

07.13.08 - Governor Signs FY09 Budget

Governor Deval L. Patrick
FY 09 Budget Signing
July 13, 2008
As Delivered

On July 13, 2008, Governor Deval Patrick signed into law a \$28.1 billion FY 2009 state budget -- which includes \$122.5 million in vetoes - as a part of a five-point plan aimed at ensuring long-term fiscal stability during a time of national economic uncertainty. In addition to vetoed spending in the FY 2009 Budget, the Governor is filing a companion budget package that includes expansion of emergency 9C powers to prepare for a potential decline in state tax revenues and increasing stresses in some areas of the budget as well as a number of targeted amendments to health care reform law to place this national model on more sound financial footing.

Governor Patrick:

Thank you all for joining us here this afternoon for the signing of the Fiscal Year 2009 Budget. Overall, we are very pleased with the budget submitted to us. It reflects the strong partnership between the administration and the legislature on a number of shared priorities including Chapter 70 and other education funding, local aid, homelessness response and prevention, public safety and the Life Sciences Investment Fund. I believe these investments will expand opportunity and improve the quality of life for the people of the commonwealth and I sincerely appreciate the legislature's support on these and other strategic investments. My particular thanks to the Speaker, the Senate President, and the Ways and Means Chairs Bob Deleo and Steve Panagiotakos.

At the same time, I believe we've got to prepare now for economic trouble ahead. While the Massachusetts economy has so far outperformed the national economy, experts project that worsening national economic circumstances, including rising energy costs, could cause state revenues to drop below the estimates for which we have budgeted. Those same deteriorating circumstances will place increasing stresses on state programs to meet the needs of our citizens. In recognition of these evolving fiscal and economic challenges, I am using my veto authority to reduce spending by \$122.5 million. While there is merit to many of the budget items that I have eliminated or reduced, our present fiscal challenges simply demand increased restraint. Incidentally, these vetoes reflect spending proposed by both the administration as well as legislators.

Through a supplemental appropriation bill that I am submitting with the budget, I am also today proposing several measures to help better manage state finances through these challenges. This plan includes the following elements. First of all, I'm asking the legislature for expanded 9C authority to be able to make equitable spending reductions during the year if and when needed based on the actual performance of tax revenues. The authority I'm seeking would permit us to distribute any further necessary spending cuts across all state spending, minimizing any disproportionate impact on particular areas. Granting that

authority now, before the end of the legislative session, enables us to respond quickly and responsibly in the event of a serious downturn. Second, higher than projected revenue collections, active management of the budget throughout the past fiscal year and the added spending controls that we imposed starting in April have combined to produce surplus funds for the fiscal year just ended.

In addition to covering modest final deficiencies in the FY08 budget, I am proposing to use that surplus in the following ways to help us better adjust to economic uncertainty ahead. So, we will deposit \$20 million in a new reserve fund for potential emergency energy needs for the most vulnerable. We will deposit \$100 million into the state's stabilization fund, which will put the stabilization fund in a stronger position to address any remaining FY2009 budget shortfalls after all other budget solutions have been used. We will fully fund two years of prior lottery fund shortfalls, removing these exposures from the state books. And, we will create a collective bargaining reserve to pay for anticipated FY2009 labor costs that are not reflected in the current budget. And finally, I'm asking the stakeholders in health care reform to make modest additional contributions toward funding those programs.

So, the supp includes a package of increased contributions from employers, from providers, and from insurers totaling \$130 million before federal matching funds. These increased contributions are in the same spirit of shared responsibility in which consumers contributed earlier this year through higher enrollee premiums and copayments for Commonwealth Care. The budget decisions and the supplemental appropriation bill together form a proactive, balanced, and flexible plan designed to ensure that state government can meet the highest priority needs of our citizens in challenging economic times. These measures will both provide and preserve resources for making key investments in our economy and maintaining a strong safety net for our citizens.