

Boston Hit Hard By State Aid Cuts

Governor's local aid budget contingent on new taxes

The City of Boston would experience a reduction in General Fund state aid of approximately \$41.6M or 6.8% in FY10 based on Governor Patrick's recommended FY10 state budget released on January 28. That reduction would be on top of the \$22.9M or 9.7% cut in two local aid accounts from the Governor's 9C cuts in the second half of this fiscal year. Thus Boston must address a total reduction in local aid of \$64.5M or 11% over the next five months as it ends FY09 and plans for FY10. The Governor's inclusion of yet to be approved new revenue sources in state aid calculations will require city officials to adopt contingency plans to also assume a larger state aid cut in developing the FY10 budget.

The Governor is recommending a FY10 state budget of \$28B that includes local aid cuts totaling \$375 million. To mitigate that reduction, \$150M in new revenues from a 1% increase in the state meals tax and 1% increase in the hotel-motel excise is included. For Boston, those revenues are estimated at \$26.8M, which if not realized would increase the City's FY10 state aid cut to \$68.4M.

The Menino Administration previously had indicated that the City faced a \$140M budget gap in FY10 based on local aid estimates and other factors. More time is needed to fine tune the numbers, but the budget gap is still in the ballpark and the importance of a wage and step increase freeze next year is no less important to protect jobs and maintain basic services. Layoffs will still be needed as a key measure to balance the budget.

New taxes are not certain and if approved would take time to implement and begin collection.

The Governor's 9C cuts for FY09 totals \$128M. These reductions come in the additional assistance and lottery accounts of general municipal state aid. Boston's cut of \$22.9M is disproportional because of its high reliance on additional assistance aid which is tied to a needs-based formula and is distributed to only 159 municipalities. Boston receives 43% of the total state additional assistance distribution. Boston's share of total General Fund state aid for all municipalities is 12% but its 9C cuts represent 18% of the \$128M reduction.

Boston's FY09 9C Cuts				
Figures in millions				
Source	Pre 9C	Post 9C	Change	%
Lottery	\$71.59	\$64.61	(\$6.98)	-9.7%
Add'l Assist.	164.21	148.21	(16.00)	-9.7%
Total	\$235.80	\$212.82	(\$22.98)	-9.7%
Boston's FY10 Local Aid Cuts				
Figures in millions				
Source	FY09	FY10	Change	%
Chapter 70	\$221.42	\$221.42	\$0.00	0.0%
Lottery/Ad'l Asst.	235.80	168.48	(67.32)	-28.5%
Teach. Pensions	105.42	118.84	13.42	12.7%
1% Meals Tax	0.00	22.44	22.44	--
1% Hotel Excise	0.00	4.35	4.35	--
Other	47.38	32.84	(14.54)	-30.7%
Total	\$610.02	\$568.37	(\$41.65)	-6.8%