

01.25.13 Massachusetts Municipal Association Annual Meeting Remarks

AS PREPARED:

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Good morning. Thank you for having me.

I understand that the theme for today's meeting is "Pathways to Progress and Prosperity." I hope you feel our Administration has been a partner on the pathway for the past six years. Because we have consistently invested in building a better future for our Commonwealth.

We've invested in our schools so our students now lead the nation in student achievement and the world in math and science.

We've invested in innovation, helping high tech, clean tech and life sciences companies move and expand in communities from Holyoke to Burlington.

And we've invested in infrastructure, building new science centers like the Sherman Center at UMass Worcester, fixing broken roads in the MetroWest area, improving rail service to the Cape, expanding broadband access to the Berkshires, and supporting more affordable housing in Merrimack Valley.

All this to leave our Commonwealth stronger for the long-term.

Education, innovation, infrastructure. It's a strategy that has worked throughout

our history, and is working today.

Now, we need to take it to the next level, to accelerate our growth and expand opportunity. And I want to ask you again to partner with our Administration to do so.

I believe we all have to be about growth and opportunity. Opportunity is too important to leave to chance. We can't just sit back and wait for our schools to get better, or our roads to be fixed or our rail to be expanded or improved. In every community in this Commonwealth, we know that opportunity requires growth. And growth requires investment. What we choose to do, and not do, shapes our future. Indeed, as one friend of mine likes to say, "The future belongs to those who prepare for it."

In my State of the Commonwealth address last week and in my budget announcement earlier this week, I laid out a plan to prepare for that future. The budget I filed on Wednesday is a plan to grow jobs – to make investments in education, innovation, and infrastructure to grow opportunity in the near-term, and strengthen our Commonwealth in the long-term. We have also again proposed a number of reforms to improve the way government functions and achieve further savings. The total projected savings from those measures, if enacted by the Legislature, will be over \$100 million annually.

Our innovation economy relies on a well-educated, well-skilled workforce. This budget proposes to propel that economy forward. By providing access to high-quality early education for all low-income children; by extending learning time in high-needs schools; by making college more affordable; and by supporting community colleges as the platform for skills training, our budget substantially invests in the Commonwealth's signature economic advantage – the brainpower

and creativity of our people.

In that same vein, I am proposing to fund Chapter 70 school aid at the record level of \$4.39 billion – an increase of \$226 million from last year. This level not only funds every district's foundation needs but also provides an increase of \$25 per pupil and finishes the Chapter 70 equity reforms of 2007. This new funding should enable school districts to better supply classrooms and begin to restore enrichment and STEM programs that some districts have cut.

With the proposed increase in Chapter 70 funding and a \$31 million increase in Unrestricted Aid, local aid grows to 14.6 percent of the annual budget, or \$5.57 billion in FY14.

Like education, transportation is another critical foundation of a growth economy and absolutely essential to accelerating job creation and expanding prosperity today and into the future.

Our residents have told us that they want subways that run later into the evening. They want regional buses that run on the weekends and bridges that are safe. Families in New Bedford want to jump on a train to have access to the work and social opportunities here in Boston. Folks in Pittsfield want easier access to New York City.

We all want projects that are built more quickly, and a system that is more modern. We all want safer, smoother roads that are more comfortable to drive on and bring less wear and tear on their cars and trucks. All our communities need better access to jobs, affordable housing, and recreation – and we want it equitably in all regions of the Commonwealth

These are not frivolous or unreasonable wants. What our residents want is what

this Commonwealth needs to be economically strong in the future. So, in our transportation plan, we committed to ensuring we can pay the bills we inherited, repair our aging roads, rails and bridges, and make targeted expansions to unlock long-term economic development across the state. This budget begins paying for the 21st century transportation system that the people and businesses of Massachusetts need and deserve.

Our investments build on the success of a number of meaningful revenue raising and cost savings tools we've given to cities and towns. Two years ago at this very meeting, I introduced a municipal health reform bill to allow communities to either join the GIC or come up with their own health insurance plan or program of equivalent value and cost. Since then, 204 municipalities and regional school districts have come to agreements with employees, either by using the new reform process or negotiating outside of the reform, achieving more than \$200 million in premium savings. We've allowed communities a local option meals tax and an increased local option hotel/motel tax. And working with all of you, we've closed the telecommunications property tax loophole. Taken together, these tools resulted in \$328 million of increased revenue and cost savings for municipalities in FY12 alone, an aggregate of \$930 million since I first took office.

This year, I'm proposing reforms to the retiree health benefits plan. These changes -- deliberately and carefully agreed to by a wide range of interests -- will save the Commonwealth and municipalities up to \$20 billion over 30 years and will have a sustainable benefits system for future generations. Stemming from the work of the members of the Municipal UI Task Force, some of whom are here today, I've filed a plan to close loopholes muni unemployment insurance to better create a system that is both fair and collaborative.

But as important as reforms are and will continue to be, they are not enough. If we want to accelerate growth and expand opportunity throughout the Commonwealth, we have to invest more.

So, we are proposing to invest in accelerated growth. And as you have heard, we are proposing to pay for these investments by cutting the sales tax to 4.5 percent, raising the income tax to 6.25 percent, doubling the personal exemptions, and eliminating or limiting a number of itemized deductions or exemptions.

I do not submit this proposal lightly. I totally understand that many households in Massachusetts continue to struggle from the impact of the Great Recession. But I am confident that investing meaningfully in education and transportation today will significantly improve job growth and expand economic opportunity tomorrow.

My consideration of tax changes has been guided by three principles.

First, new revenue must be comprehensive, allowing us to pay our bills, maintain what we have, and invest in strategic development calculated to foster economic growth.

Second, in the case of transportation, new revenue must be dedicated, targeted to specific investments and projects so we maintain the discipline of our plan over time, and so that the public can hold us accountable.

And third, new revenue sources must be competitive and fair, so that taxes remain within range of our competitor states and each contributes according to his or her ability to do so.

With those principles in mind, our proposal gives us a tax code that is simpler and fairer, with sales, income and business taxes that are competitive with other

states and less burdensome on poor and moderate income wage earners.

We are now presented with a choice. We can choose to invest in ourselves, to invest in a growth strategy that has proven time and again to work. Or we can do nothing. But let's be crystal clear and honest with each other: choosing to do nothing is a choice, too. And that choice has consequences.

It means our Gateway Cities are left on the sidelines without the investments they need to thrive in the 21st century. It means our broken transportation system continues to crumble, leaving opportunities on the table for too many communities. It means some of our children are left struggling in classrooms, and too many of them will get left behind. And it means slow growth in Greater Boston and no growth everywhere else.

We need you here in this room – mayors, town managers, selectmen – to help us make the case for growth and opportunity. You know the need. You see the opportunity for growth. You will have to add your voice to the debate at home and at the State House.

Many of you have already stepped up and expressed your support for this plan, and I thank you. Mayor Flanagan of Fall River is already talking to his area's local legislators to lobby their support. Mayor Driscoll of Salem is out in front in full force. I know we all won't agree on everything, but I think we can agree that we need investments in education and transportation to grow jobs and expand opportunity for the citizens who live in our communities. Whatever part of the Commonwealth you call home, we all have a stake in leaving things better than we found them, and we have to work together to achieve it.

In that spirit, I look forward to working with all of you.