



Bulletin

2006-04B

2005 LEGISLATION

TO: Local Officials

FROM: Gerard D. Perry, Deputy Commissioner
Division of Local Services

DATE: February 2006

SUBJECT: Summary of 2005 Municipal Finance Law Changes

To keep you informed of legislative developments during the year, the Division of Local Services publishes on a periodic basis a **BULLETIN** summarizing any new laws enacted that affect municipal budgets and local tax assessment, administration and collection. Each issue contains a cumulative summary of session laws enacted to that time and indicates whether the Division has issued or will issue any further implementation guidelines.

Attached is the **2005 edition** of the **LEGISLATIVE BULLETIN**. It includes any legislative changes affecting municipal finance found in Chapters 1 - 190 of the Acts of 2005.

Copies of these new laws can be obtained from the web site of the State Legislature: www.mass.gov/legis or the State Bookstore located in Room 116 of the State House.

2005 LEGISLATION

Ch. 6 FISCAL YEAR 2005 SUPPLEMENTAL BUDGET

An Act Making Appropriations for Fiscal Year 2005 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects. *Effective February 24, 2005.*

§7 Senior Work Abatements. Amends G.L. c. 59 §5K, which if accepted, allows cities and towns to establish a property tax work-off program for taxpayers over 60 years old under which they volunteer their services to the municipality in exchange for a reduction in their tax bills. The services rendered will now be deemed employment for the purposes of unemployment insurance under G.L. c. 151A. Previously, it was not considered for that purpose. The amount earned is still not considered income or wages for purposes of state income tax withholding or workmen's compensation.

§8 State Hospital Students' Tuitions. Amends G.L. c. 71B §12 to make a technical change in the way school districts are charged tuitions for special education students who are receiving educational services in a state hospital. The charges will now be included in a district's special education assessment on the Cherry Sheet, rather than billed directly.

Ch. 42 FISCAL YEAR 2006 ADVANCE BUDGET

An Act Making Certain Appropriations for the Fiscal Year Ending June 30, 2006 before Final Action on the General Appropriation Bill for that Fiscal Year.

§3 Local Aid Advances. *Effective June 30, 2005.* Annual authorization for State Treasurer, upon certification by the Commissioner of Revenue of an emergency cash shortfall and approval of Secretary of Administration and Finance, to make advance payments of local aid to cities, towns, regional school districts or independent agricultural or technical schools.

Ch. 45 FY2006 STATE BUDGET

An Act Making Appropriations for the Fiscal Year 2006 for the Maintenance of the Departments, Boards, Commissions, Institutions and Certain Activities of the Commonwealth, for Interest, Sinking Fund and Serial Bond Requirements and for Certain Permanent Improvements. *Effective July 1, 2005.*

§33 Education Reform Waivers. Permits cities, towns and regional school districts to apply for various adjustments in their FY2006 minimum required contributions to schools under the Education Reform Act. Municipalities may seek adjustments if (1) non-recurring revenues were used to support FY2005 operating budgets and those revenues are not available in FY2006, (2) they have extraordinary non-school related expenses in FY2006, or (3) their FY2006 municipal revenue growth factor is at least 1.5 times the statewide average and is deemed to be excessive. Regional school districts that (1) used non-recurring revenues in FY2005 that are unavailable for FY2006, or (2) received regional incentive aid in FY95 must seek waivers if a majority of the selectmen in a town, the city council in a Plan E city or the mayor in all other cities in a majority of the member municipalities requests them.

Requests for waivers by municipalities must be made by the selectmen in a town, the city council in a Plan E city or the mayor in all other cities, by October 1, 2005. If a regional school budget has already been approved by the members and a waiver is granted of any member's minimum required local contribution to the district, the use of that waiver must be approved by the selectmen, the city council in a Plan E city or the mayor in all other cities of a majority of the member municipalities. The Department of Education (DOE) will determine regional school district waivers based on receipt of regional incentive aid. DOR administers the other waiver programs. **Informational Guideline Release (IGR) 05-301 issued August 2005.**

Ch. 61

HEALTH INSURANCE CLAIMS TRUST FUNDS

An Act Relative to Claims Trusts Funds. *Effective August 3, 2005.*

Amends G.L. c. 32B §3A to address deficits that have occurred in some municipalities with self-insured health plans due to their failure to accurately account for all incurred obligations and claims. Every city, town, county or other political subdivision that elects to self-insure its group health plan under that section will now have to conduct an annual audit of its health insurance claims trust fund. The purpose of the audit is to ensure that the fund accounting meets generally accepted accounting principles and all claims incurred but not paid at the end of the fiscal year are properly accrued. Any year-end deficit must be funded in the succeeding year. The political subdivision is responsible for its own share of any deficit and must adjust the future monthly premiums of covered employees and retirees to achieve the previously established ratio or ratios of premium contributions.

Also gives political subdivisions that have deficits in their trust funds at the end of fiscal year 2005 because they have not been accruing these "incurred but not reported" (IBNR) claims a one-time opportunity to amortize those deficits over three years, beginning in fiscal year 2007. **IGR 05-101 issued September 2005.**

Ch. 77 **PUBLIC EMPLOYEES IN MILITARY SERVICE**
An Act Further Regulating Salaries of Public Employees Serving in the Armed Forces of the United States. *Effective August 26, 2005.*

Extends the operation of c. 137 of the Acts of 2003, which requires counties, cities, towns and regional school districts that accept it to pay the base salaries of employees in the army and air national guards and the reserves of any branch of the service called to active military service after September 11, 2001, after deduction of the military service allowance they received from the United States, excluding certain additional compensation and benefits. Acceptance is by vote of the county commissioners, regional school committee, town meeting, town council or city council subject to applicable charter provisions. The provision was scheduled to terminate on September 11, 2005, but has now been extended until September 11, 2008.

Ch. 90 **VOCATIONAL EDUCATION TEACHERS RETIREMENT CREDIT.**
An Act Relative to Creditable Service for Vocational Education Teachers. *Effective December 14, 2005.*

Amends G.L. Ch. 32 §4(1) by adding a new subparagraph (h^{1/2}), which allows vocational education teachers to purchase creditable service for time they previously worked in the occupational field in which they became a vocational educational teacher and which was required as a condition of employment and licensure under Department of Education regulations. Members can purchase a maximum of three years service under this provision if they have at least 10 years of membership service.

Ch. 125

DEATH BENEFITS FOR SURVIVING FAMILIES OF CALL AND VOLUNTEER FIREFIGHTERS KILLED IN THE LINE OF DUTY
An Act Providing Death Benefits for Survivors of Volunteer Firefighters and other Volunteer Public Safety Personnel. *Effective November 8, 2005.*

Adds a new benefit, G.L. c. 32 §89E, for surviving spouses and dependent children of city, town or district volunteer emergency service providers who are not covered by workers' compensation and who die in the performance of duties under specific circumstances related to emergency responses. Eligible personnel include call, volunteer, auxiliary, intermittent and reserve firefighters and emergency medical technicians and auxiliary, intermittent, special, part-time or reserve police officers. Local governmental units may provide these benefits as a group.

The local governmental unit may choose any one of three mechanisms for providing the benefit: (1) an annuity apparently payable from municipal appropriations, (2) a lump sum annuity of \$500,000 payable from insurance, or (3) an annuity payable from an insurance policy. The first option would require payment of an annuity from two-thirds to 100 percent of the annual rate of compensation payable to a regular or permanent first year member of the police or fire departments, or in the absence of any such permanent member, an average of the compensation payable to such members of three surrounding towns as determined by the Public Employee Retirement Administration Commission (PERAC). This amount would be paid to the surviving spouse, with no remarriage limitations. The annuity would be entitled to an annual cost of living adjustment (COLA) using the state COLA formula under G.L. c. 32, §102. The lump sum option is paid to the surviving spouse in the same manner as the first option. The third option would grant the annuity to the surviving spouse with no remarriage limitation and no COLA specified.

In each of the three cases, if there is no surviving spouse or the surviving spouse dies, the dependent children would receive the pension "on a per capita basis." The surviving spouse or legal representative of any volunteer emergency service provider may elect to take any other accidental death benefits available under the state retirement laws (except Section 100A) or the new benefit, but not both.

Also amends G.L. c. 32 §100A, regarding killed in the line of duty benefits provided by the Commonwealth. The benefit provided is a one-time \$100,000 for the family of a "deceased public safety employee" actively killed in the line of duty, a stricter eligibility standard to dying from injuries sustained in the line of duty. Under the amendment, eligible officers will now include call, volunteer, auxiliary, intermittent and reserve firefighters and emergency medical technicians not subject to workers' compensation and auxiliary, intermittent, special, part-time or reserve police officers.

Ch. 136

SENIOR TAX DEFERRALS

An Act Providing Senior Tax Relief. *Effective November 20, 2005.*

Amends G.L. c. 59 §5, Clause 41A to allow cities and towns to reduce the interest rate that accrues on deferred property taxes. Under Clause 41A, seniors who meet certain income and other requirements may defer all or part of their property taxes until they pass away or sell the property. Interest at eight percent accrues on any deferred taxes.

The legislative body of each community will now be able to establish an alternative lesser interest rate as low as zero percent each year to apply to property tax deferrals. Any change in rate would have to be voted no later than July 1 of the fiscal year to which the tax relates. Therefore, fiscal year 2007 is the first year cities and towns can implement a lower rate. **IGR 06-201 issued February 2006.**

Also amends the "Circuit Breaker" senior income tax credit law, G.L. c. 62 §6(k), which is available to homeowners and renters who are 65 or older at the close of the taxable year. To qualify, taxpayers must meet certain income limits and pay more than 10 percent of their income in real estate taxes on their domiciles. Renters may qualify with 25% of their rent being considered real estate taxes. For taxpayers who own their homes, the assessed valuation of the home must also be within a certain limit. The law provides for the statutory base income and assessed valuation thresholds and the maximum credit to be adjusted annually based on increases in the cost of living as measured by the consumer price index.

Under the amendments, the base domicile valuation limit is increased to \$600,000 for state tax year 2005. In future years, the limit will now be adjusted by the annual percentage increase in the average assessed value of single-family homes statewide. The purpose is to have the valuation adjusted to keep pace with significant changes in the real estate market. The income limit and maximum credit will continue to be adjusted by the inflation rate. **Technical Information Release (TIR) 05-17 (as revised).**

Ch. 141 **SMART GROWTH REIMBURSEMENT**

An Act Relative to Smart Growth Zoning and Housing Production.
Effective February 20, 2006.

Adds a new Chapter 40S to the General Laws, which establishes an incentive for communities to adopt "smart growth zoning" by compensating them for additional school costs associated with smart growth developments. The calculation looks at the number of additional pupils in a smart growth development and uses the net school spending per pupil established under the Chapter 70 school financing formula to establish the added school costs for the district they attend. The costs are offset by applying the "education percentage," which is the percentage of general fund spending attributable to education (about 52%), to the additional property tax and motor vehicle excise revenues generated by the development. School costs are further offset by any additional Chapter 70 aid generated by these pupils. The reimbursement is "school revenue" under Chapter 70, which means net school spending will be increased by that amount.

The Division of Local Services will calculate the reimbursement for each community based on data reported by the Department of Education, Registry of Motor Vehicles and local assessors and include it on the annual cherry sheets. Reimbursements are subject to annual appropriation. There is no sunset provision on the reimbursements.

Guidelines regarding the implementation of this reimbursement will be issued.

Ch. 143 **CHANGE IN RETIREMENT OPTION SELECTION.**
An Act Relative to the Mortality Table for Public Employees. *Effective February 10, 2006.*

Amends G.L. Ch. 32 §12 by adding a new paragraph (4), which allows retirees who chose Option A or Option B retirement benefits between July 1, 2004 and December 27, 2004, or the surviving spouses of those retirees, to choose Option B or Option C no later than July 1, 2006. **See PERAC Memorandum No. 2-2006.**

Ch. 157 **DISABILITY RETIREMENT FOR VETERANS.**
An Act Relative to Disability Retirement Benefits for Veterans. *Effective November 23, 2005.*

Amends G.L. Ch. 32 §7(2) by adding a new paragraph (e), which provides a local option that allows municipal retirement boards with the approval of the local legislative body to increase prospectively the pensions of veterans who retired due to an accidental disability. The benefit may be increased by 15 dollars for each year of creditable service, up to a maximum increase in the veteran's annual retirement allowance of 300 dollars. There is also a separate local option that will allow the increase to be retroactive to the date the veteran retired. **See PERAC Memorandum No. 36-2005.**

Last Act: Chapter 190 approved by the Governor on January 10, 2006.