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**MIT**  
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**As Prepared:**

We gather in anxious economic times.

Nationally, the causes for concern are plain enough. The bubble has burst in overinflated real estate markets around the nation. Financial markets are in tumult and financial institutions are in turmoil in the wake of the credit meltdown, with the virtual collapse of Bear Stearns, one of the nation's largest investment banks, showing how far the mighty can fall. The price of crude oil is over \$100 a barrel, and expected to stay there for the foreseeable future, while the price of gasoline is approaching \$4.00 a gallon for premium. Unemployment nationwide reached 5.1 percent last month, as employers reduced payrolls for the fourth month in a row. More than half the economists polled for the latest Blue Chip consensus outlook see the economy either now or soon to be in recession.

Recession or not, things are not going well in the U.S. economy. In an economy that depends on consumer spending, consumers are not feeling very confident about spending right now. And while most economists see this recession, if it is one, as likely to be mild, even mild recessions take their toll.

At the State of the State just a few months ago, I celebrated with you our strong job growth and general economic improvement over the last year. For these and other reasons, as the national economy has soured, Massachusetts has so far fared better than other parts of the country. That's a distinct change from the last two U.S. recessions, when those downturns hit us earlier and harder.

Home sales are slowing and prices are falling, but not precipitously. The Massachusetts unemployment rate is actually lower than it was a year ago. At 4.5 percent in March, our unemployment rate has been below the U.S. jobless rate for nine straight months.

The state is losing jobs in retail trade, construction and manufacturing, and that concerns me. But we continue to add jobs in education and health services as well as professional, scientific and business services. That's because of continuing "national and worldwide demand for the technology-based products and knowledge-based services that Massachusetts supplies" (UMass economist Alan Clayton-Matthews) – such as information processing equipment and hardware, pharmaceuticals (including biotech drugs), scientific research and development, and financial services.

Of course, no single state's economy is recession proof. We are tied to national and, more and more, to international economic trends. If things get worse nationally, we will feel it here. And let's face it, if the house in foreclosure is yours, if the job just cut is yours, if the business whose sales are falling through the floor is yours – the relative strength of the Massachusetts economy is cold comfort.

People are anxious. And we need to pay attention to that.

For all those who are feeling anxious, I want you to know that you are not alone. We are one community in this Commonwealth. Each of us has a stake in our neighbors' dreams and struggles as well as our own. Everything we do we do in that spirit. Community means sharing responsibility for one another, leaning on each other, in good times and in bad. That spirit of community has sustained us in the past – and can again. Because our people are the source of our strength.

The vitality of our Commonwealth is driven by uncommonly talented people. Whether you manage a mutual fund or work in the State House, whether you toil over a lab bench or manufacture precision tools, people are the source of our prosperity today – and my confidence in tomorrow. For all of our people, those who work and those who search for work, opportunity is central to our culture. We cannot stand idly by when this culture of opportunity is at risk.

State government is too fiscally constrained to ride to the rescue at times of broad, national economic distress. Still, as anxiety builds, and with our people asking for help, state government must do what it can. State government has its limitations, but it has its responsibilities as well.

So, I want to address four measures we will take in partnership with the Legislature to meet the current challenges facing our community. Our plan to secure our future involves (1) restraining discretionary spending; (2) investing aggressively in our infrastructure and our people; (3) positioning ourselves for long-term growth; and (4) maintaining an adequate safety net.

### **Restraining Discretionary Spending**

Our first responsibility is to steward the public's funds responsibly. Last year, we proposed nearly \$515 million in cuts to balance the state's budget. In the budget request now pending for next year, we propose another \$344 million in reductions. We have also proposed a disciplined approach to the use of rainy day funds. We cannot maintain the public's confidence if we do not search relentlessly for ways to deliver services more efficiently and at lower cost.

So far this year, revenues are running ahead of benchmark, giving us no immediate need for drastic actions. Nevertheless, I have directed my Cabinet to

forego all but the most essential hiring and to postpone any programming we can. We are also developing a plan for outright cuts in current spending in the event that revenues start to slip. Rest assured, we in state government will be prepared in the event a more serious national downturn reaches Massachusetts.

Still, restraining spending does not mean freezing spending. That is neither warranted nor wise. There are high impact investments, such as in early education and extended learning, and in violence prevention, that we cannot afford not to make. But if making the highest priority expenditures requires making deeper cuts elsewhere, I will make them, without hesitation.

### **Investing in Ourselves**

Second, we will accelerate plans to invest in our infrastructure and our people.

I meet and talk with CEOs and investors every week – the heads of homegrown Massachusetts companies looking to expand and grow; chief executives of multinational companies considering whether to locate a new facility or office in the Commonwealth; venture capitalists looking for the next big bet.

When they talk about what they need to be successful in Massachusetts, sometimes it's a loan, or a grant, or a sewer system or off ramp. Sometimes it's affordable housing for their employees and their families. Sometimes it's help identifying a site for their new plant, or guidance through the permitting process. More often than not, they want to know how they can tap into our unparalleled talent, the most highly skilled, highly educated workforce in America.

Investing in ourselves positions Massachusetts for growth and economic security over the long run, and primes our economic pump right now. We must do more. And we can.

Last year I directed my team to develop a 5-year capital spending plan. We inventoried our crumbling infrastructure and the backlog of capital needs in everything from roads and bridges to laboratories on the campuses of our state university. More than a decade of chronic neglect makes a very long list, but we prioritized, and pared it down to what was feasible and affordable. That plan is the first of its kind in Massachusetts, is completely transparent, and has received the support of Wall Street.

Based on that analysis, we have submitted bond bills to use our capital budget to invest in higher education, transportation, housing, and energy and environment programs, among others. The Speaker, the Senate President and I

are working together to assure prompt passage of each of these measures by the end of the session.

With their support, by this summer, we will have the authority to start rebuilding roads and railways, modernizing public housing and building new affordable units, expanding broadband to underserved communities, renovating our state college and university campuses, improving beach, park and recreational facilities, and preserving the open spaces that make Massachusetts so appealing a place to live, work, visit and invest.

Within 90 to 180 days after authority is granted, we mean to launch a massive restoration of our Commonwealth, and create thousands of good jobs at good wages all across the Commonwealth in the process.

There is more we can do. Today in the Commonwealth, we have hundreds of bridges that are “structurally deficient” – from Longfellow Bridge in Boston to the little Gill/Montague Bridge in western Massachusetts. Many more become so every year. If we stick to the conventional schedule for repairs, there will be nearly 900 “structurally deficient” bridges by the end of my second Term.

If that is what the conventional schedule does, it’s time to be unconventional. The Legislative Leadership, the Treasurer and I believe there is a better, smarter financing plan that enables us to start that work now. And by

acting now, we can cut that deficient bridges backlog in half in 8 years, avoid construction inflation, and create thousands of jobs. Our plan to address deficient bridges will have shovels in the ground and people at work in 90 days.

There are other ways we can use available funds to jump start job creation right now. I have asked Secretary O'Connell to take \$20 million of local infrastructure (MORE) grants and put them to work in ways that have immediate payoff in construction jobs and job-creating private investment. Speed is essential because hundreds more jobs are at stake.

All told we are talking about investing up to \$16 billion in our public infrastructure in the next several years, and front-loading as much of that as we responsibly can -- all of it within debt limits we can afford. That means thousands of new direct and support jobs, and a substantially rebuilt foundation across the Commonwealth for future opportunity. I am confident we can do it.

To assure that these opportunities are widely available to people who need them, we will, wherever possible, condition these state contracts on providing training and entry-level opportunities, as well as on partnering with small, minority- and women-owned businesses. In that spirit, I have directed Secretary Bump to expedite the awarding of workforce training grants. Within the next 90 days, Secretary Bump and her team will release over \$18 million in

grants to 200 Massachusetts companies to train over 16,000 workers for jobs available right now.

### **Positioning Ourselves for Long-Term Growth**

However anxious any one of us may feel today, let's remember that economies are cyclical and recovery will come. When it comes, we must be ready. In addition to investing capital today, we can leverage other opportunities for tomorrow.

The Life Sciences and Clean Energy sectors are two areas where I believe great opportunities lie. For that reason, the Legislature and my administration are working together on two key legislative packages.

Our ten-year, \$1 billion Life Sciences Initiative will strengthen and extend our lead in stem cell research, biomedical device manufacturing, and pharmaceutical development. Massachusetts will be the international hub of healing, with the state helping to multiply our strength in academic medical research, private industry and nonprofits.

The Energy Bill, together with the Oceans Bill and our Biofuels Initiative, forms a national blueprint for a clean-energy future, making energy efficiency the linchpin for meeting energy needs at lowest cost, promoting renewable energy

through long-term contracts, integrating the state building code with international standards of energy efficiency, and opening a highway for the development of alternatives.

Thanks to the partnership of Senate President Murray and Speaker DiMasi, and their respective leadership teams, both bills will reach my desk soon.

Both initiatives are already creating jobs.

In the life sciences, we see it in Organogenesis, one of our leading biotech companies, which reversed its plans to go out of state and instead chose to expand in Canton. We see it in the decision of pharmaceutical company Shire to set up shop in Lexington.

It's happening in the clean energy sector as well. Evergreen Solar, which announced its first full-scale U.S. manufacturing plant here last year, announced its second expansion in Devens just this week, which will bring its Massachusetts employment to 1,000 people by the end of next year – tripling its workforce in just two years.

We see it in Massachusetts becoming host to one of just two Wind Technology Testing Centers in the country. This Department of Energy-approved facility, which will be located in Charlestown, will make Massachusetts

a hub of research and development in wind power, the fastest growing power source in the world.

The jobs created in these two industries for researchers, scientists and clinicians create others for vendors, manufacturing workers and tech assistants. In other words, the Life Science and Clean Energy sectors create not just \$100,000 per year jobs, but \$40,000 per year jobs, too.

I want to encourage people to explore opportunities in these emerging industries. If you don't have the skills, we want to help you get them. Secretary Bump, as I mentioned, is targeting training funds to this mission. And we are working to better align the curricula of the community colleges to the needs of area businesses.

Regional economic diversity is another opportunity for us in Massachusetts. Our Commonwealth is a varied place, and the path to prosperity will be different in Pittsfield than it is in Provincetown.

Over the next 90 days, my economic development team will identify locations around the state -- urban, suburban, former military bases, and others -- that are primed for significant commercial, residential or mixed-use development. Devens -- the former army base straddling Shirley, Harvard, and

Ayer -- is the model. But plenty of other places -- like Gateway Park in Worcester, to name just one -- are priority areas for local development, large enough to offer long-term growth potential, attractive enough to the market, and compatible with our Sustainable Development Principles.

We call these Growth Districts and they are central to our efforts to stimulate economic growth throughout the state. These Growth Districts will become turnkey sites, much as the Speaker has proposed in past years: development-ready destinations that serve as the leading edge in regional investment plans and permitting reforms, pursued over the coming year in collaboration with municipalities and local business and community leaders. Revitalizing and reconnecting regions throughout the state will demand targeted investments in transportation, workforce development, housing and public safety, essentially to jumpstart development activity. Growth Districts represent a down payment on that commitment.

Over the next month, the Lieutenant Governor and I will visit prospective Growth Districts and meet with local leaders to launch the planning process. This afternoon, I will be in Downtown Haverhill to announce a growth district vital to that community and region. We look forward to working with our partners in every region to create turnkey opportunities for new job creation.

And finally, we will continue to encourage international trade and investment. The world needs and wants what we sell. And right now, given the strength of foreign currencies relative to the dollar, what we sell is a bargain. We are already seeing it in travel and tourism – but the same advantages apply to more durable investment.

Our trade mission to China last year, for example, continues to pay dividends. Last week, Grand China Air took the next step forward to achieve approval for the first-ever direct air service between Beijing, Shanghai and Boston. This is a direct connection – literally and figuratively – between Massachusetts and the largest, fastest growing market in the world. And it is just the start of our efforts to promote Massachusetts for trade and investment around the world.

### **Securing the Safety Net**

Good jobs at good wages throughout the Commonwealth are, has always been and will remain the central objective of my administration. That is what makes everything else we wish to do possible. Through the kinds of investments I have outlined, state government can act as a partner to expand our culture of opportunity.

Especially at times of uncertainty, government must do all it can to help the vulnerable get back on their feet and take advantage of what opportunities there are. We must help individuals and families, as well as small businesses and non-profits, because the strength of our community depends on the stability of all. For that reason, our safety net must remain strong and intact.

Thanks to the work of Speaker DiMasi and President Murray, Massachusetts adults and children are secure in their health care: over 300,000 Massachusetts residents who were uninsured last year have health insurance today. That means that a man laid off in times like these has a way to keep his family covered. That means the woman I learned about recently who had been treated repeatedly in emergency rooms for her chronic sore throat, now has a primary care physician who could diagnose her throat cancer, treat her and put her on the road to recovery. There is nothing abstract about the value of health care reform. And by the way, while businesses elsewhere have been dropping coverage, Massachusetts employers have maintained theirs.

We must do more to lower costs. We applaud the Senate President on her cost reduction legislation and will work closely with her and with Secretary Bigby on her Healthy Massachusetts initiative to get the job done. Now more than ever we see the wisdom of greater health security and we look to all participants – individuals, businesses, providers as well as government – to share responsibility for sustaining health care reform.

Several other initiatives will help families save money now.

Auto insurance reform means savings of \$200 to \$300 for drivers beset by some of the highest insurance rates in the nation. Money that can be used by families to help to combat the rising price of gas or food.

Heating assistance means relief for low-income people dealing with record-high heating oil prices. A proceeding is under way at the Department of Public Utilities to make our low-income utility programs the most protective in the nation.

The Commonwealth Solar program, which we launched in January, provides rebates to reduce the cost of installing solar power on the roofs of homes or businesses. And the Mass Tech Collaborative has a number of programs to encourage more energy efficient and cost reducing alternatives.

Beyond these cost saving opportunities, we must continue to address the rise in mortgage foreclosures. Attorney General Coakley and Secretary O'Connell have taken a number of effective steps to address this challenge. To date, the Division of Banks has secured delays in proceedings for nearly 700 homeowners so they can restructure their debt and stay in their homes. Last

week, we awarded \$2 million in grants to fund 11 regional foreclosure education and prevention centers.

This is important because foreclosures are devastating not only to owners, who may lose their life savings, and tenants, who may face eviction. Whole neighborhoods suffer from lower property values, rising blight from shuttered properties, and widespread strain on human service agencies.

Ultimately, this is a national problem that requires a national solution. I am proud to support the efforts in Washington of our own Congressman Barney Frank and Senator Chris Dodd to provide fundamental relief.

Here at home, we need to redouble our efforts.

First, I am today lending my support to legislation, sponsored by Senator Dianne Wilkerson and Senator Marian Walsh, to impose a moratorium on the eviction of renters from foreclosed properties who have paid their rent and followed the rules. This practice is unfair to the families who are being evicted and harmful to the community when house after house is boarded up.

Second, I am pleased to announce that the Massachusetts Housing Partnership and the Massachusetts Housing Investment Corporation, in partnership with state government, has agreed to fund a \$20 million revolving

acquisition pool to help purchase foreclosed properties. This will give nonprofit agencies the resources they need to secure properties quickly, make vacant buildings homes again, and help stabilize neighborhoods.

We must continue our efforts to provide relief to Massachusetts employers as well, because we need for them to prosper. That's why the Legislature and I have moved to freeze the unemployment insurance rate at last year's level. This measure alone will save employers \$153 million in 2008, without jeopardizing the level of benefits necessary to support anticipated unemployment claims.

That's why we have proposed to cut the corporate excise rate for some 15 to 20,000 mostly local and mostly small businesses, ultimately saving each an average of \$10,000 per year. These companies are the backbone of our economy and it's time that we leveled the playing field for them by closing the inequity that has existed in our tax code for too long.

And that's why Secretary Bowles has begun piloting Energy SWAT teams, actually called "Commonwealth Energy Resource Teams", to provide specialized energy assistance for companies in the Commonwealth struggling with high energy costs.

One other concern I hear from small and mid-sized companies is about their access to working capital, the routine credit they need to sustain normal operations and growth. In addition to Community Banks, which are generally in a solid financial condition and ready to lend, MassDevelopment, MassHousing and the Massachusetts Technology Collaborative have pledged their partnership and resources to implementing our program for economic growth.

### Conclusion

I have confidence in the Commonwealth, and you should, too. Over its history, Massachusetts has reinvented its economy many times. The Bay State is the land of second chances.

My confidence depends on action, however, not nostalgia. By restraining state spending, investing in our infrastructure and ourselves, positioning ourselves and our communities for growth in key industries of the future, and maintaining a safety net that ensures the short-term security of all, we can not only endure tough times – we can build a prosperous future.

My confidence also depends on unity. We are blessed with extraordinary people, forged by struggle, hardened by experience, enlivened by a tradition of innovation and entrepreneurial spirit. We remain one community, sharing responsibility for creating a shared prosperity. No one is alone. We are all in this

together. So, we will work together, sacrifice together, take action together, and hope together, so that we can stand together and celebrate the culture of opportunity we commit to revive today.

Thank you.