



ORGANIZING AROUND OUR STATE BUDGET DEFICIT

Supporting Our State and City Programs

It is time to speak to our neighbors, our legislators, our state and local media about the need to support our communities, but we must have these conversations with all of our options on the table. It is no longer enough to say, "don't cut this important program," or "this program is vital, and its funding must be restored."

If we push only for additional funding, potential allies may be wary of supporting our priorities while our state operates under a \$3 billion deficit. They are forced to build budget priorities in an environment in which many worthy programs are competing against each other to be spared.

If we come to the table with suggestions on how to face our ongoing budget issues, options like reforming our current tax breaks, utilizing our Rainy Day Fund, and raising new, progressive taxes, then our credibility in asking for programmatic funding, or rolled back budget cuts is vastly improved.

What follows is a fact sheet on understanding these issues and some suggestions on proposals you can make in addition to standing up for the funding for the programs you believe in:

The Massachusetts Structural Budget Deficit

Our state budget deficit is currently in the range of \$3 billion. This means that our revenue – in the form federal funding as well as taxes and fees from corporations and individuals – is significantly below the amount needed to run our public structures.

Permanent Cuts and Long-Term Consequences – 1990's

Although many blame our state's deficit solely on the recent national recession, these fiscal issues are also the long-term consequences of decisions made over decades. During the 1990's, our state enacted billions of dollars in tax cuts. Some were credits targeted to businesses, including banks, financial service companies, and manufacturers. Some cuts went to all taxpayers, including cuts to the income tax rate and the rate on dividends that benefitted the wealthiest residents in our state.

These permanent tax cuts left our state budget in the red when revenues dropped back down from peak levels. The situation was worsened when hit by the national recession which led to large scale unemployment, less consumer spending, less business sales, more foreclosures – all affecting our state revenues.

Changes in Revenue Policies and Budget Priorities – 2009

In order to balance the structural deficit, Governor Deval Patrick enacted \$2.2 billion in budget cuts and savings. These cuts were across the board. Youth programs like YouthWorks Teen Jobs, School to Career Teen Jobs, Shannon Anti-Gang Violence Program, and the DPH Youth Violence Prevention Program, Mentoring, and ASOST suffered cuts between 43-65%. Savings strategies included stretching out unfunded pension liabilities over more years.

In addition, the sales tax was increased from 5% to 6.25% and extended to cover alcohol. This brought in about \$800 million annualized and some went to the MBTA and Mass. Turnpike and about \$600 million to the general budget which lessened the cuts by that amount.

Strategies for Closing the Deficit – 2010

By June 30th, the Legislature and Governor will have to find close to \$3 billion to fill the budget deficit. They have many possible options, which include one or more of the following:

- ***Rainy Day Fund*** – Up to \$500 Million
- ***Federal Stimulus Money*** – \$700 Million remaining
Additional federal stimulus money, possible pending passage by Congress.
- ***Review of Corporate Tax Cuts*** – Ending or lessening tax cuts or tax breaks to businesses. Examples:
 - Film Tax Credit – \$150 million.
 - Single sales factor on taxes paid by corporations with operations here and in other states – \$100 million.
- ***Restoring/Raising Taxes***
 - Dividend Income Tax (to 12% from 5%) – \$500 million
 - Personal Income Tax (to 5.95% from 5.3%) – \$1.25 billion
Combined with a \$500 million tax cut for those earning less than \$70,000 a year, it would still raise \$725 million.
- ***Budget Cuts*** – Even if we did *everything* but raise the income tax, some additional budget cuts would still be necessary. Clearly, the less revenue raised by our state, the more budget cuts will need to occur.

Building Community Support For Our Communities

It is vital that we demonstrate to our elected officials – both in the Legislature and in the Governor’s Office – that our communities will politically support their push for additional revenues. There are a number of ways to do this:

- ***Legislative Priority Meetings*** – One of the most important ways to support your budget priorities is to make sure that your legislators make it one of their top priorities when they speak one-on-one with their House or Senate leaders. You can ask for such a commitment by organizing a local meeting with your legislators. This is also the right place to express your support for revenues in general. Each legislator gets to meet 1:1 during February-March about their own budget priorities with the powerful Chair of the House or Senate Ways and Means Committee. See additional info sheet: *Organizing Meetings With Legislators*.
- ***Tax Cut Referendums*** – In 2008, people in communities across the state organized to defeat Question 1, a ballot question designed to eliminate the state income tax, a move that would have cut the entire state budget by 40%. In 2010, we will likely have to organize to defeat a ballot referendum to cut the state sales tax from 6.25% to 3%, which would mean \$2.5 billion in lost revenue and require that much more in budget cuts.
- ***Community Organizing Efforts*** – In addition to short-term efforts reacting to our current budget deficit, we must begin working for a balanced, stable, and adequate tax reform package for 2011. These efforts, made during a non-election year, could help us strategically close the deficit and stop unnecessary cuts. This would likely take the shape of a package of reforms, including some or all of the revenue boosting measures mentioned above.

ASK FOR HELP

Please contact Lew Finfer at Massachusetts Communities Action Network (MCAN) and the Safe Teens/Safe Communities Coalition with questions or for help in organizing your meetings with legislators on your budget priorities and revenue issues. (617) 822-1499 LewFinfer @[gmail.com](mailto:LewFinfer@gmail.com)

Other very helpful organizations on revenue and tax questions are:

- One Massachusetts www.onemassachusetts.org
- Massachusetts Budget and Policy Center www.massbudget.org