

# **GOVERNOR PATRICK ANNOUNCES PLAN TO HELP PRESERVE LOCAL SERVICES; BRING COST-SAVINGS TO CITIES AND TOWNS**

BOSTON - Friday, January 21, 2011 - Governor Deval Patrick today announced a series of measures that will provide cities and towns with the tools they need to rein in municipal health insurance costs and continue providing critical services to residents across the Commonwealth. Included in the reforms announced today is the Administration's municipal health insurance plan design proposal that will help municipalities achieve immediate cost-savings and build on the Administration's efforts to further reduce rising health care costs.

"I am confident better days lie ahead so long as we all work together," said Governor Patrick. "With the initiatives announced today, our cities and towns, and their public employee unions, can contain health care costs, continue to assure quality affordable care for workers, and maintain public services."

The Administration's health insurance plan design proposal will require all cities and towns to either join the GIC or institute a program of equivalent value and cost by the start of fiscal year 2012. Additionally, this bill will require cities and towns to move eligible municipal retirees into Medicare. Many municipalities have not enrolled their eligible retirees in the federally-funded Medicare program, even though both the municipalities and retirees have contributed to the Medicare system. By moving all eligible retirees to Medicare, cities and towns will save an estimated \$15-30 million annually.

Combined, these two measures will allow municipalities to capture savings totaling over \$120 million that will help sustain local services and retain jobs. This proposal will also give labor a meaningful role in developing the solution, and assure that municipal employees have continued access to adequate, affordable health care.

"This proposal is a critical step towards delivering material savings in health care costs to cities and towns at a time when they need it most," said Secretary of the Executive Office of Administration and Finance Jay Gonzalez. "In this challenging fiscal environment, taxpayers can no longer be asked to fund overly generous health benefits at the expense of critical local

services."

"Governor Patrick's municipal health insurance proposal will offer cities and towns financial relief, while ensuring labor a meaningful seat at the negotiating table," said Joanne Goldstein, Secretary of the Executive Office of Labor and Workforce Development. "Under the Governor's proposal, unions representing municipal workers and municipalities will have the opportunity to collaborate on how to continue to provide quality healthcare for workers while ensuring meaningful savings for cities and towns."

"Governor Patrick's announcements today show, yet again, that he and Lieutenant Governor Murray take seriously their commitment to working with our cities and towns. That they continue to propose record funding for Chapter 70 is critical for children across the Commonwealth," said Mayor Kimberley Driscoll of Salem. "Of course, some reductions are necessary given the terrible fiscal climate we are in, and that will be difficult to deal with, but the tools Governor Patrick is proposing will greatly help those of us responsible for municipal budgets and delivery of services to do so."

During today's address, Governor Patrick also outlined the following proposals:

**Support for our cities and towns**

Aid to cities and towns represents approximately 16 percent of the Commonwealth's annual budget. In fiscal year 2012, local aid programs account for \$5.05 billion. The Administration's recommendation for local aid reflects the Governor's unprecedented commitment to a strong partnership between the state and its cities and towns, even in the midst of fiscal challenges.

**Strengthening our schools.** Increase state support for public schools through Chapter 70 to \$3.99 billion, a \$140 million increase from the current budget, and once again the highest level of state funding in the history of the Commonwealth.

**Supporting Special Education.** Increase funding for the special education circuit breaker by \$80 million dollars, allowing our communities to continue to provide support to students with special needs.

**Repairing our infrastructure.** Boost Chapter 90 Local Road Program funding to \$200 million dollars, an increase of \$45 million dollars over this year's funding level - allowing our

cities and towns to continue to invest in their local infrastructure. Additionally, the state's commitment to capital spending for municipalities will expand to \$7.9 billion in the first term, to a projected \$11.5 in the second term, creating jobs and lifting up our roads, parks, and recreational facilities, housing, and other public spaces.

**Promoting efficiency through regionalization.** Institute a \$9.7 million competitive regionalization and efficiency grant initiative. This grant program will support one time transition costs related to regionalization and other efficiency initiatives across the Commonwealth, allowing neighboring communities to better share municipal services that will save time and money while maintaining transparency and quality.

### **Unrestricted Local Aid**

The Administration's fiscal year 2012 budget will propose \$833.9 million in Unrestricted Local Aid. While this is a \$65 million reduction from fiscal year 2011, it will be offset by the savings realized through the Administration's plan design proposal.

### **Additional Initiatives for Fiscal Year 2012**

**The Administration's approach to fiscal year 2012** includes key tools to support municipalities in managing through this fiscal crisis and beyond, including:

Removing the property tax exemption on telecommunications equipment saving cities and towns an estimated \$26 million.

Establishing a new Municipal Procurement Program within the state Operational Services Division as a platform for cities and towns to centralize procurement practices to leverage greater purchasing power and achieve additional cost savings.

Filing a new pension reform initiative providing for a comprehensive overhaul of the pension system. This proposal will help ensure the long-term sustainability and credibility of the system and save communities an estimated \$2 billion over 30 years in pension costs and an estimated \$1 billion in reduced retiree health benefit costs for new employees over the next 30 years.