

01.23.09 - Protecting Education Aid

Governor Deval L. Patrick

Massachusetts Municipal Association Annual Meeting

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On Friday, January 23, 2009, despite the immense financial challenges facing the Commonwealth during this national recession, Governor Patrick reaffirmed his commitment to cities and towns in a speech to a gathering of the Massachusetts Municipal Association, announcing that he will protect education funding from cuts and will limit reductions in state aid to cities and towns this year and next.

Governor Deval Patrick:

Good morning. Thank you for inviting me - though I wish, like you do, that these were better times.

Everyone here understands that the national economy is in deep recession, the most serious in generations. Just yesterday Microsoft announced 5000 layoffs from its global organization over the next 18 months, showing that even mighty conglomerates are reeling from the downturn. In Massachusetts, unemployment climbed to 6.9% last month. Thousands have seen their savings or home equity snatched away by turmoil in the markets. Banks have money but won't lend it. Businesses and nonprofits are laying off or won't hire because they can't see a clear path to tomorrow.

As a result, state revenues are falling and wreaking havoc with the state budget. We have tough choices among miserable options. My job is to make those choices and I have.

In October, as you know, we identified and closed a \$1.4 billion budget gap. Because of further economic deterioration since then, we have to squeeze

another \$1 billion from the state budget by the end of this month. Though that October round of spending cuts was deep, we were able to avoid any cuts to local aid. We committed to cut local aid only as a last resort. Unfortunately, we have reached the last resort. So, I want to tell you directly our plans regarding Chapter 70 and other local aid in the remaining fiscal year and next, as well as some proposals we have for new revenues and other tools to help manage through.

First, I think you all know how strongly I feel about the long-term importance of high quality education. For that reason, we funded Chapter 70 at a record high level in the current fiscal year. We have not cut funding for public schools and we will not for the balance of fiscal year 2009. In the budget I submit next week for fiscal year 2010, we will propose to sustain that level of funding again in 2010. In other words, while we will not be able to increase it, we will hold it steady.

I will continue to work closely with the Obama administration and the Congress on the federal stimulus package, particularly on education funding to help us bridge to better times. If the package ultimately provides what we are hoping and working for, I propose to use federal stimulus education funds to bring all Massachusetts cities and towns up to education foundation levels for fiscal year 2010 and 2011. I am optimistic that these funds will be forthcoming. I will also propose some flexibility concerning your local contribution to public schools that would allow you to free up local funds for municipal services like fire, police and elder services.

Second, we will need to cut additional assistance and lottery funding. Given the size of the problem we have to solve, we have no choice. These cuts will total \$128 million in fiscal 09 (or 9.74 percent of additional assistance and lottery combined). We project a reduction of \$375 million off of original FY09 levels in fiscal year 2010. Although I appreciate how difficult this will be for you and for your communities, I ask you to keep this in some context: these FY09 cuts represent 2.3 percent of the total budget for local aid and only about 10 percent of the spending reductions I have had to make this year, on a budget of which over 20 percent is local aid.

Third, I will also file a bill next week to provide some alternative revenues to help offset the impact of these cuts. These proposals will be along the lines of the revenue provisions in the Municipal Partnership Act we filed last session. Specifically, we will propose to eliminate the property tax exemption for telephone poles and telecom switching stations, and to allow cities and towns, at your option, to levy an additional penny on meals and hotel stays.

In addition, I will ask the legislature for a one-penny statewide increase in the meals and hotels tax, to be redistributed according to the lottery formula to all cities and towns. If adopted, that one penny would generate roughly \$150 million, most of which would be used to offset the cuts in local aid. A small portion would be reserved to better market our tourist trade, to assure that we are growing the industry that largely generates this tax revenue.

If enacted promptly, this statewide penny could reduce the local aid cuts anticipated in this fiscal year and next by nearly half.

Finally, we will file next week a second Municipal Partnership Act to help cities and towns help themselves by saving money.

Starting with health insurance, our legislation will set a minimum standard that all cities and towns will have to meet. Recognizing that no one size fits all, municipal managers and municipal unions will be required to sit down together and devise a health care plan at least as economical as the GIC. That doesn't mean you have to join the GIC; if you can do better in a joint purchasing group or MIIA, so be it. To assist you in achieving these savings, we will lower the requirement for union approval of entry into GIC or an equivalent group to 50 percent. If municipalities and their unions cannot meet or exceed the GIC standard within a reasonable period of time, our legislation will reduce future local aid payments proportionately. The point is blunt, but necessary: we must all get on with the business of finding savings. And our intent is to give you the tools to do so.

We will also require each community to move all of your retirees to Medicare coverage and give you the option of extending your pension schedules within fiscally responsible parameters.

Lastly, we will propose a series of initiatives to encourage and facilitate regionalization of municipal services and other reforms around procurement and contract advertising that will save you time and money without jeopardizing transparency or quality.

Taken together, these and other measures in our bill can save cities and towns hundreds of millions of dollars over time and take significant pressure off of property taxes now and in the future.

We did not come up with these ideas in a vacuum. Lieutenant Governor Murray, who brings a special sensitivity and understanding to municipal needs, has conducted a broad listening tour and reported your concerns back to me and the cabinet. The ideas in this bill are yours, not mine. I support them and will press for them because they are reasonable, appropriate and right for both today and the long-run.

But when I file this bill next week, don't sit around and wait to see what happens. Get on the phone yourselves. Write and visit your legislators and key committee chairs yourselves. Tell them how important these measures are to your community, and call for immediate action. You can't afford to sit by and hope someone else puts the fire out - each and every one of you must grab a hose and help.

Each one of these actions is part of our Emergency Recovery Plan. This plan will provide Massachusetts cities and towns the tools you need to best position yourselves to manage the short-term pain of this economic downturn and also lay a stronger foundation for growth and greater flexibility when we cycle out of this crisis. If we cannot provide direct aid, we can at least untie your hands to capture the savings and raise the revenue within your reach.

I anticipate that there will be vigorous debate on this plan and I welcome it. Now as always I remain open to better ideas. But endless debate is not acceptable. We need action - by the legislature and by you. Because behind every one of those budget line items is somebody's best chance or only chance. For their sakes we don't have a moment to waste.

Meanwhile, we continue to have an ambitious agenda for 2009. Just as the times require greater restraint in the operating budget, they demand more vigorous reform. In that spirit, we have proposed changes to the ethics and lobbying laws to restore the people's faith in the integrity of state government.

We will radically simplify our transportation bureaucracy, untangling the current cluster of knots and setting us on a course to a more efficient and effective transportation system.

We will tighten the pension rules so that abuses are eliminated and special benefits for a select few are removed.

And we will work to pass a meaningful anti-crime package that will focus less on old rhetoric and more on preventing crime.

On Tuesday on the Mall in Washington there was an extraordinary spirit of optimism and common cause. Our new president called on the members of government and the public alike to come together to reach for higher ground. In that same spirit, I want to work with you on these and other initiatives in 2009 and beyond. Now is not the time to lose our will or our way. I know together we can seize this moment to make our communities stronger. You can count on my support for that. You should know that I am counting on yours.

Thank you.