

**UNIVERSITY OF MASSACHUSETTS AMHERST
OFFICE OF THE FACULTY SENATE**

From the 692nd Regular Meeting of the Faculty Senate held on February 25, 2010

ADDRESS BY SENATOR STANLEY ROSENBERG

Senator Rosenberg noted that nothing has changed much; we are still in financial difficulty in the Commonwealth. The Governor has released a budget which looks pretty good on a lot of accounts and to a lot of constituencies. The difficulty with the budget is that it counts on revenue that has not yet materialized. The largest share of the budget would be some federal funds. We are pretty optimistic that a lot of those federal funds will, in fact, materialize, but we do not know that all of them will materialize and that they will be at the level the Governor is predicting. The Governor also asked for some revenue increases -taxing soda, candy, tobacco products and some other things. These taxes are estimated to create \$100-\$200 million in new revenue. Again, the Legislature has not approved this revenue increase yet.

Right now, there is no serious discussion of any additional tax increases at the state level among Legislators. Part of the reason for that is because we raised the sales tax last year and, in doing so, increased revenues by approximately \$1 billion. The increases have not quite reached the billion dollar level due to the state of the economy but it is a significant increase in revenue nonetheless. We also did something on the alcohol side, so that produces \$70-\$80 million as well.

Both of those tax increases are now the subject of referenda questions which will be on the ballot in November. We do not know which of three versions proponents will put on the ballot, a repeal, or a roll back to 5% or 3%. They collected signatures for two of the three initiatives. Senator Rosenberg could not remember which one the proponents did not get enough signatures. The bottom line is that they will control, by those signatures, which one will get on the ballot. The Legislature is asking, 'do we really want to tempt fate and add additional anger among the taxpayers who are worried?' There is a lot of economic insecurity right now. People are worried about the future of their jobs. They are worried about whether they can pay their mortgages. We raised taxes, now people want to repeal or roll them back. Do we, in the face of that, entertain any additional taxes? So far, the answer has been no.

Going into this year's budget process, we are basically looking at a projected deficit of \$2.7-\$3.0 billion. It may be closer to the \$2.7 billion which would be good news. The problem is real because there is a structural deficit. This is partly due to the federal stimulus money the state received last year which was rolled into the budget. The federal government hoped that the stimulus money they were giving us for education and health care would last through three state fiscal years. The recession got so bad that we actually ended up using a little of it in the first year, when we got it, to close the deficit of that fiscal year. We used most of the remaining money in the budget we are in now. This leaves almost nothing for the next fiscal year (about \$100 million for education in total, and that is Pre-K through higher education).

This budget process will be the most difficult of this recession and Senator Rosenberg's legislative career. He noted that this is his third recession. The 1988-1992 recession was bad and the 2001 recession was bad, but neither of those holds a candle to what we are dealing with in this cycle. We have already dealt with a little over \$7 billion worth of fiscal problems in the two fiscal years of this recession so far. In the previous two recessions, which were four and five years long, the total we dealt with over those four to five years, in each case, was \$6 billion. We have dealt with \$7 billion over the last 18 months. This one is very, very, very different than any other recession we have experienced in the past.

The upcoming budget debate will be very difficult, very ugly. If there are no revenues, and there does not appear to be any will to do new revenues, and if the Federal Government does not come up with additional stimulus money (so far they say they will not), then all we can count on from the

Federal Government is the money we receive relating to health care, money that is tied to our universal health care program. That was a generous opportunity that we ended up having for the taking on that program. We are the only state in the country taking on the responsibility of having health insurance for everybody.

It will be a very, very challenging budget cycle. It will be a challenging election cycle. The Governor is running for re-election. He is being challenged in the Democratic Party, he is being challenged by an Independent, and there are two Republican candidates with deep pockets who are running. One of the Republican candidates recently declared bankruptcy, but since that was his business, we do not know how much personal wealth he has to put into getting what he hopes will be his new job. The Attorney General has announced that she is going to run for re-election. The Lieutenant Governor is obviously going to run for re-election on the Democratic side and he will be challenged by a Republican. The Secretary of State is running for re-election. He was looking at running for Attorney General but that did not work out because the Attorney General stayed in state. The Auditor and Treasurer seats are both open. This will be an extraordinarily active political year and an extraordinarily difficult year as we head into the July 31st deadline for completing formal sessions of the state legislature.