

PROPOSED RESOLUTION SUPPORTING A STRENGTHENED FISCAL PARTNERSHIP BETWEEN MUNICIPAL AND STATE GOVERNMENTS IN FISCAL 2027 AND BEYOND

Whereas, the ability of city and town governments to provide essential public services and adequately invest in reliable and resilient public infrastructure is critical to support the well-being of every resident and business across the Commonwealth;

Whereas, state law limits avenues for municipal revenue generation, requiring heavy reliance on property taxes that are tightly capped by Proposition 2½, which has not kept pace with inflation and non-discretionary cost drivers that continue to grow beyond municipal control;

Whereas, existing and proposed state and federal mandates require investments beyond the reach of municipal budgets that are statutorily and politically constrained in their ability to generate revenues;

Whereas, sufficient and reliable state funding to municipalities and local public school districts is a pillar of support to ensure that cities and towns have the capacity to deliver high-quality municipal and school services that are essential to the success of the Commonwealth;

Whereas, today's investments in public schools are a direct, long-range investment in the well-being of local and state economies, and adequate state support to school districts is essential to student success;

Whereas, current funding practices for charter schools divert Chapter 70 education aid away from local school districts, exacerbating stressed municipal and district budgets;

Whereas, the cost of housing is undermining local economies and increasing the costs of providing services;

Whereas, the expiration of direct funding through the American Rescue Plan Act (ARPA) and recent policy changes for various federal programs require municipalities to adjust to a new fiscal reality;

Whereas, to ensure that municipalities have the fiscal capacity to deliver the high-quality municipal and school services that are essential to support local economies and families in every corner of the Commonwealth, cities and towns desperately need an adequate share of state revenues, an effective and fair municipal tax system, necessary tools to plan for and fund long-term liabilities, state support for investments in the municipal workforce and capital investments, and full funding for any new or existing state mandates;

Therefore, it is hereby resolved that the members of the Massachusetts Municipal Association support the following policy positions to ensure a robust and resilient partnership between cities and towns and the Commonwealth in order to fortify our collective well-being in fiscal 2027 and through an era of growing uncertainty.

In the Area of Municipal and School Aid:

In fiscal 2027, unrestricted municipal aid should grow by at least the same rate as the growth in state tax collections, and, consistent with the policy recommendations and guidance of the 2025 MMA municipal finance report “A Perfect Storm: Cities and Towns Face Historic Fiscal Pressures,” the Commonwealth should pursue more robust increases that strengthen local fiscal capacity and sustainability, with such aid distributed without earmarks, conditions, or restrictions to all cities and towns so that local officials and residents can adequately fund essential municipal and school services while avoiding an overreliance on the property tax;

State Lottery proceeds, and the revenue from expanded gaming that is statutorily dedicated to pay for municipal services, should be used to support the Commonwealth’s commitment to unrestricted municipal aid;

Chapter 70 school aid should be increased in fiscal 2027 consistent with the Commonwealth’s constitutional obligation to ensure adequate funding in all schools, at a minimum following the updated spending standard and original phase-in schedule adopted in the 2019 Student Opportunity Act, with each city, town and school district receiving a minimum increase of \$150 per student;

The governor and the Legislature should reform the calculation of the required local contribution under Chapter 70, including the “target local share,” and adopt changes to mitigate reliance on the property tax to fund local schools, in particular ensuring that a municipality’s increase in Unrestricted General Government Aid is greater than the increase in required local contribution;

The governor and the Legislature should review and address fiscal challenges facing rural schools, including the recommendations of the Commission on the Long-Term Fiscal Health of Rural School Districts;

The governor and the Legislature should amend charter school finance law to mitigate the burden placed upon cities and towns by increasing and extending charter school mitigation payments, limiting charter school tuition assessments placed on local government, providing a means for direct state appropriation of additional tuition payments to charter schools funded outside of Chapter 70 local district aid, decoupling student performance from tuition assessment limitations, and requiring a local impact analysis when considering new or expanded charter schools;

Pending passage of charter school finance reform legislation, the full amount of the schedule in the Student Opportunity Act to fund charter school mitigation payments should be appropriated for fiscal 2027 so that each district is reimbursed in full according to the schedule in the Student Opportunity Act;

Full funding of the Commonwealth's commitments to the Special Education Circuit Breaker Program, as provided by state law, should be appropriated, adhering to the Student Opportunity Act;

Pending review by the commission created to promote geographic equity in the state-owned land PILOT program, the full amount of the Commonwealth's obligations to the program, including a hold-harmless provision, should be included in the fiscal 2027 budget. The PILOT program for state-owned land should also be reviewed to analyze the financial impact that different activities on state-owned land have on municipalities;

The governor and the Legislature should fully fund the state's obligations to reimburse the costs of regional school transportation, regular school transportation, out-of-district vocational transportation, and the transportation of homeless students under the McKinney-Vento unfunded mandate;

Full funding of the Commonwealth's obligations and commitments to Chapter 40S "smart growth" reimbursements, regional and municipal libraries, anti-gang grants, innovation and regionalization grants, the Community Compact Best Practices program, and other effective municipal and school aid programs should be included in the fiscal 2027 budget;

In the Area of Capital Projects and Budgeting:

The governor and the Legislature should work together to ensure timely continuation of the historic investments in the Chapter 90 road and bridge program, including

authorizing at least \$350 million annually through a multi-year bond bill authorization and direct appropriation, indexed to grow to match construction inflation, with a notice of allocations for fiscal 2027 by March 1, 2026;

The governor and the Legislature should strengthen Massachusetts School Building Authority and Massachusetts Board of Library Commissioners grants by adjusting reimbursements to reflect the actual costs of construction;

The state's fiscal 2027 capital plan should include funding for MassWorks, HousingWorks, and all grant programs through the Community One Stop for Growth to help pay for important local infrastructure projects, including housing, economic development, and road safety programs;

The Legislature and governor should continue to prioritize investments in essential water resource infrastructure to ensure drinking water, wastewater, and stormwater infrastructure is in a state of good repair, able to withstand changing weather patterns, and expanded as needed to serve housing development. Contamination mitigation, including but not limited to PFAS and Combined Sewer Overflow mitigation, must also be prioritized;

Continued prioritization of support to cities and towns to assess and respond to challenges related to climate change, including the Municipal Vulnerability Preparedness program, Coastal Resilience Grant Program, Green Communities Program, Green School Works, Disaster Relief and Resiliency Fund, among other programs, should be supported in both the fiscal 2027 budget and capital plan;

The governor and the Legislature should work with cities and towns to ensure that municipal information technology systems are modernized and resilient against cyberattacks, and enact a state funding mechanism and program to provide the resources needed to implement these investments across the state;

The governor and the Legislature should enact a state funding mechanism and program to provide the resources needed to support cities and towns with the construction and improvement of municipal buildings;

In the Area of Local Taxing Authority, Revenues, and Modernizing Municipal Government:

Municipalities should be granted flexibility to adopt and expand local revenues to help pay for municipal services;

The Legislature should pass the governor's proposed Municipal Empowerment Act, which would provide local governments with additional tools, flexibility, and authority to modernize practices and operate more efficiently;

Cities and towns should be granted increased local-option flexibility to implement targeted property tax relief programs, including for seniors and low-income homeowners, and to adjust the relative property tax burden for different classification of properties; and

Cities and towns should be granted new local-option flexibility to require the adoption of local PILOT agreements with nonprofit organizations;

In the Area of Long-Term Liabilities and Sustainability:

In order to allow cities and towns to manage current costs and ensure fiscal sustainability over the long term, the Legislature, the governor, and state agencies should determine, report, and review the actuarial liability of post-employment benefits for public employees and undertake a comprehensive reform of the laws and practices related to post-employment benefits for public employees, with an immediate focus on Other Post-Employment Benefit (OPEB) liabilities related to health insurance for retired public employees. Reform should include ways to manage liabilities and finance benefits, and should not impose any new unfunded mandates or preempt any existing decision-making authority that cities and towns currently use to manage their OPEB liability;

The governor and the Legislature should determine and report the long-term cost to cities and towns as part of the evaluation of all legislative proposals to amend public employee benefit programs, and no legislation to expand benefits should be acted upon until this cost analysis is complete and made public;

The governor and the Legislature should work closely with cities and towns to take actionable steps to strengthen the Massachusetts health care system and stabilize all health insurance costs for municipalities;

In the Area of Timely Notice of Local Aid for Good Planning and Implementation:

To ensure orderly and efficient financial planning at the local level and the implementation of balanced and adequate local operating and capital budgets, the governor and the Legislature should reach early agreement on unrestricted municipal aid and Chapter 70 school aid and local contribution amounts so that a consensus local aid resolution can be approved and reliable Cherry Sheets can be released by March 1;

In order to support communities in taking full advantage of the construction season, the Legislature and governor should move swiftly to finalize and make available to communities Chapter 90 road and bridge funding before March 1.

In the Area of Housing:

The governor and the Legislature should work with municipalities to identify and enable resources and tools that can be opted into and tailored to the unique needs of all municipalities;

It is further resolved that a copy of this resolution shall be provided to the governor and members of the Massachusetts General Court