



Conor Baldwin  
Chief Financial Officer

## MEMORANDUM

**TO:** Eileen M. Donoghue, City Manager *EMD*  
**FROM:** Conor Baldwin, Chief Financial Officer *C*  
**DATE:** January 24, 2019  
**SUBJECT:** FY2021 Budget Update – Governor’s Budget Submittal (“H1”)

On January 22<sup>nd</sup>, Governor Charlie Baker submitted to the Legislature a \$44.6 billion fiscal 2021 state budget plan for fiscal year 2021. Gov. Baker’s budget would increase the main discretionary local aid account, Unrestricted General Government Aid, by 2.8% (\$31.6 million), the same rate as the expected growth in state tax revenue. The governor’s fiscal 2021 budget submission would bring Chapter 70 school aid up to \$5.48 billion, an increase of \$303.5 million (5.9%). The majority of the funds would implement improvements to the foundation budget, adding weight for low-income students, English Language Learners (“ELL”), special education costs, and school employee health benefits. One of the most notable components of the Governor’s budget proposal, in regards to Lowell budget, is a proposed \$12,783,357 million increase in Chapter 70 funding, which goes directly to the school district. This increase far surpasses recent trends in the Chapter 70 account.

The city’s main, non-school, local aid account, known as Unrestricted General Government aid (“UGGA”), was increased by a much smaller amount \$748,903. This amount is relatively consistent with the 5-year average increase of approximately 1.74%. Other municipal aid accounts remained relatively stable, with the notable exception of the proposed increase to the Charter School Reimbursement, which is scheduled to increase by \$2.3 million according to the Governor’s proposal. Municipal assessments and charges (a.k.a. “cherry sheet” charges) paid by the city increased by approximately \$3.5 million, overall, in the Governor’s proposal. The charter school assessment continues to account for the largest single increase among the many charges at an approximately \$3.5 million increase in FY2021. Despite the increase to the reimbursement aid for Charter Schools, and assuming the legislature fully funds the reimbursement at this amount, the assessment still outpaces the aid. This will again be a significant fiscal challenge for the city as we create the financial plan for the ensuing fiscal year.

All departments in the city are busy preparing their FY2021 budget request since the instruction documents were distributed to them on January 7<sup>th</sup>. Requests are due to the finance office by the close of business on February 8<sup>th</sup>, 2019. Now that the Governor has submitted his budget proposal to the Legislature, the revenue picture is becoming clearer and we can fine-tune our revenue projects to try to incorporate those requests when they are received. Aside from the increases to our fixed costs contained on the cherry sheet, the city is faced with other fixed cost increases such as \$1.47 million increase in the pension assessment and anywhere from a 3% - 6% increase in health insurance.



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Enclosed with this memorandum is a summary of the local aid and municipal charges included in the Governor's proposal. Some of the numbers may change slightly as the state budget moves through the legislative process, but the major accounts such as Chapter 70 and UGGA typically remain largely in place. The finance department is confident that a balanced budget proposal will be delivered to the Lowell City Council for approval on or about May 26, 2021.

	<b>FY2020 Final Estimate</b>	<b>FY2020 Governor's Budget (H1)</b>	<b>Year over Year Increase/ (Decrease)</b>
<b>Education</b>			
Chapter 70	163,023,947	175,807,304	<b>12,783,357</b>
Charter Tuition Reimbursement	3,922,994	6,245,769	<b>2,322,775</b>
<b>Offset Receipts</b>			
School Choice Receiving Tuition	57,108	48,981	<b>(8,127)</b>
<b>Sub-Total - Education Items</b>	<b>167,004,049</b>	<b>182,102,054</b>	<b>15,098,005</b>
<b>General Government</b>			
Unrestricted Aid (UGGA)	26,746,523	27,495,426	<b>748,903</b>
Veterans Benefits	507,446	495,285	<b>(12,161)</b>
State Owned Land	284,359	301,512	<b>17,153</b>
Exemptions: VMB & Elderly	209,228	208,116	<b>(1,112)</b>
<b>Offset Receipts</b>			
Public Libraries	182,955	182,993	<b>38</b>
<b>Sub-Total - General Government</b>	<b>27,930,511</b>	<b>28,683,332</b>	<b>752,821</b>
<b>TOTAL ESTIMATED RECEIPTS</b>	<b>194,934,560</b>	<b>210,785,386</b>	<b>15,850,826</b>

	<b>FY2020 Final Est.</b>	<b>FY2020 Governor's Proposal</b>	<b>Increase/ (Decrease)</b>
<b>State Assessments and Charges</b>			
Mosquito Control Projects	77,923	79,956	2,033
Air Pollution Districts	26,911	27,447	536
RMV Non-Renewal Surcharge	325,900	325,440	(460)
<b>Sub-Total - Assessments &amp; Charges</b>	<b>430,734</b>	<b>432,843</b>	<b>2,109</b>
<b>Transportation Authorities</b>			
Regional Transit	1,044,338	1,070,448	26,110
<b>Sub-Total - Transportation Authorities</b>	<b>1,044,338</b>	<b>1,070,448</b>	<b>26,110</b>
<b>Annual Charges Against Receipts</b>			
Special Education	62,020	56,316	(5,704)
<b>Sub-Total - Annual Charges</b>	<b>62,020</b>	<b>56,316</b>	<b>-</b>
<b>Tuition Assessments</b>			
School Choice Sending Tuition	956,175	868,346	(87,829)
Charter School Sending Tuition	26,568,526	30,094,618	3,526,092
<b>Sub-Total - Tuition Assessments</b>	<b>27,524,701</b>	<b>30,962,964</b>	<b>3,438,263</b>
<b>Grand Total - Cherry Sheet Assessments</b>	<b>29,061,793</b>	<b>32,522,571</b>	<b>3,460,778</b>