

Local Government Advisory Commission
November 13, 2012
Governor's Chambers
Boston

Minutes of September 11, 2012 approved (note *student mobility* section)

State Revenue and Economic Update – Secretary of Administration and Finance, J. Gonzales

The state's Unemployment rate is up (6.3% in August, 6.5% September). However, MA is still significantly lower than the National rate. This fiscal year's financial growth is good, but not as good as predicted. With a \$116 million budget surplus at end of FY12, this money was put into the "Rainy Day" fund (now totaling \$1.652 billion – the 3rd largest Rainy Day Fund in the nation, behind Texas and Alaska).

Regarding FY13, tax revenues are coming in at a rate lower than projected (through the previous December). October's tax revenues are less, i.e. \$162 million below estimated amount collected in October of the previous year. Overall, we are \$256 million below the budgeted tax revenue estimate. The state is now "slowing down" disbursements of grant monies (put into place a month ago). "We will have to revise the budget revenue estimate downward. We haven't made any final decisions yet, but we will most likely be doing this sometime soon."

Discussion of the Federal "Fiscal Cliff" – Secretary J. Gonzales

Sequestration, if realized, would result in a 1 to 1 ½% reduction in economic growth country-wide. Our Department of Revenue estimates that in FY13 (beginning January) tax revenue estimates would need to be reduced by another \$100 to 300 million (in addition to the above references). The current predicted projection is \$1 billion reduction for MA in FY14. Medicaid would NOT be subjected to these cuts. For FY13 there is now a \$200 million "discretionary grant" reduction. The largest impact will be to SPED, Title I, low income home assistance, child care development funding, and some other programs, "The consequences of this are pretty dire."

Discussion:

Lowell – "Education spending is crucial to us in order to move the community forward....if elimination of tax exemption from municipal bonds becomes realized, this will have a tremendous impact on all communities."

MASC – I spoke on behalf of our association, assuring members present that we were doing all we could to collaborate country-wide with our colleagues in helping to get this message out (Lt. Governor stated that Gov. Patrick was collaborating with governors country wide as well)

Discussion of Fiscal 2014 Chapter 90 Authorizations and the Long-Term Funding Needs of Cities and Towns

Discussion centered again (as in last two meetings) around sufficiency of funds and timeliness of delivery of these funds.

Mayor Sullivan (Braintree) – "This is the MMA's number 1 priority.....we understand some of these funds may be tough funds."

In response, Lt. Governor Tim Murray stated, "We will be releasing our plan, as it relates to transportation funding, in January. We see this as an economic development-charged tool."

Discussion of Unemployment Insurance Reform

The Municipal Unemployment Insurance Task Force report will be released in the next couple of weeks (more efficient ways to manage unemployment insurance.). This report will be on the website. We anticipate that recommendations will make it more difficult for government employees to become vested for full retirement insurance benefits.

Discussion of Superstorm Sandy

MA is currently assessing damages with cities and towns. "Based on the responses, we will know if we qualify for Federal assistance," i.e. FEMA will come in and work with cities and towns. A lengthy discussion then ensued regarding concerns of communities in working with the utility companies. Although better than previous storms, there appears to remain a problem with miscommunication.

As always, the above reflects my interpretations of portions of the meeting.

Yours in service,

Mary Jo Rossetti