

Budget Subcommittee Meeting Minutes

September 16, 2020

5:45 PM

Members Present: Councilors Matt Kelly (Chair), Deborah Pellegrini, Melanie Hamblen, Thomas Mercer

Also Present: Town Administrator Jamie Hellen, Assistant to the Town Administrator Chrissy Whelton, Administrative Assistant Alecia Alleyne, Finance Committee Member George Conolly

Meeting called to order at 5:45 pm.

FY21 Budget Update & Discussion:

Town Administrator Hellen provided a brief update on the federal and state budget for FY21. The state legislature and the governor passed a 1/3 fiscal year budget through October 31st, 2020. This budget was passed with level FY20 numbers and also committed to FY20 Local Aid numbers. Local receipts are on target to reach what we budgeted for earlier this year, local excise tax income will come later in the fiscal year but should be stable, meals tax income is stable, and license renewal season is approaching and providing another income source for the Town. The big financial unknowns will come in January, 2021.

There is some discussion in Congress about another stimulus package, this will have a big effect on how Franklin will formulate the remainder of its FY21 budget. Another federal stimulus package or a lack thereof will greatly influence our budget numbers for the remainder of the fiscal year. The Commonwealth of Massachusetts is attempting to finalize their FY21 budget in late October, 2020. The Town anticipates budget revisions for mid November 2020 or possibly December.

The Town has received approximately 2.58 million dollars in federal stimulus money that has already been deposited into the Town cauphers. The Town has 1.8 million remaining in CARES Act money earmarked for PPE and to retrofit municipal buildings and schools with UV lighting to help mitigate the spread of COVID-19 and other viruses via our heating and cooling systems. The Town is looking to have all of these projects completed by the end of the calendar year.

The town will receive approximately 4.5 million dollars of federal grant and FEMA assistance money awarded throughout the pandemic when all is said and done (to date). At the beginning of the Pandemic, the federal government funded training for our Police and Firefighters to teach best practices for operating safely during a pandemic.

The Town has also received \$90,000 in MicroEnterprise Grant money for small businesses with less than five employees, approximately 33 businesses have shown interest in this grant opportunity, an additional \$9,000 in MicroEnterprise funds were allocated to the Food Pantry. Councilor Kelly stressed the importance of looking for grant opportunities for mainstreet businesses in addition to small businesses.

Chromebooks purchased for the schools are slated to arrive some time in November, these were purchased to ensure that every K-12 child has access to online learning.

Meeting Adjourned at 6:26pm.

Submitted By: *Alecia Alleyne*

Town of Franklin

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OFFICE OF THE TOWN ADMINISTRATOR

September 16, 2020

To: Town Council Budget Subcommittee

From: Jamie Hellen, Town Administrator

RE: FY21 Budget Update

As the Town is now almost one-quarter of the way through the 2021 fiscal year (FY21), the following are some high level update points as Fall approaches. I have included two articles from State House News Service to help illustrate the domino effect of decisions that need to occur prior to the community revisiting the budget in November or December.

- **State Budget Update.** In late July, the state passed a ½ year budget (through October 31, 2020) with level FY20 local aid numbers. The Legislature has also committed to FY20 local aid numbers. This is good news given where the predictions were earlier this Spring. But nothing is guaranteed until a final FY21 budget passes Beacon Hill.
- **Local Receipts.** Town local receipts revenues have stayed consistent and on par with predictions through the end of August. It is only 1/6th of the year, but still good news the economy has not dropped any since the beginning of July. The late fall and winter season will be the big unknown for local receipts.
- **Federal COVID-19 Assistance.** The Town has received approximately \$2,580,420 million in federal grant monies to date for COVID-19 related expenses and \$99,000 dollars in MicroEnterprise grant money for small businesses in Town. See attached sheet. As of now, little, if nothing, has been spent from local coffers on COVID-19 related expenses. Federal assistance ends December 31, 2020 as of today.
- **Congressional Update.** I expect (hope!) action from Congress at some point in the next two months. If they act and provide assistance to state and local governments, the Town of Franklin should be able to withstand deep cuts to local services. If Congress fails to act, or circumstances alter with the public health crisis through the winter, we have limited ability to withstand large reductions. The Superintendent of Schools and I sent [Massachusetts' elected representatives a letter regarding this issue in June](#).
- **Five Year Forecast.** It will continue to be difficult for me to draft any relevant or meaningful [“five-year fiscal forecast”](#) that is valuable for any longer than a week. The global geopolitical and economic climate is still simply too uncertain to predict. I remain steadfast, however, that in order for certainty and stability in our economy to appear, the public health crisis must continue to be contained, if not solved.

At this point, I will be looking to make any budget revision proposals in November or December. The Town will have a very tight window before we must set the annual tax rate in December.

State Tax Collections Continue to Rebound

Running Ahead of FY 2020 After Steep Decline in Spring

Colin A. Young

9/4/20 12:23 PM

From [State House News Service](#)

SEPT. 4, 2020.....Having taken in \$1.992 billion in tax revenue in August, state tax collections are running \$124 million or more than 3 percent ahead of their pace one year ago, the Department of Revenue reported Friday, a potentially promising sign given predictions that receipts could collapse this fiscal year.

Of the \$1.992 billion collected last month, all but \$13 million will go towards fiscal year 2021. Counting the \$1.979 billion that will be recorded in FY 2021, August collections were \$7 million less than the August 2019 collections, DOR said. But through two months of FY 2021, DOR said it has collected roughly \$4.135 billion, which is \$124 million or 3.1 percent more than it had collected during the same period of fiscal 2020.

"Revenues for the month of August were mainly driven by withholding, part of which is attributed to withholding on unemployment insurance benefits, as well as the regular sales tax. These increases were offset by decreases in non-withheld income tax, meals tax, corporate and business taxes, and 'All Other' tax," Revenue Commissioner Geoffrey Snyder said. "August year-to-date total collections were also impacted by corporate and business tax payments attributable to returns due in April, following the waiver of late filing and payment penalties until July 15 for such returns. DOR will continue to monitor revenue collections closely."

State officials, citing estimates provided while the pandemic has unfolded, have estimated that fiscal 2021 tax collections could fall anywhere from \$2 billion to \$8 billion below fiscal 2020 levels.

It is unclear how August's actual collections compare to the expectations of state budget managers in the administration and Legislature. After a December hearing, administration and legislative officials agreed to a projection of \$31.15 billion in fiscal 2021 tax revenue, but that outlook has not been officially revised and DOR has not shared its benchmarks for monthly revenue collections.

DOR said that August is "one of the smaller months for revenue collection" because few individual or business taxpayers make significant estimated payments during the month. August has typically provided about 6.7 percent of the state's annual revenue, though DOR said this August "is different from previous years because of the impact of COVID-19 on tax bases and because revenues collected in this month include deferred payments on personal income tax and corporate excise payments, but exclude some regular sales, meals and room occupancy taxes which are postponed to September."

Friday's revenue report from DOR should provide some clarity for Baker administration officials and legislative leaders involved in managing the state's finances. It comes while Massachusetts has the worst unemployment rate in the nation (16.1 percent) for a second month running.

In late July, revenue officials said incomplete revenue collections for the fiscal year that ended June 30 totaled \$27.276 billion, which was \$3.014 billion or 9.9 percent below what budget managers were expecting when they crafted the \$43.3 billion state budget in early 2019. DOR collected \$2.293 billion of fiscal year 2020 revenue in July, plugging some of

that gap and potentially reducing the shortfall to roughly \$721 million for FY 20. With another \$13 million coming from August collections, the shortfall could be reduced to around \$708 million.

The state has \$3.5 billion stashed away in its rainy day fund that could be used to address budget shortfalls in fiscal year 2020 and beyond, and Beacon Hill has borrowing options at its disposal to address the unusual circumstances. State Treasury officials told the News Service that they have already repaid the \$500 million they drew from a \$1.75 billion line of credit they established with banks to help with cash flow.

Massachusetts is also without a plan for the fiscal year 2021 budget, which typically would be in place by now. Instead, the state is running on a \$16.53 billion interim budget that will keep state government operating through at least the end of October. Lawmakers and administration budget officials have said they need to know what, if any, relief the federal government is going to provide to states before they can craft a budget for the rest of fiscal year 2021.

[Michael P. Norton contributed to this report.]

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09/04/2020

Legislature Accelerates Interim Approach to Budgeting

New Bill Raises Four-Month Tab to Nearly \$22 Billion

Matt Murphy

7/28/20 6:28 PM

From [State House News Service](#)

JULY 28, 2020.....The House and Senate on Tuesday quickly passed a \$16.53 billion interim budget to keep the government funded through October, a plan that would give the Legislature and Gov. Charlie Baker more time to understand the state's fuzzy but dire financial picture in the middle of the ongoing pandemic.

The House and Senate are in the final scheduled days of their formal legislative calendar for the two-year session, but as a result of COVID-19 neither the House nor Senate have produced a full-year spending plan and will have to take the rare step of holding a special session later this year to take up a budget.

The Legislature and Gov. Charlie Baker agreed on a \$5.25 billion one-month budget in June to keep state services funded through July, and Baker filed another \$5.51 billion budget bill last week to cover spending through August.

The Legislature, however, responded Tuesday with an appropriations bill that would give them more time and remove the need to figure out immediately how and when to return for a special post-July 31 session to deal with a spending plan for the rest of fiscal 2021.

"Today, the Senate and House Committees on Ways and Means have agreed to a three-month interim budget that will provide near-term fiscal stability for our Commonwealth," House Ways and Means Chairman Aaron Michlewitz and Senate Ways and Means Chairman Michael Rodrigues said in a joint statement.

House and Senate leaders are also expected to "imminently" announce an agreement with the Baker administration on a funding level for local aid for the full-year, according to Rodrigues and other officials. An agreement over local aid would be intended to give cities, towns and school districts predictability heading into the fall when the Massachusetts

Municipal Association has said many cities and towns will probably have to revisit their budgets, depending on what actions the state and Congress take.

More than 100 towns went into the new fiscal year with temporary budgets that were authorized by the Division of Local Services, while others were able to hold socially-distant Town Meetings to get full-year budgets approved based on what information they had at the time.

"We are committed to finalizing a full-year budget that is fiscally responsible and responsive to the needs of our state, but key to developing that budget is further clarity around potential federal action, our economic recovery and continued trajectory of COVID-19," Michlewitz and Rodrigues, both Democrats, said.

Rodrigues later told the News Service that the bill essentially level funds state programs and services through October, financing state government at the lower of either the fiscal 2020 budget appropriation or Gov. Charlie Baker's budget proposal from January.

"It is what we figured out collectively is necessary to keep the lights on and the bills paid at a minimum over the next three months," he said.

Assuming Baker signs the bill, the Legislature and governor will have appropriated \$21.78 billion to cover spending over the first four months of the fiscal year. At that rate of spending, the state's budget would balloon to over \$65 billion, well above the \$44.6 billion budget Baker filed in January. But budget officials said state spending is weighted toward the early part of the fiscal year, and would eventually slow down.

"Many expenses are front-end loaded, so you have to make an annual payment up front so it's always the first half of the fiscal year is much higher monthly costs than the second half of the fiscal year," Rodrigues said.

Administration and Finance Secretary Michael Heffernan has worked closely with House and Senate budget leaders since March to monitor state finances and the coronavirus's impact on tax revenue, and a spokesman for the administration said it would "carefully review" the interim budget once it reaches the governor's desk.

"The Administration appreciates the efforts of the Legislature to help ensure the continued delivery of essential government services with an interim spending plan during this period of economic uncertainty," said Patrick Marvin, spokesman for the Executive Office of Administration and Finance.

Massachusetts is one of eight states without a fiscal 2021 budget, according to the National Association of State Budget Officers (NASBO), but the organization said some states with full-year budgets are already planning to return for special sessions to adjust those plans in response to revenue declines.

Rodrigues, in remarks on the Senate floor, said it was "prudent and responsible" to wait longer before producing a full-year spending plan for fiscal 2021, which began on July 1.

"The COVID-19 pandemic has created extreme uncertainty for the states of our public health and economy," Rodrigues said.

The Westport Democrat said legislative leaders want "greater clarity" on whether Congress and the White House will deliver additional federal aid for state and local governments, as well as more information on the impacts of the state's reopening strategy on the economy and the trend of the virus moving into the fall.

"If we were to attempt to pass a full year budget without this critical information we would be forced to make challenging and painful decisions without knowing the full extent of our resources or the state of the crisis," Rodrigues said.

Eileen McAnneny, the president of the Massachusetts Taxpayers Association, said she wasn't surprised to see the Legislature push off budgeting decisions until they have a better idea of what kind help Congress might provide.

"The fact that it's for three months indicates that they either think there will be uncertainty for quite a while or there are other considerations for when to schedule the special session," McAnneny said.

The spending bill passed on Tuesday expires on Oct. 31, meaning the Legislature will either have to return before the Nov. 3 general election, when relatively few will be facing serious challengers, or extend again. "If they had done a four-month it might be more obvious what they were doing," McAnneny said. "It's also my understanding that the Senate is preparing to have a revenue discussion around the time they finalize the budget," she said, adding, "Given the size of the potential shortfall there will probably have to be some combination of cuts, revenue increases and use of the rainy day fund."

McAnneny, in a follow-up conversation, stressed that it was not a certainty that the Senate would take up taxes later this year. Sen. Adam Hinds, the Senate chair of the Revenue Committee, has been leading that branch's exploration of tax reform this session.

Sen. Adam Hinds, the Senate chair of the Revenue Committee, has been leading that branch's exploration of tax reform this session.

"We have reengaged the Senate revenue working group with a new mandate to consider the current reality and to think through a plan to meet potential challenges, depending on federal action and where we stand with the economic recovery and where the pandemic is," Hinds said.

Hinds said the working group, which still plans to release long-term tax reform recommendations this year, will continue to meet through the fall and has "expanded what it's looking at and accelerating." "At this point it's far too premature to know if, let alone when, action will be required," Hinds said.

Hinds took to social media after the interim budget was released and Tweeted that not only did it level fund unrestricted municipal aid and Chapter 70 school aid, but it included a \$107 million increase in school funding for inflation. He later deleted the Tweet, and told the News Service, "I defer to the chairs of Ways and Means. The reality is, the details haven't been finalized."

Economists and fiscal analysts have projected that the \$31.15 billion in state tax revenue that officials once predicted could wind up at least \$6 billion lower because of the pandemic and the business closures enacted by government to control the virus's spread.

Baker and the Legislature have not yet updated that revenue projection, and the trajectory of the virus's infection rate will have a huge impact on whether the economy can spring back to life, or if a second surge forces more business slowdowns.

Waiting, however, doesn't come without its own downsides.

McAnneny said that if the state were to simply level fund government services for the year, it would shrink the projected \$6 billion revenue gap by about \$1.5 billion. "The upside is they're not spending more than last year," McAnneny said. "The downside is they're potentially not making changes to realize fully annualized savings." The budget bill approved by the Legislature prevents the Baker administration from seeking savings over the next three months "through reductions in eligibility standards or benefit levels as compared with items funded in the general appropriations act for fiscal year 2020."

The bill would also give Secretary Heffernan some flexibility to respond in the event Congress delivers on another relief package for the states.

"If federal programs, or other alternative funding sources, are available to supplant state funding for the same purposes, the secretary may reduce the state's portion of said funding in a manner commensurate with the additional federal revenue received for said purpose," the bill states.

-End-

07/28/2020

Town of Franklin

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OFFICE OF THE TOWN ADMINISTRATOR

September 16, 2020

To: Town Council Budget Subcommittee
From: Jamie Hellen, Town Administrator

RE: CARES Act/FEMA & Federal COVID-19 Reimbursement Summary

The following is an overview on revenue the Town has received from various federal sources of COVID-19 Relief. These revenues by state are required to be in special revenue accounts and are outside the Town's operating budget.

CARES ACT

The Town was awarded \$2.9 million in CARES Act money. These funds are floated through the state A&F agency and were apportioned based on population. The allocation of funds were directed toward:

Department	Items	Purpose	Amount
Technology/School	4,000 K-8 Chromebooks	Remote learning and 2021 MCAS	\$964,000
Technology	Dell & Acer Laptops, Aspen online registration, Monitors	Support municipal and school staff transition to remote workstations.	\$47,875
Facilities, Fire, Police, School, DPW	PPE, sanitization materials	Protect employees and clean facilities.	\$38,404
Fire/Police/School	Personnel costs	COVID related reimbursements for staff training and overtime during the peak.	\$41,137
TOTAL			\$1,091,416

At this time, Franklin has approximately \$1.8 million available in CARES Act funding remaining for our second round of requests. The remaining amount will be used for PPE and sanitization supplies, as needed, but mostly will be used to retrofit all of our public schools and buildings with UV lighting in the HVAC systems.

FEMA Reimbursement

The Town receives a 75% reimbursement for PPE and sanitizing supplies from FEMA. To date, the Town has applied for \$209,493.62 to be reimbursed at a rate of 75% so approximately \$157,120.22 will be received. The Town will continue to apply for reimbursement as costs come in. The remaining 25% is funded through the CARES Act.

Department	Items	Purpose	Amount
Facilities, Fire, Police, School, DPW	PPE, sanitization materials, Equipment	Protect employees and clean facilities.	\$166,841.01
Fire/Police/School	Personnel Salaries	COVID related training/support/overtime	\$42,652.61
TOTAL			\$209,493.62

Department of Elementary and Secondary Education (DESE)

The School Department was given \$1,156,275 in grant money to allocate towards the school reopening process including instructional/professional staff salaries, support staff salaries, technology and PPE. The schools also received \$123,235 primarily allocated towards meeting the unique needs of special student populations.

MicroEnterprise Grants

The Town was part of a consortium of six local communities who applied for a regional microenterprise grant program for small businesses of 5 or fewer employees in Franklin. The application period is underway and we expect approximately \$90,000 in revenue granted to small businesses later this fall. The grant also assured the Franklin Food Pantry with \$9,000 dollars in direct assistance.

Anticipated Costs through 12-31-2020

We anticipate spending approximately 1.8 million dollars of the remaining CARES Act money, and FEMA reimbursement, for UV Lighting in HVAC systems, PlexiGlass for staff offices and schools, air filters, and AeroClave for the Fire Department, PPE, and technology in support of remote working and learning stations.