

I am pleased to present to the General Court and to the citizens of the Commonwealth my budget recommendations for the upcoming fiscal year. This budget reflects two important goals of my administration. First, state government must wisely invest taxpayers' money to enable each person to achieve a lifetime of self-sufficiency. By prioritizing education and job creation and reforming the welfare system, my budget makes investments in critical areas that encourage economic independence. Second, state government must be fiscally prudent. My budget is balanced, relies on no one-time revenue sources, and honors the voters' call to roll back the personal income tax rate from 5.3 to 5.0 percent.

We are able to achieve these goals through job growth and state government reforms. Our unemployment rate is low, jobs are being created, and the Massachusetts economy is strong. As a result, tax collections are improving and allow state government to invest in vital programs and services. However, increasing tax collections alone is not sufficient to support the unchecked growth of state government. Our commitment to reform is necessary to create a sustainable, fiscally responsible state government. With the assistance of the General Court and dedicated public servants, we have gained purchasing efficiencies, reduced unnecessary bureaucracies, and improved productivity through informational technologies over the past two years. These reforms have resulted in significant savings and have helped Massachusetts regain solid financial footing.

Last year, I outlined a *Legacy of Learning* initiative to improve public education in Massachusetts. I presented a plan to reform the school building assistance program and create a merit-based scholarship program. I am pleased to report that both initiatives were implemented, with many municipalities now receiving the promised state assistance for local school buildings. Over 13,000 of our students have been awarded the first-ever John and Abigail Adams Scholarships. In my Fiscal Year 2006 budget, I recommend that we continue to invest in our *Legacy of Learning* initiatives. Spending on education will increase by almost \$100 million with a specific focus on our underperforming school districts. This budget marks only the beginning of critically needed education reform in Massachusetts. As I outlined in my State of the Commonwealth address, I will work with the General Court to pass the Education Reform Act of 2005. This act will focus on extending the school day, paying our best teachers more and attracting more science and math teachers.

By not raising taxes, delivering on-time budgets, and being fiscally prudent, state government has contributed to the improvement in the Massachusetts' economy. While state government does not create private sector jobs, we can facilitate their formation through targeted efforts. Lowering the personal income tax from 5.3 to 5.0 percent will make Massachusetts more attractive to both employers and employees. In addition, I recommend the creation of a salesforce to attract Fortune 1000 companies to Massachusetts, a small business initiative, and an industry-driven workforce training program. Finally, I will file an economic and job stimulus bill in February to streamline permitting, increase outreach to businesses, invest in emerging technologies and update our pro-growth tax policies. Each of these policies will contribute to a healthier Massachusetts economy.

The budget also includes an important welfare system reform. While great strides have been made to reduce the number of people dependent on welfare over the last decade, more needs to be done. Today, only 20 percent of adult welfare recipients work in Massachusetts. This must change, as more Massachusetts workers means a more prosperous economy for all. My welfare reform initiatives will institute the federal government standard for work requirements and work activities. These reforms are designed to encourage recipients to acquire job skills and economic independence.

Our reform efforts are taking root in the Health and Human Services accounts, the largest part of the state's budget. On-going management efficiencies gained through drug formularies, information technology and targeted case management all contribute to the stabilization of these accounts.

My budget keeps our commitment to both seniors and the disabled. The new federal Medicare Part D program will provide a prescription drug benefit for Medicare beneficiaries. This new program presents both opportunities and challenges for the Commonwealth and its seniors and disabled populations. My budget ensures that those currently receiving benefits under the state's Prescription Advantage program will be just as well-served under the new federal program.

I will once again ask the General Court to merge the administrative and operational activities of the Massachusetts Turnpike Authority into the Massachusetts Highway Department. This action will have a one-time savings of \$150 million and will save at least \$20 million annually. All of these savings will be dedicated to toll payer relief.

To our partners in municipal government, my budget recommends an increase of \$100 million that will be allocated to cities and towns through the lottery, increasing that account to \$761 million. This move makes the one-time \$75 million payment permanent to cities and towns received last summer after the original Fiscal Year 2005 budget was signed, and increases it by another \$25 million. The budget will also propose the acceleration of the five-year schedule to uncap the lottery, beginning in Fiscal Year 2006 instead of Fiscal Year 2007.

In addition, the category of local aid known as Payment in Lieu of Taxes, or PILOT, which compensates cities and towns where tax-exempt state properties are located, will increase by 20 percent, from \$12.5 million to \$15.1 million.

My Fiscal Year 2006 budget recommendation keeps the commitment that I made to the people of Massachusetts. It invests in critical areas to foster an environment of educational attainment, economic growth, and self-sufficiency. It maintains fiscal discipline through a budget that is balanced with no gimmicks. It honors the voters' choice of a tax cut by reducing the personal income tax from 5.3 to 5.0 percent. I believe this budget recommendation serves as a blueprint for a better and stronger Commonwealth.