

GOVERNOR PATRICK SIGNS ON-TIME, BALANCED BUDGET

\$27.6 billion budget includes \$457 million in line-item vetoes to ensure balance, prevent elimination of critical services

BOSTON -- Wednesday, June 30, 2010 - Delivering his fourth responsibly balanced budget, Governor Deval Patrick today signed a \$27.6 billion Fiscal Year 2011 spending plan. The budget includes \$457 million in cuts to manage a further gap created by Congress' failure to pass legislation that would have resulted in additional aid for Massachusetts next year.

[View the FY11 budget](#)

 [Read the Governor's remarks](#)

The budget signed by the Governor today, coupled with the supplemental budget, holds spending to just 0.2% over FY10 estimated spending.

"Today, I am signing a \$27.6 billion budget for Fiscal Year 2011, which starts tomorrow. For the fourth consecutive year, our budget is balanced, responsible and on time -- not something many other states can say." said Governor Patrick, "For that achievement, I want to thank the Legislature and my team for effectively responding to challenging and quickly changing circumstances, and doing the hard work required to get this done thoughtfully and on time."

"The delivery of a responsible and on-time budget reflects Governor Patrick's leadership as a good fiscal steward as we continue to lead Massachusetts on the road to economic recovery," said Lieutenant Governor Timothy Murray. "Despite some challenges we may face, our administration remains committed to fulfilling our values, providing quality services and protecting all residents of the Commonwealth."

Since October 2008, Governor Patrick has worked with the Legislature to address a cumulative budget gap of more than \$12.5 billion, including a nearly \$3 billion gap in FY11. Due to the global economic recession, the Commonwealth lost \$4 billion in annual state tax revenues at its lowest point. To maintain a balanced budget, the Governor has made more than \$4.5 billion in cuts, implemented cost-saving reforms and efficiencies, eliminated 2,600 state jobs, and required state employees to contribute through higher health care contributions and wage cuts. These actions and continued proactive budget management have allowed the Commonwealth to maintain its strong, AA bond rating throughout the unprecedented downturn.

The Commonwealth is beginning to see signs of economic recovery. The state has added jobs in each of the last four months, tax revenues reflecting current economic performance continue to outperform expectations, and business confidence remains high. However, because state tax revenues tend to lag behind private sector growth, a full state fiscal recovery will take time. The Governor will continue to exercise the leadership necessary to maintain a balanced budget while protecting, to the greatest extent possible, the core functions of government residents rely on.

Responsible Budget Management

To close the current gap and maintain critical government functions, the budget includes cuts and savings, some additional revenues and modest use of reserves. The Governor issued \$457.6 million in line-item vetoes, including \$372 million of appropriations funded from the additional federal Medicaid matching funds (FMAP) Congress has not yet approved. Additionally, the Governor vetoed \$85.5 million in General Fund line items in order to ensure a balanced budget.

The budget includes \$100 million from the state's Rainy Day fund and an additional \$95 million in savings by suspending the statutory carryover of General Fund dollars into the next fiscal year. Even with the use of these reserve funds, the stabilization fund will have \$556 million remaining at the end of FY11. The budget also includes \$809 million in remaining American Recovery and Reinvestment Act funds.

Additionally, the Governor solved for certain revenues included in the Legislature's budget he believes can not be relied upon at this time. The Legislature included \$54 million in anticipated federal assistance for needy families that has not yet been approved by Congress. Further, the Legislature included an additional \$17 million in Lottery funding above earlier projections. The Governor has vetoed funding in the FY11 budget to solve these exposures to ensure the budget is responsibly balanced for the July 1st start of the new fiscal year.

Also, debt service is fully funded, based on updated estimates since the Governor filed House 2 and the limited debt restructuring proposal, and it is within the debt affordability policy the administration has implemented.

And for the second year in a row since the economic downturn, the administration reduced the structural deficit, cutting it by 56% since FY09 when the recession began.

Protecting Critical Public Safety Services

Continuing his commitment to public safety, the budget preserves funding for the Department of Corrections and the Massachusetts State Police. The Governor's proposal restores \$13 million for the DOC to help address underfunding in FY11. Additionally, the Governor called on the Legislature to pass sentencing reform legislation currently pending before a conference committee, as well as energy management reform. Each proposal would generate more than \$6 million in savings next year. Together, the additional funding and reforms are necessary to prevent prison closings and increased levels of overcrowding.

The Governor also proposes to restore approximately \$6 million for the State Police. The additional funds will prevent the curtailment of special police units including gang and drug-related teams. The additional funds for the DOC and State Police are included in the supplemental budget the Governor filed with the FY11 budget today.

Maintaining our Commitment to Health Care

Without the extension of FMAP, the budget passed by the Legislature eliminates health care coverage for nearly 24,000 legal immigrants living and working in Massachusetts. The Governor has called on his

Administration and the Connector to develop a plan using available resources and savings initiatives to continue coverage for those residents for at least the next six months. If Congress approves additional federal stimulus aid, those residents would be covered for the remainder of the fiscal year.

In addition to supporting the Bridge Program, the budget signed today maintains eligibility for the state's subsidized health insurance programs, unlike in previous administrations, where eligibility and benefits were limited during challenging economic times.

Continuing the Reform Agenda

The budget fully funds the state's pension liability, and includes pension reforms similar to those proposed by the Governor earlier this year like capping pension amounts. The budget also includes a number of the Governor's reform proposals, including: capital gains reform to decrease the state's reliance on volatile revenue sources; prohibiting the use of state funds to pay for lobbyists; tax credit transparency; and the elimination of Suffolk County holidays as state employee holidays.

The Impact of Congress's Inaction on Extended FMAP

In developing their budgets for Fiscal Year 2011, the Governor and the state Legislature assumed the Commonwealth would receive up to \$687 million in additional federal stimulus funds. This assumption was based on actions in Washington, DC over the last few months when both branches of Congress passed an extension of FMAP in separate bills and President Obama included the funds in his budget proposal. Based on this action at the federal level, 29 other states also included additional FMAP in their own spending plans.

After the state Legislature's passage of its final budget last week, actions taken by the U.S. Senate made clear that the Commonwealth can no longer rely on receiving additional federal stimulus funds. If Congress does ultimately act, there is no guarantee the Commonwealth would receive the same level of funding the Governor and the Legislature had budgeted for.

While the Governor's original budget reflected his commitment to Local Aid, Chapter 70 education funding, Higher Education and safety net programs, the budget signed today requires reductions in those and other areas that will have real and painful impacts for people and communities across the Commonwealth.

"Without FMAP, families and businesses across the Commonwealth will not be able to rely on the level of services from the state that they once could," said Administration and Finance Secretary Jay Gonzalez. "But, we must live within our means, and this budget responsibly reflects that reality."

The full budget can be viewed at <http://www.mass.gov/bb/gaa/fy2011>.