

**OFFICE OF THE  
TOWN MANAGER**



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**Town of Shrewsbury**  
**MASSACHUSETTS 01545-5398**

February 22, 2006

To: Board of Selectmen  
Finance Committee

From: Daniel J. Morgado

Re: Fiscal Projection #2

Enclosed are a series of documents updating the Town's fiscal position relative to the Fiscal Year 2007 budget as follows:

Document	# of Pages	Comment/Explanation
Figure One – Fiscal Projection #2	6	Updates all revenue & charge information including the latest information contained within Governor's House Bill #2
Figure Three – Schedule A Receipts	1	No change from original filing.
Schedule A Receipts – Fiscal Year 2006	1	Local receipts to date. Currently projected Fiscal Year 2006 receipts are \$9.994 Million to \$10.945 Million.
Figure Four – State Aid & Charges	1	Updated to reflect House Bill #2
Budget Summary Fiscal Year 2007	2	Updated to include revised budget estimates. Changes are on the Personnel Board, School Department and Group Health line items. School Budget number is based on last number discussed before the School Committee (6.5%).
Budget Summary Fiscal Year 2007	1	Current budget summary by object area. School Budget of \$40,102,737 is shown.
Figure Eight – Trial Recapitulation Based on House Bill Two	1	Current deficit estimate is \$1.781 Million based upon School Budget of \$40.102 Million
Trial Recapitulation Comparison	2	Exhibit showing changes between original and current fiscal projections.

I have also enclosed a February 10, 2006, bulletin from the Massachusetts Taxpayers Foundation commenting on the Governor's Fiscal year 2007 budget proposal.

While we are moving in the correct direction, much additional work is necessary to close the projected deficit.

My next projection will be issued once I get a sense of what the House Ways and Means Committee will be issuing.

I am available to meet on this matter at your convenience.

Cc School Committee  
Dr. Anthony Bent  
Patrick Collins  
Michael Hale  
Mary Thompson

**FIGURE ONE  
FISCAL PROJECTION TWO  
FISCAL YEAR 2007**

<b>Ref No.</b>	<b>REVENUE</b>	<b>FY 2006 ACTUAL</b>	<b>FY 2007 PROJECTED</b>	<b>DIFFERENCE</b>
1	TAXATION	\$43,214,514	\$40,121,959	\$1,059,788
2	NEW GROWTH		\$600,000	
3	EXEMPTED TAX LEVY		\$3,552,343	
4	STATE AID	\$17,285,216	\$19,561,954	\$2,276,738
5	SBAB PAYMENT	\$3,792,413	\$3,792,413	\$0
6	OVERESTIMATES	\$0	\$0	\$0
7	SCHEDULE A RECEIPTS	\$10,388,000	\$10,790,000	\$402,000
8	FREE CASH	\$2,000,000	\$1,250,000	(\$750,000)
	<b>OTHER AVAILABLE FUNDS</b>			
9	SALE OF CEMETERY LOTS	\$25,000	\$25,000	\$0
10	SEWER SURPLUS	\$3,566,655	\$2,500,000	(\$1,066,655)
11	LIGHT REVENUE	\$262,767	\$258,939	(\$3,828)
12	CATV REVENUE	\$499,545	\$484,635	(\$14,910)
13	OTHER FUNDS (CHAPTER 90)	\$508,066	\$0	(\$508,066)
14	ACCOUNT TRANSFER	\$566,714	\$89,868	(\$476,846)
15	STABILIZATION	\$170,000	\$0	(\$170,000)
16	TITLE V LOAN REPAYMENTS	\$16,248	\$15,128	(\$1,120)
17	WATER SYSTEM IMPROVEMENTS	\$500,000	\$0	(\$500,000)
18	WATER CONVERSATION FUND	\$30,000	\$0	(\$30,000)
19	CEMETERY TRUST FUNDS	\$75,000	\$30,000	(\$45,000)
20	SPECIAL FUNDS - COAL ASH	\$275,000	\$275,000	\$0
21	SALE OF PROPERTY	\$0	\$194,220	\$194,220
22	HIGHWAY IMPROVEMENTS	\$400,000	\$0	(\$400,000)
23	ADDITIONAL SBAB (FLORAL)	\$89,681	\$0	(\$89,681)
24	FREE CASH (REDUCE LEVY)	\$500,000	\$500,000	\$0
25	MUNICIPAL LIGHT (REDUCE LEVY)	\$121,995	\$115,441	(\$6,554)
26	CATV REVENUE (REDUCE LEVY)	\$430,056	\$454,691	\$24,635
27	BOND INTEREST RESERVE	\$0	\$0	\$0
	<b>TOTAL REVENUE</b>	<b>\$84,716,870</b>	<b>\$84,611,591</b>	<b>(\$105,280)</b>
	<b>CHARGES</b>			
28	TAX TITLE	\$0	\$0	\$0
29	COURT JUDGEMENTS	\$0	\$0	\$0
30	OVERLAY DEFICITS	\$0	\$0	\$0
31	CHERRY SHEET OFFSETS	\$73,909	\$72,191	(\$1,718)
32	CMRPC	\$6,906	\$7,079	\$173
33	STATE AND COUNTY CHARGES	\$840,584	\$896,499	\$55,915
34	OVERLAY	\$451,929	\$450,000	(\$1,929)
	<b>TOTAL CHARGES</b>	<b>\$1,373,328</b>	<b>\$1,425,769</b>	<b>\$52,441</b>
	<b>TOTAL AVAILABLE FOR TOWN MEETING APPROPRIATION</b>	<b>\$83,343,542</b>	<b>\$83,185,822</b>	<b>(\$157,721)</b>
35	<b>ESTIMATED TAX RATE</b>	<b>\$9.24</b>	<b>\$9.34</b>	

**PROJECTION NOTES  
FY 2007**

No.	Item	Computation	Notes	Information Source/Comment
1	Levy Limit	\$ 39,143,375	Fy 06 levy limit	Form filed by BOA with Fy 06 Tax Recap Sheet
		\$ 978,584	21/2% increase	
		<b>\$ 40,121,959</b>	<b>Fy 07 levy limit</b>	
2	New Growth	<b>\$ 600,000</b>	<b>Estimate Fy 07</b>	Growth expected in the \$60 million range - See Figure Two
		\$ 548,711	Fy 06 New Growth	Form filed by BOA with Fy 06 Tax Recap Sheet
		\$ 551,544	Fy 05 New Growth	Form filed by BOA with Fy 05 Tax Recap Sheet
		\$ 563,179	Fy 04 New Growth	Form filed by BOA with Fy 04 Tax Recap Sheet
		\$ 804,735	Fy 03 New Growth	Based on FY 03 LA 13; This does not match DOR Levy Form
		\$ 879,895	Fy 02 New Growth	Form filed by BOA with Fy 02 Tax Recap Sheet
		\$ 1,419,357	Fy 01 New Growth	Form filed by BOA with Fy 01 Tax Recap Sheet
		\$ 833,094	Fy 00 New Growth	Form filed by BOA with Fy 00 Tax Recap Sheet
		\$ 1,122,922	Fy 99 New Growth	Form filed by BOA with Fy 00 Tax Recap Sheet
		\$ 713,090	Fy 98 New Growth	Form filed by BOA with Fy 99 Tax Recap Sheet
		\$ 726,315	Fy 97 New Growth	"At a Glance" report dated 2/2/99
		\$ 689,741	Fy 96 New Growth	"At a Glance" report dated 2/2/99
3	Exempted Tax Levy	\$ 640,368	90% of Floral Street School Debt Service	
		\$ (585,681)	SBAB Reimbursement - Floral Street	
		\$ (3,206,732)	SBAB Reimbursement - High School	
		\$ 245,868	Open Space Bond	
		\$ 194,220	HS School Land Bond	
		\$ 5,411,750	New High School	<b>See Figure Six</b>
		\$ 182,600	Open Space Bond #2	
		\$ 630,573	Oak Middle School	
		\$ 273,738	Allen Property BAN Costs	
		\$ 47,803	Oak Middle School BAN Costs	
		\$ -	Bond Interest Reserves	
		\$ (194,220)	Transfer from Sale of Property Account (Line Item #21)	
		\$ (87,944)	Bond Premiums that will be run through Free Cash and be part of FY 07 certification (\$77,924 for Allen; \$10,020 for Oak Middle School)	
		<b>\$ 3,552,343</b>	<b>Total Exempted Debt Service</b>	
4	State Aid	<b>\$ 19,561,954</b>	Estimate Based on House Bill #1	See Figure Four

**PROJECTION NOTES  
FY 2007**

5	SBAB	\$	585,681	Floral Street	
		\$	3,206,732	High School	
		\$	<b>3,792,413</b>	<b>Total SBAB</b>	
6	Overestimates	\$	-	<b>No Overestimated Projected</b>	
7	Schedule A	\$	<b>10,790,000</b>	<b>Projected Local Receipts</b>	See Figure Three
8	Free Cash	\$	<b>1,250,000</b>	<b>7/1/05 Balance \$1,930,113</b>	Initial Projection - See Figure Seven
9	Sale of Lots	\$	<b>25,000</b>	<b>Balance as of 10/19/2004 \$15,733</b>	
10	Sewer Surplus	\$	<b>2,500,000</b>	\$2,175,000	Operating Budget
	Balance as of 7/1/2005			\$325,000	Capital Budget
	\$6,860,146				
	\$1,000,000 Used at 11/05 STM			\$2,500,000	<b>This funds Sewer Operations at 24% (\$791,374 from taxation)</b>
11	Light Revenue	\$	<b>258,939</b>	<b>Debt Service Budget FY 07</b>	See Figure Six
12	CATV Revenue	\$	<b>484,635</b>	<b>Debt Service Budget FY 07</b>	See Figure Six
13	Chapter 90	\$	-	<b>Awaiting information on next Chapter to be established</b>	
14	Account Transfers	\$	Amount 89,868	Account Conservation Fund Acct 01-0171-10-580400	Purpose Repairs to Newton Pond Dame
		\$	<b>89,868</b>	<b>Total Account Transfers</b>	
15	Stabilization	\$	-	<b>Balance as of 9/26/2005 \$172,779</b>	
16	Total V Loan Repayments	\$	<b>15,128</b>	<b>Balance as of 11/15/2005 \$100,029</b>	
17	Water System Improvements	\$	-		
18	Water Conservation Fund	\$	-	<b>Balance as of 1/23/2006 \$542,080</b>	
19	Cemetery Trust Funds	\$	<b>30,000</b>	<b>Balance as of XX/XX/2006 \$</b>	To be used for mower replacement
20	Special Funds - Coal Ash	\$	<b>275,000</b>	<b>Balance as of 9/26/2005 \$1,253,316</b>	<b>Collection Costs \$1,094,297; Disposal \$455,814 In FY 2007</b>
21	Sale of Property	\$	<b>194,220</b>	<b>Balance as of 1/26/2006 \$290,622</b>	

**PROJECTION NOTES  
FY 2007**

22	Highway Improvements	\$	-		
23	Additional SBAB Payment	\$	-		
24	Free Cash (Reduce Levy)	\$	<b>500,000</b>	<b>Fy 07 (\$87,944 is a Bond Premium Pass Through)</b>	
		\$	500,000	Fy 06	FY 06 Recap Sheet; \$141,098 was a bond premium
		\$	500,000	Fy 05	FY 05 Recap Sheet; \$176,892 was a bond premium
		\$	728,416	Fy 04	FY 04 Recap Sheet; \$228,416 was a bond premium
		\$	2,885,000	Fy 03	FY 03 Recap Sheet; \$2,385,000 was a bond premium
		\$	435,000	Fy 02	FY 02 Recap Sheet
		\$	1,130,000	Fy 01	FY 01 Recap Sheet
		\$	1,130,000	Fy 00	Fy 00 Recap Sheet
		\$	1,130,000	Fy 99	"At a Glance" report dated 2/2/99
		\$	1,130,000	Fy 98	"At a Glance" report dated 2/2/99
		\$	770,000	Fy 97	"At a Glance" report dated 2/2/99
		\$	770,000	Fy 96	"At a Glance" report dated 2/2/99
25	Municipal Light (PILOT)	\$	<b>115,441</b>	<b>Fy 07</b>	Actual
		\$	121,995	Fy 06	FY 06 Recap Sheet
		\$	115,606	Fy 05	FY 05 Recap Sheet
		\$	118,531	Fy 04	FY 04 Recap Sheet
		\$	113,132	Fy 03	FY 03 Recap Sheet
		\$	112,244	Fy 02	FY 02 Recap Sheet
		\$	118,519	Fy 01	FY 01 Recap Sheet
		\$	111,886	Fy 00	Fy 00 Recap Sheet
		\$	112,781	Fy 99	"At a Glance" report dated 2/2/99
		\$	116,880	Fy 98	"At a Glance" report dated 2/2/99
		\$	100,840	Fy 97	"At a Glance" report dated 2/2/99
		\$	114,818	Fy 96	"At a Glance" report dated 2/2/99
26	CATV (PILOT)	\$	<b>454,691</b>	<b>Fy 07</b>	Actual
		\$	430,056	Fy 06	FY 06 Recap Sheet
		\$	386,504	Fy 05	FY 05 Recap Sheet
		\$	334,056	Fy 04	FY 04 Recap Sheet
		\$	283,927	Fy 03	FY 03 Recap Sheet
		\$	250,000	Fy 02	FY 02 Recap Sheet
		\$	250,000	Fy 01	FY 01 Recap Sheet
		\$	250,000	Fy 00	Fy 00 Recap Sheet
		\$	225,000	Fy 99	"At a Glance" report dated 2/2/99
		\$	225,000	Fy 98	"At a Glance" report dated 2/2/99
		\$	225,000	Fy 97	"At a Glance" report dated 2/2/99
		\$	225,000	Fy 96	"At a Glance" report dated 2/2/99

**PROJECTION NOTES  
FY 2007**

27	Bond Interest Reserve	\$	-	<b>Balance as of 11/15/2004 \$2,077,385</b>	
		\$	-	Fy 06	FY 06 Recap Sheet
		\$	-	Fy 05	FY 05 Recap Sheet
		\$	-	Fy 04	FY 04 Recap Sheet
		\$	821,732	Fy 03	FY 03 Recap Sheet
28	Tax Title	\$	-		
29	Court Judgments	\$	-		
30	Overlay Deficits	\$	-		
31	Cherry Sheet Offsets	\$	<b>72,191</b>	<b>Fy 07</b>	Estimate
		\$	73,909	Fy 06	FY 06 Recap Sheet
		\$	67,387	Fy 05	FY 05 Recap Sheet
		\$	61,412	Fy 04	FY 04 Recap Sheet
		\$	62,215	Fy 03	FY 03 Recap Sheet
		\$	62,793	Fy 02	FY 02 Recap Sheet
		\$	59,915	Fy 01	FY 01 Recap Sheet
		\$	58,321	Fy 00	Fy 00 Recap Sheet
		\$	46,990	Fy 99	"At a Glance" report dated 2/2/99
		\$	45,359	Fy 98	"At a Glance" report dated 2/2/99
		\$	45,387	Fy 97	"At a Glance" report dated 2/2/99
		\$	44,243	Fy 96	"At a Glance" report dated 2/2/99
32	CMRPC	\$	<b>7,079</b>	<b>Fy 07</b>	Actual
		\$	6,906	Fy 06	FY 06 Recap Sheet
		\$	6,737	Fy 05	FY 05 Recap Sheet
		\$	6,574	Fy 04	FY 04 Recap Sheet
		\$	6,414	Fy 03	FY 03 Recap Sheet
		\$	4,777	Fy 02	FY 02 Recap Sheet
		\$	4,661	Fy 01	FY 01 Recap Sheet
		\$	4,547	Fy 00	Fy 00 Recap Sheet

**PROJECTION NOTES  
FY 2007**

33	State & County Charges	\$	<b>896,499</b>	<b>Fy 07 (Estimate)</b>	Rough Estimate
		\$	840,584	Fy 06	FY 06 Recap Sheet
		\$	694,057	Fy 05	FY 05 Recap Sheet
		\$	434,305	Fy 04	FY 04 Recap Sheet
		\$	205,797	Fy 03	FY 03 Recap Sheet
		\$	194,113	Fy 02	FY 02 Recap Sheet
		\$	201,558	Fy 01	FY 01 Recap Sheet
		\$	213,942	Fy 00	Fy 00 Recap Sheet
		\$	180,563	Fy 99	"At a Glance" report dated 2/2/99
		\$	193,712	Fy 98	"At a Glance" report dated 2/2/99
		\$	199,414	Fy 97	"At a Glance" report dated 2/2/99
		\$	186,787	Fy 96	"At a Glance" report dated 2/2/99
		\$	144,281	Fy 95	"At a Glance" report dated 2/2/99
34	Overlay	\$	<b>450,000</b>	<b>Fy 07 (Estimate)</b>	Estimate
		\$	451,929	Fy 06	FY 06 Recap Sheet
		\$	334,363	Fy 05	FY 05 Recap Sheet
		\$	465,564	Fy 04	FY 04 Recap Sheet
		\$	301,261	Fy 03	FY 03 Recap Sheet
		\$	257,908	Fy 02	FY 02 Recap Sheet
		\$	323,213	Fy 01	FY 01 Recap Sheet
		\$	213,975	Fy 00	Fy 00 Recap Sheet
		\$	246,985	Fy 99	"At a Glance" report dated 2/2/99
		\$	278,496	Fy 98	"At a Glance" report dated 2/2/99
		\$	236,589	Fy 97	"At a Glance" report dated 2/2/99
		\$	244,154	Fy 96	"At a Glance" report dated 2/2/99
		\$	265,932	Fy 95	"At a Glance" report dated 2/2/99
35	Fy 07 Tax Rate	\$	600,000	projected new growth	
		\$	9.24	current year tax rate	
		\$	4,676,895,485	current value	
		\$	64,935,065	value new growth	
		\$	4,741,830,550	new value fy 07	
		\$	40,121,959	tax levy	
		\$	600,000	new growth	
		\$	3,552,343	exempted levy	
		\$	44,274,302	total levy	
		\$	<b>9.34</b>	<b>tax rate fy 07</b>	

**FIGURE THREE  
SCHEDULE A RECEIPTS  
FISCAL YEAR 2000 TO 2007**

ITEM	PROJECTED FY 07	ESTIMATED FY 06	ACTUAL FY 05	ACTUAL FY 04	ACTUAL FY 03	ACTUAL FY 02	ACTUAL FY 01	ACTUAL FY 00	ACTUAL FY 99
MOTOR VEHICLE EXCISE	\$ 4,700,000	\$ 4,600,000	\$ 4,680,209	\$ 4,260,729	\$ 4,438,140	\$ 4,127,776	\$ 3,919,368	\$ 3,770,230	\$ 3,291,131
OTHER EXCISE	\$ 46,000	\$ 43,000	\$ 47,454	\$ 44,571	\$ 52,128	\$ 69,073	\$ 75,927	\$ 63,055	\$ 56,185
PENALTIES AND INTEREST	\$ 200,000	\$ 220,000	\$ 220,875	\$ 203,838	\$ 158,815	\$ 131,076	\$ 177,166	\$ 171,002	\$ 241,921
PAYMENT IN LIEU OF TAXES	\$ 27,000	\$ 27,000	\$ 27,057	\$ 29,515	\$ 29,908	\$ 26,568	\$ 26,689	\$ 26,282	\$ 22,894
CHARGES FOR SERVICES - WATER	\$ 2,900,000	\$ 2,750,000	\$ 2,827,012	\$ 2,750,427	\$ 2,687,023	\$ 2,778,081	\$ 2,625,987	\$ 2,531,831	\$ 2,484,425
CHARGES FOR SERVICES - ASH DISPOSAL	\$ 500,000	\$ 520,000	\$ 570,000	\$ 961,582	\$ 1,098,492	\$ 893,950	\$ 592,754	\$ 453,309	\$ 2,138,382
FEES	\$ 200,000	\$ 118,000	\$ 118,150	\$ 138,184	\$ 198,556	\$ 120,026	\$ 89,679	\$ 88,006	\$ 99,020
RENTALS	\$ 15,000	\$ 15,000	\$ 15,698	\$ 12,764	\$ 13,238	\$ 12,240	\$ 13,391	\$ 11,791	\$ 6,796
DEPARTMENTAL REVENUE - SCHOOLS	\$ -	\$ 40,000	\$ 40,501	\$ -	\$ -	\$ -	\$ 180	\$ 725	\$ 6,034
DEPARTMENTAL REVENUE - LIBRARIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97	\$ 456	\$ 541	\$ 860
DEPARTMENTAL REVENUE - CEMETERIES	\$ 31,000	\$ 31,000	\$ 31,380	\$ 34,820	\$ 31,905	\$ 30,798	\$ 36,935	\$ 30,844	\$ 34,432
OTHER DEPARTMENTAL REVENUE	\$ 300,000	\$ 227,000	\$ 227,967	\$ 337,487	\$ 328,916	\$ 198,007	\$ 189,727	\$ 138,407	\$ 218,129
LICENSE AND PERMITS	\$ 400,000	\$ 373,000	\$ 373,429	\$ 423,937	\$ 385,023	\$ 618,764	\$ 354,409	\$ 422,312	\$ 402,511
SPECIAL ASSESSMENTS	\$ 31,000	\$ 31,000	\$ 31,575	\$ 21,584	\$ 47,422	\$ 35,456	\$ 84,848	\$ 21,434	\$ 22,615
FINES AND FORFEITS	\$ 185,000	\$ 186,000	\$ 186,372	\$ 310,446	\$ 298,028	\$ 273,867	\$ 270,726	\$ 208,634	\$ 227,023
INVESTMENT INCOME	\$ 900,000	\$ 932,000	\$ 932,675	\$ 1,229,492	\$ 1,561,045	\$ 980,007	\$ 1,753,148	\$ 1,721,010	\$ 1,605,296
MISCELLANEOUS RECURRING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,221	\$ 22,722	\$ 32,809	\$ 27,181
MISCELLANEOUS NON-RECURRING	\$ 150,000	\$ 100,000	\$ 172,413	\$ 185,840	\$ 247,705	\$ 2,835,775	\$ -	\$ -	\$ -
MEDICAID REIMBURSEMENT	\$ 35,000	\$ 50,000	\$ 51,139	\$ 49,779	\$ 185,266	\$ 129,032	\$ 70,106	\$ 98,263	\$ 130,056
SUPPLEMENTAL TAX PROGRAM	\$ 170,000	\$ 125,000	\$ 169,937	\$ 178,455	\$ 89,088	\$ 104,070	\$ 142,235	\$ -	\$ -
	\$ 10,790,000	\$ 10,388,000	\$ 10,723,843	\$ 11,173,450	\$ 11,850,698	\$ 13,381,884	\$ 10,446,453	\$ 9,790,485	\$ 11,014,891
ESTIMATE			\$ 10,415,000	\$ 10,244,000	\$ 9,521,090	\$ 9,693,984	\$ 9,302,066	\$ 9,343,600	\$ 8,341,900
OVER(UNDER)			\$ 308,843	\$ 929,450	\$ 2,329,608	\$ 3,687,900	\$ 1,144,387	\$ 446,885	\$ 2,672,991
PERCENT OVER(UNDER)			3.0%	9.1%	24.5%	38.0%	12.3%	4.8%	32.0%

FY 2002 total includes a bond premium of \$2,384,823, AP Account Closeout of \$449,443, building permit fee of \$252,000 on the State Street Bank project and coal ash revenue of \$180,806

FY 2003 total includes a bond premium of \$247,705 and coal ash revenue of \$364,000



**FIGURE FOUR - STATE AID AND CHARGES**  
**FISCAL YEAR 2000 TO 2007**  
**Based on House Bill Two**

Line Item	Fiscal Year 2007 Projection	Fiscal Year 2006 Actual	Fiscal Year 2005 Actual	Fiscal Year 2004 Actual	Fiscal Year 2003 Actual	Fiscal Year 2002 Actual	Fiscal Year 2001 Actual	Fiscal Year 2000 Actual
<b>REVENUE</b>								
<b>A. EDUCATION</b>								
1. Chapter 70	\$ 15,513,341	\$ 13,800,607	\$ 11,948,701	\$ 10,287,704	\$ 8,745,774	\$ 7,590,859	\$ 6,394,912	\$ 5,616,512
2. School Transportation	\$ -	\$ -	\$ -	\$ -	\$ 247,393	\$ 250,825	\$ 342,826	\$ 322,292
3. School Construction (Removed in FY 2006)	\$ -	\$ -	\$ 3,702,732	\$ 3,697,772	\$ 496,000	\$ 496,000	\$ 496,000	\$ 598,150
5. Charter School Tuition Reimbursement	\$ 194,439	\$ 193,772	\$ 131,443	\$ 10,440	\$ -	\$ -	\$ -	\$ -
5. Tuition State Wards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,163	\$ 17,978
6. Charter School Capital Facility Reimbursement	\$ 41,729	\$ 34,870	\$ 28,196	\$ -	\$ -	\$ -	\$ -	\$ -
8. School Lunch (Offset)	\$ 26,597	\$ 28,245	\$ 26,723	\$ 27,247	\$ 25,019	\$ 22,775	\$ 20,307	\$ 20,177
<b>Sub-Total</b>	<b>\$ 15,776,106</b>	<b>\$ 14,057,494</b>	<b>\$ 15,837,795</b>	<b>\$ 14,023,163</b>	<b>\$ 9,514,186</b>	<b>\$ 8,360,459</b>	<b>\$ 7,321,208</b>	<b>\$ 6,575,109</b>
<b>B. GENERAL GOVERNMENT</b>								
1. Lottery, Beano & Charity Games	\$ 3,107,117	\$ 2,493,603	\$ 2,110,492	\$ 2,110,492	\$ 2,250,774	\$ 2,482,932	\$ 2,324,233	\$ 2,123,910
2. Additional Assistance	\$ 298,861	\$ 298,861	\$ 298,861	\$ 298,861	\$ 318,725	\$ 376,077	\$ 376,077	\$ 376,077
3. Highway Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,858	\$ 207,431	\$ 207,431
6. Police Career Incentive	\$ 159,050	\$ 166,024	\$ 150,155	\$ 140,291	\$ 129,068	\$ 119,784	\$ 101,872	\$ 78,330
8. Veteran's Benefits	\$ 12,880	\$ 12,907	\$ 3,406	\$ 3,738	\$ 14,598	\$ 16,918	\$ 8,202	\$ 7,020
9. Exemptions	\$ 31,591	\$ 31,025	\$ 34,421	\$ 34,499	\$ 30,907	\$ 30,431	\$ 30,772	\$ 31,608
10. Exemptions (Elderly)	\$ 22,782	\$ 22,768	\$ 22,670	\$ 22,328	\$ 21,017	\$ 22,042	\$ 22,700	\$ 22,726
11. State Owned Land	\$ 107,973	\$ 156,870	\$ 123,183	\$ 78,725	\$ 98,335	\$ 148,013	\$ 163,750	\$ 135,760
12. Public Libraries	\$ 45,594	\$ 45,664	\$ 40,664	\$ 34,165	\$ 37,196	\$ 40,018	\$ 39,608	\$ 38,144
<b>Sub-Total</b>	<b>\$ 3,785,848</b>	<b>\$ 3,227,722</b>	<b>\$ 2,783,852</b>	<b>\$ 2,723,099</b>	<b>\$ 2,900,621</b>	<b>\$ 3,288,073</b>	<b>\$ 3,274,645</b>	<b>\$ 3,021,006</b>
<b>Total State Aid</b>	<b>\$ 19,561,954</b>	<b>\$ 17,285,216</b>	<b>\$ 18,621,647</b>	<b>\$ 16,746,262</b>	<b>\$ 12,414,807</b>	<b>\$ 11,648,532</b>	<b>\$ 10,595,853</b>	<b>\$ 9,596,115</b>
<b>CHARGES</b>								
County Tax	\$ 49,947	\$ 49,947	\$ 49,947	\$ 49,947	\$ 49,947	\$ 49,947	\$ 49,947	\$ 49,947
Mosquito Control	\$ 56,006	\$ 52,245	\$ 47,364	\$ 47,261	\$ 40,895	\$ 35,818	\$ 39,250	\$ 39,459
Mosquito Control (Underestimate)	\$ -	\$ -	\$ -	\$ -	\$ 3,659	\$ -	\$ -	\$ -
Air Pollution Districts	\$ 9,076	\$ 8,834	\$ 8,484	\$ 8,187	\$ 7,860	\$ 7,368	\$ 7,104	\$ 6,838
RMV Non-Renewal Surcharge	\$ 20,240	\$ 16,700	\$ 13,500	\$ 16,400	\$ 17,880	\$ 17,340	\$ 21,360	\$ 25,980
WRTA Assessment	\$ 68,366	\$ 71,306	\$ 82,522	\$ 80,509	\$ 78,546	\$ 76,630	\$ 74,368	\$ 73,563
Special Education	\$ -	\$ -	\$ 9,648	\$ 5,501	\$ 7,010	\$ 7,010	\$ 9,529	\$ 18,155
MBTA	\$ 132,034	\$ 112,991	\$ 91,481	\$ 42,430	\$ -	\$ -	\$ -	\$ -
School Choice Tuition	\$ 83,802	\$ 104,140	\$ 78,761	\$ 45,890	\$ -	\$ -	\$ -	\$ -
Charter School Tuition	\$ 477,028	\$ 424,421	\$ 312,350	\$ 138,180	\$ -	\$ -	\$ -	\$ -
<b>Sub-Total</b>	<b>\$ 896,499</b>	<b>\$ 840,584</b>	<b>\$ 694,057</b>	<b>\$ 434,305</b>	<b>\$ 205,797</b>	<b>\$ 194,113</b>	<b>\$ 201,558</b>	<b>\$ 213,942</b>
Overestimate - Mosquito Control	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,666	\$ 482
Overestimate - Special Education	\$ -	\$ -	\$ -	\$ -	\$ 331	\$ 2,850	\$ 3,316	\$ -
Overestimate - Regional Transit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Sub-Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 331</b>	<b>\$ 2,850</b>	<b>\$ 4,982</b>	<b>\$ 482</b>
<b>Total Net Charges</b>	<b>\$ 896,499</b>	<b>\$ 840,584</b>	<b>\$ 694,057</b>	<b>\$ 434,305</b>	<b>\$ 205,466</b>	<b>\$ 191,263</b>	<b>\$ 196,576</b>	<b>\$ 213,460</b>
School Lunch Offset	\$ 26,597	\$ 28,245	\$ 26,723	\$ 27,247	\$ 25,019	\$ 22,775	\$ 20,307	\$ 20,177
Library Offset	\$ 45,594	\$ 45,664	\$ 40,664	\$ 34,165	\$ -	\$ 40,018	\$ 39,608	\$ 38,144
<b>Total Off-Sets</b>	<b>\$ 72,191</b>	<b>\$ 73,909</b>	<b>\$ 67,387</b>	<b>\$ 61,412</b>	<b>\$ 25,019</b>	<b>\$ 62,793</b>	<b>\$ 59,915</b>	<b>\$ 58,321</b>
<b>Line Item</b>	<b>Fiscal Year 2007 Projection</b>	<b>Fiscal Year 2006 Actual</b>	<b>Fiscal Year 2005 Actual</b>	<b>Fiscal Year 2004 Actual</b>	<b>Fiscal Year 2003 Actual</b>	<b>Fiscal Year 2002 Actual</b>	<b>Fiscal Year 2001 Actual</b>	<b>Fiscal Year 2000 Actual</b>
"Education" Local Aid	\$ 15,776,106	\$ 14,057,494	\$ 12,135,063	\$ 10,325,391	\$ 9,018,186	\$ 7,864,459	\$ 6,825,208	\$ 5,976,959
"General Government" Local Aid	\$ 3,785,848	\$ 3,227,722	\$ 2,783,852	\$ 2,723,099	\$ 2,900,621	\$ 3,288,073	\$ 3,274,645	\$ 3,021,006
Charges and Offsets	\$ 968,690	\$ 914,493	\$ 761,444	\$ 495,717	\$ 230,485	\$ 254,056	\$ 256,491	\$ 271,781
<b>Total</b>	<b>\$ 18,593,264</b>	<b>\$ 16,370,723</b>	<b>\$ 14,157,471</b>	<b>\$ 12,552,773</b>	<b>\$ 11,688,322</b>	<b>\$ 10,898,476</b>	<b>\$ 9,843,362</b>	<b>\$ 8,726,184</b>
Indicates amount after "BC" reduction was made								

**Budget Summary**  
**Fiscal Year 2007**  
**As of February 21, 2006**  
**Includes School Budget of \$40,102,737 (6.5%)**

	Fiscal Year 2006 Budget	Fiscal Year 2007 Department Request	Fiscal Year 2007 Current Recommendation	TM Increase Over FY 2006	Percent
PERSONNEL BOARD	\$375,600	\$400,600	\$400,600	\$25,000	6.66%
SELECTMEN	\$19,733	\$22,113	\$22,113	\$2,380	12.06%
TOWN MANAGER	\$276,481	\$284,808	\$284,808	\$8,327	3.01%
FINANCE COMMITTEE	\$281,325	\$281,325	\$281,325	\$0	0.00%
ACCOUNTANT	\$171,998	\$178,537	\$178,537	\$6,539	3.80%
ASSESSORS	\$193,168	\$224,567	\$224,567	\$31,399	16.25%
TREASURER-COLLECTOR	\$332,322	\$360,716	\$352,216	\$19,894	5.99%
TOWN COUNSEL	\$56,400	\$56,400	\$56,400	\$0	0.00%
MIS	\$342,855	\$425,696	\$398,696	\$55,841	16.29%
TOWN CLERK	\$151,184	\$152,807	\$152,807	\$1,623	1.07%
ELECTION AND REGISTRATION	\$59,853	\$107,354	\$107,354	\$47,501	79.36%
CONSERVATION COMMISSION	\$3,450	\$9,450	\$6,450	\$3,000	86.96%
PLANNING BOARD	\$2,800	\$3,300	\$3,300	\$500	17.86%
BOARD OF APPEALS	\$720	\$670	\$670	(\$50)	-6.94%
PUBLIC BUILDINGS	\$3,163,739	\$3,589,575	\$3,452,040	\$288,301	9.11%
POLICE DEPARTMENT	\$3,591,839	\$4,909,087	\$3,764,900	\$173,061	4.82%
FIRE DEPARTMENT	\$2,427,312	\$2,625,812	\$2,540,967	\$113,655	4.68%
BUILDING INSPECTOR	\$179,628	\$184,748	\$193,025	\$13,397	7.46%
WEIGHTS & MEASURES	\$3,000	\$3,000	\$3,000	\$0	0.00%
CIVIL DEFENSE	\$2,080	\$2,080	\$2,080	\$0	0.00%
FORESTRY	\$47,265	\$52,265	\$52,265	\$5,000	10.58%
PENSIONS	\$1,866,223	\$1,931,719	\$1,931,719	\$65,496	3.51%
TOWN ENGINEER	\$450,573	\$532,334	\$529,169	\$78,596	17.44%
HIGHWAYS	\$1,284,618	\$1,638,177	\$1,498,136	\$213,518	16.62%
STREET LIGHTING	\$131,270	\$143,404	\$143,404	\$12,134	9.24%
SEWER	\$2,312,160	\$2,676,550	\$2,514,538	\$202,378	8.75%
WATER	\$1,646,863	\$1,749,651	\$1,698,594	\$51,731	3.14%
CEMETERIES	\$120,395	\$116,263	\$116,730	(\$3,665)	-3.04%
HEALTH	\$1,743,493	\$1,768,465	\$1,779,365	\$35,872	2.06%
COUNCIL ON AGING	\$223,977	\$258,920	\$239,142	\$15,165	6.77%
VETERAN'S SERVICES	\$34,916	\$35,211	\$35,817	\$901	2.58%
COMMISSION ON DISABILITIES	\$500	\$500	\$500	\$0	0.00%
LIBRARY	\$1,010,487	\$1,214,149	\$1,097,305	\$86,818	8.59%
PARKS AND RECREATION	\$403,160	\$467,894	\$465,907	\$62,747	15.56%
SCHOOLS	\$37,662,762	\$40,102,737	\$40,102,737	\$2,439,975	6.48%
INTEREST AND MATURING DEBT	\$9,245,340	\$8,710,083	\$8,710,083	(\$535,257)	-5.79%
employment Compensation Insurance	\$300,000	\$300,000	\$300,000	\$0	0.00%
Group Health and Life Insurance	\$5,980,000	\$6,225,000	\$6,225,000	\$245,000	4.10%
Medicare	\$575,000	\$645,000	\$645,000	\$70,000	12.17%
Printing/Postage/Stationary	\$109,570	\$109,570	\$109,570	\$0	0.00%
Gasoline and Oil	\$270,000	\$285,000	\$285,000	\$15,000	5.56%
Radio Maintenance	\$10,425	\$10,425	\$10,425	\$0	0.00%
WAREP Payment	\$1,000	\$1,000	\$1,000	\$0	0.00%
Memorial Day	\$1,800	\$1,800	\$1,800	\$0	0.00%
General Insurance	\$550,000	\$632,500	\$632,500	\$82,500	15.00%
Non-Contributory Pensions	\$3,752	\$3,752	\$3,752	\$0	0.00%
Out of State Travel	\$0	\$0	\$0	\$0	

**Budget Summary**  
**Fiscal Year 2007**  
**As of February 21, 2006**  
**Includes School Budget of \$40,102,737 (6.5%)**

	Fiscal Year 2006 Budget	Fiscal Year 2007 Department Request	Fiscal Year 2007 Current Recommendation	TM Increase Over FY 2006	Percent
Employee Assistance Program	\$4,000	\$4,000	\$4,000	\$0	0.00%
Telephone System	\$5,000	\$5,000	\$5,000	\$0	0.00%
Bills of Prior Year	\$16,655	\$0	\$0	(\$16,655)	-100.00%
Ambulance Services	\$70,422	\$70,422	\$70,422	\$0	0.00%
UNCLASSIFIED	\$7,897,624	\$8,293,469	\$8,293,469	\$395,845	5.01%
	<u>\$77,717,113</u>	<u>\$83,514,436</u>	<u>\$81,634,735</u>	<u>\$3,917,622</u>	<u>5.04%</u>
General Government	\$17,300,013	\$20,247,444	\$18,580,812	\$1,280,799	7.40%
Water & Sewer	\$3,959,023	\$4,426,201	\$4,213,132	\$254,109	6.42%
Education	\$37,662,762	\$40,102,737	\$40,102,737	\$2,439,975	6.48%
Fixed Costs	\$18,795,315	\$18,738,054	\$18,738,054	(\$57,261)	-0.30%
	<u>\$77,717,113</u>	<u>\$83,514,436</u>	<u>\$81,634,735</u>	<u>\$3,917,622</u>	<u>5.04%</u>
Budget Less Education	\$40,054,351	\$43,411,699	\$41,531,998	\$1,477,647	3.69%

BUDGET SUMMARY - FY 2007

CLASSIFICATION	FY 00 EXPENDED	FY 01 EXPENDED	FY 02 EXPENDED	FY 03 EXPENDED	FY 04 EXPENDED	FY 05 EXPENDED	FY 06 BUDGET
Area	FY 2006 Budget	Percent of Total Budget	FY 2007 Recommended	Increase/ (Decrease)	Percent Change		Percent of Total Budget
General Government	\$5,431,628	6.99%	\$5,921,883	\$490,255	9.03%		7.25%
Public Safety	\$6,251,124	8.04%	\$6,556,237	\$305,113	4.88%		8.03%
Retirement	\$1,866,223	2.40%	\$1,931,719	\$65,496	3.51%		2.37%
Public Works	\$5,945,879	7.65%	\$6,500,571	\$554,692	9.33%		7.96%
Human Services	\$2,002,886	2.58%	\$2,054,824	\$51,938	2.59%		2.52%
Culture & Recreation	\$1,413,647	1.82%	\$1,563,212	\$149,565	10.58%		1.91%
School Department	\$37,662,762	48.46%	\$40,102,737	\$2,439,975	6.48%		49.12%
Debt and Interest	\$9,245,340	11.90%	\$8,710,083	-\$535,257	-5.79%		10.67%
Unclassified (Operating Support)	\$7,897,624	10.16%	\$8,293,469	\$395,845	5.01%		10.16%
<b>TOTAL</b>	<b>\$77,717,113</b>	<b>100.00%</b>	<b>\$81,634,735</b>	<b>\$3,917,622</b>	<b>5.04%</b>		<b>100.00%</b>

**FIGURE EIGHT**  
**TRIAL RECAPITULATION - FISCAL YEAR 2007**  
**Based on Fiscal Projection Two**

**REVENUE**

TAXATION	\$	40,121,959	
NEW GROWTH	\$	600,000	
EXEMPTED TAX LEVY	\$	3,552,343	
STATE AID	\$	19,561,954	
SBAB PAYMENT	\$	3,792,413	
OVERESTIMATES	\$	-	
SCHEDULE A RECEIPTS	\$	10,790,000	
FREE CASH	\$	1,250,000	
OTHER AVAILABLE FUNDS			
Sale of Cemetery Lots	\$	25,000	
Sewer Surplus	\$	2,500,000	
Light Revenue	\$	258,939	
CATV Revenue	\$	484,635	
Chapter 90	\$	-	
Account Transfers	\$	89,868	
Title V Loan Repayments	\$	15,128	
Cemetery Trust Funds	\$	30,000	
Special Funds - Coal Ash	\$	275,000	
Sale of Property (52 Holden Street - Offset Debt Service)	\$	194,220	
FREE CASH (REDUCE LEVY)	\$	500,000	
MUNICIPAL LIGHT (REDUCE LEVY)	\$	115,441	
CATV REVENUE (REDUCE LEVY)	\$	454,691	\$ 84,611,591

\$ 44,274,302	Taxation
\$ 19,561,954	State Aid
\$ 10,790,000	Local Receipts
\$ 3,792,413	SBAB Payment
\$ 1,250,000	Free Cash
\$ 3,872,790	Other Funds
\$ 500,000	Free Cash (Levy)
\$ 115,441	Light (Levy)
\$ 454,691	CATV (Levy)
\$ 84,611,591	

**CHARGES**

CHERRY SHEET OFFSETS	\$	72,191	
CMRPC	\$	7,079	
STATE AND COUNTY CHARGES	\$	896,499	
OVERLAY	\$	450,000	
PAY AND CLASSIFICATION PLAN	\$	-	
MEDICAL EXPENSES POLICE AND FIRE	\$	2,500	
FY 2006 DEFICITS	\$	300,000	
OPERATING BUDGET	\$	81,634,735	
CAPITAL BUDGET			
P Replace Animal Control Van	\$	18,000	
P Replace Marked Cruiser	\$	25,000	
PB Re-seam Town Hall EPDM Roof	\$	25,000	
CC Repairs to Newton Pond Dam	\$	89,868	
P Replace Marked Cruiser	\$	25,000	
H Rebuild Wall Boylston Street	\$	60,000	
P Replace Unmarked Cruiser	\$	25,000	
P Replace Marked 4 x 4	\$	28,000	
H Resurface Garage Roof	\$	90,000	
H Improvements to Public Ways	\$	150,000	
H Replace Dump Truck/Sander (6 Wheel)	\$	260,000	
PB Replace One Ton Van	\$	20,000	
H Replace Front End Loader	\$	250,000	
PKS Replace 3/4 Ton Pickup	\$	35,000	
C Upgrade Mowers	\$	30,000	
W Replace One Ton Pickup	\$	40,000	
S I&I Removal Project	\$	100,000	
S Replace Sewer Cleaner Truck	\$	225,000	
CEMETERY IMPROVEMENTS	\$	25,000	
BILLS OF PRIOR YEAR	\$	2,500	
STORM DRAINS	\$	100,000	
GENERAL SIDEWALK REPAIRS	\$	75,000	
CONSTRUCTION/EXTENSION OF SEWERS (tax levy)	\$	300,000	
WATER SYSTEM IMPROVEMENTS	\$	860,000	
COUNSELING AND EDUCATIONAL SERVICES	\$	72,000	
ATM/STM RESERVE	\$	100,000	
CHAPTER 90 FUNDING	\$	-	\$ 86,393,372

\$ 1,425,769	Charges
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\$ 5,921,883	General Government
\$ 6,556,237	Public Safety
\$ 1,931,719	Retirement
\$ 6,500,571	Public Works
\$ 2,054,824	Human Services
\$ 1,563,212	Culture & Recreation
\$ 40,102,737	School Department
\$ 8,710,083	Debt and Interest
\$ 8,293,469	Unclassified (Op Sprt)
\$ 81,634,735	

	Capital Budget
\$ 1,100,868	From Taxation
\$ 40,000	From Water Revenue
\$ 30,000	From Trust Funds
\$ 325,000	From Sewer Surplus
\$ 1,495,868	

	Warrant Articles
\$ 952,000	From Taxation
\$ 860,000	From Water Revenue
\$ -	From Sewer Revenue
\$ 25,000	From Trust Funds
\$ -	From Other Funds
\$ 1,837,000	

\$ 1,425,769	Charges
\$ 81,634,735	Budget
\$ 1,495,868	Capital Budget
\$ 1,837,000	Warrant Articles

**Surplus/(Deficit) \$ (1,781,781) \$ 86,393,372**

**TRIAL RECAPITULATION - FISCAL YEAR 2007**  
**Comparison of Projection #1 Versus Projection #2**

	Projection #1	Projection #2	Change	Explanation
<b>REVENUE</b>				
TAXATION	\$ 40,121,959	\$ 40,121,959	\$ -	
NEW GROWTH	\$ 600,000	\$ 600,000	\$ -	
EXEMPTED TAX LEVY	\$ 3,746,563	\$ 3,552,343	\$ (194,220)	Sale of property account
STATE AID	\$ 19,570,567	\$ 19,561,954	\$ (8,613)	Adjustment to reflect House #2
SBAB PAYMENT	\$ 3,792,413	\$ 3,792,413	\$ -	
OVERESTIMATES	\$ -	\$ -	\$ -	
SCHEDULE A RECEIPTS	\$ 10,790,000	\$ 10,790,000	\$ -	
FREE CASH	\$ 1,250,000	\$ 1,250,000	\$ -	
OTHER AVAILABLE FUNDS			\$ -	
Sale of Cemetery Lots	\$ 25,000	\$ 25,000	\$ -	
Sewer Surplus	\$ 2,500,000	\$ 2,500,000	\$ -	
Light Revenue	\$ 258,939	\$ 258,939	\$ -	
CATV Revenue	\$ 484,635	\$ 484,635	\$ -	
Chapter 90	\$ -	\$ -	\$ -	
Account Transfers	\$ -	\$ 89,868	\$ 89,868	Use of Conservation Fund
Title V Loan Repayments	\$ 15,128	\$ 15,128	\$ -	
Cemetery Trust Funds	\$ -	\$ 30,000	\$ 30,000	Use of Trust Fund to fund purchase
Special Funds - Coal Ash	\$ 275,000	\$ 275,000	\$ -	
Sale of Property (52 Holden Street - Offset Debt Service)	\$ -	\$ 194,220	\$ 194,220	Sale of property account
FREE CASH (REDUCE LEVY)	\$ 500,000	\$ 500,000	\$ -	
MUNICIPAL LIGHT (REDUCE LEVY)	\$ 115,441	\$ 115,441	\$ -	
CATV REVENUE (REDUCE LEVY)	\$ 454,691	\$ 454,691	\$ -	
	\$ 84,500,336	\$ 84,611,591	\$ 111,255	
<b>CHARGES</b>				
CHERRY SHEET OFFSETS	\$ 81,909	\$ 72,191	\$ (9,718)	Adjustment to reflect House #2
CMRPC	\$ 7,079	\$ 7,079	\$ -	
STATE AND COUNTY CHARGES	\$ 1,088,563	\$ 896,499	\$ (192,064)	Adjustment to reflect House #2
OVERLAY	\$ 450,000	\$ 450,000	\$ -	
PAY AND CLASSIFICATION PLAN	\$ 500,000	\$ -	\$ (500,000)	Moved to Operating Budget
MEDICAL EXPENSES POLICE AND FIRE	\$ 2,500	\$ 2,500	\$ -	
FY 2006 DEFICITS	\$ 500,000	\$ 300,000	\$ (200,000)	Reduce Estimate
OPERATING BUDGET	\$ 83,095,950	\$ 81,634,735	\$ (1,461,215)	See Below
<b>CAPITAL BUDGET</b>				
P Replace Animal Control Van	\$ 18,000	\$ 18,000	\$ -	
P Replace Marked Cruiser	\$ 25,000	\$ 25,000	\$ -	
PB Re-seam Town Hall EPDM Roof	\$ 25,000	\$ 25,000	\$ -	
CC Repairs to Newton Pond Dam	\$ 89,868	\$ 89,868	\$ -	
P Replace Marked Cruiser	\$ 25,000	\$ 25,000	\$ -	
H Rebuild Wall Boylston Street	\$ 60,000	\$ 60,000	\$ -	
P Replace Unmarked Cruiser	\$ 25,000	\$ 25,000	\$ -	

**TRIAL RECAPITULATION - FISCAL YEAR 2007**  
**Comparison of Projection #1 Versus Projection #2**

	Projection #1	Projection #2	Change	Explanation
P Replace Marked 4 x 4	\$ 28,000	\$ 28,000	\$ -	
H Resurface Garage Roof	\$ 90,000	\$ 90,000	\$ -	
H Improvements to Public Ways	\$ 150,000	\$ 150,000	\$ -	
H Replace Dump Truck/Sander (6 Wheel)	\$ 260,000	\$ 260,000	\$ -	
PB Replace One Ton Van	\$ 20,000	\$ 20,000	\$ -	
H Replace Front End Loader	\$ 250,000	\$ 250,000	\$ -	
PKS Replace 3/4 Ton Pickup	\$ 35,000	\$ 35,000	\$ -	
C Upgrade Mowers	\$ 30,000	\$ 30,000	\$ -	
W Replace One Ton Pickup	\$ 40,000	\$ 40,000	\$ -	
S I&I Removal Project	\$ 100,000	\$ 100,000	\$ -	
S Replace Sewer Cleaner Truck	\$ 225,000	\$ 225,000	\$ -	
CEMETERY IMPROVEMENTS	\$ 25,000	\$ 25,000	\$ -	
BILLS OF PRIOR YEAR	\$ 2,500	\$ 2,500	\$ -	
STORM DRAINS	\$ 100,000	\$ 100,000	\$ -	
GENERAL SIDEWALK REPAIRS	\$ 75,000	\$ 75,000	\$ -	
CONSTRUCTION/EXTENSION OF SEWERS (tax levy)	\$ 300,000	\$ 300,000	\$ -	
WATER SYSTEM IMPROVEMENTS	\$ 860,000	\$ 860,000	\$ -	
COUNSELING AND EDUCATIONAL SERVICES	\$ 72,000	\$ 72,000	\$ -	
ATM/STM RESERVE	\$ 250,000	\$ 100,000	\$ (150,000)	Reduce Estimate
CHAPTER 90 FUNDING	\$ -	\$ -	\$ -	
	\$ 88,906,369	\$ 86,393,372	\$ (2,512,997)	
<b>Surplus/(Deficit)</b>	<b>\$ (4,406,033)</b>	<b>\$ (1,781,781)</b>	<b>\$ 2,624,252</b>	

<b>Changes in Operating Budget</b>				
	Projection #1	Projection #2	Change	Explanation
General Government	\$ 5,521,883	\$ 5,921,883	\$ 400,000	Now includes Pers Brd adjustment
Public Safety	\$ 6,556,237	\$ 6,556,237	\$ -	
Retirement	\$ 1,931,719	\$ 1,931,719	\$ -	
Public Works	\$ 6,500,571	\$ 6,500,571	\$ -	
Human Services	\$ 2,054,824	\$ 2,054,824	\$ -	
Culture & Recreation	\$ 1,563,212	\$ 1,563,212	\$ -	
School Department	\$ 41,358,952	\$ 40,102,737	\$ (1,256,215)	Reduction of increase to 6.5%
Debt and Interest	\$ 8,710,083	\$ 8,710,083	\$ -	
Unclassified (Op Sprt)	\$ 8,898,469	\$ 8,293,469	\$ (605,000)	Reflects revised Grp Health Budget
	\$ 83,095,950	\$ 81,634,735	\$ (1,461,215)	



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# Bulletin

February 10, 2006

## **Governor's 2007 Budget: Focus on Local Aid; Future Affordability A Concern**

Governor Romney's proposed budget for fiscal 2007 takes several positive steps to address two major policy concerns that have emerged in the aftermath of the Commonwealth's fiscal crisis:

- The need to restore local aid for cities and towns that are struggling with rapidly rising health care costs and limited local revenue sources, and
- The broad consensus to expand health care coverage for the state's uninsured.

At the same time, however, the new expenditures proposed by the Governor would use up essentially all of the fiscal flexibility provided by the state's recent strong revenue growth. This would leave little room in 2008 and beyond to accommodate both the largely unavoidable increases in health care, debt service and other costs and the almost \$700 million annualized revenue impact of the Governor's proposal to cut the income tax rate to 5.0 percent over two years, let alone fund health care or restore programs which have experienced severe cuts since 2001.

The Governor's budget gives high priority to the financial needs of the state's 351 cities and towns, with an almost 10 percent increase in total local aid, the largest annual rise since fiscal 2000. The budget proposes to lift in 2007 the cap on local lottery aid that is currently scheduled to phase out in 2009. The budget also proposes changes in the financing of Chapter 70 education aid, appropriately putting reform of the often-criticized school aid formula squarely at the center of the 2007 budget debate. The

local aid increases would be a positive step towards restoring the deep cuts in state aid during the fiscal crisis, a key part of the Foundation's recent recommendation to dedicate to cities and towns an amount equal to 40 percent of annual receipts from the income, sales, and corporate taxes.

The budget also resubmits for legislative approval two proposals that are critical to the efforts of cities and towns to control skyrocketing health care costs. The first would give local officials the authority to set the share of health premium costs that are contributed by local employees, a decision that is now subject to collective bargaining. The second would allow municipalities to establish local "Group Insurance Commissions" to design and manage health plans for their employees.

Both of these proposals would give localities the same kind of flexibility in managing health care costs that the state already has. In a major report issued last summer, the Foundation concluded that between 2001 and 2005 the costs of health coverage for municipal employees rose more than four times as rapidly as local budgets—and almost twice as fast as the costs for state employees.

While the final shape of the state's plan to extend health coverage to the approximately one-half million uninsured in the Commonwealth is still being worked out in a legislative conference committee, the Governor's budget makes a significant initial financial contribution to that effort by setting aside \$200 million for health care reform. Based

on the Foundation's analysis, similar increases in annual funding will be needed in both 2008 and 2009 to finance comprehensive reform.

The more than \$1 billion of proposed additional spending for local aid and other programs is affordable in 2007; however, the new expenditures consume essentially all of the fiscal flexibility created by the recent strong growth in tax revenues. And even though there are some questions whether several of the Medicaid and other savings measures put forth by the administration are achievable (or merely shift costs into the future), the more serious concern is the budget's potential impact on the state's finances beyond 2007.

The budget does accommodate the \$130 million initial impact of the Governor's proposed income tax cut, but the approximately \$550 million of additional revenue reductions in fiscal 2008 and 2009 would substantially limit the Commonwealth's future ability to restore previous spending cuts as well as pay for largely unavoidable increases in health care and several other areas of the budget. As a result, the large increases recommended by the Governor for 2007 are likely to be tough, if not impossible, to repeat in 2008 and beyond. The need to add substantial new dollars to fund health reform will only add to the difficulty.

### **Revenues**

The consensus revenue forecast on which the Governor's budget is based—up almost \$800 million or 4.4 percent from 2006—is a reasonable one, within 0.3 percent of the forecast that the Foundation presented two months ago at the state's annual revenue hearing. The continuing strength in tax collections—receipts in January were \$80 million above the administration's revised benchmark—suggest that the risks in the 2007 forecast, at least for the near term, are minimal.

However, it would be a mistake to assume that the almost seven percent annual rate of tax revenue growth since 2004 will be sustainable over the next several years. It is generally recognized that much of the recent revenue growth is attributable to highly volatile capital

gains and corporate receipts. Baseline growth<sup>1</sup> in income withholding and sales—the revenue sources most closely tied to the state's economy—lagged overall revenue growth by large margins in 2004 and 2005, a pattern that is continuing in 2006. The weak performance of these two sources is not surprising given the glacial pace of job growth in the state since coming out of the recession: The number of jobs remains 170,000 below the 2001 peak and has actually declined since the beginning of fiscal 2006.

### **Fiscal Balance**

In announcing his budget, the Governor highlighted how the \$1.3 billion increase in proposed expenditures over the 2006 budget matched the roughly \$1.3 billion increase in 2007 tax revenues over the administration's initial estimate. This comparison conveys an imperfect picture of the Commonwealth's fiscal situation.

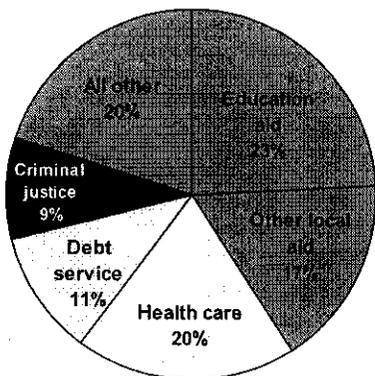
While it is true that spending under the proposed budget would rise by \$1.3 billion over estimated 2006 expenditures (after accounting for tax-funded pension, MBTA, and school construction spending), the 2007 consensus revenue forecast assumed in the budget is actually only \$800 million above the administration's current revenue projection for 2006.

The apparent gap of \$500 million between these two figures is filled primarily by an estimated \$300 million excess of revenues over spending at the end of 2006 that will carry over into 2007. Although this surplus in 2006 finances is partly due to the improving revenue picture, it also reflects the administration's expectation that roughly \$200 million of 2006 appropriations (net of federal reimbursements) will remain unspent. The remainder of the \$500 million gap between 2006 and 2007 is filled from a variety of sources, including increased federal reimbursements due to higher 2007 Medicaid spending as well as growth in other non-tax revenues.

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<sup>1</sup> Actual receipts adjusted for tax law changes and the timing of collections.

**Figure 1**  
**Proposed 2007 Spending Growth**  
**Over 2006 Budget**  
 (Percent of Total Increase)



Total Increase: \$1.12 billion

### Stabilization Fund

The projected increase in stabilization reserves announced by the Governor is a positive development for the state, although here too some additional explanation is necessary. The administration projects that the stabilization fund will rise to \$2.6 billion at the end of 2006, up about \$900 million from the current balance of \$1.7 billion. Approximately one-third of this increase reflects the deposit of the expected 2006 surplus into the stabilization fund. However, the remaining \$600 million is not from new surplus funds, but instead from other reserves that were carried forward from 2005.

The administration contends that no additional contributions to the stabilization fund will be needed in 2007. To be sure, the projected \$2.6 billion balance is an impressive sum, about 10 percent of total revenues in 2007. However, this 10 percent margin is no more than the state had on hand at the beginning of the recent fiscal crisis, an amount that was not enough to avoid the deep cuts in local aid, higher education, and other programs needed to weather the crisis. Furthermore, the budget takes a step backwards by suspending the existing requirement that 0.5 percent of prior year tax revenue be transferred to the stabilization fund—estimated at just under \$100 million for fiscal 2007.

### Spending Growth

The budget proposes \$26.9 billion in 2007 spending after accounting for off-budget expenditures, an increase of \$1.1 billion or 4.3 percent above the 2006 budget.<sup>2</sup>

The lion's share of the proposed spending growth—40 percent—goes to cities and towns, including \$164 million of Chapter 70 school aid, \$159 million of lottery aid, and \$134 million of other school and non-school assistance (see Figure 1).<sup>3</sup> The budget increases health care spending by \$220 million,<sup>4</sup> or almost three percent, over the 2006 budget, a figure that incorporates the \$200 million set aside for health care reform as well as \$230 million of proposed savings initiatives that are explained below.

The budget also takes the positive step of raising to 25 percent the share of premium costs that is paid by state employees, most of whom now contribute 15 percent.<sup>5</sup> Recently hired employees (those hired after 2002) had paid 25 percent prior to January 1 of this year, when the share was reduced to 20 percent.

The third largest area of growth is debt service—that is, repayment of the state's borrowing for capital projects as well as certain contract assistance—a seven percent increase that incorporates about \$40 million of savings from a change in the timing of planned debt issuances and from refunding of existing debt.

<sup>2</sup> The off-budget spending is primarily for pensions and health care. The \$1.1 billion change from 2006 differs from the previously cited \$1.3 billion growth in spending largely because it excludes the 2007 increases in sales tax-financed support for the MBTA and school building construction that is not counted as budgetary spending by the state comptroller.

<sup>3</sup> In addition, the off-budget assistance for local school construction will increase by \$85 million in 2007.

<sup>4</sup> This comparison of the 2006 and 2007 budgets excludes an additional \$167 million of MassHealth spending over estimated 2006 expenditures.

<sup>5</sup> Retirees who are younger than 65 and not required to enroll in a Medicare Part B supplemental plan would also be obliged to contribute 25 percent as well. These retirees now contribute 10 percent or 15 percent depending on the date of their retirement.

After adjusting for inflation, total 2007 spending would be just \$213 million, or 0.1 percent, below 2001. However, this slight difference masks a shortfall of \$2.3 billion, or 13 percent, in a host of programs across state government that is offset by the huge growth in spending in just three areas—health care, debt service, and pensions (see Table 1). For the programs that remain below 2001, the shortfalls range from about five percent to almost 30 percent. In higher education, for example, inflation-adjusted 2007 spending would be almost \$400 million, or 27 percent, below 2001, even though the budget provides for a \$44 million, or almost five percent, increase over 2006.

### Medicaid

The Governor's proposed budget for 2007 increases spending on MassHealth<sup>6</sup> by 6.1 percent to \$7.7 billion, a \$445 million increase that includes \$200 million earmarked for health care reform (see Table 2). The remaining \$245 million, only a 3.4 percent increase over

estimated 2006 spending, will support cost and enrollment growth in existing MassHealth programs.

**Cost Drivers** Underlying program costs are projected to grow by \$473 million, offset by proposed savings of \$228 million from a combination of new initiatives and the deferral of some costs into future years. Of the \$473 million, \$300 million is attributable to medical inflation and utilization and \$173 million to enrollment growth.

*Medical inflation and utilization* The budget assumes that the 2007 growth in costs due to medical inflation and utilization of services by the current MassHealth population will be just over four percent. This rate of increase is consistent with recent MassHealth trends and with Medicaid cost growth nationally. Although the average cost of MassHealth coverage per member continues to rise, each year's rate of increase since 2003—when cost growth per

**Table 1**  
**Proposed Fiscal 2007 Expenditures**  
**Growth over 2006 Budget and Actual 2001 Spending**  
(\$, millions)

	FY07	Change from FY06		Change from FY01			
		Amount	Percent	Nominal		Inflation-Adjusted	
				Amount	Percent	Amount	Percent
Health care	\$8,836	\$220	2.6	\$3,054	55.0	\$1,765	25.8
Human services	4,550	90	2.0	456	11.1	-496	-9.8
Education aid	4,034	271	7.2	580	16.8	-222	-5.2
Criminal justice	1,980	103	5.5	272	15.9	-125	-5.9
Debt service	1,959	119	6.5	528	36.8	195	11.1
Other local aid	1,559	186	13.5	18	1.2	-340	-17.9
Pensions	1,335	61	4.7	318	31.3	82	6.6
Higher education	993	44	4.6	-115	-10.4	-373	-27.3
All other	1,680	29	1.7	-251	-13.0	-699	-29.4
<b>Total</b>	<b>\$26,928</b>	<b>\$1,122</b>	<b>4.3</b>	<b>\$4,859</b>	<b>23.3</b>	<b>-\$213</b>	<b>-0.1</b>

Note: Amounts have been adjusted to include certain-off-budget authorizations, primarily for pensions and health care. Fiscal 2001 amounts exclude school building costs that were moved off-budget beginning in fiscal 2005. The 2006 budget amounts on which the comparison with 2007 is based do not take into account supplemental spending or reversions (the amount of 2006 agency appropriations that will remain unspent at the end of the fiscal year). The administration estimates that 2006 reversions in MassHealth, the largest state program, will total approximately \$270 million. In the comparison with 2001 spending, Medicaid buy-in costs which prior to 2006 were treated as an offset to revenues are excluded from 2007.

<sup>6</sup> The official name of the state's Medicaid program.

**Table 2**  
**MassHealth**  
**Spending Changes over 2006**  
(\$, millions)

2006 estimated spending	\$7,273	
Increase in underlying program costs	473	6.5%
Health care reform	200	2.7%
Cost savings	(228)	-3.1%
2007 proposed spending	7,718	6.1%

member reached a high of around 8 percent—has been smaller than that of the preceding year.

Paradoxically, the slowdown in annual cost growth is partly attributable to the effects of broadening coverage. Earlier MassHealth eligibility expansions were for populations, such as the disabled, which tended to require medically complex, and thus more costly, care. In contrast, the more recent expansions have brought in healthier populations that need less expensive basic medical support. Another key factor has been the state's successful strategies for containing MassHealth pharmacy costs. The "super-preferred" drug list, which targets high cost and high volume items, combined with the introduction of a third party pharmacy benefit manager, has resulted in an actual decline in costs since 2003.

*Enrollment* The second major driver of increased MassHealth costs is the addition of new members. Since 2004, MassHealth membership has grown as previously ineligible groups such as legal immigrants were added to the rolls and as the state pursued a policy of actively enrolling those eligible for Medicaid.

The administration forecasts that enrollment will increase by 26,500, or 2.6 percent, by the end of 2007. By comparison, enrollment growth in 2006 was 4.2 percent (the largest single year increase since 2002) as a result of new screening and outreach programs. As more of the eligible but unenrolled have been added to the rolls in recent years, there are fewer such individuals remaining to be enrolled.

The budget preserves the status quo for MassHealth eligibility. While it maintains enrollment caps on existing programs with waiting lists, it also sustains funding for coverage for legal aliens and the long-term unemployed; this is a break with previous budgets in which the Governor attempted to roll back such coverage.

**Cost Savings** The budget partially offsets the \$473 million of underlying program growth with a series of savings and cost-shifting proposals that total \$228 million, a target that is almost certainly overly optimistic (see Table 3).

*Nursing home rates* Over half of the budget's proposed MassHealth savings comes from the delay of a scheduled "re-basing" of nursing home rates into 2008, thereby achieving \$130 million of one-time savings. Re-basing adjusts nursing home per diem rates to reflect cost increases that have not been taken into account in the annual rate increases for inflation. Re-basing last occurred in 2005 and is normally scheduled to occur every two years. Historically, re-basing has resulted in rate increases of about 6.5 percent.

*Discontinuing special payments to providers* In 2006 providers received \$52 million in payments for facilities that incur losses as a result of treating a disproportionately high number of Medicaid patients.

While the proposed discontinuance of these payments represents real savings to the state, providers would argue that the payments offset real costs. The administration believes that other steps now being contemplated to bring reimbursement rates closer to actual costs will

**Table 3**  
**Proposed Cost Savings 2007**  
(\$, millions)

Nursing home rates	\$130
Special payments to providers	52
Improved purchasing practices	15
Fraud and cost avoidance	31
Total cost savings	228

obviate the need for these special payments. However, while the Governor has suggested that some of the \$200 million earmarked for health care reform be used to increase provider reimbursement rates, the budget takes no specific steps to accomplish this.

*Improved purchasing practices* Based on the experience of other states, the administration projects it can save \$15 million by renegotiating a number of contracts up for renewal and by improving purchasing practices. These savings would come from selectively reviewing a small number of very high cost services and goods, many of which have already been successfully targeted by private providers in Massachusetts. Since the Commonwealth has already achieved significant reductions in its pharmacy costs through similar initiatives, the proposed savings from better purchasing strategies appear to be achievable.

*Fraud reduction and cost avoidance* Finally, the administration proposes to generate \$31 million of savings by reducing fraud and more aggressively seeking third party payments from sources other than Medicaid. Although enforcing the legal obligation of a third party to cover costs of treatment is an approach that private insurers have successfully adopted, it has generally proven difficult to replicate this success in public programs. In addition, the Legislature has traditionally been reluctant to enforce some of the rules needed to access third party payments. Where such measures have been implemented in other states, the high costs of seeking payments have often resulted in lower than expected returns.

Despite these obstacles, changes at the federal level may require the state to adopt a stronger stance along the lines proposed by the Governor. For example, the federally determined 'look-back' period for large asset transfers is likely to be lengthened from three to five years, as proposed in the Governor's budget at an estimated saving of \$9 million a year. The transfer of these assets often allows individuals to qualify for Medicaid coverage for long-term care expenses that they otherwise would have to pay.

## **Health Care Reform**

The Governor proposes to set aside \$200 million for health care reform, representing new funding for a goal—expanding health coverage for the state's approximately 500,000 uninsured—that has received broad support. A legislative conference committee is still working to reconcile the House and Senate's widely differing reform proposals. Meanwhile, the Commonwealth remains under a deadline to submit a proposal for federal approval in order to preserve \$375 million in annual federal matching funds and to satisfy the terms of the state's Medicaid waiver.

In anticipation of health care reform, the Governor's budget makes no mention of financing for the Uncompensated Care Pool (UCP) which currently reimburses providers for a part of the costs incurred in treating the uninsured. However, the budget assumes that the state will continue to fund the UCP at approximately \$200 million and that the provider assessment and insurer surcharge will be maintained in 2007. The federal government requires the state to replace the UCP with a new system effective July 1, 2006, to be known as the Safety Net Care Pool.