

FY 2025 BUDGET RECOMMENDATION BUDGET BRIEF

Maura T. Healey, Governor | Kimberley Driscoll, Lt. Governor



Local Aid

Jake Rooney, Fiscal Policy Analyst

Introduction

The Healey-Driscoll Administration recognizes that the health of Massachusetts' 351 cities and towns underpins the overall success of Massachusetts and its people. That's why this administration is committed to ensuring that every municipality, from Provincetown to Pittsfield, has the resources it needs to succeed. Cities and towns also need to be given more support and flexibility to chart their own course, which is why alongside our strong commitment to funding local schools and programs, the administration has also introduced the **Municipal Empowerment Act** to address a range of issues that communities have cited as holding them back from achieving their goals.

Critical Resources to Cities and Towns

The administration's commitment to cities and towns is reflected in our FY25 House 2 budget recommendation, which provides nearly \$8.7 billion for local aid, a \$261.6 million (+3%) increase over FY24 GAA.

<i>Values in \$ Millions</i>	FY23	FY24	FY25 H.2
Chapter 70 Payments to Cities and Towns	5,998.2	6,592.6	6,856.0
Transportation of Pupils	105.4	126.7	129.1
Charter School Reimbursement	243.8	243.8	199.0
Smart Growth	0.8	0.8	0.8
Subtotal: Education	6,348.2	6,963.9	7,184.9
Unrestricted General Government Aid	1,231.2	1,270.6	1,308.7
Payments for Local Share/Racing Tax Revenue	1.1	1.1	1.1
Regional Libraries Local Aid	14.5	16.7	16.7
Veterans' Benefits	68.2	68.2	70.4
Tax Abatements for Veterans, Widows, Blind Persons, and Elderly	24.0	24.0	24.0
Payments in Lieu of Taxes on State Owned Land	45.0	51.5	51.8
Public Libraries Local Aid	16.0	17.6	17.6
Subtotal: General Government	1,400.1	1,449.7	1,490.3
Total	7,748.2	8,413.7	8,675.2

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Statewide Partnership: Unrestricted General Government Aid (UGGA)

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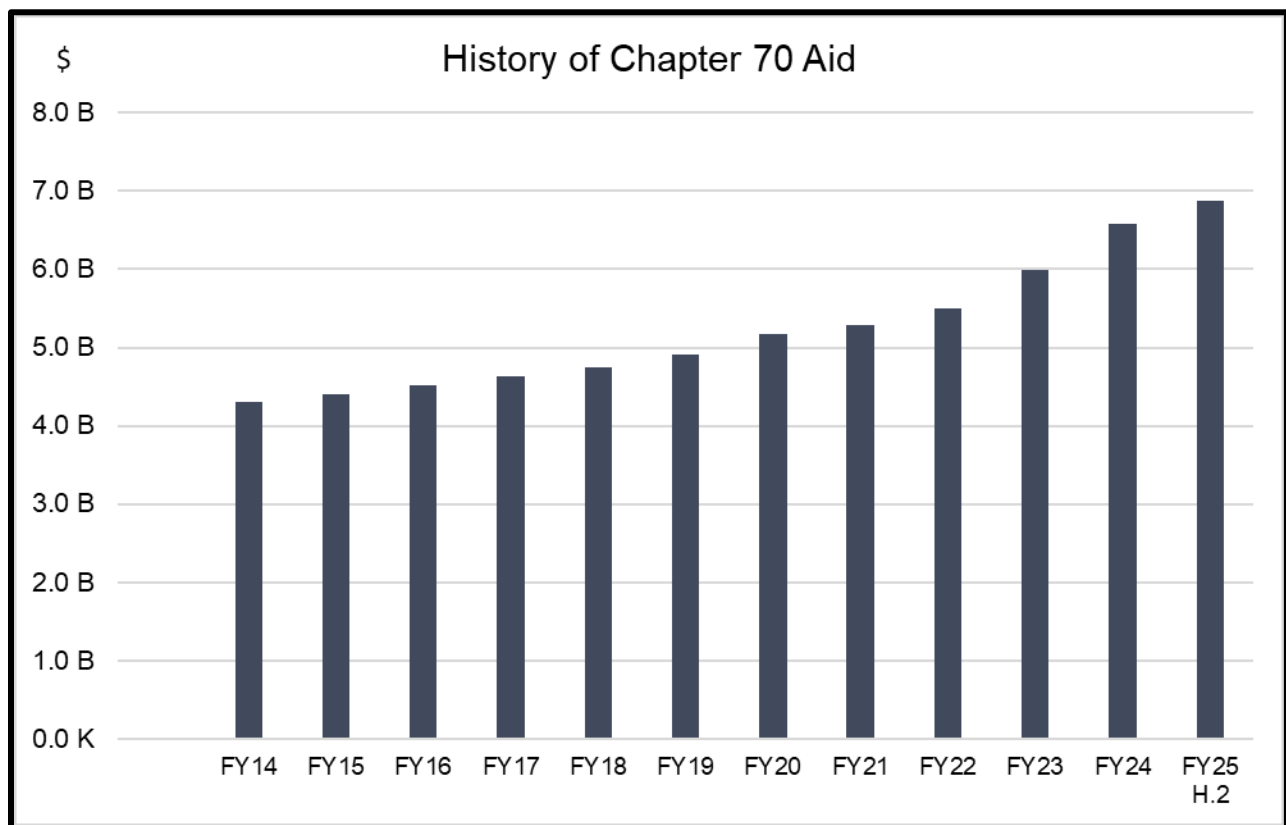
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A cornerstone of this commitment is the reliable expansion of Unrestricted General Government Aid, which supports essential local government services, including public safety, public works, and economic development. UGGA is a critical resource for cities and towns, providing the only fully flexible, unrestricted source of state local aid to municipalities. House 2 recommends a \$38.1 million (+3%) increase over FY24, which goes beyond consensus tax revenue growth.

Good Schools, Strong Communities: Fully Funding the Student Opportunity Act (SOA)

The administration is focused on ensuring that all students have access to a high-quality education. House 2 funds Chapter 70 school aid at \$6.86 billion, a \$263 million (+4%) increase over FY24. This increase comes on top of the FY24 increase of \$594.4 million to Chapter 70 aid, the largest nominal increase in the history of the program.



House 2 proposes full funding for Charter School Reimbursements at \$199 million, a \$43 M (-18%) decrease vs. FY24 GAA. This funding level reflects a decline in first-year tuition claims based on enrollment and is projected to fully reimburse all district claims.

It also fully funds Special Education Circuit Breaker at \$492.2 million, which, combined with \$75 M of supplemental funding from the FY23 closeout budget provides \$567 M in total funding available to meet all projected district claims. This funding level reflects full phase-in of out-of-district transportation cost reimbursement provided for in the SOA.

Budget Brief: Local Aid

For more information on how the Healey-Driscoll Administration is supporting education, please see our **Access to Education** budget brief.

A Partner To Our Municipalities

The House 2 proposal maintains the administration's commitment to supporting school transportation, adding an additional \$2.4 million (+2%):

- Regional School Transportation reimbursement is funded at \$99.4 million, an increase of \$2.4 million, providing reimbursements for approx. 80% of local costs.
- Non-Resident Pupil Transportation (vocational) reimbursement funded at \$1 million.
- Homeless Student Transportation reimbursement is funded at \$28.7 million, which is projected to reimburse 93% of local costs.

In addition, House 2 maintains \$15 million for rural school aid, sustaining the increase implemented in FY24. This program provides rural districts with additional funding for the fixed costs of running a school district and supports strategies to improve longer-term operational efficiencies.

House 2 also increases payments in lieu of taxes (PILOT) for state-owned land to ensure full and equitable reimbursement. The PILOT program makes payments to cities and towns to replace property tax revenue forgone due to state ownership of certain land. House 2 funds PILOT at \$51.8 million, a \$334,000 (+1%) increase over FY24. This funding level reflects the most up-to-date property valuations while ensuring all municipalities will receive equal or higher payments in FY25.

Additionally, House 2 recommends continuing support for public and regional libraries. Public libraries play a pivotal role within our communities, from serving our youngest residents to our most vulnerable populations. House 2 maintains funding to strengthen libraries' ability to continue innovating, offer eBooks, support digital equity through Wi-Fi access and library devices, and provide accessible programming regardless of physical or intellectual ability.

- Local aid for public libraries is funded at \$17.6 million
- Regional Libraries is funded at \$16.7 million
- Library Technology and Automated Resource-Sharing is funded at \$6.2 million

Vibrant and Safe Communities

House 2 also promotes safety and security by proposing \$12.8 million for the Shannon Community Safety Initiative. This initiative provides a multi-faceted approach to addressing gang and youth violence in communities by supporting youth development, recreation, case management, street outreach, education, employment, targeted suppression, and community mobilization programs. These funds are also directed towards research intended to develop strategy and implementation of funding at Shannon sites. This funding complements the DCR Summer Nights program, neighborhood-based gun and violent crime prevention, and Department of Justice's Project Safe Neighborhoods.

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For more information for House 2's recommended investments in public safety, please see the **Keeping Massachusetts Safe** budget brief.

Empowering our Cities and Towns

House 2 also recommends \$17.0 million for the Municipal Regionalization and Efficiencies Incentive Reserve. This includes:

- \$6 million to nearly triple funding for the Community Compact program. This funding will help municipalities implement best practices in areas including cybersecurity, housing production, and solid waste disposal.
- \$5 million for public safety and emergency staffing. These grants, used to enhance staffing levels, are awarded to communities that have populations of at least 60,000 and demonstrate that their police departments had an operating budget per capita of less than \$200 in FY24.
- \$3 million for the District Local Technical Assistance Fund, which supports the states's 13 regional planning agencies (RPAs) and enables them to provide technical assistance for cities and towns.
- \$2 million for the Efficiency and Regionalization competitive grant program, which provides financial support for governmental entities interested in implementing regionalization and other efficiency initiatives that allow for long-term sustainability.
- \$500,000 to continue the Local Finance Commonwealth Fellowship Program. This fellowship supports about 30 participants from community colleges in gaining an understanding of municipal finance through a training program managed by the Division of Local Services and work-based learning through local government partnerships with host cities and towns across Massachusetts.
- \$500,000 for a new Municipal High-Demand Position Training Program to be administered by the Edward J. Collins Center for Public Management at the University of Massachusetts Boston, in consultation with the Executive Office of Labor and Workforce Development and the Commonwealth Corporation.

Finally, House 2 also proposes \$100 million for supplemental Chapter 90 plus \$24 million specifically dedicated to rural transportation aid from Fair Share resources, a 62 percent increase over the traditional \$200 million Chapter 90 capital program. This investment will assist local governments with needed infrastructure improvements, easing congestion, addressing needs associated with climate change adaptation and resilience, and fixing more of the state's aging roads and bridges.

Municipal Empowerment Act

The Healey-Driscoll Administration conducted a series of seven listening sessions across the state this fall where more than 100 local leaders shared ideas for how the state could help them unleash their potential. Those ideas were heard and form the basis of the administration's Municipal Empowerment Act, as well as a number of other policy actions being taken to address these concerns. Package highlights include:

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- **Expanding and creating new local option tax powers:** Enabling local governments to increase meals (from .75 to 1 percent) and lodging (from 6 to 7 percent) taxes, and creating a new local option for communities to set a 5 percent charge on the Motor Vehicle Excise.
- **Empowering local leaders to control liquor license decisions:** Granting cities and towns the ability to set their own quotas for liquor licenses given to restaurants.
- **Making COVID-era laws permanent:** Codifying public meeting, dining and liquor purchase flexibilities developed during COVID that proved popular with residents, profitable for businesses and helpful for democratic participation.
- **Reforming procurement laws:** Equalizing thresholds to \$100 K for all local competitive bids, enabling more group purchasing opportunities and eliminating the requirement to publish notice of invitations for competitive bids on COMMBUYS.
- **Addressing fiscal pressure from employee benefits:** Establishing a new OPEB Commission to develop options for addressing unfunded liabilities from non-pension employee benefits.
- **Improving Chapter 90 grant administration:** Creating a Working Group with state and local officials to reduce the complexity and burdens of applying for and receiving these vital transportation funds.
- **Creating new pathways for Civil Service recruitment:** Supporting legislative efforts to allow for civil service police/fire departments to appoint up to 50% of officers outside of the civil service process and enable easier creation of public safety cadet programs.