



Michael V. O'Brien
City Manager

CITY OF WORCESTER

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Attachment for Item #

8.39 D

January 25, 2011

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

On Friday, January 21, 2011, Governor Deval Patrick addressed the Annual Meeting of the Massachusetts Municipal Association. In his presentation, he foreshadowed his pending budget recommendations for FY 2012 and its effect on Local Aid categories. The following is a preliminary analysis of FY 2012 Local Aid categories for Worcester based on information available at the time of this writing.

Unrestricted Local Aid

- The Governor will recommend a reduction of 7.8% for Unrestricted Local Aid to cities and towns, resulting in a reduction of \$2.75M in Local Aid to Worcester. Previously-presented FY 2012 Budget projections assumed a 5% reduction (inclusive of the previously identified \$13.7M deficit). This change will cut an additional \$750,000 and increase the City's FY 2012 Budget deficit to more than \$14.5M (does not include the potential for additional cuts in other Local Aid categories, such as Quinn Bill, Regional Public Libraries, State Owned Land, etc.). It should be noted that the proposed cut will decrease this revenue line item to \$35M from \$58M in 2008, a 40% reduction in Local Aid over this period.

Chapter 70 Education Aid

- The Governor will propose an increase of 3.5% for Chapter 70 Education Aid, funding the Worcester Public Schools at \$194.4M. In comparison to Unrestricted Local Aid, Education Aid to the Worcester Public Schools has increased from \$174.1M or 12% from 2008.

The Governor also included recommendations intended to assist cities and towns struggling with skyrocketing health care costs:

The Governor proposed to file legislation to move municipalities into the State's Group Insurance Commission or to allow cities and towns the flexibility to establish plan designs similar to the State's. It is not known at this time the structure or details of this proposal. It is my hope that the Governor's proposed changes to the management of employee health care will be, at a baseline, identical to those defined and pursued by the Massachusetts Municipal Association (MMA). The MMA proposed changes (attached) would grant cities and towns the identical powers the Commonwealth has over State (GIC) employee health care plan designs and deductibles. I will forward additional analysis of this proposal when the legislation is made available.



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The Governor will present his proposed FY 2012 State Budget to the Legislature on Wednesday, January 26th, 2011. At that time, my Administration will review the entirety of the budget proposal and develop a full report for your Honorable Body. The next step is for the Legislature to adopt a joint resolution on Local Aid (typically in March), for the House and Senate to deliberate on their respective versions of the State Budget (April/May), and ultimately for a final budget to be submitted to the Governor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. O'Brien", with a long horizontal flourish extending to the right.

Michael V. O'Brien
City Manager



DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

January 21, 2011 - For immediate release:

GOVERNOR PATRICK ANNOUNCES PLAN TO HELP PRESERVE LOCAL SERVICES; BRING COST-SAVINGS TO CITIES AND TOWNS

BOSTON – Friday, January 21, 2011 - Governor Deval Patrick today announced a series of measures that will provide cities and towns with the tools they need to reign in municipal health insurance costs and continue providing critical services to residents across the Commonwealth. Included in the reforms announced today is the Administration's municipal health insurance plan design proposal that will help municipalities achieve immediate cost-savings and build on the Administration's efforts to further reduce rising health care costs.

"I am confident better days lie ahead so long as we all work together," said Governor Patrick. "With the initiatives announced today, our cities and towns, and their public employee unions, can contain health care costs, continue to assure quality affordable care for workers, and maintain public services."

The Administration's health insurance plan design proposal will require all cities and towns to either join the GIC or institute a program of equivalent value and cost by the start of fiscal year 2012. Additionally, this bill will require cities and towns to move eligible municipal retirees into Medicare. Many municipalities have not enrolled their eligible retirees in the federally-funded Medicare program, even though both the municipalities and retirees have contributed to the Medicare system. By moving all eligible retirees to Medicare, cities and towns will save an estimated \$15-30 million annually.

Combined, these two measures will allow municipalities to capture savings totaling over \$120 million that will help sustain local services and retain jobs. This proposal will also give labor a meaningful role in developing the solution, and assure that municipal employees have continued access to adequate, affordable health care.

"This proposal is a critical step towards delivering material savings in health care costs to cities and towns at a time when they need it most," said Secretary of the Executive Office of Administration and Finance Jay Gonzalez. "In this challenging fiscal environment, taxpayers can no longer be asked to fund overly generous health benefits at the expense of critical local services."

"Governor Patrick's municipal health insurance proposal will offer cities and towns financial relief, while ensuring labor a meaningful seat at the negotiating table," said Joanne Goldstein, Secretary of the Executive Office of Labor and Workforce Development. "Under the Governor's proposal, unions representing municipal workers and municipalities will have the opportunity to collaborate on how to continue to provide quality healthcare for workers while ensuring meaningful savings for cities and towns."

"Governor Patrick's announcements today show, yet again, that he and Lieutenant Governor Murray take seriously their commitment to working with our cities and towns. That they continue to propose record funding for Chapter 70 is critical for children across the Commonwealth," said Mayor Kimberley Driscoll of Salem. "Of course, some reductions are necessary given the terrible fiscal climate we are in, and that will be difficult to deal with, but the tools Governor Patrick is proposing will greatly help those of us responsible for municipal budgets and delivery of services to do so."

During today's address, Governor Patrick also outlined the following proposals:

Support for our cities and towns

Aid to cities and towns represents approximately 16 percent of the Commonwealth's annual budget. In fiscal year 2012, local aid programs account for \$5.05 billion. The Administration's recommendation for local aid reflects the Governor's unprecedented commitment to a strong partnership between the state and its cities and towns, even in the midst of fiscal challenges.

- **Strengthening our schools.** Increase state support for public schools through Chapter 70 to \$3.99 billion, a \$140 million increase from the current budget, and once again the highest level of state funding in the history of the Commonwealth.
- **Supporting Special Education.** Increase funding for the special education circuit breaker by \$80 million dollars, allowing our communities to continue to provide support to students with special needs.
- **Repairing our infrastructure.** Boost Chapter 90 Local Road Program funding to \$200 million dollars, an increase of \$45 million dollars over this year's funding level - allowing our cities and towns to continue to invest in their local infrastructure. Additionally, the state's commitment to capital spending for municipalities will expand to \$7.9 billion in the first term, to a projected \$11.5 in the second term, creating jobs and lifting up our roads, parks, and recreational facilities, housing, and other public spaces.
- **Promoting efficiency through regionalization.** Institute a \$9.7 million competitive regionalization and efficiency grant initiative. This grant program will support one time transition costs related to regionalization and other efficiency initiatives across the Commonwealth, allowing neighboring

communities to better share municipal services that will save time and money while maintaining transparency and quality.

Unrestricted Local Aid

The Administration's fiscal year 2012 budget will propose \$833.9 million in Unrestricted Local Aid. While this is a \$65 million reduction from fiscal year 2011, it will be offset by the savings realized through the Administration's plan design proposal.

Additional Initiatives for Fiscal Year 2012

The Administration's approach to fiscal year 2012 includes key tools to support municipalities in managing through this fiscal crisis and beyond, including:

- Removing the property tax exemption on telecommunications equipment saving cities and towns an estimated \$26 million.
- Establishing a new Municipal Procurement Program within the state Operational Services Division as a platform for cities and towns to centralize procurement practices to leverage greater purchasing power and achieve additional cost savings.
- Filing a new pension reform initiative providing for a comprehensive overhaul of the pension system. This proposal will help ensure the long-term sustainability and credibility of the system and save communities an estimated \$2 billion over 30 years in pension costs and an estimated \$1 billion in reduced retiree health benefit costs for new employees over the next 30 years.

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Bill H2509

Sponsors, Stephen Kulik

Bill text

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HOUSE DOCKET, NO. 1082 FILED ON: 1/13/2009

HOUSE No. 2509

The Commonwealth of Massachusetts

PRESENTED BY:

Stephen Kulik

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act regarding municipal health insurance plans.

PETITION OF:

NAME: Stephen Kulik, John W. Scibak, William N. Brownsberger

DISTRICT/ADDRESS: 1st Franklin, 2nd Hampshire, 24th Middlesex

The Commonwealth of Massachusetts

In the Year Two Thousand and Nine

AN ACT REGARDING MUNICIPAL HEALTH INSURANCE PLANS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Section 1. Chapter 32B of the general laws is hereby amended by adding the following new section:

Section 20. Effective July 1, 2009, a governmental unit is authorized to include, as part of the health plans (HMOs, PPOs, indemnity plans) that it offers to its employees and retirees, co-payments, deductibles and tiered provider network co-payments (or other plan design features) that are no greater in dollar amount than the highest co-payments, deductibles and tiered provider network co-payments (or other plan design features) provided in any of the same class (HMOs, PPOs, indemnity plans) of health plans offered by the Group Insurance Commission pursuant to G.L. c. 32A. For purposes of this section, a "Point of Service" plan offered by a governmental unit shall be considered to fall within the PPO class.

The above authorized dollar amounts for co-payments, deductibles and tiered provider network co-payments (or other plan design features) shall be increased whenever the Group Insurance Commission increases the dollar amount of co-payments and/or deductibles and/or tiered provider network co-payments (or other plan design features) on the health plans that it offers.

A governmental unit may include in its health plans co-payments, deductibles and tiered provider network co-payments (or other plan design features) up to the above-referenced amounts without bargaining pursuant to either Chapter 150E or Section 19 of Chapter 32B concerning the decision to do so or the impact of the decision.

Nothing herein shall prohibit a governmental unit from including in its health plans higher co-payments, deductibles or tiered provider network co-payments (or other plan design features) than those authorized by the preceding paragraphs of this section; but such higher co-payments, deductibles or tiered provider network co-payments (or other plan design features) may be included only after the governmental unit has satisfied any bargaining obligations pursuant to either Chapter 150E or Section 19 of Chapter 32B .

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