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**Subject:** Action Alert on Local Aid in Legislature's Fiscal 2017 Budget  
**Date:** Thursday, June 30, 2016 9:26:54 AM

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MMA Action Alert, Thursday, June 30, 2016

**HOUSE & SENATE LEADERS AGREE ON DRAMATICALLY  
SCALED-BACK \$39.15 BILLION FISCAL 2017 STATE BUDGET,  
REDUCING PROPOSED SPENDING BY \$413 MILLION**

**IN A VICTORY FOR CITIES AND TOWNS, THE LEGISLATURE'S  
BUDGET FULLY FUNDS THE \$42 MILLION INCREASE IN  
MUNICIPAL AID AND INCREASES CHAPTER 70 SCHOOL AID BY  
\$116 MILLION**

**THE HOUSE AND SENATE WILL VOTE TO PASS THE BUDGET  
TODAY**

**\$42 Million Increase for Unrestricted General Government Aid**

**\$116 Million Increase in Chapter 70 Funds, including \$55 Per Student  
Minimum Aid, Funding for Low-Income Students, and Progress Funding the  
"Target Share" Reforms – the Legislature's Final Budget Uses the Senate's  
Chapter 70 Distribution**

**Most of the Remaining Municipal and Education Accounts are Level-Funded  
or Funded with Modest Increases, with the Exception of the Elimination of  
the \$18.6M Kindergarten Development Grant Program, which will Impact 164  
School Districts**

**[PLEASE CLICK HERE TO SEE THE FISCAL 2017 CHAPTER 70 AND  
MUNICIPAL AID NUMBERS FOR YOUR COMMUNITY](#)**

**[PLEASE CLICK HERE TO SEE H. 4450, THE LEGISLATURE'S FINAL FISCAL  
2017 STATE BUDGET](#)**

Over the past several weeks, slumping tax revenues and turmoil in the global marketplace have caused state leaders to slash the forecast of state tax collections for next year. The new consensus is that Massachusetts state government is facing a revenue shortfall of \$750 million or more in next year's fiscal 2017 state budget. As a result, last night legislative leaders unveiled a pared-back \$39.15

billion budget bill that dramatically scales back funding in comparison to the spending plans voted by the House and Senate earlier this spring.

The joint House-Senate budget conference committee reduced spending by \$413 million (this includes cuts to state agencies and a large number of budget accounts and reimbursement programs, deferral of some Medicaid costs to fiscal 2018, reduced caseload assumptions, elimination of a \$206 million transfer to the state's stabilization fund, and smaller transfers to the MBTA and the school building assistance program than originally thought). The budget committee also increased some other revenue projections (including \$100 million in "procurement efficiencies" and \$80 million saved because the automatic reduction in the state income tax rate is now unlikely).

Lawmakers will be voting today to send the budget to Gov. Baker, who will then have until July 10 to approve, veto or reduce the spending provisions.

The MMA is deeply grateful that lawmakers have protected the two main local aid programs – Unrestricted General Government Aid and Chapter 70 Education Aid – from budget cuts. Legislators know that communities have already set their budgets based on reasonable expectations that direct municipal aid would increase by \$42 million, and Chapter 70 school aid would provide at least \$55 per student in new minimum aid. Clearly, members of the Legislature did their best to protect local aid from the \$750 million budget gap, and we urge you to express your appreciation to your Representatives and Senators.

However, there are a number of important municipal and school accounts that have been impacted, and some of the news will pose challenges for local budgets, especially those communities that rely on Kindergarten Development Grants and Charter School Reimbursements.

Here is a breakdown of the major local government provisions in H. 4450, the Legislature's fiscal 2017 state budget:

**\$42 MILLION INCREASE IN UNRESTRICTED MUNICIPAL AID**

In a major victory for cities and towns, the Legislature's fiscal 2017 state budget provides \$1.021 billion for Unrestricted General Government Aid, preserving the \$42 million increase proposed in the budgets offered by the Governor, House and Senate. This will be the largest increase in discretionary municipal aid in nearly a decade, and every city and town will see their UGGA funding increase by 4.3 percent.

**\$116 MORE FOR CHAPTER 70, MINIMUM AID WILL INCREASE TO \$55 PER STUDENT**

The Legislature's budget includes a \$116 million increase in Chapter 70 education aid above fiscal 2016 levels, providing every city, town and school district with an increase of at least \$55 per student. The Chapter 70 numbers for each community will mirror the distribution numbers in the Senate version of the budget, as the budget conference committee also included Senate's acceleration of the "target share" provisions, and additional funds to aid communities impacted by changes in the

calculations used to account for low-income students. Overall, the Legislature's fiscal 2017 budget would provide \$44 million more in direct Chapter 70 distributions than the Governor's original budget submission.

### **\$5.56 MILLION INCREASE FOR SPECIAL EDUCATION CIRCUIT BREAKER**

While House and Senate members support full funding of the Special Education Circuit Breaker, their budget plan would provide \$277.3 million for the program, a \$5.56 million increase above fiscal 2016, but \$4.4 million less than what is needed to fully fund the account. The Governor's budget had level-funded the circuit-breaker program at \$273.8 million. The MMA will work with the Legislature and Administration to close the gap during the coming year.

### **ELIMINATION OF THE \$18.6 MILLION KINDERGARTEN DEVELOPMENT GRANT PROGRAM, A LOSS THAT WILL IMPACT 164 DISTRICTS**

The Legislature's final fiscal 2017 budget would eliminate funding for the Kindergarten Development Grant program, creating a budget gap for Kindergarten programs in 164 communities and school districts. We were able to stave off attempts to reduce the program in previous years, but this is a disappointing loss now, as this will be a difficult cut for 164 communities and school districts.

### **FUNDING FOR CHARTER SCHOOL REIMBURSEMENTS IS LEVEL-FUNDED, KEEPING A LARGE SHORTFALL IN PLACE**

Under state law, cities and towns that host or send students to charter schools are entitled to be reimbursed for a portion of their lost Chapter 70 aid. The state fully funded the reimbursement program in fiscal years 2013 and 2014, but is underfunding reimbursements by approximately \$46.5 million in fiscal 2016. The Legislature's final fiscal 2017 budget would level-fund charter school reimbursements at \$80.5 million, a lower amount than was included in any of the budgets offered by the Governor, House and Senate. Because of charter school expansions, this is not enough to keep pace, and communities will see even greater shortfalls in fiscal 2017 as a result. This issue continues to be a major priority.

In a related development, the Legislature decided not to make a formula change in the reimbursement schedule, and thus the \$80.5 million will be used to fund the per-pupil capital need component and then as much of the first-year 100% reimbursement as possible. The remaining years (2-6) will likely remain unfunded, unless the Governor and Legislature pass a supplemental appropriation later in the year.

### **REGIONAL SCHOOL TRANSPORTATION, PAYMENTS-IN-LIEU-OF-TAXES (PILOT), LIBRARY AID ACCOUNTS, METCO, McKINNEY-VENTO, AND SHANNON ANTI-GANG GRANTS**

The Legislature's final budget provides \$61 million for Regional School Transportation Reimbursements, a welcome \$2 million increase;

- The budget level-funds PILOT payments at \$26.77 million;
- The budget funds library grant programs at \$18.9 million, which is \$84K below fiscal 2016 levels;
- The budget level-funds McKinney-Vento reimbursements at \$8.35 million;
- The budget funds Shannon Anti-Gang Grants at \$6 million, \$1 million below fiscal 2016; and
- The budget funds METCO at \$20.6 million, a \$500K increase.

### **OUTSIDE SECTION 45 OF THE LEGISLATURE'S BUDGET WOULD EXTEND THE FREEZE ON RETIREE HEALTH INSURANCE CONTRIBUTIONS**

In outside Section 45, the Legislature's final version of the budget includes language passed by the Senate that would interfere with local officials' decision-making authority to act on behalf of their taxpayers on the basic issue of setting contribution levels for retiree health insurance. This provision would penalize all cities and towns that have used the 2011 municipal health insurance reform law to reduce the cost and financial burden of health insurance for employees, retirees and taxpayers. Section 45 would strip these cities and towns of their legal authority to decide whether to adjust contribution percentages for retiree health insurance, by unilaterally extending a freeze on contribution ratios until 2018. **This is an unacceptable intrusion on local authority, and the MMA will be asking Gov. Baker to veto this section.** Cities and towns are facing a staggering \$30 billion unfunded OPEB liability, and Section 45 would remove one of the few tools that communities can use to reduce the burden on local taxpayers.

### **SUMMARY**

In all of the local aid accounts highlighted above, the Legislature's budget provides a total of \$12 million more than the original budget filed by Gov. Baker in January, in spite of the loss of \$750 million in state tax revenues. Recognizing that many communities will be significantly impacted by the elimination of funding for Kindergarten Development Grants and the underfunding of Charter School Reimbursements, it is also clear that the Legislature has worked hard to protect local aid and education funding from the deep reductions that will impact other parts of the state budget. The MMA will continue to advocate for restored funding throughout the year, and will keep local officials informed throughout the process.

**THE INCREASES IN UNRESTRICTED MUNICIPAL AID AND CHAPTER 70 ARE CLEAR WINS FOR CITIES AND TOWNS, AND MMA'S ADVOCACY FOR OTHER KEY AID PROGRAMS WILL CONTINUE THROUGHOUT THE YEAR**



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