

From: Massachusetts Municipal Association <alerts@mma.org>
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Subject: Gov. Baker Files Plan to Close FY 2015 State Deficit

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Massachusetts Municipal Association

The Voice of Cities and Towns

www.mma.org

Wednesday, February 4, 2015

**GOV. BAKER FILES PLAN TO CLOSE FY 2015 STATE DEFICIT
Governor Protects Unrestricted Municipal Aid and Chapter 70 Education
Aid
9C Reductions Impact Only a Few Local Accounts**

On Tuesday, February 3, Gov. Charlie Baker announced a comprehensive plan to close a gaping \$768 million mid-year state budget deficit. As the Governor promised to local officials at the MMA Annual Meeting late last month, his budget-balancing plan protects Unrestricted General Government Aid and Chapter 70 school aid, keeping full funding in place for the remainder of the fiscal year.

The Governor's package contains \$514 million in mid-year spending reductions, including \$150 million in cuts in state budget items implemented through the Governor's "9C" emergency budget powers, and relies on \$254 million in revenues directed into the state's general fund, most of which will come from capital gains taxes that otherwise would flow into the Commonwealth's rainy day fund.

Governor Baker's 9C reductions cover 300 line items in the state budget, and are much more modest in terms of their municipal impact than any of the 9C cuts implemented over the past decade. In terms of reductions to Cherry Sheet accounts, these are limited to a \$943,000 reduction for METCO (5%), and reductions of less than half of one percent for library aid programs (\$42,499 from regional public libraries and \$38,700 from non-regional libraries). There were no programmatic cuts to regional school transportation, payments-in-lieu-of-taxes (PILOT), or other Cherry Sheet items.

However, there are several 9C reductions to non-Cherry Sheet accounts that are

important to cities and towns:

- A \$1.9 million reduction in charter school reimbursements (a 2.46% cut below the November level) – this will affect those communities that lose Chapter 70 school aid to charter schools, and rely on the state reimbursement account to make up a portion of the lost funds. This reduction will vary from community-to-community because the \$1.9 million will be taken from reimbursements for students in years 2-5 of the formula, so the impact will depend on the specific profile of area students attending charter schools. We recommend that cities, towns and school districts contact DESE for more information;
- A \$5 million reduction to kindergarten development grants (a 21% cut below the November level) – this will impact those communities that are relying on kindergarten grants to offer or expand this service locally;
- A \$1.25 million reduction to Shannon anti-gang grants (a 15% cut below the fiscal 2015 appropriation) – this will impact those communities scheduled to get the grants; and
- A modest \$250 thousand reduction to the Special Education Circuit-Breaker (slightly less than 1% below the November level) – the exact impact will be determined by DESE.

Beyond the 9C cuts, the Governor has filed legislation to impose reductions to other areas of the state budget, and implement other revenue transfers and policies. The Governor's proposed legislation would generally require a 1.79% reduction to those state accounts outside of his 9C authority – importantly, the legislation specifically exempts Unrestricted General Government Aid and Chapter 70 from mid-year cuts, consistent with the Governor's pledge. In general, the 1.79% reductions are designed to include the Legislature, judiciary, constitutional officers, and quasi-independent agencies in the budget-balancing plan.

Please click on the following link to see the Administration's budget-balancing plans in detail, including a list of all 300 9C reductions ("FY15 February 9C Line Item Listing") and the proposed legislation ("Filed 9C FY15 February Supplemental Legislation") – <http://www.mass.gov/anf/budget-taxes-and-procurement/state-budget/fy15-budget-info/fy15-budget-cut-information/>

The MMA will be analyzing the details of the Governor's legislation and 9C reductions over the coming days. Please monitor the MMA's website at www.mma.org for continuing updates.

Thank you.



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