

**A Sketch of the History of the Massachusetts Bureau of
Accounts and Related Matters in the Growth and
Development of Municipal Finance
by
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Preface

“They called him Theo!”

Initially, this project was meant as a short preface to a much larger work, a Procedures Manual to be used by incoming staff, as many of our current staff will be retiring in the not-too-distant future. However, during the course of my research, I stumbled across the telephone number of the granddaughter of Theodore Waddell, a former Director of Accounts of whom you will read more about in Part VIII and in the Epilogue. One of my questions to her was, “If your grandfather walked by my door right now, by what name would I call him? Would it be Theodore? Mr. Waddell? She responded, “Oh no. They called him Theo!”

When I heard her response, I leaned back in my chair muttering the name Theo as if stunned. Hearing his nickname rather than seeing his formal name in print personalized him to me such that he was no longer a fictitious character, but rather as real a person as we are today affected by all the happiness, sadness and frustrations that come with daily life. This changed my entire outlook on the project. I felt as if I were being asked by him and by other former Bureau employees long since passed to share what was their life’s work, their efforts, their remembrances with others who currently share many of the same. This writing is in part their curtain-call, perhaps their standing ovation for a job well done.

For those who have come and gone and to those of us who continue on, in many cases to those who have contributed their entire professional career to the Bureau and to the betterment of municipal finance and administration, this journey is dedicated to honor your work, to honor and remember the past, and to learn from the past.

I mean this not as a review and analysis of every municipal law, nor how each law affected the Bureau, nor a chronicle of everyday events, nor an expose. Such an undertaking would yield a printed tome which if mistakenly dropped on one’s foot would undoubtedly leave a mark. Thus I will spare the reader potential discomfort and include only, at first, a chronological history of events followed by a thematic history by decade filled with major facts relevant to the Bureau and to municipal finance in general. One may even discover some humor intermixed.

I will rely upon written reports, quotes by Bureau pioneers, newspaper articles, reports of legislative committees and special commissions, the Internet as well as the collective memory of current and retired staff wherever possible. So much could and probably should be written to befit the Bureau’s venerable history. However, with deference to time and space, I will attempt to present this history as best I can understand it, undoubtedly giving insufficient attention to certain details. Much has been learned by this effort.

Director's Acknowledgement

It is with appreciation that I acknowledge the time, effort, and energy of the author, Deputy Director Tony Rassias, for compiling this history of the Bureau of Accounts. Mr. Rassias' tireless efforts to complete this research, dating back to the end of the Civil War, are a testament to what is notable in public service. His knowledge and understanding of municipal finance and government has been an asset to the Commonwealth, the Department of Revenue, and most importantly to me as Director.

Gerard D. Perry, Director of Accounts
Massachusetts Department of Revenue
August 23, 2013

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Part I: The origin of the Massachusetts Bureau of Statistics of Labor

To fully understand and appreciate how the Bureau of Accounts came into existence, one must first return in time to Massachusetts during the “Gilded Age,” a post-Civil War period in the United States that lasted through nearly the end of the 19th century. It was a period of enormous growth, prosperity, two financial “panics” and serious social problems. Massachusetts was not immune from any of it.

Massachusetts in the mid-1800s

Machinery was displacing manual labor. The cities and great manufacturing towns were drawing the young men away from the pursuit of agriculture. Capital was concentrating in the hands of the great captains of industry. Individual employment was giving way to corporate organization, and the merging of corporations was leading to those great aggregations of capital popularly known as trusts. The conflicts of capital and labor were becoming more bitter. The entrance of women upon factory and mercantile occupations was changing their status, perhaps threatening the permanency of the family relation...The inspection of factories with its attendant sanitary regulations was practically unknown, and child labor was without effective restriction.” – Horace G. Wadlin, Chief, Bureau of Labor Statistics, 1888-1903

In addition, the labor movement was forming. Immigrants were pouring into the workforce, unions were organizing and strikes were occurring. However, it is with respect to two union grievances, the reduction of working hours and the employment of factory children, which are of particular relevance to this sketch.

Reduction of Working Hours

One of union’s earliest demands was for a 10 hour workday as ordered for public establishments by President Van Buren in 1840. Manufacturing establishments, however, were not affected by this order. At that time, the general length of the manufacturing workday was from 12 to 17 hours. The debate raged on, but legislation was never acted upon in Massachusetts possibly for fear that less hours would mean less pay for workers, less profit for owners or less overall production for the State. It was thought that public sentiment, not legislation, would encourage employers to reduce the number of working hours.

Employment of Factory Children

This grievance was equally contentious. Although legislation to limit child employment and require their schooling was passed and amended periodically, it was considered

ineffectual. Parents oftentimes lied as to their child's age to keep them working and increase the family's income.

"Often the child is brought to the mill with the mother or father, for there is no one at home to care for him." – George McNeill, Deputy Bureau Chief, 1869-1873

Horace Mann, Secretary of the Massachusetts Board of Education and an American education reformer, rebuked parents who chose labor for their children rather than education, depriving them of "all the means of intellectual and moral growth."

Legislative Action in the mid-1860s

In 1865 and 1866, two special State Commissions each recommended to the Legislature limiting the hours of child employment and hiring special inspectors to enforce the law, which the Commissions understood to have had many violators. In addition, both Commissions recommended that provision be made for the collection of reliable facts and statistics regarding the conditions and interests of what they called "the industrial classes." The 1866 Commission specifically recommended a Bureau of Statistics be established for this purpose.

An 1867 Act regarding schooling and the hours of child labor included recommendations of the Special Commissions, including a provision for a constable of the Commonwealth to enforce its provisions. General Henry K. Oliver, former Adjutant General of the Commonwealth and State Treasurer during the Civil War, was appointed constable and traveled the State in search of the law's violators. He concluded his efforts with two scathing reports to the Legislature detailing how the current school law "was so thoroughly emasculated as to render it of no effect whatever." He wrote of "righting the downright wrong of keeping at work, young children pent up in a factory room, continuously, day after day, and those days of twelve to fourteen hours each, in some instances, without interruption either for education or recreation..."

Chapter 102, Resolve of 1869

Finally on June 22, 1869, two days before adjournment, quite possibly heeding the recommendations of its two most recent special State Commissions on the matter, the Legislature passed Chapter 102 for the establishment of a Bureau of Statistics of Labor.

The establishment of the Bureau may be said to have been the outgrowth of certain investigations into the subject of hours of labor made by order of

the Legislature and a special inquiry into the condition of factory children...” – Charles F. Gettemy, Chief, Bureau of Labor Statistics, 1907 - 1919

“It is undoubtedly useless to try to explain the immediate reasons which led to the establishment of the bureau. The preceding commissions on the hours of labor had recommended such a bureau, but the matter had laid dormant for two years... and it was suggested it would be politic to grant some concession to labor. This may be true; if so, the legislature of 1869 created the bureau, and not the petitions and labors of the workingmen.” – Charles F. Pidgin, Chief Bureau of Labor Statistics, 1903 - 1907

“As soon as the Charter for the Knights of Crispin (a Trades Union having 40,000 Massachusetts members) was refused by the Legislature, it became very evident to the members of both branches of the Legislature that thousands of workingmen would withhold their votes from the party in power, and it was therefore felt, and frequently said, that something must be done for labor.” – General Henry K. Oliver, Chief, Bureau of Labor Statistics, 1869 - 1873

Conclusion to Part I

The social, economic and political events during the early days of Massachusetts’ “Gilded Age” called for repeated requests of the Legislature for solutions. The Legislature was persuaded to create a part of State government able to collect and analyze data, to advise on proposed legislation, to investigate violations and to report back its findings and recommendations. They called it the Bureau of Statistics of Labor, and although originally thought by some to be only temporary, its future would depend upon the quality of its people and the perseverance of their efforts. Learn more about this in Part II.

Part II: Launching a New Bureau

Chapter 102 provided for the establishment of a Bureau of Statistics on the Subject of Labor to “collect, assort, systematize and present...statistical details relating to all departments of labor in the Commonwealth, especially in its relations to the commercial, industrial, social, educational and sanitary condition of the laboring classes, and to the permanent prosperity of the productive industry of the Commonwealth.”

Choosing a Leader

On July 31, 1869, Governor William Claflin, with advice and consent of the Governor's Council, appointed General Henry K. Oliver as the Bureau's first Chief for a two-year term. General Oliver, as noted in Part I, reported on the inadequacy of the school law which was said to have contributed in part to the establishment of the Bureau. Oliver, called by one “a stalwart figure of a General, physically one of the finest specimens of manhood ever resident among us,” had an excellent public reputation and on August 4, 1869, appointed George McNeill as his Deputy.

Both these men held decided opinions upon certain phases of the labor problem then coming into prominence, and Mr. McNeill especially, was then, and until his death in 1906 continued to be, a prominent leader in the organized labor movement in the state. – Horace G. Wadlin

From 1869 to 1873, Oliver and McNeill wrote four annual reports, filled with facts, figures and opinionated commentary on a variety of labor topics learned through inspection, survey and voluntary testimony.

We have to tentaculate our way, step by step, often in doubt, at times feeling that we might be wrong, and must return and take a new departure, sometimes bewildered by diversity of counsel, and sometimes anxious lest variety of views among the friends of a true labor reform might disconcert all effort after success. – General Henry K. Oliver

The Infamous Third Report

The Bureau's findings went largely unchallenged until its Third Report, dated 1872, investigated the subject of Savings Banks. The Bureau found:

“that the increase of the deposits in Savings Banks, is not an evidence of the increased means of the working classes, but that, on the contrary, the instances into which we have been able to examine, prove that the greatest amount of deposits is not the deposits of wage-laborers.”

The average deposit of \$573.33 was thought to be too large to be from the earnings of the wage laborer. Therefore, the Bureau drew the conclusion that most deposits were from middle and upper classes. This finding was controversial as savings banks were there to encourage the wage laborer to save money. The finding was, however, consistent with reports of the Massachusetts Banking Commission and comments by then Governor William Washburn. Nevertheless, the finding agitated members of the Massachusetts Senate who immediately referred the Bureau's Report to the Committee on Banks and Banking for specific review of that section. Ordinarily, Committee referral is normal. But in this case, Senators seemed to anticipate the finding before the Report was distributed to them.

Intrigue

Before the third Report was even completed, the Bureau was visited on three separate days by (1) a member of the House, (2) a manufacturer from the central part of the State and (3) by Mr. M. F. Dickinson of Boston, each of whom requested to review the Savings Banks' returns to the Bureau. Dickinson, who said that he represented gentlemen in Washington and that he "desired to investigate the matter of the occupations of persons making deposits in Savings Banks," was given permission to copy the reports "under the pledge that they were not to be used until after the issuing of the Report," according to General Oliver.

Every facility was afforded him, and nothing further reached us, excepting a rumor that our forthcoming statements upon the subject of these Banks, were to be used as a means of discontinuing the department." – General Henry K. Oliver

The Senate Takes Exception

The Bureau was invited to appear at the legislative hearing as it had done so in the past.

"Appearing in answer to the note, we found in the Committee Room a number of Savings Bank officers and counsel, Mr. Dickinson, so that in reality the Bureau seemed to be placed on trial, rather than to be a party at a hearing with its suggestions." – General Henry K. Oliver

"The Senate Committee reported a Resolve declaring the disbelief of the legislature in the figures given by the bureau. – Charles F. Pidgin

Although passed by the Senate, the Resolve was defeated in the House by vote of 69 to 72.

Continued Agitation Against the Bureau

A couple of months passed when the Bureau received correspondence from the Massachusetts Labor Union, expressing a lack of confidence in the Bureau by its members, and demanding a hearing before the Governor. The Governor, who also received the correspondence, granted a hearing.

The Union was represented by well-known Boston lawyer Wendell Phillips whose statue stands today in Boston Common. He accused Bureau employees of supporting only an eight-hour workday (there was a strong movement at the time for a ten-hour workday) and of using its “power and influence against the Labor Party.” The Bureau believed that it analyzed the 8-hour versus 10-hour movement neutrally, but Phillips may have been objecting to the Bureau’s Deputy Director, George McNeill called by some “the father of the 8-hour movement.” The Governor did not allow the Bureau to speak at the hearing. Phillips, an accomplished orator, articulated that “nearly every phase of the Labor movement had publicly expressed its opposition to the Bureau.” Ironically, some years prior, both Phillips and McNeill were instrumental in persuading the Legislature to establish the Bureau.

“All this was occasion of some embarrassment to the Governor, His Excellency William B. Washburn.” – Horace G. Wadlin

“Inevitably a storm was raised against him, and when his second term expired he (General Oliver) was not reappointed.” – Rev. Jesse H. Jones, pastor, East Congregational Church in Abington

A New Leader

In 1873, Governor Washburn, with advice and consent of the Governor’s Council, appointed Colonel Carroll Davidson Wright as the new Chief of the Bureau for a two-year term. The Governor told Colonel Wright, a young Republican Senator, to either “make it or break it.” Following his appointment, Colonel Wright appointed Major George H. Long as his Deputy.

“Wright in some senses was unqualified; he had no association with the labor movement at the time, and he knew very little about either statistics or labor problems. But he was determined to be impartial...His wide-ranging investigations changed the direction of the bureau’s activities and laid the foundation for its reputation for objectivity.” – *The Origin of the U.S. Department of Labor, Department of Labor*

As time passed, confidence in the Bureau was regained. Bureau recommendations were credited with many important labor reforms of the day and its reputation became famous around the world. The Bureau became a

model for the creation of the United States Department of Labor, and for similar bureaus in other States and in foreign countries. Bureau reports were used as college textbooks in the study of sociology relating statistical science to economic questions.

“Colonel Wright is entitled to the credit.” – Horace G. Wadlin

Conclusion to Part II

Despite an unstable beginning, and oftentimes caught between two fires, the Bureau proceeded with, according to Charles Pidgin, “what are called up-to-date statistics, quickly gathered, quickly compiled, quickly printed and promptly presented to the public.” Recognizing its abilities, the Bureau was given responsibility over the 1875 State Census. It was not for another 30 years, but when the time had come, the Bureau was given the responsibility of a function with, according to Charles Gettemy, “great possibilities in the promotion of efficient municipal government.” Learn more about this in Part III.

Part III: The Origin of the Municipal Division

I am unclear as to what prompted the Legislature's attention upon municipal financial affairs in the 1870s. Was it the "panic of 1873," the so-called "Long Depression" which caused businesses to fail and unemployment to climb above 14%? Was it increased public apprehension that municipal spending and debt were dangerously advancing fueled by the growth of cities and a desire for new infrastructure?

There is nothing of record that there has been any special study of the question under State authority prior to the passage of the municipal indebtedness act..." Report of the Joint Special Committee on Municipal Finance

Two Legislative Acts

In the last quarter of the 19th century, two legislative acts shaped the structure of municipal finance: The Municipal Indebtedness Act (1875) and the Tax Limit Upon Cities (1885).

The Municipal Indebtedness Act

"Prior to 1875 there appears to have been no attempt to have imposed such restrictions (to borrowing) by any comprehensive statute, our municipalities up to that time having apparently been quite generally permitted to enjoy the privilege of incurring debt without let or hindrance and for unlimited periods of time." – Special Investigation Relative to Indebtedness

Passage of the Municipal Indebtedness Act was an attempt to control the use and rise of debt after the Civil War. The increase in municipal debt was unbridled. A municipality was allowed to borrow in anticipation of the current fiscal year's tax revenues as well as for the next. Borrowing was allowed for ordinary operating expenses, could be incurred to meet other loans at maturity, was allowed with no limit and did not require proper provision for payment when due.

A Tax Limit Upon Cities

It occurs to me to suggest whether, proceeding in the same line (as the Municipal Indebtedness Act), some limit may not prudently be placed upon the power to appropriate money for expenditures, and to assess taxes therefor, perhaps on the basis of a fixed percentage of the taxable property." – Governor George Robinson

It has been suggested that based upon this Gubernatorial quote, 10 years after the passage of the Indebtedness Act, and about 100 years before passage of Proposition 2½, the Legislature passed a tax levy limit upon cities. The law excluded the city of Boston which had its own more stringent requirement. Passage of this Act was an attempt to control municipal taxation fueled by the growth of cities, commercial development and other administrative problems that were leading to a growth in the tax rates.

Failures

Either due to lack of clarity, lack of enforcement, Special Acts of exemption, a general lack of usefulness or all of the above, sentiment by the end of the 19th century was that both these Municipal Acts had failed their purpose.

Chapter 296 of 1906

It took 30 more years after the passage of the Municipal Indebtedness Act to pass Chapter 296 of the Acts of 1906, providing for the gathering and publication of municipal returns by the Bureau of Statistics of Labor. Why such a delay? Was it the “panic of 1884” or the “panic of 1893?” Was lobbying by the National Municipal League, (founded in 1894 to discuss the future of American cities, advocated transparency, effectiveness and openness in local government) or other group or individual a factor?

In any event, passage of Chapter 296 was testimony to the Legislature’s confidence in the Bureau’s capabilities. The Bureau was appropriated another \$3,000; \$2,000 for a Clerk and \$1,000 for expenses. The auditor or accounting officer of every municipality must now provide the Bureau, in uniform fashion, end-of-fiscal year statements for revenues and expenses, public debt and provision for its payment and current assets and liabilities.

“The immediate object of such a presentation was clearly to afford opportunity for comparisons, upon a uniform basis, of the financial data of all our cities and towns.” – *Comparative Financial Statistics of the Cities and Towns of Massachusetts covering municipal fiscal years ending between November 30, 1906 and April 1, 1907, Bureau of Labor Statistics*

The Bureau’s Chief was Charles F. Gettemy, assisted by amongst others George H. Priest who supervised the gathering of the data and, according to Gettemy, whose zeal “carried the gospel of municipal accounting reform into cities and towns in all parts of the Commonwealth,” and Theodore Waddell, one who will become Director of Accounts. Gettemy was appointed for a two-year term in 1907 by Governor Curtis Guild, Jr., with advice and consent of the Governor’s Council.

The Bureau's First Report on Statistics of Municipal Finance

The Bureau's first report issued in 1908 was entitled "Comparative Financial Statistics of the Cities and Towns of Massachusetts covering municipal fiscal years ending between November 30, 1906 and April 1, 1907." The report was delayed for several reasons:

- (1) lack of municipal understanding of the law;
- (2) lack of municipal compliance;
- (3) lack of a uniform schedule of return;
- (4) lack of a uniform classification of accounts;
- (5) lack of a uniform fiscal year;
- (6) lack of standard terminology;
- (7) lack of independent examination or audit of data received; and
- (8) lack of proper accounting methods.

The Bureau admitted that "to take the examination, classification and consolidation into comparable form of the receipts and disbursements of 354 municipalities, hardly any two of which keep their books of account on the same basis, was to plunge into a veritable statistical jungle." However, due to municipal finance shortcomings at the time and despite its best efforts, the Bureau believed that a good statistical comparison among municipalities would be impossible.

New Legislation

Over the next four years, certain legislative Acts affected the Bureau and municipal finance in major ways. Chief among them was *Chapter 371 of 1909*, An Act to Provide for a Bureau of Statistics. Although the Act changed the Bureau's name from the Bureau of Statistics of Labor, it re-affirmed the Bureau's responsibilities detailed in Chapter 296 of 1906, added additional responsibilities, created the need for several separate divisions within the Bureau of which one was the Municipal Division, and changed the Chief's title to Director to be appointed for a three-year term by the Governor with advice and consent of the Governor's Council.

Chapter 598 of 1910, An Act Relative to the Auditing by the Director of the Bureau of Statistics of Municipal Accounts, provided for a petition to the Director for an audit of accounts and for the installation of an accounting system with uniform classification.

Chapter 616 of 1910, An Act Relative to the Form of Notes to be Issued by Towns for Money Borrowed, required the Director of the Bureau of Statistics to certify short-term borrowing for towns beginning January 1, 1911. This was an attempt to prevent another defalcation which resulted from forged town notes.

Chapter 624 of 1910, An Act to Authorize the Appointment of Town Accountants, and Prescribing Their Duties or “Town Accountant Act”, provided for the appointment of town accountants and abolishment of the position of town auditor.

Conclusion to Part III

The Legislature, as in the past, sought assistance from the Bureau, and in return gave to it additional responsibilities. For now, it is not important to understand the results of the Bureau’s First Report, but rather to note the type of data it gathered and the accounting shortfalls it discovered. The Bureau’s First Report, the new legislation of 1909 and 1910 and perfecting amendments provided the cornerstone for the newly created Municipal Division’s core responsibilities that would continue to be built upon over the next 100 years. Learn more about this in Part IV.

Part IV: Development of the New Division's Core Responsibilities

This Part devotes particular attention to the development of the Division's core responsibilities. New as well as amended Acts and a State consolidation of departments over the next several years will strengthen certain municipal accounting and finance weaknesses, add more responsibilities to the Division and further develop the field of municipal finance.

Collecting Municipal Financial Data

Having noted the various accounting and finance weaknesses in its First Report, the Division endeavored to develop a standard reporting system incorporated within a uniform public accounting system.

Developing a Uniform Public Accounting System

Developing such a uniform system nationally as well as statewide was contemplated for several years. Municipal accounting up to that time was said to have grown with lack of direction or instruction.

“This proposal is the almost self-evident one that Massachusetts, following the lead of Ohio, shall establish a system of uniform municipal accounting and reporting so designed that the actual expenditure in Boston and in all other cities and towns in the state shall be made public annually and promptly upon uniform tables and schedules, which shall be published by the state as an impartial authority”. – 1902, Harvey S. Chase, well-respected expert public accountant and auditor

“There can be no opposition to such a proposal, except such that might come from those who are more or less directly or indirectly interested in municipal extravagance, and would not, therefore, care to have their cities' accounts contrasted with those of cities that were better managed.” – Boston Herald Editorial, December, 1902

“...there is no uniform system of municipal accounting in this Commonwealth, such as would permit the contrasting of expenses of one municipality for a given purpose with those of another for the same purpose, thereby revealing extravagance, if such existed, and tending to encourage more economical administration.” – from Governor John Bates' 1903 inaugural address

“But the development of a terminology and, indeed, the occasional invention of new words is an element in the evolution of every science, and if municipal finance, with its accompanying problems, is to be dignified by recognition as having a scientific basis and given the position to which

it is entitled as a branch of political science, the necessity of its finding expression in terms to a certain extent peculiar to itself cannot be avoided.” - *Statistics of Municipal Finances, 1910*

Developing a Standard Reporting System

The student of municipal finance has hitherto been confronted with utter chaos whenever he has attempted to make comparisons of the important facts of a selected number of cities and towns for the purpose of ascertaining whether any significant deductions might be drawn from them...

A distinguished municipal statistician has well said: “Comparative statistics must be mixed with brains or they are worthless. You must employ intelligence and sound judgment in the use of comparative tables of municipal financial statistics or your deductions will be faulty or misleading. – *Comparative Financial Statistics of the Cities and Towns of Massachusetts, 1908*

The Bureau decided after its first Report that changes to the original schedules, unforeseen at first, were necessary. A conference of experts in the field was called and almost a complete revision of the original schedules resulted.

Certification of Town and District Notes

The Municipal Indebtedness Act of 1875 was deemed a failure by the end of the 19th century. “The committee on cities of the Legislature for the past few years has seen the necessity for investigation.” From 1911 to 1913, upon orders of the Legislature, the Bureau prepared three reports on the subject of municipal indebtedness which became the basis for further legislation.

Generally, the Bureau’s three Reports noted that there was an alarming, but not altogether surprising increasing trend in aggregate indebtedness; an annual increase of about \$7,000,000 in cities and about \$700,000 in towns. The public was obviously in want of new permanent improvements without an immediate increase to the tax rate. But the 1875 legislation was supposed to discourage this increase. The Bureau also noted that many municipalities which had outstanding debts did not have a sinking fund or make annual payments to extinguish the debt. A sinking fund was a reservation of monies appropriated for the purpose of extinguishing debt when due.

“What our legislators could not foresee was the ingenious devices by which ways were to be discovered for evading the clear intent of the law, or, where its intent was not clearly expressed, for taking refuge in that

form of interpretation which would most conveniently serve an immediate exigency, political or otherwise.” – *Special Investigation Relative to the Indebtedness of the Cities and Towns of the Commonwealth, 1912*

Bureau recommendations included refraining from incurring fixed debt for current expenses, extending the list for which debt may be incurred, limiting the amount of anticipation debt, and repealing the authority for sinking funds which were not being established or funded properly anyway. Over time, many of these recommendations would become law.

Installation and Auditing of a System of Accounts

Chapter 598 of 1910 authorized cities to petition the Bureau for an audit of accounts or for the installation of an accounting system, or both. Towns could petition the Bureau for an audit of accounts in conjunction with the installation of an accounting system.

Chapter 245 of 1920 made it mandatory for the Director of Accounts to make an initial audit of the books and accounts of all cities except Boston and of all towns, and to cause subsequent audits every three years. In later years, annual audits became compulsory for all cities and towns.

Advising Local Officials and Legislative Committees

Unwritten in legislation, but undoubtedly part of the life of every field auditor and Bureau office staffer was the growing responsibility of understanding new terminology, classifications and legislation, advising local officials and legislative committees in their decision making, and explaining to all persons interested when requested the new laws and procedures in the growing field of municipal finance all in an effort to secure uniformity and compliance with the statutes.

Evidence of the value of these reports as a source of information to administrative officers, to citizens interested in an efficient management of the finances of their respective communities, and to students of municipal problems generally, is constantly increasing. – Charles Gettemy, Director, Bureau of Statistics, 1915

Conclusion to Part IV

This was the infancy of municipal finance. This was the time when major foundations of municipal finance in borrowing, in budgeting, in spending, in accounting, in reporting and in auditing were laid, yet despite their age we articulate and even extol their provisions in the present day. The “Gilded Age”

was over at the turn of the century and the “Progressive Era” was underway. This was all part of the growth and development of municipal finance, and the Municipal Division of the Bureau of Statistics was, as one might have said then, “smack-dab in the middle of it.”

Part V will begin a thematic journey through history by decade reviewing major Bureau undertakings and accomplishments and other municipal finance matters for which Bureau staff was undoubtedly aware.

Part V: The Municipal Division, A Thematic Journey Through the Teens

Municipal finance, although still in its infancy, began showing signs of development. The Municipal Division needed to understand how the municipal environment operated and how to assign a sense of order to it.

The Teens

Uniformity of municipal finance was coming into fashion. It was uniformity in municipal accounting, in annual reporting on the cost of government, in borrowing and finance, in the apportionment of the state and county tax and in taxation. Ratification of a Constitutional amendment in favor of a State income tax was supported in 1911 by newly elected Governor Eugene Foss as rising government costs revealed the inadequacy of the property tax. “Tax dodger retreats”, was a term used for places where tax rates were low, real property was undervalued, personal property was overlooked, and the apportionment of State and county government costs was consequently unfair. The taxation of intangible personal property was repealed and replaced by a State administered income tax, ratified by the people in 1915 and effective in 1917. The Great War, World War I, ended in 1918 after which came a consolidation then a Division.

Uniformity in Municipal Accounting

In 1910, the Division issued Municipal Bulletin #1, “A Uniform Classification of Municipal Receipts and Payments prescribed for the cities and towns of Massachusetts as a basis for a standard system of accounts and reports.” This was the Division’s effort to construct a comprehensive plan for the classification of municipal accounts as well as a municipal accounting and reporting system adapted to Massachusetts. The classifications and definitions appear to be based upon those suggested by the U. S. Census Bureau and those used by the state of Ohio. Ohio was considered a “Progressive State” during the country’s “Progressive Era” (1890s – 1920s). It was the first state to require uniform municipal accounting and one of the first to inaugurate budgeting. Municipal accounting was a significant reform during the “Progressive Era.”

- The system was based upon cash transactions in and out of the treasury;
- Receipts were classified as general revenue, commercial revenue or non-revenue;
- Privileges, “often popularly referred to as an excise or franchise tax”, were a form of commercial revenue;
- Payments were classified according to purpose, such as Police, Fire, Education, etc.;
- Maintenance costs were departmental “running expenses”;

- Outlays were expenditures for construction and improvements which increased “the visible assets of the municipality”;
- Indebtedness was difficult to classify as debt was issued for any purpose, operating or capital, which became the subject of a special Bureau investigation followed by corrective legislation.

Uniformity in Annual Reporting on the Cost of Government

“We accordingly say to all municipal accounting officers: “Classify your accounts so that the public may ascertain just what its money is being spent for and whether it is being well spent.” – *Statistics of Municipal Finances, 1911*

Data using the uniform classifications was submitted to the Division on eight schedules provided by it, from Schedule A to Schedule H, reporting all financial transactions, total debt, sinking funds, trust and other fund activity as of the end of the municipality’s fiscal year. Schedule A was the general schedule and schedules B through H were considered supplementary. The schedules were examined, tabulated and submitted to the Municipal Division’s Chief for review. The final product was then printed, proofed and submitted to the Bureau’s Director for introductory comment.

Uniformity in Borrowing and Finance

New municipal indebtedness legislation of 1913 replaced the 1875 legislation deemed ineffective. The new law, Chapter 719 of the Acts of 1913, was entitled “An Act Relative to Municipal Indebtedness”, but was and has been more commonly known as the “Municipal Finance Act of 1913”. Changes were considered radical, but officials reportedly adjusted to them well.

The new law set the limit and policy for borrowing in anticipation of revenue, gave borrowing purposes and limits inside and outside the debt limit, indicated that borrowing proceeds may only be used as specified, detailed proper authorization procedures, and ended new sinking funds and demand notes. The law also ruled on the investment of trust funds, established a new tax limit for cities and towns, proper submission of an annual city budget and annulled any city charter provision, town by-law or ordinance inconsistent with its new provisions.

The law established that “No department of any city or town shall incur liability in excess of the appropriation made for the use of such department except in cases of extreme emergency...” This provision is considered a fundamental law of municipal finance today, commonly known as G.L. c. 44, § 31.

Uniformity in the Apportionment of the State and County Tax

A portion of the unfunded expense for maintaining State and County governments approved by the General Court (or “deficiency bill”) was the responsibility of the cities and towns. The cost was apportioned to them on the basis of their locally assessed real and personal property. The Tax Commissioner thought the process unfair. He couldn’t modify local property tax assessments and he knew that real estate values were sometimes assessed at less than true value. He knew that large amounts of personal property were not being assessed and that to deliberately undervalue or not value property was an incentive to reduce a city or town’s percentage share of the apportionment. He knew that overvaluing property at greater than full and fair cash value would lower a tax rate but disproportionately add to the taxpayers’ burden.

Legislation empowering the Commissioner to add value he knew existed to the municipality’s apportioned value in an effort to “equalize” values failed its purpose as Assessors were reluctant to tax the new value. The additional value caused the apportionment to increase, but the tax burden was spread only to those assessed. The Commissioner knew this made matters worse, but felt it was a move in the right direction. It was not until Chapter 14 of 1966 applied assessment ratio studies and other real estate value related data to the apportionment process that equalized values as the Commissioner had hoped.

Uniformity in the Direct (Property) Tax

After a 1907 commission on taxation reported the need for greater uniformity in the administration and enforcement of the local tax laws, the Tax Commissioner, who had supervisory responsibilities over local Boards of Assessors, was authorized to appoint three supervisors of Assessors responsible to advise local assessors on the proper assessment and valuation of property to produce uniformity of assessment at full and fair cash value. The Municipal Taxation Division of the Tax Commissioner’s Office issued a pamphlet in 1917 on the proper method of valuing tangible personal property which was so well received that it was reportedly requested by taxing boards from around the country and from foreign countries.

Another step toward uniformity was Chapter 137 of the Acts of 1915 which required the valuation of poles, wires and underground conduits, wires and pipes of telephone and telegraph companies passing through cities and towns to be valued by the Tax Commissioner rather than by the local Assessors in each city or town that the property coursed through. This was a departure from customary practice.

The Income Tax

The loss of intangible personal property from the local tax base to State taxation by Chapter 269 of 1916 was noticeable. From 1916 to 1917, total valuation dropped by about \$400,000,000, but the exact amount due to the personal property loss is unclear. However, it was intended that a new method of taxing such property, such as was done in the state of Wisconsin, would be more efficient and produce more revenue that could be distributed back to cities, towns and special purpose districts to replace their tax base loss.

Massachusetts was divided into 8 income tax districts, with an income tax assessor and two or more deputies for administration in each district. Newspapers publicized requirements of the new law; the Boston Herald reported daily on rules and regulations. The first returns were reportedly “exceedingly inadequate and incomplete, prepared carelessly with indifference to the law’s requirements,” according to the Tax Commissioner. It was said that approximately 183,000 filings were made by March 1, 1917, and that the most difficult problem was speaking with people individually who had questions. Payment was not due until October 15th.

It was estimated that the new law brought in about \$2,000,000 or about 30% more than the old tax law. Statistics on the distribution of the income tax proved that some towns received more in distribution than their inhabitants contributed, and in other towns much less. This effect of taxing one town to benefit another was challenged in the State Supreme Judicial Court which ruled that the law did not exceed the limits of Constitutional power. One still hears this argument in the present day.

The Division of Accounts

Chapter 350 of 1919, the “Reorganization Act” in response to the 66th Amendment to the Massachusetts Constitution, consolidated 271 statutory organizations into a “Twenty Department Plan,” where the Governor could administer the Executive Branch with few department heads overseeing related functions and activities. This all may have been in reaction to President Taft’s Commission on Economy and Efficiency (the Taft Commission) created to propose certain reorganization at the Federal level.

...and the Bureau of Statistics, as such, ceased to exist; the several divisions of the Bureau were combined with other state departments and the so-called municipal division of the Bureau was transferred to the Department of Corporations and Taxation and became the Division of Accounts in that Department. – Herman B. Dine, Director of Accounts, 1953 - 1962

As part of the consolidation, the duties of the Controller of County Accounts, including auditing the books and accounts of several county officials and publishing the annual report on statistics of county finances, were transferred to the Division of Accounts.

Mr. Theodore Waddell was appointed the first “Director of Accounts” in 1919 for a three year term by Governor Calvin Coolidge with approval of the Governor’s Council (also known as the Executive Council). In general, the Reorganization Act provided terms of office for department heads which exceeded the two-year term of the Governor. Mr. Waddell, formerly of the Bureau of the Census in Washington, D.C., was the former Chief Statistician for the Bureau of Statistics and Chief of the Bureau’s Municipal Division.

Statistics

In 1919, total municipal revenue of \$155 million was received mostly from taxes (\$121.6 million, 78%) and public service enterprises (\$17.4 million, 11%). Total municipal charges of \$144 million paid for schools (\$33 million, 23%), debt and interest (\$30 million, 20.5%) and protection of persons and property (\$18.7 million, 13%). Total debt was about \$206 million.

From January, 1911, when the Act providing for the certification of notes by the Division took effect, through 1919, over 20,000 notes were certified totaling over \$130 million. In 1919, 2,395 notes were certified totaling over \$18.5 million.

For 1919, 57 cities and towns were audited and standard accounting systems were installed in 5 cities and towns. Auditing could occur as often as once in every three years. In 1919, the highest tax rate was in Belchertown (\$31.00/000) and the lowest in Hopedale (\$5.00/000).

The Division’s first budget, in 1920, was \$74,600; \$42,100 for personal services, \$10,000 for expenses and \$22,500 for auditing and forms the expenses for which were to be assessed back (audit) or sold (forms) to the city or town.

Conclusion to Part V

One should now understand how the Bureau of Statistics of Labor was the ancestor from which the Division of Accounts descended. The Division attempted to make uniform the many different customary practices of municipal governments at the time. The new Division of Accounts and its consolidation into the Department of Corporations and Taxation alongside the Division of Local Taxation was a fitting arrangement, as both Divisions had certain responsibilities in municipal affairs. I cannot determine the extent of staff collaboration between both Divisions. A thematic journey through the 1920s is found in Part VI.

Part VI: The Division of Accounts, A Thematic Journey Through the 1920s

During the 1920s, legislation regarding taxation between the State and its municipalities was trending toward a much closer relation than in the past. Procedures to implement existing laws became more formalized, but none of this changed the Division's core responsibilities.

The 1920s

World War I was over and \$20,000,000 was paid to returning Massachusetts soldiers and sailors funded by a War Bonus Tax. In 1920, the Massachusetts income tax began its fourth year of administration, East Brookfield was incorporated as a town (is still the State's newest town), and the 18th amendment to the U. S. Constitution regarding Prohibition was ratified. The Gas Tax became a reliable State revenue source for highway construction and maintenance and daylight-savings time was restored by the General Court at local option having been repealed by the Congress in 1919 (DST became more uniformly applied in 1967).

Special Acts authorized school construction in specific municipalities, and general laws and regulations formalized procedures for the annual city budget, emergency spending, calculating tax rates, bonding local officials, committing and warranting taxes for collection, uniform tax bills, abating taxes, taking tax titles and verifying cash balances. A new law required an upfront provision of funds prior to borrowing and on January 1, 1929 an excise tax replaced the personal property tax on registered motor vehicles.

How to Determine Your Tax Rate

Certification of the annual tax rate was the responsibility of the Division of Local Taxation; it became a core responsibility of the Bureau of Accounts in 1987. In 1923, the Commissioner of the Department of Corporations and Taxation, formerly the Tax Commissioner, issued a letter to all Boards of Assessors reminding them of the laws relating to "fixing" the local tax rate and of their duty to do it. A card (later known as a "recapitulation table" or "recapitulation sheet") was sent to each Board showing the charges and credits that must be assembled for the tax rate to be properly calculated.

In his letter, the Commissioner noted that cash on hand could not be used by the Assessors to reduce the tax rate unless by appropriation. It was customary up to that time for Assessors to release all cash on hand back to the taxpayers as a reduction to the next tax rate, appropriated or not. However, the Commissioner made it clear for towns that G. L. c. 44, § 53 provided that all receipts must be credited to the town treasury and cash on hand could only be applied to reduce

the tax rate by the Assessors if received and appropriated. Does the term “available fund” sound familiar?

G.L. c. 44, § 53 and appropriations from available funds for all entities, are fundamental laws of municipal finance commonly referenced today.

The Birth of Free Cash?

The term “free cash” appears to have been first used in the same 1923 letter from the Commissioner to Boards of Assessors. “Free cash”, or the amount of available funds”, is still referenced within the tax rate calculation law. But since assistance with the tax rate calculation at that time was the responsibility of the Division of Local Taxation, the extent to which the Division of Accounts used the term “free cash” at that time cannot be determined.

Prior to the 1920s it was reportedly impolitic if not improper for a local government to maintain surplus cash on hand and Assessors would apply unappropriated cash to reduce the following fiscal year’s tax rate. However, recognizing a new law that required all funds to pass through the general treasury rather than through the individual departments (known now as G. L. c. 44, § 53), the Commissioner’s letter noted that their customary practice should now conform to the new law. The Commissioner made it clear that Assessors could only apply appropriated cash on hand to reduce the tax rate; the unappropriated cash on hand he referred to as “free.” Hence the term “free cash” was born into the lexicon of municipal finance.

Practicing Pay-As-You-Go

Municipal borrowing was problematic. Debt could have been for either operating or capital purposes. Sinking funds were not properly provided for. Demand notes could extend the life of temporary notes indefinitely. Present costs were oftentimes directed into the future.

Chapter 338 of 1923 required each municipality to provide \$.25/000 of the previous fiscal year’s assessed value prior to borrowing for certain municipal purposes while continuing the serial bond payment plan to extinguish the debt within the borrowing period. This requirement of initial contribution prior to borrowing was small, but partly to check the increase in indebtedness and also to direct attention to the necessity of paying a part of the proposed improvement in the current year, which wasn’t always the spirit of municipal budgets at the time.

“The pay-as-you-go policy should be nailed down and should be so much a part of us, that it will become a tradition in Massachusetts.” –
Commissioner of Corporations and Taxation, Henry F. Long, 1929

The Commissioner's Anger

The following are excerpts from Commissioner Long's June 15, 1927 letter to Each Member of Boards of Assessors and to Every Collector of Taxes, in which he reprimanded them for issuing and receiving a warrant and commitment list which did not balance.

In the course of the municipal audits made by the Division of Accounts of this Department a lamentable number of money discrepancies in the accounts of various local officers have been found. The importance of the discovery of such conditions cannot be overestimated, but of far more concern is the importance of ascertaining the cause and eradicating it...

An assessor who allows a commitment list or warrant to go to the collector without being properly balanced is committing a wrong, not only to himself and the community, but to the collector and to the Commonwealth as a whole. The collector who fails before accepting from the board of assessors the warrant and commitment list to balance the two is committing just as grievous a wrong. He, moreover, is putting himself in gross jeopardy....

Out of 138 audits made by the Division of Accounts in this Department in 1926 and up to June 1, 1927, there were variations between the warrants and the commitment list in 84 cases. This is a most disgraceful condition lying at the doors of both the assessors and the collectors of taxes. You personally should see that so far as you are concerned it never will happen again.

The Commissioner signed his letter, "Cordially Yours." In his next annual report, he added that for 1927, all Boards of Assessors and every Collector responded to the effect that the action requested in his communication has been complied with.

The New Motor Vehicle Excise Tax

Up until 1929, motor vehicles were taxed as personal property by each municipality and at the tax rate for that municipality. But collection of the tax was awkward because there was no uniformity in value, rate or administration. Issuing a tax bill was dependent upon the owner filing notice with the assessors of his taxable property on the appropriate date, otherwise face the "doom of the Assessor." Despite the potential doom, form filing didn't oftentimes happen which was a general problem for personal property.

The new excise was "laid on" for privilege of operating the motor vehicle on the highways. The value came from a compilation issued by the Commissioner of

Corporations and Taxation and the tax was based upon the so-called State Rate, a three year average calculated as if determining a tax rate for the State. In 1929, the excise brought in about \$10,000,000 or 50% more tax revenue from motor vehicles than in 1928. In 1929, the average motor vehicle value was \$389.75; the average tax was \$10.36 and the tax rate was at \$29.65/000.

Statistics

In 1929, total municipal revenue of \$282 million was received mostly from taxes (\$225 million, 80%) and public service enterprises (\$28 million, 10%). Total municipal charges of \$262 million paid for schools (\$74 million, 28%), debt and interest (\$46 million, 18%) and protection of persons and property (\$36 million, 14%). Capital outlays of \$59 million were spent mostly on highways (\$21 million, 36%), schools (\$14 million, 23%) and health and sanitation (\$9 million, 14%). Total debt was about \$333 million.

During this decade through 1929, over 38,000 notes were certified totaling over \$320 million. In 1929, 1,644 notes were certified totaling over \$20 million.

Through 1929, the Division installed 194 accounting systems in cities, towns and districts. The demand for audits increased and although an audit could be conducted by the Division once every two years, it felt short-staffed in that regard. In 1929, the highest tax rate was in Natick (\$49.40/000) and the lowest in Monroe (\$6.70/000).

The Division's budget grew from \$74,600 in 1920 to \$249,500 in 1929. I found no indication as to the number of staff budgeted.

Conclusion to Part VI

The "roaring twenties", a period of economic and cultural exuberance, ended with the events of Black Monday and Black Tuesday in late October, 1929 when the stock market crashed and the next economic depression began. A thematic journey through the 1930s is found in Part VII.

Part VII: The Division of Accounts, A Thematic Journey Through the 1930s

The year 1929 came and the tide of municipal prosperity seemed to mount higher, but before the year 1930 was well advanced the cities and towns sensed that the happenings of October, 1929, were of concern to municipal continuation, and by 1931 and 1932 the shoe began to pinch. – Annual Report of the Commissioner of Corporations and Taxation, 1932

The 1930s

The economic depression that began in 1929 had a devastating effect upon municipal finances in the early 1930's. Tax collections were weak and municipalities with insufficient resources were subject to "ripper laws" that shifted local financial control to a special State appointed board. In 1932, 70 cities and towns reportedly had payless pay days due to lack of available cash. Prohibition was repealed by the 21st amendment to the U. S. Constitution in 1933. As the personal property tax base was shrinking; the gas and alcoholic beverage taxes were gaining. In 1934, a uniform fiscal year was established for cities.

Locally funded capital projects were delayed as the cost of public welfare tripled. Then the storms came; the Great Flood of 1936 that caused extensive damage in Springfield and over \$200,000,000 of damage in Massachusetts and the Great New England Hurricane of 1938 caused 564 deaths and damaged or destroyed over 23,000 homes and buildings in Southern New England. In 1938, four towns were dis-incorporated, annexed to neighboring towns and sunken to form the Quabbin Reservoir. Then the world went to war again. It must have been quite a decade.

Municipal Fiscal Assistance and the Emergency Finance Board (E.F.B.)

The State appropriated funds to continue employment for many during the Depression, issued close to \$100 million in municipal relief loans (including loans for flood relief and Public Welfare) and passed legislation to allow for receipt of Federal funds (P.W.A., W.P.A., and Federal Surplus Relief). Chapter 49 of 1933 provided for a State Board (E.F.B.) to administer and distribute these loans. This legislation also included a State aid intercept if the loans could not be repaid timely.

The E.F.B. was composed of five members; three appointed by the Governor with the advice and consent of the Governor's Council, the State Treasurer and the Director of Accounts. The Department of Corporations and Taxation staffed the Board, although it is unclear which Division had that responsibility. Any municipality awarded a loan had an appropriation limit for the following fiscal year

which couldn't be exceeded without the Board's approval. Some municipalities may have thought that enough to not even apply for the loan.

One form of emergency loan was the "tax title loan" named as such because the dollar amount of municipal tax titles was the basis for the Board's determination of how much could be borrowed from the State. These loans were for one year unless renewed by the E.F.B. Sums paid to redeem the tax titles were paid monthly to the State Treasurer to liquidate the loan. In 1939, tax title loans outstanding were \$14.7 million.

The life of the E.F.B. was to terminate when its purpose was accomplished, but not before payment in full to the State of amounts borrowed under the particular Act which authorized the loan.

"Ripper Laws"

Fall River (Chapter 44 of 1931)

During the early days of the depression, businesses began to fail, others moved south, and taxes were difficult to collect. The city, once considered the cotton mill capital of the world, defaulted on \$3 million of debt and neither local nor Boston banks would lend it additional funds. Future debt payments were estimated at 25% of the entire city budget. In addition, tax litigation ordered very large refunds of collected taxes and several years of deficits weren't provided for.

In February, 1931, Governor Joseph Ely swore in three appointees to a Fall River Board of Finance. The Board had full authority over the finances of the city and could appoint or remove the City Auditor, Treasurer, Collector and Board of Assessors. After a combination of borrowing for immediate needs and strict budget cutting, the Board dissolved on December 31, 1941 when the last of the bonds issued by special legislation were retired.

This Board did not include the Director of Accounts.

Mashpee (Chapter 223 of 1932)

The town of Mashpee has not at least in recent years had any outstanding success in municipal governmentLegislation is respectfully requested that a commission be appointed to study what would be done or to provide that the town may be annexed to the Town of Falmouth or to the Town of Barnstable, so as to preserve the ancient lines of Mashpee.. – *Chapter 1, Resolves of 1932*

The Mashpee Advisory Commission determined that the town could not properly function under its present conditions, but did not recommend annexation or

discontinuance. The Director of Accounts was a member of that Commission. The general problem was the town's failure to collect taxes owed. It was reported that a greater percentage of non-residents made payment than resident owners.

There has been a lack of appreciation by town officers of their duties and responsibilities, a lack of co-operation between various town officers and a lack of exercise of authority by many of them. – *H1303, Mashpee Advisory Commission Report*

The Commission's first Report recommended that the Commission supervise all financial affairs of the town for at least three years. The Commission continued until 1969.

Millville (Chapter 341 of 1933)

A 1932 ruling by the Tax Appeals Board (later the Appellate Tax Board) granted a tax abatement to United States Rubber Company. For many years, Millville's economy relied upon this company for economic support. However, the large abatement exposed a much larger problem. There were unpaid bills, overdrawn accounts and overlay deficits totaling over \$100,000 and temporary loans were coming due that couldn't be paid. Banks, in part due to the Depression and due to the town's financial condition, refused to lend it funds.

Chapter 341 of 1933 established a three-member Millville Municipal Finance Commission including the authority to issue notes to be forthwith purchased by the State. The Director of Accounts became a member of this Commission in 1938. The Commission issued its fourth and final report in 1939. By then, the town's financial position had improved, but its economic future was in doubt as Federal financial aid was about to end. The Commission felt that it may be necessary for Millville to be given back to Blackstone. "There is no apparent hope for it now," the Commission said. With continued State financial support, the Commission stayed in existence until 1945 when the bonds issued by the special legislation were retired.

Toward a Uniform Fiscal Year

For many years, the Division recommended legislation to establish a uniform fiscal year for all municipalities to properly compare and report municipal statistics.

As of 1900, municipalities ended their fiscal years with a date of their own choosing. There were 23 different end dates that ranged from November 30 to the following April 1. Legislation passed in 1913 established the calendar year

as the fiscal year for towns; legislation passed in 1934 established the calendar year as the fiscal year for cities. Financial Adjustment Loans from the State were available for certain cities to cover “the added expense occasioned by adjusting the financial year and to prevent an abnormal tax rate in 1935 on account of the thirteen month year.” These Loans were approved by the E.F.B.

Statistics

In 1939, total municipal revenue of \$326.3 million was received mostly from taxes (\$220 million, 68%), public service enterprises (\$31 million, 10%) and grants and gifts (29 million, 9%). Total municipal charges of \$337 million paid for charities (\$74 million, 22%), schools (\$74 million, 22%), debt and interest (\$49 million, 14%) and protection of persons and property (\$35 million, 11%). Capital outlays of \$41 million were spent mostly on highways (\$11 million, 26%), schools (\$10 million, 25%) and health and sanitation (\$8 million, 21%). Total debt was about \$287 million.

From 1930 to 1939, 47,539 notes were certified totaling over \$449.3 million. In 1939, 3,927 notes were certified totaling over \$45.1 million.

Through 1939, the Division installed 239 accounting systems in cities, towns and districts. In 1939, 200 city, town and district audits were conducted. In 1939, the highest tax rate was shared by Dudley, Hinsdale, Ludlow, Merrimac and Upton (\$51.00/000) and the lowest in Monterey (\$15.40/000).

The Division’s budget grew from \$249,500 in 1929 to \$318,400 in 1939. This included 92 accounting and support staff plus 5 additional county personnel board staff.

Conclusion to Part VII

The Federal and State governments gave much financial support during and after the Depression. In 1939, spending for charities exceeded that for schools. Borrowing for public debt not supported by Federal or State funds was difficult as banks were unwilling to loan. This led to the “ripper laws” and State control. But by the end of the decade, the Depression was over, municipal borrowing began to show signs of growth as did municipal excess of revenues over expenditures. A thematic journey through the 1940s is found in Part VIII.

Part VIII: The Division of Accounts, A Thematic Journey Through the 1940s

Newsman Tom Brokaw referred to the people who lived during this time as the “Greatest Generation”, the men and women who lived through the difficulties of the Great Depression and then fought for their country and their lives in World War II.

The 1940s

In the early days of this country’s involvement in World War II, Massachusetts passed several laws regarding emergency powers of the Governor and appropriations for the safety of the State. In 1942, the State changed its fiscal year, possibly to run co-extensively with the Federal government’s, from July 1 to June 30. In 1946, the Division’s first “Director of Accounts”, Theodore Waddell, retired after nearly 40 years of service to the Division.

With the end of the Depression and World War II came an increase to the birth rate and a general population shift from cities to towns. These conditions necessitated unprecedented school building construction. Chapter 645 of 1948 established a Massachusetts School Building Assistance Commission to provide financial assistance to municipalities for school building construction and to encourage the formation of regional school districts. The G.I. Bill authorized low-interest mortgages and education subsidies for ex-servicemen. Borrowing continued for Public Welfare and a baseball doubleheader played on Sunday during World War II could be continued beyond 6:30pm provided the second game began before 4:30pm.

The Retirement of Theodore “Theo” Nathan Waddell, Director of Accounts

Mr. Waddell reached the age of retirement in May, 1946 and terminated a period of outstanding conscientious efficient service extending over a period of nearly 40 years. – Henry F. Long, Commissioner of Corporations and Taxation

Mr. Waddell’s public employment began in 1900 with the U.S. Census Bureau in Washington, D.C. and continued with the Division of Accounts in Boston from 1909 until 1946. During his leadership, the Municipal Division became recognized by many as an authority in municipal finance.

Appointing a New Director

Francis X. Lang, former city of Boston Budget Commissioner and State Comptroller followed Waddell as Director of Accounts in 1946. He was appointed by Governor Tobin for whom Lang worked when Tobin was Mayor of Boston.

National School Lunch Program

The Richard B. Russell School Lunch Act, the law that created the National School Lunch Program, was signed into law by President Truman in 1946. The program operates through subsidies (cash or surplus agricultural stock) to schools. It is said that the program “was established as a way to prop up food prices by absorbing farm surpluses, while at the same time providing food to school aged children.”

Massachusetts enacted its law, Chapter 548 of 1948, to secure the federal program’s benefits. School Lunch funds are expended without further appropriation. Schedule A’s report that 231 Massachusetts municipalities had such a fund in FY2011. Nationally, this Federally assisted program continues to provide low-cost or free school lunch meals to more than 26 million eligible students in nearly 95,000 public and nonprofit schools and residential child care institutions each school day.

Defining Revenue and Non-Revenue

In 1946, the Legislature passed Chapter 358 which clarified definitions of revenue and non-revenue and completed certain unfinished business from the Municipal Indebtedness Act of 1913.

It was found in certain cases that loans in anticipation of tax collections were made to an amount greater than the tax collection itself necessitating renewals or refundings extending the pay-back time to greater than one year, in violation of the borrowing law’s intention. The practice, however, allowed loan repayments from any available revenues, not just from taxes. In clarifying the definition of revenue and non-revenue sources, the Legislature legitimized the practice of loan repayment from revenue sources other than strictly taxes. Some Massachusetts accountants still reference Revenue and Non-Revenue as old-style or Massachusetts “Statutory” accounting.

Annual Audits Begin When?

Chapter 29 of 1945 authorized the Director of Accounts to cause an audit of cities and towns annually rather than “as often as once in two years or annually at the request of the mayor or the selectmen.” Per § 2, the Act became effective “upon the expiration of six months after the termination of the existing states of war between the United States and certain foreign countries, but not before.” This was not uncommon statutory language at that time and presumably was to delay action until office staff returned from war. The question was, however, when are the existing states of war considered terminated?

In 1945, the Massachusetts Attorney General defined § 2 as when “the end of such state of war is declared by Congress or by proclamation of the President, acting under authority of Congress.” By 1946, when the staff returned, neither the Congress nor the President had taken such action.

In March of 1946, the General Court repealed § 2 with an emergency preamble. Annual audits became effective immediately. President Truman signed Proclamation 2714 which officially declared the cessation of all hostilities in World War II on December 31, 1946.

Ironically, similar language included in legislation after World War I stymied the granting of exemptions from the poll tax to those eligible. The question at that time was whether the war had officially ended as of April 21, 1921. Did it end with the Treaty of Berlin in August, 1921? Even then, the problematic chapters were repealed and clarifying legislation was passed.

A School Building Boom

The end of World War II, the “baby boom” and the population shift from cities to towns necessitated a major school construction program. Chapter 645 of 1948 established a Massachusetts School Building Assistance Commission to provide financial assistance to municipalities for school building construction and to authorize regional school districts to form for the purpose of their construction. The Act gave the E.F.B. authority to increase a municipality’s debt limit. From 1948 to 1953, special legislative Acts for school building construction soared in number. The Division of Accounts noted that during this time period aggregate municipal debt (less sinking funds) increased by over 133%, whereas from 1910 to 1948, aggregate debt (less sinking funds) increased by only 11%.

The Massachusetts School Building Assistance Program operated under the authority of the Massachusetts Department of Education until July, 2004. Chapter 208 of 2004 created the Massachusetts School Building Authority (MSBA), a quasi-public authority which provides grants for Massachusetts kindergarten through high school construction and renovation projects. Most of

the Authority's revenue comes from a dedicated \$.01 of the Commonwealth's 6.25% sales tax. The Director and Deputy Director of Accounts were influential in assisting the new MSBA develop their procedures.

Statistics

By 1949, total municipal revenue of \$565 million was received mostly from taxes (\$381 million, 67%), departmental (\$58 million, 10%) and gifts and grants (\$48 million, 9%). Total municipal charges of \$542 million paid for charities (\$131 million, 24%), schools (\$128 million, 24%), protection of persons and property (\$65 million, 12%), debt and interest (\$34 million, 6%). Capital outlays of \$96 million were spent mostly on highways (\$24 million, 25%), schools (\$19 million, 20%) and water (\$14 million, 15%). Total debt was about \$304 million.

From 1939 to 1949, 25,771 notes were certified totaling over \$203 million. In 1949, 4,005 notes were certified totaling over \$21 million. During the 1940s, total debt declined by over one-half due to wartime delays.

Through 1949, the Division installed 252 accounting systems in cities, towns and districts. In 1949, 306 city, town and district audits were conducted. In 1949, the highest tax rate was shared by Dudley and Tyngsborough (\$66/000) and the lowest was shared by Gosnold and Russell (\$19.00/000).

The Division's budget grew from \$318,400 in 1939 to \$522,555 in 1949. This included 118 accounting and support staff plus an additional 6 county personnel board staff.

Conclusion to Part VIII

Interrupted yet again by war, life continued afterwards with what seemed to be a renewed vigor. Suburban living caused the building of more schools and additional spending on education. A housing shortage generated the building of new homes for war veterans who utilized their benefits from the "Servicemen's Readjustment Act" or "G.I. Bill". Infrastructure improvements, delayed by the war, were revived. The nation didn't know it, but it was about to enter a decade of prosperity. A thematic journey through the 1950s is found in Part IX.

Part IX: The Division of Accounts, A Thematic Journey Through the 1950s

Nationally, the Korean War began the decade and the “Red Scare in America” required many to answer the question before a Congressional panel: “Are you now, or have you ever been, a member of the Communist party?” But Ike was elected in 1952, the War ended in 1953, McCarthyism came to an end and it was “Peace and Prosperity with Eisenhower.”

The 1950s

Despite the national political conflicts, one may characterize this decade by three “booms”: the boom in the economy, the boom in the suburbs and the boom in the family or “baby boom.”

In Massachusetts, the benefits of Chapter 645 of 1948 continued as new schools were constructed, regional school districts were established and spending on education increased to meet the growing young population. The Department of Corporations and Taxation was reorganized, a Bureau was born, and legislation gave the Director of Accounts additional responsibilities. Disaster relief was available from devastations caused by the Worcester Tornado (1953), and Hurricanes Carol and Diane (1955). Highway construction spending increased from the Federal-Aid Highway Act supplemented by additional State spending. The School Tax Rate was born, a new Director was appointed, Dutch Elm Disease was attacked and the law requiring spittoons in factories and workshops was repealed.

Appointments and Removals

Chapter 470 of 1951 empowered the Commissioner of Corporations and Taxation, with advice and consent of the Governor and Governor’s Council, to appoint or remove Directors of Divisions, as well as certain other officers and subordinates, within the Department. Directors who held their position for greater than five years could not be involuntarily separated from it except per State law that required notification for removal or lowering of rank or compensation, justification for removal or demotion, and an opportunity for a hearing. This legislation’s significance to the Bureau’s history will soon become apparent.

Departmental Reorganization

Chapter 654 of 1953, in response to both a recommendation by Governor Christian Herter in his inaugural address and the 1951 Special Commission on the Structure of the State Government (known as the Little or Baby Hoover Commission), reorganized the Tax Department’s leadership into a three-member

State Tax Commission; one member as Commissioner of Corporations and Taxation and the others as Associate Commissioners who were delegated control over Divisions by the Commissioner. The Division of Local Finances would include a Bureau of Accounts headed by a Director of Accounts appointed by the Commissioner with the approval of the Governor and Governor's Council, a Bureau of Local Assessment and a Bureau of Local Taxation. The Commissioner had the authority to appoint or remove an employee, subject to certain requirements.

The Director's Demotion

When Republican Governor Herter took office in 1953, Mr. Lang was one of several Democrats demoted. He was dropped to assistant director. On the succession of Herter by Furcolo, Mr. Lang sought and obtained back pay for the demotion he contended was illegal. – The Townsman, Wellesley, Mass., August 25, 1960

Governor Herter's inaugural address urged a shake-up of all state agencies. For whatever the main reason, Herter demoted the Director of Accounts, Francis X. Lang, to a Supervising Assistant Director of the Bureau. Objecting to his demotion, Lang demanded reinstatement and payment for loss of compensation after his demotion focusing attention upon the 1951 legislation. He departed the Bureau in late 1956, but was appointed by Democratic Governor Foster Furcolo as Commissioner of the Office of Administration and Finance in January, 1957.

An Attorney General's opinion was requested as to Lang's rights by the Commissioner of Corporations and Taxation. The Attorney General's February, 1957 response included:

It is my opinion, therefore, that since Lang was removed without compliance with the protection given to him by the Legislature his removal and demotion were unlawful. – Attorney General George Fingold

Fingold's opinion added that Lang had no legal rights against the State, but rather had a moral claim the payment for which could be authorized by legislative act. Chapter 547 of 1957, passed in July, paid Lang \$2,400 for his loss.

Appointing a New Director

After Lang's demotion in 1953, Herman B. Dine, the Bureau's Assistant Director, was appointed Director. Dine began with the Bureau in 1920.

The School Tax Rate

With more schools being built, regional school districts being formed, and a growing young population, local operational spending on education more than doubled during the 1950s. In addition, there was an expanding role of the Federal government in education spending and policy during that time.

A petition filed by the Massachusetts Selectmen's Association and ending as Chapter 578 of 1952 established a separate school tax rate calculated by the local Assessors and reported on local property tax bills. The school tax rate was never certified by the State but was reported to the State's Education Department for some period of time. In calculating the school tax rate, school appropriations, less the estimated amount of school income and a proportion of estimated general receipts would yield the school assessment. This amount divided by the total taxable valuation resulted in the school tax rate. The balance of all other appropriations less estimated receipts would yield the general assessment which when divided by the total taxable valuation resulted in the general tax rate. A combination of the school tax rate and general tax rate was considered the total tax rate. All three tax rates were required to appear on property tax bills.

Free Cash Certification

After concerns of miscalculated free cash, a 1951 Home Rule law required the certification of free cash by the Director of Accounts as the Director deemed proper. By the late 1950s, it is known that free cash was calculated from information provided on a balance sheet. If one was not available, cash on hand minus liabilities was used. Prior to that time, however, whether the calculation was simply cash on hand plus or minus anything or whether a balance sheet was used at all is unknown.

Disaster Relief

The Worcester Tornado (June 9, 1953), Hurricane Carol (August 31, 1955) and Hurricane Diane (September 11, 1955) all prompted financial relief by the Commonwealth which borrowed funds to reimburse itself and its political subdivisions for emergency expenditures. For the tornado, \$5 million was provided for reimbursement, which included the granting of property tax abatements by Assessors on damaged property. For the Hurricanes, a 3-man Board consisting of the Director of Civil Defense, the Director of Accounts and the Commissioner of Administration approved reimbursements of up to \$12 million which again authorized Assessors to grant abatements to damaged properties.

Who Knew?

In the City of Westfield, Massachusetts, Hurricane Diane produced 18 inches of rain in a 24 hour period. Many had to relocate, including Mr. and Mrs. Frank Reynolds of whom I was told first lived in the town of Dana. Who knew that Boston's demand for water would outstrip its more local supplies, the residents of Dana, Enfield, Greenwich and Prescott would have to relocate, the towns would be dis-incorporated then flooded and the Winsor Dam would help form the Quabbin Reservoir? They relocated to the village of Knightville in the town of Huntington.

Who knew that the Great New England Hurricane of 1938 would flood much of Springfield and that the Army Corps of Engineers would decide to build a dam for flood control and reservoir purposes upstream in the village of Knightville? (Knightville Dam built 1939 – 1941). They relocated to the village of Littleville in the town of Chester.

Who knew that Hurricane Diane in 1955 would flood much of Westfield and that the Army Corps of Engineers would decide to build a dam for flood control and reservoir purposes upstream in the village of Littleville? (Littleville Dam built 1962 – 1965). Recounting their relocations before a group of Littleville residents and officials discussing the Littleville Dam project, Mr. Reynolds voiced, "Damn the dams! I hate dams!" They relocated to higher ground in the town of Blandford.

Statistics

Statistics were not available for 1959 as presented in the past. Statistics for 1960 revenues and expenditures were available for all cities and only for towns with populations greater than 10,000. As a practical matter, these 121 municipalities probably accounted for most of the money received and expended. Aggregate municipal debt appears to be for all cities and towns.

Total municipal revenue was received mostly from taxes (\$652 million) and departmental revenue (\$115 million), while total municipal charges paid for schools (\$275 million), public works (\$185 million) and public safety (\$119 million).

By 1960, aggregate municipal debt was \$769 million, up \$435 million or 130% from \$334 million in 1950. Capital outlays, the expenditure for which may have been from borrowing, grants and/or taxation, were mostly for schools (\$45 million), highways (\$22 million) and health and sanitation (\$17 million).

The Bureau's budget grew from \$522,555 in 1949 to \$853,887 in 1960. The budget included 131 permanent positions and an additional 6 permanent positions for the county personnel board.

Conclusion to Part IX

Society changed yet again this decade. There was growth in government spending on education, growth in military spending during the Cold War Era and growth in personal spending for housing, automobiles and home appliances with funds accumulated but unspent during wartime. Civil rebellion was beginning to percolate as school integration, suburban family life and the rebellious, often-called "silent generation" or teenagers of the 50's led the nation forward. A thematic journey through the 1960s is found in Part X.

Part X: The Bureau of Accounts, A Thematic Journey Through the 1960s

“All we are saying, is give peace a chance” – lyrics from Give Peace a Chance by John Lennon

The 1960s

Some remember the decade as a time of campaigns or “movements” like the counterculture and the social revolution, the Anti-Vietnam War Movement, the African-American Civil Rights Movement, the Gay Rights and Feminist Movements to name a few. We saw the assassination of President Kennedy, a British invasion, a southeast Asian invasion and Woodstock invasion. The computer programming language BASIC was created, man walked on the moon and McDonald’s opened its doors in Lowell in 1965.

Appointing a New Director

Herman B. Dine retired as Director of Accounts effective January 31, 1962 after being a career State employee for 44 years, 42 years with the Bureau. Arthur MacKinnon, former Comptroller for Brookline and City Auditor of Everett, was selected to succeed Dine as Director.

The Poll Tax

In colonial times, a list of all males sixteen years of age and older were assessed one shilling and eight pence “by the head.” The head or “poll” tax (poll means head in old English) reportedly accounted for 35% - 40% of total direct tax revenue at that time. Over time, the age and contribution of each person (including women who registered as voters in 1876, then repealed in 1901) would change and the tax became relatively less important. Some received exemption from the tax while others received a “bonus” from it (in the 1920s, the War Bonus Tax was partially funded by three extra dollars of poll tax revenue).

In 1846, Henry David Thoreau was arrested and jailed by a local sheriff for non-payment of his poll tax. Thoreau protested that the money was being used to fund the Mexican - American War (1846 – 1848) and the expansion of slavery in the southwest. Although not true of the tax, Thoreau nonetheless raised awareness of that war. He was bailed out of jail and Thoreau was described by the sheriff as “mad as the devil” when he learned of it.

The twenty-fourth amendment to the United States’ Constitution prohibited Congress or States from conditioning the right to vote in federal elections on payment of a poll or other type of tax. Massachusetts ratified the amendment in

1963 and the amendment was ratified by all the States in 1964. Chapter 160, §1 of 1963 effective January 1, 1964 abolished the poll tax. The national Voting Rights Act of 1965 abolished the poll tax as a condition for voting in State elections.

The “Temporary” Sales Tax

A sales tax for Massachusetts had been proposed and considered since the 1930s. In 1965, during a period of difficult fiscal times reportedly exacerbated by a liberalizing of property tax exemptions and the loss of poll tax revenue, the so-called “Great Tax Debate” focused upon whether to enact a general sales tax or increase the existing personal income tax to increase overall revenue. In 1966, Governor John Volpe submitted a \$200 million revenue program to the General Court which included a limited, 23 month sales tax, the proceeds of which would be distributed to cities and towns as property tax relief under a new statutory formula.

In March of 1966, the Governor signed Chapter 14 of 1966, which imposed a temporary 3% tax on retail sales and a temporary 3% excise on the storage, use or other consumption of certain tangible personal property. The law also revised and imposed certain other taxes and excises, established a local aid fund and provided a formula for distribution of the proceeds to cities and towns. The Act was only to be effective between April 1, 1966 and December 31, 1967.

In November of 1966, a tax referendum to repeal Chapter 14 was defeated by a 3 to 1 margin. In 1967, Chapter 757 made the temporary sales tax permanent. Both tax and excise were increased in 1975 to 5% and again in 2009 to 6.25%. A ballot question to roll-back the tax and excise to 3% failed in 2010. For FY2013 and at 6.25%, the Department of Revenue reportedly estimates additional revenues of \$937 million to \$976 million.

A portion of sales tax receipts are dedicated to the Massachusetts Bay Transportation Authority, the Massachusetts School Building Authority and the Commonwealth Transportation Fund. For several years, Massachusetts has held a sales tax holiday weekend in August during which many purchases are not subject to sales or use tax.

Municipal Home Rule

The following are excerpts taken from the Division of Local Services website:

“Home Rule is sometimes thought of as a relatively recent concept and unique to Massachusetts, but its roots actually date back to the 1700s and its relevancy extends throughout the nation... In many higher court decisions, the right to self-rule came under attack as railroad companies, whose lawyers were well entrenched at the state level, faced resistance as they pushed to extend rail lines

across town boundaries. In 1868, an Iowa Supreme Court Justice, John F. Dillon, put forward rules for interpreting the relationship between state law and local law when they came into conflict.”

“The Dillon Rule states that: "A municipal corporation possesses and can exercise the following powers and no others: First, those granted in express words (from the state); second, those necessarily implied or necessarily incident to the powers expressly granted; third, those absolutely essential to the declared objects and purposes of the corporation—not simply convenient, but indispensable; and fourth, any fair doubt as to the existence of a power is resolved by the courts against the corporation." The United States Supreme Court adopted the Dillon Rule in 1907...

“Under the Dillon Rule, Massachusetts municipalities were among those that were viewed as political subdivisions or creatures of the state. Municipalities were permitted, in a limited way, to enact local laws provided the provisions were “not repugnant” to the state constitution, but all local laws were subject to annulment by the General Court.”

It was reported that in 1950, 1956, 1959 and 1960, of 15,809 bills introduced into the General Court, almost 20% were related to municipal affairs. In 1965, the General Court enacted over 200 Special Acts related to governing cities and towns. Amendment 89 to the Massachusetts Constitution passed in November of 1966 allowed an expanded, yet still limited form of home rule authority.

The Home Rule Procedures Act (G.L. Chapter 43B) was passed by the General Court in the Extra Session of 1966 which detailed the procedures that cities and towns could apply the new Constitutional grant of authority.

“In general, a city or town in the Commonwealth can exercise a power or function through the approval of its legislative body (town meeting, city council or town council) and its voters. They can exercise any power through the adoption of an ordinance, by-law or charter that the state legislature has the authority to delegate...communities can enact charters (through a charter commission process), without state approval, in order to organize local government in a way that best meet the needs of their citizens...Despite Home Rule, some local actions require approval of the state legislature. Others are allowed only through local acceptance of state statutes...specific constitutional language (Amendment Article 89, Section 7) reserves to the state sole authority to regulate elections; levy, assess and collect taxes; borrow money or pledge a municipality’s credit; dispose of parkland; enact private or civil laws; and impose criminal penalties.”

Funding Public Welfare

As the Depression of the 1930s impacted the economy and the nation's people, President Roosevelt's First and Second New Deal programs (1933-1938) attempted to focus on what has been called the "3 Rs": Relief for the unemployed and poor, Recovery of the economy to normal levels and Reform of the financial system to prevent a repeat Depression.

In Massachusetts, expenditure of funds for the public welfare was the responsibility of the local governments, with some Federal financial support and State financial and administrative support. Legislation authorizing borrowing for public welfare purposes (with approval of the E.F.B.) was passed every couple of years authorizing borrowing for 5 years.

Expenditures for public welfare exploded in the 1960s. Whether it was because of President Johnson's "War on Poverty" and/or other liberal social movements at that time, I am not certain. However, local spending on public welfare remained high until programs were taken over by the State in 1967. Reports show that local spending on public welfare which exceeded \$240 million in FY1966 fell to \$78 million in FY1970, while State spending for public welfare increased from \$37 million in FY1967 to \$431 million in FY1968.

Statistics

By 1969, total municipal revenue of \$2.3 billion was received mostly from taxes (\$1.2 billion, 52%), intergovernmental (\$636 million, 28%) and departmental charges (\$210 million, 9%). Total municipal expenditures of \$2.3 billion paid for education (\$829 million, 36%), public welfare (\$258 million, 11%), and utilities (\$230 million, 10%). Total debt outstanding was \$2.1 billion; \$1.7 billion long-term and \$400 million short-term.

In 1969, the highest tax rate was in Oakham (\$235/000) and the lowest in Ipswich (\$8.00/000).

The Bureau's budget grew during this decade from \$853,887 in 1960 to \$1,327,680 in 1969. The budget included 131 accounting and support staff plus an additional 6 county personnel board staff.

Conclusion to Part X

As seen by the writing for this decade, societal changes caused major philosophical/fiscal changes to take place. Although of relatively great magnitude, none of them affected the Bureau directly. But that would change in the next decade. A thematic journey through the 1970s is found in Part XI.

Part XI: The Bureau of Accounts, A Thematic Journey Through the 1970s

This is the first decade as I have summarized them since the formation of the Bureau as a separate entity within the Department of Corporations and Taxation that the Bureau will experience the appointment of three new Directors.

The 1970s

Hippies were out and Dual Income No Kids (DINKs) were in. Gambling was legalized and the Lottery began. The Vietnam War ended, but rather than parades of triumph, the soldiers found a bitter citizenry. The Watergate scandal and political “dirty tricks” brought down the President. Tax evasion brought down the Vice-President. The Iranian hostage Crisis helped elect a new President. Price controls on domestic oil caused gas lines and shortages. Inflation and unemployment rose causing “stagflation” which led to double-digit interest rates.

Cynicism in government was high; faith in government was low, and taxpayers around the nation revolted (California’s Proposition 13, Massachusetts’ 4% tax cap, the Sudbury and Tregor Court decisions) against what many thought to be an unfair system of property tax administration. Nevertheless, ducklings, baby chickens and rabbits were protected but certain laws relative to alewives and herrings were repealed.

Appointing New Directors

Arthur MacKinnon, the Director who began the decade was replaced in 1971 by Gordon McGill, with the Bureau since 1934, who was Chief Accountant and then Assistant Director before being named Director.

In 1976, Mr. McGill was replaced by Edward McCann. Mr. McCann was the town of Scituate’s first Town Administrator and was the last Director of Accounts to be appointed by the Commissioner of Revenue with approval of the Governor and Governor’s Council.

In 1978, Mr. McCann was replaced by Harvey J. Beth. Mr. Beth, a CPA, was Director of Finance in the town of Needham, a position new to Massachusetts municipal finance at that time. He was the first Director of Accounts to be appointed by the Commissioner of Revenue and Secretary of Administration and Finance under this decade’s departmental reorganization.

Toward a Uniform Fiscal Year – Again

The Commonwealth's Uniform Fiscal Cycle Act of 1969 as amended changed the municipal fiscal year to July 1 – June 30 to run co-extensively with the State's and the Federal government's fiscal cycle. This Act authorized an 18-month fiscal year to run from January 1973 – June 1974 and its provisions were extended to include counties, regional school and other districts.

An explanatory and planning booklet was published by the Institute for Governmental Services at the University of Massachusetts with monetary support from the Department of Corporations and Taxation. Parts of the booklet were written on the topics of municipal borrowing and on the computation of free cash, both which were functions of the Bureau. However, I cannot determine the extent to which the Bureau participated in writing the booklet.

In 1977, the United States Congress changed the Federal fiscal year to Oct 1 – September 30. There has been no subsequent move by the State or any municipality to re-conform to the Federal fiscal year, yet.

Another Departmental Reorganization

The Department of Corporations and Taxation was reorganized once again in 1978 after criticism regarding the Department's poor administrative practices, failure to collect property taxes, failure to pursue delinquent taxpayers, failure to deter its own personnel from abusing their positions. and finally the resignation of the Tax Commissioner, The public's perception of the Department as well as employee morale was reportedly low.

There was a movement toward creating a separate Department of Local Finance including three Divisions: Accounts, Taxation and Assessment, and Local Services with a Commissioner appointed coterminous with the Governor. Governor Michael Dukakis, however, lobbied legislators against such a department writing that it would "duplicate the functions of the Division of Local Services in the new Department of Revenue" and the movement ended.

When the final bill passed, the new DOR would be led by a Commissioner of Revenue; Deputy Commissioners of Revenue would be in control of departmental divisions. Within the DLS would be a Bureau of Accounts led by a Director of Accounts and a Bureau of Local Assessment led by a Chief. An administrative unit within the Division, a Property Tax Bureau led by a Chief, was allowed by the legislation but was not named. The role of the Bureau of Accounts remained the same.

The 4% Tax Cap

In Massachusetts, Governor Dukakis' reversal of his "lead-pipe guarantee" of no new taxes to balance the state budget as well as Massachusetts' high property taxes (almost twice the national average), fueled the election of Edward J. King as Governor who ran on a platform of cutting property taxes. In the 1970's, nationwide tax revolts led to property tax limitation laws or "tax caps." In California, it was Proposition 13, but in Massachusetts, it was Governor King's 4% tax cap.

There were actually two caps: one for appropriations and the other for the tax levy, each 4% above their respective amounts from the previous fiscal year. A two-thirds vote of a city or town's appropriating authority could override the tax cap. Towns with under 5,000 population were exempt from the cap, as were appropriations for pensions, debt service, school district and other regional assessments, unemployment insurance, court mandates, and matching money for Federal and State grants.

The 4% cap facilitated a \$30 million or 1% overall property tax levy reduction from FY1979 to FY1980. Although small, it was said to have been the first time since WWII that the total State tax levy decreased. Two-thirds of communities were said to have maintained or lowered their tax rates in the first year of the cap. In the cap's second year, however, levies rebounded by 12%, as communities took advantage of the relative ease of override. The number of exemptions to the cap also weakened it. Property taxes increased which fueled the efforts of those favoring a more restrictive law.

The Bureau had little to do with calculating the tax cap as it was a tax rate certification related function, a function which the Bureau did not have until after the cap was repealed.

The GASB

A stimulus for appreciating adequate financial disclosure occurred in 1974 when it was revealed that New York City, in danger of defaulting on certain bonds, had issued misleading financial statements based upon faulty accounting and reporting procedures. In reaction, President Ford signed the Securities Acts Amendments of 1975 to regulate municipal issuers of securities. In 1976, an amendment to the Revenue Sharing Act required financial statement audits for municipalities receiving \$25,000 or more in entitlements. In 1979, the Municipal Finance Officers' Association indicated that "financial statements should be prepared and presented in conformity with generally accepted accounting principles..."

Director of Accounts Beth worked with other government CPAs to help create the Government Accounting Standards Board (GASB) and its regulations. Since 1984, this Board has been issuing Statements, interpretations, Technical Bulletins and Concept Statements defining generally accepted accounting principles (GAAP) for state and local governments.

UMAS and its Predecessors

The many and varied functions of government provide communication between the governing and the governed. Good financial administration is one of the more significant tools of this communication process. – Harvey Beth, Director of Accounts

It is unknown what employees called the earliest form of uniform accounting system for local governments in Massachusetts, but its 1950s update was dubbed the “Brownbook” as it appeared with a brown cover and its 1960s update was dubbed the “Greenbook” as it appeared with a green cover. These books were referred to as the statutory system of accounting or “Stat.” This single-entry accounting system was developed, maintained and administered by the Bureau of Accounts and has been called one of, if not the oldest, statewide uniform municipal accounting systems in the country.

By 1980, increased public interest in government accountability and in reporting uniformity necessitated a more significant revision to “Stat.” Work began in April of 1980 and included Director Beth, Bureau members and a technical support team from Touche Ross & Co. An initial draft was implemented in three test communities and presented to a Board of Oversight appointed by the Director whose members included representatives from organizations with direct interest in municipal finance.

The new Uniform Municipal Accounting System (UMAS) Manual was said to have picked up where the “Greenbook” left off. It accommodated the new system of government fund accounting and GASB pronouncements and explained the most common transactions or those inconsistently handled in the past. .

Regional School District Excess and Deficiency

Audits of regional school districts conducted by the Bureau in the 1970s were reportedly critical of abnormally high balances in Surplus Revenue or Excess and Deficiency (E & D) accounts. E & D, similar to free cash for a city or town, could be used for continued spending or to reduce members’ assessments. In their audits, the Bureau encouraged the use of these surplus funds, rather than their accumulation.

Chapter 738 of 1979 created a percentage of budget limit for E & D, the excess of which must be returned to the member communities. The legislation had the support of DOR, but did not have the support of the Executive Office of Educational Affairs which believed that individual districts should make their own surplus determination. The E & D limit continues today as does the certification of E & D by the Bureau.

Statistics

By 1979, total municipal revenue of \$6.9 billion was received mostly from taxes (\$3.2 billion, 46%), intergovernmental (\$2.5 billion, 36%) and departmental charges (564 million, 8%). Total municipal expenditures of \$7.1 billion paid for education (\$2.6 billion, 37%), utilities (\$1 billion, 14%), and police (\$331 million, 5%). Total debt outstanding was \$4.4 billion; \$3.7 billion long-term and \$700 million short-term.

In 1979, the highest tax rate was in Billerica (\$313/000) and the lowest in New Ashford (\$7.00/000).

The Bureau's budget grew dramatically during this decade from \$1,327,680 in 1969 to \$2,465,553 in 1979. The budget included 249 accounting and support staff plus an additional 6 county personnel board staff. The additional 113 budgeted staff over FY1978 was never hired. The Bureau's 1979 budget included "no less than \$100,000 to establish and maintain a databank." With the assistance of Touche Ross & Co. and representatives from Sperry Univac (now Unisys Corp.), the Bureau began to develop a databank, especially for Schedule A reports. As time and technology progressed, and as expanded uses for a databank were considered, a new Division unit to administer such a function was created.

Conclusion to Part XI

Cynicism during this decade led to accounting and budgeting reforms as well as to departmental reorganizations. But further changes were yet to come. A thematic journey through the 1980s is found in Part XII.

Part XII: The Bureau of Accounts, A Thematic Journey Through the 1980s

I have reached a decade in the Bureau's history where I, as well as several current and former staff members can personally relate to, having all worked at the Bureau during this decade.

*In recent years there has been increasing pressure on all levels of government to increase services while simultaneously cutting costs. –
UMAS Manual, 1980*

The 1980s

It was a taxpayer revolt! The national economy was in a recession, unemployment was rising, interest rates were double-digit, Washington Public Power Supply System defaulted on \$2.25 billion of bonds, Proposition 13 was in, and the Massachusetts 4% tax cap wasn't working. "Taxachusetts", as it was jokingly called, was primed for a strict tax cutting measure which passed by ballot in November of 1980. Gosnold did its part; the town had a \$0 tax rate in 1981.

Government accountability! The Bureau implemented UMAS, promoted IGRs and monitored cash in light of improper cash management practices by some. Congress passed the Single Audit Act, the first woman was appointed Director of Accounts, an internal reorganization changed the Bureau's course and regional offices opened. The Emerson case distinguished a fee from a tax, Boston was bailed out to the tune of \$75 million by the "Tregor bill", control boards returned, computer technology was introduced, Acts were passed for Enterprise Funds, Qualified Bonds and Compensating Balances, Federal Revenue Sharing ended and the General Laws proclaimed the first Wednesday in June to be Public Employees Appreciation Day "in recognition of the service and contributions of civil servants in all levels of government and recommending that said day be observed in an appropriate manner by the people." Did you celebrate this day in an appropriate manner?

Proposition 2½

The passage of Proposition 2½ on the November 1980 ballot was enormous. The new law changed the way cities, towns and districts budget to the present day. "Prop 2½", named after Proposition 13, a similar tax limitation measure passed in California, replaced Governor King's not-so-effective 4% tax cap. The Act limited the tax levy while providing for a ballot to override its provisions rather than merely a legislative body vote. Beginning in January, 1981, the law reduced the motor vehicle excise tax from \$66/000 of value to \$25/000. The tax levy limit commenced in FY1982.

The levy limitation began as a two-tiered calculation: (1) a 2.5% factor increase or 15% or lesser percentage decrease from the FY1981 tax levy and (2) a 2.5% or lower percentage factor as determined by FY1979's property tax multiplied by the full and fair cash valuation of the city or town. Where a full and fair cash value was not available, an equalized value was used. Many communities found this an added incentive to assess at full and fair cash value. The 2.5% increase limit could have been overridden only by local ballot.

By FY1983, at the behest of many, the levy limitation changed to (1) a 2.5% factor increase over the prior fiscal year's levy limit recalculated for all cities and towns from the beginning and (2) a 2.5% factor for all cities and towns multiplied by full and fair cash valuation recalculated from the beginning and (3) an additional spending amount based upon new construction (new growth) and (4) an exclusion on particular debt. A provision regarding special purpose taxing districts was eliminated as these districts were thought not to have a particularly significant tax liability. Other provisions from the original Prop 2½, such as ending school fiscal autonomy and restricting state mandates continue.

Apart from the calculation of the county assessment limit and having a general understanding of the law, the Bureau of Accounts did not calculate the levy limit for cities and towns until the Division's reorganization transferred in the tax rate certification function from the Property Tax Bureau.

A New Director is Appointed

Kenneth Marchurs, a Certified Public Accountant and a former Massachusetts College Comptroller, was appointed the new Director of Accounts in 1984. He succeeded Harvey J. Beth.

The Effort to Convert

Under Mr. Marchurs, with financial assistance from the Legislature, the Bureau managed an extensive effort to install UMAS' new charts of accounts in cities and towns, but on a voluntary basis. Bureau staff laid out specifications for the installations based upon the new UMAS accounting system. There was some reluctance to convert from the old "Stat" system as one would now have to learn a new system, train staff and incur some additional costs. However, concerns over capital market access convinced many cities and towns to convert. The Bureau contracted out the effort, as most of its staff was still field auditing. A Steering Committee of local Accountants and Auditors was of assistance both in terms of professional support to the Bureau and moral support to local officials. The effort ended prior to all cities and towns being converted. Even to this day, there are still some entities that use the old "Stat" system and some a hybrid,

referred to by Bureau staff as an “IMAS” (Individual Massachusetts Accounting System).

The Single Audit Act

In 1984, Congress passed the Single Audit Act. This federal statute was intended to eliminate duplication in the audit of Federal grant programs. Any community that received \$100,000 or more in federal funds in one year had to complete an audit. Communities that received \$25,000 to \$100,000 had the option of completing a single audit or a program specific audit.

...audit quality is ensured through a sound audit procurement process and a quality review of the report and substantiating working papers. If the audit is properly procured and if a review is performed, there is a strong possibility that the audit has been conducted in accordance with professional standards and is thus a useful tool for local officials. – *from City and Town, July, 1988*

The Bureau established both an Audit Procurement Unit and an Audit Quality Control Unit to ensure proper procurement and quality review performance.

Control Boards

Since the Control Boards in Millville and Mashpee, particular cities and towns with a deficit (and there weren't many) were allowed by special legislation to amortize it over time. However, due to the extent of deficits in three cities in particular during the 1980s, Control Boards returned.

Mariellen Murphy, Assistant Director of Accounts and who would become the next Director of Accounts, served on the Lynn Board, served as Chairperson of the Chelsea Board and assigned a designee on the Holyoke Board.

Lynn – Chapter 8 of 1985 (Lynn Bailout Act) – authorized to borrow \$3.5 million interest free from the State for up to 10 years for school system in FY1985. Created City of Lynn Finance Control Board, amortized overlay deficit over 10 years, created CFO, reorganized Assessors' Office, established departmental quarterly allotments, and set forth personal liability for officers who intentionally expended funds in excess of appropriation. The Board dissolved in 1986.

Chelsea – Chapter 147 of 1986 – authorized to borrow \$5 million interest free from the State for up to 10 years to maintain and operate the City for FY1986 – FY1988. Created City of Chelsea Finance Control Board, reorganized Department of Finance, reorganized Assessors' Office, established departmental quarterly allotments, and set forth personal liability for officers who intentionally expended funds in excess of

appropriation. Legislation in 1989 and 1990 authorized the City to seek the assistance and employ the resources of Boston University and extended the City's loan repayment to FY2007. The Board dissolved when a receiver was appointed.

Holyoke – Chapter 139 of 1988 – authorized to borrow \$4 million interest free from the State for up to 10 years for supporting future operating budgets – Created Holyoke Finance Control Board. The Board dissolved in 1990.

Other Notable New Laws

Three laws passed in this decade added particular responsibilities to the Bureau:

The Qualified Bond Act (1980)

This was the Massachusetts program to improve the marketability of bonds for cities and towns with marginal credit ratings. The Act authorized the E.F.B. (now Municipal Finance Oversight Board, or M.F.O.B.) to “qualify” certain local debt and the State Treasurer to intercept State aid for payment of its debt service. State qualified debt is rated at slightly lower than the State's rating, currently at Aa2 according to Moody's and AA according to S. & P. To date, 46 communities have participated in this program administered by the Bureau's Public Finance section.

Compensating Balances (1985)

The Inspector General's Report on Municipal Banking Relations and the Bureau determined that interest received from banks was not commensurate with the level of the account balances. It was revealed that certain Treasurers traded interest for other banking services, and in more egregious cases, for personal gifts and vacations. The Act legalized at local option provision for banking services in lieu of interest. Eight cities and towns and two regional school districts reported to the Bureau having such balances for FY2012.

Enterprise Funds (1986)

These funds were originally looked upon as a method to raise user charges and circumvent Prop 2½'s levy restriction. UMAS accommodated Enterprise Funds with its reservation of surplus apart from the General Fund. Today, Enterprise Funds for utilities, health care, recreational or transportation are allowed per G.L. c. 44, § 53F½ (initially inserted as G.L. c. 40, § 39K, but moved in 1990).

Another New Director is Appointed

Mariellen Murphy, formerly Assistant City Auditor for the City of Boston, a Certified Public Accountant and an auditor for Coopers and Lybrand, who served the Bureau as Assistant Director for Accounting since 1985 and as Acting Director since January, 1987, succeeded Kenneth Marchurs as Director of Accounts in 1987. She was the first woman to be appointed to this position.

The Bureau's Internal Reorganization

Complicated by several retirements throughout the Division, a dwindling audit staff with little chance for replenishment, and recognizing a national trend for audits conducted by independent Certified Public Accounting firms rather than by government personnel, the Bureau needed to reprioritize.

Sectional operations were phased out or otherwise transferred to "service representatives", members of the professional accounting staff who offered a broad range of technical assistance to local officials including the calculation of free cash and processing of Schedule A. It was called at the time by some "one-stop shopping." The county and debt sections reported immediately to the Director of Accounts, rather than to a supervisor.

Division regional offices opened in Springfield in 1984 and in Worcester in 1986. Regional Offices decentralized Bureau functions and certain actions which up until then were performed in Boston.

In 1987, the tax rate certification function was transferred to the Bureau from the Property Tax Bureau.

Free Cash by Any Other Name

In 1988, the Division invited local officials to participate in a "Rename Free Cash" contest. The prize for the winning entry's community was a guaranteed, one-day certification of its tax rate and free cash (if submitted error free). "Unrestricted Fund Balance" was the winning entry submitted by the town of Hanson. "Play Dough" submitted by the town of Northbridge was given honorable mention by the judges. Cumulative Results of Operations Certified, or CROC, was abruptly dismissed. We still call it free cash.

Statistics

By 1989, total municipal revenues of \$12.7 billion was received mostly from intergovernmental (\$4.9 billion, 39%), taxes (\$4.5 billion, 35%), and departmental charges (\$1.5 billion, 12%). Total municipal expenditures of \$13.2 billion paid for

education (\$4.4 billion, 33%), utilities (\$2.2 billion, 17%), and housing and community development (\$661 million, 5%). Total debt outstanding was \$7.7 billion; \$6.5 billion long-term and \$1.2 billion short-term.

In 1989, tax rates were split due to classification, the highest tax rates were the CIP rates in Lowell (\$26.51/000) and the lowest were the R, CIP rates in Gosnold (\$1.70/000)

The Bureau's FY1986 budget was incorporated into one Division budget as the Deputy Commissioner wanted the ability to allocate funds amongst the Division's Bureaus as he deemed necessary. The Division's FY1987 budget was for the first time fully funded by the State's Local Aid Fund rather than by the State's General Fund. At that time, the Local Aid fund was supported by revenues from the Lottery. Since the distribution to cities and towns was capped, a portion of the Local Aid Fund could relieve pressure off of the State's General Fund, as it did for several other State agencies and programs, without affecting the dollar amount of local distribution. The Lottery cap began to phase out in FY1995.

Conclusion to Part XII

Municipal budgeting after Prop 2½ became a question of "How much do we have?", rather than, "What do we need?" That presented a new challenge to many Budget Directors around the State. Some communities found themselves being bailed out, others overrode the levy restriction, and still others needed more serious State intervention. That need spilled over into the next decade as well. A thematic journey through the 1990s is found in Part XIII.

Part XIII: The Bureau of Accounts, A Thematic Journey Through the 1990s

When the new Director began in 1987, her focus was on the Bureau's reorganization and upon accounting matters. But by 1990, the trials and tribulations of county government finance necessitated a change in focus and much of her time was spent meeting with county officials.

The 1990s

The 1990s began with financial difficulties in certain cities, but Education Reform increased school aid by mid-decade to total revenue levels higher than ever, and State intervention controlled particular distressed cases. Quarterly tax bills (Watertown issued them first) pushed forward the tax rate certification into late fall, pension obligation bonds pushed unfunded pension liability forward 30 years, Devens and Tri-Town were established, the Water Pollution Abatement Trust provided millions for clean-up, Schedule A was lengthened then shortened, Microsoft EXCEL helped create auto programs for Recap and Schedule A, Microsoft Word eliminated typewriters, PCs used 3½" or 5¼" floppies and a 1998 Act authorized a special fund to be used to celebrate the millennium.

The School Tax Rate: July 4, 1952 – December 10, 1990

Was it was the loss of school fiscal autonomy after the passage of Prop 2½? Was it the additional State aid for education that increased local school spending, didn't increase the school tax rate, and didn't tell the entire story? Was it the Division's support for the school tax rate's elimination? Was it a change to the school aid formula? Was it that the school tax rate wasn't being calculated properly anyway and that there was no State certification of it? Was it just unnecessary anymore? Was it all of the above?

Receivership for Chelsea

The "r" word returned, but it wasn't "ripper", it was "receivership." Despite State assistance and intervention, including almost \$2.5 million in emergency financial assistance in FY1990 and FY1991, it was determined that the City of Chelsea had an FY1992 structural budget deficit of \$9.5 million, on a \$41 million budget. Unprecedented legislation proposed by Governor William Weld dissolved the Control Board and created a State appointed Receiver for a minimum of two years and a maximum of five years. The Receiver continued until August of 1995, when a City Manager, called for by a charter change, was appointed.

State Assistance, Control Boards

During the 1990s, Finance Control Boards created by special legislation operated much the same as those of the 1980s, with modifications in procedure learned by experience. Also, note that they were distinguished by different names. The Director of Accounts or a designee was made a statutory member of each Board. For brevity, I indicate only the Act, amounts authorized to borrow or amortize, the number of pay-back years, and the Board's dissolution date. Many other details found in each Legislative Act are identical or very similar.

Lawrence – Chapter 41 of 1990 – authorized up to five years amortization of \$3.1 million - allowed by Board to borrow \$13 million for deficits - The Oversight Board dissolved on December 29, 1997.

Brockton – Chapter 324 of 1990 – authorized to borrow an amount deemed appropriate by the Control Board for up to five years as General Obligation (rather than borrow from the State). The Board dissolved on June 29, 1993.

Lowell – Chapter 17 of 1992 – authorized to borrow an amount deemed appropriate by the Finance Advisory Board (actual \$13.2 million) for up to 10 years eligible as qualified bonds – James Johnson, who would become the next Director of Accounts, served on this Board as the Director's representative. The Board dissolved in June of 1995.

State Assistance, No Control Board

Springfield – Chapter 656 of 1989 (signed January, 1990) – authorized up to five years amortization of \$9 million deficit. A 1991 Act extended the term to 10 years.

Education Reform and Accountability

The Massachusetts Education Reform Act (MERA) of 1993 provided significant funds to increase educational achievement and equalize education spending in districts across the State.

Although mostly a Department of Education matter, the Bureau of Accounts had the responsibility of determining whether a municipality met its targeted "net school spending" amount, or otherwise deny tax rate certification. This process continued for several fiscal years until that determination was transferred to the Department of Education with the understanding that the Commissioner of Education would request the Commissioner of Revenue to delay tax rate certification when "net school spending" was not appropriated. The current Department of Elementary and Secondary Education

603 CMR 10 requires the Commissioner of Education to direct the Commissioner of Revenue to reduce School State Aid when actual expenditures are less than required.

In February, 1997, Governor William Weld issued Executive Order 393 which in part created the Education Management Accountability Board (E.M.A.B.) to “review, investigate and report on the expenditures of funds by school districts, including regional school districts, consistent with the goals of improving student achievement.” E.M.A.B. named the Director of Accounts as chief investigator with authority to examine municipal and school department accounts and transactions. School district reviews were conducted by audit teams selected from the Bureau of Accounts and other areas of the Revenue Department.

Task Forces

In the early part of the decade, four task forces were formed of mainly Bureau staff (other Division staff were included) to recommend resolution to certain issues within their purview. A final report by the chairman of each task force (Tax Rate, Audit, Schedule A, Collections) was completed in August of 1993 detailing findings and recommendations.

The Tax Rate Recap task force conducted a pilot program encouraging both early budget review and accelerated tax rate approval. The program offered a \$3,000 grant, the funds for which were included in the Governor’s 1994 budget, but was dependent upon Legislative funding. It wasn’t funded.

Some recommendations were implemented, others not as the Division and Bureau were undergoing leadership changes. Reviewing these recommendations now 20 years later, I found many of them as apt today as they were then.

A New Director is Appointed

James R. Johnson, who began with the Bureau in 1991 as Assistant Director responsible for cash and debt management, replaced Mariellen Murphy as Director of Accounts in 1997. Mr. Johnson, a graduate of Brown University, was a businessman, served on his town’s Advisory Finance Committee, was a Representative Town Meeting Member and worked for Westinghouse Broadcasting in various financial management capacities.

County Government

County governments are almost as old as the Commonwealth, but for hundreds of years were essentially State administrative districts whose powers and budgets were determined by the Legislature.

They can neither decide for what purposes to spend money nor how much may be spent for the purposes authorized by law. They cannot decide the amount of taxes to be levied to pay for county operations and they have no taxing powers. – *Your Massachusetts Government, Levitan and Mariner, 1984*

For decades, the Bureau provided support to the Legislature on county budget submissions. County Commissioners prepared receipt and expenditure estimates on prescribed forms and forwarded them to the Bureau for review and analysis. The Bureau prepared the forms for Legislative review, forwarded them to the House Clerk, and certified approved budget amounts back to the County Commissioners. The Director also statutorily provided assistance to the County Personnel Board in the classification and salary standards of county positions.

From 1978 to the present, several significant events occurred that changed the course of county government in Massachusetts:

- The Court Reorganization Act of 1978 transferred all judicial expenses and employees over to the State;
- Prop 2½ limited the county tax and with increased county corrections costs, significant infusions of State assistance were required in several counties to continue their operation;
- In 1982, complete budget approval authority was given to County Advisory Boards composed of Mayors, Managers and Boards of Selectmen from each municipality within the county;
- Chapter 193 of 1989 increased the deeds excise tax which provided additional county funding and established a County Government Finance Review Board (C.G.F.R.B.) responsible for approving all county budgets received from the County Advisory Boards. The Director served as the Commissioner of Revenue's designee on the C.G.F.R.B. while the Bureau provided that Board with staff support;
- In mid-1990s, Franklin County requested to be abolished in favor of a Franklin Regional Council of Governments which exists today;

- In 1996, Middlesex County defaulted on \$4.7 million in hospital debt. Chapter 48 of 1997 abolished the county and included an appropriation to pay all county liabilities;
- From 1997 to 2000, six additional counties (Berkshire, Essex, Franklin, Hampden, Hampshire, Worcester) were abolished, operation of their sheriffs' offices, county jails, houses of correction, registries of deeds and courthouses were transferred to the State and their revenues were redirected to the State's General Fund. The State assumed their valid debts and obligations; a budget of over \$46 million was managed by the Bureau to discharge these liabilities. In counties where liabilities exceeded assets, each member city and town's State aid was reduced annually to reimburse the State. In FY2012, the final reduction was made in Worcester County;
- In 2009, legislation transferred the sheriffs' offices of the seven remaining counties to the State effective January 1, 2010 and also abolished the C.G.F.R.B. A workgroup composed of several State agencies was formed to coordinate the sheriff's transfer. The Bureau had a significant role in drafting the transfer legislation, in its implementation and participation in the workgroup that followed.

Pension Obligation Bonds

It started with Worcester, then Holyoke, then Everett, then Chelsea, then several more communities after the year 2000. These bonds became acceptable in other States around the country as well. Acts were passed to issue Pension Obligation Bonds, a financing maneuver that retired all or part of the estimated unfunded pension liabilities of their retirement system. The term of the bond was usually for 30 years and the Secretary of Administration and Finance had to approve a community's plan demonstrating how it would finance the debt.

These bonds were not necessarily a panacea to address these liabilities. Questions such as proper timing for issuance, investment expertise, expected versus actual investment return and borrowing to pay for an operating expense lingered. It has been reported that pension bonds issued by Oakland, California in 1997 lost the city \$245 million. Even today, a Federal Judge allowed Stockton, California to default on their pension obligation bonds due to bankruptcy.

Statistics

By 1999, Total municipal revenues of \$20.4 billion was received mostly from intergovernmental (\$7.5 billion, 37%), taxes (\$7.5 billion, 37%), and departmental charges (\$2.3 billion, 11%). Total municipal expenditures of \$20.1 billion paid for education (\$8 billion, 40%), utilities (\$2.7 billion, 13%) and police (\$1 billion, 5%).

Total debt outstanding was 14.5 billion; \$12.9 billion long-term and \$1.6 billion short-term.

In 1999, the highest tax rates were the CIP rates in Chelsea (\$41.78/000) and the lowest were the R, CIP rates in Gosnold (\$2.43/000). As for the Division's budget, it was incorporated into the Department's budget.

Conclusion to Part XIII

Half of the county governments were abolished and the future of the other half remained unclear. However, the spirit of regionalization, inter-municipal agreements and P³s (public-private partnerships) would survive and return another day. Once county business concluded, the new Director could focus on his expertise, debt management. The opinions of the Bureau's Public Finance section regarding issuance of debt and indebtedness became widely respected among bond counsels, underwriters, bankers, financial advisors, and Treasurers and its active participation on the E.F.B. was considered essential. A thematic journey through the first decade of the new millennium is found in Part XIV.

Part XIV: The Bureau of Accounts, A Thematic Journey into the New Millennium 2000 - 2009

How much would you pay to avoid a second Depression? – Ben Bernanke, economist and current Chairman of the Federal Reserve

The 2000s? The aughts? The double-zeros? Whatever!

It was “watch the ball drop”, Happy New Year, a chorus of Auld Lang Syne and a telephone call to whomever was chosen to work New Year’s Eve to monitor the effects of Y2K. By whatever name you chose to call this first decade of the new millennium, it began with a relatively mild recession that was said to have ended in 2003. Budgets and local aid were “9C’d” by then Governor Mitt Romney, and then came some relief. Control Boards and other levels of State involvement or intervention continued but we hadn’t seen it all yet.

In the second half of the decade, the district of Devens, formerly Fort Devens, attempted to officially become a town, but failed. The real estate bubble burst, sub-prime mortgages caused massive defaults in mortgaged-backed securities and everyone wanted a bailout. Unregulated derivatives, and the “shadow banking system” brought down Lehman Brothers, the stock market and people’s retirement savings. Local aid was once again 9C’d, this time by Governor Patrick. We were in the midst of the “Great Recession,” and the Bureau preached a more conservative approach to revenue estimation ahead of further State relief. But interest rates remained low, the Big Dig was completed, the Massachusetts School Building Authority provided millions of dollars for school construction, Keynesian economic policy increased Federal spending, and “Ode to Massachusetts” was designated the official Ode of the Commonwealth.

Y2K

The Y2K problem, or “Millennium Bug”, was either the last matter of the last decade or the first matter of the new millennium. Data fields in software packages abbreviated the year to store only the last two digits. It was imagined that when the year 2000 arrived, a system may interpret 01/01/00 as January 1, 1900, resulting in either failed calculations or unworkable systems. The fix was estimated at \$300 billion nationally.

The Division advised local officials to fix, upgrade or replace Y2K non-compliant software. The Bureau participated in a Division-wide small town outreach program to assess Y2K vulnerabilities and to create a centralized, searchable database of problematic systems. Status reports were submitted to the Bureau with FY2000 tax rate submissions in the fall of 1999. By December 31, 225 communities reported that their systems would be ready.

On Saturday morning, January 1, 2000, many Information Technology managers celebrated the new millennium in their offices hoping that their computer system would survive. The Division encouraged communities to telephone or fax their status as soon as possible on Saturday morning; 180 communities did so and reported no significant problems.

GASB 34

In July of 2001, the Bureau, with the assistance of the Certified Public Accounting firm of Powers & Sullivan, published *A Practical Guide for Implementation of GASB Statement 34 for Massachusetts Local Governments*, to provide local finance officials with an outline for implementing and converting to the new requirements beginning for certain communities in FY2002.

A major impact of the Statement regarded the accounting for fixed assets and infrastructure, long required by generally accepted accounting principles (GAAP) but which no more than 10 Massachusetts cities and towns complied. All other audited cities and towns were given a “qualified” audit opinion for their failure to comply and there were concerns regarding their future access to the capital market.

In September of 2001, the Bureau sponsored two training sessions, one on each side of the State, for all interested parties at which hundreds attended.

An Award Winner

In 2002, the Bureau received the Commonwealth’s Citation for Outstanding Performance. The award recognized the Bureau’s exemplary performance and commitment to excellence in public service. Director Johnson and Deputy Director Rassias received the award on behalf of the Bureau at a State House ceremony held in December, 2002.

Performance Recognition Day in Massachusetts was proclaimed by Governor Jane Swift on November 21, 2002.

An End to Education Audits

The end of Education Audits early in the decade, initiated by the Massachusetts Education Reform Act (MERA) and Executive Order 393, was actually a benefit to the Bureau. Five Education Auditors, two of who served with the Bureau prior to serving as Auditors, returned to the Bureau when the Education Audit Bureau ceased to exist which added to the Bureau’s staff level.

State Relief

Relief came in many different packages of Legislative and local option programs during the administrations of Governors Mitt Romney and Deval Patrick.

The Municipal Relief Act of 2003

This package contained 142 sections, too numerous to detail, but included therein were:

- Abolished the E.F.B. and replaced most of its duties into a Municipal Finance Oversight Board (M.F.O.B.) composed of the same members (Attorney General, State Treasurer, State Auditor and Director of Accounts, or their designees). Other authorities once within the purview of the E.F.B. were allowed either no further approval or approval by local officials;
- Allowed cities, towns, regional school districts or counties to request the State Auditor's Office for an audit of accounts, programs or activities;
- Allowed multiple municipal stabilization funds for different purposes and an override for an appropriation to that fund;
- Increased certain statutory fees;
- Extended the deadline for a local tax amnesty program to June 30, 2004;
- Authorized an early retirement incentive for municipal employees;
- Authorized limited end-of-year budget transfers to avoid deficits without the usual necessary local approvals;
- Allowed, with approval of PERAC (Public Employee Retirement Administration Commission), the Department of Revenue, and local option, reduction of payments for unfunded pension liabilities in FY2004 and FY2005 (they became known as the "pension holidays").

Sewer Rate Relief

The Commonwealth Sewer Rate Relief Fund, G.L. c. 29 § 2Z, was created in 1993 during the administration of Governor William Weld to mitigate escalating costs of sewer service in Massachusetts. Awards are based on up to 20% of eligible debt service.

Since FY1993, the Legislature has given sporadic appropriation to the Fund, while in some fiscal years the Fund has been "9C'd" or cut after the Legislature's approval by the Governor's authority per G.L. c. 29, § 9C. From FY1993 – FY2013, the State's

appropriation to the Fund totaled almost \$512 million. The Bureau's Public Finance section administers the program in consultation with the Department of Environmental Protection.

Health Care Trust Fund Relief

Legislation passed in 2005 addressed deficits in some municipalities with self-insured health plans due to their failure to accurately account or budget for all incurred obligations and claims. In addition, every governmental entity with such a plan must conduct an annual audit of the plan and properly accrue incurred but not reported (IBNR) claims. Opportunity was allowed for entities with such a deficit to amortize it for no more than three years beginning in FY2007.

Director Johnson was instrumental in the passage of this bill, speaking before the Legislative Sub-Committee on the matter.

Levels of State Intervention

For brevity, I've have listed only the Act's Chapter number and year, amount authorized to borrow or amortize and over what period of time, the Board's title and dissolution date, if applicable. Many of the details found in each Act are identical or very similar.

Control or Advisory Boards

Division staff assisted the Bureau by participating as the Commissioner's or Director's designees on these Boards.

Pittsfield – Chapter 28 of 2001 – authorized to borrow up to \$10 million for up to 10 years. Finance Advisory Board. The Board dissolved in 2004. Director Johnson was a member of this Board;

Springfield – Chapter 169 of 2004 – State appropriated \$52 million for repayment by 2012. Springfield Finance Control Board with threat of Receivership if Board concluded its powers insufficient to restore fiscal stability to the City. The Board dissolved in 2009;

Nashoba Regional School District – Chapter 344 of 2002 – authorized to borrow up to \$5 million for up to 10 years. Finance Advisory Board. The Board dissolved in 2005;

Chesterfield-Goshen Regional School District – Chapter 94 of 2005 – authorized to borrow up to \$600,000 for up to 10 years. Finance Advisory Board could allow amortizing deficit \$150,000 annually for four years. The Board dissolved in 2005;

Athol-Royalston Regional School District – Chapter 50 of 2006 – authorized to borrow up to \$1 million for up to 10 years. Finance Advisory Board. The Board dissolved in 2009;

Pentucket Regional School District – Chapter 108 of 2006 – authorized to borrow up to \$2.5 million for up to five years. Finance Control Board. The Board dissolved in 2009.

Authorization and Oversight

Swansea – Chapter 93 of 2002 – authorized to borrow up to \$5 million for up to 10 years – threat of Finance Advisory Board if budget couldn't be balanced.

Southbridge – Chapter 475 of 2004 – authorized to borrow up to \$2.5 million for up to five years but may amortize over five years – threat of a Finance Control Board if budget couldn't be balanced.

Medway – Chapter 70 of 2006 – authorized to borrow up to \$3 million for up to 10 years – threat of Control Board if budget couldn't be balanced.

Fiscal Overseers

Lawrence – Chapter 58 of 2010 – comprehensive authority over City finances – authorized to borrow up to \$35 million for up to 20 years – threat of Finance Control Board if recommended by Overseer. Deputy Commissioner Robert Nunes was appointed Overseer by the Secretary of Administration and Finance in April of 2010 and continues to act in this capacity today;

Spencer-East Brookfield – Chapter 24 of 2013 – not-as-comprehensive authority of district finances as in Lawrence – authorized to borrow up to \$3 million for up to 10 years – threat of Finance Control Board at any time on recommendation of Commissioner of Elementary and Secondary Education. An Overseer was appointed by the Department of Elementary and Secondary Education.

A new Director is Appointed

Gerard Perry, a 32-year public servant with 24 years at the Department of Revenue, replaced James Johnson who retired in November, 2006. Mr. Perry, who assumed the position of Director of Accounts in March of 2007, was an elected Swampscott Town Meeting member for 25 years and a former chairman of his towns' Finance and Capital Planning Committees. He has an M.P.A. from Suffolk University.

The Municipal Partnership Act of 2007

This Act was a package of relief proposals presented to the Legislature by Governor Deval Patrick “to help relieve the pressure on property taxes.” The entire proposal was not passed as one final bill. Much of the presentation, however, was passed as separate bills in 2007 and in later years.

Chapter 67 of 2007 – allowed cities, towns and certain other entities the option to join the State’s Group Insurance Commission (GIC);

Chapter 68 of 2007 – required the lowest performing pension systems to invest their assets with the better performing State Pension Reserve Investment Trust (PRIT);

Chapter 9 of 2009 – authorized cities and towns at local option to increase the maximum rate of room occupancy excise from 4% to 6% (from 4.5% to 6.5% in Boston) and authorized them again at local option, to impose a local meals excise tax at the rate of .75% of the vendor’s gross receipts. This excise would be imposed in addition to the 6.25% State meals excise tax;

Chapter 374 of 2008 – transferred, at local option, eligible municipal retirees into the Medicare system. The Massachusetts Taxpayers’ Foundation reported that including Chapter 67 of 2007, this chapter and other health insurance reforms, “municipalities and employees have saved more than \$178 million.”

Chapter 27 of 2009 – eliminated the property tax exemption for poles and wires owned by telephone and telegraph, cable television, internet, data service and other telecommunications corporations and located on public ways that was based on court decisions.

Federal Relief

ARRA

The American Recovery and Reinvestment Act of 2009 (ARRA), “The Stimulus” or “The Recovery Act”, was an \$831 billion stimulus package to respond to the Great Recession signed into law by President Barack Obama. The Act had several objectives:

- to save and create jobs immediately;
- to provide temporary relief to those impacted by the recession;
- to invest in infrastructure education health and renewable energy;
- to stabilize state and local government budgets; and
- to minimize essential service reductions and avoid tax increases.

The package, which included direct spending as well as tax incentives, expired in 2011.

BABs and QSCBs

Build America Bonds (BABs), created by ARRA, were taxable municipal bonds with special tax credits and Federal subsidies for either the bond issuer or the bondholder. Their purpose was to reduce the cost of borrowing for State and local government issuers and governmental agencies. The program expired December 31, 2010.

Qualified School Construction Bonds (QSCBs), created by ARRA, allowed schools to borrow at zero percent for the rehabilitation, repair and equipping of them and for the purchase of land on which a public school will be built. The QSCB lender received a Federal tax credit in lieu of receiving an interest payment. The program expired December 31, 2010.

Enterprise Fund Manual

An Enterprise Fund Manual, IGR 08-101, which superseded the 2002 Manual, was re-written by Deputy Director Rassias to present the Bureau's up-to-date opinions regarding the Fund's operation, especially with respect to the use of certified Retained Earnings and the calculation of indirect costs.

In an effort to control "raiding" an Enterprise Fund for its Retained Earnings during recessionary times, and a temptation to over-inflate indirect costs appropriated in the General Fund attributable to the Enterprise Fund, the Bureau took a conservative approach to limit the use of Retained Earnings and to monitor the amount of indirect costs.

Statistics

By 2009, Total municipal General Fund revenues were \$19 billion and were received mostly from taxes (\$12.4 billion, 65%), state (\$4.9 billion, 26%), and charges for services (\$481 million, 2.5%). Total municipal General Fund expenditures of \$17.6 billion paid for education (\$8.4 billion, 48%), fixed costs (\$2.0 billion, 11%), police (\$1.3 billion, 7%), and debt service (\$1.3 billion, 7%). Capital project expenditures were about \$1.7 billion mostly for schools (511 million, 30%), municipal buildings (\$279 million, 16%), and sewers (\$242 million, 14%). Enterprise Fund Revenues were about \$2.8 billion mainly from electric light (\$1.3 billion, 46%), water (\$612 million, 22%), and sewer (\$606 million, 22%).

Total outstanding debt was about \$34 billion.

During 2009, 566 notes were certified totaling over \$323 million. The Public Finance section reported in 2008 that from FY1998 to FY2007, the Bureau certified 7,682 notes with an aggregate issue amount of just over \$5.2 billion. Maturities ranged from a high of 24 years (serial note) to a low of just one day. The average note issue was for about

\$327,000 and interest rates that ranged from 3.5% to 5.5% from FY1998 to FY2000 dropped in the months following September 11, 2001 and ranged from 1.5% to 2.5%. It is believed that this general rate reduction was due to a national trend as the Federal Reserve continued through FY2005 to lower the Federal funds rate, a key leading indicator that affects short-term interest rates.

For FY2009, the highest tax rates were the CIP rates in Springfield (\$36.98/000) and the lowest were the R, CIP rates in Gosnold (\$1.09/000). There were 107 cities with split tax rates, remaining about the same as in prior fiscal years.

The Total Tax Levy as a result of certifying all FY2009 Tax Rates was at \$11.6 billion and free cash was certified by the Bureau at \$731 million.

Conclusion to Part XIV

By the end of the first decade of this new millennium, interest rates were still at record lows and the National Bureau of Economic Research pronounced the Great Recession over in June of 2009. This may have come as a surprise to many whose asset values had plummeted and retirement plans were altered. Foreclosures were on the rise, especially for those “under water,” where mortgage value exceeded their home value. Bankruptcy loomed. Some called for bailout, others for austerity. Thus Bernanke’s comment at the beginning of this Part. A thematic journey through the present is found in Part XV.

Part XV: The Bureau of Accounts, A Thematic Journey into the New Millennium 2010 -

Never before in history has innovation offered promise of so much to so many in so short a time. – Bill Gates

The Great Recession is officially over, but concerns remain for a double-dip, a recession followed by a short-term recovery followed by another recession. The stock market is at a record high, housing starts, home values and unemployment are improving in the State, but the Federal Reserve's plan to decrease economic stimulus could lead to higher interest rates soon.

Relief continued, not only to recover from the financial storm, but the meteorological ones as well. Eight weather-rated storms from the December, 2008 ice storm to Blizzard Nemo in February, 2013 necessitated an unprecedented number of emergency expenditure requests of the Director from local officials per G.L. c. 44, § 31. Although there were no requests of the Massachusetts Legislature for municipal bankruptcy, this was not the case for governmental entities in other States. Computer technology and the Bureau continue forward as does the world, although some supposed the world would end on December 12, 2012 (12/12/12). It didn't.

The Municipal Relief Act of 2010

Pension Relief – Allowed local retirement systems to extend their funding schedules to 2040 subject to the approval of PERAC and certain minimum payment requirements;

Borrowing Flexibility – allowed cities, towns and certain districts to borrow for additional purposes and over a longer period of time as determined by the Bureau and for level debt service or a more rapid amortization of principal;

Emergency Borrowing – abolished the Emergency Board which was composed of the Attorney General, State Treasurer, and Director of Accounts seated since 1939. The Board's responsibilities were transferred to the M.F.O.B.;

Eliminated State House Fees – eliminated the fee paid by cities, towns and districts for processing of State House notes by the Director. For FY2010, the Bureau collected \$15,900 for having processed 444 notes worth almost \$300 million;

Regional school district stabilization funds – required a 2/3rd vote of all members of the district school committee and use of the fund other than for a purpose which the district may borrow must be approved by the Director, rather than the E.F.B.;

Early retirement – created a local option early retirement program for municipal employees under certain conditions;

Local option tax amnesty program – allowed cities and towns to establish temporary tax amnesty programs which must end by June 30, 2011;

Chapter 165 of 2012 – allowed for monthly the distribution of State aid, rather than quarterly.

The Storms

They came seemingly in unprecedented numbers: The Ice Storm of 2008, Blizzard of 2011, Tornado of 2011, Microburst of 2011, Hurricane Irene of 2011, The Halloween Nor'easter of 2011, Hurricane Sandy of 2012, Blizzard Nemo of 2013. Many in western Massachusetts were especially affected. After each, the Bureau reminded local officials of their authorities and responsibilities when expending funds in an emergency.

Expending funds in excess of appropriation was at one time rampant. The Municipal Indebtedness Act of 1913 provided that “no department of any city or town shall incur liability in excess of the appropriation made for the use of such department except in cases of extreme emergency involving the health and safety of persons or property...” The Director’s involvement in approval of the expenditure of such emergency funds was added in the 1940s. This law, incorporated as G. L. c. 44, § 31, and the emergency borrowing provisions of the Municipal Relief Act of 2010, have assisted communities in financing the costs associated with the storms and other emergency situations. Since 2008, for storm related purposes only, the Bureau’s Public Finance section authorized 180 “44:31’s”.

Municipal Bankruptcy

In Massachusetts, the Legislature must approve a city or town to declare bankruptcy. However, the State has intervened in the affairs of financially distressed municipal governments in other ways: technical assistance, Legislation, loans, Overseers, Control Boards and Receivership.

According to a recent Pew Charitable Trust Report on *The State Role in Local Government Financial Distress*:

- Fewer than half of the states have laws allowing them to intervene in municipal finances;
- Intervention practices vary among the 19 states that have such programs;
- In most cases, states react to local government financial crises instead of trying to prevent them;

- States intervene to protect their own financial standing and that of their other municipalities, to enhance economic growth, and to maintain public safety and health;
- Among states that intervene, some are more aggressive about stepping in to help;
- Local officials often resent state officials infringing on their right to govern their affairs.

In 2013, Detroit, Michigan became the largest city in the country's history to file for bankruptcy protection under Chapter 9. According to Pew research, bankruptcy filing usually has a single identifiable cause such as "a bad investment decision, a failed infrastructure project, an expensive legal decision or escalating pension costs." In Detroit's case, the city reportedly has major pension problems, a \$380 million budget deficit for FY2013, and has long-term obligations over \$15 billion.

The eight municipalities around the country that have declared bankruptcy since 2010 of which I am aware are (1) Boise County, Idaho, (2) Central Falls, Rhode Island, (3) Harrisburg, Pennsylvania, (4) Jefferson County, Alabama, (5) Stockton, California, (6) Mammoth Lakes, California, (7) San Bernadino, California, and (8) Detroit, Michigan. According to Moody's, "Detroit's bankruptcy could set a standard, if not a legal precedent, for how other distressed cities approach their long-term liabilities, especially the relative seniority of pension versus debt obligations."

Computer Technology

For some, converting from a typewriter to a computer wasn't easy. One secretary sat on her typewriter so it wouldn't be taken off her desk. After all, how could the computer type on an index card? Where would you put the carbon paper? How many secretarial jobs would be eliminated because of the new technology?

MAPPER

Given the Bureau's age, computer technology is relatively new. Prior to 1980, Bureau data was submitted to the Department's Data Processing Division which had a suitable number of staff for data entry. Reports would be returned via MAPPER (Maintain, Prepare and Produce Executive Reports), a product of Sperry Univac (now Unisys Corp.). MAPPER was a data management and processing system that allowed development of individual applications and data processing. The Division's Databank which began in 1984 used this system. The Bureau, however, did not have the hardware to run MAPPER. Its routine use was discontinued when the Division replaced MAPPER with Oracle in the mid-1980s.

Office Automation

The Bureau began in 1984 with computers from International Business Machines (IBM) that housed 40MB hard drives (our current day hard drive houses 142 GB) and ran LOTUS 1-2-3 spreadsheets. At the same time, secretarial staff used computers from Wang Laboratories for word processing field auditor reports. Wang computers were replaced by computers from Digital Equipment Corporation (DEC) in 1986. These were the first to be networked as they had capabilities in word processing (WPS Plus), spreadsheets (20/20 and LOTUS 1-2-3) and electronic mail. However, because the DEC system only allowed 55 users at one time, staff was requested to log off if not in use to allow others to log on and this became problematic.

In 1993, the Division conducted an office computer system feasibility study to determine whether to replace the DEC system. A new word processing program, Microsoft Word, was loaded onto one computer for staff to “test drive” the new software under consideration. It was considered more complicated than WPS Plus because as a windows-type program, it made extensive use of the mouse and keyboard. Personal computers (PCs) replaced the DEC computers and were used to run the Microsoft package (WORD and EXCEL mostly). They fit 5¼” floppies, then 3½” diskettes, and allowed specialized and network applications. Laptops were distributed to field staff in the mid to late 1990s. Currently, the Bureau uses a PC network connected to the Chelsea MITC Center using Hewlett Packard hardware running the Microsoft package, including Internet and Gateway connectivity.

The Information Highway

The foundation of on-line or E-Government was laid with the introduction of the Internet. Creation of Internet-based applications should provide for a more efficient and effective flow of data and improved communication between the Division and local officials. The Division’s E-Government initiative converted tax rate, Schedule A, local aid and tracking applications and distributed IGRs, *City and Town*, and other Division publications to those who have enrolled in the process via the Internet. On-line courses are available and other applications are being considered and designed at the time of this writing.

Gateway

This is the name given to the Division’s interactive computer application that implements the provisions of E-Government in the Division. The application allows authorized local officials to enter, analyze, sign and submit local government data to the Division. This efficiency aims at making what may have been a complex process faster and more transparent.

Stakeholder Satisfaction

DOR 360 is the Commissioner of Revenue's initiative to find better ways to interact with the Department's stakeholders, including Division staff, local officials and taxpayers generally. Stakeholders are encouraged to share their ideas and concerns with the Department.

The Division's FY2014 Strategic Plan, which includes the Bureau's participation, embraces the Commissioner's objectives of listening to stakeholder feedback, analyzing their suggestions, measuring our performance, expanding technology and encouraging new ideas and innovations all in an effort to provide stakeholders with the best quality of service, be it fairness in regulation, straightforwardness in advice, accuracy in data, promptness in response or professionalism in conduct.

Conclusion to Part XV: Looking Beyond the Horizon

At this point, it is unclear exactly where new legislation will take us, but we may find that major municipal issues in this and the next decade will involve controlling the rise in employee benefit costs and in developing new revenue proposals.

- Employee benefit costs – These costs include employee and retiree benefits such as health insurance, other post-employment benefits (OPEBs) and pensions. Higher health care costs, the cost of new medical technology, longer life spans and retiring baby boomers place a strain on the cost of employee benefits. Estimates put current unfunded State and local OPEB and pension liabilities around the country into the trillions of dollars.
- New revenue proposals – As costs rise and presuming a continued reluctance to raise taxes too far will forward proposals for additional revenue sources by other means. Today, casino gambling proposes to usher in billion dollar complexes with considerable dollars to follow for areas in need of economic development and job creation.

DLS must stay strong and aggressive to monitor the condition of Massachusetts governmental entities to prevent financial crises from occurring that force more serious State intervention, or even bankruptcy.

Part XVI: The Bureau of Accounts Today

We find ourselves at the final turn of this journey having watched the growth of municipal finance and of the Bureau from their infancy through the current day. But what may be the most remarkable discovery, the most important piece that makes this puzzle complete is what will be revealed in this final Part.

State Administration

The Bureau is within the Division of Local Services, which is under the Department of Revenue, which is under the Secretary of Administration and Finance. Our Boston Office is located on the 6th floor of 100 Cambridge St.; our Regional Offices are located in Worcester on the 3rd floor of 67 Millbrook St and in Springfield on the 4th floor of 436 Dwight St.

Staffing

We employ 20 professional staff members: 1 Director, 1 Deputy Director, 3 supervisors (2 who supervise field representatives and who are field representatives themselves and 1 who supervises in-office staff), 13 field representatives and 2 in-office public finance employees. Of the 20 employees, 11 are stationed in Boston, 4 in Worcester and 5 in Springfield.

Field and office staff report to their respective supervisors, supervisors to the Deputy Director, the Deputy to the Director and the Director to the Deputy Commissioner of Local Services.

Supervisor and staff performance is measured using EPRS (Employee Performance Review System); the Deputy and Director's performances are measured using the ACES (Achievement Competency Enhancement System). Performance evaluations are required for all staff.

Organization and Core Responsibilities

The Bureau is organized into two functional areas: accounting and public finance.

Accounting

Accounting processes the Schedule A, Tax Rate Recapitulation, Balance Sheet (for free cash, Retained Earnings and Regional School District E & D purposes), reviews audit reports, manages UMAS and provides technical assistance to local officials. The procedures used to process this municipal information will be detailed in the Procedures

Manual. Here is an explanation, however, of what each form represents, as this is vital to understanding this Part's Overall Conclusion.

Collecting Municipal Financial Data and Developing a Standard Reporting System

At the turn of the 20th century, expert public accountant Harvey S. Chase promoted reporting such information on uniform schedules (Schedule A, Schedule B, Schedule C etc.) detailing municipal revenues, expenditures, sinking funds, trust funds, cash, and debt. Today, it is simply referred to as Schedule A which is detailed into several Parts (revenues, expenditures, funds, cash and debt). The accounting official of each city and town completes the form, also known as "The Annual City and Town Financial Report," based upon the classifications found in UMAS. The Director is required to collect this data annually from each city or town; the Department is authorized to withhold State aid distribution until compliance. Schedule A is found in Gateway and in an uploadable version of EXCEL.

Installation and Auditing of a System of Accounts

The Bureau's installation of UMAS accounting in cities and towns occurred in the 1980s. Today, converting from "Stat" to UMAS lies with the interest of the accounting official in the less than two-dozen communities with "Stat" accounting. The Bureau closed its audit function in the mid-1980s with the audit of the town of North Andover.

Today, field representatives review their inventory's audit reports written by Certified Public Accounting firms using city, town and district data. An Internal Audit Review form is completed and material matters are discussed with supervisors, the Deputy Director and Director. Audits, submitted by the firms to the Bureau in electronic form, have been submitted to the Bureau by CPA firms since the Bureau ended its annual audit function.

Developing a Uniform Public Accounting System

Continuing UMAS' story, a UMAS exposure draft was written and distributed in 1993 with the assistance of a UMAS revision committee. This revision was supposed to take place in two phases: Phase 1 to update the accounting system and Phase 2 to provide a crosswalk between UMAS accounting and Generally Accepted Accounting Principles (GAAP). A final product was never published.

UMAS was updated in 2002. This time, the name was changed to the Uniform Massachusetts Accounting System (a name change, but the acronym stayed the same).

The UMAS system is still administered by the Bureau of Accounts where there has been an effort to update the system more frequently than in the past to help support the needs of Massachusetts governmental entities.

Tax Rate Recapitulation

The Tax Rate Recapitulation form has been submitted to DOR since the Commissioner of Revenue first required it back in FY1925. It was submitted for review to the Division of Local Taxation, which then became known as the Bureau of Local Taxation and then the Property Tax Bureau. The tax rate certification responsibility of that Bureau was transferred to the Bureau of Accounts during the reorganization of 1987.

Certification of the tax rate, once more a secretarial function, is now a professional review of financial planning and legal responsibilities. Proper calculation of the annual levy limit accompanies the tax rate certification function.

Today, the Recap is available on Gateway and on an uploadable version of EXCEL. For FY2013, Recaps were received and tax rates certified for 351 cities and towns and 62 special purpose districts.

Balance Sheets

Certification of free cash from a balance sheet is as old as anyone can remember, although available funds were once approved for use by the Division of Local Taxation with the assistance of the Division of Accounts before the duty was transferred to the Director of Accounts in the 1950s. The actual assistance provided by the then Division of Accounts or the methods used to approve the dollar amount is uncertain.

I have been told that when a balance sheet wasn't available many years ago, free cash was certified as cash-on-hand less liabilities. Free cash as of July 1, 2012 for use in FY2013 was certified for 349 cities and towns, 67 special purpose districts, and 83 regional school districts. For the 349 cities and towns, free cash was certified at over \$1 billion, which to the Bureau's knowledge is the greatest amount ever certified. Retained Earnings is certified by the Bureau for Enterprise Fund use.

Public Finance

Public Finance processes State House Notes, monitors bonding activity outside of the Bureau, receives electronic copies of Official Statements and audit reports, approves 44:31, monitors county government activity and provides county officials with technical assistance, monitors compensating balance activity, provides technical assistance to city, town and district Treasurers, financial advisors and underwriters in consultation with bond counsels, receives Statements of Indebtedness and the Treasurer's Annual Cash Report and provides staff and technical assistance to the Municipal Finance Oversight Board.

Certification of Town and District Notes

The Massachusetts State House Note Program, administered by Bureau of Accounts' Public Finance section, is a convenient note certification procedure for city and town issuers, especially for smaller towns and districts with no credit rating and which borrow small amounts for short periods of time. State House Notes certified through this program include short-term notes, refunding notes and serial issues. The seven remaining counties must borrow short-term using this program.

In FY2013, the program certified 672 individual notes for cities, towns and districts in the amount of \$396.5 million.

Monitoring County Affairs

After the 2009 legislation that transferred the sheriffs' offices of the seven remaining counties to the State and abolished the C.G.F.R.B., the Public Finance section of the Bureau has remained a monitor of county governmental affairs, a participant in the work group that followed, a certifier of county notes and a repository of county financial history back to 1990.

Participation on the Municipal Finance Oversight Board

The Director continues to be a member of this Board and Public Finance section staff members provide technical assistance to the Board reviewing requests for State qualification, cash flows and providing coverage analysis for proper intercept of State aid by the State Treasurer.

Advising Local Officials and Legislative Committees

Both accounting and public finance sections are available to cities, towns and districts for technical assistance. Technical assistance or "TA" may be by telephone, E-mail, visitation or in group form on relevant topics before municipal associations, budget workshops and the Division's annual New Officials Finance Forum. Discussion before Legislative Committees is usually the responsibility of the Director.

The Bureau issues Informational Guideline Releases (IGRs) periodically to local officials on relevant topics, annual end-of-fiscal year letters targeted to several groups of municipal officials, special letters to particular communities on particular topics, attends regionalization conferences, conducts tax rate workshops, writes relevant topics to *City and Town*, and issues an annual March Budget Bulletin.

The Public Finance section provides specific technical assistance to treasurers, financial advisors, underwriters and bond counsels regarding authorization and issuance of debt, especially through the State House Note program.

Conclusion to Part XVI

Having now travelled through many years of history, we have finally reached our destination. What should have been gleaned from the final Part is what I believe to have been the most remarkable discovery of all my research. Apart from additional responsibilities added to the Bureau through the years, the core responsibilities instilled by the Acts of 1909 and 1919 creating the Bureau of Statistics and then the Division of Accounts, remain virtually intact. The creation and maintenance of an organization for the processing, certifying, reviewing and monitoring of municipal information and offering technical assistance to local officials and others interested in municipal finance in the name of the Commonwealth is still important today.

If Theo Waddell returned to the office, he would understand the Bureau's work, although he might comment that it was a Division when last he knew it. Of course, procedures are different as the advancement of technology has certainly changed our methods, and laws are continually enacted, amended or repealed, but accomplishing our core responsibilities is and has been the daily work of our dedicated staff. Our responsibilities educate us as we continue to perform our professional expertise in municipal finance before an ever changing stakeholder population.

As many of us are at the cusp of retirement, we ask our successors to maintain this written history for everyone's benefit for as long as the Commonwealth sees fit for the Bureau to remain. We have done our best to serve the Commonwealth. As for now, this is where we have been; this is what we do; and this is who we are. WE are the Commonwealth of Massachusetts Bureau of Accounts!

Staff

Gerard D. Perry, Director, "Gerry", 30 years;

Anthony A. Rassias, Deputy Director, "Tony", 31 years;

Thomas J. Guilfoyle, Supervisor of Accounting, Boston Office, "Tom", 26 years;

William C. Meehan, Supervisor of Public Finance, "Bill", 35 years;

Dennis P. Mountain, Supervisor of Accounting for Regional Offices, "Dennis", 28 years;

William F. Arrigal III, Public Finance, "Bill", 20 years;

Joseph L. Boudreau III, Accountant, Springfield Regional Office, "Joe", 24 years;
Gerard H. Cole, Public Finance, "Gerry", 25 years;
Jared L. Curtis, Accountant, Boston Office, "Jared", 13 years;
Martin DiMunah, Accountant, Boston Office, "Martin", 15 years;
Diane Dziura, Accountant, Boston Office, "Di", 35 years;
Everett Griffiths, Accountant, Boston Office, "Buster", 13 years;
Amy L. Handfield, Accountant, Worcester Regional Office, "Amy", 16 years;
Andrew S. Nelson, Accountant, Worcester Regional Office, "Andrew", 22 years;
Maura A. O'Neil, Accountant, Worcester Regional Office, "Maura", 29 years;
James L. Podolak, Accountant, Springfield Regional Office, "Jim", 21 years;
Kathleen A. Reed, Accountant, Worcester Regional Office, "Kathy", 27 years;
Richard D. Sciarappa, Accountant, Boston Office, "Rich", 35 years;
Deborah A. Wagner, Accountant, Springfield Regional Office, "Deb", 15 years;
Henry H. Williams III, Accountant, Springfield Regional Office, "Terry", 14 years

Part XVI: Epilogue

The following are individuals, by order of their appearance in this writing, for whom I have been able to learn more of.

Horace Greeley Wadlin; Chief of the Bureau of Labor Statistics, 1888 – 1903. Prior to 1888, Wadlin was a Boston architect, a special agent for the Bureau, and he served in the Massachusetts Legislature. After his time with the Bureau, he became librarian of the Boston Public Library from which he resigned in 1916. He died in 1925.

George McNeill; Deputy Bureau Chief to Henry K. Oliver, 1869 – 1873. When McNeill was 10 years old, he worked in a textile mill 14 hours per day. He was known to organize children into a mutual benefit association, advocated the 8-hour workday, helped to found the Bureau and the Boston 8-hour league. His activism led to his dismissal, but shortly thereafter was employed to monitor schooling for 10-15 year olds who worked 10 hour days. He joined the American Federation of Labor (AFL) in 1886. McNeill died in 1906; Samuel Gompers, President of the AFL, gave the eulogy.

General Henry K. Oliver; First Chief of the Bureau of Labor Statistics, 1869 – 1873. Prior to 1869, Oliver was Superintendent of Schools and then Mayor of Lawrence, a mill agent in charge of Atlantic mill in Lawrence, a member of the Massachusetts House, Adjutant General of Massachusetts, and Massachusetts State Treasurer. After his time with the Bureau, he became the Mayor of Salem. He died in 1885.

Charles F. Gettemy; Chief of the Bureau of Labor Statistics, 1907 – 1919. He was a writer and statistician. His *True Story of Paul Revere*, published in 1912, is still available. He was also a statistician and President of the American Statistical Association. After his time with the Bureau, he became an Assistant Federal Reserve Agent at the Boston Federal Reserve Bank. He died in 1939.

Charles F. Pidgin; Chief of the Bureau of Labor Statistics, 1903 – 1907. He was an accountant and an inventor with several patents mostly of calculating machines. He was also a writer, especially of statistics. He had been employed by the Bureau for some time as Chief Clerk. His 1888 book on practical statistics was dedicated to his former boss Carroll Davidson Wright, “for it is to his encouragement and advice during 15 years of official work together that the author is greatly indebted for whatever success he may have attained as a practical statistician. He died in 1933.

M.F. Dickinson; He was a well-known Boston lawyer whose office was at 53 State St. He was also an Assistant United States Attorney

Wendell Phillips; He was a Harvard law school educated abolitionist and well-respected orator who took pains to avoid sugar or wear cotton since they were produced by the labor of Southern slaves. After the Civil War, his attention switched to the labor movement. The Wendell Phillips Prize at Harvard University is awarded to the best orator in the sophomore class. He died in 1884

Rev. Jesse H. Jones; He was Pastor of the East Congregational Church in Abington. He attended Williams College where in his junior year he was in the same class as James A. Garfield (U.S. President, 1881) and then entered Harvard from which he graduated 10th in his class. He is said to have been admired as an eloquent and respected speaker. He was a member of the 8-hour league and was employed by the Bureau for one year under Col. Carroll Davidson Wright. He served as President of the Wendell Phillips Association. He died in 1904.

Colonel Carroll Davidson Wright; Chief of the Bureau of Labor Statistics, 1873 – 1888. Prior to 1873, he was a Colonel in the Civil War and served in the Massachusetts Senate. After his time with the Bureau, he became the first U. S. Commissioner of Labor in Washington, D.C., a professor of statistics and social economics at Columbian University (now George Washington University) and finally President of Clark College in Worcester. He died in 1909.

Major George H. Long; Deputy Bureau Chief to Colonel Carroll Davidson Wright from 1873 - 1876. After his time with the Bureau, he became Massachusetts Insurance Commissioner.

Harvey S. Chase; He was a widely-known and well-respected expert public accountant who audited the books for the City of Boston. He spoke on the need for uniformity of municipal accounting and advised local governments on the new accounting system based on model schedules drafted by the National Municipal League

Theodore Nathan Waddell; Director of the Division of Accounts 1919 – 1946. Prior to 1919, he was employed by the U.S. Census Bureau in Washington and was employed by the Division since the early 1900s. While Director, he was a Past President of the Massachusetts Municipal Auditors and Comptrollers' Association, spoke at national conferences, and was considered a sinking fund expert.

He was home in Dayton, Ohio when he was invited by his friend, a friend of Orville Wright's, to witness a test flight by the Wright Brothers at Huffman Prairie flying field near Dayton. He said "it looked to me very much like a streetcar with all the sides knocked out, with the exception of the uprights, and flying sideways."

On the occasion of his retirement and 70th birthday, Waddell was honored with a testimonial at Boston's Copley Plaza Hotel Ballroom where 900 invited guests including many prominent government and business leaders of the day attended. I understand that Governor Maurice Tobin was guest speaker. Waddell died in 1955.

Herman B. Dine; Director of Accounts 1953 – 1962. He was a 1916 graduate of Harvard University, one year after Governor Herter. He was described to me as a smart, quiet and easy-going man whose Assistant Director (his brother-in-law) handled the Bureau's day to day operations.

Francis X. Lang; Director of Accounts 1946 – 1953. After leaving the Bureau, he became Commissioner of the Office of Administration and Finance, then Chairman of the Massachusetts Department of Utilities and then Business Manager of the Metropolitan Transit Authority in 1960.

Arthur MacKinnon; Director of Accounts 1962 – 1971. After leaving the Bureau, he became Deputy Commissioner for Fiscal Affairs then State Comptroller. He retired in 1976. He was described to me as a tall man, loud and tough, but very honest. He died in 2005.

Gordon McGill; Director of Accounts 1971 – 1976. After leaving the Bureau, he became Senior Vice-President at Harbor National Bank. He died in 2000.

Edward McCann; Director of Accounts 1977 – 1979. After leaving the Bureau, he became a Town Manager, Interim Town Manager and municipal consultant. He died in 2011.

Harvey J. Beth; Director of Accounts 1979 – 1983. After leaving the Bureau, he became Director of Administrative Services for the Department of Transportation, Deputy City Auditor of Boston, Director of Finance of Marlboro, and Director of Finance/Treasurer/Collector of Brookline. He currently participates on municipal committees, but is retired from full-time municipal employment.

Kenneth Marchurs; Director of Accounts 1984 – 1987. After leaving the Bureau in 1986, he became Deputy State Auditor and was elevated to First Deputy State Auditor. He retired in 2010.

Mariellen P. Murphy; After leaving the Bureau in 1997, she became the Director of Administration and Finance at Massport and is currently the Director of Finance of Dedham.

James R. Johnson; He retired from the Bureau in 2006 and remains retired from full-time municipal employment.

Gerard D. Perry; Mr. Perry is the current Director.