

The Commonwealth of Massachusetts



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GOVERNOR

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE DEPARTMENT
STATE HOUSE • BOSTON 02133

August 1, 1990

To the Honorable Senate and House of Representatives:

The FY91 budget I am signing today will restore our fiscal stability and set the stage for economic recovery:

It is a budget in balance.

It is a budget that spends within the limits of available revenue.

It is a budget backed by sufficient cash to pay our bills on time and to maintain essential services without interruption.

It is a budget that authorizes sufficient funds to pay all bills that must be paid. Over 50% of this budget -- \$7.1 billion -- supports state expenditures mandated by law or contract, expenditures which the Legislature exempted from across-the-board cuts:

Payments to holders of Massachusetts bonds and notes are fully supported;

Costs of financing our infrastructure rebuilding program--vital to resurgence of the economy--are fully sustained;

Pension checks for state and local retirees are fully protected;

Medical and public assistance programs for the needy are fully funded.

It is a budget that preserves the core of critical state services that seemed in grave danger just a short time ago.

it will educate thousands of college students.

Environmental protections now in place will be preserved, compliance with environmental laws strengthened, and permit applications will be reviewed in a more timely manner.

The repair and reconstruction of unsafe bridges and worn-out highways will go forward.

Indigent defendants will be assured the legal representation required under the Constitution.

Sustaining Fiscal Balance

It will require a commitment from all of us to sustain these new beginnings of fiscal stability and balance.

Acknowledging continuing uncertainty for the state's economy, we are committed to cautious tax projections for this budget.

The base tax estimate for the budget assumes growth of just 0.6% over the fiscal year just ending, a year in which revenues fell by \$280 million or more than 3% compared to the previous year.

Acknowledging the need to keep the fiscal house in order, we are committed to providing responsibly for the costs of past fiscal deficits.

The deficit incurred in FY89 is scheduled to be fully retired this year. All current year costs of the FY90 deficit have been fully funded in this budget. Prior year Medicaid bills due in FY91 have been fully financed. Sufficient resources are in place to accommodate the Treasurer's short-term borrowing to meet routine cash needs.

Acknowledging potential risks to fiscal stability, we are committed to sound fiscal planning in partnership with all branches of government.

Areas of difficult-to-control spending will benefit from study and scrutiny by blue-ribbon panels such as the Special Commission on Benefits Reform and the Task Force on Program Growth.

Provisions of this budget will provide the Executive with new tools to monitor financial activity and to establish across state government a system of monthly budgeting for revenues and expenditures.

Making A Budget Work

As with any budget, the new spending plan will take time to implement well.

Most programs and services of state government are affected: of the 650 items of appropriation in the budget, over 500 were reduced by 4% across-the-board cuts and over 400 must operate with fewer resources than last year. Some service cuts and reductions in staffing are required by the budget presented to me. As specific, detailed spending plans for each line item and program are developed, the understanding of the impact of this budget's cuts will gradually increase.

I am taking action today to veto or reduce certain items in this budget, as described below. But these actions cannot mark the end of our review of this budget. Upon reconsideration, some cuts in this budget may be deemed too harsh, but reconsideration of these elements is a legislative prerogative. Some priorities may be reordered as the year progresses. Some proposals may be reevaluated after definite plans to implement them have been developed and put into effect.

I will work with the Legislature to manage this budget in such a way that it will continue to be viable and balanced. We are committed to living within the means of this budget.

Making this budget work also means recognizing and preparing for major threats to fiscal stability that are now on the horizon. Three risks pose the greatest challenges.

The first risk is a loss of new revenues.

The budget just passed shows what is required to gain fiscal balance -- revenues sufficient to sustain legislatively-authorized spending. Any revenue losses without offsetting cuts in spending or alternative resources will just not work.

The second risk is the pressure of cost increases in the so-called "budget-busters", especially Medicaid.

Six cost areas -- Medicaid, Public Assistance, Debt Service, Retiree Pension Costs, Employee Health Benefits, and MBTA Contract Assistance -- consume 44% of the budget I sign today.

Spending mandated by law or contract to support these programs grows by \$733 million in this budget; the rest of state spending *declines* by \$164 million. These results occur after the hard-won adoption of significant savings proposals contained in this budget and in the Budget Control and Reform Act of 1989.

Further structural reform is necessary. As the Crozier Commission warned, steps to control the largest of the "committed" expenditures such as Medicaid and employee health benefits "cannot be done overnight, but we must begin this long-term process" now. This budget offers a solid foundation for continuing the necessary reform effort.

The third, and final risk is the potential harm from the initiative petition to roll back state revenues, which will be put before the voters in November.

This risk poses the gravest threat to our return to fiscal stability.

If enacted, this measure would cripple the state's ability to aid cities and towns and to preserve essential services and would halt highway construction and bridge repair made possible by new gas tax revenues.

Cuts five times as great as the 4% cuts just taken by the Legislature would be required, and would have to be accomplished within the six months that would still remain in the fiscal year. As the credit raters on Wall Street have made clear, the negative impact of such a revenue rollback, when combined with the debt burden we carry for prior deficits, could be felt for a decade.

I will continue to work with the Legislature to minimize the risks to fiscal stability.

Veto Actions

Pursuant to the provisions of Section 5 of Article 63 of the Amendments to the Constitution, I am today taking action to veto or reduce certain items in House Bill No. 5701, an act making initial appropriations for the fiscal year nineteen hundred and ninety-one, dated July 28, 1990.

I am striking wording from the following items for the reasons set forth:

- o Item 0612-1010 -- striking language which would exacerbate cash flow problems for the Commonwealth.
- o Item 2100-0000 -- eliminating an incorrect reference to the Division of Conservation Services.
- o Item 4800-0015 -- striking language which would restrict the Department of Social Services in making out-of-home placements of children.

- o Item 6005-0011 -- striking language that would cap FY92 contract assistance to the MBTA to the FY91 appropriation level for such assistance. Because FY92 contract assistance reimburses the MBTA for FY90 costs, this language would have the effect of compelling the MBTA to reduce service or increase fares on account of costs already incurred for FY90, which ended on June 30.

I am also vetoing the following sections:

Section 4 proposes to modify, for the 1991 fiscal year, the Governor's statutory authority to control allotments of appropriated funds as necessary to prevent spending that exceeds revenues. While section 4 would broaden the Governor's powers in certain respects, it also restricts existing powers in ways that could prevent me or my successor from taking the timely steps necessary to ensure that this budget remains in balance. Therefore, I must veto it.

In particular, section 4 would require the Governor to allocate spending reductions on a uniform percentage basis across virtually the entire state budget. To the extent that certain line items could not be cut by that uniform percentage, for whatever reason, the Governor would have no authority to make up for the shortfall elsewhere. Particularly after the across-the-board cuts already reflected in this budget, it is unreasonable to assume that we will be able to take further across-the-board cuts without unacceptable results.

Only the existing, more flexible control over spending granted to the Governor by current statutes provides the ability to address any financial difficulties that may arise. After our intensive mutual efforts to achieve a balanced budget, and in light of the continuing risks enumerated above, it would be irresponsible to eliminate the tools needed to ensure that we can keep it balanced throughout the year.

I am vetoing section 63 which would require welfare recipients to appear in person and display a photo ID in order to receive bimonthly benefit checks. It would be virtually impossible for the Department of Public Welfare to efficiently handle and disburse this number of checks at its local offices without incurring administrative and staffing costs that would far outweigh any conceivable savings from this section.

Section 64 would establish a Select Committee on Health Agency Consolidation and Section 67 would effect the consolidation by creating a new Executive Office of Health. The committee would be charged with the responsibility of recommending a specific reorganization plan for health related agencies in the Executive Offices of Human Services, Elder Affairs, Consumer Affairs and Administration and Finance, and creating a new Executive Office.

It is time to move ahead with the consolidation of our major health care agencies as recommended by the Crozier Task Force and the Legislature. While I share the Legislature's desire to provide health care and long term care services in the most efficient and cost-effective way possible, I believe that the process outlined in these sections is costly and time consuming. Therefore, I am vetoing section 64 and returning section 67 for amendment.

For example, while I concur with the major thrust of the legislature's proposal, I believe we should move ahead quickly with a new Department of Health within the Executive Office of Human Services whose sole function would be to concentrate on the pressing health policy and cost containment issues. Under the direction of a Commissioner, subject to the supervision of the Secretary of Human Services, the Department would be responsible for directing the executive branch's principal health care activities, with particular emphases on cost control, revenue maximization, and strategic planning. More specifically, the new Department would provide even better coordination and more cost-effective services by

consolidating within one department the following agencies: Department of Public Health, the Medical Assistance Program of the Department of Public Welfare, the Department of Medical Security and the Rate Setting Commission.

The proposed reorganization will establish clear authority and accountability for managing the delivery of health services and long term care without adding to the administrative overhead of state government. It will insure that both health care and long term care services are provided in a coordinated manner and consolidate control and accountability within the appropriate executive office. Further, I will issue an executive order to insure that legislators and others affected will work together to develop a specific implementation plan for the new department.

It is necessary for me to veto sections 65 and 66 in order to preserve the balance between local autonomy and state supervision of our state's rental assistance program. The Section 8 rental assistance program which the Executive Office of Communities and Development currently administers through a network of regional non-profit agencies provides low income households throughout the Commonwealth with much needed mobility and access to housing resources. It is critical that the positive features of this program be maintained. A demonstration program is being carried out to determine if there are additional ways to make this system more effective through sharing of some administrative tasks at the local level with housing authorities. Any further changes, should they be required in the structure of this system, should await the outcome of these efforts.

I am vetoing Section 77, which would impose co-payments on Medicaid recipients for certain services, because there has been no projection of savings from this proposal and the cost of administering the proposal could exceed projected savings.

I am vetoing section 86, which would prevent the Departments of Public Welfare and Public Health from implementing updated nursing home admissions criteria. This section would result in an additional Medicaid expenditure of \$10 million in FY91. As a result of this veto, the new nursing home admissions standards will ensure appropriate utilization of available nursing home beds.

I am vetoing section 120. This section would require the Commonwealth to refund \$1.7 million in tuition charges which were credited to the general fund in FY90. If enacted this section would increase the FY90 deficit by \$1.7 million.

I am vetoing Section 130 which would abolish the tuition remission program for certain state employees at public higher education institutions. I am doing so because this section would change the terms and conditions in existing collective bargaining agreements which provide for this benefit. Unilaterally abolishing this negotiated benefit would inevitably result in unnecessary and expensive litigation.

I am vetoing section 144 which would cripple an established MWRA siting process. The MWRA reviewed 299 potential landfill sites over a 4 year siting process. The Walpole and Rows Quarry sites were the only sites within the district determined to be environmentally acceptable by the MWRA, the state, and the federal EPA. This language would obstruct the MWRA's progress and certainly lead to greater involvement by the federal court. In addition, this section could lead to the closing of currently operating waste treatment facilities in Milbury, Lawrence, Haverhill, Lynn, Fall River, Springfield, Pittsfield, and a number of other communities.

Because there is a serious problem of overcrowding in Massachusetts correctional facilities and an extreme shortage of new prison beds, I am vetoing section 145 which would delay construction of 250 new medium security prison beds in New Braintree.

Section 147 proposes to allow a three-month amnesty for delinquent taxpayers, similar to the tremendously successful amnesty granted from October of 1983 to January of 1984. This former amnesty program was not an isolated event but was an integral part of a broad reform package, the Revenue Enforcement and Protection Program (REAP). Repeating the amnesty in isolation, however, would undermine, rather than support, tax collection efforts.

REAP made tax evasion a felony and provided the State Revenue Department with a new arsenal of weapons to combat evasion. The amnesty program was heavily advertised as a "one-time window of opportunity" to come forward and settle accounts before being subject to discovery during the vigorous enforcement initiatives to follow.

The provision of a second tax amnesty would be counterproductive and would serve to reinforce the behavior it is designed to extinguish: tax evasion. A second amnesty would give delinquent taxpayers the clear message that, if you wait long enough to pay your taxes in Massachusetts, you penalty slate will be wiped clean by a subsequent amnesty program. To avoid sending this message, I am vetoing section 147.

I am also vetoing section 150. This section would require the Executive Office of Transportation and Construction, the Department of Public Works, and the Turnpike Authority to establish the Turnpike Authority's contribution for statewide snow and ice removal. However, requiring the Turnpike Authority to fund the statewide cost of snow and ice removal is contrary to the Authority's enabling statute and its trust agreements with bond holders.

In an effort to honor the intent of the Legislature through section 150, I am hereby directing the Secretary of the Executive Office of Transportation and Construction and the Commission of the Department of Public Works to work with the Chairman of the Turnpike Authority to develop a plan detailing the most appropriate manner for the Turnpike Authority to make an additional contribution to the transportation expenses of the Commonwealth that is consistent with the transportation mission, the enabling statutes, and any executed trust agreements of the Turnpike Authority. The plan shall be filed with the Governor and the House and Senate Committees on Ways and Means by November 1, 1990.

I am vetoing section 159 which purports to limit the rate of growth of spending in the so-called "budget buster" accounts. This section is deeply flawed and does not provide a workable approach to cost containment. The section establishes dollar spending limits for Medicaid and the MBTA, based upon a statutorily set percentage of total state spending. The spending levels authorized in the budget put before me by the Legislature exceeds the spending limits mandated by section 159, and thus would, under the provisions of the section, automatically require the termination of benefits of the state Medicaid program not required by the federal government and would automatically trigger a need for fare increases by the MBTA.

I am vetoing sections 181, 182, 183, 301, 302 and 303 which would postpone for two years two major provisions of chapter 23 of the Acts and Resolves of 1988, the universal health care law.

The legislation would postpone a provision of chapter 23 that provides basic health insurance protection to persons receiving unemployment benefits. This provision became effective January 1 of this year, when employers began contributing \$16.80 per employee to a special trust fund. This money is being used to provide basic

health care protection to men, women and their families who otherwise would be without health insurance. In fact, by the end of this year, our universal health care law will have provided basic health insurance for over 100,000 previously uninsured or underinsured Massachusetts citizens.

The other chapter 23 provision postponed by these sections requires employers of six or more to provide basic health insurance to their employees beginning in 1992, something 80 percent of employers in this state already do. Last year, I reluctantly agreed to a one-year delay of this provision, but the Legislature failed to send it to my desk. Fairness to employers who provide health insurance to their workers, and fairness to the thousands of working people and their families would be asked to wait two more years for something as basic as health insurance demand the veto of these sections.

I am today vetoing sections 193, 195A, 214, and 246. The Architectural Access Board has been within the Public Safety Secretariat since its creation in 1967. The mandate of the Board is to ensure access for all citizens to public buildings and places of public accommodation. These sections would in no way enhance the effectiveness of the Board, but rather disrupt the continuity of the Board's proceedings and provide it with fewer resources to accomplish its mandate.

I am vetoing section 229. This section would establish a segmented budget for the higher education system and hinder the ability of the Board of Regents to flexibly administer the system. I cannot approve this major change in the control of higher education funding.

I am today vetoing sections 237, 238, 272, 297A, and 382. These sections as adopted by the Legislature contain a technical error that would require additional legislation if I were to sign these sections into law. I support as a matter of policy dedicating a portion of the gas tax revenues derived from recreational vehicle use to fund activities of the Division of Marine Fisheries, Environmental Law Enforcement, Fisheries and Wildlife and Public Access Board.

I will submit as part of the next transportation bond bill a provision which directs .90% of gas tax revenues--the amount attributable to recreational vehicle use--to the funds affected by these sections.

I am vetoing section 289A, which would require the Medicaid program to pay claims for hospital patients prior to their discharge. This requirement is inconsistent with standard practice in the health insurance industry, and would make it difficult for Medicaid to monitor hospital utilization. As a matter of administrative practice, Medicaid currently allows interim billing for hospital stays longer than six weeks.

I am vetoing section 344 which would divert revenue from probation fees collected by the courts to a new court improvement fund. While I am very sensitive to the needs of the courts, these monies have already been counted as part of FY91 operating revenues. To divert them to this new fund would create a financial imbalance for FY91.

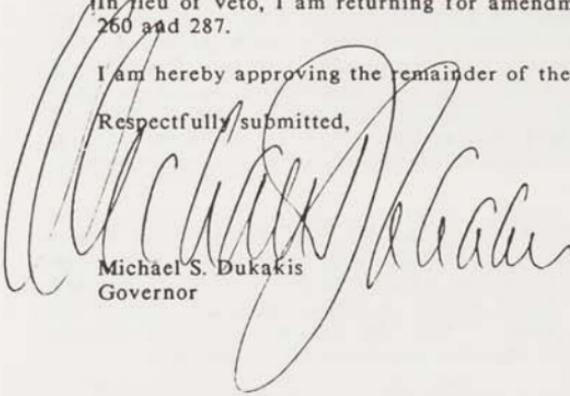
I am disapproving section 375 to avoid an unnecessary delay in the ability of the Department of Public Welfare to recover reimbursements from the estates of individuals who have benefited from Medicaid programs. It would cost the Commonwealth up to \$2 million dollars in FY91.

I am vetoing Section 379 because the delayed implementation of Sections 192, 207, 209, and 210 would result in a loss of \$2.5 million in savings in the areas of institutional and hospital care. Adjusted AD rates are required by HCFA in order to obtain federal matching funds for hospital expenditures.

In lieu of veto, I am returning for amendment by separate letter sections 67, 138, 260 and 287.

I am hereby approving the remainder of the Act.

Respectfully submitted,



Michael S. Dukakis
Governor