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TOP PATRICK AIDE SEES BUDGETARY "PERFECT STORM"

By Michael Norton
STATE HOUSE NEWS SERVICE

STATE HOUSE, BOSTON, SEPT. 8, 2009.....State government leaders face the "perfect storm" of cost pressures tied to increasing strain on social safety net programs, predictions of weak revenue growth, and dwindling reserves and federal funds to balance future budgets, the state budget chief told local officials Tuesday afternoon.

With unemployment still on the rise, federal stimulus funds flying out the door, and a once \$2.3 billion state rainy day fund balance nose-diving towards \$500 million, Administration and Finance Secretary Leslie Kirwan also cautioned local government leaders of potential mid-fiscal 2010 budget cuts.

Administration officials are monitoring tax collections this month and readying plans to reduce spending.

"September is going to be key and I can't emphasize this enough," Kirwan said. "It's a big month and it's going to be very indicative."

Kirwan has instructed state department heads to prepare budget cuts that could be triggered next month if the administration, based on September collections, decides spending reductions are necessary.

"We are not going to make that call until October 15," Kirwan said.

Whether the governor asks the Legislature for expanded powers to cut spending beyond the Executive Branch, as he did last fiscal year, depends on the magnitude of revenue losses, Kirwan said.

During a meeting of the Local Government Advisory Council, local government leaders said they're getting crushed by pension system costs and investment losses and contract-related fallout from a slashing of state fund for police reimbursements under the Quinn bill. And local officials said they're fearful about the impact on traditional public schools of a push on Beacon Hill to expand access to charter schools.

Kirwan said state government was still dealing with "remnants" of fiscal 2009, which ended June 30. Kirwan said the state reduced its workforce by 1,000 positions last fiscal year but still faces a \$180 million gap as the state comptroller moves to close the books. Budget reversions "may cure that shortfall," she said, but additional draws from the state's rainy day fund, which is closing in on \$500 million after hitting a \$2.3 billion peak, are possible.

A 25 percent increase in the state sales tax, rainy day funds, and "generous" use of hundreds of millions of one-time federal stimulus law funds are helping to balance the current fiscal 2010 budget, along with spending cuts. Kirwan said this year's budget eliminates 750 state positions.

"Most of the 750 could be layoffs," she told two reporters after her remarks before the council.

The fiscal 2010 budget uses about \$1.6 billion in federal stimulus funds, leaving about \$720 million available for use in fiscal 2011, administration officials said.

Since all states are coping with budget problems exacerbated by the recession and predictions of a slow recovery, Kirwan, while noting the administration is planning based on currently available revenues, said she hopes Congress will give consideration to “fiscal remedies” to the problems facing all states.

Asked to estimate the projected fiscal 2011 budget gap, Kirwan said the administration was working on that figure but noted spending pressures associated with the economy and the planned exhaustion of massive amounts of federal aid are in addition to a \$1.3 billion underlying structural budget deficit.

Geoffrey Beckwith, executive director of the Massachusetts Municipal Association, said “no one is out of the fiscal woods yet” and said Kirwan’s presentation raised “very serious questions” about ballot campaigns to reduce taxes.

Beckwith said cities and towns would meet legal obligations but said continuing budget difficulties will force residents statewide to consider acceptable levels of services.

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