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Coronavirus Planning Response: Implications for the FY21 Budget for Montague

There is tremendous uncertainty about the economic outlook for Massachusetts, the United States, and the world right now. We are clearly heading into difficult times for many people, businesses, schools, and communities, and the Town of Montague will be affected. It is prudent for us to prepare by gathering information and considering a variety of scenarios, but premature to significantly alter our course at this time. While there are many unknowns, some things we do know are:

The global pandemic is far from over, and how it plays out will matter. If efforts to keep the infection rate low are successful, recovering from this spring's "pause" and restarting the economy will take months or years. If our efforts to contain the virus are not successful, the economic impacts will be different and worse. **We may not know until the fall.** (Here is an [article that shows several scenarios.](#))

Here in Massachusetts, we know that **the COVID-19 pandemic has derailed the state budget development process for FY21.** As a result of the pandemic, the state is now anticipating a revenue shortfall for FY20 and projecting that FY21 revenue will be billions of dollars below FY20. (For example, the MA Taxpayers' Association has been running projections for FY21 based on a 14% decrease in tax collections, which they say "is not the worst case scenario.") There will obviously be changes on the expenditure side of the equation as well. Fortunately, Massachusetts has accumulated 3.5 billion dollars in its stabilization ("rainy day") fund, which puts our state in a better position than many U.S. states.

Here in the Town of Montague, we know that:

FY20 revenue and expenses seem to be more or less on track.

Tax collections are by far the largest source of funds the town relies on for revenue, and as we head into the final two months of FY20, [the Treasurer/Tax Collector reports that "we are in a decent position"](#).

The [April 30 budget summary](#) indicates that General Fund, Airport, and WPCF spending is on target, as well.

We can move forward using our FY21 revenue projections based on preliminary analysis by our Town Accountant (attached and available for download at <https://www.montague-ma.gov/?p=p.374>). While State Aid may be reduced next year, it's ultimately a fairly small portion of the budget. It's also helpful that we had already estimated local receipts conservatively and that we are not dependent on revenue from sources that have already been heavily impacted by the coronavirus pandemic (eg retail cannabis excise tax, lodging, meals tax, gambling)

The budget proposal we've developed for FY21 is still solid. We built it using information about what the Town needs to deliver "level services" in FY21, and operationally, that is still the plan for now. If there is a need to expand services or make budget cuts in the future, we should do so based on information and demonstrated need, not speculation.

We have a standing agreement to dedicate a set portion of our annual estimated revenue to the Gill-Montague Regional School District. This allows us to move forward with approving our FY21 operating budget even if they need to re-work theirs, and it gives them a number they can rely on for the Montague assessment, which is a large portion of their operating budget.

We have Reserves to tap if necessary. Here is the [April 30 report on Special Revenue and Trust Funds](#). (Note that the \$800,000 allocated from Overlay Reserve to Town Capital Stabilization by Town Meeting on March 5, 2020 has not transferred yet; the balance of Town Capital Stabilization exceeds \$1 million now.)

We have Free Cash that we could choose to carry over into FY21 and allocate at a Special Town Meeting. The budget we have proposed directs over \$500,000 toward projects that would maintain Town buildings and infrastructure, as well as contributions to Reserves.

The Capital Improvements Committee has reaffirmed its support for all of the projects recommended on March 18, but on April 29 [they identified some that could reasonably be delayed](#). Holding some of the capital special articles for future consideration would reduce the scope of [the draft warrant for Annual Town Meeting](#) on June 13th, but would also prevent forward motion on projects that have all been identified as "must dos" by the CIC.

Similarly, the Finance Committee might decide to support a proposal to defer action on the special articles related to financial policies.