



CITY OF WORCESTER, MASSACHUSETTS

Michael V. O'Brien
City Manager

cm2009apr28145715

Attachment for Item #

7.42 E

April 28, 2009

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

As you know, the Commonwealth's House Ways and Means Committee's proposal released over two weeks ago further reduced Worcester's overall State Local Assistance by \$4.55 million on top of the Governor's FY2010 proposed reduction of \$16.8 million. This would equate to a \$21.35 million City-side net reduction to State Local Assistance if this were voted and signed into law.

The Commonwealth's House of Representatives took up their Ways and Means Committee FY2010 Budget Recommendation yesterday. In their deliberations to date, they have voted to increase the sales tax from the current 5% to 6.25% by a veto safe majority. It is our current understanding that this action, and the resultant State sales tax revenues, would restore \$200 million in Local Aid statewide. Worcester typically is 4% of overall unrestricted local aid for the Commonwealth. This would translate into a potential restoration of \$8 million to the \$21.35 million City-side reduction to State Local Assistance defined in the House Ways and Means Committee proposal referenced above. The following details how this could translate to my current FY2010 Budget Recommendation before you:

- Governor's FY2010 Budget Recommendation – Net Reduction in State Aid (\$16,800,000)
- House Ways & Means Committee FY2010 Recommendation – Additional Reductions (\$ 4,550,000)
 - Subtotal (\$21,350,000)
- House Budget Debate to Date – Restoration of Local Aid (4% of \$200 million) \$8,000,000
- Revised Proposed State Cut (\$13,350,000)
- City Manager's FY2010 Budget Recommendation – Governor's FY2010 Cut (\$16,800,000)
- Revised Proposed State Cut \$13,350,000
 - Subtotal Proposed State Aid Restoration \$3,450,000
 - WPS Minimum Contribution (\$ 800,000)
 - Net Proposed City-side State Aid Restoration \$2,650,000



I am grateful for the leadership of our House Delegation for this initial step in the potential restoration of State Local Assistance. We are aware that the House continues their deliberations on their FY2010 Budget. We await further details on any additional changes and/ or modifications to line item expenditures once their Budget is approved. This will provide a full picture of the House version of the FY2010 Budget and its net effect on the City-side FY2010 Budget now before you. It is important to keep in mind this is only the House of Representative's version of the FY2010 Budget. Deliberations have yet to begin on the Senate version of the FY2010 Budget. Any differences between these two documents would then be sent to a Joint Ways and Means Committee for resolution and ultimate passage. There are also elements of the Governor's Emergency Recovery Bill/ Municipal Partnership Act that may be debated and acted upon in the weeks and months ahead. These include the Local Option taxes and the closure of the Telecom Loophole.

I will be monitoring and participating actively in these potentials and all FY2010 Budget actions at Beacon Hill and I will continue to keep this City Council and this community apprised of all developments.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael V. O'Brien", with a horizontal line extending to the right.

Michael V. O'Brien
City Manager