

Message from the Secretary of Administration and Finance

In the attached document, Governor Patrick offers his revised version of House 1, the Patrick-Murray Administration's budget proposal for Fiscal Year 2010. The original House 1 was timely filed on January 28, 2009. Questions will likely be asked about the significance and relevance of this budget in light of the fact that the Legislative Conference Committee will soon commence and typically only the House and Senate final versions of the budget are considered in conference.

We believe that this proposal is significant and relevant for a number of reasons.

The Governor has a statutory obligation to file a new budget if projected revenues fall below budgeted levels. When the Governor filed House 1, the consensus revenue figure was \$19.53 billion; on May 6, House Ways and Means Chairman Charles Murphy, Senate Ways and Means Chairman Steven Panagiotakos and I revised the FY10 consensus figure to \$17.989 billion. Because of the timing of this decision, to date only the Senate budget has reflected the new revenue challenges. Refiling House 1 using the lower revenue figure allows the Governor to present the decisions – and difficult choices – needed to balance the budget as we now understand it.

Governor Patrick likes to say he welcomes good ideas wherever they come from. We have had the benefit of seeing the approaches taken by the House and Senate in their budgets, and our re-filed budget reflects thoughtful elements of both. This version contains some new elements as well, including several new tools to allow us special flexibility in managing through what will be a very difficult year.

Re-filing the Governor's budget with full information on House and Senate final action has the added benefit of making this a realistic document that will serve as a useful blueprint for the Governor's decisions once the conference committee report arrives on his desk. A timely, responsible, balanced budget is key to maintaining the Commonwealth's financial obligations and excellent credit rating through these difficult times, and we need to be ready to take prompt action once the bill emerges from the conference process.

Governor Patrick's original FY10 budget contained a number of targeted revenues. The House and Senate have opted for a broad-based sales tax increase instead. In light of the financial challenges facing Massachusetts citizens, and to bolster public confidence in the Commonwealth and its elected officials, the Governor has called for a number of reforms to be enacted before he will approve new revenues. Work is well underway in the Legislature on transportation reform, pension reform, and ethics and lobbying reform, and the Governor is confident there is time for good reform legislation to reach his desk by June 30. However, this proposal presents the Governor's vision for a budget that, though austere and containing many difficult choices, is balanced without the sales tax increase in the event successful reform bills are not forthcoming.

We acknowledge this budget contains hard choices and will require sacrifices from many citizens, organizations, and local government partners that count on the state for support. It means slowing down some of the Governor's own priorities. But it preserves most of the progress in two areas of special concern: education and health care, and that is no easy task given the share of the budget consumed by these programs and the revenue losses we have experienced.

We also acknowledge that filing this budget does not start the budget clock over. We have not started from scratch but have largely worked within the parameters of the legislative proposals to date, adding some new elements we believe will strengthen the final product. We recommend and hope that the Conference Committee will adopt an order allowing them to introduce our version into conference to give them more options for achieving a responsible and balanced final budget.

I would like to thank Governor Patrick and Lieutenant Governor Murray, their staff and Cabinet, and especially my team at the Executive Office for Administration and Finance for capping a difficult budget year with this challenging effort to refile House 1.

Sincerely,

Leslie A. Kirwan