A New "Grand Bargain" for the Commonwealth

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Key Issues

- Even after the economy recovers, the Commonwealth and its municipalities will have to deal with major structural deficits
- A new "Grand Bargain" with public sector employees will need to be reached
- Cities and towns will need to find new approaches to regionalism to increase efficiency and reduce costs ... and to continue to attract young families

Current deficits are only the tip of the iceberg in the Commonwealth

The cost of state government services is spiraling out of control

Given the rising cost of debt service, public employee pensions, and Medicaid, the Commonwealth is facing a massive long-term "Structural Deficit" that will destroy public services

Price Increases: Total Economy vs. Cost of State and Local Services 2000-2008:I



Debt Service, Public Pensions, & Medicaid Payments as % of Massachusetts State Budget (2001-2027)



Dealing with Structural Deficits

- State and local governments will need to find a way to reduce costs by:
 - Reducing public services
 - Privatizing public services
 - OR by raising public service productivity and efficiency
 - And finding new sources of revenue

Reducing Public Services is NOT an option

- We are now facing America's third Civil War
 - (1) War between the states over slavery (1861-1865) (North won)

(2) War between the states for manufacturing (1920s-1980s) (South won)

(3) War between the states for young people (2000-2020)(Winners unknown)

Projected Household Growth by Age of Householder (2007-2020) UNITED STATES



Projected Household Growth by Age MASSACHUSETTS (2007-2020)



Keeping our share of young households

- Must make the Commonwealth more affordable (e.g. housing)
- Must make our cities and towns even greater places to live
 - Great schools
 - Safe neighborhoods
 - Lots of cultural and recreational amenities
- This takes well-funded state and municipal government

Municipal Leaders must find ways to improve public service efficiency

- Review all services to find ways of improving effectiveness and increase efficiency
- Consider regional solutions
- Begin to develop a new "Grand Bargain" with public sector unions
- Work with the Commonwealth to preserve local aid

Regional Cooperation

Macro Micro Mini Nano Need to consider ways of reducing local public sector costs through regional cooperation

- Economies of Scale
- End duplication of services
- Can begin at the nano level (e.g. the city dogcatcher)
- Need to find innovative ways to cooperate and coordinate municipal functions

Public Sector Union Leaders must help improve service effectiveness and efficiency

- Public sector unions must make a better case to consumers – those who pay the taxes for services.
- Public sector unions must help find ways to improve productivity and reduce the costs of public services.
- It is time for a "grand new bargain" where unions play a greater role in improving "price," quality, and innovation in return for greater job security, more input in public sector decision-making, and public respect.

Goals of New Grand Bargain

- Union joins with cities and towns in efforts to boost ...
 - Productivity/Efficiency
 - Quality of Services
 - Innovation in Offering Services
- Union to be a partner in serving the needs of the Commonwealth
- Union plays a serious role in helping shape social policy

 balancing the interests of their members with the
 interests of the public

New Approaches for Public Sector Unions

- Reductions in Work Rules and Job Classifications
- Public Sector Pension Reform
- Universal buy-in on Group Insurance Commission or similar cost-saving system
- Advocate for School Reform
- Wage Freeze during times of grave economic crisis
- □ Keep public services public

New Sources of Revenue

Gasoline Tax

- 19 cent tax would actually save drivers and mass transit riders in the long run
- **Local Option Taxes** (Local Sales Tax; Meals; Hotels)
 - Helpful ... but disproportionate benefit for a small number of municipalities
 - City Payroll Tax

Increase Sales Tax

Not as regressive as many believe

Increase State Personal Income Tax

Last administration gave away \$3 billion in revenue per year The Commonwealth: Time for Bold Action to secure our future prosperity

> Improve public services AND Increase revenue for state and local government