

Tough Budget Choices Ahead

The economic recession is causing hardship for many people in our communities and across our nation. The unemployment rate has been rising fast, and many people who are still employed are being forced to work fewer hours and accept a pay cut. Pension, retirement and college savings accounts have been hit hard by the fall in the stock market. Home foreclosures continue to devastate families and neighborhoods that are left with empty homes.

The tough economic climate is also putting severe stress on state and local government budgets. Tax revenues are down, particularly more volatile revenue sources like automobile excise taxes and capital gains taxes, while at the same time spending on healthcare and other basic social safety net programs is up. The result is that Massachusetts is facing a projected \$3.5 billion budget deficit for Fiscal Year 2010 (which begins on July 1, 2009).

Unlike the federal government, state and local governments must maintain balanced budgets. This means we will be forced to make difficult choices in the months ahead about spending cuts, tax increases, and how much to withdraw from our “rainy day” fund.

Governor Deval Patrick released his FY10 budget proposal in late January. He proposes to close the \$3.5 billion budget gap with:

- Spending cuts totaling \$1.6 billion. These cuts would impact local aid, a wide variety of health and human service programs, public higher education, and many other programs.
- Tax and fee increases totaling \$600 million. These would include a 1% increase in the statewide hotel and meals tax; eliminating the current sales tax exemptions for alcohol, candy, and soda; and increasing fees at the RMV and other agencies.
- A withdrawal from our stabilization fund of \$600 million.
- Federal stimulus dollars totaling \$700 million.

One piece of good news is that last week Congress passed the American Recovery and Reinvestment Act. The almost \$800 billion stimulus package includes a wide variety of spending programs and tax cuts, including three major provisions that will help Massachusetts and other states balance their budgets: (1) increased federal funding for Medicaid, (2) education block grants, and (3) flexible block grants.

According to the Massachusetts Budget and Policy Center, Massachusetts is expected to receive approximately \$4.1 billion from these three provisions. Although this money will be spread out over FY09, FY10, and FY11, it does appear that Governor Patrick’s budget is quite conservative in its assumption of

\$700 million of federal stimulus dollars for FY10. This should help us balance our state budget without relying as heavily on spending cuts, tax increases, and/or stabilization fund withdrawals.

Our state budget impacts our communities in many ways, but clearly the biggest impact is from local aid. Like all towns and cities in the Commonwealth, Stoneham and Winchester rely on three main sources of local aid -- Chapter 70, Lottery Aid, and Additional Assistance -- to help fund our schools and vital municipal services.

Governor Patrick's FY10 budget proposes a \$375 million cut in local aid. The approach he has taken is to keep Chapter 70 flat and make all cuts from lottery aid and additional assistance. He is proposing an across the board cut for all communities of almost 30%.

The Governor's rationale for making the cuts this way is that he wants to preserve education funding. However, the reality is that every dollar cut from local aid, whether Chapter 70, lottery aid, or additional assistance, reduces the total revenue available to our towns and forces painful tradeoffs and potential cuts in both school and municipal services.

The budget now moves to the House of Representatives, where it will be analyzed and debated over the next few months, before going to the Senate and then back to the Governor for his final signature.

I know we are all very concerned with any cuts to local aid. I urge you to join me in advocating for a FY10 budget that minimizes any local aid cuts. You can take action by contacting the new Speaker of the House, Bob DeLeo, and the new Chairman of the House Ways and Means Committee, Charley Murphy.

I welcome your feedback and ideas on the budget or any other issues. Please visit our new website at www.RepJasonLewis.com for more information and helpful resources. You can also reach me at 617 722 -2425 or by email at Jason.Lewis@state.ma.us.

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