



BARNSTABLE COUNTY COMMISSIONERS

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June 10, 2026

HOME RULED CHARTERED
IN 1989

Senator Michael J. Rodrigues
24 Beacon St.
Room 212
Boston, MA, 02133

Aaron Michlewitz
24 Beacon St.
Room 243
Boston, MA, 02133

BY ELECTRONIC MAIL ONLY

Support for Senator Fernandes FY27 Budget Amendment Creating a Special Commission to Study UGGA

Dear Senator Rodrigues and Senator Michlewitz:

On behalf of the communities of Barnstable County, we write to formally share the critical findings of a June 2026 report by the Barnstable County Administration, entitled *"Massachusetts State Lottery, Unrestricted General Government Aid (UGGA), and the Double Disadvantage Facing Cape Cod Communities"* (attached).

Also, we respectfully urge you to support and recommend adoption of Senator Fernandes' Senate amendment to the state budget (FY2027-S4-1035), which establishes a lottery study committee to review and modernize these outdated local aid distribution frameworks.

While Barnstable County government itself does not directly receive or benefit from Unrestricted General Government Aid (UGGA), it has compiled this report as an informational resource to highlight a severe structural funding inequity impacting all fifteen Cape Cod municipalities.

The "Double Disadvantage" Facing Cape Cod

The report details a compounding financial burden on our region driven by two distinct structural failures: formula inequity and inflationary erosion. Formula inequity is most concerning to us.

1. Structural Formula Inequity (Low Return on Investment)

Cape Cod communities generate massive revenues for the Commonwealth's lottery system but receive a disproportionately small return in local aid.

- In FY2025, Cape Cod municipalities generated approximately \$231 million in net lottery sales.
- In return, the region collectively received only \$12.04 million in UGGA.
- This translates to a staggering imbalance: Cape Cod receives back just 5.2 cents for every dollar it generates for the State Lottery system.

The current UGGA formula relies heavily on equalized property valuations and permanent population metrics. This creates a "wealth illusion," where high real estate values mask the reality of year-round residents whose incomes fall below the statewide average. Furthermore, the formula completely ignores the immense seasonal population spikes and tourism impacts that place heavy, costly demands on Cape infrastructure and municipal services.

2. Inflation Erosion and Purchasing Power Shortfalls

Even the nominal aid our towns do receive has failed to keep pace with the cost of running a typical municipality.

- Between 2017 and 2026, countywide UGGA increased by 29.5%, while cumulative statewide inflation skyrocketed by 35.96%. Local inflation, specifically the cost of capital projects which almost all Cape towns are forced to undertake, is substantially higher than the statewide rates.
- Based in general numbers, this has resulted in a 4.8% decline in the real purchasing power of local aid over the last decade.
- To simply match the purchasing power of 2017 aid levels, Barnstable County towns would need \$12.30 million in UGGA in 2026. Instead, they received \$12.18 million—a collective annual shortfall of \$124,911. This number ignores the exponentially increasing expenses of town capital projects.

Critical Local Impact: Every municipality in Barnstable County receives less state aid in real terms today than it did in 2017. This divergence became severe post-pandemic when UGGA growth was frozen or fell far behind inflation (e.g., in 2022, inflation hit ~8.0% while UGGA increased just 3.5%).

This erosion is particularly damaging right now, as Cape towns face escalating capital costs for mandated wastewater, water, and environmental compliance projects designed to protect our long-term water quality. When state aid lags behind inflation, the burden is forced entirely onto local taxpayers. This can result in critical environmental and infrastructure investments being dangerously deferred.

Key Potential Areas for Legislative Review

The Barnstable County report outlines clear suggested pathways for modernization that must be evaluated to protect our communities:

- **Minimum Municipal Return:** Establishing a baseline return tied directly to regional lottery revenue generation.
- **Formula Modernization:** Updating UGGA metrics to include factors beyond basic property valuation, specifically accounting for the economic strains of seasonal population spikes.
- **Inflation Protection:** Developing a mechanism to index local aid growth to inflation, preserving municipal purchasing power.

Conclusion and Request for Action

The historical intent of the Massachusetts State Lottery in 1971 was to provide non-property-tax relief to help towns conquer fiscal challenges. For Cape Cod, the system is no longer working as intended. Our region is systematically shortchanged on the front end by an antiquated formula, and eroded on the back end by modern inflation.

Senator Fernandes' proposed budget amendment to create a lottery study committee is a vital, necessary first step toward reforming this broken equilibrium. We implore you to champion this amendment during the budget reconciliation process to ensure Cape Cod's taxpayers and environment are no longer left carrying a disproportionate share of the weight.

Thank you for your continued leadership and dedicated service to all the residents of Massachusetts. We look forward to working with you to advance this critical regional priority.

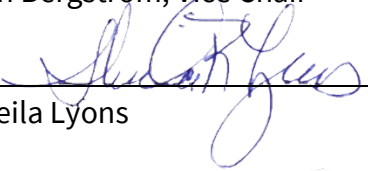
Sincerely,



Mark Forest, Chair

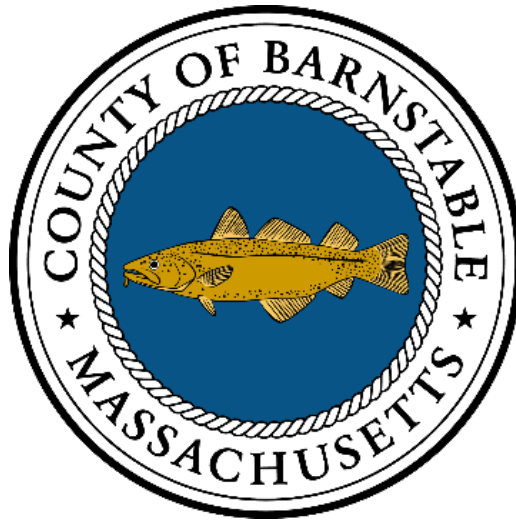


Ron Bergstrom, Vice Chair



Sheila Lyons

cc: Senator Joanne M. Comerford
Senator Patrick M. O'Connor
Representative Kip A. Diggs
Representative Todd M. Smola
Cape Cod Managers and Administrators



Massachusetts State Lottery, Unrestricted General Government Aid (UGGA), and the Double Disadvantage Facing Cape Cod Communities

Barnstable County Administration

June 2026

Executive Summary

The Massachusetts State Lottery serves as the primary source of unrestricted municipal aid for cities and towns across the Commonwealth. For Cape Cod communities, however, two related challenges have emerged. This analysis focuses exclusively on aid received by Barnstable County's fifteen municipalities; Barnstable County government does not receive or benefit from Unrestricted General Government Aid or municipal lottery distributions and is providing this report solely as an informational resource for local communities.

First, Barnstable County communities generate substantial lottery revenue but receive a disproportionately small share of Unrestricted General Government Aid (UGGA) under the Commonwealth's current distribution formula. In FY2025, Cape Cod municipalities generated

approximately \$231 million in net lottery sales yet received only \$12.04 million in UGGA, representing a return of approximately 5.2 cents for every dollar generated.

Second, even the aid Cape Cod communities do receive has steadily lost purchasing power. Between 2017 and 2026, countywide UGGA increased by 29.5 percent, while cumulative inflation increased by approximately 35.96 percent. To maintain the same purchasing power as 2017, Barnstable County municipalities would need approximately \$12.30 million in UGGA in 2026. Actual aid totals \$12.18 million, resulting in an annual purchasing power shortfall of approximately \$124,911.

Taken together, these findings demonstrate a double disadvantage facing Cape Cod communities. The region receives a relatively small return from the lottery revenues it generates, and the value of those aid dollars has been eroded by inflation.

Key Findings

- Cape Cod generated approximately \$231 million in State Lottery net sales during FY2025.
- Cape Cod municipalities received approximately \$12.04 million in UGGA.
- The region receives only 5.2 cents back for every dollar generated through Lottery sales.
- Between 2017 and 2026, UGGA increased 29.5 percent while inflation increased 35.96 percent.
- The purchasing power of local aid has declined approximately 4.8 percent over the past decade.
- Every municipality in Barnstable County receives less aid in real terms today than it did in 2017.

The Double Disadvantage Facing Cape Cod

Structural Formula Inequity

Cape Cod generates substantial Lottery revenue but receives a disproportionately small share of municipal aid through the current UGGA formula. The formula relies heavily on equalized

property valuation and permanent population measures that do not adequately reflect seasonal service demands, tourism impacts, or regional economic contribution.

Inflation Erosion

Even the aid Cape Cod communities do receive has not kept pace with inflation. While aid increased in nominal dollars, the cost of delivering municipal services—including public safety, infrastructure, utilities, labor, fuel, and environmental compliance—has increased more rapidly. This inflationary pressure is especially significant for Cape communities facing major capital needs, including wastewater and sewer construction projects required to address long-term water quality and environmental challenges.

Combined Effect

Cape Cod communities receive less aid than their lottery contributions would suggest, and each aid dollar purchases less than it did a decade ago.

1. Historical Context and Legislative Intent

The Massachusetts State Lottery was established on September 27, 1971, through Chapter 813 of the Acts of 1971 in response to growing municipal fiscal challenges.

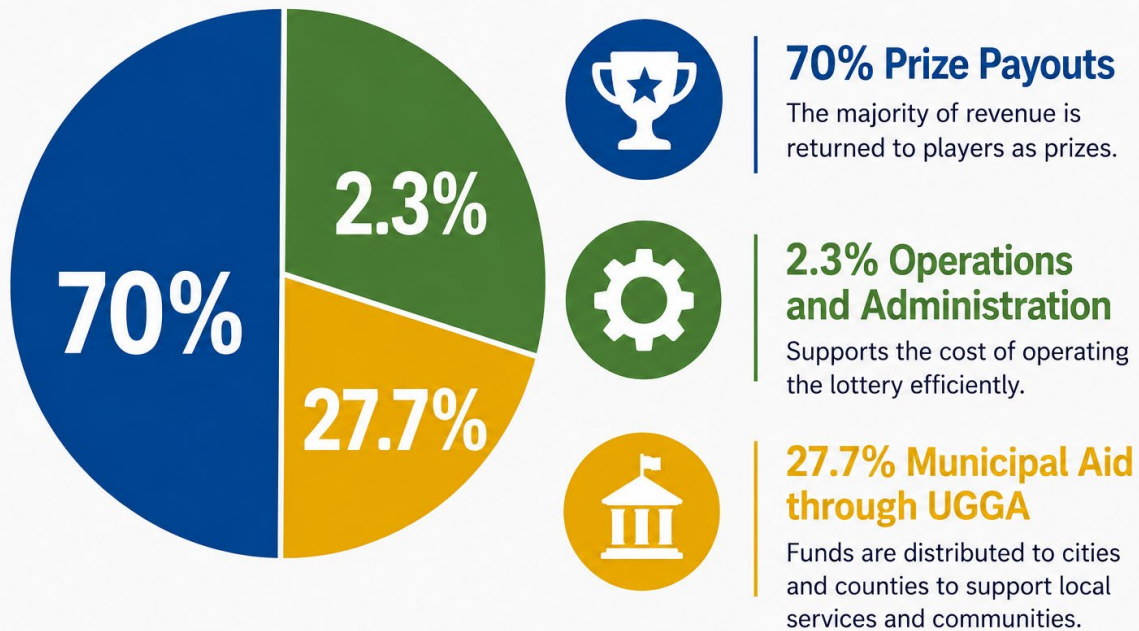
The Legislature’s objective was to create a dedicated, non-property-tax revenue source that could provide unrestricted local aid to cities and towns throughout the Commonwealth.

Lottery ticket sales began in 1972 and expanded significantly with the introduction of instant scratch tickets in 1974. Today, Lottery profits remain one of the primary sources of unrestricted municipal assistance.

2. How Lottery Revenue Becomes Local Aid

Lottery revenues are deposited into the State Lottery and Gaming Fund and ultimately distributed to municipalities through the Commonwealth’s Unrestricted General Government Aid program.

Lottery Revenue is Allocated



3. Cape Cod's Contribution to the Lottery System

Barnstable County municipalities generated approximately \$231 million in net Lottery sales during FY2025.

Despite this substantial contribution, Cape Cod municipalities collectively received only \$12.04 million in UGGA.

BARNSTABLE COUNTY LOTTERY IMPACT

Barnstable County municipalities generated **\$231 million** in net Lottery sales during FY25 but received only **\$12.04 million** in UGGA.

AT A GLANCE



LOTTERY SALES

\$231

MILLION



UGGA RECEIVED

\$12.04

MILLION



RETURN RATIO

5.21%



The current formula **does not** distribute aid based on **where Lottery tickets are sold**. Instead, distributions are heavily influenced by equalized property valuation and population-based factors.

Municipal Lottery Sales and UGGA Returns (FY2025)

Municipality	FY2025 Lottery Sales (\$)	FY2025 UGGA Received (\$)	Return Ratio (per \$1 of Sales)
Barnstable	\$52,066,963	\$2,590,019	4.97%
Bourne	\$23,439,003	\$1,805,020	7.70%
Brewster	\$3,214,441	\$486,179	15.12%
Chatham	\$2,794,882	\$185,311	6.63%
Dennis	\$19,104,500	\$670,586	3.51%
Eastham	\$4,737,032	\$183,447	3.87%
Falmouth	\$32,012,431	\$1,707,078	5.33%
Harwich	\$16,843,854	\$530,386	3.15%
Mashpee	\$14,161,416	\$453,025	3.20%
Orleans	\$6,251,579	\$211,505	3.38%
Provincetown	\$4,815,295	\$170,319	3.54%
Sandwich	\$17,159,138	\$1,387,851	8.09%
Truro	\$60,645	\$37,045	61.08%
Wellfleet	\$1,303,173	\$71,972	5.52%
Yarmouth	\$33,040,961	\$1,554,670	4.71%

Note: Return ratio represents FY2025 UGGA received divided by FY2025 lottery sales.

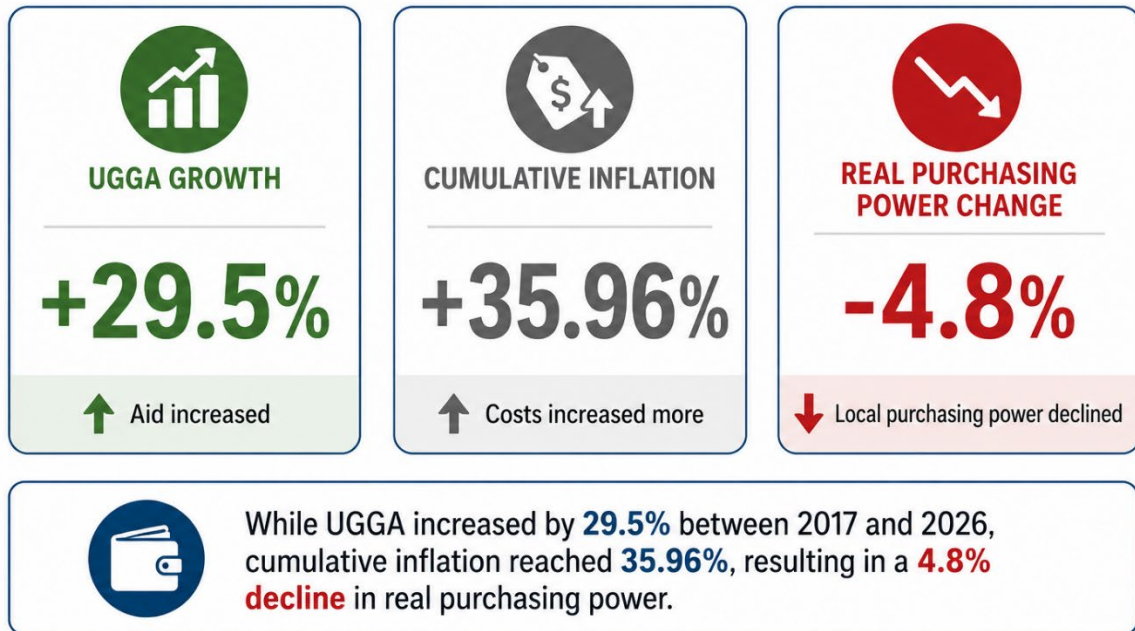
Sources: Massachusetts State Lottery Commission (FY2025 Net Sales by Municipality);
Massachusetts Department of Revenue (FY2025 UGGA Distribution)

The current formula does not distribute aid based on where Lottery tickets are sold. Instead, distributions are heavily influenced by equalized property valuation and population-based factors.

4. Inflation and Purchasing Power

A Decade of Purchasing Power Erosion

2017–2026



While aid increased in nominal dollars, inflation outpaced aid growth, resulting in a measurable decline in purchasing power. This challenge is particularly acute for Cape Cod communities undertaking major water, wastewater, and sewer infrastructure projects, where construction cost inflation has often exceeded general consumer inflation, further increasing the gap between available aid and actual municipal costs.

WHAT THIS MEANS



2017 COUNTY UGGA

\$9.41
MILLION



2026 COUNTY UGGA

\$12.04
MILLION



INFLATION-ADJUSTED
2017 VALUE

\$12.30
MILLION



ANNUAL PURCHASING
POWER SHORTFALL

\$124,911



The result is that Barnstable County municipalities can **purchase fewer goods and services** with state aid today than they could ten years ago.

The result is that Barnstable County municipalities can purchase fewer goods and services with state aid today than they could ten years ago.

The Turning Point

The most significant divergence occurred during the post-pandemic inflation period.

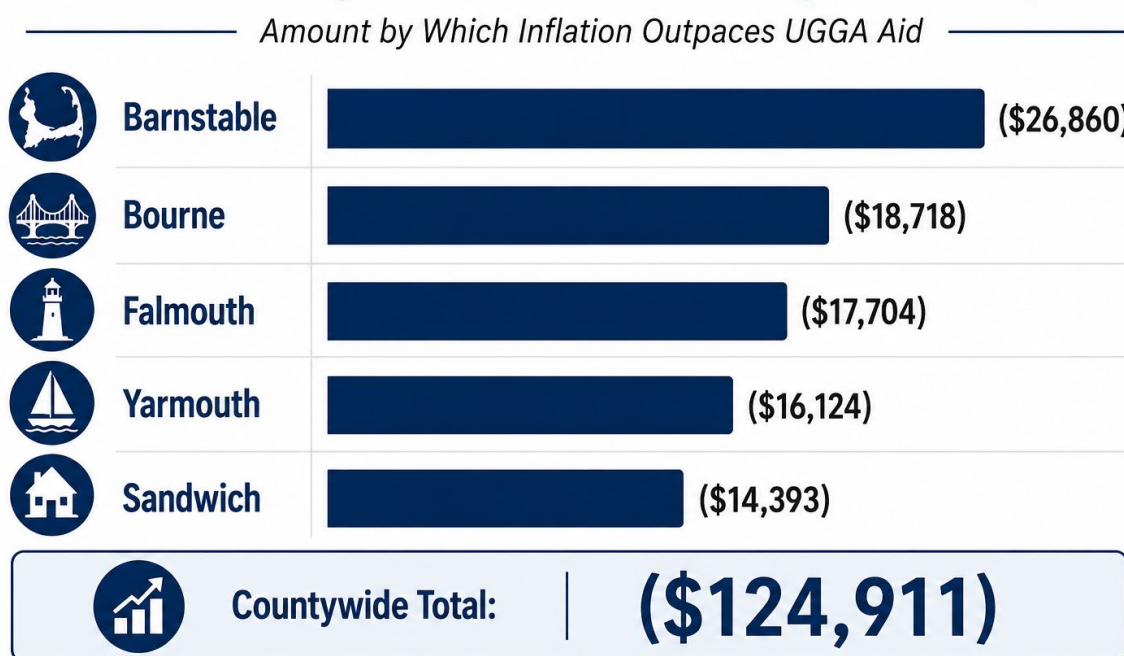
- In 2021, UGGA growth was effectively frozen while inflation accelerated.
- In 2022, inflation reached approximately 8.0 percent while UGGA increased only 3.5 percent.

The purchasing power lost during that period has never been fully recovered.

5. Municipal-Level Impact

Every municipality in Barnstable County experiences a real purchasing power shortfall when current aid levels are compared to inflation-adjusted 2017 aid values.

Annual Purchasing Power Shortfall – Largest Municipalities



Note: Barnstable County includes 15 municipalities. This graphic highlights the five most populous communities; all municipalities experienced a purchasing power shortfall.

Municipal Shortfall

Although the dollar amounts vary, every Cape Cod municipality receives less aid in real terms than it did a decade ago.

Note: Barnstable County includes 15 municipalities. This graphic highlights the five most populous communities; all municipalities experienced a purchasing power shortfall.

6. Examples of Municipal Cost Drivers

WHY THIS MATTERS

Municipal governments face increasing costs associated with essential local services.

EXAMPLES OF MUNICIPAL COST DRIVERS



PUBLIC SAFETY SERVICES



WATER & WASTEWATER INFRASTRUCTURE



ROAD MAINTENANCE & PUBLIC WORKS



EMPLOYEE WAGES & BENEFITS



ENVIRONMENTAL COMPLIANCE REQUIREMENTS



UTILITIES, FUEL & CONSTRUCTION MATERIALS



COASTAL RESILIENCY PROJECTS



These examples illustrate the types of municipal services and infrastructure that face rising costs over time, **often at rates that exceed general inflation.**

When aid growth lags inflation, communities must increasingly rely on local taxpayers or defer critical investments.

7. Structural Issues in the Current Formula

Several characteristics of the current formula disproportionately affect Cape Cod communities:

The Wealth Illusion

High property values create the appearance of municipal wealth despite many year-round residents having incomes below statewide averages. In Barnstable County, the median

household income is **\$95,241**, compared with the **Massachusetts median of \$104,828**. As a result, property values can overstate the fiscal capacity of local communities and the ability of residents to absorb rising municipal costs.

Seasonal Population Pressures

The formula does not adequately account for millions of seasonal visitors who increase demand on public services and infrastructure.

Historic Distribution Patterns

Elements of the current aid formula trace back more than 50 years, resulting in historical allocation patterns that have become embedded over time and may no longer fully reflect the fiscal realities facing communities today.

Inflation Exposure

There is currently no mechanism to ensure annual aid growth keeps pace with inflation.

8. Potential Areas for Legislative Review

1. Establish a minimum municipal return tied to Lottery revenue generation.
 2. Modernize the UGGA formula using additional indicators beyond property valuation.
 3. Account for seasonal population impacts on municipal service delivery.
 4. Create an inflation protection mechanism to preserve the purchasing power of local aid.
-

Conclusion

Cape Cod communities generated more than **\$231 million** in Lottery sales during FY2025 yet received only **\$12.04 million** in unrestricted municipal aid. At the same time, inflation has reduced the purchasing power of that aid, increasing the challenge of funding essential municipal services and infrastructure.

The result is a double disadvantage: Cape Cod receives a relatively small share of Lottery-generated aid, and the real value of that aid continues to erode over time.

Future discussions regarding municipal aid reform should consider both the distribution formula itself and mechanisms that preserve the purchasing power of municipal aid in the face of inflation.