

Massachusetts Governor Deval Patrick glosses over the economic crisis

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Just before the President's State of the Union address on January 28, Massachusetts governor Deval Patrick gave his final State of the Commonwealth Address. The speech had been scheduled for the previous Tuesday, but was postponed because of a snowstorm.

Patrick, a Democrat and former Coca-Cola executive, has insisted that he will return to a corporate job when his second gubernatorial term expires next January. However, his denial in the face of speculation about a presidential run or appointment as US attorney general does not square with the content of his speech, in which he boasted of his accomplishments and of having "governed for the long-term."

Thus, the speech, along with the fiscal year 2015 budget proposal Patrick released on January 22 and the 5-year Capital Plan published by the Massachusetts Department of Transportation on January 10, are far more optimistic than reality will support. The Capital Plan promises, for example, to start replacing 43-year-old subway cars with new ones, and Patrick proposed in his speech to "start building them right here in Massachusetts." Yet the Plan would fund less than two thirds of what's needed, and to do so would mean borrowing on the predatory bond markets.

Similarly, the HomeBASE program begun in 2011 was touted by Patrick's administration as a reform of government aid to the homeless. Its purpose was to provide assistance so that homeless families could rent apartments instead of staying in shelters. The program, which provides the inadequate amount of \$4,000 per year for rent or security deposit, was cut within a year so that recipients were eligible for only one year of aid instead of the original three.

This penny-pinching occurred at a time when homelessness in Massachusetts was growing to crisis levels. Families are now being housed long-term in

motels (see "Homeless crisis deepens in Massachusetts"). The governor proposes to fund HomeBASE at slightly more than \$20 million in the fiscal year beginning July 1, 2014, compared to the nearly \$60 million allocated in this fiscal year.

The governor's FY2015 budget is currently just a proposal, and negotiations with the legislature usually last into late spring. The Massachusetts legislature has for decades been controlled by the Democratic Party, while the state's governors have come from both parties. The negotiations are unlikely to result in substantial spending increases beyond those proposed by Patrick.

The actual condition of the Commonwealth, according to the Massachusetts Budget and Policy Center's "State of Working Massachusetts 2013" report, is that nearly 12 percent of the population is below the federal poverty threshold. Among children younger than 18 in the state, 15 percent live below the poverty level.

Patrick has made much during his administration of the so-called innovation economy, which includes sectors like biotech and green energy. While the proportion of Massachusetts workers with a bachelor's degree or higher increased from 19.8 percent in 1979 to 45.9 percent in 2012, many of the governor's "reforms" to public education would funnel workers into what are essentially vocational programs. High unemployment and poverty will also work to the benefit of employers in Massachusetts, as they do nationwide.

The large number of college graduates contributes to income inequality. Although Massachusetts had a relatively high median wage in 2012—the third highest in the nation—MassBudget reports that real wages of workers in the bottom 20th percentile dropped by 1

percent between 2001 and 2007. In addition, the gap between the wages of the highest and lowest quintiles in Massachusetts is much higher than the national average, despite a drop in the highest quintile's income since 2009.

The average hourly wage of the lowest 20 percent of workers is less than \$11 per hour, in a state with some of the highest apartment rents in the nation. MassBudget reports that this wage has increased by only 13 cents in real dollars since 1985, while the gap between the hourly average of the top and bottom quintiles has increased from \$15.55 to \$24.50.

Though the 2008 crash increased unemployment and poverty in recent years, productivity increases and income inequality are long-term trends in Massachusetts. MassBudget's report shows that productivity in the state has increased by 112 percent since 1979, while the median wage for workers has grown by only 18 percent.

Living standards in Massachusetts have also been hit by budget cuts in Washington. On January 23, the day after Patrick's budget was released, the *Boston Globe* reported on the crisis facing people who cannot get enough fuel assistance during this bitter winter. Nationwide, the federal appropriation for LIHEAP was cut from \$5.1 billion in 2010 to \$3.4 billion this year. The crisis is made worse by rising fuel oil prices.

The *Globe* interviewed the president of Boston ABCD, who estimated that at current prices the amount of aid available to a recipient wouldn't even fill an oil tank once. As many as four tanks are needed to get a household through the winter. Approximately 200,000 Massachusetts households are affected.

While natural gas suppliers are not legally allowed to shut off households during the winter, oil tanks can run dry. The *Globe* interviewed a 71-year-old retiree with health problems, who told the reporters that "I'll just be without.... I'll have to use my oven."

Patrick, meanwhile, won't let his corporate friends go without. In his State of the Commonwealth address, he boasted that "we have...cut business taxes three times" and that "this Commonwealth is working with business for the good of business interests."

Indeed, only 8.6 percent of the state's FY2013 tax revenue came from businesses, while nearly three times that amount came from the regressive sales tax. State Street Bank, headquartered in Boston, is one of the

multinational corporations that enjoy "working with" the government.

Worldwide, State Street had revenues of \$9.88 billion in 2013, with a 10 percent increase in its earnings per share. It paid, however, only \$54 million of state income taxes in 2011 and \$65 million in 2012, the last year for which an annual report is available. Either amount would pay less than half the state's fuel assistance budget, which itself is inadequate.



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