

June 4, 2009

To the Honorable Senate and House of Representatives:

Pursuant to Section 7H of Chapter 29 of the Massachusetts General Laws, I am revising my House 1 budget recommendation to provide for a balanced fiscal year 2010 budget with a bottom line of \$26.9 billion.

The revised Fiscal Year 2010 budget recommendation reflects the rapid decline in state revenue collections between January and May. Neither the administration nor the economists we regularly consult with predicted the extent of the steep decline in revenues facing the Commonwealth. Like most states, Massachusetts continues to experience the effects of a global economic downturn unseen since the Great Depression. Accordingly, the plan I submit today is a fiscally responsible blueprint, which adjusts for the new consensus revenue estimate of \$17.989 billion. With nearly \$1.5 billion less in revenue available than originally projected, every family, community and citizen across the Commonwealth will feel the impact of the fiscal crisis. Notwithstanding the severity of the economic downturn, I firmly believe now more than ever we must remain committed to public education and health care access, and this revised budget reflects that commitment. Specifically, this plan will hold Chapter 70 education funding at the same level as I proposed in the House 1 budget recommendation.

To address the shortfall, we have relied on additional budget reductions, the use of Federal Stimulus Funds and other spending and revenue solutions. The revised budget also uses a lesser amount of stabilization funds than we proposed in House 1 in order to ensure the

health of the fund for future years as we cycle out of this economic downturn.

I have included new revenues as previously provided in the House 1 budget. However, this budget revision does not rely on an increase in the sales tax as both the House and Senate budgets propose. I continue to believe that we must have meaningful ethics, transportation and pension reforms before we ask the people of the Commonwealth to contribute more in the way of broad-based taxes. For the last several weeks, Lieutenant Governor Murray, members of my cabinet, senior Administration officials and I have traveled across Massachusetts to hear directly from the citizens who live and work in this state. In every forum we have held, we have heard a demand for these reforms. Accordingly, I will continue to work with members of the General Court to enact these critical reforms before a final budget is signed.

As the conference committee finalizes the fiscal year 2010 budget, which begins July 1, 2009, I urge favorable consideration of this revised budget plan.

Respectfully submitted,