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# *The Rosenberg Report*

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Hello!

I've got good news and bad news. First the good news.

The state collected more tax revenue last month than in any single month in the state's history -- \$2 billion. That's right, billion, with a "B," in April alone. That amount is \$318 million above a benchmark that was revised upward just a couple of weeks ago. So far, tax collections are running about \$950 million ahead of the projections used to get the fiscal '06 budget debates started back in January. After foundering in red ink for the last three years, any amount of black ink looks like a lifeline to me.

Now the bad news.

Governor Romney wants to spend it on a tax cut. Last year, when April revenues came in better than expected, the governor called for a tax cut. As a gubernatorial candidate, he promised to erase a \$3 billion debt and protect "core services" without raising taxes. He raised fees, a lot of them, but for the "taxes-is-a-dirty-word" crowd, fees are OK, because, as Romney's Secretary of Finance Eric Kriss, once said, you get something in return for fees. The implication, of course, is that tax dollars provide services that are of little value to taxpayers.

Does any body really believe that? Does anybody really believe that "core services" have been protected? Is anybody proud of the fact that higher education has been slashed by more than a third, that employee contracts have not been honored, that cities and towns are suffering, that schools are struggling, that health care is rapidly becoming a luxury item?

Apparently, Governor Romney. His insistence on repeatedly sounding this one tiresome note indicates that he is willfully blind to certain fiscal realities. Our structural deficit, estimated at \$735 million, and the potential loss of millions more if the federal government eliminates Medicaid reimbursements, just to name a couple, go unmentioned.

Also absent from the governor's rhetoric is a reminder that the \$1.2 billion tax package the Legislature approved in 2002 included a provision to begin gradually rolling back the income tax from 5.3 percent to 5 percent if and when inflation-adjusted tax collections grow by more than 2.5 percent in one year. So, when economic conditions warrant, there's a tax cut already on the books.

The governor's agenda seems clear -- play to a base of support that he hopes might catapult him to higher office.

I am going to continue to push for a rational debate on taxes and services and what's best for the future of our state, because I believe that's my job.

In the meantime, I'm turning off the broken record.

Yours,



## May Focus

### *Fiscal '06 Senate budget*

In recent years, the governor, House and Senate have all agreed on a final amount before preparing their individual budgets. But not this year. This year we all worked with different numbers. In the next few days, the Senate will begin its budget deliberations with full knowledge of April's revenue figures. I guess that's an advantage of going last.

Here are just a few of my initiatives:

**Higher Education:** Last month, the Senate's Higher Education Task Force, which I co-chaired with Sen. Steven Panagiotakos (D-Lowell), released its report (<http://www.stanrosenberg.com/issues/april2005.html>) calling for increasing the state's investment in higher education. The report has not yet passed through the various committees, but I am still going to push for an initial installment to begin bringing higher education financing in line with our goal -- world class public institutions. The House raised higher education investment by \$20 million. I'm pushing for the Senate to at least double that. That would be a downpayment on our proposed 5-7 year plan, and it would signal that we're serious about making our higher education system among the best in the world.

Other items on my higher education agenda include: increasing financial aid for full- and part-time students; coordinating workforce development and training programs between the campuses and the private sector; and establishing tuition retention for the campuses.

**Regional Transportation:** I will push for a \$3.5 million increase in this year's operating budgets for regional transportation authorities (RTAs). I will also continue promoting a reform package I included in last year's Transportation Bond that would save the state millions in interest payments while improving and expanding regional transportation services in western Massachusetts.

That proposal calls for placing RTAs on a "current funding" system similar to what was done with the Massachusetts Bay Transit Authority (MBTA) in the 1990s. Current funding would eliminate the borrowing that the present "lag funding" system requires and save the state an estimated \$2-\$3 million in interest payments.

Over the longer term, say 5-7 years, I want to increase funding for RTAs by \$40 million. Right now, we're spending about \$50 million from general revenue. My goal is \$90 million for RTAs, all of it coming from registry fees that are currently paying off MassPike bonds. As the bonds are paid off, the fees would be reallocated to the RTAs. This would take RTA funding off budget, so it won't be as susceptible to cuts.

I understand that public transportation is very important to people in western Massachusetts, whether it's getting to work every day or for seniors getting to the doctor. These reforms will help improve services while placing the state on a more secure financial footing.

**Combined Reporting:** This is a bill I originally filed with former Rep. Paul Demakis (D-Back Bay) that would close a corporate tax loophole and generate tens of millions of dollars in tax revenue for the Commonwealth.

The bill is co-sponsored by 53 other legislators and would require corporations subject to the corporate excise tax in Massachusetts to engage in combined reporting. Under combined reporting, all entities subject to the corporate excise tax in the Commonwealth would be required to report on their tax returns all of the profits realized by all of their related subsidiaries in the United States, regardless of where those subsidiaries are located and regardless of where their accountants deem those profits to be earned. The Massachusetts apportionment formula would then be applied to the full amount of profits listed in the combined report in order to determine how much of those profits were generated, and are therefore taxable in Massachusetts. Sixteen states currently require combined reporting: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Illinois, Kansas, Maine, Minnesota, Montana, Nebraska, New Hampshire, North Dakota, Oregon, and Utah.

This is money that is fairly owed to the Commonwealth. Citizens are required to pay their fair share of taxes and corporations should be held to the same standard because many of the same services that benefit individual citizens also benefit corporations, especially good schools for an educated workforce, a strong public safety system and a clean environment.

I think it's interesting to note that the governor agreed with this bill when he filed his own \$170 million tax loophole closing bill. But then he changed his mind, and, apparently based on the outcry from national anti-tax groups, removed combined reporting when he filed a scaled back version -- \$85 million -- of his bill.

*More on fiscal '06 Senate budget*

I can't list all the budget items I'm working on, so if your favorite cause is not mentioned, please know that it doesn't mean it's not on my list! Here are a few more of my priorities for the '06 Senate budget.

**Local Aid:** I will be pushing for increases in every category of local aid to help cities and towns meet their needs and control the growth of property taxes. In particular, I will support: uncapping the lottery on a faster timetable than was proposed last year; fully funding the payment in lieu of taxes (PILOT) program; including the Senate's revised Chapter 70 formula that was approved last year; fully funding regional school transportation; and increasing special education funding through the circuit breaker.

Although the economy is improving, and tax revenues are increasing, this will still be a challenging budget, largely because of the structural deficit. Because of that, dramatic progress in these, and other, areas won't be possible this year. My goal is to make steady progress in each area.

**Human Services Salary Reserve:** As chairman of the Senate Ways and Means Committee, I created the and funded the salary reserve as way to provide modest cost of living adjustments for human service employees. That continued during my three years on the committee, and for a couple of years after that, but then the recession hit and the program stalled. Happily last year we renewed the program and the House has proposed a modest increase for '06 and I'll be pushing for an even higher number in the Senate.

**Environment:** I realize that for the past several years environmental issues have received minimal attention. I'm working to correct that by advancing the priorities of Mass Audubon and Clean Water Action, including increases for our state parks, Natural Heritage and Endangered Species acts, and our Riverways Program, among others.

### Noteworthy

#### *Legislation update*

The budget isn't the only thing happening on Beacon Hill. Here are a few items moving through the process.

**Stem Cell Research:** As expected, the governor has sent this bill back to the Legislature with amendments. This happened on May 12th, so, as of this writing, I haven't had a chance to review the new proposals. However, I think it's important to note that the original bill (click here for summary <http://www.stanrosenberg.com/issues/april2005.html>) received overwhelming support in the House and Senate, so there are sufficient votes to override a veto, should that become necessary.

**Nurses Bill:** The debate over solving the state's nursing crisis has been stalemated for years, a situation that is clearly unacceptable. The complexity of the issues -- i.e., what are appropriate staffing levels, how to address waiting lists for nursing schools, how to retain experienced nurses, etc. -- has resulted in a number of competing proposals being placed on the table, where they have for the most part stayed. Finally, a commission of 25 legislators, health care industry officials and nursing professionals has been created to bring this debate toward resolution.

**Economic Incentives Bill:** The governor has filed a \$600 million proposal to expand our state's economy, and various legislative committees are working on their versions of such a bill. I'm working on several initiatives to help the western Mass. economy and I'm using this debate to remind my colleagues of the critical role higher education will play in the rebuilding of our economy, as outlined in the Senate's Higher Education Task Force report.

**Auto Insurance:** There are many proposals circulating and a commission is working to bring down costs. One of the key issues for me is the higher rates rural drivers pay to help keep costs lower for urban drivers. More on this later.

## Roundup

### *2005 Municipal Conference*

Thank you, thank you, thank you! Thanks to the Franklin and Hampshire CoGs for co-sponsoring the event. Thanks to all the senators, representatives and other state officials who participated. Thanks to Congressman Richard Neal for his great keynote speech. Thanks to the local officials who were conscripted into moderating panels. Thanks to The Clarion Hotel. And special thanks to the 200 western Mass. municipal officials who made it a day of spirited debate!

### *Local artist*

From now until the end of June, Shelburne Falls painter Cosima Hewes will be exhibiting in my Boston office works from her *Life Obsession* series. More information about Cosima and her work is available at [www.cosimasart.com](http://www.cosimasart.com).

## Trivia

Now for the answer to our previous question:

John Kerry received his party's nomination for president in his home state, but did not win the election. Which one of the following presidential candidates met the same fate -- losing the election after accepting the party nomination in his home state?

- 1) George H. W. Bush
- 2) Adlai Stevenson
- 3) Horatio Seymour
- 4) Thomas Dewey

The answer is: Bush, Stevenson and Seymour.

We had several partially correct answers, but only one completely correct answer, and that was Lawrence T. from somewhere in cyberspace. We'll send Lawrence information on who to contact in my Boston office and we'll look forward to seeing him at the State House. Congratulations! And thanks to everybody who played along!

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

Which failed Democratic presidential candidate sought to prove his candor during his convention address by saying: "Let's tell the truth. It must be done,

it must be done. (My opponent) will raise taxes, and so will I. He won't tell you.

I just did."

- 1) George McGovern, 1972, speaking of Richard Nixon
- 2) Adlai Stevenson, 1956, speaking of Dwight Eisenhower
- 3) Walter Mondale, 1984, speaking of Ronald Reagan
- 4) Michael Dukakis, 1988, speaking of George H. W. Bush

Submit your answer to [tumitch@sprynet.com](mailto: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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Guide to Lawmaking -- <http://www.state.ma.us/legis/lawmkng.htm>

Massachusetts State Government Home Page – <http://mass.gov/>

The Legislature's web page – <http://www.state.ma.us/legis/>

Senate's Bill Text System – <http://www.state.ma.us/legis/billsrch.htm>

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

My personal website – <http://www.stanrosenberg.com/>

The Rosenberg Report (April, 2005, edition) --  
<http://www.stanrosenberg.com/issues/april2005.html>