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CONSUMER PROTECTION & PROFESSIONAL LICENSURE
VETERANS & FEDERAL AFFAIRS

STATEMENT FROM SENATOR BENJAMIN B. DOWNING REGARDING THE SENATE'S FY 2010 BUDGET DEBATE

(May 21, 2009) -- Crafting a responsible Fiscal Year 2010 budget has been a difficult exercise for a number of reasons. First, the Massachusetts economy faces multiple challenges due to the global economic recession. All of the taxes the state collects are tied to economic activity. When the economy slows down, revenues decline and structural deficits emerge in the state spending plan. If the Senate's FY 2010 budget maintained level funding in all accounts from FY 2009, without new revenue, we would have had a \$5 Billion deficit.

Second, the budget process was complicated by competing and conflicting concerns. As the economy sours and slows, more people demand government services. Since January, when the Governor filed his budget, I have been contacted by over 1,400 constituents, more than during any other legislative deliberation. These constituents called and wrote, urging me to preserve state funding for the services they rely upon, even at the cost of paying higher taxes.

No one wants to see cuts to core government services; similarly, no one wants to raise taxes during a recession. Middle class families are already strapped: thousands have lost their jobs and thousands more face this possibility. Taking all of this into consideration as we entered the budget debate my colleagues and I attempted to balance the need for real reform and deep spending cuts, while preserving core services. Meeting the final goal, unfortunately, required new revenues.

Before describing what taxes I voted against and what taxes I voted for, it is also worth highlighting the reform measures that have passed the Senate this session. All of these measures are currently being negotiated in conference committees with the House.

- **Transportation Reform** – eliminates wasteful bureaucracies, including the Turnpike Authority, improves funding for Regional Transit Authorities, and ends pension/healthcare abuses at the MBTA, among other provisions.
- **Pension Reform** – closes loopholes that allow elected officials to increase pensions, ends provision which gave individuals credit for full year of pension after serving one day, and defines “regular compensation” to avoid counting non wage benefits toward pension, among other provisions.

- **Ethics Reform** – banned contributions by lobbyists to political campaigns, increased penalties for bribery and failure to comply with lobbying regulations, enhanced power of Secretary of State to subpoena financial information from lobbyists, and other steps.

None of these reform initiatives are perfect, and once implemented they will not save \$5 Billion – enough to eliminate the budget deficit the Commonwealth faces. However, I strongly believe each package represents significant reforms demanded by the citizens of Massachusetts. They also show our commitment to reforming state government, to make it more efficient and effective.

Taxes

My colleagues and I offered different proposals to mitigate deep cuts to core essential services. As Senate Chair of the Revenue Committee, I have studied these proposals and their fiscal impact on state, local, and personal budgets. During the Senate budget debate I spoke on many of these amendments and I will post that video to my online video archives.

Here are the taxes I voted against:

- **Raise Income Tax to 5.95%** - I voted against this proposal for several reasons. First, the voters/taxpayers of the Commonwealth were clear in their vote nearly a decade ago that they wanted to reduce the income tax. Second, the tax, which would raise roughly \$1.3B, was, in my mind, too large.
- **Gas Tax Proposals** – I cast two votes against amendments attempting to increase the gas tax by \$0.11 and \$0.19, respectively. The estimates that justified these proposals were based on our current inefficient and ineffective transportation system. Both the House and Senate have passed transportation reform proposals, and a final package will soon be completed to establish a streamlined and more efficient system.
- **Business Tax** - I voted against stopping a reduction in business taxes and I also voted against repealing part of the business tax reform (“combined reporting”) passed last session. Businesses of all sizes are downsizing, if not closing. Keeping this reduction in place mitigates some of the economic pressure on them. Additionally, repealing combined reporting, which hasn’t even been implemented fully, would have been both unwise and premature.

As Senate Chairman of the Revenue Committee, my role, when necessary, is to determine what support exists for new taxes, what proposals are most viable, the fiscal impact on state, local and personal budgets, and make a recommendation to the members of the body. Having watched the House of Representatives and after talking with all my colleagues, I found there was consensus on one broad-based tax increase:

- **Sales Tax Increase to 6.25%** – I sponsored this amendment and voted for this increase, which passed by a vote of 29-10. Increasing the sales tax by 1.25% is projected to bring in an additional \$633M in revenues during FY 2010. The Senate exempted meals taxes (which traditionally had been charged at the same level as sales) from the increase, meaning they remain at 5.0%. The following items also remain exempt from the sales tax: food, clothing

(up to \$175), utilities, services, and other items. I should note, I do not think the sales tax is a good tax. I do feel, however, it is the least bad of the options we had to take the harshest edge off the deep cuts from the Senate Ways & Means budget.

Several other proposals were adopted by the Senate on a voice vote. If a roll call had been taken on these matters, this is how I would have voted.

- **Municipal Relief Package** – I would have voted “YES.” As a member of the Municipal Relief Commission and a former appointee to the Governor’s Advisory Council on Local Government, I have heard repeatedly from local officials that in order to lessen their dependence on state aid they need the ability, if they so choose, to raise local revenues. This proposal authorizes communities to raise the hotel/motel tax by 2% and the meals tax by 2%, if they so choose. It also removes the property tax exemption on poles and wires for telephone companies, while leveling the playing field between cable and satellite companies. Finally, this proposal adopts the Commission’s recommendation on municipal health insurance, which could save communities at least \$100M.
- **Remove Sales Tax Exemption from Alcohol** – I would have voted “NO.” Last session I voted against this proposal when it was debated and I continue to oppose it. While I believe the substance abuse and social service programs that will be funded out of this revenue are worthy, I do not think an additional tax on alcohol (which is taxed through an excise at the wholesale level) is the proper way to fund them. That being said, the amendment passed on a voice vote and is contained in the Senate budget.