

# Governor Patrick Protects Education Funding Amid Budget Cuts

Plan will give municipalities revenue tools to offset local aid cuts, manage more efficiently

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BOSTON - Friday, January 23, 2009 - Despite the immense financial challenges facing the Commonwealth during this national recession, Governor Patrick today reaffirmed his commitment to cities and towns, announcing that he will protect education funding from cuts and will limit reductions in state aid to cities and towns this year and next.

The Governor told members of the Massachusetts Municipal Association gathered for their annual meeting that he will prevent cuts to so-called Chapter 70 education aid during the next round of mid-year spending reductions he will make next week. Additionally, he will hold Chapter 70 funding for city, town and regional schools at the fiscal year 2009 (FY09) level of \$3.984 billion in his fiscal year 2010 (FY10) budget plan he will also release next week. That level, a 6 percent increase over FY08, was an all-time high for Chapter 70.

"Funding Chapter 70 at FY09 levels in the face of our current fiscal crisis is about ensuring that we don't sacrifice tomorrow's promise during today's downturn," said Governor Patrick.

An unprecedented national economic downturn has resulted in a loss of nearly \$2 billion in revenues this fiscal year and prompted the Governor to make mid-year spending cuts last October. The Governor was able to hold Local Aid and Chapter 70 education aid harmless by making deeper cuts in other state programs. However, economic conditions have rapidly deteriorated since then, requiring a second round of cuts that will have to include Local Aid.

Recognizing that cities and towns rely heavily on state aid for municipal services like police and fire and to help mitigate the property tax burden, Governor Patrick will limit reductions in unrestricted state aid to communities both in his emergency cuts and in the FY10 budget.

For FY09, the Governor will trim \$128 million from Lottery Aid and Additional Assistance, which-along with Chapter 70-make up the biggest portion of Local Aid. Taken together, this FY09 cut represents 2.3% of the total Local Aid budget. For FY10, Governor Patrick's budget will combine Lottery and Additional Assistance Aid into a new category called General Government Aid. Combined with level funding Chapter 70, Local Aid will be cut by \$375 million, or 7.1 percent below FY09.

To offset these unavoidable reductions, the Governor will propose a series of tools to help cities and towns generate much needed revenue. A one cent increase in the statewide meals and room occupancy taxes will generate approximately \$150 million statewide which would be distributed using the existing

lottery formula and will help to offset a portion of the Local Aid cuts. Additionally, the state will use a small amount of existing revenue to ensure that no community receives a total Local Aid cut of more than 10 percent. Taking the new revenues and additional mitigation aid together, the net Local Aid cut is reduced from \$375 million to \$220 million, or 4.2 percent below FY09.

Additionally, to further blunt the impact of Local Aid cuts and give communities the ability to manage their own budgets, the Governor is proposing to give cities and towns the ability to levy an additional 1 percent local options meals and room occupancy taxes. He will also re-file his proposal to eliminate an outdated property tax exemption for telecommunication companies. Taken together, these additional tools could generate up to \$200 million statewide.

"This plan gives Massachusetts cities and towns the tools to offset the short-term pain of the economic downturn while also laying a foundation for growth and revenue stability for the better days that are ahead of us," said Governor Patrick. "If we cannot provide direct aid, let's at least untie the hands of local communities to capture the savings and raise the revenue within their reach."

As part of his comprehensive Emergency Recovery Plan, the Governor will file the second Municipal Partnership Act (MPAII) next week. Designed to help cities and towns help themselves by saving money, the bill will require municipal managers and municipal unions to devise health care plans as least as economical as the GIC. In order to help communities meet this cost savings standard, the GIC entry requirement will be reduced to 50% union approval. Failure to meet or exceed the GIC standard within a certain period of time will result in reductions in local aid payments.

Additional MPAII cost-savings proposals include responsibly extending pension schedules, moving retirees to Medicare coverage and a series of initiatives to encourage and facilitate regionalization of municipal services and other reforms around procurement and advertising.