



TOWN OF NORTHBOROUGH

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March 9, 2020

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

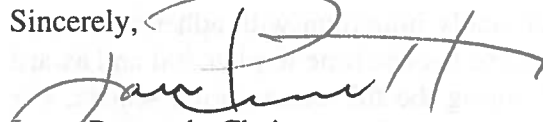
Dear Governor Baker:

On behalf of the Town of Northborough, I respectfully request your support for the proposed legislative reforms outlined on the following pages. These are the priorities of the Town's Public Officials, as well as 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,


Jason Perreault, 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
March 2020

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. For several years now, the Town has called on state officials to permanently fund Chapter 90 at \$300 million a year, and to release the funds in a timely fashion. Funding in the last four years (Fiscal 2017-2020), has remained \$200 million, although the Legislature added \$40 million in supplemental cash funding for Fiscal 2019, and another \$20 million for Fiscal 2020, both from year-end state surpluses. The Governor has again sought \$200 million for the program in Fiscal 2021.

Level funding the Chapter 90 program for Fiscal 2021 provides inadequate support to communities seeking to maintain roads in a state of good repair. A biennial state-wide survey by the Massachusetts Municipal Association (MMA) found that municipalities would need to spend in excess of \$685 million annually to bring roads up to the industry standard for ensuring well-maintained roads in good condition. According to the US DOT's Highway Construction Cost Index, the cost of building and maintaining roadways in Massachusetts has grown by 34% since Fiscal 2012, which means buying power under the \$200 million authorization has also decreased by the same percentage. The increasing costs reflect the overall deterioration of our roadway infrastructure and underscore the detrimental effects of 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 primary 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 multi-year planning and more effective use of funding as well.

The Town strongly urges your support of House Bill 4508, which proposes to increase state-wide Chapter 90 funding to \$300 million.

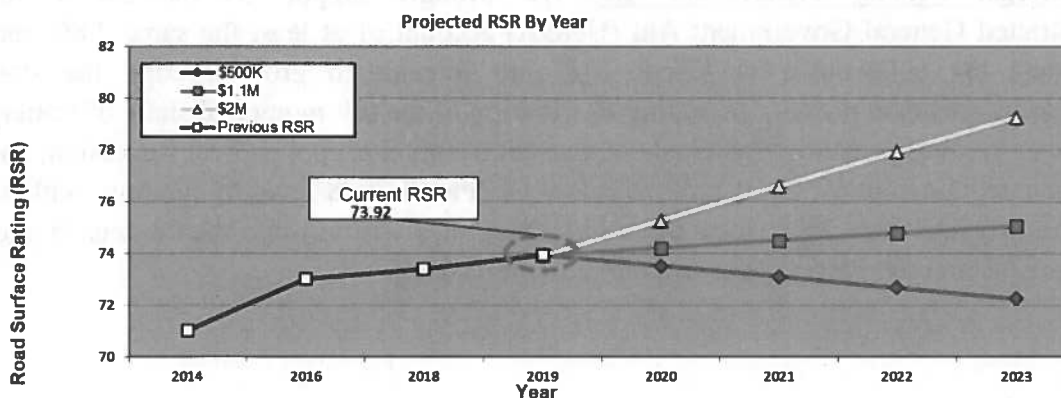
Why is Chapter 90 Funding a Legislative Priority for the Town of Northborough?

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 it 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 an increased 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 Road Surface Rating was noted. Unfortunately, Chapter 90 funds were reduced back to approximately \$500,000 in FY2017 where they have remained. At this level, the Town's 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 2021 and beyond.

The chart below projects the average road surface rating in Northborough under the various funding scenarios, with the middle option being the minimum funding needed at \$1.1 million.



2. Local Aid increases that keep pace with state revenues

- **Student Opportunity Act and Minimum Aid**—Passage of the new Student Opportunity Act has fixed long-known gaps in the Chapter 70 school aid formula by ensuring adequate weight for special education expenses and the cost of health benefits for school personnel, and the additional resources needed to educate English learners and economically challenged students. These are important changes that will benefit those communities and school districts that have high numbers of low-income students, which is where most of the new money will be targeted. However, 174 of 318 school districts, including Northborough, will remain “minimum-aid-only” at \$30 per student. The \$30 per-student minimum aid commitment in the law is far too low and will translate into below-inflation aid increases every year for a majority of school districts, impeding education achievement in these communities, which is why the Town supports the MMA’s call for a minimum aid increase of at least \$100 per student, so that no school system or student is left behind.
- **Special Education Circuit Breaker**— Another top priority for the Town of Northborough is increased funding of the state’s special education reimbursement program known as the “Circuit Breaker Program.” The circuit breaker fund has been in existence since 2004 and reimburses local school districts for a portion of their costs above a certain threshold for educating students with severe disabilities. The Special Education Circuit Breaker must be fully funded every year and we applaud the Legislature’s decision to expand the program to include transportation costs, and to commit to full funding of the account. Maintaining this will be an important priority to the benefit of all school districts.
- **Regional Transportation Reimbursements**—We support funding for transportation reimbursements to regional school districts. This account is vital to all regional districts and their member cities and towns. We respectfully ask that you support increasing this key account to reflect higher transportation costs for communities and to move the state closer to its full reimbursement commitment.
- **Unrestricted General Government Aid**—We strongly support an increase in the Unrestricted General Government Aid (UGGA) account of at least the same 2.8% rate that state tax collections for Fiscal 2021 are forecast to grow through the state “consensus” revenue process, including distribution of the full municipal share of Lottery and other gaming revenue. Municipal aid was cut deeply during the Great Recession, and this year remains almost \$200 million below the Fiscal 2008 level of funding, without adjusting for inflation. With local aid still trailing levels from more than a decade ago, local reliance on the property tax remains stubbornly high.

Why are increases in State Aid a Legislative Priority for the Town of Northborough?

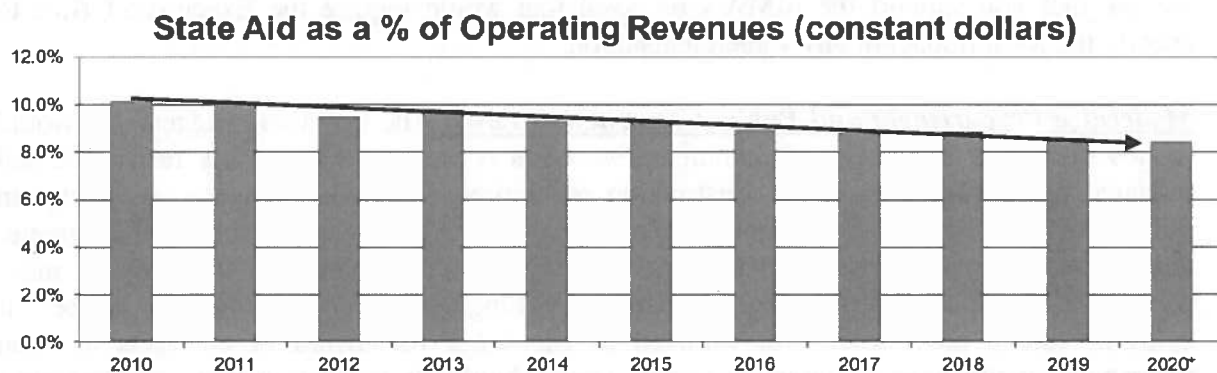
Although on the surface Northborough's State Aid appears to be growing modestly at 1-2% in recent years, it continues to lag the state's overall revenue growth. In addition, Northborough's State Aid continues to increase at a slower rate than the Town's overall general budget increases, which tend to be between 3-4% annually, so State Aid as a percentage of the operating revenues continues to shrink.

State Aid to Northborough generally represents approximately 10% of total municipal revenue. Northborough's State Aid peaked in FY2003, when it represented 13.1% of revenues. As a percentage of revenues, it has steadily declined from 10.6% in FY2009 to 8.8% in FY2020. The decrease represents an unfavorable trend with no end in sight. More concerning is that state economic growth is forecast to slow in Fiscal 2021.

The Town's Fiscal 2021 budget model assumes Northborough's State Aid will increase 1% over the \$5.41 million received in Fiscal 2020. The estimate is based upon the Governor's Fiscal 2021 Budget, which was released on January 22nd. Subsequent to the Governor's Budget announcement, detailed preliminary Cherry Sheets were released, which include a first look at initial State Assessments. At first blush, it appears our State Aid under the Governor's budget would increase by 1.5%; however, our State Assessments are also increasing, so the net impact would be a 0.89% increase.

What is critical to note is that Chapter 70 represents approximately 74% of Northborough's State Aid under the Governor's Fiscal 2021 Budget (\$4,039,700 out of \$5,495,894), and the Student Opportunity Act is unlikely to provide any meaningful revenue increases moving forward unless the Legislature increases the \$30 per student minimum aid. Although Unrestricted General Government Aid (UGGA) is scheduled to increase by 2.8% under the Governor's Budget, UGGA represents only 22% of State Aid, which is why that account is less important than Chapter 70 in determining overall increases. Unless the Legislature increases the minimum aid under Chapter 70, Northborough will continue to see State Aid as a percentage of its revenue deteriorate, resulting in local property taxes shouldering a larger portion of the budget.

The Chart below shows the steady decline of State Aid as a percentage of Northborough's operating budget revenues, resulting in a shifting burden onto local taxes.



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

- **Funding for environmental and climate-related infrastructure needs:** The Town requests your support of long-term state and federal funding and regulatory support that allows cities and towns to build, repair and maintain our legacy environmental infrastructure systems—drinking water, wastewater and stormwater—and to address the threat of climate with state funding and support to make municipal infrastructure systems and assets resilient to the effects of global warming. Environmental infrastructure is a top priority especially in light of emerging challenges such as climate mitigation and adaptation strategies and investments to protect and prepare our communities. During 2019 Town of Northborough was awarded a grant from the Commonwealth’s Municipal Vulnerability Preparedness (MVP) Program to create a list of priority action items to advance the community’s resilience to projected climate change impacts. The MVP planning process is now complete, and the Town intends to seek additional infrastructure grants under the program during the next funding cycle.
- **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. 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 and are funded on a pay-as-you go basis. 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 and to protect municipal jobs. Although Northborough has created a dedicated trust fund and is appropriating \$550,000 annually to address this issue, meaningful OPEB reform at the state level is a key piece of the puzzle to solving this problem. We understand that OPEB reform is not currently on the docket for this legislative session; however, we urge the Legislature not to lose sight of OPEB reform for next year.
- **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 the Executive Office to specify the local impact of any signed legislation.
- **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.

The Town also supports House Bill 2714, An Act relative to Chapter 30B procurement. This bill would correct an unanticipated outcome from the Municipal Modernization Act of 2016, which eliminated the ability of a municipality to conduct an RFP process for purchases between \$10K and \$50K. The loss of this ability is critical for small projects, as it allows for a more thorough vetting of firms and suppliers and the consideration of quality along with cost. The Massachusetts Association of Public Purchasing Officials also strongly supports this bill.

- **Agricultural Composting:** Lastly, we seek your support of legislation filed by Senator Chandler (Senate Bill No. 435) – An Act regarding Agricultural Composting Programs, which was referred to the Joint Committee on Environment, Natural Resources and Agriculture on January 22, 2019. At its meeting on March 25, 2019, the Board of Selectmen voted unanimously in support of Senate Bill 435, which is a policy change to regulate large-scale agricultural composting operations that would provide local control over agricultural composting operations in residential neighborhoods. This legislative fix is essential to protect neighbors and their families from the harmful and unpleasant effects of living in proximity to a large composting operation.

Communities in proximity to agricultural composting have been unsuccessful in prior attempts to reconcile disruptions that come with the composting. Disruptions can include volatile odors, fear of contamination of public resources such as water, inability to use public spaces, illness, and an influx of traffic by vehicles too large to be suitable for the neighborhood roads. Unfortunately, under the current regulatory structure, municipalities have little power to address these disruptions.

Empowering municipalities to help their constituents is of the utmost importance, and Beacon Hill must ensure that constituents are provided recourse and protection at the local level. Senate Bill 435 is necessary to ensure that residents are afforded protection by their local government. Agricultural composting operations should not be exempt from local zoning and land-use regulations, or the site assignment process administered by the Department of Environmental Protection. This policy change will ensure that these regulations are put in place.

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

