



Bulletin

2011-07B

TORNADO DAMAGE

TO: Mayors, Selectmen, City and Town Managers, Finance Directors, Treasurers, Accounting Officers and Assessors

FROM: Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs

DATE: June 2011

SUBJECT: Financing Emergency Expenses and Assessing Property Taxes

As you know, Governor Patrick declared a State of Emergency in response to the damage caused by the tornado in western and central Massachusetts communities on June 1, 2011. Since then, Division of Local Services staff members have been in contact with local officials in impacted communities to discuss some of the options available under state municipal finance law to address emergency needs. The purpose of this *Bulletin* is to summarize those procedures. It also explains the new options proposed by the Governor in legislation filed this week.

Deficit Spending

Municipalities may deficit spend for emergency purposes. G.L. c. 44, § 31. This option provides immediate spending authority until other financing sources, such as emergency borrowing or appropriations from available funds, can be put in place to cover the spending. To use this option, a municipality must declare a local emergency to health and safety by majority vote of the selectboard, or two-thirds vote of the municipal council, as soon as practicable and request approval from the Director of Accounts to pay the liabilities the municipality incurs for emergency purposes without appropriation. The selectboard or mayor should notify the Director by letter of the declaration and Bureau of Accounts representatives will work with local officials to expedite this approval process.

Any questions about this option should be directed to the Bureau of Accounts representative for the community.

Emergency Borrowing

Municipalities may borrow for emergency purposes. G.L. c. 44, § 8(9). These loans may be used to pay for any emergency related expenses, including employee overtime, contractual assistance and emergency repairs, and must be repaid within two years. To use this option, a municipality must have its legislative body authorize the borrowing by a two-thirds vote and obtain approval from the Municipal Finance Oversight Board (MFOB).

Emergency borrowings would be expedited under the legislation filed by the Governor. Two year loans could be authorized by the local treasurer and selectboard or mayor and approved by the Director of Accounts instead. The local treasurer and selectboard or mayor could also authorize longer loans for capital purposes, but those borrowings would require approval of the MFOB and a showing by the community that following the regular borrowing authorization procedure would constitute an undue burden in meeting the emergency. The MFOB could approve a loan up to the maximum term permitted by law for the capital purpose.

We will advise you immediately if this legislation passes. In the meantime, officials in municipalities that plan to use emergency borrowing should contact their Bureau of Accounts representative as soon as possible and compile a schedule of the expenses to be funded by the borrowing. These schedules will need to be presented under the current or proposed procedure and will likely be used to obtain any possible federal or state reimbursements. If the municipality plans to borrow \$500,000 or more, it will also need to obtain the written approval of bond counsel.

Cash Flow Issues

Municipal treasurers may issue revenue anticipation notes (RANs), among other options, to address emergency cash flow issues through the [State House Notes](#) program. Treasurers who need assistance should contact their Bureau of Accounts field representative to determine the strategy that best meets the needs of their community.

Property Tax Assessments

Municipalities that have accepted local option G.L. c. 59, § 2A(a) (“Chapter 653”) will assess their fiscal year 2012 real estate taxes based on the physical condition of properties on June 30, 2011. Most of the municipalities affected by the tornado have accepted Chapter 653 so taxpayers with tornado damaged properties will have their property records updated by the assessors and their FY12 valuations based on the damaged condition. See Section B-2 of [Informational Guideline Release \(IGR\) 90-401](#). Under the legislation filed by the Governor, those municipalities with properties damaged by the tornado that do not currently use Chapter 653 would have the option to do so in FY12.

In municipalities where G.L. c. 59, § 2D (“Supplemental Assessments”) applies, taxpayers with properties that lost over 50 percent of their assessed value as of January 1, 2010 due to tornado damage may also obtain an abatement and refund of a portion of their FY11 property taxes. See Section V-B of [IGR 03-209](#).

Assessors who have questions about these property tax options should contact the DLS legal staff at 617-626-2400.