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## Governor's Municipal Partnership Act

*Bill provides a mix of beneficial and questionable measures for Boston*

In light of the limited state aid increases for municipalities in his FY08 recommended budget, Governor Patrick filed his [Municipal Partnership Act](#) on February 15<sup>th</sup>. This Act is designed to provide new revenue and efficiency measures directly or enable cities and towns to adopt such measures. Many of these provisions will not provide meaningful savings or revenue until FY09 or later. A few key proposals of this Act are as follows:

- Authorize communities to impose up to a 2% **meals tax** beyond the state's current 5%. A 1% increase would be a possible gain of \$20M for Boston.
- Permit cities and towns to increase the local 4% **hotel/motel tax** by 1% - a possible \$8M gain for Boston.

For both of these taxes, the community would retain 75% of the new revenue, while 25% would finance a new state reserve to compensate municipalities for increased property tax abatements for seniors.

- Eliminate the current exemption in order to tax certain **telecommunication property** – a possible \$14M gain for Boston. Taxation of telecommunication property needs to be viewed in the context of total state and local payments.
- Transfer the assets of any retirement system that has a funded ratio of less than 80% and after 2006 has a rate of return 2.25% less than that of the Pension Reserves Investment Trust (PRIT) fund

over the last 5 years to the PRIT fund for management. How Boston would be affected will depend on its 2006 results. In the five years from 2002-2006, the PRIT investment return was 11.62%. Boston's five-year return from 2001-2005 was 4.96% and its funded ratio as of January 1, 2006 was 64.4%.

- Give municipalities the option to join the **Group Insurance Commission (GIC)**. This is an important first step to help municipalities better control their cost of employee health insurance. However, having to negotiate the conditions for acceptance with an employee committee will mean that few cities and towns will be able to join the GIC starting in FY09.
- Maintain the current maximum **business classification ceiling** at 183% for two more years before it is reduced to 175% in FY10. The original compromise to tax business higher starting in FY04 and reduce the business ceiling to the starting point of 175% in FY08 should be retained.
- Form a commission to consider ways to increase local authority in areas currently requiring a home rule petition. A recent report, *Boston Bound*, from the Rappaport Institute and The Boston Foundation described how significantly more restrictive **Massachusetts home rule** is for Boston compared to six other comparable cities in the country.