Beacon Hill Byline by Mary Rogeness July 5, 2007

Saving Longmeadow Money

Early this spring Governor Patrick filed his "Municipal Partnership Bill" with the house of representatives. The bill contained measures to provide new taxing and savings options for cities and towns. When the bill reached the legislature, it was quickly divided into several different parts. Tax items went one direction; insurance items another; pensions still a third way.

Lawmakers of both parties appear less eager than the governor to imposes new taxes of any sort. "No new taxes!" is a slogan that still resonates in the halls of the State House. Only the two non-tax items have been debated so far. Last month we passed measures that may introduce new savings to municipal budgets – without raising taxes at all.

The bills deal with insurance and actuarial issues, not usually considered to be exciting. Yet each bill has the possibility of saving substantial local dollars, and each community will be wise to consider their benefits.

The first bill to come before us concerns health insurance for town employees. Massachusetts has 351 cities and towns, each with its own insurance program. The state has the Group Insurance Commission, an insurance program for all employees off state government.

The idea was first introduced by Lieut. Gov. Kerry Healey after local officials repeatedly complained to her about the unsustainable costs of health insurance. The large number of members in the state program can produce lower unit cost, so she advocated the inclusion of towns in GIC.

As introduced in the legislature, local governments are invited into the state GIC program so long as 70% of unions agree to the change. The city of Springfield has pioneered the merger after it was granted special permission to join GIC because of its financial distress. Both the city and its employees are reaping financial rewards after its first year of the joint program.

The merger will not benefit every town, however, so each community should conduct a comprehensive review of present insurance options before proceeding to recommend changes to town workers.

The GIC bill should soon be on the governor's desk.

The second bill is the actuarial piece. It allows the 100+ local and regional pension plans to come under management of the state fund, Pension Reserves Investment Trust. PRIT oversees the billions of dollars of retirement funds for state workers. Its management fees are low, and its rate of return is outstanding.

This bill is not as permissive as the GIC bill. Plans that have fallen far behind in full funding and rate of return will be required to join PRIT. The Hampden County Retirement fund that handles many towns' retirement funds is behind the average for both measures, but not low enough to be mandated to join.

Again a pioneer, Springfield joined PRIT under its Control Board. West Springfield and Hampshire County are captured under the house bill's standards. Understandably, local boards have fought to retain their independence. Because all residents pay the costs of poor investment performance, I strongly support our county system's immersion in PRIT.

The bill has passed the house and awaits senate action.

The governor's tax proposals remind me of the old saying, "Don't tax you. Don't tax me. Tax that fellow behind the tree." They include local options to increase the meals and hotel taxes and new taxes on phone companies. Of course we would pay those taxes when we eat in restaurants or pay our phone bills. The bills still sit in legislative committees, and I do not expect them to come before the full house in the near future.

For now, Massachusetts starts its new fiscal year this week with a responsible budget in place and money-savings offers for localities coming close to reality. It looks like it will be a good year.

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