



FY10 House 1 Budget Recommendation:

Policy Brief

Deval L. Patrick, Governor

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Local Aid

Governor's Proposal

Local aid represents a substantial and important component of the Commonwealth's annual budget. Cities and towns play a fundamental role as partners to the state, providing vital services to the citizens of our Commonwealth in times of fiscal health as well as fiscal stress. In the current recession, the Administration continues to prioritize supporting municipalities' ability to provide these services by minimizing cuts to local aid and providing support for cost savings, efficiency measures and revenue diversity.

The following information highlights the adjustments that are implemented in the Administration's House 1 revised budget recommendations for Local Aid. This update includes the structure of Section 3 of the budget, which delineates the distribution of certain aid to cities and towns, Chapter 70, Unrestricted General Government Aid, and Other Cherry Sheet funding.

Overall, the Administration has maintained its commitment to education funding by preserving Chapter 70 aid at the original House 1 (H.1) level. Although a reduction to Unrestricted General Government Aid was included in this revision, revenues to offset this reduction, consistent with H.1, were also included.

Fiscal Year 2010 Aid Distributions

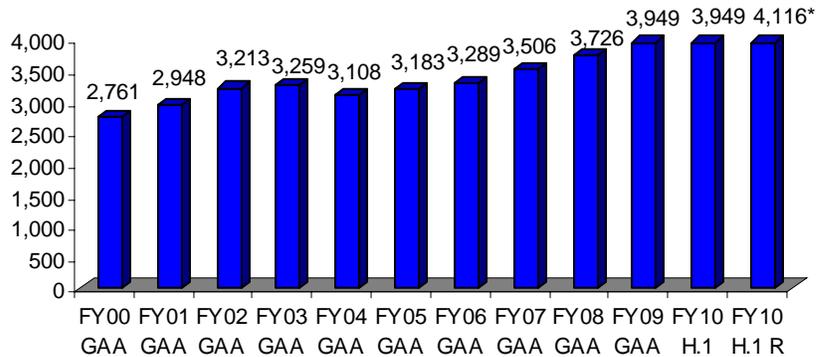
The following is a summary of Section 3 totals as compared to fiscal year 2009 General Appropriations Act (GAA) and the original H.1 budget recommendation.

		FY09 GAA	H.1 FY2010	H.1 Revised FY2010	Variance
Section 3	Chapter 70 Aid	\$ 3,948,824,061	\$ 3,948,824,061	\$ 3,948,824,061	\$ -
	Additional Assistance	\$ 378,517,988	\$ -	\$ -	\$ 0
	Lottery	\$ 935,028,283	\$ -	\$ -	\$ 0
	Unrestricted General Government Aid	\$ 1,313,546,271	\$ 938,546,271	\$ 864,882,390	\$ (73,663,881)
	TOTAL	\$ 5,262,370,332	\$ 4,887,370,332	\$ 4,813,706,451	\$ (73,663,881)
	Section 3 CUT AMOUNT	\$ -	\$ (375,000,000)	\$ (448,663,881)	\$ (73,663,881)
	Statewide Meals/Hotel/Motel Tax		\$ 149,247,706	\$ 149,247,706	\$ -
Mitigation (< 10%)		\$ 6,290,435	\$ -	\$ (6,290,435)	
Section 3 Total Cut			\$ (219,461,859)	\$ (299,416,175)	\$ (79,954,316)
Other Funds	ARRA Funds for Chapter 70	\$ -	\$ 167,946,927	\$ 167,946,927	\$ -
	Telecomm Property Tax Exemption	\$ -	\$ 50,000,000	\$ 50,000,000	\$ -
	Local Option	\$ -	\$ -	\$ -	\$ -
	Meals/Hotel/Motel	\$ -	\$ 149,247,706	\$ 149,247,706	\$ -
	TOTAL	\$0	\$ 367,194,633	\$ 367,194,633	\$ -

Chapter 70

The Governor’s House 1 revised recommendations continues to prioritize education. In a budget characterized by many deep cuts in important programs, this commitment to education is demonstrated by providing an estimated(*) total of \$4,116,770,988 for Chapter 70 aid for schools districts in the revised fiscal year 2010 budget recommendation. This total distribution continues to level-fund Chapter 70 aid and utilizes Federal ARRA funds to provide aid to fund foundation budget levels.

Chapter 70 State Aid (\$Billions)



Unrestricted General Government Aid

The revised House 1 further reduces Unrestricted General Government Aid by \$79.9 million (in addition to \$220 million in Local Aid reductions in the original House 1), reflecting increased fiscal pressures due to declining state tax revenues. Our revised blueprint avoids even deeper cuts in Local Aid by continuing to propose a 1% increase to the existing statewide meals and hotel and motel room occupancy taxes, with the resulting \$150 million in revenues dedicated to Local Aid. The Administration also continues to support allowing cities and towns to establish a 1% local option meals tax and increase the existing local option hotel tax by 1%. This option gives municipalities greater tools and resources to cushion immediate Local Aid cuts that could not be avoided and to manage their finances moving forward.

Additional Revenue Sources for All Municipalities

The Governor’s Revised House 1 budget continues to include two enhanced revenue sources for municipalities that serve to mitigate the reductions that are necessary for fiscal year 2010 revised budget. These revenues will be generated from an increase of 1% on the statewide meals and hotel/motel room occupancy excises. In the event that these revenues do not materialize to the amounts listed in Section 3 of the budget, the General Fund will cover the amounts listed. Likewise, if revenues exceed these amounts, the Commonwealth can work to distribute funds on a fair and predictable basis to municipalities.

Other Cherry Sheet Aid to Cities and Towns

The following chart displays all other operating accounts that appear on cherry sheets which serve as the official notification by the Commissioner of Revenue to municipalities and regional school districts of estimated state aid to be paid and charges to be assessed over the next fiscal year.

PROGRAM	Account Number	FY09 GAA	FY10 H.1	FY10 H.1 Revised	H.1 - H.1 Revised
SCHOOL LUNCH	7053-1909	\$ 5,426,986	\$ 5,426,986	\$ 5,426,986	\$ -
REG. SCHOOL TRANS	7035-0006	\$ 61,300,000	\$ 53,300,000	\$ 42,800,000	\$ (10,500,000)
CHARTER SCHOOL REIMBUR.*	7061-9010	\$ 79,751,579	\$ 79,751,579	\$ 79,751,579	\$ -
REG. PUBLIC LIBRARY	7000-9401	\$ 17,166,071	\$ 14,705,068	\$ 12,341,160	\$ (2,363,908)
PUBLIC LIBRARIES	7000-9501	\$ 9,989,844	\$ 8,557,657	\$ 7,107,657	\$ (1,450,000)
POLICE CAREER INCENTIVE	8000-0040	\$ 50,202,122	\$ 42,202,122	\$ -	\$ (42,202,122)
VETERANS BENEFITS**	1410-0400	\$ 20,904,223	\$ 27,864,017	\$ 27,864,017	\$ -
VET, SURV & BLIND EXEMPT***	1233-2000	\$ 17,241,130	\$ 25,301,475	\$ 25,181,475	\$ (120,000)
STATE OWNED LAND****	1233-2400	\$ 30,300,000	\$ 30,300,000	\$ 27,270,000	\$ (3,030,000)
LOCAL SHARE RACING TAXES*****	7006-0140	\$ 1,592,000	\$ 1,179,000	\$ 1,179,000	\$ -
TOTAL of Appropriated Items		\$ 303,764,300	\$ 288,587,904	\$ 228,921,874	\$ (59,666,030)
*H.1 mplement saccounting change with two new accounts.					
** H.1 implemented consolidation of this account.					
***H.1 implements consolidation of this account.					
**** Transferred to DOR - new account #.					
***** Transferred to SRC - new account #.					