



TOWN OF NORTHBOROUGH

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February 3, 2011

Governor Deval Patrick
State House, Room 360
Boston, MA 02133

Dear Governor Patrick:

As the new legislative session gets underway, I am writing to request your support of several legislative reform initiatives that could help cities and towns control costs during these difficult financial times. As you are well aware, municipalities throughout the Commonwealth have been struggling to cope with repeated cuts to local aid—cuts which have significantly hampered our ability to deliver public safety services, maintain our public infrastructure and support the education of our citizenry, all of which are vital to our economic competitiveness, business growth and the state's long-term prosperity.

While state tax revenues have been improving this fiscal year to date, they have a long way to go before the return to pre-recession levels, and coupled with the loss of federal funds used to balance the fiscal 2011 budget, the \$1.5 - \$2 billion structural deficit projected for fiscal 2012 will no doubt yield deep cuts across the board. In anticipation of further cuts to local aid and education funding that would result in additional reductions in vital local services and increased reliance on the property tax, we offer a number of solutions to the challenges municipalities and local officials face.

The legislative priorities, listed below, would provide municipal leaders with tools necessary to effectively manage dwindling resources. Many of the rules, regulations and state laws that we have in place today hinder a community's ability to be creative and innovative, 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.

With these facts in mind we also appreciate the historic nature and degree of fiscal uncertainty currently facing the Commonwealth and subsequently, all its municipalities. We 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 addressing the items below would serve as a starting point for meaningful reform that would enhance the quality of life for residents and taxpayers throughout the Commonwealth.

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

Sincerely,

Dawn Rand, Chairman
Northborough Board of Selectmen

CC: Board of Selectmen
Town Administrator
Asst. Town Administrator
Appropriations Committee
Financial Planning Committee
Senator James Eldridge
Senator Harriette Chandler
Representative Harold Naughton



STATE LEGISLATIVE ISSUES

January 2011

1. Greater Control Over Health Insurance

The state needs to empower cities and towns by passing municipal health insurance reform which would grant local leaders control over the design of employee health plans. This reform would merely give municipal officials the same power that state officials use to adjust co-pays and deductibles outside of collective bargaining. The current system gives municipal unions a unique veto power over important cost-saving changes and is no longer affordable or fair for local taxpayers. The MMA estimates that plan design reform would save \$100 million a year and allow communities to protect services, save taxpayers money, and avoid thousands of layoffs of teachers, public safety workers and other key employees.

Cities and towns have worked hard to control health insurance costs as best they can while operating under a state law that reflects a double standard. Municipalities are required to negotiate and receive union approval to implement significant changes in their health insurance plans, while *the state has exempted itself from this requirement*, and implements basic decisions on health insurance outside of collective bargaining. It is far past time that this double standard end, and *we strongly urge the Legislature to give cities and towns the same authority as the state in designing health insurance plans for employees.*

The real issue in terms of cost and savings opportunities comes in the area of “plan design.” Plan design generally refers to out-of pocket costs such as co-pays for doctor’s visits, prescription drugs, hospital visits and the like. Plans that are designed with lower co-pays and deductibles for visits to the doctor, the emergency room, and for in-patient and out-patient procedures are more expensive than plans that have higher co-pays and deductibles. If cities and towns had the same authority as the state, they could modify their health plans to incorporate realistic co-pays, deductibles, and tiered networks (as the state has done) and reduce the cost of municipal health insurance throughout the Commonwealth.

Keeping the status quo means leaving this important cost containment measure to the agonizingly slow and ineffective collective bargaining process that requires the agreement of all unions before affecting any change. Further, this change is far superior to the current option of having cities and towns consider joining the state plan, as there are many communities for whom the state plan would not work nearly as well, due to offsetting costs that depend on many complex factors, including the number of retirees, the percentage participation in indemnity plans, and other considerations.

Why is this initiative the top Legislative Priority for the Town of Northborough?

In early 2009, the Town engaged its unions in bargaining over plan design changes. It took several months of negotiations before all of the unions ultimately agreed to implement changes for fiscal 2010 that resulted in nearly \$400,000 in savings. Achieving these savings was critical to filling the budget gap that resulted from significant reductions in state aid. While the Town appreciates the cooperative effort shown by its employees in supporting plan design changes during a time of fiscal crisis, municipalities should have the power to incrementally adjust their plan features such as co-pays, deductibles and tiered benefits to avoid being saddled with health insurance premiums that are more expensive than those offered to state employees and even further out of line with private sector employers.

2. Restore Circuit-Breaker Funding

Restoration of funding to 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. Since the beginning of fiscal 2009, the state has cut more than \$100 million (more than 40 percent) from the special education circuit-breaker program. The full impact of this painful cut has not been felt because cities and towns have been receiving millions of dollars in special federal Individuals with Disabilities Education Act (IDEA) funding that was part of the federal stimulus plan. That money is gone, however, and without an early and renewed commitment to the circuit-breaker, local school districts will be forced to impose serious cutbacks.

The state should renew funding for the program and expand it to include reimbursement for expensive transportation needs. As local budgets cannot wait until passage of the state’s general appropriations act, it will be vitally important for legislators in each branch to commit early to adequate funding for special education, a state-mandated program that drains local budgets every year.

Why is this initiative a top Legislative Priority for the Town of Northborough?

Fiscal 2010 cuts to circuit-breaker funding resulted in a loss of \$476,000 in reimbursement to Northborough’s K-8 schools. These cuts were further felt in FY2011 and resulted in a loss of \$512,646. With the loss of federal stimulus funds in FY2012, the K-8 school district will absorb the entire impact. Because special education services are mandated, schools will have to make cuts in other operational and programmatic areas to meet their obligations.

3. Reauthorization of Chapter 90 Funds

Reauthorization of the Chapter 90 program is critical to fund the repair and maintenance of local roads and bridges. The state funds this program by issuing bonds and notifying each community of its Chapter 90 allocation by April 1 of each year. In fiscal 2011, cities and towns are receiving \$155 million for local roads, and in fiscal 2010 communities received \$150 million. The April 1 notification date is essential because communities need time to plan and make maximum use of the funds during the full construction season. In the past, late notification led to unnecessary and costly delays in projects.

The 2008 bond act authorization is nearly depleted, and based on research and extensive surveys of municipalities, the MMA estimates that the actual need for Chapter 90 is at least \$300 million a year, as cities and towns maintain 90 percent of the roadways in Massachusetts. The cost of maintaining this essential infrastructure far outstrips the current authorization. The Town of Northborough supports the MMA's call for passage of a three-year, \$300-million-a-year Chapter 90 bond authorization in time to meet the statutory April 1 deadline to notify communities of their annual allocation, which means that the Chapter 90 program must be fast-tracked for swift consideration and action during the winter.

Why is this initiative a top Legislative Priority for the Town of Northborough?

The Town of Northborough relies almost exclusively on its Chapter 90 allocation to fund its annual road maintenance efforts. Over the past four years, the Town has received on average, \$363,000 per year for the repair and maintenance of approximately 93 miles of roadway. The Town urges an increase in the bond authorization amount and annual allocation as the actual needs are much higher than the Chapter 90 authorizations as evidenced by a significant backlog of projects. However, it is critical that the Legislature act swiftly, even if its new authorization were to remain level. The availability of funds by early spring is important due to the relatively short construction season. Further, absent Chapter 90 funding, the Town has no other funding source for its much-needed roadway repairs for the 2011 construction season.

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.

- **Departmental Revolving Funds:** Section 53E 1/2 of Chapter 44 authorizes cities and towns to establish one or more revolving funds for individual municipal departments and to set a limit on expenditures from each fund. Annual reauthorization is required for each fund by Town Meeting upon the recommendation of the board of selectmen, in the case of a town, and by the city council upon the recommendation of the mayor/city manager, in the case of a city. We are asking the Legislature to eliminate the annual approval requirement and replace it with a one-time authorization by the local appropriating authority that would be revisited only to change the dollar limit or revoke the authorization. We also seek the Legislature's support in raising the spending ceiling for these funds from 1% of the levy to 5%.
- **Capital Project Fund:** Amend Chapter 44, Section 20 through the adoption of H1980 to allow up to \$25,000 remaining in a capital project fund, after the project is complete, to be appropriated for the purpose of retiring any debt incurred to pay for the capital project. The remaining balance could be used to pay the debt that was issued.
- **Insurance Proceeds from Public Safety IOD Claims:** Adoption of H1979 to amend Chapter 44, Section 53 to allow for the use of insurance proceeds from public safety injured-on-duty claims in a manner consistent with property insurance claims whereby claims below \$20,000 may be spent without appropriation. Currently, when a public safety employee is unable to work due to IOD status, any wage-replacement insurance revenue must be treated as general revenue while the respective employee's department's appropriation must accommodate both the wages of the injured employee and any costs of covering that employee's absence.
- **Modernize Procurement and Public Construction Laws:** The following suggestions would reduce the direct financial and administrative costs of dealing with overly restrictive and out-dated 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.
- **Impact/Mitigation Fees:** The state needs to develop a fair system of assessing the cost of new developments on municipalities and allowing them to recoup some of these costs from developers. The process for negotiating mitigation funds from developers is time consuming with results that vary dramatically from municipality to municipality, and from developer to developer. There should be one set of rules for all to follow. It is expensive and time consuming to create a local by-law that accomplishes most of what should be authorized and standardized at the state level.

Many other states provide municipalities the ability to charge impact fees on new developments in order to mitigate the capital costs associated with growth. A constitutional change will allow Massachusetts to utilize this technique of growth management for funding infrastructure and facilities such as schools. This modification to the State constitution, which will benefit municipalities and their residents, is long overdue. We urge you to support the actions necessary to have the State constitution properly amended.

- **Amend Community Preservation Act:** Currently, the CPA does not allow CPA funding to be used for the rehabilitation of existing outdoor parks and other recreation resources that were not acquired using CPA funds. Nor can funds be used for any maintenance of recreational areas. This prohibits many recreational projects that would expand the use of existing parks, playgrounds and sports fields. Amending General Laws, Chapter 44B, the Community Preservation Act, to allow projects relating to recreation uses to be eligible for Community Preservation funds would provide an important tool to promote healthy communities.

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