



## Start Here Before Cutting Into the Safety Net

### *Common Sense Budget Actions*

#### Overview

In October, Pioneer suggested \$700 million in cuts that Governor Patrick could make to the fiscal year 2009 budget. A number of the cuts we recommended were included in the Governor's \$1.4 billion package of budget reductions. Unfortunately, in addition to inadvisable fiscal actions like extending the period for repaying unfunded pension liability and withdrawals from the rainy day fund, the Governor also made well over \$350 million in cuts to safety net programs. It was too early in this difficult economic cycle to make those cuts. It still is.

In this next round of reductions, we believe that every effort should be made to eliminate, prune, and reform state government programs—to undertake the priority cuts described in this policy brief—before further cuts in programs for the vulnerable are considered.

We also urge prudence in using local aid to resolve state budget woes. After all, the state budget has grown 17.6 percent in just the last three years. We should not allow the state's unwillingness to reform now to translate into deep local cuts.

This policy brief recommends \$311 million in savings between now and the end of the fiscal year, through emergency and targeted cuts, returning the state workforce to 2004 levels, ending corporate welfare, and consolidating several state functions. By combining these with a \$300 million withdrawal from the rainy day fund and a reasonable 4 percent cut in local aid (\$200 million), the Governor could avoid further cuts to the safety net and core services.

We can get there by avoiding the kind of across-the-board cuts enacted in October and undertaking a more principled approach.

#### **Looking Forward**

In February 2009, Pioneer will release *Plan for a Difficult Fiscal 2010*, a policy brief outlining reforms we could undertake now to save hundreds of millions of dollars in the upcoming fiscal year budget.

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**The Shamie Center for Better Government** seeks limited, accountable government by promoting competitive delivery of public services, elimination of unnecessary regulation, and a focus on core government functions. Current initiatives promote *reform of how the state builds, manages, repairs and finances its transportation assets as well as public employee benefit reform.*

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### Introduction

The FY06 budget stood at \$23.8 billion. Just three years later, the current budget reached \$28.2 billion. This 17.6 percent increase is even more remarkable coming after the state faced two to three billion dollar budget deficits as recently as between 2002 and 2004. We have refused to learn lessons from the past—even the recent past. Economic downturns—sometimes severe ones—are often just around the corner. We in Massachusetts are all the more susceptible to large swings in revenue because of our dependence on capital gains taxes. We cannot continue to hit the state spending accelerator as soon as a crisis passes.

On October 15, Governor Patrick announced a plan to address the current (FY 2009) budget shortfall, then estimated at over a billion dollars. His plan:

- made across the board cuts,
- cut deeply into the safety net,

- cut 1,000 state jobs through retirement, layoffs and leaving open jobs unfilled,
- drew down \$400 million from the rainy day fund, and
- extended the schedule for fully funding the public pension system.

Pioneer disagreed with elements of the Governor's approach. We urged, instead, that he:

- target cuts, undertake reforms and eliminate several programs,
- fully fund core services and protect the safety net,
- return the state workforce to 2004 levels by cutting almost 6,000 state jobs,
- avoid draw-downs on the rainy day fund, and
- avoid fiscal shell games such as extending public pension payments.

### Pioneer Budgeting Principles

***1. Recognize this is not a budget gap. It is a lethal combination of a once in half a century occurrence, irresponsible budgeting and a persistent structural budget problem.***

***2. Avoid fiscal shell games and one-time revenue gimmicks such as increasing liabilities for future generations (extending the public pension payment schedule) and reaching even deeper into the rainy day fund.***

***3. Don't raise taxes (or close more so-called "loopholes") because raising taxes only exacerbates a deep recession.***

***4. Use this opportunity to refocus government on core services.***

***5. Don't sacrifice reforms that can have long-term impact.***

***6. Maintain the safety net in a time of economic turbulence.***

***7. Hold local aid harmless. Don't pass the state's unwillingness to reform on to local budgets.***

\$600 million in rainy day funds have been used this year; \$1.7 billion remain. With another very difficult budget on the horizon and volatility in the markets likely, it is unwise to draw down the rainy day funds significantly.

Core services are care for the vulnerable, safety (public, environmental, infrastructure), and education.

The 2006 Health Care Reform is an important experiment. Its shortcomings can be fixed.

Don't cut too far, too fast into the safety net. Look now for reforms and cost savings in the delivery of services to ensure the maintenance of the safety net in FY10.

Our recommendations minimize the impact on local aid and provide \$250 million of in-kind aid to municipalities.

The projected billion-dollar shortfall noted in the October revenue estimate has since been exacerbated, according to most accounts. Annual revenues are now expected to be about \$2 billion below the projections that guided passage of the budget in July. Additional cuts totaling \$750 million to \$1 billion will be needed.

Midyear cuts are always difficult. This follow-up policy brief outlines actions that meet the challenge, are consonant with sound budgeting principles and reflect the state's commitment to the vulnerable.

### **Emergency Actions: \$223.1 million**

**Cut State Employment Back to 2004 Levels: Estimated Savings of \$147.5 million.** Given the number of line-item cuts made by the Governor, many of which entail reductions in payroll, and given the uncertain status of a number of specific agency layoff plans (in some agencies there is still confusion as to who may or may not be cut), we can only estimate the savings from a reduction in state employment. State employment, understood as the number of employees paid for from the state budget, increased from 62,000-plus in 2004 to almost 68,000 by July 2008. Taking into account the cuts announced by the Governor in October 2008, which were to include approximately 1,000 state positions, the total should have decreased to about 67,000, an increase of just under 5,000 employees since 2004. We are reaping the harvest of four years of unsustainable budgets—since 2004 annual state expenditures (including interfund transfers) have grown at a whopping 7.6 percent rate. Any reduction in employment levels should avoid incurring future costs through early retirement incentives and other programs that shift costs by adding to the state's pension burden.

**Miscellaneous Untenable Practices: Savings of \$75.6 million.**

- **(1108-5200 and -5500) Executive Office for Administration and Finance/Group Insurance Commission: Increase the match paid by state**

**employees participating in the GIC's programs to more closely approximate the average paid by citizens across Massachusetts: Savings of \$25.5 million.** Governor Patrick proposed as part of his October budget package that employees earning less than \$35,000 contribute 15 percent; and that those making \$35,000 to \$50,000 contribute 20 percent. All others would contribute 25 percent. The legislature did not approve the proposal.

- **Earmarks: Savings of \$10 million.** Many of the 829 earmarks in the FY09 budget were cut by the Governor in October. We estimate that approximately 25 percent of the \$40 million in savings projected by the Governor through earmark cuts remains in the budget, though we openly admit that without good data, this is solely conjecture.

- **Prevailing wage requirements: Savings of \$15 million.** Eliminate prevailing wage requirements on public construction projects and other state work.

- **(8000-0040) Public Safety: Eliminate the so-called Quinn Bill state reimbursements to cities and towns for career incentive salary increases and allow cities and towns to opt-out of providing them. Savings of \$25.1 million.** These reimbursements cannot be compared with the need to maintain the safety net.

### **End Corporate Welfare to Select Industries: Savings of \$17.5 million**

We believe this crisis is an opportunity for state government to shed activities that are not sustainable on a long-term basis and that have little to do with its core services.

**End the package of tax credits offered to the biotech industry: Savings of \$12.5 million.**

State government should be in the business of creating a vibrant business environment that encourages job creation by benefiting all firms. It should not be selecting favored industries, then allocating limited credits to specific firms within that industry. The

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public sector should not be picking winners and losers.

**End personal income and corporate income tax credits for the film industry, which were passed in 2007: Savings of \$5 million.** During a financial crisis, tax credits for film corporations and related industries are an extravagance. The film industry, according to a DOR study, provides almost exclusively short-term employment and the vast bulk of the credits flow to wealthy movie stars (who are in-state for brief periods) and film production companies. The cost of individual tax credits is estimated to be \$26.2 million annually; corporate credits cost an estimated \$24.2 million annually. That said, without the tax credits, it is probable that the level of film industry activity would be lessened. We would urge a dispassionate look at the level of activity before and after the tax credits and what the impact has been on the state's bottom line. We surmise that elimination of the tax credit would save the state upwards of \$5 million between now and the end of the fiscal year.

## **Use this crisis as a prod for reform: Savings of \$9.1 million**

### **Shared Services: Savings of \$2 million.**

Currently, the state has executive offices, each with subsidiary departments, agencies or offices. The majority of these departments have legal staff that work with, but also duplicate services provided elsewhere in the overall executive office to which they report. Through the adoption of shared services (consolidation of reporting and enhanced coordination of work plans) among legal, press, and IT (and Geographic Information Systems (GIS)) staff, the state could easily save \$2 million.

- **Consolidate the legal, financial and IT/GIS functions from the subsidiary agencies within the executive offices, reducing staff in each category, by creating a shared services model: Savings of \$1 million.**

- **Consolidate key agency policy personnel in the executive offices, reducing redundant policy staff by 30 percent: Savings of \$750,000.** Estimate is for non-environmental offices; for the environmental estimate, see below.

- **Disallow any work on new regulations not sanctioned by the executive office, shifting some staff to field work (compliance and technical support) and laying others off: Savings of \$250,000.**

### **Reform duplicative agencies: Savings of \$7.1 million**

- **Consolidate the Massachusetts Commission Against Discrimination into the Attorney General's Office: Savings of \$500,000.** (940-100) Consolidation of MCAD into the Attorney General's Office would reduce duplication and enhance the resources available to the Commission. Otherwise, it would be sensible to require alternative dispute resolution.

- **Consolidate the Inspector General into the operation of the State Auditor: Savings of \$800,000.** (0910-0200 and 0910-0210) By consolidating the IG into the State Auditor's Office, it is possible to reduce administrative staff and other costs and potentially cut the remaining portion of IG's annual appropriation (\$3.21 million) in half.

- **Consolidate the Department of Fish and Game and the Department of Agricultural Resources: Savings of \$400,000.** (2300-0100 and 2511-0100) Notwithstanding the strong recent leadership of the Department of Fish and Game, the relatively small size of the agency creates duplication and allows continued policy friction within the environmental secretariat; e.g., as regards fish farming, beach re-nourishment, land protection, among other issues. Moreover, the divisions (Fisheries and Wildlife, and Marine Fisheries) within DFG are strong vehicles for advancing individual agendas. Consolidation would result in the creation of a single Department of Fisheries, Wildlife and Agriculture. Consolidation

will annually save an estimated \$400,000 in both the DFG and the DAR budgets through reductions in legal, human resource, and other support staff.

• **Abolish Civil Service: Savings of \$1.19 million.** Within the Executive Office for Administration and Finance, we recommend dismantling the archaic civil service system. Civil service reflects an outdated approach to human resources; what was once put in place to protect against the politicization of the hiring process has become an ossified system of needless rules that serves as an obstacle to hiring the best-qualified candidates. Not only would ending civil service help improve the quality of the state workforce, but it would also allow the state to eliminate the Civil Service Commission, and other related civil service activities and programs.

• **(1108-1011) Eliminate civil service and the CC commission: \$270,000.**

• **Eliminate civil service impact on the Division of Human Resources: Savings of \$865,000.**

• **(1750-0111) Eliminate planning and implementation of a civil service continuous testing program and the operation of the bypass appeals process program: Savings of \$55,000.**

• **(7002-0012) Consolidate oversight and administration, and reduce overall programs of the Summer Jobs for At-Risk Youth within Workforce Development, (2810-2000) State Park and (2820-0200) Urban Park Seasonals within the Department of Conservation and Recreation: Savings of \$3 million** (of, on a combined basis, \$16.62 million). The Governor cut these programs by \$250,000 in October. By consolidating and coordinating interviews and outreach to at-risk youth, these programs can still achieve a great deal, and create more opportunities for at-risk individuals in our urban and state parks.

## **Targeted Line Item Cuts: Savings of \$61 million**

We further believe that cuts to the following line items, which add up to \$61 million in FY09 savings, are imperative: Judiciary (\$20.1 million), Executive (\$2.3 million), the Executive Offices of Administration and Finance (\$5.6 million), Environmental Affairs (\$3.7 million), Early Childhood and Education (\$5.8 million), Transportation (\$5.1 million), Board of Library Commissioners (\$3.5 million), Labor and Workforce Development (\$7.4 million), Education (\$5.6 million) and Public Safety (\$7.3 million).

### **The Judiciary: Savings of \$20.1 million**

The Judiciary has a budget of \$527 million. We believe that a total of \$20.1 million can be saved by undertaking the following actions:

• **(Across all line items) Reform the Judiciary in line with Dolan Report and Monan Commission suggestions for efficiencies: Savings of \$11.05 million** (of \$824.6 million). The Governor's 9C cuts in October amounted to \$22.1 million. Pair the new cuts with reforms in budgeting and staffing from the Dolan Report and Monan Commission to allow greater efficiency in staffing and less micromanagement by the Legislature.

• **(0339-1003 and 0339-1004) Reduce the scope of and revamp the community corrections program to make it more cost-effective: Savings of \$9.05 million.** Given the number of questions around the effectiveness and efficiency of the community corrections program, it should be reviewed and stands as a potential place for zeroing out (\$7.8 million). Similar consideration should be given to the part of the intensive supervision program falling under the auspices of the community corrections programs (\$10.3 million in savings out of a line item of \$19.3 million).

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### **The Executive: Savings of \$2.3 million.**

The Executive office has the following items totaling \$2.275 million. We believe that the Commonwealth Corps, the child advocate offices and enhancing the Governor's Washington, DC office are not necessary expenditures, particularly given the Commonwealth's all-Democratic congressional delegation.

- **(0411-1002) Eliminate the contract with the Massachusetts Service Alliance to operate the Commonwealth Corps program: Savings of \$2 million**
- **(0411-1003) Reduce the costs associated with maintaining and enhancing the commonwealth's Washington, DC office: Savings of \$125,000** (out of budget of \$500,000).
- **(0411-1005) Eliminate operation of the office of the child advocate: Savings of \$150,000 .**

### **Executive Office for Administration and Finance: Savings of \$5.64 million**

Reserves and set-asides for specific institutions are not sustainable, whether such laudable institutions as the YMCA or state affiliated institutions within the state college or community college system; this is no way to budget for such matters.

- **(1120-4005) Savings at the George Fingold Library: Savings of \$300,000** (of \$1.2 million). The Governor cut \$100,000 in October. Non-core program.
- **(1201-0100) Reductions within the Department of Revenue: Savings of \$1.5 million** (of \$119 million). In October the Governor cut DOR by \$4 million. An additional cut to DOR will avoid deeper cuts to direct service delivery agencies.
- **(1599-0045) Eliminate capital projects reserve; \$1 million for the YMCA/Greater Boston and \$500,000 for the United Teen Equality Center/Lowell: Savings of \$750,000.**
- **(1599-3234) Eliminate South Essex sewerage district debt service assessment: Savings of \$450,000.**

• **(1599-3857) Eliminate capital lease payments for the advanced technology and manufacturing center in Fall River, to be absorbed by MassDevelopment and UMass Dartmouth: Savings of \$790,000.**

• **(1599-7104) Eliminate the reserve for facilities associated with college of visual and performing arts at UMass Dartmouth, or Bristol Community College, transferring costs to users: Savings of \$1.35 million.**

• **(1750-0100) Reduce costs in the Human Services Division during a time of few hires: Savings of \$500,000** (out of \$4.225 million). The Governor cut \$102,000 from HRD in October. Given the lack of significant hiring on a going-forward basis for at least the next 18 months, a special downsizing of HRD staff is a prudent action to ensure that other executive agencies do not unduly bear the brunt of reductions.

### **Executive Office of Energy and Environment: Savings of \$3.7 million**

#### **Office of the Secretary: Savings of \$825,000**

• **(2000-0100) Operations: Savings of \$300,000** (of \$7.06 million). The Governor's October cuts included \$715,000 in reductions through the elimination of earmarks. An additional \$300,000 could be saved by consolidating policy staff. There is serious duplication of policy effort (as noted above, shared services can be provided in areas like IT and legal staff). Rather than having separate policy staffs for the Secretary and each agency, policy should be consolidated within the Secretary's office, so that the "brains" and strategy setting for the office and its agencies are coordinated.

• **(2010-0100) Recycling and activities related to the recycling plan of the solid waste master plan, which includes municipal equipment: Savings of \$125,000** (of \$1.46 million). The Governor's October cuts included a reduction of \$650,000 to this program. The recycling and related purposes budget of \$2.1 million has long been used to pay for executive office personnel. This practice should be stopped. The Commonwealth should instead adopt a pay-as-you-

throw statute, making people responsible for the level of garbage they create. This would require oversight staff within DEP, which we estimate at \$1.2 million.

- **(2010-0200) Eliminate subsidies to redemption centers: Savings of \$275,000.** Redemption center subsidies are not necessary.

- **(2030-1004) Environmental police private details: Savings of \$125,000 (of \$500,000).** In a budget crisis, environmental police private details budget can be cut in half.

***Department of Fish and Game: Savings of \$1.34 million***

In addition to a call (p. 4) to consolidate the Departments of Fish and Game and Agricultural Resources, we recommend ending the Riverways Program and a Division of Marine Fisheries program to enhance recreational fishing. The Governor's October cuts reduced the Riverways budget by \$50,000. We recommend additional savings of \$100,000 by terminating the program and using the remaining \$500,000 to provide grants to watershed associations across the state. The funds could be made through the Secretary's existing grantmaking operations, provided that clear goals and accountability are in place for the grantee organizations. Finally, the Governor's October cuts reduced the recreational fishing program by \$32,000. We believe that, especially in a time of fiscal crisis, it does not make sense to spend the Commonwealth's revenues on advancing recreational fishing, with the exception of routine stocking of fishing areas.

- **(2300-0101) The Riverways Program: Savings of \$50,000 (of \$600,000).**

- **(2310-0316) Forego Wildlife Habitat Purchase: Savings of \$1 million.** The Governor cut \$500,000 from this program in October. In a time of extreme fiscal difficulty, we must focus on the safety net.

- **(2330-0120) Eliminate a Division of Marine Fisheries program to enhance recreational fishing: Savings of \$290,000.**

***Department of Agricultural Resources: Savings of \$500,000.***

The Governor reduced the Agricultural Innovation Center's budget by \$500,000 in October. We recommend elimination of the program. The business of farming is best left in the hands of farmers. A wide array of the department's programs have not been touched, including other farm support programs, pesticide-related activities and the emergency food assistance program.

- **(2511-2000) Eliminate the Agricultural Innovation Center: Savings of \$500,000.**

***Department of Conservation and Recreation: Savings of \$1 million***

We recommend savings be achieved by finally giving MassHighway maintenance and snow removal responsibility for parkways, boulevards, roadways, and bridges. A significant amount of the 2820-0100 and -2000 line items in the DCR budget would have to be transferred to EOT/MassHighway, though DCR would retain goal-setting and evaluation to ensure that the agency's environmental principles are achieved. Savings on the order of \$1 million are likely from efficiencies gained. Improved service is an additional benefit.

- **(2820-0100) Transfer administration, operation and maintenance of the division of urban parks and recreation, including for the parkways, roads and bridges and related: Savings of \$1 million (of \$29.45 million).**

***Early Education and Care: Savings of \$5.82 million***

Our single recommendation is to eliminate funding for the Universal Pre-Kindergarten Program. (In October the Governor made additional cuts to other line items within the EEC budget but only cut this line item by \$500,000.) We believe that it is best to maintain other budget items but stop expanding universal early education, especially in the current environment. At

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best, EEC should focus on incremental growth based on need.

It is worth noting that we have left \$550 million in EEC programs untouched, including grants to early education providers for accreditation, local and regional administration and coordination, administration of the Children's Trust Fund, family stabilization-related education and care, financial assistance for families in or moving from transitional programs, income-eligible early education programs, Head Start, professional development, mental health consultations, and neo- and post-natal parenting education.

- **(3000-5075) Eliminate Massachusetts Universal Pre-Kindergarten Program: Savings of \$5.82 million.**

### **Executive Office of Transportation: Savings of \$5.1 million**

- **(6006-0015) Restructure Regional Transit Authorities Contract Assistance: Savings of \$5 million** (of \$57.9 million). Cut and redistribute assistance to the RTAs on the basis of ridership, having the state essentially pick up a percentage of fares rather than undertake direct contract support.

- **(6006-0003) Disband the Massachusetts Aeronautics Commission and fold into the functions of the Executive Office of Transportation: Savings of \$125,000** (of \$489,000). The Governor cut MAC by \$114,000. The Commission is small and its purview does not require a separate Commission.

### **Board of Library Commissioners: Savings of \$3.5 million**

- **(7000-9101 and across all BLC line items) Operation of the board of library commissioners: Savings of \$3.5 million** (of \$34 million). Reflects a return to 2005 spending levels.

### **Executive Office of Labor and Workforce Development: Savings of \$7.4 million**

**Department of Workforce Development: Savings of \$125,000.**

- **(7002-0045) Eliminate the Wireless Broadband Affairs Director: Savings of \$125,000.**

**Department of Business Development: Savings of \$7.28 million.**

- **(7007-0900) Reduce the Office of Travel and Tourism: Savings of \$4.25 million** (of \$17 million). The Governor cut \$20.3 million from the OTT budget in October.

- **(7007-0951 and 7007-1000) Restructure the Commonwealth Zoological Corporation and programs to assist regional tourist councils: Savings of \$3 million** (of \$15.45 million). The Governor cut these programs by \$700,000 in October. We urge elimination of these subsidies, replacing them with state matching grants. Grantmaking administration would be low-cost (\$250,000) while we would suggest providing \$9.2 million in grants.

- **(7007-1200) Eliminate the MTC fund to attract and retain technology-intensive clusters: Savings of \$31,250.** The Governor cut \$187,500 from the budget in October. It is too small to have significant impact.

### **Education: Savings of \$5.6 million**

The cuts we recommend to educational programs do not touch Chapter 70. They prioritize the many programs (perhaps too many programs) of the Department of Elementary and Secondary Education.

**Office of the Secretary of Education: Savings of \$442,000.**

- **(7009-6379) Eliminate the Office of the Secretary of Education: Savings of 442,000.** The Governor eliminated \$48,500 from this office in October. The Secretary of Education is a duplicative position and the cost of staffing this position was until 2008



unnecessary for great progress in our schools. It is all the more unnecessary now in a time of fiscal restraint, when money belongs in our schools, not in central government offices.

***Department of Elementary and Secondary Education: Savings of \$5.17 million.***

• **(7010-0005) Additional reduction in DESE personnel: Savings of \$3.26 million** (of \$16.78 million). The Governor reduced this line item by \$100,000 in October. This action should be taken with the goal of routinizing and simplifying compliance through online tools, refocusing staff on policy, evaluation and technical support to districts.

• **(7010-0216) Eliminate the small program to help retain teachers, principals and superintendents: Savings of \$600,000.** It is too small to have needed impact.

• **(7061-9604) Eliminate the teacher preparation funding: Savings of \$1.97 million.** The Governor cut \$70,000 from this program in October. It is too small to have real impact on the state's 70,000 teachers

• **(7061-9610) Reduce matching grants to Citizens Schools after school programs: Savings of \$205,000** (of \$475,000). The Governor cut \$75,000 from this program in October.

• **(7061-9611) Reduce grants/subsidies for after-school and out-of-school programs: Savings of \$2.54 million** (out of \$5.29 million). The Governor cut \$214,000 from this program in October.

• **(7061-9614) Eliminate the alternative education grant program: Savings of 1.2 million.**

• **(7061-9621) Eliminate the grant program for gifted and talented students, because it is too small for the level of impact needed: Savings of \$565,000.** The Governor cut \$200,000 from this program in October.

The cuts do not touch METCO, the BayState Reading Institute, certificates of occupational proficiency, matching grants for school-to-work programs, school-to-career connecting activities, English language

acquisition professional development, institutional school expenses, kindergarten development grants, the John Silber early literacy program, Reading Recovery, adult basic education services, reimbursements to regional school districts for student transportation, reimbursement to localities and districts for the transportation of nonresident students, the emergency food program, reimbursements for partial assistance in the provision of lunch to students, the school breakfast program, Chapter 70 and 76 school aid, a reserve to assist (regional, distressed and military reservation) schools, the education technology program, the MCAS, student remediation grants, targeted intervention to schools and districts at risk of underperforming, concurrent enrollment programs for students with disabilities, the school of excellence program at Worcester Polytechnic Institute, the Benjamin Franklin Institute of Technology, youth-build programs, the Massachusetts Service Alliance, teacher content training in math and science, and bullying prevention.

**Public Safety: Savings of \$7.3 million**

• **(8100-0007) Reduce state police overtime by 20 percent: Savings of \$380,000** (of \$5 million). The Governor cut \$240,000 from this program in October.

• **(8910-0102, -0105, -0107, -0108, -0110, -0145, and -0619) Seek efficiencies of 5 percent from the county sheriffs: Savings of \$6.925 million** (of \$277 million).

**Buttressing Local Aid**

In addition to the emergency and line-item cuts outlined above, there are reforms the state can undertake to provide cities and towns in-kind aid. Currently, the state provides municipalities with \$5 billion in local aid (\$3.3 billion in Chapter 70 and \$1.7 billion in non-education aid). Even as we seek to minimize the impact on local aid through this second phase of cuts, we believe that the state should seek to shore up municipal finances through

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reform. The Commonwealth can in fact decrease the need for additional aid by reducing the impact of state mandates on cities and towns, and provide local leaders with an infusion of in-kind money that will allow them to manage more effectively.

For example, the following actions would reduce local aid needs by \$250 million:

- All but four of the over 100 locally managed pension funds in the state underperformed the Pension Retirement Investment Trust (PRIT) in the last decade. By consolidating into PRIT, localities can reduce the amount that they have to contribute to cover their unfunded liabilities.
- The executive authority of a municipality, either the mayor or town manager, should have the right to bring their public employees into the Group Insurance Commission. This would allow municipalities to decide whether inclusion in the GIC would benefit their communities. Pioneer has been supportive of the existing process but recognizes that the fiscal crisis demands decisive action to give public sector managers necessary tools to control costs.
- Other mandates, including the elimination of prevailing wage requirements, could also save millions of dollars.



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