

Beacon Hill Byline by Mary Rogeness

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What's in a Word?

This week the Byline takes on an ambitious task: trying to explain recent public pronouncements about the state of our Massachusetts budget in a way that is both comprehensible and readable. What is a deficit as opposed to a shortfall or gap. It may be beyond my power to make it interesting as well, but I will try.

Before embarking on that task, I will share some good for everyone who pays income taxes. As a result of increased state revenue from last January to December, taxpayers gain an increased personal exemption for 2006 state income tax. Your exemption increases by \$275, \$425 or \$550, depending on your filing status. This marks the third straight year that revenue growth outpaced inflation enough to trigger the increase.

Now to explain the state budget. Here's a simple comparison to your household budget. If you have \$50,000 as income and spend \$50,000, of course your budget is balanced. If you spend \$55,000, taking \$5,000 from a savings account, the budget is still balanced because you still meet your expenses. In state budget terms, however, it is not *structurally* balanced.

This year's state budget was not structurally balanced because it depended on \$400 million from the rainy day fund. The fiscal year does not end until June, however, so unanticipated revenues may fill that gap, closing the books in the black. Boston decision-makers agree on that assumption.

The budget that is in the news now is for FY (fiscal year) 2008, the budget that must be adopted by July 1.

According to news reports, Gov. Patrick commented in early January that his budget has a structural deficit in excess of \$1 billion. Those reports were puzzling to me because he had just augmented the only budget currently in place by \$384 million, creating by his action the only risk to its structural balance.

It is now clear that Gov. Patrick refers to the new budget he will create when he talks budgets. And he anticipates a billion dollar *shortfall* that will create a billion dollar *gap*. If current programs are continued, he projects a billion dollar *deficit* that will require half of the state's rainy day fund to produce a budget that is not *structurally balanced*.

How did Massachusetts reach this point? The Department of Revenue has verified significant revenue growth by approving the increased exemption. The gloomy picture comes from revenue forecasts for the year ahead. The consensus revenue estimate, released last week, projects a 3.2% or \$740 million increase in FY2008. Many budget items increase automatically, and the governor naturally has new items he wants to fund. Those expenditures combine to exceed the available resources.

The governor has already indicated that 1,000 new police officers cannot be funded and that any new aid to cities and towns will be minimal. In addition he has asked cabinet members to cut 5% to 10% from their budget requests. He will present his budget later this month, and we will then find out what he trims and which initiatives he pursues.

Then the budget comes to the House of Representatives. House leaders project a smaller gap of \$800 million, but they want to address even more unmet needs. In the past few weeks I have met with advocates and officials who have real needs for new state support. I doubt if any representative is hearing from activists who wants less state money.

Stay tuned for "As the Budget Turns."