

In the Arena: The State Budget, Round 1

March 2007

By Tom Conroy

The Commonwealth's annual budget process officially started at the State House with the release last month of House 1, the governor's budget proposal for FY 2008, which begins July 1, 2007. House 1 is considered Round 1 in a long and iterative process that results in final spending decisions for the entire Commonwealth government. House 1 will be followed the creation of a House of Representatives budget in May, a Senate budget a few weeks thereafter, a legislative conference committee budget most likely in June, potential lines item vetoes from the Governor and potential legislative overrides, and ultimately the Governor's signature.

I have been analyzing the budget, line item by line item, and I encourage you to review it as well. My initial analysis entails a review of the governor's spending priorities on several levels, described below.

1. Does the governor's budget proposal serve the common good, and address our most pressing needs and obligations as a Commonwealth?

Mostly yes. Over the past decade, spending has been relatively consistent by program, and the consensus around that spending has focused on the Commonwealth's most pressing needs and obligations: health care (Medicaid and Medicare), and education (Chapter 70 funding for towns and cities, UMASS, and our state and community colleges), police, and the judicial system. But it still orients spending by simply comparing this year's funding levels to last years' spending, and categorizes spending in accordance with state agencies.

My hope is that we shift our thinking more in line with the outcomes that we are hoping to achieve with our state government, rather than simply funding agencies or programs. My initial evaluation of House 1 yields a different categorization of funding roughly aligned by outcomes:

- \* Health care and basic services to the needy : \$13.2 billion
- \* Aid to towns and cities to hold down property taxes: \$5.2 billion
- \* Debt servicing: \$1.7 billion
- \* Protect the public's safety: \$1.5 billion
- \* Judicial system to promote and enforce justice: \$1.1 billion
- \* Offer higher education to train our future workforce: \$1.0 billion
- \* Provide housing, transportation, and workforce training: \$1.0 billion
- \* Management and administration: \$1.0 billion
- \* Provide health benefit premiums for state employees: \$0.8 billion
- \* Preserve the environment: \$0.2 billion

\* Total: \$26.7 billion

In the next few months, I will be analyzing the budget at a more detailed level, and sharing my outcome-based perspective with my colleagues in the House of Representatives. I understand that a shift in thinking in others could take several years. I'll seek their collaboration in evaluating whether we are achieving the outcomes we are hoping for by funding existing programs, or whether changes should be made, and whether duplication of programs is occurring. In doing so, I'll also be helping to shape the House of Representatives budget by deciding what amounts are appropriate in order to achieve those outcomes.

2. Is it prudent, balanced and responsible on the macro level, realistically matching revenues with spending?

Mostly yes. The governor faced a challenge: present a balanced budget despite expectations for FY08 that capital gains and corporate tax revenues would not significantly outpace inflation as they have in the recent past. The reduced revenue expectation amounts to a \$1.3 billion estimated "deficit" for FY08 - despite the fact that FY08 hasn't started yet - on the assumption that spending for FY08 will equal FY07 spending. Responsible governors are obligated to use the best revenue estimates available when creating budget proposals, in order to balance revenues and spending. Governor Patrick did this. Consequently, his budget is not bold. He offers no big, headline grabbing new programs or initiatives that dramatically increase spending. Indeed, the Governor stated that he postponed spending increases until the future for areas that have been under-funded in the recent past, such as operations and maintenance spending for our state parks, and for higher education. Despite all this prudent responsibility, the Governor did resort to some funding mechanisms that are less than sound. These need to be evaluated closely.

3. Did the governor listen and respond to the specific priorities that I mentioned to him on behalf of Lincoln, Sudbury, and Wayland when we met during the campaign and again in February prior to his release of House 1?

Mostly yes. I have spoken to the governor on several occasions about the challenges Lincoln, Sudbury and Wayland are having with overrides and high property taxes. House 1 includes an increase by \$200 million Chapter 70 assistance to towns and cities for education. It offers to expand the circuit breaker relief from only the elderly to all lower income property tax payers. The Governor also coupled his budget with the idea of giving towns and cities the opportunity to hold property taxes down further by granting them authority to raise meals and hotel taxes at the local level. However, the Governor did not help Lincoln, Sudbury or Wayland enough with his Metco budget proposal. Earlier this month, after House 1 was finalized, I met the Governor again and let him know that higher reimbursement levels for Metco would not only benefit our three towns, but could also be part of his concerted overall effort to reduce the burden that property taxes are placing on all Commonwealth residents.

4. Is there unnecessary funding in the budget?

During my initial analysis of House 1, I have found questionable funding line items that deserve more scrutiny, such as:

\* Why is there a Division of Health Care Quality and Improvement (\$9.7 million) and a MassHealth Auditing and Utilization Review team (\$2.2 million) and a Health Care Quality and Cost Council (\$0.2 million)? Aren't they all essentially evaluating the same services and issues?

\* Why do we need Regional Emergency Medical Service councils (\$1.2 million) and what outcomes and results are they producing that are not provided by local police, fire, and hospital services?

I will continue to analyze the budget, and I encourage you to do your own analysis. Get a copy of the House 1 budget or review it online. Evaluate programs and services line item by line item. Review the websites of the departments and commissions that run the programs, and learn more about what they do and how they help the needy. Let me know what outcomes you want from government, and how you would prioritize spending to serve the common good. And you can certainly let me know what programs you don't think are worthy. Let's discuss it all.

My office hours, as stated are on March 16th in the afternoon at the Lincoln, Sudbury, and Wayland libraries. Please stop by. I relish the discussions I've had to date at office hours, and it would be great to hear how you might put yourselves in the shoes of the governor and create your own House 1 budget.

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