Good morning and thank you all for coming. Today, the Lt. Governor and I will file our budget proposal for fiscal year 2013.

The budget we propose for next fiscal year is $32.3 billion. We have held budget growth to under 3 percent, despite tremendous pressure from increased costs of health care, legal obligations such as debt payments and collective bargaining, and other unavoidable costs. Revenue has continued slowly to recover as more people are getting back to work, which is great news on many, many levels. But we still have unprecedented needs to meet in health care, emergency housing and other essential services because of the numbers of people whose lives have been turned upside down by the global economic collapse.

With the support of the Legislature, we have managed this rather well, though not without pain. Our budgets have been responsible and balanced. We have reduced headcount by almost 6,000 positions. We have reduced spending on, or eliminated entirely, a whole host of programs. We have found more efficient ways to deliver services with less money.

These approaches have in some instances been difficult, but effective. You will see examples of them again in this budget. Because of these approaches, we have one of the largest rainy day funds in the nation and we earned the state the highest credit rating upgrade in our history.

At the same time, we have invested in the areas that we know will grow opportunity and strengthen us in the future. We chose to grow our way out of this recession and you can't grow without a growth strategy. That is why we have invested significantly in education, in innovation and in infrastructure and why we will propose to do so again in the coming fiscal year. Those investments are why we are 5th in the nation in job growth, why our economy is growing faster than the rest of the country’s, and why we lead the nation in student achievement and the world in math and science.

Specifically, we propose $4.1 billion for K-12 education, the highest amount, again, in the Commonwealth’s history. With this investment, every school district will reach the so-called “foundation level” and no district will see a drop in state support next year. Today’s students in today’s schools get their chance today and don’t get to sit out the recession until it’s over. And because education is our calling card around the world and central to our competitiveness in the future, we owe it to ourselves to do everything we can to support the schools.

While we lead the nation in student achievement, we also know that less than half of low-income students are proficient at reading in Grade 3; less than a quarter are proficient in science in Grade 8. We still have an achievement gap and, for the same reasons of economic competitiveness and social justice, I am determined to close it. So, we are proposing an additional $10 million in funding dedicated to programs to help close that achievement gap. We propose to pilot these new strategies first in Gateway Cities.

Finally, in the area of education, we are proposing to streamline the funding and governance of our community colleges, as I discussed the other night, so they become fully integrated parts of the state’s growth and workforce development strategy. A unified community college system gets us greater responsiveness to workforce needs, greater alignment with our statewide economic growth strategy, and greater accountability for the effectiveness of that spending. To support this increased role for our community colleges, we are proposing to increase funding by 5%. As I outlined on Monday, our community colleges are in a position to train people with the skills they need to get back to work. We must be willing to invest in that; in turn, the community colleges must be willing to work as a unified system to make sure we are getting the most out of that investment.

In the area of supporting innovation, we propose a mechanism to continue support for the life sciences initiative out of any FY12 current fiscal year surplus, just like last year, but with a slight increase. We also will continue our efforts through the Green Communities Act to encourage the continued growth and depth of the clean energy and energy efficiency sectors. We look forward to continued growth in the IT and financial services sectors as well, and will have some announcements about new developments in these areas in the coming weeks and months.

In addition to education and innovation, we will continue to invest in the Commonwealth’s infrastructure. Once again, we will commit $200 million in chapter 90 funds for local roads and bridges. This is a part of our $3.3 billion capital investment program for the coming fiscal year – double the level of investment from before we took office. These funds are rebuilding college campuses, courthouses, roads, public safety and other projects all over Massachusetts. They are also putting people to work. This capital program is backed by a first-of-its-kind affordability analysis that ensures we are making the investments we need in a fiscally sound and responsible manner. The work to expand universal high-speed broadband continues through the year, with an estimated completion date of 2013. And we will continue to work with the Obama administration and with the Congress to rebuild transportation infrastructure and the quality of service here in Massachusetts, as well.

We continue to scour state government for new and better ways to deliver services to people without new money. Many of those strategies are reflected in this budget, as well.

For example, by changing how we pay for health care for which government is responsible, we avoided nearly a billion dollars in cost increases in this current fiscal year – without making health care any less accessible. In this budget proposal, we plan to avoid another $700 million through the same strategies: seeking more competition, re-procuring existing contracts in favor of global payments, paying for outcomes rather than the volume of care, and continuing aggressively to root out waste and fraud in our Medicaid system itself. This is no substitute for the Health Care cost containment bill awaiting action by the Legislature; but it
does illustrate how the changes we have proposed in that bill-in how we pay for and deliver great health care in Massachusetts-can save significant amounts of money for everybody in the Commonwealth.

In this budget, we also propose to carry on our efforts to reform the way that homeless families in this state are treated and encouraged to move forward. Before the Great Recession, we spent $76 million in shelter services. Last year, that number is $176 million. We started to change that last year by moving away from a shelter-first system to a housing-first system. We moved over a thousand families out of motels and emergency shelters into housing, and diverted another 2700 families from the shelter system entirely. Not only is this change less costly over time, but it is better policy. It puts families on a path to self-sustainability.

We will continue that this year. We will target our emergency assistance and HomeBASE programs to those who are truly in need of emergency services and take the money we save to reinvest in other housing programs.

These are a couple of examples of how we continue to move toward greater accountability in the way government spends the people’s money. We have created an Office of Commonwealth Performance, Accountability and Transparency to that end, to institutionalize the use of objective metrics to help evaluate and manage programs. We need to know we are achieving better outcomes for the people served by programs and lower costs for taxpayers.

In a similar vein, I will appoint a Chief Innovation Officer and will form a new Commission on Innovation. Their charge is to look over the whole of state government for ways to better apply technology to deliver services and achieve efficiencies.

Our budget includes modest revenue proposals to help subsidize public health costs and integrate eligible, fully-documented immigrants into the Commonwealth Care program as required by the recent decision of the SJC. To that end, I propose to eliminate the sales tax exemption on candy and soda, to increase the tax on cigarettes and bring taxes on cigars and smokeless tobacco up to the same levels as cigarettes. We have included the bottle bill again, this year. All together these new revenues amount to less than 1 percent of this budget. They are not new. They are still sensible, still widely supported in the general public (in most cases), and still necessary.

As I have said before, I am asking the Legislature to make tough choices. This budget is no different. But the progress we have made is happening because we have made those tough choices and made them together, inspired by our commitment to leave to others a better Commonwealth than we found. In that spirit, I look forward to working with the Legislature on this budget. And I want to thank, most especially, Secretary Gonzalez and all of his team for the exceptional work they have done; all the members of the Cabinet, and your team, for your creativity and flexibility; and all of the people of the Commonwealth for encouraging us to stretch and reach, to do the very best by you, every day. I would now like to turn the podium over to the Lieutenant Governor. Thank you.