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# Franklin fights rising costs - Deputy town administrator says many factors contribute to structural deficit

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*By Lauren Young Daily News Staff May 17, 2019 Publication: Milford Daily News, The (MA) Page: A1 Word Count: 959*

Editor's note: The second of two stories regarding Franklin's fiscal 2020 budget issues.

FRANKLIN - A good economy should equal a sunny fiscal forecast.

That's what many residents believe, said Deputy Town Administrator Jamie Hellen, which is why a cloud of suspicion looms over the town budget's structural deficit entering fiscal 2020.

"A lot of people are frustrated. In such a good economy, and a great business climate, how are we in this pickle?" Hellen asked rhetorically.

The answer includes many factors, some of which are not unique to Franklin, said Hellen.

According to Hellen, the main culprits of the impending deficit include an increased demand for services, increased health insurance costs, charter school expansion costs, declining school enrollment, other post-employment benefits (OPEP) and the cost of doing business in town outpacing the town's ability to raise revenue.

"If you look at every department, there's been an increase in the cost of doing business," said Hellen, who takes over for his boss, Town Administrator Jeffrey Nutting, when Nutting retires this summer.

Cost increases in other areas, such as for the town's software program, the Department of Public Works, fire and police services are also factors, Hellen said, but many other communities also experience those pressures.

"Nobody ever calls me and says, 'Please plow our streets and sidewalks less,'" said Hellen. "Our number one priority, and on the first page of our employee manual, is our customer service policy, so we pride ourselves in being responsive."

Health insurance costs, added Hellen, are "soaring," calling it "an annual war."

Annually, the town experiences an 8 percent to 15 percent increase in health insurance costs. It totals at least \$11 million for all employees, representing roughly 10 percent of the total town budget, he said (the town's fiscal 2019 operating budget is nearly \$114.2 million).

While the charter school's expansion also has an impact on the fiscal 2020 budget, Hellen

blames the state's funding formula. He said it's been "a problem" for at least two decades.

With each pupil costing \$13,000, about \$1 million of additional Chapter 70 aid from the town budget will be diverted to the charter school when at least 60 new students enroll this fall, said Hellen.

"It's an extremely complicated scenario," he said.

In short, the state reimburses funds lost in the form of payments over a six-year period - 100 percent for the first year and 25 percent for the next five years. It adds up to more than double the money back, according to the Mass Charter School Association.

But recently the state hasn't fully funded a single school, according to statistics from the Department of Elementary and Secondary Education. Those numbers indicate that the state met 98 percent of its obligation in fiscal 2013, but since then, it has steadily plummeted to 52 percent in 2018.

"It's like special education - they never fund the Circuit Breaker (program) fully," said Hellen.

Because Chapter 70 aid is based on land values and income, Franklin's growing affluence in the past few years has leveled off its local aid amount, remaining "pretty consistent," said Hellen. The amount is in stark contrast to the town's "blue collar" image in the 1980s, when it received at least \$1 million more in state funding.

Today's property values are "high" and "fairly stable," said Hellen, and the taxes accumulated account for 70 percent of the town's tax base - 81 percent of that being residential.

According to the state House of Representatives' \$42.7 billion budget for fiscal 2020, the charter school assessment is \$5.042 million - a \$1.1 million difference from this year's expenditure of \$3.9 million, said Hellen.

"So that's a \$1.1 million net loss in revenue for the schools of Franklin," he said. In subsequent years, however, he expects the amount to increase slightly over the maturation of the charter school and to "level off at some point to what we call the new normal."

Declining public school enrollment has also left a dent in the budget, with nearly 1,000 fewer students enrolling in the district from a decade ago, he said.

Since 2008, unfunded mandates from the state, coupled with a competitive economy, college admissions process and educational requirements have "gone way up," said Hellen.

"The reason why we weren't in this budget crisis probably earlier is because we have lost 1,000 students over 10 years in enrollment," he said. "In some ways, the declining enrollment helped us, as a community, be able to fund the services people expect."

An override, somewhere between \$4 million and \$5 million, will be considered for fiscal 2021 to fund school and municipal services.

Without either an override or changes in the Legislature, the town will continue to face this problem, said Hellen, with the structural deficit flowing into fiscal 2022.

He said the town has asked the Legislature "multiple times" for more local option taxes to cushion the budget - one of these being a local option meals tax, currently 0.75 percent.

"If you double that to one and a half pennies per dollar (1.5 percent), that would bring in another half million in revenue to the Town of Franklin," Hellen said, adding that the Legislature refuses to budge on such requests.

Despite the financial shortfall, Hellen said the town has maintained "a really good budget" tailored toward customer service.

"I think (the town) has been able to maintain a really good budget that focuses on customer service and what citizens are looking for, but also staying ahead of the curve and making sure we're on the forefront of a lot of these innovative ideas, like LED streetlight converting, and ultimately, will free up approximately \$70,000-\$90,000 in the operating budget, probably in FY21," said Hellen.

The town will soon publish its fiscal forecast for the next four years.

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