

Beacon Hill Byline by Mary Rogeness

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Happy New (Fiscal) Year!

Calendars may say we are now only halfway through the year 2005, but the state has already opened FY 2006, its new fiscal year. It is sometimes touch and go whether a budget will be enacted by the July 1st start of the year, but this year the budget made it under the wire. It was signed by Governor Romney on June 30.

What does the budget do? It sends more money to cities and towns; it adds to higher education funding; it sustains most government programs at existing or increased levels; it focuses new dollars on public health and safety.

How can it add those dollars? Several measures provide new money for appropriations. Over-budgeting for this year's Medicaid expenses provided significant money for other uses. Increased revenue projections allowed for new spending. And a third factor was added at the last minute. The budget was developed using revenue projections for the coming fiscal year of \$17.1. FY 2005 was supposed to have state tax revenue of \$15.9. But by the end of the year, tax receipts, which tracked higher month by month, exceeded the projection by more than \$1 billion. The state took in almost as much money as it projects for the next fiscal year. In a stable, growing economy, those facts make an emphatic statement that next year's budget is very sound.

The budget increases that mean most to Longmeadow are the 4 ½% boost to local aid, \$163,000 increase in school aid and a significant addition to Metco funding. Other important additions include \$500,000 for full operation of Springfield's new YWCA shelter.

I have written about the programs that benefit from new state spending. Naturally there are other programs that do not share the state's largesse. And it was particularly painful to see their limited funding when the excess, unbudgeted revenue was tallied. Any limitations on funding are a necessary part of a responsible budgeting process, however, and Massachusetts reaped its first reward for that process last Friday.

Fitch Ratings, one of three Wall Street bond rating agencies, announced an upgrade to AA for Massachusetts state bonds, writing, "Prudent financial management through the recent downturn has positioned Massachusetts well." We now outrank both New York (AA-) and California (A-). Each upgrade of the bond rating is important because it lowers the cost of selling state bonds.

When I entered the legislature in the early '90s, our state had severe budget shortfalls and lowest-in-the-nation bond status. Years of unprecedented growth were then accompanied by steady upgrades to the bond rating. The economy's collapse in 2002 caused constriction to state spending, but the state's fiscal restraint in that difficult situation carried us through the down years without hurting the ratings. As the economy continues to recover, we now see a payoff for that responsibility.

Having written about how responsible Massachusetts decision-makers have been, I will close with the hope that we can spend some of those unexpected state dollars. Our town is not the only community to face a failed override, nor alone in cutting some important municipal services. In the coming months, I will support a supplemental budget that distributes additional funds to cities and towns. Any new funding cannot change budgets that were set at last spring's annual town meetings, but it will strengthen the balance sheets throughout the state. After all, a rising tide *should* raise all boats.