

MUNICIPAL FINANCE:

Where does the money come from
and where does it go?



*Forum presented
by the Fiscal
Policy Update
Committee
of the
League of
Women Voters of
Massachusetts*

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MUNICIPAL FINANCE:

Where does the money come from and where does it go? **INTRODUCTION**

- Fiscal Policy Update Committee
 - Co- Chairs
 - Kathy Leonardson
 - Zaxaro Bennett

Fiscal Policy Update *Thanks ...*

- LWVMA President Madhu Sridhar and Executive Director Risa Nyman
- LWVMA Assistant Executive Director Robin L. Rich
- The Amherst League of Women Voters
- The Boston League of Women Voters

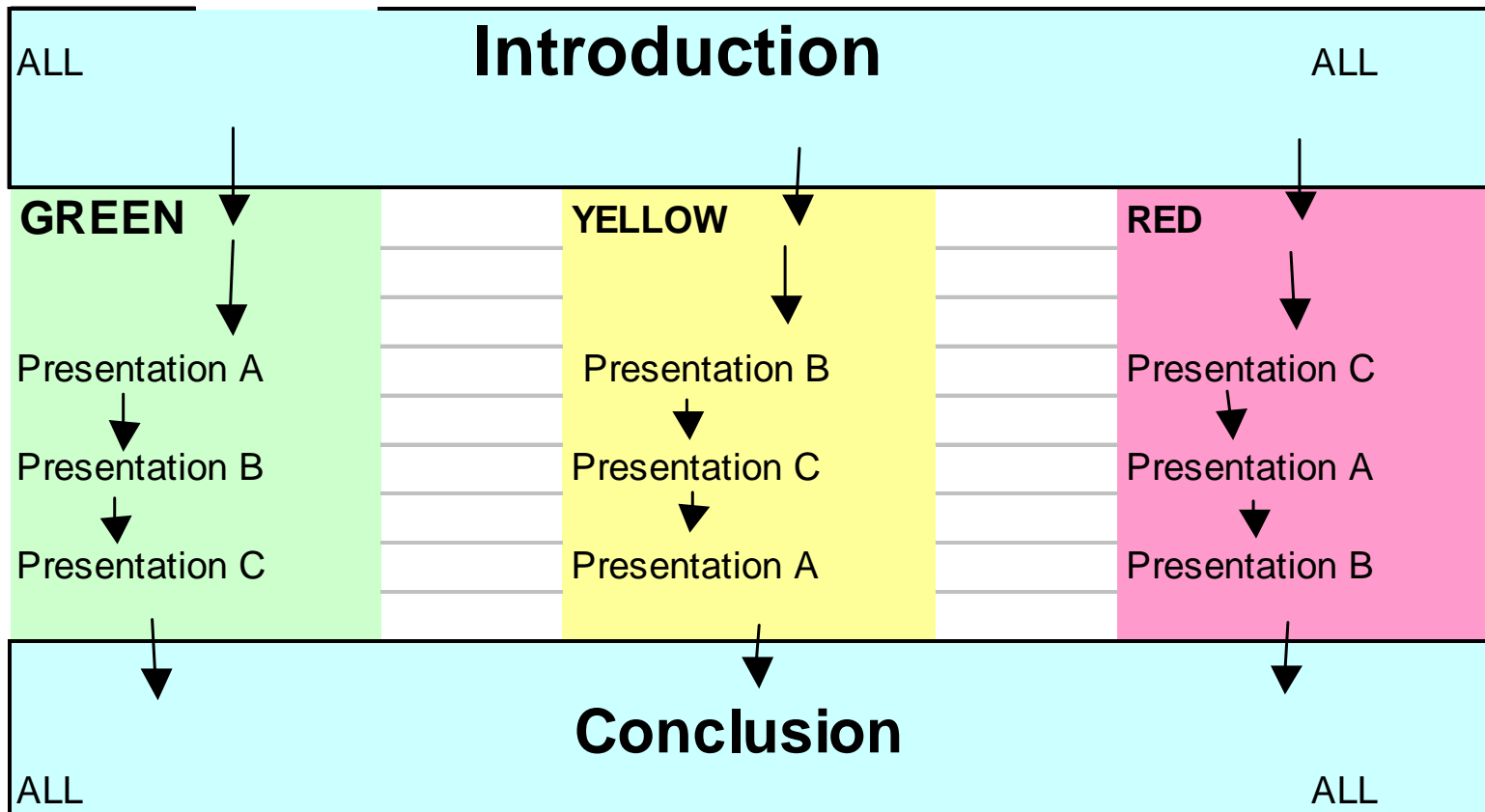




Members of Fiscal Policy Update Committee

- **Zaxaro M. Bennett** *Marblehead, Co-Chair*
 - **Kathy Leonardson** *Marblehead, Co-Chair*
 - **Ernest Dieterich** *Winchester, Secretary*
 - **Mary Ann Ashton** *Acton Area*
 - **Cynthia Brubaker** *Amherst*
 - **Mary Frantz** *Chelmsford*
 - **Louise Haldeman** *Concord*
 - **Merle Hyman** *Swampscott*
 - **Paulina Knibbe** *Acton Area*
 - **Ruth Kohls** *Acton Area*
 - **June Michaels** *Cape Ann*
 - **Setha Olson** *Lexington*
 - **Judy Robbins** *Attleboro*
 - **Shelley Sackett** *Swampscott*
 - **Anne Schmalz** *Boston*
 - **Susan Sekuler** *Concord-Carlisle*
- Advisors / Resources to Committee***
- **Lynn Cohen** *Westford*
 - **Judy Deutsch** *Sudbury*
 - **Deb Ecker** *Chatham*
 - **Nancy Tavernier** *Acton*

Forum Organization





Amherst Forum Schedule

Timeline Amherst 9 AM - 12:30			
9:00 AM	to 9:20	INTRODUCTION	(20 min)
9:20	to 9:30	Break	
9:30	10:10	SESSION I	(40 Min)
10:10	to 10:20	Break	
10:20	to 11:00	SESSION II	(40 Min)
11:00	to 11:10	Break	
11:10	to 11:50	SESSION III	(40 Min)
11:50	to 12 noon	Break	
12 noon	to 12:30	CONCLUDING REMARKS	(30 min)

Boston Forum Schedule

Timeline Boston 9 AM to 2:15 PM			
9:00 AM	to 9:30	INTRODUCTION	(30 min)
9:30	to 9:40	Break	
9:40	10:40	SESSION I	(60 min)
10:40	to 10:50	Break	
10:50	to 11:50	SESSION II	(60 min)
11:50AM	to 12:30	LUNCH	
12:30	to 1:30	SESSION III	(60 min)
1:30	to 1:40	Break	
1:40	to 2:10	CONCLUDING REMARKS	(30 min)



HISTORY:

Fiscal Policy Update Committee

- Approved **May 2005**
- **3 Year Study**
- Goal – evaluate **status** of the **financing of local government services**

What is “fiscal policy”?

- Fiscal policy: pertaining to the laws or rules that control all aspects of the use of money
- Focus: State laws/policies that influence local budgets, expenses, revenues, etc.





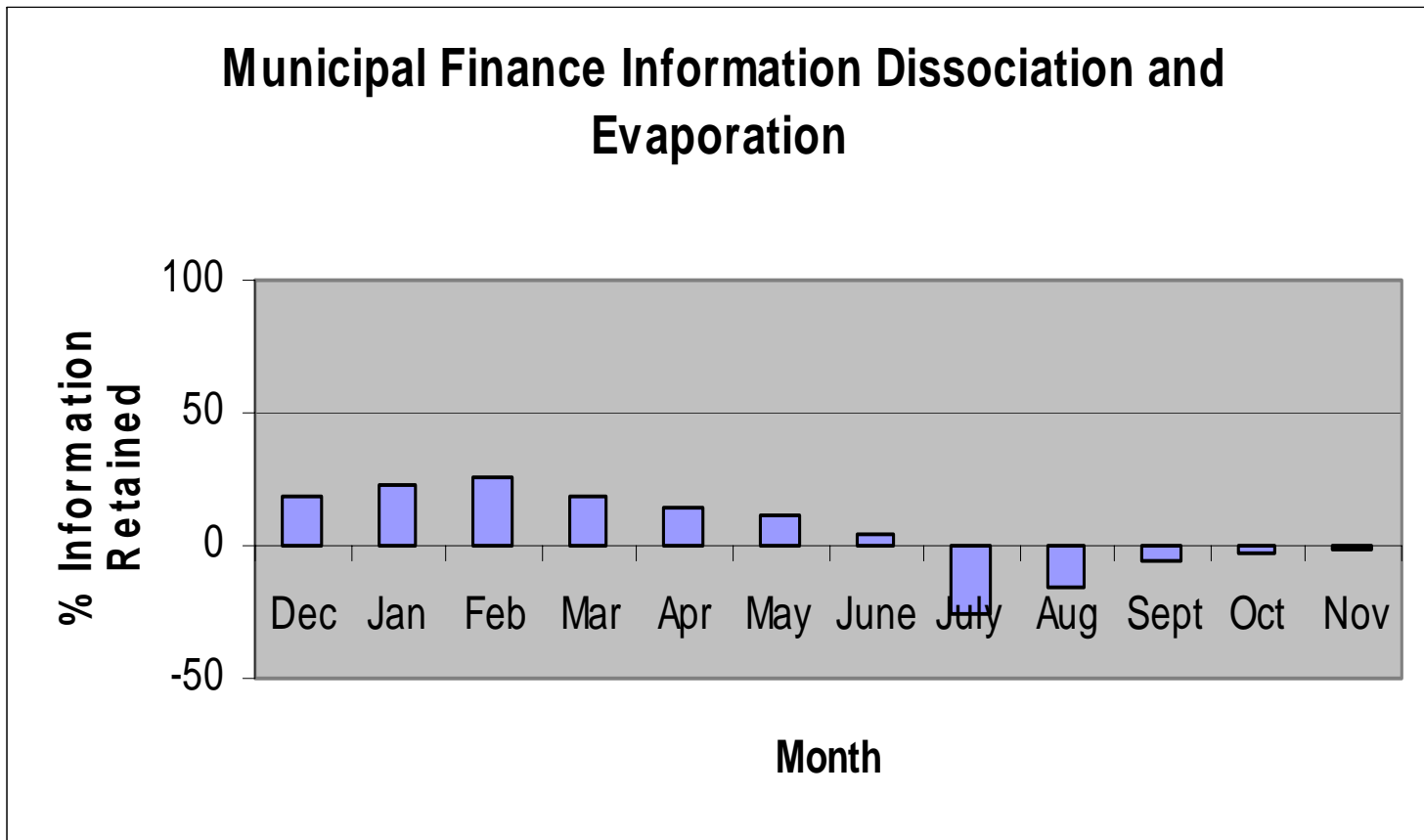
Purpose of Municipal Finance Forums

MISSION POSSIBLE:

Understanding the Basics
of Municipal Finance

Finance

Discognition Disorder





Municipal Finance: Where does the money come from and where does it go?

State Policies/Laws that affect:

- **How municipalities spend money**
- **How municipalities raise money**
- **Money coming from State to municipalities**
- **Money charged to municipalities by the state**

Signs and Omens



- Fees
- Services
- Police
- Highway
- Recreation
- Other

Signs and Omens

- “Friends” groups
- Donations to town
- Classroom donations



Signs and Omens

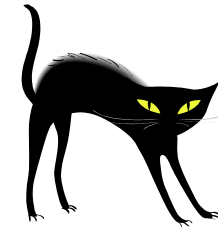


- **“A Gloucester death from blaze brings home budget-cut realities: Loss of fire station slowed response**
GLOUCESTER -- Gloucester firefighters took more than 11 minutes to reach a burning house late Sunday, only to find a 42-year-old woman dead inside, 1 mile from a fire station that had been closed recently because of budget cuts.”

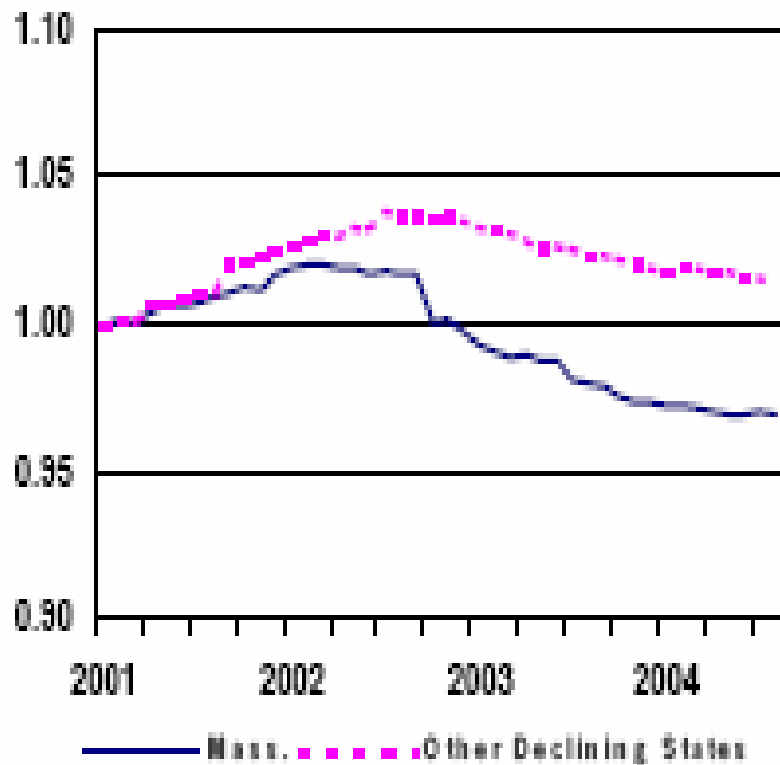
-By Kay Lazar and Raja Mishra, Boston Globe

Staff, October 3, 2006

Signs and Omens



Local Government Employment
(Jan 2001 = 1.00)



- Massachusetts lost 14,200 municipal jobs between February 2002 to August 2004, more than any other state in the nation

- From Municipal Finance Taskforce Report, "Local Communities at Risk", J. Hamill et al, 2005

- (Figure to left from MTF Nov 2006 Annual Report)

Signs and Omens



Mass Taxpayers Foundation

*Report: Municipal Financial Data 35th Edition,
Nov 2005*

State aid to cities and towns in 2006 is
about \$700 million below 2002 after
adjusting for inflation



I. Fiscal issues

“Virtually all of Massachusetts’ cities and towns face long- term financial problems...Local governments in Massachusetts are inadvertently trapped by the convergence of four major forces: Proposition 2 ½, the State’s landmark Education Reform Act of 1993, rising health insurance and recent cuts in local aid.”

in “Local services, local aid, common challenges” by Phineas Blaxandall, Rappaport Institute, November 2005



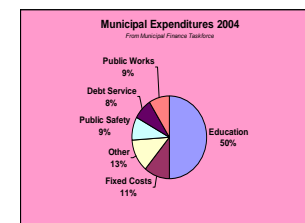
This forum will cover

State Policies/Laws that affect:

1. **how municipalities spend money**
2. **how municipalities raise money**
3. **money coming from State to municipalities**
4. **money that municipalities pay to the state**

State Policies/Laws that affect How municipalities **spend** money

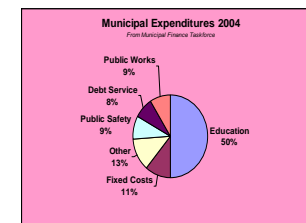
- **Presentation A: Education**
 - ***Ed Reform***
 - ***Chapter 70***
 - ***Charter Schools***
 - ***Special Education***
- **Presentation B part 1: Health Insurance and Pensions**



State Policies/Laws that affect: Money that municipalities owe to the state

Presentation B Part 2: “Assessments”

1. Transportation: MBTA and Regional
2. County tax
3. School Choice and Charter School sending tuition
4. Special Education charges against receipts

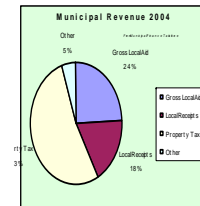


State Policies/Laws that affect:

Money coming from State to municipalities (revenue)

Presentation 3 part 1: Local Aid (State Aid)

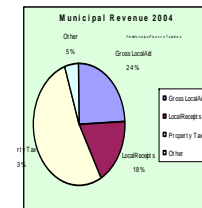
- 1. Chapter 70***
- 2. Lottery Aid***
- 3. Additional Assistance***



State Policies/Laws that affect How municipalities raise money

Presentation C part 2

- 1. Proposition 2 ½**
- 2. Local option taxes**
- 3. Motor Vehicle Excise tax**
- 4. Fees and Tax- exempt property**



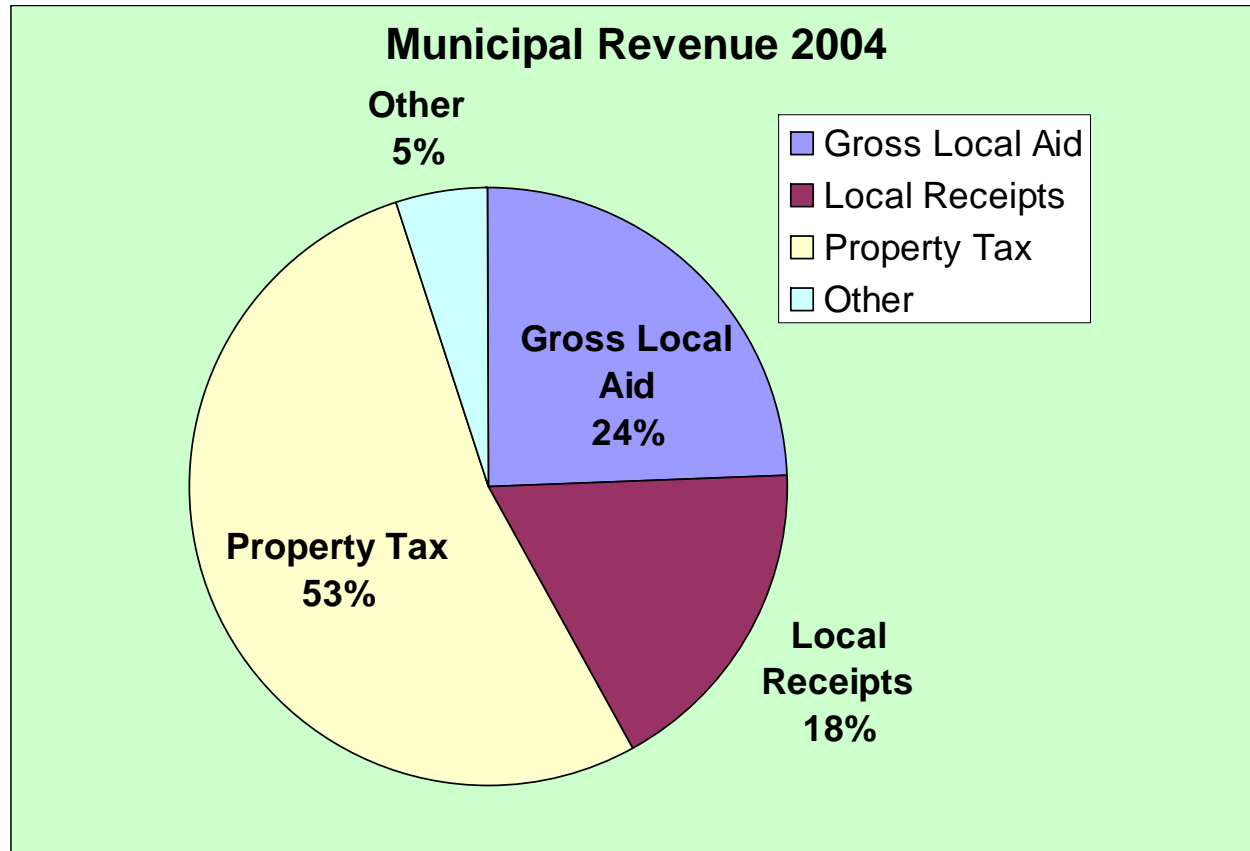
Relationship: State government and municipalities



- Massachusetts municipalities limited in ability to raise own revenues
- Despite home rule, do not have fiscal autonomy, unlike many other states

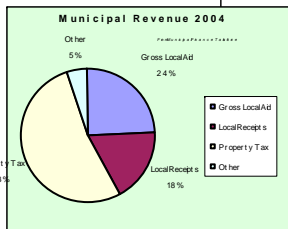
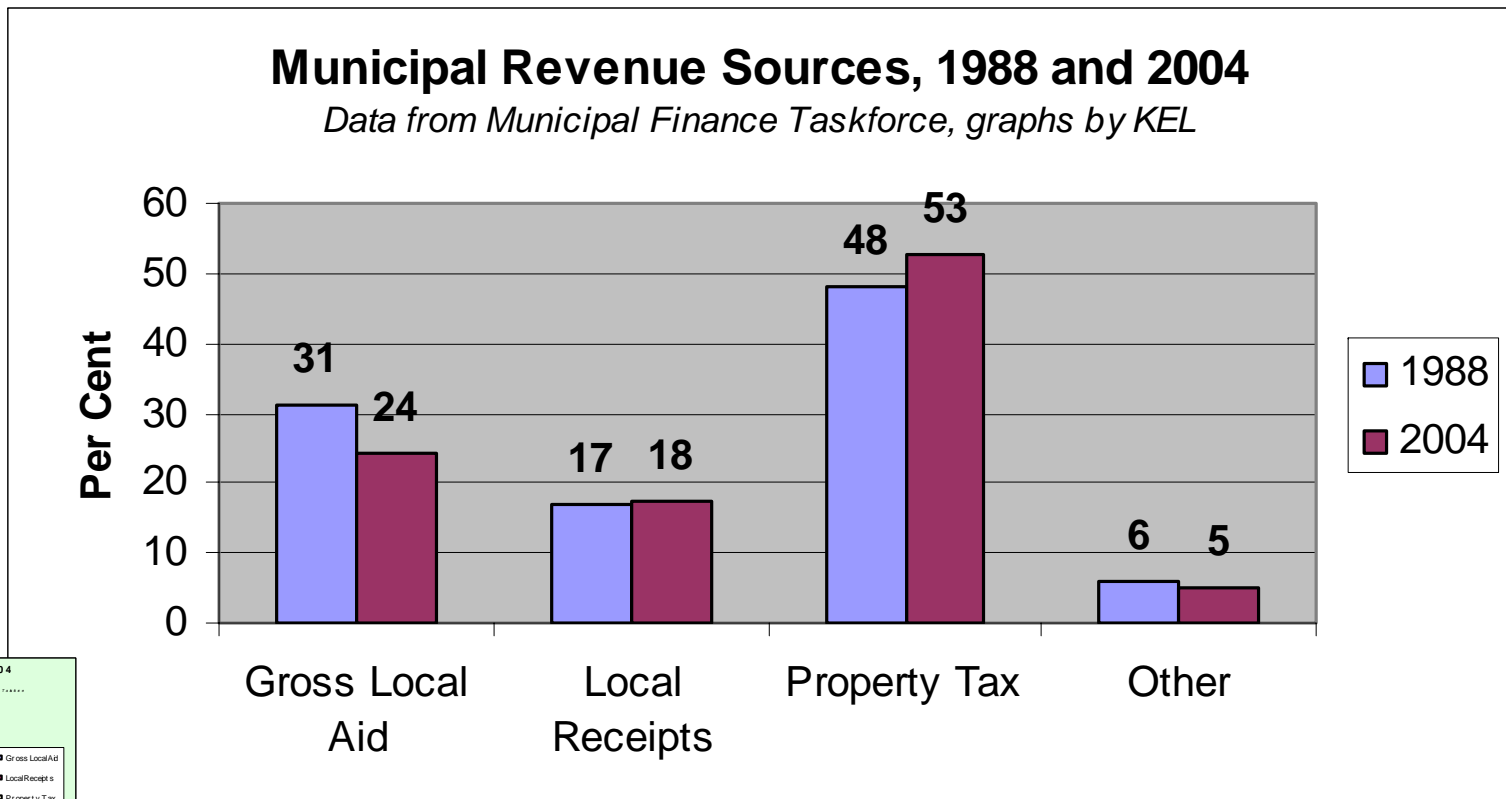
Revenue Sources for Massachusetts Cities and Towns

How municipalities raise money

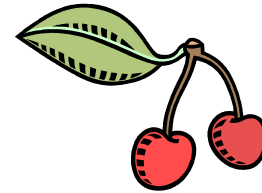


From Municipal Finance Taskforce, Local Communities At Risk, J.Hamill et al.

Revenue Sources for Massachusetts Cities and Towns: 1988 VS 2004



“Cherry Sheets”



C.S. 1-ER FY 2007

NOTICE TO ASSESSORS OF ESTIMATED RECEIPTS

General Laws, Chapter 58, Section 25A

NORFOLK

A. EDUCATION:

Distributions and Reimbursements:

1. Chapter 70	3,342,421
2. School Transportation Chs. 71, 71A, 71B and 74	0
3. Retired Teachers' Pensions Ch. 32, s. 20 (2) (c)	0
4. Charter Tuition Reimbursements Ch. 71, s. 89	22,322

Offset Items – Reserve for Direct Expenditure:

5. School Lunch 1970, Ch. 871	4,827
6. School Choice Receiving Tuition Ch. 76, s. 12B, 1993, Ch. 71	0

Sub-Total, All Education Items 3,369,570

B. GENERAL GOVERNMENT:

Distributions and Reimbursements:

1. Lottery, Beano & Charity Games	1,173,639
2. Additional Assistance	0
3. Local Share of Racing Taxes 1981, Ch. 558	0
4. Regional Public Libraries Ch. 78, s. 19C	0
5. Police Career Incentive Ch. 41, s. 108L	59,419
6. Urban Renewal Projects Ch. 121, ss. 53-57	0
7. Veterans' Benefits Ch. 115, s. 6	0
8. Exemptions: Vets, Blind & Surviving Spouse Ch. 58, s. 64; Ch. 59 s. 5	17,848
9. Exemptions: Elderly Ch. 59, s. 5, Cl. 41, 41B, 41C	4,016
10. State Owned Land Ch. 58, ss. 13-17	199,112

Offset Item - Reserve for Direct Expenditure:

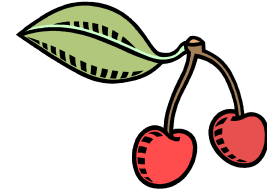
11. Public Libraries Ch. 78, s. 19A	12,459
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Sub-Total, All General Government 1,466,493

C. TOTAL ESTIMATED RECEIPTS, FISCAL 2007 4,836,063

- “Cherry Sheets” were originally printed on cherry pink paper
- Sent to cities and towns after final state budget deliberations
- “Estimated Receipts” = revenue coming from State to municipalities

Cherry Sheet Assessments



C.S. 1-ER FY2007

NOTICE TO ASSESSORS OF ESTIMATED CHARGES

General Laws, Chapter 58, Section 25A

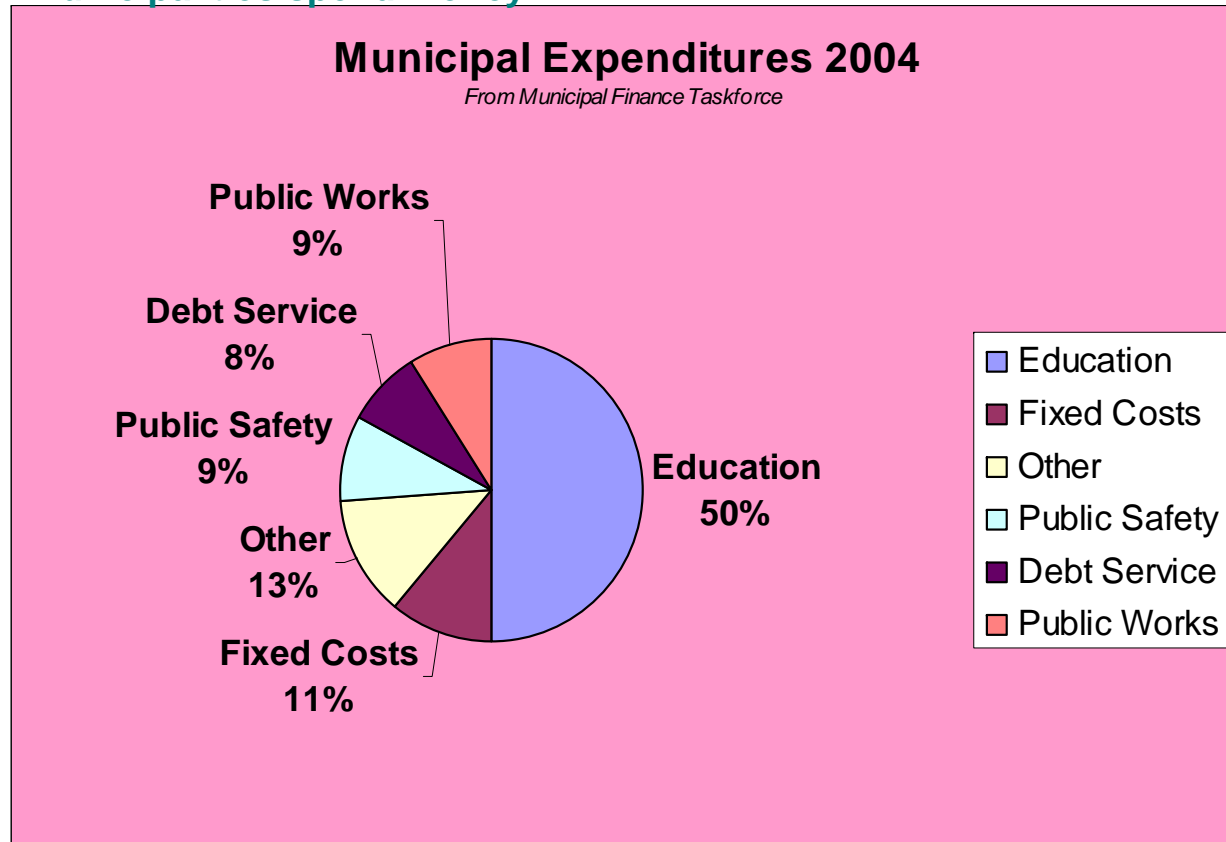
NORFOLK

A. County Assessment, County Tax Ch. 35, ss. 30, 31	58,915
B. STATE ASSESSMENTS AND CHARGES:	
1. Retired Employees Health Insurance Ch. 32A, s. 10B	0
2. Retired Teachers Health Insurance Ch. 32A, s. 12	0
3. Mosquito Control Projects Ch. 252, s. 5A	30,257
4. Air Pollution Districts Ch. 111, ss. 142B, 142C	2,802
5. Metropolitan Area Planning Council Ch. 40B, ss. 26, 29	2,452
6. Old Colony Planning Council 1967, Ch. 332	0
7. RMV Non-Renewal Surcharge Ch. 90; Ch. 60A	4,820
Sub-Total, State Assessments	40,331
C. TRANSPORTATION AUTHORITIES:	
1. MBTA Ch. 161A, ss. 8-9; 1974, Ch. 825, ss. 6-7	203,422
2. Boston Metro. Transit District 1929, Ch. 383; 1954, Ch. 535	0
3. Regional Transit Ch. 161B, ss. 9, 10, 23; 1973, Ch. 1141	0
Sub-Total, Transportation Assessments	203,422
D. ANNUAL CHARGES AGAINST RECEIPTS:	
1. Multi-Year Repayment Programs	0
2. Special Education Ch. 71B, ss. 10, 12	0
3. STRAP Repayments 1983, Ch. 637, s. 32	0
Sub-Total, Annual Charges Against Receipts	0
E. TUITION ASSESSMENTS:	
1. School Choice Sending Tuition Ch. 76, s. 12B, 1993, Ch. 71	8,421
2. Charter School Sending Tuition Ch. 71, s. 89	153,120
3. Essex County Technical Institute Sending Tuition 1998, Ch. 300, s. 21	0
Sub-Total, Tuition Assessments	161,541
F. TOTAL ESTIMATED CHARGES, FISCAL 2007	464,209

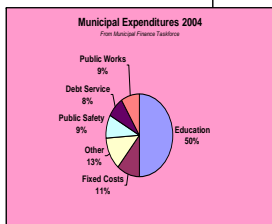
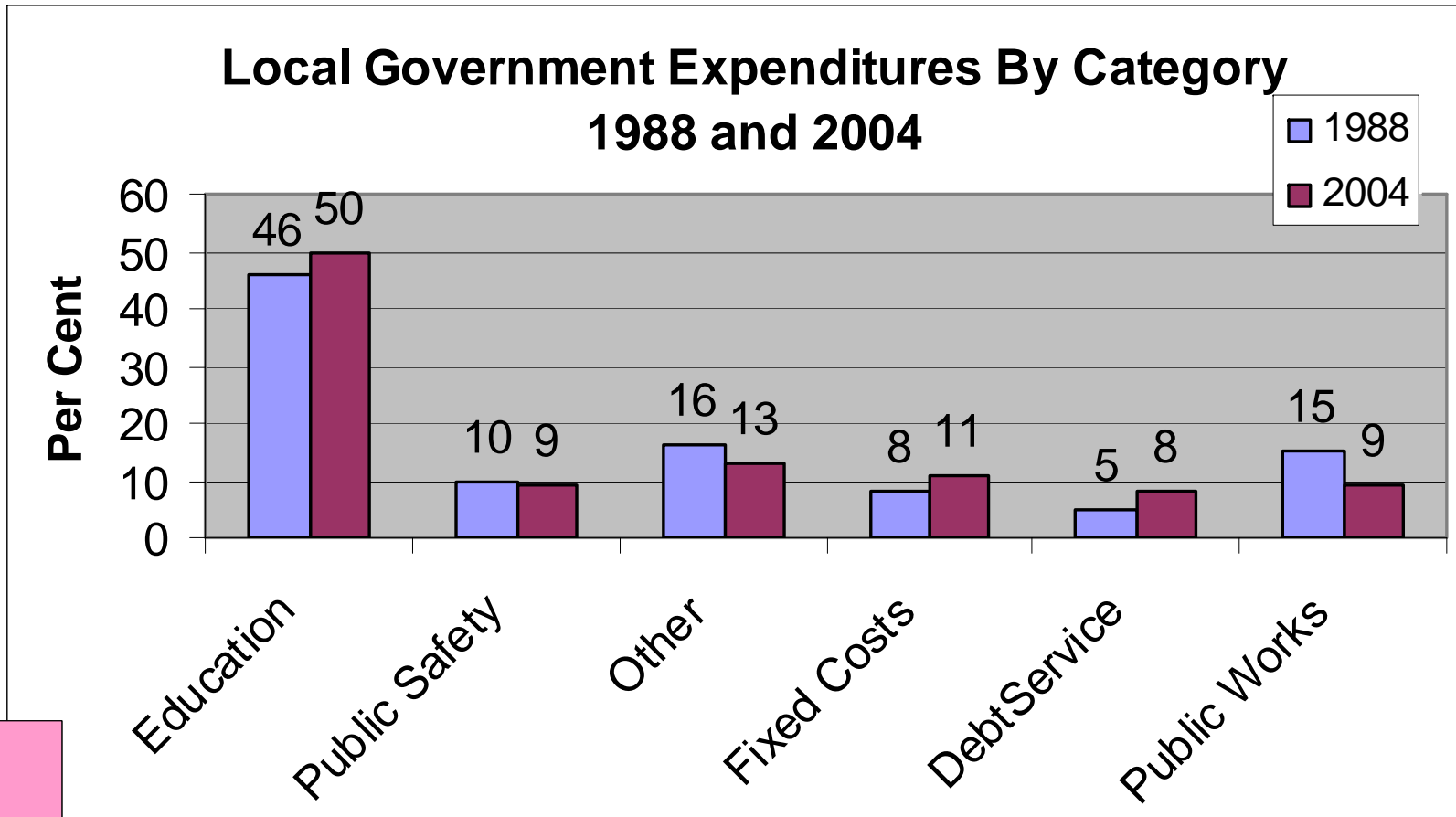
Assessments =
charges against
local aid for state
services that
municipalities
receive

TOTAL State Municipal Expenditures 2004

How municipalities spend money



TOTAL Massachusetts Municipal Expenditures 1988 VS 2004





Purpose of Forum

- Understanding municipal finance
 - State and local relationship
 - State Law/policy
- Preparation for local (self) study
(Feb-June 2007)
- Prelude to FPU consensus meeting
(Nov 2007-Feb 2008)



Sources for graphs and data

- **Municipal Financial Data 35th Edition**
Mass Taxpayers Foundation Report, Nov 2005
- **Revenue Sharing and the Future of the Massachusetts Economy**
Barry Bluestone, Alan Clayton-Matthews, David Soule MMA and Center for Urban and Regional Policy, Northeastern University, Jan 2006
- **“Local services, local aid, common challenges”**
by Phineas Blaxandall, Rappaport Institute, November 2005
- **“ Local Communities at Risk: Revisiting the fiscal partnership between the Commonwealth and cities and towns”,**
From Municipal Finance Taskforce, MAPC, Sept 2005 Hamill Report



Questions



BOSTON Forum Schedule

TIME	ACTIVITY	GREEN Presentation ORDER	YELLOW Presentation Order	PINK Presentation ORDER
9:00 to 9:30	Introduction	Auditorium	Auditorium	Auditorium
9:40 to 10:40	Session 1	Room 4 (Education)	Room 5	Room 6
10:50 to 11:50	Session 2	Room 5	Room 6	Room 4
11:50 to 12:30	LUNCH	LUNCH	LUNCH	LUNCH
12:30 to 1:30	Session 3	Room 6	Room 4 (Education)	Room 5
1:40 to 2:15	Conclusion	Auditorium	Auditorium	Auditorium

LWV MA Municipal Finance Forum



League of Women Voters of Massachusetts
Fiscal Policy Update Committee