



## Our Communities and Our Commonwealth: Partners for Progress and Prosperity

SEPTEMBER 2014

### The Massachusetts Municipal Association Offers 10 Partnership Policies to Build a Stronger Commonwealth

State and local government in Massachusetts have a long and rich history of working together to make the Bay State one of the most prosperous and progressive states in the nation. Our leading rankings in knowledge and wealth are due in no small part to the investments made at both the state and local level in education and vital initiatives and services that support the creativity and ingenuity of all our citizens.

The partnership between cities and towns and state government must be strengthened if we are serious about meeting the needs of our residents and businesses in a rapidly changing world. Together, state and local government face many common challenges, ranging from investments in world-class education and public infrastructure to ensuring that we have safe neighborhoods and streets, an adequate safety net for needy citizens, and great recreational and cultural facilities.

The task facing state and local leaders is to bring forward new ideas and plans that keep Massachusetts a vital and exciting place to live and work.

The Massachusetts Municipal Association offers the following **10 Partnership Policies** to renew and revitalize the relationship between state and local government here in the Commonwealth, so that we can achieve lasting progress and prosperity for our communities and our residents.

Taken together, these policies will:

- Rebuild a strong and lasting state-local financial relationship
- Invest in communities for economic development and progress
- Ensure effective and sustainable government administration
- Create a working state-local partnership for the future

#### Rebuilding a Strong and Lasting State-Local Financial Relationship

##### **PARTNERSHIP POLICY 1: RESTORE REVENUE SHARING**

**We must build a new and enduring state-local fiscal partnership that shares future state tax revenue growth with cities and towns in order to fund local government services and reduce our overreliance on the property tax.**

Cities and towns in Massachusetts are responsible for a great variety of public services that are highly valued by citizens and businesses and play a fundamental role in the state's economic

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future. In addition to public education, these services include police, fire and emergency protection for 6.7 million residents and thousands of businesses; the maintenance of 30,000 miles of roads and bridges; essential planning, housing and economic



development programs; and the vital but less heralded cultural and human services that are provided locally. These local municipal services are crucial to attracting and retaining families, businesses, jobs and investment in Massachusetts.

In fiscal 2014, the most recent budget year, local voters and elected officials appropriated more than \$24.3 billion to pay for municipal and school services, drawing \$18.2 billion from the tightly capped property tax, the main source of locally controlled revenues, and other local receipts. The enormous mismatch between locally sourced revenues and local service obligations has historically and rightly been addressed by state tax revenue sharing through a variety of essential local aid programs.

In fiscal 2014, Unrestricted General Government Aid (UGGA) and Chapter 70 education aid totaled \$5.2 billion, or 21 percent of local spending, but the harsh reality is that state aid has declined dramatically in recent years, forcing communities to reduce municipal and school services and increase their reliance on more regressive property taxes.

In fiscal 2009 through 2011, the most challenging budget years in the wake of the most recent national recession, the state cut the major municipal aid account (UGGA) by \$415 million, a reduction of more than 30 percent, forcing widespread layoffs and service reductions in communities across the state.

Even though the economy and state finances have recovered since that time, municipal aid levels have not kept pace with the recovery, and local aid continues to fall far below previous levels. In fact, without a revenue-sharing policy in place, direct municipal aid has declined as a percentage of state spending, falling from 7 percent of state tax revenues in fiscal 2007 to only 4 percent in fiscal 2014. Adjusting for inflation, municipal aid remains \$402 million below what it was in 2008.

Increasing the overall fiscal capacity of cities and towns is central to the future prosperity of the Commonwealth.

Before the passage of Proposition 2½ in 1980, municipal aid was 5 percent of state tax revenues, and after Prop. 2½ was enacted by the voters, the state responded by adopting a revenue-sharing framework that gradually increased municipal aid to 13 percent of state tax revenues in fiscal 1990. Unfortunately, state leaders have moved away from revenue sharing following the recessions of 1990, 2002 and 2008-09, leading to the current situation with no clear revenue-sharing policy in place at the state level.

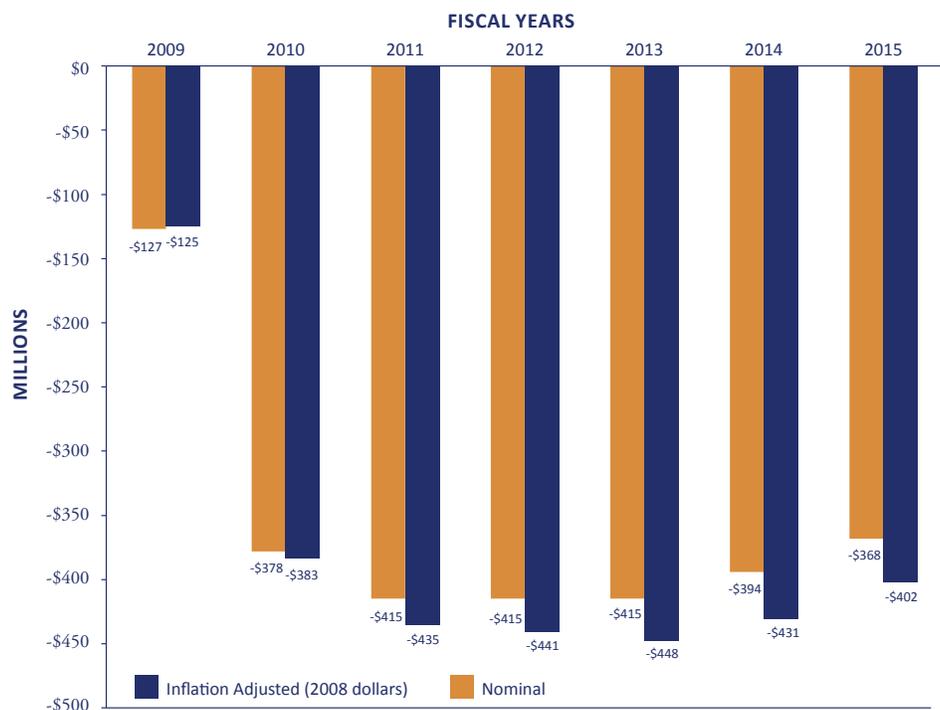
This retreat of support for local aid has led to a dramatic overreliance on the property tax and ongoing fiscal stress at the local

level. As local aid has declined, communities have become more reliant on the property tax to fund municipal and school services. The property tax now funds 57 percent of local budgets statewide, the highest percentage since the passage of Proposition 2½ more than three decades ago.

The unfortunate truth is that municipal aid cuts and the lack of a clear state revenue-sharing policy have reduced the quality of the municipal services that are so important to our economic prosperity and have forced communities to rely far too much on the most regressive of the major taxes in Massachusetts: the property tax.

Revenue sharing must be restored if Massachusetts is serious about providing the services that drive our economy. The Massachusetts Municipal Association calls on the next Governor and Legislature to support and implement a revitalized state tax revenue-sharing policy based on delivering a fixed share of state tax collections dedicated to the support of municipal services. The Cherry Sheet Unrestricted General Government Aid

## REDUCTIONS IN MUNICIPAL AID VS. FISCAL 2008

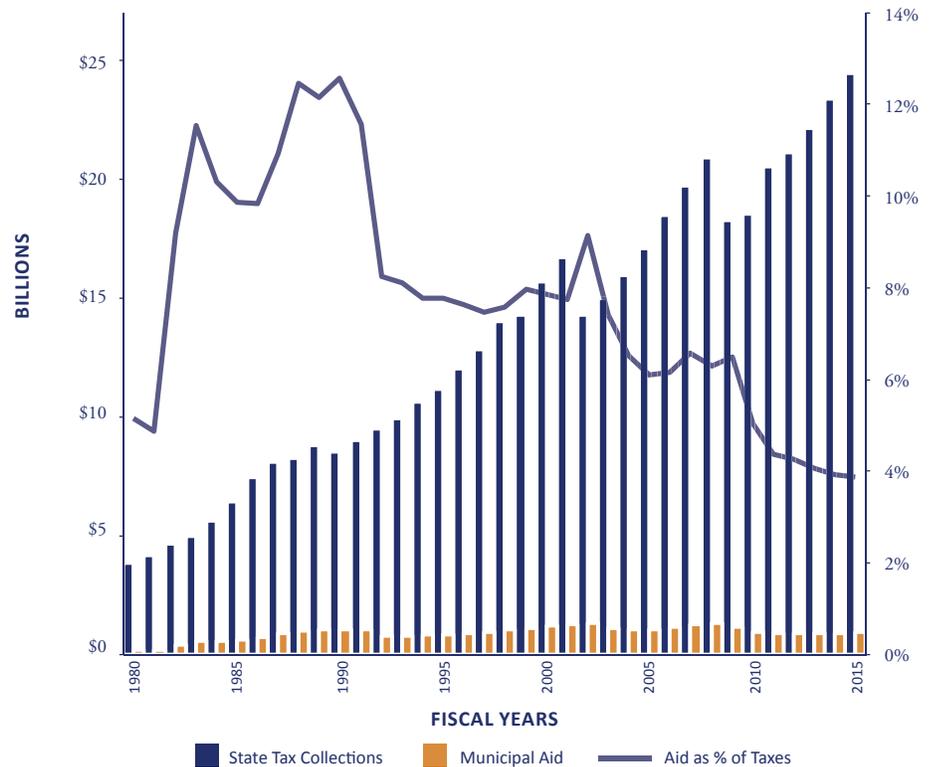


account should grow annually by at least the same percentage that state tax collections are forecast to grow through the state “consensus” revenue process, including distribution of the full municipal share of Lottery revenues. If actual state tax collections exceed the forecast during the year, surplus amounts should be released as a supplemental distribution or set aside in a special stabilization account for use in any year when collections fall short.

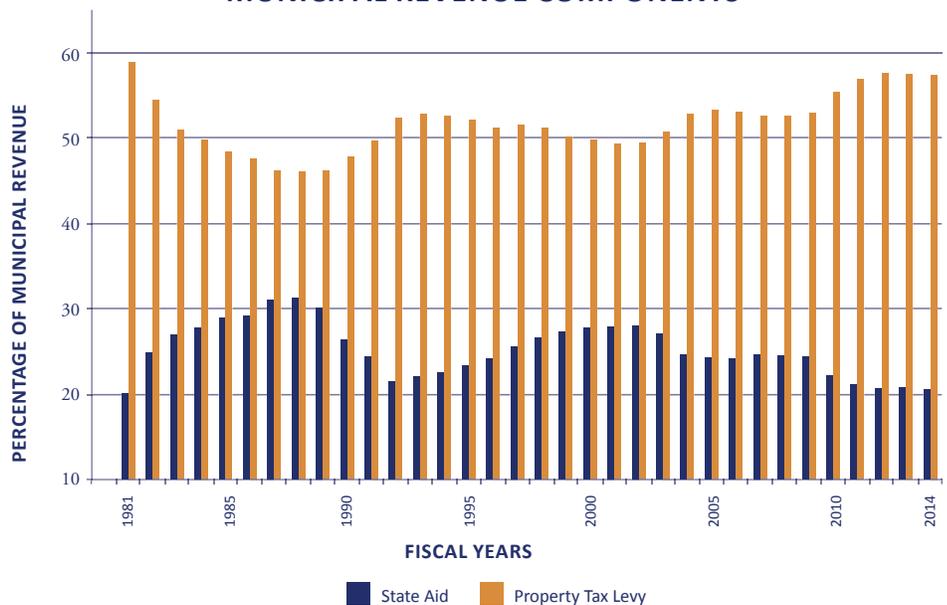
In addition, there is no statutory formula for the allocation of municipal aid and there has not been one in place for many years. The MMA recommends that the next Governor work closely with the MMA and establish a task force consisting of local and state leaders to develop a broad and sustainable consensus on a new municipal revenue sharing formula that includes protection of existing base aid amounts and distributes future local aid increases to all municipalities, following widely accepted and supported measures of local financial resources and need. In the meantime, new aid amounts should be distributed on a “restoration” basis.

The Massachusetts Municipal Association underscores the bedrock principle that discretionary municipal aid (UGGA) must remain flexible and unearmarked. The only earmarked or dedicated revenues in the state budget should be for those accounts used to fund mandated programs, grant programs, or joint initiatives that are intended to be implemented in partnership with the Commonwealth. Past experiences clearly demonstrate that it is not possible for state policymakers to develop mandate-based programs and formulas that adequately anticipate the needs, priorities and preferences across all 351 cities and towns. General discretionary municipal aid is essential to allow cities and towns to fund the full range of vital local services without state interference and the inefficiencies that otherwise result. In other words, Unrestricted General Government Aid must remain unrestricted, so that municipal leaders and citizens can continue to use their best judgment to meet local needs.

## MUNICIPAL AID AS A SHARE OF STATE TAX COLLECTIONS



## MUNICIPAL REVENUE COMPONENTS





The MMA's proposed revenue-sharing framework would also add stability and predictability to municipal budgeting and planning. Because municipal aid would be linked to the projected growth or changes in state tax revenues, the Governor and Legislature would be in a position to agree on municipal aid funding levels by January or February each year and could easily adopt a consensus Local Aid Resolution and allow for the release of Cherry Sheets by March 1. Currently, without a revenue-sharing framework in place, cities and towns are forced to guess what their local aid will be, which undermines good planning and budget stability.

## **PARTNERSHIP POLICY 2: FIX THE SCHOOL FINANCE LAW**

**We must update and modernize the Chapter 70 school finance law to ensure that all students have access to high-quality and adequately funded public education programs, and that state and local governments share fairly in the cost.**

The landmark 1993 Education Reform Act was intended to provide Massachusetts with a school-funding framework to ensure that all students have access to an adequate education as required by the Massachusetts Constitution. The reform law was enacted in the same year that the Massachusetts Supreme Judicial Court ruled that it was the constitutional responsibility of state government to ensure adequate educational opportunities for all schoolchildren.

The law established a "foundation budget" structure that set minimum spending levels for every school district, using a complex formula designed to determine the spending that was necessary to ensure an adequate education for every student. The components of this formula have changed very little over the past 21 years, however, and the framework has become increasingly obsolete and insufficient. The foundation

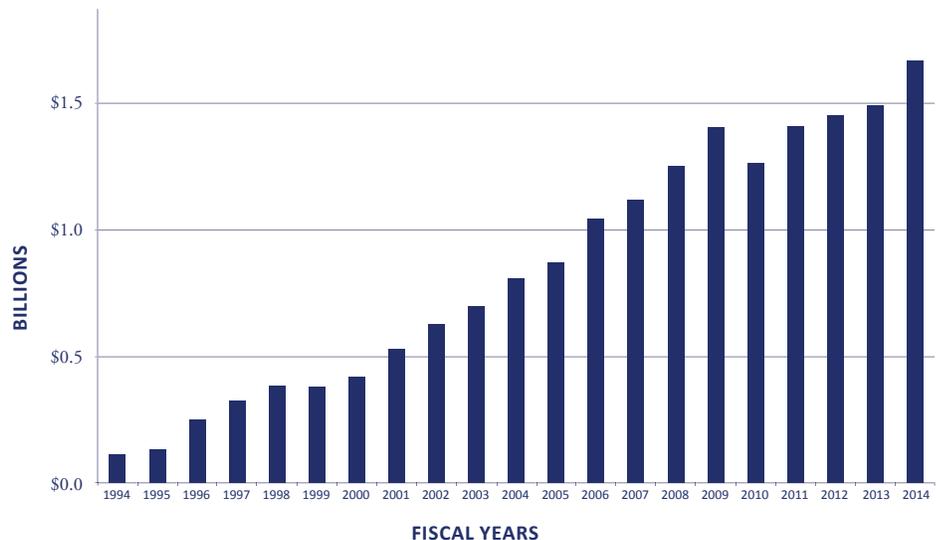
budget structure needs a comprehensive review and modernization to reflect the many changes to public education that have taken place since 1993, including the costs related to special education, employee benefits, and new health and safety mandates.

The clearest indicator that Chapter 70 aid and the foundation-budget framework are insufficient can be found in the annual school budgets adopted by nearly every city, town and school district in the state. Over the past decade, cities and towns have appropriated a larger and larger amount from local property taxes to fund school programs, far above the required "net school spending" level called for under the law. This reflects the inadequacy of the foundation budget. Local leaders have been forced to increase property taxes and reduce spending on other important municipal services because the state education-funding framework is obsolete and insufficient. In fiscal 2014, local government school spending above what is required totaled nearly \$1.7 billion, more than double the fiscal 2004 above-required amount. The estimate for fiscal 2015 is that communities will divert even more from the property tax to fund their schools, because the foundation-budget framework is obsolete.

The Massachusetts Municipal Association strongly supports the mission of the Foundation Budget Review Commission (FBRC), which was reauthorized as part of the fiscal 2015 general appropriations act. The FBRC is charged with reviewing the foundation-budget framework and recommending the necessary changes to ensure that the school finance law is modernized to reflect the needs of today and tomorrow. We ask that the next Governor and Legislature make the work of this commission a priority and commit to a comprehensive update of Chapter 70 and the foundation budget structure.

Further proof that the Chapter 70 program is outdated is the increasing number of cities, towns and regional schools that have become "minimum aid" districts and would receive no new aid or could even face school aid reductions under a strict implementation of the Chapter 70 formula. In fiscal 2015, 201 of 321 operating districts (63 percent) received minimum aid increases of just \$25 per student, a miniscule amount compared to the actual funding needed to maintain current school programming. Over the past six years, minimum aid has been a regular feature of Chapter 70 for a majority of the state's school districts. Local schools cannot maintain quality in a system that relies on

## **LOCAL SCHOOL SPENDING EFFORT ABOVE THE MINIMUM**



minimum state aid, because the only way that minimum aid districts can maintain their existing school services is to rely on a greater share of the local property tax, or reductions in municipal services so that dollars can be shifted over.

While a great part of the education-funding problem is the obsolete foundation-budget framework, an important contributing factor is the state policy that sets the statewide local contribution (mainly from the property tax) at 59 percent of the statewide foundation budget, with the remaining 41 percent of the foundation budget paid for by Chapter 70 school aid. First, as noted above, the foundation budget is an inadequate reflection of the actual cost of running quality public schools, by at least \$2 billion. Second, this uneven division of funding responsibilities places a greater burden on local schools and municipal budgets each year.

The Massachusetts Municipal Association asks that the next Governor and Legislature phase in a new 50-50 state-local share to fund the foundation-budget framework. This would provide adequate Chapter 70 support for schools, and alleviate the high reliance on the property tax.

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### **PARTNERSHIP POLICY 3: FUND KEY PROGRAMS AND OBLIGATIONS**

**The state must meet its commitments and obligations to fund essential aid accounts for targeted municipal and school programs, including full funding of all state mandates.**

Unrestricted General Government Aid and Chapter 70 school aid are the mainstays of the state-local financial relationship. Yet there are other municipal and school programs that are vitally necessary to advance mutual state-local policy objectives and to help provide resources for services that local governments cannot fund on their own.

The Massachusetts Municipal Association calls on the next Governor and Legislature to support full funding of the Commonwealth's commitments and obligations, including the following essential school funding programs:

- Full reimbursement for the Special Education "Circuit Breaker" to fund high-cost special education students under Section 5A of Chapter 71B of the General Laws
- Full reimbursement for the statutory formula to replace a portion of the Chapter 70 aid that is redirected from cities, towns and school districts to fund charter schools under Section 89 of Chapter 71 of the General Laws
- Full reimbursement and assistance to cities, towns and school districts with the cost of transporting children to school as provided by law, including 1) reimbursements to regional school districts; 2) the transportation of homeless students under the McKinney-Vento program; 3) transporting out-of-district vocational students; 4) renewed reimbursements to regular (non-regional) school districts; and other statutory education programs

The Massachusetts Municipal Association also calls on the next Governor and Legislature to support full funding of the Commonwealth's obligations and commitments to the following essential municipal service programs:

- Full reimbursement for the program for payments in lieu of taxes for state-owned land (PILOT)
- Full funding for the two Cherry Sheet library programs that help local government provide reading and cultural materials as well as computers and Internet access to residents and visitors
- Funding for the Shannon anti-gang grant program that has helped cities and towns respond to and suppress gang-related activities
- Funding for the Community Innovation Challenge Grant Program that was designed to provide resources and

incentives for cities and towns to undertake regional and collaborative approaches to municipal and school services as a way to improve service delivery and save money

- Funding for payments to cities and towns that approve "smart growth" zoning districts under Chapter 40R and are due school cost payments under Chapter 40S

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### **PARTNERSHIP POLICY 4: SUPPORT FAIRNESS IN LOCAL TAXATION**

**We should reform and improve the cumbersome state-local system of property exemptions, abatements and tax relief to ensure that needy taxpayers are protected from an excessive property tax burden, and to provide that local property tax exemptions are only granted where truly warranted.**

The property tax burden is a major concern for municipal officials in cities and towns across the state, who increasingly find elderly homeowners and other needy taxpayers experiencing real hardship due to normal property tax increases and the impact of override and debt exclusion votes.

While property tax increases are necessary to fund local services, the current system of exemptions and abatements at the local level and the state-administered property tax "circuit breaker" in the state income tax code are not providing adequate relief to many taxpayers who qualify and miss many other burdened taxpayers completely.

The most effective means of reducing overall local reliance on the property tax is to restore a revenue-sharing framework to provide adequate and predictable increases in municipal aid and to modernize the 21-year-old education finance law, so that cities and towns can fund vital local services and lower the percentage of local budgets funded through real estate taxes. Beyond



revenue sharing, additional measures can and should be offered to augment, improve and target tax relief.

Many provisions in the state's property tax laws are outdated and have not kept up with rapidly changing social and business practices. There are loopholes in the laws that enable taxpayers to avoid local taxation by changing business practices. In other instances, exemptions provided decades ago may no longer serve their original purpose and should be re-examined. When state law exempts property from local taxation, the tax burden is then shifted to homeowners, businesses and the remaining taxpayers in the community. Protecting, enhancing and ensuring fairness in the local property tax base should guide all efforts to ease the property tax burden on residents and businesses. Any reforms or expansions should be drafted to provide effective and targeted tax relief, without eroding the ability of communities to fund municipal and school services.

The MMA urges the next Governor and Legislature to modernize the law and eliminate exemptions where they cannot be economically justified. This includes closing the outdated loopholes that allow some telecommunications companies to avoid paying their fair share of local property taxes on equipment, as well as the exploration of other opportunities to diversify local revenue sources and provide alternatives to the property tax. The local-option meals tax, hotel-motel excise and jet fuel tax are recent examples of beneficial reforms to broaden the municipal revenue base.

In addition, there is growing awareness of the inequities and revenue challenges caused when large tax-exempt entities have land and property holdings in communities, constricting the local tax base. Cities and towns provide important and costly police, fire, emergency response and public works services to these entities, but the cost of these services is funded by all other residential and commercial taxpayers. The MMA strongly urges passage of a new state law that provides cities and towns

with the authority to negotiate payment-in-lieu-of-taxes (PILOT) agreements with organizations exempt from the local property tax. The state should also fully fund its own obligations for PILOT payments to communities for state-owned land.

### **PARTNERSHIP POLICY 5: OPPOSE UNFUNDED MANDATES**

**State government must fully fund all mandated programs, laws and regulations, and must commit to a process that reviews and identifies the cost of all proposed mandates and regulatory changes prior to their enactment.**

Cities and towns operate under a complex and costly system of rules and regulations imposed by state and federal governments in virtually every aspect of local government programming and administration. These mandates and requirements affect our education systems, procurement systems, personnel systems, public construction processes, transportation and public works systems, and more.

The MMA calls on the next Governor and Legislature to commit to a policy that opposes any new mandates in laws or regulations unless the state provides the necessary funding, and to review all existing mandates to ensure full funding.

All current mandates should be fully funded, including the recent example of the McKinney-Vento program that requires cities and towns to transport homeless students back to their original school districts.

The Local Mandates Law under Section 27C of Chapter 29 of the General Laws and Executive Order 145 purport to consider the impact of new mandates on local government, but these provisions have proven to be inadequate.

The Massachusetts Municipal Association calls on the next Governor to require all

state agencies to prepare and publish a comprehensive municipal fiscal impact analysis of all proposed legislative initiatives, administrative requirements or regulatory changes prior to their submission to the Legislature or adoption by the agency, so that the cost of any new or expanded mandates are identified and addressed prior to their promulgation. The MMA also calls on the next Legislature to adopt rules requiring a municipal financial impact analysis on all new laws prior to their enactment.

It is important to highlight a major and costly regulatory issue that will soon confront cities and towns – the Water Management Act (WMA) – and we ask the next Governor to give this matter immediate attention. While making significant capital investments to maintain their environmental infrastructure (drinking water, wastewater and stormwater), cities and towns are challenged by numerous state and federal unfunded environmental mandates that make it increasingly difficult to deliver these essential services at a cost that's affordable to residents. With limited financial resources at the state and local level, it is essential that expenditures be prioritized to support public health and safety, and that they demonstrate beneficial results.

The Department of Environmental Protection is fast-tracking the promulgation of sweeping regulatory changes to the WMA, shifting the entire framework from the current "safe yield" standard to a new and untested "streamflow" approach, with mandates that will impose extraordinary new costs on localities and ratepayers and will constrict economic development prospects. A thorough cost-benefit analysis must be undertaken before these regulations are promulgated or implemented.

The guiding principle is that state leaders should collaborate with local leaders on common-sense, sustainable and affordable regulations, recognizing that local revenues are limited. New unfunded mandates force cities and towns to reduce existing services that are important and needed.

# Investing in Communities for Economic Development and Progress

## PARTNERSHIP POLICY 6: INVEST IN ESSENTIAL PUBLIC INFRASTRUCTURE

**State government needs to increase its investment in the “bricks and mortar” underpinnings of our public infrastructure at the local and state level to ensure that we can sustain and expand a modern economy and vibrant communities.**

Massachusetts is a densely populated state, with a tremendous amount of both traditional and emerging economic activity. There is a great need not only to maintain and modernize our existing inventory of roads and bridges, buildings and pipes, plants and wires, but to make sure that state and local infrastructure and technology expand where growth is occurring and where the state and communities seek future growth. There is also a need to ensure that rural and less-populated parts of the state receive support for their local economies.

Our public infrastructure must be first-rate if we want to compete in the modern global economy. In the past, the term “infrastructure” referred almost exclusively to roads, bridges and public buildings, but we now know that our environmental and energy systems are equally vital. Because state law imposes a strict cap on local property taxes and revenues, the Commonwealth must be a full partner with cities and towns, and it must provide the financial support necessary to ensure that all of our public infrastructure systems are adequately maintained and expanded.

**Roads, bridges and transportation infrastructure:** An adequately funded Chapter 90 local road program is essential to ensure that cities and towns can maintain local roads in safe condition and to help pay for expansion of major roadways and bridges to accommodate growth.

Providing communities with the resources to deliver services and amenities for workers and families is critical to the state’s future.

Communities are responsible for maintaining and repairing 30,000 miles of roads in Massachusetts, representing 90 percent of the roadways in the entire state. In 2012, the MMA released a report documenting that cities and towns across the state would need to spend at least \$562 million every year just to bring local roads into a state of good repair, the industry standard for ensuring well-maintained roads in good condition. Due to inflation, that amount has increased to \$568 million in fiscal 2015. Currently, municipalities spend

far less because of inadequate resources and because, for most cities and towns, the \$200 million Chapter 90 program is the only source of funds for road construction and repair. Funding the Chapter 90 program at \$300 million annually, with an inflation-based adjustment, will close a portion of this huge gap between current spending and the actual need.

Investing more in Chapter 90 funding to improve the quality of local roads will actually save taxpayers millions of dollars a year. 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 save \$6 to \$10 in avoided repair costs that become necessary to rebuild the road when it fails due to a lack of maintenance. Yet Chapter 90 has not kept pace with the needed investment to prevent our roads and bridges from crumbling, and over the long term this will drive repair costs even higher. In fiscal 2014 and 2015, the Legislature voted unanimously to increase the Chapter 90

### CHAPTER 90: CURRENT FUNDING VS. ADDITIONAL NEED





authorization from \$200 million to \$300 million, but the current Administration has withheld the additional funds each year.

The Massachusetts Municipal Association calls on the next Governor to immediately release the \$200 million in Chapter 90 authorizations that have been withheld, and to immediately file a transportation bond bill for legislative enactment in early 2015 that includes a five-year Chapter 90 program, with a minimum \$300 million annual appropriation, adjusted for inflation each year, and to release the local authorizations by April 1 each year to ensure adequate planning and the use of the funds during the entire construction season.

**Drinking water, wastewater and stormwater infrastructure:** Water-related infrastructure brings clean drinking water to our residents, provides waste collection systems that treat and safely dispose of sewage, and controls stormwater during heavy rain and severe weather events. This infrastructure is crucial to the local quality of life, continued economic development and a healthy environment.

Even with the increased investment approved in 2014, however, the Commonwealth faces a substantial gap between the funding necessary to repair and replace our aging environmental infrastructure and what is available. The Water Infrastructure Finance Commission report released in 2012 identified a \$10.2 billion gap in the resources needed to adequately maintain drinking water systems over the next 20 years and an \$11.2 billion shortfall in resources needed to maintain wastewater infrastructure. Our cities and towns will also face huge investments to deal with stormwater management, conservatively estimated by the Water Infrastructure Finance Commission at approximately \$18 billion over the next 20 years.

Because of the importance of reliable and dependable water infrastructure for our

state's economic vitality, we ask the next Governor and Legislature to forge a stronger partnership with municipalities to increase the state's investment and support for water-related infrastructure. Increased resources will be necessary to prevent extraordinary impacts on residential, commercial and industrial ratepayers, and to ensure that Massachusetts will have the capacity to grow economically and socially. In addition to supporting the Water Infrastructure Finance Commission's recommendation to increase state support by \$200 million a year, the next Governor and Legislature should support innovations such as water and sewer

Local communities play the dominant role in attracting people and business to the Commonwealth.

banking, which allow new developments to go forward without placing the full cost of needed system expansions or improvements exclusively on existing ratepayers.

**Green energy infrastructure:** There are 123 "Green Communities" in Massachusetts. Cities and towns have been national leaders in promoting and advancing solar generation, with more than 120 communities hosting solar installations on municipal land and almost every community hosting a solar facility within its borders. Even though the Commonwealth adopted a new solar energy law this year, cities and towns will hit the state-set "net-metering" cap in the near future, which will be a major obstacle to solar development in cities and towns. We ask the next Governor and Legislature to enact legislation to allow cities and towns and the entire state to maintain and increase the development of solar energy by permanently lifting the net metering cap for municipal solar projects.

### **PARTNERSHIP POLICY 7: INVEST IN ESSENTIAL PUBLIC TECHNOLOGY**

**State government needs to invest in public technology at the local and state level to ensure that Massachusetts will be competitive in the modern global economy.**

The technology revolution of the past two decades has led to unprecedented access and use of modern information technology and telecommunications systems, and the use of these systems has become an integral part of daily life in nearly every household and business. Our economic future depends on continued and expanded access to cutting-edge technologies, and state and local government policies and investments must support this progress.

The deployment of broadband telecommunications technology must be a cornerstone of any economic development approach. Broadband, in particular, promotes economic development, stimulates innovation, and improves the quality and efficiency of municipal services. Amazingly, many communities in Massachusetts do not have access to broadband, and rely on outdated and inadequate dial-up access to the Internet. This prevents meaningful economic expansion and growth opportunities for businesses, limits residential access to the Internet, and constrains education opportunities for students.

The Massachusetts Municipal Association calls on the next Governor and Legislature to take all necessary steps to ensure that the "final mile" of broadband technology is rolled out in all cities and towns, and to support the efforts by municipal leaders to develop and operate the broadband infrastructure in their communities.

In addition, cities and towns are responsible for key decisions that facilitate access to modern telecommunications services for their residents, and state leaders should recognize and support this local authority to make sure that these services are developed and operated consistent with local needs and the quality of life in neighborhoods. This includes supporting the exclusive authority of cities and towns to negotiate cable franchise licenses and preserving local authority to make appropriate siting decisions for wireless antennas and other infrastructure.

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## **PARTNERSHIP POLICY 8: EMPOWER COMMUNITY- DRIVEN PLANNING AND ZONING**

**State government should carefully update the state’s Zoning Act and related laws to provide cities and towns with new authority and flexibility to guide residential and business land use decisions toward local and state goals.**

Municipal zoning, land use, and development decisions are among the most fundamental and long-established home rule powers exercised by local government in Massachusetts. The system has deep roots because it reflects the best aspects of American democracy – empowering local citizens to make the essential decisions that guide the evolution and development of their neighborhoods and communities. Each of the Commonwealth’s 351 cities and towns has a unique landscape, history, character, design and economic path, creating a diversity that truly strengthens the Commonwealth.

Zoning reform is a valuable objective that has been proposed in bills filed throughout several legislative sessions. Any reform measure that advances should

recognize that local government is in the best position to regulate land use in a way that most effectively reflects the needs and vision of local residents and promotes a sustainable and high quality of life. Local planning for land use and growth requires a comprehensive, thoughtful and community-driven vision for development. Town meetings, city and town councils, planning boards, zoning boards of appeal and other local land use agencies are best able to make long-lasting and impactful decisions as to whether a regulatory change or proposed development project would be consistent with the economic and environmental needs and long-term goals of the community.

Most importantly, cities and towns must retain the fundamental right to control land use decisions and regulations at the local level. To be successful, zoning reform measures must strengthen the decision-making capacity of local government rather than diminish it.

The MMA calls on the next Governor and Legislature to respect the importance of citizen-led and citizen-driven decision-making on key land use and zoning issues, by supporting land use reform measures to strengthen local authority and flexibility, such as statutory authority for inclusionary zoning and development impact fees, and by opposing proposals to weaken or undermine local authority and decision-making.

Massachusetts is the first state to establish a state-set multi-year housing goal, with a target of adding 10,000 multi-family housing units per year through 2020, located near transit, municipal centers, and employment centers. At the same time, cities and towns must retain the right to plan and create land-use frameworks for the development of a broad array of housing choices to accommodate future increases in populations in the region and statewide. National community preference surveys indicate that Americans increasingly value development that is compact and mixed-

use, but at the same time they prefer single-family detached housing. The complexity of these preferences indicates that a variety of housing and neighborhood options remain necessary to meet varying needs.

The MMA urges the Governor and Legislature to make a broad array of tools available to cities and towns to realize their housing goals and not to impose penalties or “one-size-fits-all” mandates to induce local activity that may be contrary to local needs. Such tools should include positive incentives for new housing production and for the renovation of existing structures to create housing. One example is the Massachusetts Rehabilitation Tax Credit, which encourages the adaptive re-use of existing buildings to meet current and future housing demand.

To strengthen local development capacity and enhance the state’s economy, the MMA recommends that the Administration assess and streamline state-level permitting and review processes across agencies to meet crucial development-related municipal needs around transportation and environmental infrastructure, among others.

Further, the MMA recommends that the Administration build on successful programs that catalyze critically important development projects in cities and towns across the state, such as the Brownfields Redevelopment Fund and MassWorks. These funding streams allow municipalities to advance locally prioritized economic development projects that strengthen the surrounding neighborhoods and region.

The MMA asks that the Administration make available technical assistance and dedicated planning to allow all cities and towns to prepare, adopt and revise their local land use controls to reflect current and future realities, as well as to examine land use changes to allow for sustainable development consistent with modern demands as well as local plans and needs.



## Ensuring Effective and Sustainable Government Administration

### **PARTNERSHIP POLICY 9: ALLOW CITIES AND TOWNS TO EFFECTIVELY MANAGE**

**State government should recognize that the archaic personnel management and benefit system in Massachusetts imposes burdens on municipal budgets, makes it difficult to attract and retain qualified employees, and is in need of “stem to stern” modernization.**

Collectively, cities and towns are among the largest employers in Massachusetts, providing direct services to every resident and business. Municipalities partner with their employees to deliver the programs and initiatives that drive our economy, and the municipal and school workforce is highly valued at the local level. Yet it is enormously challenging to hire, manage, motivate and provide good wages and benefits for current and retired employees due to decades-old employment and civil service laws that strictly limit flexibility at the local level.

For the average city or town, salaries and benefits usually consume 70 percent or more of the local budget, which means that communities must be exceedingly careful in administering their personnel systems in

order to ensure that public tax dollars are safeguarded. If personnel costs rise faster than local revenues, then municipal leaders are forced to reduce the budget, which means that many municipal workers could face layoffs. In order to protect the jobs of their employees and to protect municipal and school services, local leaders strive to ensure that their personnel costs are affordable and sustainable over the long term.

There are many significant challenges to sustainability in personnel costs, and these challenges must be addressed by the next Governor and Legislature.

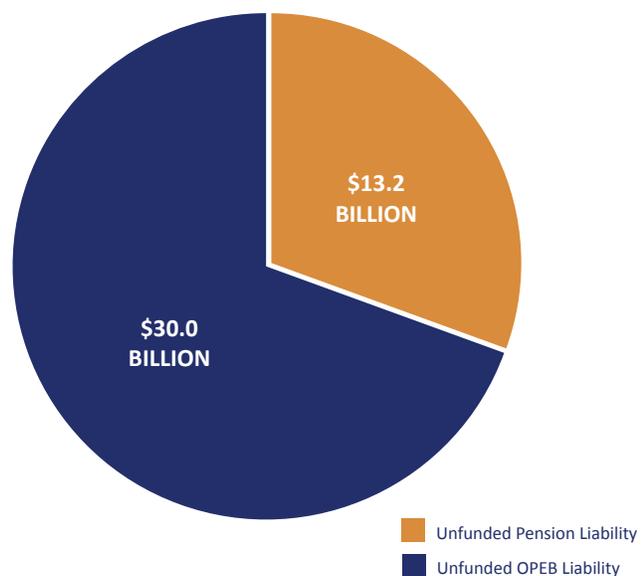
**OPEB:** Perhaps the most pressing issue concerns Other Post-Employment Benefits (OPEB). These are the non-pension retiree expenses, primarily consisting of health insurance. Because medical expenses are rising faster than government revenues, OPEB costs have been identified nationally as a major financial challenge for state

and local governments. Audit standards have required every governmental entity to identify and project long-term OPEB expenses to accurately assess the question of affordability and sustainability. In Massachusetts, our cities and towns have a staggering unfunded OPEB liability of \$30 billion. Unaddressed, OPEB costs will cripple local budgets and crowd out funding for essential municipal services. Cities and towns are committed to providing high-quality retiree health benefits, but they must be sustainable and affordable for local taxpayers.

The Massachusetts Municipal Association calls on the next Governor and Legislature to support effective OPEB reform to ensure a sustainable benefit for future generations of public employees, protect the local taxpayer, and safeguard the delivery of key municipal services.

It is important to be absolutely clear that local officials and the MMA are calling for

### **MUNICIPALITIES FACE \$43.2 BILLION IN UNFUNDED RETIREE BENEFITS**



To protect the jobs of municipal employees and essential services to taxpayers, local personnel costs must be affordable and sustainable over the long term.

OPEB reform in order to protect public sector retiree benefits in both the short and long term. Cities and towns are committed to providing retirees with excellent health insurance benefits. Yet these benefits must be affordable and sustainable for local taxpayers. Otherwise the resulting fiscal crisis will squeeze out funding for vital services, force layoffs of public employees, and drive up local property taxes.

Last year, legislation was filed that offered important reforms, such as increasing the years of service needed to qualify, and prorating benefits based on years worked. The measure was seriously flawed, however, because it would have stripped every city and town of its ability to set local retiree contribution percentages and would have mandated benefit enhancements in many communities. These flaws would have

Now, more than ever, municipal and state leaders must stand together as partners to overcome the challenges and obstacles ahead and build a stronger Massachusetts for our residents and businesses.

eclipsed the positive aspects of the bill and would have offset any savings over the next decade or more. Fortunately, the bill did not advance, which means that 2015 will present an opportunity to propose and enact an effective and meaningful reform bill that can offer constructive changes without the flawed provisions that would negate the savings.

The partnership between cities and towns and state government must be strengthened if we are serious about meeting the needs of our residents and businesses in a rapidly changing world.

**Civil service reform:** Another case in point is the seriously outdated and obsolete Massachusetts civil service law, which has been surpassed by modern collective bargaining agreements that universally include appropriate protections and procedures. The civil service system creates duplication, unnecessary paperwork and widespread inefficiency. The Massachusetts Municipal Association strongly recommends that the system be eliminated for all municipal employees, with a provision that cities and towns have the local option to retain the testing system for the police and fire service employees.

**Pension reform:** Public pension laws in Massachusetts have undergone three recent rounds of reform, the last of which was completed in 2011. Although previous loopholes have been closed, and the prospective increase in age eligibility has created a fairer system, there is still work to be done to streamline the pension structure (currently managed by 105 separate systems), to make the system easier for employees who enter and leave the workforce, and to end abuse of taxpayer dollars. The MMA supports continued collaboration on options to modernize and reform the public pension system, including greater accountability at the local level for pension boards, many of which operate independently and are insufficiently responsive to local needs.

**Collective bargaining:** Public employee collective bargaining laws in Massachusetts have been in place since the early 1970s and are governed by Chapter 150E of the General Laws. Employees enjoy a wide

range of protections under this chapter, including a long list of items that are mandatory subjects of collective bargaining. The next Governor and Legislature should refrain from imposing new requirements on cities and towns. In particular, state government officials should reject any proposal to impose or reintroduce mandatory binding arbitration on cities and towns, a system that was eliminated by the citizens of the Commonwealth as a key element of Proposition 2½. The MMA also seeks improvement in the Joint Labor-Management Committee for Municipal Police and Fire (JLMC) process in order to ensure fair and timely resolution of municipal labor-management disagreements.

**Unemployment reform:** Unemployment insurance benefits for municipal employees are administered by cities and towns, but the rules are created and enforced at the state and federal levels. Most Massachusetts cities and towns are self-insured, meaning they pay dollar-for-dollar for unemployment insurance claims. This can be a costly item for communities, especially when individuals collect who may not be legitimately eligible for benefits, or when individuals abuse loopholes in the system. In 2012, the Patrick Administration established a working group to identify loopholes in the law that unfairly burdened cities and towns and local taxpayers, and in early 2013 the Administration proposed legislation (H. 42) to end abuses in the system. Unfortunately, the measure did not become law. The Massachusetts Municipal Association calls on the next Governor and Legislature to support and enact the municipal unemployment reform bill.



## Our Communities and Our Commonwealth: Partners for Progress and Prosperity

The Massachusetts  
Municipal Association offers  
**10 Partnership Policies**  
to build a stronger  
Commonwealth.

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### Creating a Working State-Local Partnership for the Future

#### **PARTNERSHIP POLICY 10: COMMIT TO CONSTANT COMMUNICATION AND DIRECT DIALOGUE**

**Municipal leaders ask the Governor and Lieutenant Governor to both attend and actively participate in the Local Government Advisory Commission.**

Now, more than ever, municipal and state leaders must stand together as partners to overcome the challenges and obstacles ahead and build a stronger Massachusetts for our residents and businesses. We must be open to change, innovation and shared responsibility. We must recognize that our economic competition is not New England or the rest of the nation – it is global. We must be prepared to listen and act, not just on state or local ideas, but all good ideas. To do this, we must create a dynamic dia-

logue, both formal and informal, to guide and shape this new partnership.

In the 1970s the state and local leaders established the Local Government Advisory Commission, a unique undertaking to create a formal and highly successful process for dialogue, advice and consultation directly between the Governor of the Commonwealth and municipal and school officials. From Governor Michael Dukakis through Governor Jane Swift, the governors attended and participated in the meetings of the LGAC, creating a powerful forum for understanding and problem solving. Governor Mitt Romney was the only head of state to not participate. More recently, Lieutenant Governor Timothy Murray was a constant participant until he left office, and the LGAC has continued to meet with cabinet secretaries and agency heads. With a new Administration guiding the executive branch in January, this is the perfect time to reaffirm full engagement with the next Governor and Lieutenant Governor.

The LGAC, which includes the elected leaders of the statewide associations representing Mayors, Selectmen, Managers, Councillors, School Committee members and Finance Committee members, meets for one hour a month, on the afternoon of the second Tuesday of February, April, May, June, July, September and November.

This simple investment of time provides a formalized structure around which municipal leaders and Administration officials can create a dynamic forum and agenda for meaningful discussion, consensus and progress on key policies and programs.

City and town officials look to the leadership of a new Governor and Lieutenant Governor, and know that the simple act of supporting and engaging with the Local Government Advisory Commission will provide the foundation for strong communication and a powerful partnership.