
The Rosenberg Report

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Hello!

If April is the cruelest month, then May is one of the busiest.

Last week, the House of Representatives finished its version of the fiscal '04 budget, having gone through more than 1,000 amendments. The Senate will take its turn later this month, with the Senate Ways and Means budget due to be released sometime before Memorial Day and budget debate scheduled for the first day after the holiday. When the Senate Ways and Means budget is available, I will send out some more information, so I'll be clogging your e-mail twice this month.

In the meantime, here's my analysis of our situation that was published yesterday in the *Emphasis* section of the *Springfield Republican*. Take a look, and, as always, feel free to let me know what you think.

See you later this month.

Yours,



May Focus

Statement on the state's fiscal '04 budget crisis

Here's some straight talk about the state's budget situation. Or, as Joe Friday on the old *Dragnet* show would say, "the facts, ma'am, just the facts."

We are being stalked by a \$3 billion deficit for fiscal 2004, which begins July 1st. Because our rainy day fund is practically gone – only about \$300 million remains – and because new broad-based taxes like sales and income taxes are being mightily resisted across the state, state government is poised to make up the entire deficit through cuts, cuts, and more cuts, and some fee increases. This would be on top of the \$2.5 billion in cuts that occurred from fiscal year 2001-2003.

And here's another fact: If we go through with that level of cutting, we stand to become the first generation in our nation's history to break the social contract, the idea that we help those in need, and that we make the sacrifices necessary to afford our children the same, or better, opportunities than we had.

Ten years ago, as we were emerging from our last fiscal crisis, we – our state government and our citizens – made commitments to education, health care, public safety, and to building reserves against future recessions. We also made a commitment to reducing the state tax burden on citizens and businesses. Here's what we've accomplished in the last decade:

Overall state spending, reserves and tax cuts

From 1993, overall state spending grew by approximately \$10 billion with 99 percent of that new revenue going to K-12 education, health care and public safety, especially corrections. Although \$10 billion seems like a lot, Massachusetts ranks 45th in the nation in the share of personal income directed to state and local spending. State spending did grow by 2.3 percent a year, when adjusted for inflation, between 1991 and 2002, but during that same time, personal income grew 2.6 percent a year. State government did not overspend. What state government did was create one of the largest reserve funds in the nation as a percentage of state spending – more than \$2 billion – and cut taxes more than 40 times totaling \$3.5-\$4 billion a year. That's not including the \$1.4 billion tax cut voters gave themselves in 2000.

Health care

We have cut the number of uninsured residents – mostly children and low-income working people – by half, so that now the percentage of the uninsured in our state is well below the national average. We also implemented a pharmacy program for seniors and disabled citizens that is the model for the nation. That program has been targeted for elimination in the governor's and House of Representatives' fiscal 2004 budget proposals.

Education

In 1993, our state government approved the Education Reform Act, which has doubled the state's investment in K-12 education. In addition to helping improve the education of our youngest children, this infusion of state support helped communities reduce the growth in property taxes. This is helpful to many because it's the most regressive tax ever invented. If the state goes through with massive cuts to K-12 education aid, teachers will be laid off, class sizes will increase and property taxes will go up. There's no question about it.

We also continued to build a world-class public higher education system over the last 10 years. Massachusetts is known around the world for its private colleges and universities, but for the most part, the students who attend those institutions are not Massachusetts residents and don't live, work and pay taxes here after they graduate. But the typical public college/university student is a Massachusetts resident and will stay here to live, work, raise a

family and pay taxes. Our public colleges and universities didn't cause this fiscal crisis, but they will definitely help lead us out of it. Unless, of course, they are decimated and are forced to raise tuitions beyond the reach of most working families in our state.

Public safety

During the 1990s, citizens wanted to get tough on crime, and state government responded with mandatory sentencing laws and new jail space. Now, Massachusetts has more people incarcerated per capita than any other state in the nation. Although the amount of money the state spends on public safety and law enforcement is relatively small compared with the amounts spent on education and health care, the state's investment in this area means police officers on the streets, firefighters and EMTs – many of whom will lose their jobs in the fiscal 2004 budget.

The public safety situation is further compounded by 9/11. No one ever anticipated the 9/11 attacks, and certainly no one anticipated the high cost – psychological, emotional and financial – those attacks would exact. Public safety is expensive and the federal government, so far anyway, has turned its back on the states. We not only have to guard against crime on our streets, we have to guard against the threat of international terrorism. All with a shrinking state budget and no help from the federal government.

And Massachusetts is far from being alone in this mess. Right now, 46 states, with a combined projected deficit approaching \$100 billion, are contemplating the same kind of devastating budget cuts that we are. But the federal government has so far been silent. Instead of addressing the irreversible impact these cuts will have on our nation, Washington is trying to decide whether to cut an additional \$350 billion or more than \$500 billion in taxes.

This is the height of irresponsibility. But it reflects the kind of thinking that has been pervasive in America in recent years. Americans have been told, and apparently have believed, that taxes can be cut at the state and federal levels by billions of dollars without affecting the services people demand of their government. It's one thing to cut taxes when times are good. It's quite another when there's red ink as far as the eye can see.

So what do we do?

Everything we've reasonably and responsibly built in Massachusetts during the last decade is at risk of being eliminated or crippled if we attack the deficit with cuts and fees alone. Governor Romney has claimed, with great fanfare, that his government reorganization plan saves the state \$2 billion in waste. Yet independent analyses of the governor's plan indicate that the state would only save between \$100 and \$200 million if it were adopted, plus it eliminates the senior pharmacy program, demolishes higher education, relies on a variety of one-time revenues, some of which might never materialize, and dramatically increases a host of fees that will raise several hundred million dollars from a relatively small number of citizens. The House of Representatives budget, because it shuns broad-based taxes and rejects the notion that \$2 billion can be painlessly reorganized out of state government, also raises fees, but cuts even deeper into education, local aid, health care,

public safety, and other essential state services. I wish I could say that the Senate's budget will be a lot better, but at this point I can't.

So what do we do?

I think we have to find a balanced approach to erasing the deficit. Cutting another \$3 billion on top of the \$2.5 billion cut in the last two years is far too drastic. Increasing taxes alone is also far too drastic. We must cut, but we cannot amputate. Enough muscle and bone must remain so that we can continue to hobble until we are able to walk. The necessary cuts must be cushioned by real reforms that produce real savings, and by new revenues. We must, at the very least, close tax loopholes and enforce existing tax laws so that businesses and private citizens pay what they legitimately owe. We must consider borrowing, never a desirable option, but one that is mitigated to some extent by relatively low interest rates. And, as a last resort, we must consider income and sales tax increases.

Raising taxes, even by mere pennies, is never popular. But this year it may be necessary because, above all else, we must fulfill the social contract. It's our duty. To fail in this is tantamount to declaring moral bankruptcy.

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Noteworthy

Senate Resolution

On May 1st, the House and Senate adopted a joint resolution calling on the federal government to provide financial assistance to Massachusetts and the other states. The resolution made many of the points that I did above. The majority of House and Senate members are united in our belief that federal government should not stand idly by while most of the states struggle with crippling deficits. Our resolution was sent to the governor, the state's Congressional delegation and the president.

April revenues

Unfortunately, April tax collections were not as good as we had hoped. The state collected \$1.4 billion in April, which is \$22 million below what was projected. May is considered another critical month because of capital gains tax collections. Let's hope for a better result in May.

UMass bonds

On Tuesday, May 6th, I met with Eric Kriss, Secretary of Administration and Finance, and other Romney administration officials, to talk about higher education issues, especially the administration's decision to revoke bonding for the University of Massachusetts' capital plan.

I made the case that the decision to stop bonding for all the projects in the capital plan is unwise. Instead, I encouraged the administration to move forward without delay on all non-controversial projects, including the life sciences center at the UMass-Amherst campus. I argued that this is one instance where we should adopt the governor's corporate model and move quickly. The entire state will fall further and further behind if we can't sensibly address public higher education policy and funding issues, and western Mass. will continue falling behind Boston if we can't get off the dime and move forward with these critical strategic projects. I simply said that the sooner we get started, the sooner we'll see the benefits.

Secretary Kriss and I both raised questions about the proposal to build new dormitories on the UMass-Boston campus, which has historically been a commuter campus. But I stressed the point that such projects should not contribute to scuttling those that are essential to the university's mission and those that hold the promise of real long-term economic development opportunities, like the life sciences center. Later that same day, the university signaled it would drop the dormitory proposal as part of its \$371 million bond-financed, five-year building plan.

2003 Municipal Conference

Thanks to everybody who participated in my Municipal Conference on April 12th. About 200 local officials from western Mass. attended and spoke with almost 40 of the state's top legislators and administration officials, including the Lt. Governor. Of the five conferences I've held in recent years, this one was the best because of the seriousness of our financial situation and the spirited debate among those in attendance.

Roundup

New appointment

I have been appointed by Senate President Travaglini to serve on the State Steering Committee of the Help America Vote Act (HAVA). The HAVA was signed by President Bush in October '02 in an effort to improve voting across the country, and in response to the problems that arose in '00 presidential election. The HAVA makes available up to \$3.9 billion in federal funding to improve voting equipment, voter registration and voter turnout. The State Steering Committee will be responsible for developing the state's application for some of that funding. Most of the new standards called for in the HAVA must be in place for the 2004 presidential election.

State Grants

Earlier this month, the Massachusetts Technology Collaborative (MTC) awarded \$3.7 million in grants from the state's Renewable Energy Trust Fund, which helps organizations promote the use of renewable energy technologies and which I helped create while I was chairman of the Senate Committee on Ways and Means. River Valley Market of Northampton received a \$406,522 grant -- the third largest of the 26 grants awarded -- and Rural Development Inc. in Franklin County received a grant totaling \$67,000.

The MTC also awarded five grants from the newly created Education & Public Awareness Program to finance Renewable Energy Content Institutes for grade 3-12 teachers. The Hampshire Education Collaborative received one of those grants, totaling \$33,608.

Housing Discrimination Project

Recently I attended an event in Amherst for the Housing Discrimination Project, a private, non-profit organization serving central and western Massachusetts. The HDP has lost its federal Housing and Urban Development funding, which represents two-thirds of its budget. The folks at the HDP are optimistic that the funding will be restored in the next year or so, but in the meantime, they are working to increase awareness of their programs throughout the local community, recruit volunteers and solicit support to help bridge this gap.

If you are interested in learning more about the Housing Discrimination Project, or if you want to help out, contact the Holyoke office at 57 Suffolk Street, 413-539-9796 or 800-675-7309. Or send them an e-mail at hdp@the-spa.com

Local artists

It is my pleasure to host the works of Katherine MacColl, Catherine Cole, Maryellen Bradley-Gilbert and Nancy Board -- a group of quilters from western Massachusetts. Several of their quilts will be on display in my Boston office until June 1st. Next time you're in Boston, please stop by my office and enjoy the exhibit.

Trivia

The answer to last month's question -- Name the state insect -- is: the Ladybug.

Thanks to everybody who played along. And now the winner of the lunch and State House tour, chosen at random from the thousands (just kidding!) of correct answers is Gerard L. from somewhere in cyberspace. We'll send Gerard information on who to contact in my Boston office and we'll look forward to seeing him at the State House. Congratulations Gerard!

Now to this month's question and another chance to win lunch and a State House tour. Name the state flower.

Submit your answer to tumitch@sprynet.com and watch this space for the correct answer and the prize winner.

Links

Here are a few links. Until next time, happy surfing!

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Legislative Tracking System – <http://www.state.ma.us/legis/ltsform.htm>

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