



Michael V. O'Brien
City Manager

CITY OF WORCESTER

To: Worcester City Council
From: City Manager Michael O'Brien
Date: Tuesday, April 17, 2012
Re: Fiscal Year 2013 Budget

The House Committee on Ways and Means released its Fiscal Year 2013 budget proposal last week. This budget will be forwarded to all members of the House for full debate then submitted to the Senate for eventual conference committee action prior to the submission of a final budget to the Governor for signature. We continue to analyze this submission and its outside sections, but the following provides a preliminary review of the House proposal.

The House Ways and Means Committee increases the "up-front" Unrestricted General Government Aid to cities and towns by \$65 million. This \$65 million would be added to the base "Cherry Sheet" distribution. The Governor's proposal level-funded Local Aid and presented the potential of dispersing "one-time" funds if State revenue benchmarks were achieved. A similar action was taken in Fiscal Year 2012 and additional funds were released to cities and towns in October 2011. However, House leaders contend that this funding should be added to the base so that cities and towns can make full use of the funds for ongoing operations in their FY 2013 budgets.

A preliminary review indicates that the House proposal would increase Unrestricted General Government Aid to the City by \$2.6 million. Since the additional funding would be added to the base, and not a separate disbursement, this appropriation would be subject to the Education Aid formula, increasing the City's required contribution to the Worcester Public Schools by an additional \$700,000. Based on the Education Aid formula, this \$700,000 would increase the City's total required net new FY2013 contribution to WPS by \$3.5 million (from \$85.7 million to \$89.2 million for FY2013). This does not include the annual appropriation of \$660,000 to support the Medicare reimbursement process. The positive impact of the House Budget proposal on City revenues would be a net gain of \$1.9 million.

The House Budget also adds \$18.5 million in Chapter 70 (State Education Aid) to the Governor's proposed \$146 million increase in order to guarantee each community and school district a minimum increase of \$40 per student above Fiscal Year 2012 Chapter 70 levels. The Governor's Budget increased Chapter 70 (State Education Aid) funding to the Worcester Public Schools (WPS) by \$9.3 million. In January, WPS cited local and state funding would summarily eliminate any projected structural deficit for WPS in Fiscal Year 2013.



My team and I are finalizing my Fiscal Year 2013 budget recommendation now and are working to close a \$3.2 million budget deficit as outlined in a memo to your Honorable Body in March 2012. As detailed above, the FY2013 House Budget is a net improvement in City-side revenues of \$1.9 million. Therefore, I believe it to be a reasonable assumption to apply this recommended net new revenue to the previously detailed \$3.2 million deficit, reducing the gap to \$1.3 million for FY2013. I will work to close this remaining deficit prior to a final budget recommendation submission to City Council in the coming weeks. I remain confident that I will resolve the remaining \$1.3 million deficit, maintain service levels, and improve service levels, wherever possible.

The House Budget recommendation provides the opportunity to plan and to appropriate the additional funding to address the priorities of the community and this City Council. I am very grateful for the leadership of our State House Delegation and for their efforts to increase our Unrestricted Local Aid. A detailed review of the budgetary line items included in the House Budget is underway to examine other factors, including grant programs, regional incentives, or other policy ramifications. I will provide you with additional updates as we continue to develop the Fiscal Year 2013 budget recommendation in light of these changes from the Commonwealth.