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PATRICK-MURRAY ADMINISTRATION RELEASES FISCAL YEAR 2012 BUDGET RECOMMENDATION

Makes investments to build stronger, better Commonwealth; Holds line on spending while making tough cuts; Eliminates the structural deficit



Governor Patrick announces that the administration will today file a balanced and fiscally responsible budget for fiscal year 2012. (Photo credit: Matt Bennett/Governor's Office).

BOSTON - Wednesday, January 26, 2011 - The Patrick-Murray Administration today filed its FY 2012 budget, a balanced and fiscally responsible plan that maintains an unprecedented commitment to education and other key priorities, while continuing efforts to speed the Commonwealth's economic recovery and lay a foundation for long-term growth and prosperity.

This budget reflects the Administration's belief that, though we face unprecedented fiscal challenges, we need to be smarter about the way state government does business and delivers services. The budget supports Governor Deval Patrick's four key priorities for his second term: growing jobs throughout the Commonwealth, closing the achievement gap in our schools, ensuring that health care is as affordable as it is accessible and addressing youth and urban violence.

"This budget makes investments in critical areas that will help strengthen our economy in the near-term, position us for a strong recovery in the long-term, and continue to improve the way government does business," said Governor Patrick. "More jobs. Stronger schools for all our children. Affordable health care. Safer neighborhoods. That's the work of our second term, and it starts with filing this budget. Through optimism and effort, and support for these proposals, I am confident that our best days lie ahead."

"While we are on the path to economic recovery, we are still faced with difficult budget choices," said Lieutenant Governor Timothy Murray. "That said, we are committed to providing critical services for Massachusetts residents while also being good fiscal stewards of the taxpayer's dollars. Our budget proposal is a blueprint for how we do this, which includes reforms to improve the efficiency of state services that will support future growth in the Commonwealth."

"This budget is balanced, fiscally responsible, and it positions us well for the future," said Secretary of Administration and Finance Jay Gonzalez. "Most important, this budget reflects the fact that we must change the way government does business by aggressively building on the many reforms and efficiency initiatives we have already implemented to ensure we stretch every taxpayer dollar as far as possible."

Due to impacts of the recession and the loss of federal stimulus funding, the Administration's budget proposal cuts spending by \$570 million from last year - a reduction of 1.8 percent - for a bottom line of \$30.5 billion, the largest year-on-year reduction in 20 years.

Governor Patrick will use the FY 2012 budget as a vehicle to implement an aggressive reform agenda to continue to improve the way state government serves the residents of Massachusetts.

The Administration has filed or will be filing legislation with the budget to further reform our [pension system](#), to give cities and towns more [tools to cut their health care costs](#), to shift our [homeless shelter system](#) into a housing-first system and to [reshape our criminal justice system](#) to regain the public's confidence.

Preserving Priorities

The budget preserves critical state programs and services, which the Administration has worked hard to protect since the recession began in 2008. These targeted investments will help create jobs and foster future economic growth.

Job Creation

The FY 2012 budget supports Governor Patrick's commitment to creating jobs in every corner of the Commonwealth. Initiatives include:

- Maintaining our commitment to phase down the corporate tax rate, from 8.75 percent in tax year 2010 to 8.25 percent in 2011, saving over 35,000 businesses \$185 million that they can invest in their own growth and job creation.
- Reforming the Workforce Training Fund, which provides grants to private employers to hire and train workers, in order to allow greater transparency and predictability for employers that contribute to the program. The Fund annually provides \$21 million in grants to private companies.
- Investing more than \$3.6 billion in capital investment projects, more than double the amount of state capital investments when Governor Patrick took office four years ago.
- \$194 million of planned capital investments are specifically targeted to economic development programs, which prioritize projects that invest in state infrastructure that leverages private development and supports job growth.
- The Life Sciences Center, the Clean Energy Center, MassDevelopment, and the Mass Tech Collaborative continue to help create high-technology jobs that will be needed in the future, particularly in the life sciences and clean energy sectors.

Closing the Achievement Gap

Maintaining a strong investment in education is a critical part of ensuring that Massachusetts students continue to lead the nation, and the world, in educational achievement.

The Patrick-Murray Administration will continue to implement its aggressive agenda for closing the achievement gap in spite of budget challenges; and will effectively manage new federal funds, including the \$250 million in Race to the Top award, to support these initiatives. Some highlights of the fiscal year 2012 budget recommendation include:

- \$3.9 billion for Chapter 70 state education aid, the highest level of state funding in history, ensuring that all districts are fully funded at foundation.
- \$213 million for the Special Education Circuit Breaker, an increase of \$80 million over fiscal year 2011.
- \$500,000 for STEM (science, technology, engineering and mathematics) education.
- \$4.8 million increase in funding for programs focused on reducing the Achievement Gap, including Targeted Intervention in Underperforming Schools, MCAS Low Score Support, and School Breakfast Programs.
- Early Education and Care program funding was maintained at fiscal year 2011 levels.

Addressing Youth and Urban Violence

The Governor recently announced that his FY 2012 budget proposal will preserve, and in certain instances, [boost funding](#) for vital youth violence prevention programs. A top priority of the Patrick-Murray Administration's second term, the Governor's youth violence prevention plan will include recommendations from a variety of stakeholders to ensure a comprehensive solution to urban violence.

Controlling Health Care Costs

The Governor has made controlling the rate of growth in health care costs a top priority for his second term. Spending in state health care programs has grown by double digits since FY 2008, while other areas such as local aid, higher education, public safety, environmental protection services, and economic development have all been reduced. This level of spending is unsustainable.

This budget holds state health care programs at FY 2011 levels and proposes steps to avoid more than \$1 billion in estimated new costs that would otherwise be incurred. The Administration is proposing bold changes in state contracting for health care coverage, utilizing the power of competition to save money, while continuing to deliver high-quality care through MassHealth, Commonwealth Care, the Group Insurance Commission and the Medical Security Program.

Reforms for Future Generations

The Patrick-Murray Administration will use the budget as a vehicle to move forward an aggressive reform agenda, including:

- [Pension Reform](#) - to ensure the Commonwealth's long-term fiscal stability and the sustainability of our retirement benefit system.
- [Criminal Justice Reform](#) - to reshape our criminal justice system and regain the public's confidence.
- [Homeless Shelter Reform](#) - to shift the shelter system into a housing-first system.
- [Municipal Relief](#) - to give cities and towns more tools to cut their health care costs and save money.

Responsible Fiscal Leadership

This budget builds on the Administration's record of strong fiscal management that has been recognized by all three major credit rating agencies in their affirmation of the Commonwealth's strong bond ratings. The budget minimizes the use of the state's Stabilization Fund with a modest draw of \$200 million, which will leave a healthy rainy day fund balance of \$569 million at the end of FY 2012.

This year, the Administration has eliminated the inherited structural deficit, which the recession prolonged. At the depth of the recession in FY 2009, the state budget was supported by \$3.2 billion in one-time resources. This budget relies on only \$385 million, a sustainable amount based on tax revenue trends.

The Administration continues to reduce state employee positions. In addition to the 5,900 positions eliminated since October 2008, as many as 900 additional positions will likely be eliminated in FY 2012.

Managing Tough Choices

In order to preserve key investments, the Administration made difficult choices in many other areas of the budget. These cuts will result in the elimination of programs and the closure of facilities. Some spending cuts include:

- \$65 million to local aid
- \$45 million for counsel to indigent persons
- \$23 million for spending on emergency homeless shelters
- \$16.4 million for Department of Mental Health hospitals
- \$15 million for the Employment Services Program
- \$14 million for family respite services at the Department of Development Disability Services
- \$11.5 million for the clothing allowance paid to families receiving TAFDC
- \$8 million for Early Intervention services at the Department of Public Health
- \$6.6 million for group care services provide by the Department of Children and Families

- \$6.2 million for the State Police
- \$5.9 million for health promotion activities at DPH
- 2% cut to all constitutional officers' administrative budgets, including the Governor's Office

Other Budget Solutions

This budget does not include any broad-based tax increases or fees, but does include initiatives to generate limited additional revenues, including:

- \$20 million from expanding the Bottle Bill. These revenues would be dedicated largely to recycling, and water and sewer rate relief. These proposals will help protect key priorities and provide a more stable and sustainable funding base in the long-term.
- \$61.5 million from enhanced Department of Revenue tax enforcement initiatives.
- \$25.3 million from Quasi-Public Agency contributions.

For more information on the Governor's FY12 budget, please visit www.mass.gov/budget/governor.

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