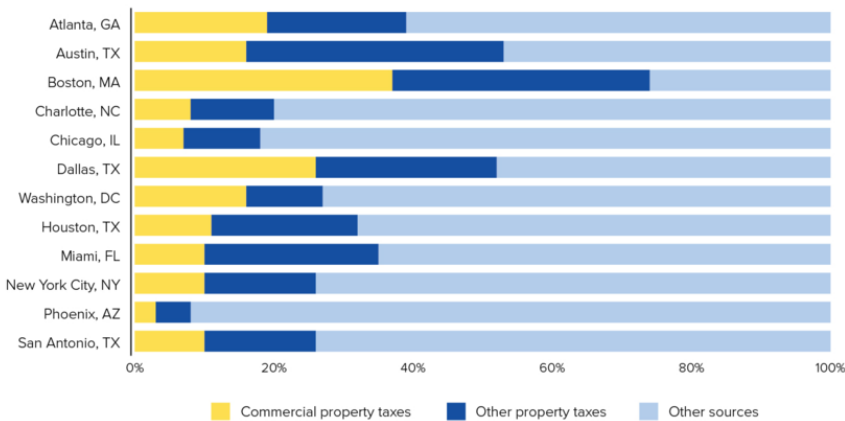
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# COMMERCIAL REAL ESTATE

## COMMERCIAL PROPERTY TAXES

Reliance on Commercial Property Taxes, 2022



### NOTES:

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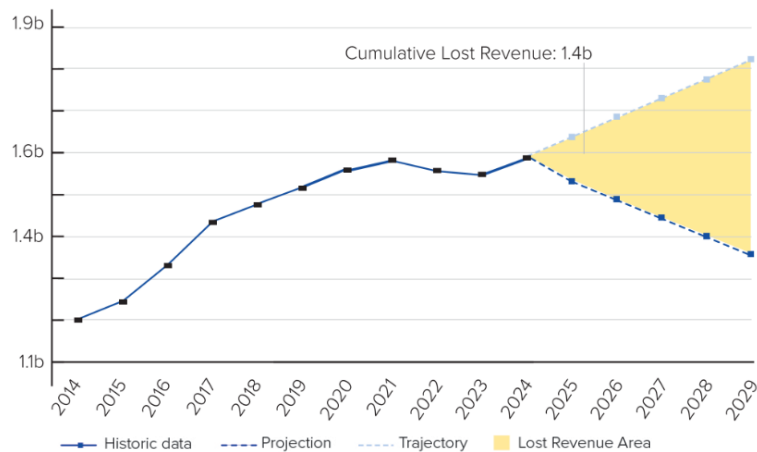
## DOMINOES

- Remote work + higher interest rates
- Falling office values (25%+)
- Updated tax assessments
- Declining tax revenues

## FUTURE SHORTFALL

### Boston Faces a Five-Year Tax Shortfall of 1.4 Billion

Gap between long-term trend and expected commercial property tax collections, FY2025-29



## NOTES:

## CRE TAKEAWAYS

- Taxes work best when they target healthy industries
- Commercial is not healthy, and can't absorb new tax obligations w/o significant effects on prices, defaults
- Even if the commercial sector were performing better, transfer tax would remain an inefficient approach to raising revenue

## Comments and Questions Welcome

Evan Horowitz, [evan.horowitz@tufts.edu](mailto:evan.horowitz@tufts.edu)

September 2024

### NOTES:

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Emerging Issues

2024

# FORUM

**COMMONWEALTH OF MASSACHUSETTS**  
**Public Employee Retirement Administration Commission**

Five Middlesex Avenue, Suite 304 | Somerville, MA 02145

Phone: 617-666-4446 | Fax: 617-628-4002

TTY: 617-591-8917 | Web: [www.mass.gov/perac](http://www.mass.gov/perac)

