



TOWN OF NORTHBOROUGH

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February 27, 2017

State Senator James Eldridge
State House, Room 218
Boston, MA 02133

State Senator Harriette Chandler
State House, Room 333
Boston, MA 02133

State Representative Harold Naughton, Jr.
State House, Room 167
Boston, MA 02133

State Representative Danielle Gregoire
State House, Room 473G
Boston, MA 02133

Dear Senators and Representatives:

Enclosed please find the Town of Northborough's legislative priorities, endorsed by the Board of Selectmen at its February 27, 2017 meeting. This document identifies priority areas where the Town is seeking legislation to provide relief to municipalities. The Board looks forward to discussing these issues with you at a meeting on March 13th at 7:00 p.m. in the Selectmen's Meeting at Town Hall, 63 Main Street.

Thank you, and as always, we appreciate your efforts on behalf of the Town of Northborough.

Sincerely,

John W. Coderre
Town Administrator

cc: Board of Selectmen



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February 27, 2017

Governor Charles D. Baker
Massachusetts State House
Office of the Governor
Room 280
Boston, MA 02133

Dear Governor Baker:

On behalf of the Town of Northborough, I respectfully request your support for the proposed reforms outlined on the following pages, which reflect the Town's Legislative Priorities, as identified by Northborough Officials, the Massachusetts Municipal Managers' Association and the Massachusetts Municipal Association. We believe that your administration's support of these items is in line with your demonstrated commitment to strengthening partnerships with local officials and building stronger communities across the Commonwealth.

The reforms that are highlighted herein would benefit municipal leaders' efforts to mitigate heightened pressures on local resources. Many of the rules, regulations and state laws that are in place today hinder their ability to apply creative and innovative means to effectively manage their organizations, and many may in fact create inefficiencies, redundancies and waste in the use of the limited financial and human resources that are at a municipal manager's disposal.

We would be pleased to provide additional information or meet with you or your staff if you think this would be helpful. Again, thank you for your consideration.

Sincerely,

William J. Pantazis, Chair
Northborough Board of Selectmen

CC: Board of Selectmen
Town Administrator
Asst. Town Administrator
Finance Director
Superintendent of Schools

Appropriations Committee
Financial Planning Committee
Senator James Eldridge
Senator Harriette Chandler
Representative Danielle Gregoire
Representative Harold Naughton



TOWN OF NORTHBOROUGH
STATE LEGISLATIVE PRIORITIES
February 2017

1. Provide a Multi-Year \$300 Million Chapter 90 Authorization

Increased funding of the Chapter 90 program, through which the Commonwealth reimburses municipalities for eligible roadway improvement projects, is critically important as communities across the state seek to maintain safe local roadways and build strong local economies. The program's formula-based funding takes into account a community's population, road miles and employment. The Legislature authorized a \$300 million Chapter 90 program for Fiscal 2015, and ultimately, the full amount was released to cities and towns in January 2015. The subsequent Fiscal 2016 and Fiscal 2017 authorizations were reduced to \$200 million, and the Governor has again sought \$200 million for the program in Fiscal 2018.

The proposed level funding of the Chapter 90 program for Fiscal 2018 does not provide communities with an amount adequate to maintain roads in a state of good repair, the industry standard. Based on its 2014 state-wide survey, the Massachusetts Municipal Association (MMA) found that municipalities would need to spend in excess of \$600 million annually to bring roads up to the industry standard for ensuring well-maintained roads in good condition. Preliminary results of the MMA's 2016 survey update indicate that the overall need has increased by about 9.6% since 2014. Actual spending by cities and towns is far less than the amount necessary to even maintain our current road conditions. According to the U.S. Department of Transportation, once a local road is in a state of good repair, every dollar invested to keep it properly maintained will avoid \$6 -\$10 in repair costs due to lack of maintenance. The rapidly increasing costs cited by the MMA reflects the overall deterioration of our roadway infrastructure and underscores the detrimental effects of deferred and/or under investment in our aging infrastructure.

The timing of legislative action on Chapter 90 is also critically important with adherence to the April 1 notification date necessary to allow municipalities the needed time to plan, bid and award paving contracts and make maximum use of the funds during the full construction season. For most cities and towns, Chapter 90 is the only source of funds for road construction and repairs, and delays or reductions in funding can result in paving projects being postponed until the following season. A multi-year bond bill would allow for better planning and more effective use of funding as well.

Why is Chapter 90 Funding a Legislative Priority for the Town of Northborough?

The Town of Northborough has approximately 93 miles of roadway. Historically, the Town's annual spending on road construction projects has been limited to its Chapter 90 allocation, which has been insufficient to keep pace with needed maintenance and investments. In 2013, the Town completed a comprehensive pavement management study which assessed the condition of the Town's roadways. Notably, the study found only 4% of the Town's roadways to be in excellent condition and in need of no maintenance, and over one quarter (27%) of the roads were found to be in such poor condition that they require reclamation or reconstruction.

Ultimately, deferring investment in our roadways will negatively impact the Town's financial condition and bond rating by increasing costs and reducing the Town's ability to fund other services. Since completing the pavement management study, the Town has developed a pavement management plan to guide its investment in local roadway infrastructure. The Town's study found that if the Town were to invest only Chapter 90 funds for ten years, the backlog of roadway maintenance work would increase from an estimated \$17 million to almost \$44 million over that time period. Annual spending of \$1.1 million would be necessary to merely maintain current pavement conditions.

When Chapter 90 funds were increased to approximately \$800,000 during FY2016 and paired with a local appropriation of \$300,000, the Town met the minimum requisite funding. When the Town subsequently updated its Pavement Management Study, a slight improvement in the overall pavement condition index was noted. Unfortunately, Chapter 90 funds were reduced to \$500,000 in FY2017 and are expected to remain at that level for FY2018. At this level, the Town's Fiscal 2017 Chapter 90 allocation of approximately \$500,000 plus a local appropriation of \$300,000 results in a \$300,000 funding gap, which would be filled if the statewide Chapter 90 funding were increased to \$300 million. It is therefore critical that the Governor and Legislature act to ensure the swift passage and full funding of at least a \$300 million Chapter 90 program in Fiscal Year 2018 and beyond.

2. Increase Circuit-Breaker Funding

Another top priority for Fiscal 2018 is increased funding of the state's special education reimbursement program known as the "Circuit Breaker Program" which provides reimbursements to school districts that must provide high-cost programs for special education students. Under this program, the state's current target is 70% reimbursement for the cost of special education placements that exceed a minimum threshold. The Governor's proposed Fiscal 2018 budget level-funds the program; however, with special education costs continuing to increase, level-funding of the program would effectively result in underfunding at the current reimbursement rate. Another growing financial burden and concern to districts is that the current circuit breaker program does not provide any relief to special education transportation costs, which are significant and, at times, include specific services to address medically fragile student needs.

We are again seeking your support for a more expansive modification of the Circuit-Breaker Program that would increase the current funding formula to 100% reimbursement for the cost of special education services that exceed the minimum threshold and that adds reimbursement for associated mandated special education transportation expenses. Given the high cost of providing specialized transportation, many districts are forced to reduce regular education school programs or further shift funds from the municipal side of the budget. Adding a transportation funding component would provide great relief to school budgets.

Additionally, included in the 2015 State Budget was the establishment of the Foundation Budget Review Commission which encompassed the charge of determining the educational programs and services necessary to achieve the Commonwealth's educational goals, of reviewing the way foundation budgets are calculated, and making recommendations for potential changes. A key outcome of the Review Commission was the determination that the cost of special education is not adequately reflected in the state's current funding formula. As a result, many districts – including the Northborough K-8 School District and Algonquin Regional High School – have had to reduce spending in other areas of operational budgets.

The Review Commission's report includes the recommendation to adjust the special education allowance by providing a more realistic set of assumptions for the estimated minimum expenses required to support programs for students on individual educational plans in our schools by:

- Increasing the assumed in-district special education enrollment rate from 3.75% to 4.00%
- Increasing the out-of-district special education cost rate to capture the total costs that districts bear before circuit breaker reimbursement is triggered. An increase of the out-of-district special education allowance would provide for this.

The full report of the Foundation Budget Review Commission (October 30, 2015) can be accessed at <http://www.mass.gov/legis/journal/desktop/2015/fbrc.pdf>.

Why is Circuit-Breaker Funding a Legislative Priority for the Town of Northborough?

In Fiscal Year 2016, eligible special education expenses totalled \$2,589,495 for the Northborough K-8 School District. The minimum threshold or foundation amount was \$42,149. With 31 eligible student claims, this resulted in a net claim of \$1,282,877 ((\$2,589,495 – (\$42,149 x 31)). By applying the approximate current 70% reimbursement rate, the District is slated to receive a total amount of \$898,014 in the current fiscal year.

An additional \$980,316 of eligible special education expenses were incurred at Algonquin Regional High School (Northborough-Southborough Regional School District). There were 17 eligible student claims resulting in a net claim of \$294,876. The District is slated to receive a total amount of \$206,413 in the current fiscal year.

In Fiscal Year 2016, special education transportation expenses for the Northborough K-8 Schools totalled \$629,050. An additional \$131,136 in transportation was spent at Algonquin Regional High school. These costs were completely funded through the school budgets.

Because special education services are mandated, schools continue to make cuts in other operational and programmatic areas to meet their share of these obligations. If the SPED Circuit-Breaker Program were funded at 100%, the Town would have received an additional \$384,863 based on FY2016 expenses for its K-8 schools and an additional \$88,463 would have been received for expenses associated with Algonquin Regional High School. If SPED transportation were included, another \$760,186 would be received.

Based on the information provided above, it is reasonable to estimate that a change in the circuit breaker threshold and/or a change to the Chapter 70 formula would result in an increase in special education relief to our community.

3. Ensure Sustainable OPEB Costs for Cities and Towns

Legislative action to reduce the looming Other Post-Employment Benefits (OPEB) funding crisis is critical to keeping cities and towns from gutting essential services and increasing local property taxes. OPEB refers to non-pension benefits provided to retirees, consisting primarily of health insurance. OPEB obligations represent a \$30 billion liability for municipalities in the Commonwealth. The magnitude of these costs becomes even more relevant as bond rating agencies now require reporting OPEB liabilities on municipal balance sheets. Without meaningful reform, the costs of retiree health insurance will consume an increasingly greater share of municipal budgets, and squeeze out funding for critical services.

Currently, employees who retire at age 55 having worked for at least 20 hours per week for at least ten years typically qualify to receive health insurance benefits for life. Unlike pensions, these medical benefits are not adjusted to account for full or part-time work, years of service, or age of the recipient at the time of retirement. This model, adopted during a different era, is no longer sustainable. Reform is necessary to protect not only the financial well-being of municipalities, but to also protect retiree benefits in both the short and long term.

In 2011, the State enacted municipal health insurance reform, giving municipal officials a set of tools to change plan design features for active employees and retirees. But even with this authority, municipalities have little or no control over the primary drivers of general health care costs. With communities having little or no recourse for raising revenues in the Proposition 2 ½ era, if untouched, this unsustainable cost will crowd out funding for other key line items in municipal budgets, threatening jobs and core municipal services.

On December 20, 2012, a special commission charged with studying OPEB issued its final report which recognized that the current thresholds for benefits are unsustainable. If adopted, the Commission's recommendations to increase eligibility standards are estimated to save communities between \$9 billion and \$12 billion in OPEB costs over the next 30 years.

The Town supports the Massachusetts Municipal Association's call for reform that modernizes the benefit structure, but also allows cities and towns to retain their existing management authority to change retiree premium contribution rates and to adopt various sections of Chapter 32B that dictate who receives retiree benefits.

Why is OPEB Reform a top Legislative Priority for the Town of Northborough?

In addition to implementing plan design changes in Fiscal Year 2010 with the full support of all of its unions, the Town of Northborough also unanimously adopted MGL Chapter 32B, Section 18 at the Annual Town Meeting in April 2009. The adoption of Chapter 32B, Section 18 required Medicare eligible retirees to move out of the HMO active health plans on July 1, 2010 and into Medicare supplement or "Senior Plans," which are specifically designed for the medical needs of seniors and effectively shares these health care costs with the Medicare program. By adopting Section 18 the Town's GASB 45 Unfunded Actuarial Accrued Liability (UAAL) for Other Post-Employment Benefits (OPEB) for retiree medical benefits was immediately reduced from \$90.4 million to \$34.3 million. Northborough's current actuarially-assessed OPEB liability stands at \$34.9 million.

In response to the newly quantified OPEB liability, Northborough Town Meeting created a Trust Fund in 2011 to begin setting aside funds. Town Meeting then adopted the local option hotel and meals taxes in 2013 as a future dedicated funding source for OPEB. The Town contributed \$500,000 of combined meals tax and general revenues to the OPEB Trust fund in Fiscal Years 2015, 2016 and 2017, and seeks to do so again in Fiscal Year 2018. While the Town continues to work with its actuary to refine its long-term OPEB funding plan, the fact remains that municipalities cannot fund themselves out of this problem. The solution requires immediate action by the Legislature to reform the benefit structure in order to make it sustainable for all stakeholders.

In addition to the top three legislative priorities above, the Town is also including the following bulleted list of additional (secondary) issues and initiatives that we hope you will support.

- **Oppose Unfunded Mandates:** We seek your support in working with the MMA and municipalities to comprehensively review and analyze unfunded mandates imposed by state law, regulation or other action. In addition to seeking full funding for all current mandates, we ask that you support the MMA's proposal that would require all state agencies to prepare municipal and school district fiscal impact statements for any new state regulation or guideline, or other Executive Branch action affecting local government.
- **Modernize Procurement and Public Construction Laws:** The following suggestions would reduce the direct financial and administrative costs of dealing with overly restrictive and outdated purchasing and public construction regulations and laws. A major cost factor in public construction is a requirement that Towns pay "prevailing wages" that are often greater than the wages paid by local contractors. In addition, this requirement involves far more paperwork than local contractors are prepared or willing to take on for a one-time project. It is ironic that a law, which was initiated to encourage the award of contracts to local tradesmen, would have an opposite effect. There should be legislation that would exempt construction projects of \$100,000 or less from the prevailing wage law. We urge you to address the long overdue problem of excessively high public construction costs within the

Commonwealth. As an example of the excessive financial impact of prevailing wages, the Town recently sought quotes for a new police station roof. Under prevailing wages the project will cost \$90,000, which is approximately \$37,000 higher than the same project in the private sector. The prevailing wage rate for a laborer working on this project would be \$57.86 per hour, which equates to a full-time annual salary of approximately \$120,000.

- **Ambulance Billing:** We seek your support of legislation that prohibits insurance companies from paying patients directly, rather than ambulance service providers, for certain emergency medical service calls. The practice of reimbursing patients leaves providers—often municipalities—with the responsibility of collecting fees directly from the patient. This practice is confusing to the patient and adds additional administrative burden (cost) when municipalities must track down payments. Additionally, the legislation must give municipal officials the authority to set rates that cover the actual cost of the EMS, rather than giving rate-setting authority to insurance companies. Municipal control over the rates would ensure that costs are not passed from insurance companies onto local property taxpayers due to below-cost reimbursements. Senate Bill No. 572, currently in committee, specifically addresses these issues.
- **Agricultural Composting:** We seek your support of legislation filed by Senator Chandler (Senate Bill No. 407) to shift oversight of all Department of Agricultural Resources Registered compost operations to the Department of Environmental Protection (DEP) to ensure compliance with DEP standards. A commercial composting facility on agricultural land should not be considered an exempt activity just because it is sited on a farm. If material is transported onto the site, it should go through DEP Site Assignment per 310 CMR 16.000 and comply with local zoning. Ongoing oversight from DEP including periodic inspections to verify quantity and quality of material should take place, as well as a process for residents' concerns to be addressed. As it stands now there are two different standards of regulation for the same activity with the only distinction being whether the activity takes place on farm land or not. It is the goal of this proposed legislation to regulate all commercial composting operations through DEP and to have local land use regulations, and zoning, apply.

On behalf of the Town of Northborough, thank you in advance for your consideration of these important issues and initiatives.