



Conor Baldwin
Chief Financial Officer

MEMORANDUM

TO: Eileen M. Donoghue, City Manager *EMD*
FROM: Conor Baldwin, Chief Financial Officer *CB*
DATE: January 24, 2019
SUBJECT: Budget Update – Governor’s Budget Submittal (“H1”)

On January 23rd, Governor Charlie Baker submitted to the Legislature a \$42.7 billion fiscal 2020 state budget plan with the Legislature, proposing a spending blueprint that would increase overall state expenditures by 1.5 percent. The governor’s plan for Chapter 70 would increase K-12 education aid by \$200 million (4.3 percent) statewide. The \$200 million increase is reflected in separate legislation the governor filed to amend the Chapter 70 school finance law – a seven-year plan to make changes primarily in areas recommended by the Foundation Budget Review Commission in 2015. The most notable component of the Governor’s budget proposal, in regards to the city’s budget, is a proposed \$7.7 million increase in Chapter 70 funding, which goes directly to the school district.

The city’s main, non-school, local aid account, known as Unrestricted General Government aid (“UGGA”), was increased by \$703,171. This amount is relatively consistent with the 5-year average increase of approximately 1.74%. Other municipal aid accounts remained relatively stable, except for the loss of a \$509,000 urban revitalization grant. Municipal assessments and charges (a.k.a. “cherry sheet” charges) paid by the city increased by approximately \$1.68 million, overall, in the Governor’s proposal. The charter school assessment accounts for the largest single increase among the many charges at approximately \$1.58 million increase in FY2020. This will again be a significant fiscal challenge for the city as we create the financial plan for the ensuing fiscal year.

All departments in the city are busy preparing their FY2020 budget request since the instruction documents were distributed to them on January 9th. Requests are due to the finance office by the close of business on February 8th, 2019. Now that the Governor has submitted his budget proposal to the Legislature, the revenue picture has become clearer and we can fine-tune our revenue projects to try to incorporate those requests when they are received. Aside from the increases to our fixed costs contained on the cherry sheet, the city is faced with other fixed cost increases such as \$1.3 million increase in the pension assessment and anywhere from a 3% - 7% increase in health insurance.

Enclosed with this memorandum is a summary of the local aid and municipal charges included in the Governor’s proposal. Some of the numbers may change slightly as the state budget moves through the legislative process, but the major accounts such as Chapter 70 and UGGA typically remain largely in place. The finance department is confident that a balanced budget proposal will be delivered to the Lowell City Council for approval on or about May 28, 2019.

FY2020 CITY OF LOWELL LOCAL AID SUMMARY - GOVERNOR'S BUDGET

	FY2019 FINAL ESTIMATE	FY2020 GOVERNOR PROPOSAL	Difference (FY20 - FY19)
Total General Government	27,720,521	27,893,158	172,637
Total Educational Aid	154,029,726	162,485,286	8,455,560
Sub-Total Local Aid	181,750,247	190,378,444	8,628,197
State Assessments & Charges	411,683	418,494	6,811
Transportation Authorities	1,018,868	1,044,338	25,470
Annual Charges Against Receipts	84,709	62,020	(22,689)
Tuition Assessments	25,240,440	26,906,572	1,666,132
Sub-Total Assessments	26,755,700	28,431,424	1,675,724
Net Aid (Receipt - Assessment)	154,994,547	161,947,020	6,952,473

	FY2019 Final Estimate	FY2020 Governor's Estimate	Increase/ (Decrease)
Education			
Chapter 70	150,935,483	158,632,652	7,697,169
Charter Tuition Reimbursement	3,018,590	3,772,731	754,141
Offset Receipts			
School Choice Receiving Tuition	75,653	79,903	4,250
Sub-Total - Education Items	154,029,726	162,485,286	8,455,560
General Government			
Unrestricted Aid (UGGA)	26,043,352	26,746,523	703,171
Urban Revitalization	509,000	-	(509,000)
Veterans Benefits	511,345	507,446	(3,899)
State Owned Land	198,479	178,003	(20,476)
Exemptions: VMB & Elderly	283,856	284,359	503
Offset Receipts			
Public Libraries	174,489	176,827	2,338
Sub-Total - General Government	27,720,521	27,893,158	172,637
TOTAL ESTIMATED RECEIPTS	181,750,247	190,378,444	8,628,197

	FY2019 Final Est.	FY2020 Governor's Proposal	Increase/ (Decrease)
State Assessments and Charges			
Mosquito Control Projects	71,875	77,923	6,048
Air Pollution Districts	26,148	26,911	763
RMV Non-Renewal Surcharge	313,660	313,660	-
Sub-Total - Assessments & Charges	411,683	418,494	6,811
Transportation Authorities			
Regional Transit	1,018,868	1,044,338	25,470
Sub-Total - Transportation Authorities	1,018,868	1,044,338	25,470
Annual Charges Against Receipts			
Special Education	84,709	62,020	(22,689)
Sub-Total - Annual Charges	84,709	62,020	(22,689)
Tuition Assessments			
School Choice Sending Tuition	952,934	1,042,592	89,658
Charter School Sending Tuition	24,287,506	25,863,980	1,576,474
Sub-Total - Tuition Assessments	25,240,440	26,906,572	1,666,132
Grand Total - Cherry Sheet Assessments	26,755,700	28,431,424	1,675,724