

## QUESTION 1 – ELIMINATION OF STATE INCOME TAX IMPLICATIONS FOR THE TOWN OF ARLINGTON

On November 4, 2008 the election ballot will contain a question which would eliminate the State income tax. The Secretary of States office has summarized the question as follows:

This proposed law would reduce the state personal income tax rate to 2.65% for all categories of taxable income for the tax year beginning on or after January 1, 2009, and would eliminate the tax for all tax years beginning on or after January 1, 2010. The personal income tax applies to income received or gain realized by individuals and married couples, by estates of deceased persons, by certain trustees and other fiduciaries, by persons who are partners in and receive income from partnerships, by corporate trusts, and by persons who receive income as shareholders of "S corporations" as defined under federal tax law. The proposed law would not affect the tax due on income or gain realized in a tax year beginning before January 1, 2009. The proposed law states that if any of its parts were declared invalid, the other parts would stay in effect.

The Arlington Board of Selectmen has requested information on the effects this may have on the Town of Arlington's finances.

The Massachusetts Municipal Association (MMA), in cooperation with the State Office of Finance and Administration, has developed a scenario indicating what the possible cuts to State Aid would be for Arlington. According to the MMA, Arlington would lose all of its Chapter 70 funds and 67% of all other state aid. Current state aid is \$16,488,573. The cuts would bring this amount down to \$3.1 million, or a \$13.4 million reduction in state aid.

These reductions coupled with an anticipated reduction in local receipts in FY2009, due to recent financial events, would mean that the Town would be facing a deficit of at least \$14 million going into FY2010.

**ATTACHMENT 1:** Shows the FY2009 budget as appropriated, carving out the monies that are fixed costs which cannot be cut and those that are non-fixed. The total budget is \$106 million. Of this amount, \$39 million is fixed costs. This leaves \$67 million from which the \$14 million would have to be eliminated. However, if you review this amount, some of this is mandated by state law and cannot be cut bringing the total amount of discretionary monies to approximately \$50 million. A \$14 million reduction would mean cutting those services between 25 to 30%. This could mean the elimination of between 225 to 275 positions approximately equally split between the Town and School budgets.

**ATTACHMENTS 2 -6:** These charts show the significant town personnel reductions (15%) that have already taken place over the last five years. They also show that Arlington's spending per capita is among the lowest of all its comparable communities. Consequently, with Arlington already operating on very tight budgets and being thinly staffed, the massive staff reductions required if Question 1 was to pass would mean the elimination of many services and devastating reductions in public safety and education.

**ATTACHMENT 2:** This chart shows the reduction of municipal staff positions from FY2003 until FY2009 – a 15% reduction. An additional elimination of 125 positions would mean a further 39% reduction.

**ATTACHMENT 3:** This chart shows Arlington ranks 17<sup>th</sup> in Public Safety expenditures per capita out of 20 comparable communities.

**ATTACHMENT 4:** This chart shows Arlington ranks 18<sup>th</sup> in Public Works expenditures per capital out of 20 comparable communities.

**ATTACHMENT 5:** This chart shows Arlington ranks 11<sup>th</sup> in School expenditures per capital out of 20 comparable communities.

**ATTACHMENT 6:** This chart shows Arlington ranks 17<sup>th</sup> in Total expenditures per capital out of 20 comparable communities.

# Question 1 Budget Impact

## Estimated State Aid Reduction of \$14 million

<b>TOTAL BUDGET</b>	<b>106,174,054</b>
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**Fixed Costs**

State Charges	2,720,094
Minuteman Technical School	3,153,412
Pensions	6,951,511
Elections	124,813
Debt	7,452,980
Veterans' Services	236,934
Workers' compensation	490,000
Unemployment Insurance	100,000
Indemnity & Liability Insurance	300,000
Health / life Insurance	15,880,240
Snow and Ice removal	885,000
Overlay Reserve	600,000
Court Judgment Reserve	100,000
<b>Subtotal</b>	<b>38,994,984</b>

There may be cost savings opportunities here, subject to negotiations

<b>TOTAL NON-FIXED APPROPRIATION</b>	<b>67,179,070</b>
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<b>School</b>	<b>37,878,871</b>
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<b>Municipal Departments</b>	<b>27,118,426</b>
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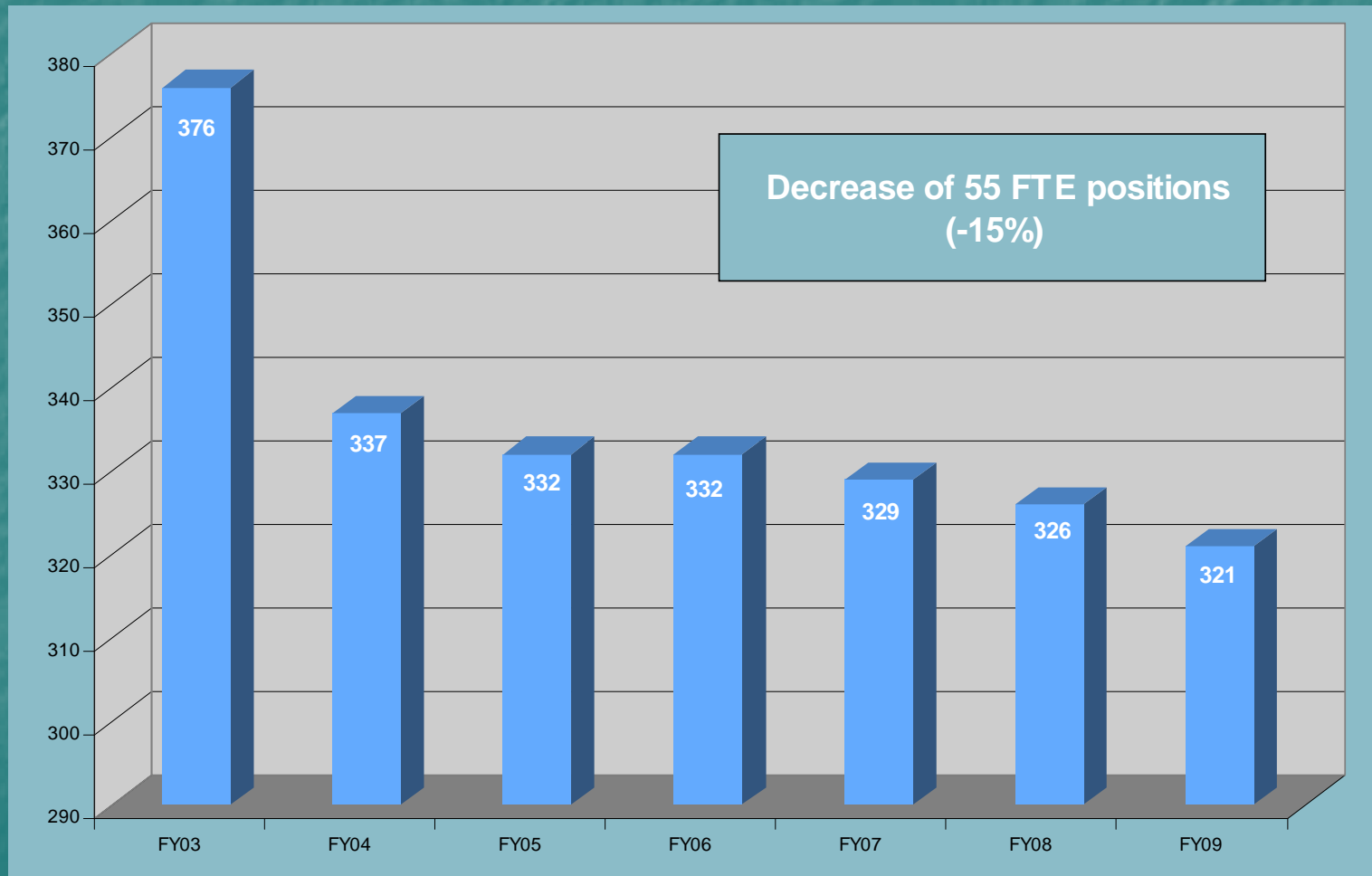
Police & Support	7,137,655
Fire	5,009,209
Public Works	3,849,467
Sanitation Collection & disposal contracts	2,959,800
Treasurer	577,693
Assessor	301,270
Comptroller	384,443
Clerk & Registrar	300,093
Postage	159,382
Libraries	1,898,988
Inspections	351,192
Health and Human Services	419,698
Legal	460,047
Information Technology	525,813
Personnel	190,113
Town Manager	460,104
Selectmen	273,745
Youth Services	293,593
Planning	228,266
Redevelopment	328,223
Parking	99,243
Zoning Board	23,311
Reserve Fund	450,000
Finance Committee	10,778
FY2009 Collective Bargaining	426,300
<b>Subtotal</b>	<b>27,118,426</b>

Some items within these budgets cannot be cut because they may be required under state law, e.g. revaluations, special education, audit, building inspections, health inspections, etc.

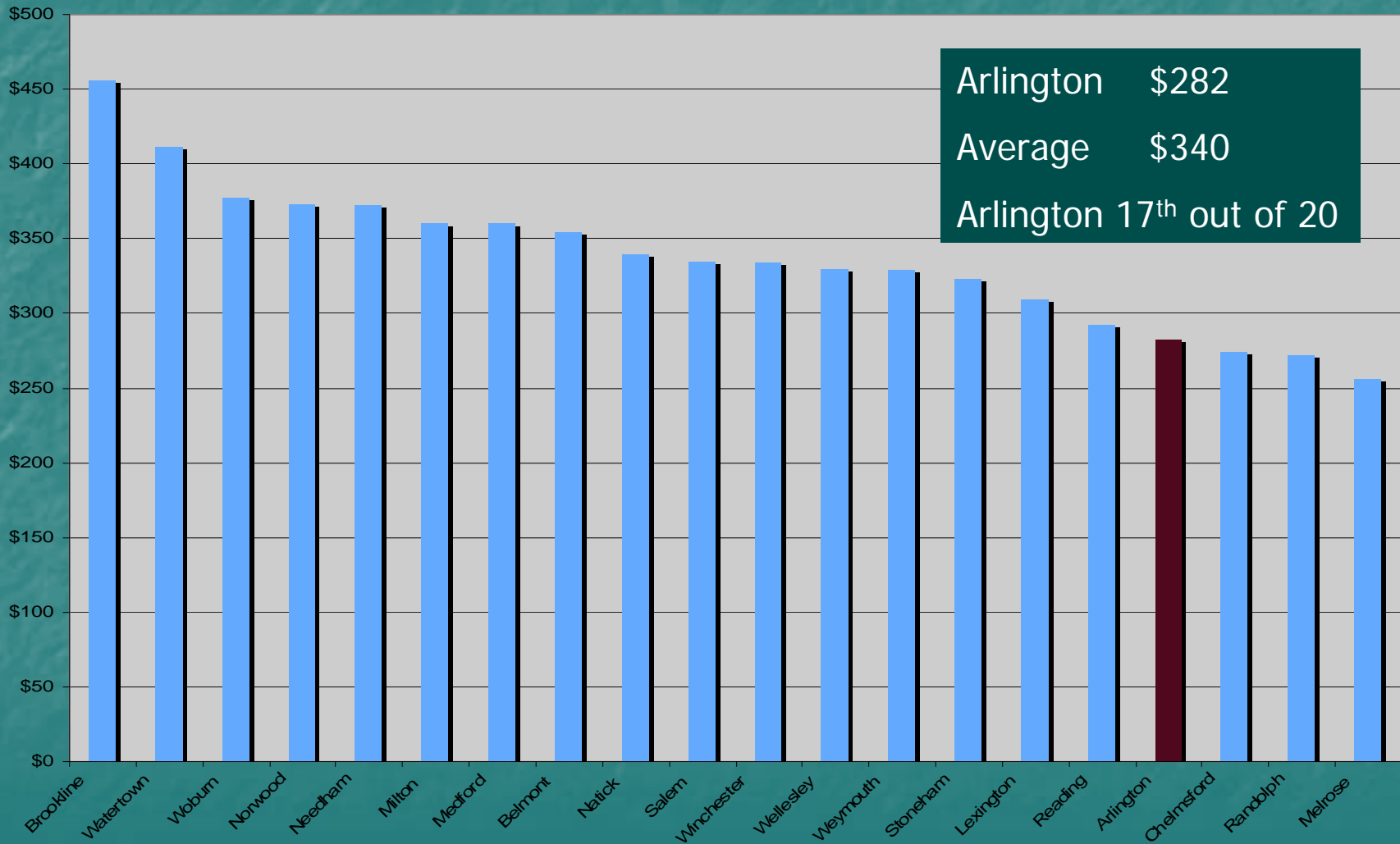
When these items are pulled out of the \$67 million, it brings the non-fixed number down closer to \$50 million. Cutting \$14 million would mean a 25 - 30% cut .

<b>Warrant Articles</b>	<b>2,181,773</b>
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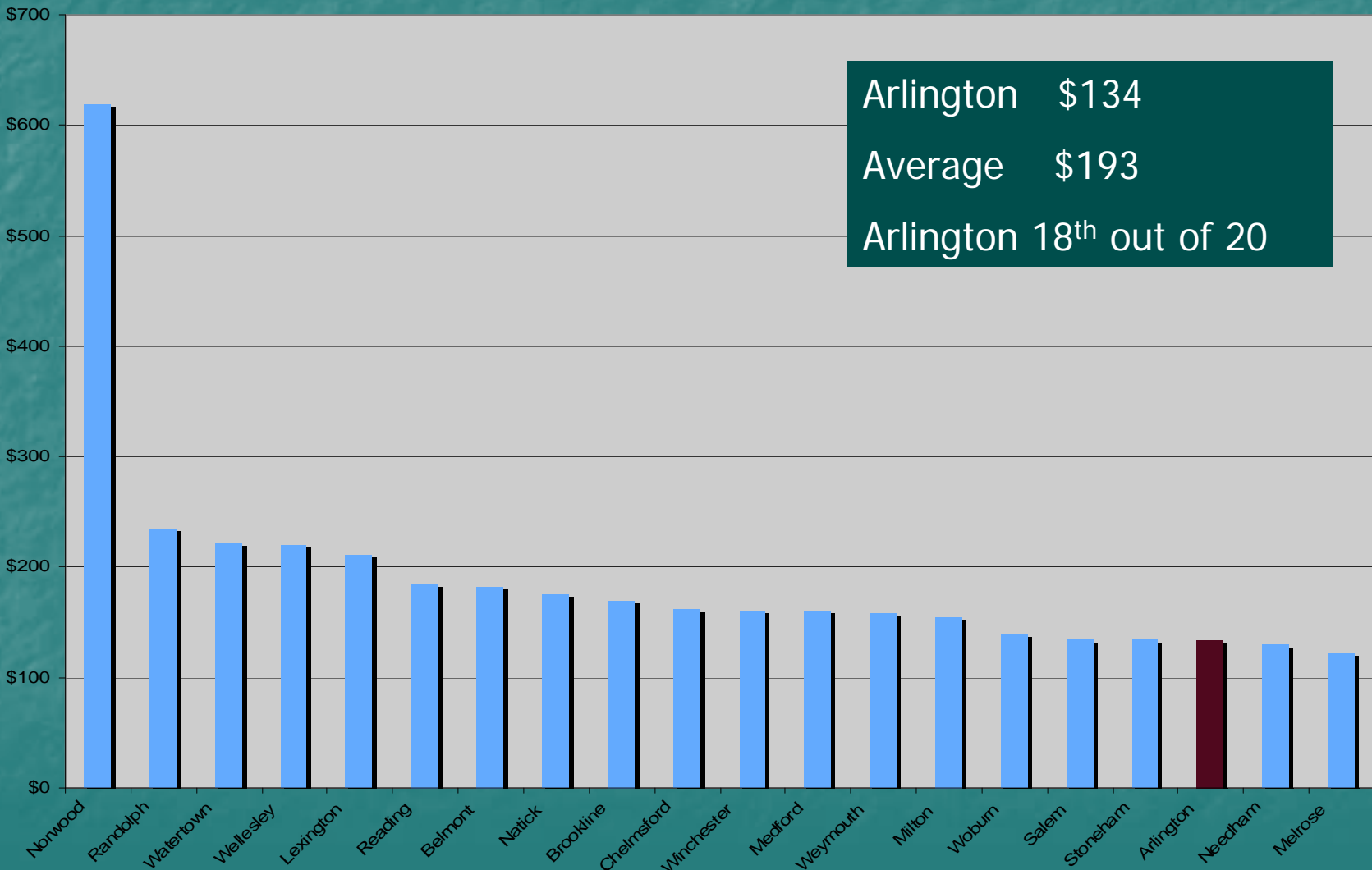
# Municipal Personnel Changes FY2003 – FY2009



# FY2006 Public Safety Exp Per Cap

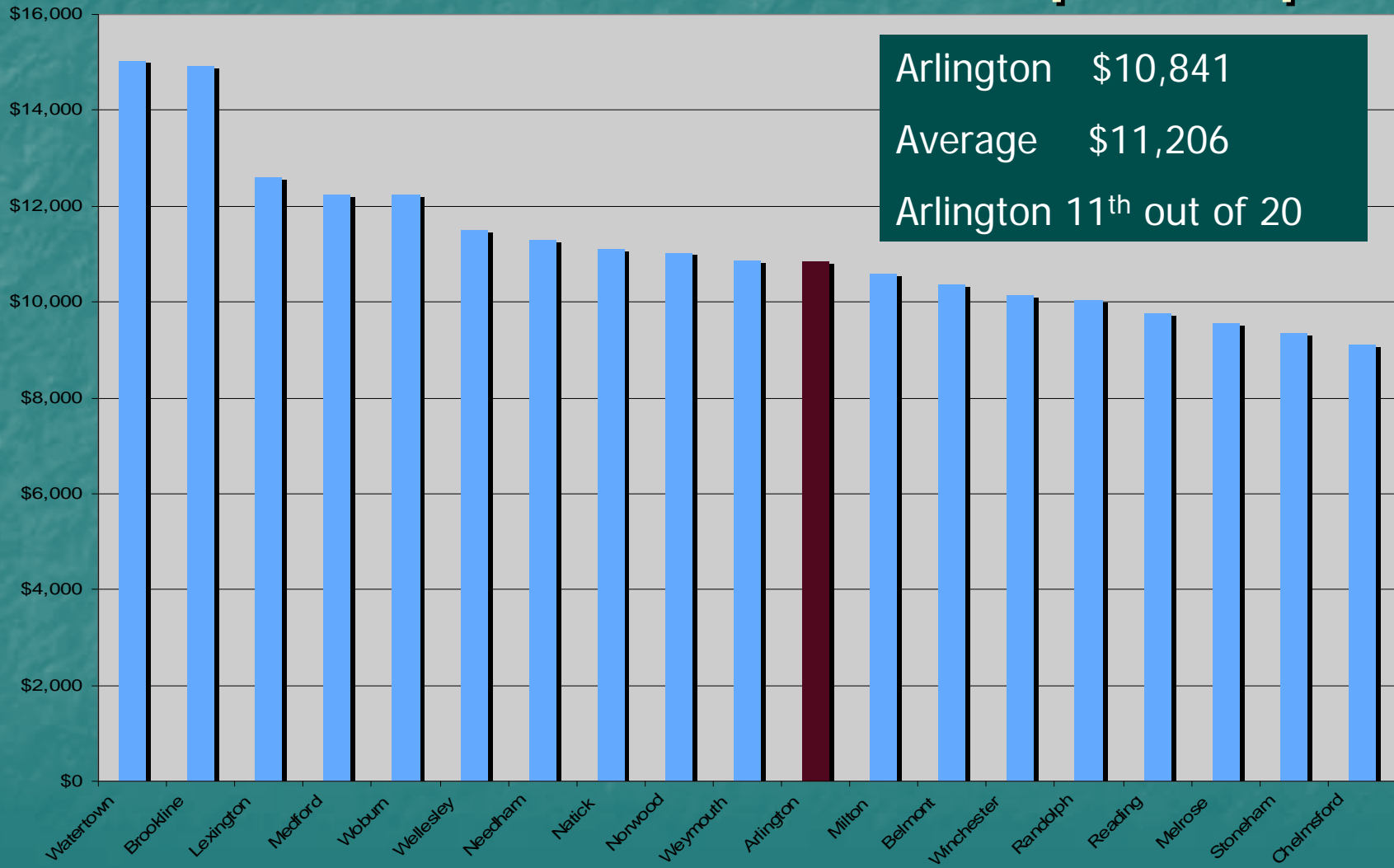


# FY2006 Public Works Exp Per Cap



Arlington \$134  
 Average \$193  
 Arlington 18<sup>th</sup> out of 20

# FY2006 School Per Pupil Exp



# FY2006 Total Exp Per Cap

