

In the Arena

By Tom Conroy

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"The State Budget at Stage 2: Right on Track"

Six weeks after the Governor put forth his budget proposal for fiscal year 2008, the House Ways and Means (HWM) Committee released its own proposal. The HWM budget represents the second stage in the budget season, with passage of a full State House of Representatives budget to be completed in the next week or so. The State Senate will then put its imprint on the process, with the House and Senate reconciling any differences thereafter, and presenting the compromise version to the Governor for his signature. Fiscal year 2008 begins July 1, 2007.

Despite some sensationalized (and misleading) media reports, the HWM budget is strikingly similar to the governor's budget. Both budgets call for \$26.7 billion in spending in FY2008, compared to \$25.7 billion in FY2007. Both represent a 3.9% spending increase. Both prioritize nearly half of the funds (>\$13 billion) for health care and basic services for the needy. Both fund public safety, the judicial system, and higher education at similar levels (combined total of ~\$3.6 billion).

In addition, both budgets demonstrate a strong commitment to helping local communities, with over \$5 billion in assistance to towns and cities. The HWM budget allocates more than the governor did - \$235 million (a 6.3% increase) - to local aid, made up of Chapter 70, lottery aid, and additional assistance. For Lincoln, Sudbury, and Wayland, the HWM budget provides \$350,000 more than the governor allocated, a demonstration that one-on-one meetings with the Speaker of the House and the Chairman of the House Ways and Means Committee - in which I strongly advocated for more state aid for our towns - made a difference. This significant increase in local aid gives our towns important assistance in meeting local budget needs while helping reduce the need for large property tax increases.

In sum, there is about 98% unanimity on budget priorities between the governor and the HWM budget. Reports of enormous differences between the two proposals are overblown. It's natural for a body of 160 elected representatives to deliberate, to weigh different ideas, and to consider various constituent points of view. It is easy for pundits to selectively report certain differences in such a way as to stoke cynicism about public servants and government. From my perspective, discussions on the small differences in the budgets have been exactly what you would want from elected officials: substantive, respectful, and with a commitment to work collaboratively on behalf of the Commonwealth to reshape those areas that need further refinement.

If there is one significant difference between the two budgets, it's on the revenue side. The Governor has proposed three revenue enhancement initiatives that could help reduce local property taxes. As the

legislature considers the governor's revenue proposals, I have found it helpful to review the sources of revenue that the Commonwealth relies on to provide the services that so many hold dear. Below is the House Ways and Means revenue summary:

Tax Revenues	
Income Taxes	\$11,604
Sales taxes	\$3,036
Corporate income taxes	\$1,519
Motor fuels (gas)	\$674
Meals	\$632
Motor vehicle sales	\$548
Alcohol, cigarettes taxes	\$498
Insurance	\$440
Financial Institutions	\$254
Estate Inheritance	\$225
Deeds	\$177
Public Utilities	\$133
Lodging	\$114
Other	\$25
Total Taxes	\$19,879
Transfers	
School Building Assistance	(\$635)
MBTA	(\$756)
State Employee Pensions	(\$1,398)
Total Taxes for Budget	\$17,090
Non-Tax Revenues	
Federal reimbursements	\$6,264
Departmental revenues	\$2,413
Consolidated transfers	\$816
Grand Total for Budget	\$26,582

One of the governor's revenue proposals would give towns and municipalities the authority to impose up to a 2% local tax on meals and lodging, above the 5% maximum that the state imposes already (for which it generates nearly \$750 million, as shown above). Another initiative seeks to remove an old local

property tax exemption on the telephone poles that phone companies installed throughout the Commonwealth. A third proposal would eliminate the state tax code clause that allows large corporations to, among other things, keep two sets of books in order to avoid paying corporate taxes to the state.

I'm becoming involved firsthand in these initiatives, in part because I have heard from many of you about them, primarily by letter or email. I have also heard testimony on all three of these proposals from the Governor himself - and scores of others during a four hour long hearing two weeks ago - while serving as a member of the Joint Committee on Revenue. Moreover, I have spoken about these initiatives with the House of Representatives leadership, which is placing primacy on disabusing the business community of its perception - which is factually unfounded - that Massachusetts is a state with high corporate taxes. Despite the fact that the perception is wrong, we need to deal with it. The question is, can we generate the new revenue through these proposed initiatives while not exacerbating the misperception?

A task force to review the corporate tax code is being established by the legislative leadership, with input from the Governor. I have asked to be on it. So have many others. I believe that my background in business and my graduate degrees in economics and business administration are relevant credentials. We'll see.

To provide further assistance to localities, the Governor has proposed two other initiatives. One would give towns and cities the authority to join the state's Group Insurance Commission (GIC), which has been able to manage rising health insurance premiums more effectively than most cities and towns. The other is originally a Kerry Healy idea: shift the management of some local pension assets from local systems to the state Pension Reserve Investment Trust (PRIT), which has generated outstanding investment returns. Both proposals are about good government and sound management: they focus on making our government more effective and efficient, so that your tax dollars are well spent. They would also immediately save money for our cities and towns, thereby offering property tax relief.

I've become involved in the GIC and pension reform initiatives while serving as a member of the Joint Committee on Public Service, which oversees issues such as state employee benefits. I've attended all three committee hearings on the initiatives, and I have been asked by the committee chairman to help forge improvements to the pension reform bill in collaboration with the Governor's team. I have also put forth ideas to strengthen the GIC bill with its author and the House leadership. It's likely that both bills will be voted on by the full House in May or June.

I have been fortunate to have been thrust into the middle of the arena on these major initiatives by the Governor, and I look forward to continuing to hear your thoughts on them as well. To prompt your continued interest, I'd like to introduce a new feature to this column: a trivia question. Can you guess what year the property tax exemption for telephone poles - which the governor is proposing to eliminate -

went into effect? I will list in my next column the names of the first five people from Lincoln, Sudbury, or Wayland to answer this correctly by phone 617-722-2575 or email at Rep.ThomasConroy@hou.state.ma.us .

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