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City and Town

A Publication of the Department of Revenue's Division of Local Services



Volume 15, No. 6 June 2002

PERAC Local Experience Study Completed

The Public Employee Retirement Administration Commission (PERAC) is responsible for the oversight of the public retirement systems in Massachusetts and, in that capacity, performs actuarial valuations of those systems. Recently, PERAC completed the first ever Local Experience Study Analysis of the 106 public pension systems across the state.

"Coming on the heels of the State Retirement System Experience Study and the State Teachers' Retirement System Experience Study, PERAC has tracked almost 300,000 members with respect to their work and retirement experience. Our staff was able to meet a significant number of challenges in reviewing, analyzing, and compiling the data for this project," stated Jim Lamenzo, PERAC actuary.

The Commonwealth and its cities and towns appropriate approximately \$1.5 billion annually to meet the pension obligations owed to public employees, retirees and beneficiaries across the state. These appropriations are based on funding schedules derived from actuarial valuations that assess the liabilities of the public pension plans at the state, county and local level. The funding schedules allocate resources to meet the cost of benefits earned by ac-

Costs may be reduced as a result of the assumption changes.

tive employees and to amortize the unfunded liability that exists due to past methods of financing benefits. Until relatively recently, pension costs were met on a "pay as you go" basis without the forward funding of future benefits. Although pension systems now cover the cost of benefits as they accrue, they must also retire the unfunded liability that grew in the absence of such funding.

The actuarial valuation determines the "normal cost" and the unfunded liability of the retirement system. "Normal cost" is the amount needed to offset accruing benefits and the unfunded liability is the liability of the system less the plan assets. In order to accomplish this task, assumptions are made about expected plan experience. These include economic assumptions such as investment return, salary increase rate, inflation rate and demographic assumptions pertaining to the workforce. The actuarial assumptions used in the valuation are established by conducting an analysis of past and anticipated experience. This includes an evaluation of the past experience in the areas of mortality, retirement, withdrawal, disability and salary growth. Projections that underpin the estimate of system liability are related to the assumed impact of the fu-

by Joseph Connarton, Executive Director, PERAC

ture experience in these areas. Since system liabilities are the key determinant in the amount that must be appropriated to the pension fund, the demographic assumptions have a significant impact on the appropriation amount.

The nature of an experience study is to track the criteria outlined above and assess whether actual past experience matches the expectations reflected in those assumptions. This was a daunting task requiring the minute assessment of approximately 40,000 active and retired members from 30 different local retirement systems. The local systems selected for the study were determined based on the number of members, geographic location and quality of data available. The focus of the study was the period from January 1, 1998 through January 1, 2001. As part of the

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From the Deputy Commissioner

Under M.G.L. Ch. 59 Sec. 21C (m), towns may make appropriations from the tax levy, available funds or borrowing, contin-

gent upon passage of a Proposition 2½ override or debt exclusion question. In other words, a town can eliminate the need to call a special town meeting to finalize the budget by using contingent appropriations to identify particular annual operating, or special purpose, appropriations that will take effect only if voters approve funding them with additional taxes. This option is not available to cities.

Contingent appropriations are most often used to fund special purpose appropriations or for capital expenditures. For example, major capital projects such as new schools may be made contingent upon passage of a debt exclusion. In addition, town meeting may appropriate all or part of annual operating budget items contingent on an override.

The selectmen still have the power to decide whether to call a Proposition 2½ referendum election for any contingent appropriations. The town meeting vote does not place an override or exclusion question on the ballot. It simply conditions spending on the approval of the question.

For more information about contingent appropriations, please refer to our booklet, "Proposition 2½ Ballot Questions," available on our website (www.dls.state.ma.us) under "Publications and Forms."

Joseph J. Chessey, Jr.
Deputy Commissioner

Legal

in Our Opinion

Scope of State Tax Liens

by James Crowley

As many local officials are aware, there is a lien in connection with real estate taxes. If taxes on a parcel remain unpaid, the collector can make a tax taking to perfect the lien. The instrument of taking is recorded at the Registry of Deeds for the county where the property is located in order to give notice that the municipality has a lien in conjunction with a particular parcel. Is there a similar rule for state tax liens? Would a state tax lien attach to Massachusetts real property acquired **after** the recording of the lien? The Supreme Judicial Court recently ruled in the decision of *Luchini v. Commissioner of Revenue*, 436 Mass. 403 (2002) that a state tax lien, like a federal tax lien, attaches to property acquired after the recording of the lien.

The plaintiffs in this case moved from Massachusetts to Europe in 1980 and lived overseas until 1988. They never paid Massachusetts state income taxes for these years in the belief they were exempt from state tax. The Department of Revenue disagreed with their contention and insisted that state tax returns be filed. The plaintiffs complied by filing 1980–1988 tax returns in November 1992. The Department reviewed the returns and assessed \$41,882.70 in taxes, interest and penalties. Immediately, the plaintiffs filed for an abatement pursuant to M.G.L. Ch. 62C Sec. 37, which the Department denied. The plaintiffs never paid the amount assessed and never appealed to the Appellate Tax Board (ATB), which was the avenue of appeal set forth by statute. The Department subsequently recorded a notice of tax lien against the plaintiffs in April 1993, which attached to all property owned by the plaintiffs in

Massachusetts. At the time of the notice, however, the plaintiffs did not own any property in Massachusetts.

In 1994, however, the plaintiffs acquired land in Milford. When the plaintiffs sold the Milford parcel in 1998, the issue of the state tax lien arose. A portion of the sale proceeds was placed in escrow, and the plaintiffs filed suit in superior court to have the funds released to them. The plaintiffs claimed they never owed state taxes for the years 1980 to 1988. Furthermore, even if the plaintiffs owed taxes, the state's tax lien could not attach to property acquired after the notice of lien was recorded. The lower court ruled in favor of the Department, and the plaintiffs appealed.

The appeal was heard by the Supreme Judicial Court, which agreed with the lower court ruling. In the Supreme Judicial Court's view, the plaintiffs waived their right to appeal the validity of the Department's tax assessment since they failed to exhaust their administrative remedies. Instead of appealing to the ATB, the plaintiffs did nothing. Only when the proceeds of sale were set aside to satisfy the state tax assessment, did the plaintiffs decide to contest the assessment in the courts. According to the Supreme Judicial Court, there was no evidence presented by the plaintiffs that an ATB appeal would have been futile or an ATB remedy would have been inadequate. From the facts presented, the Supreme Judicial Court found no excuse for the plaintiffs' failure to appeal to the ATB.

Turning to the issue of the tax lien, the Supreme Judicial Court held that the lien applied to property acquired after the assessment of the lien. Although the Supreme Judicial Court had never addressed this issue before, the Department for years had maintained this view.

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Focus

on Municipal Finance

Sewer Rate Relief Update

by Ellis Fitzpatrick

The purpose of this article is to give a brief history of the Sewer Rate Relief Fund and to update communities on the status of this program. In 1993 the Legislature passed Section 20 of Chapter 110 of the Acts of 1993 (the FY94 budget). This section created M.G.L. Ch. 29 Sec. 2Z, and the budget provided \$30 million to establish a fund to mitigate the sewer rate increases due to debt obligations in FY94.

To be eligible for this program, the debt must have arisen from a project as defined in the Federal Clean Water Act. Also, the bonds must have been issued on January 1, 1992, or later, with a maturity date of at least five years for water pollution control projects. The program eligibility was later amended to include debt issued after January 1, 1990. Distributions from the fund reimbursed the issuer up to 20 percent of the FY94 debt service. For communities that were members of authorities or commissions, reduced assessments were reflected in lower sewer rates to residential and commercial customers.

From FY88 to FY93, operating and capital costs assessed to cities and towns whose sewage was treated by the Massachusetts Water Resource Authority (MWRA) increased an average of 28.5 percent. These debt obligations had been incurred as a result of increasing regulation of sewage treatment.

The funding for the sewer rate relief program has steadily grown. For FY02, \$58.6 million was appropriated for the program. These funds and the beginning balance in the fund resulted in a distribution of \$60.5 million. The FY94 state budget contemplated the continuation of the program and subsequent

appropriations. These anticipated future appropriations would be needed to offset costs associated with the completion of the Boston Harbor project as well as numerous smaller projects around the state.

Funds distributed to the MWRA were intended to mitigate the cost to MWRA communities for the Boston Harbor project, although over 30 cities, towns and commissions received awards. By FY97 operating and capital costs assessed to the cities and towns receiving MWRA water and sewer services increased an average of 7.7 percent. Distributions from this fund assisted in reducing this increase to 3.5 percent.

The MWRA Deer Island wastewater treatment facility is complete. However, there are significant new MWRA projects, which include addressing pollution caused by combined sewer overflows and constructing a new 18-mile water supply tunnel to provide a necessary back up for the Hultman Aqueduct.

Section 14 of Chapter 177 of the Acts of 2001 (FY02 budget) establishes the eligible criteria for the Sewer Rate Relief program. In brief, eligible indebtedness is defined as:

- Long-term debt issued on or after January 1, 1990.
- Borrowing term is greater than five years.
- Bond proceeds must be used to finance the cost of planning, design or construction of any water pollution control project.
- The project must comply with the Federal Water Pollution Control Act.

Projects are not eligible if:

- They have received state grants.
- They are financed through the Massachusetts Water Pollution Abatement

Trust (MWPAT), unless the debt exceeds \$50 million on June 30, 1995.

The Division of Local Services (DLS) in consultation with the Department of Environmental Protection administers the program. Funding for FY02, as previously stated, was \$58.6 million. In the past, the amount of the appropriation was sufficient to fund each project at the maximum rate of 20 percent of the estimated cost of the project. However, the number and subsequent amount of eligible grants exceeded the appropriation for FY02. Therefore, eligible projects were funded in FY02 at 18.91 percent.

In FY02, several communities were awarded funds for the first time. Athol, Douglas, Hinsdale and Southwick were awarded funds for sewer treatment facilities and sewer line projects. In addition, Andover, Auburn, Brookline, Cambridge, Canton, Chelmsford, Gloucester, Holbrook, Marshfield, New Bedford, Newburyport, Scituate, Weymouth, Williamstown and Worcester were awarded funds for significant new projects (bonded amount greater than \$1 million). Eight other communities were awarded additional funds for smaller new projects. In all projects, communities must certify that the funds will be applied to the reduction of sewer rates.

In FY02, applications were received from 107 cities, towns, districts and authorities. Copies of these applications, which listed debt issued after January 1, 1990 for sewer purposes, were forwarded to the Department of Environmental Protection (DEP) for review of the technical requirements set forth in the legislation.

The MWRA with member communities received funding totaling \$50 million. The South Essex Sewerage District (SESD) received \$2 million and 102 cities, towns and commissions received

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Sewer Rate Relief Fund Distributions

Municipality	1994-99	2000	2001	2002	Total	Municipality	1994-99	2000	2001	2002	Total	Municipality	1994-99	2000	2001	2002	Total
Amesbury	\$0	\$70,734	\$52,194	\$47,863	\$170,791	Holyoke	190,421	32,863	32,049	9,652	264,985	Somerset	256,166	68,256	66,117	61,114	451,653
Andover	57,123	29,928	30,562	61,136	178,749	Hopkington	456,895	82,779	96,807	134,771	771,252	Somerville	7,120,707	1,878,416	1,982,968	1,799,909	12,782,000
Arlington	4,212,243	1,029,313	1,063,518	1,047,687	7,352,761	Hudson	31,901	8,271	17,464	15,100	72,736	S. Hadley	130,861	21,551	18,536	16,655	187,603
Ashburnham	173,858	0	0	0	173,858	Ipswich	96,420	28,263	26,943	29,821	181,447	Southwick	0	0	0	30,669	30,669
Ashfield	37,905	12,635	2,227	11,690	64,457	Lexington	3,136,365	841,004	899,550	878,109	5,755,028	Stoneham	2,278,343	574,572	606,240	599,911	4,059,066
Ashland	1,072,105	202,709	217,276	211,659	1,703,749	Lowell	723,301	154,518	191,327	191,942	1,261,088	Stoughton	2,189,461	503,133	524,509	498,922	3,716,025
Athol	0	0	0	20,608	20,608	Lynn Water & Sewer District	634,188	211,853	212,500	204,692	1,263,233	Sturbridge	16,506	14,389	13,999	12,882	57,776
Attleboro	0	0	355,150	83,474	438,624	Lynnfield	9,549	8,242	10,797	13,986	42,574	Swampscott	32,833	30,681	42,255	54,820	160,589
Auburn	152,851	52,223	50,335	98,659	354,068	Malden	5,285,480	1,293,714	1,336,737	1,315,471	9,231,402	Templeton	189,549	35,930	34,733	31,722	291,934
Ayer	0	34,173	21,527	19,940	75,640	Manchester-by-the-Sea	0	31,751	9,233	8,493	49,477	Tewksbury	118,789	67,788	73,840	76,521	336,938
Barnstable	0	101,527	0	0	101,527	Marblehead	740,631	179,212	190,532	206,064	1,316,439	Upper Blackstone					
Bedford	1,397,270	308,200	325,857	314,268	2,345,595	Marion	130,438	23,788	22,010	21,026	197,262	WPAD	0	61,511	187,594	176,464	425,569
Bellingham	394,863	85,182	82,696	76,104	638,845	Marshfield	50,150	24,364	15,241	62,584	152,339	Wakefield	2,538,337	634,163	652,789	638,308	4,463,597
Belmont	2,426,806	608,481	631,684	612,927	4,279,898	Massachusetts Essex County Jail	34,978	7,491	7,485	10,329	60,283	Walpole	2,000,269	402,933	410,844	407,615	3,221,661
Beverly	2,006,301	411,416	410,562	439,454	3,267,733	Mass. State Hospital	146,237	31,219	31,208	17,827	226,491	Waltham	5,869,183	1,470,728	1,576,986	1,594,149	10,511,046
Billerica	896,588	372,476	515,790	471,225	2,256,079	Mattapoiset	42,242	7,580	7,277	10,269	67,368	Watertown	3,123,946	754,150	775,540	760,351	5,413,987
Boston Water & Sewer Comm.	62,472,893	15,499,243	15,859,041	15,659,469	109,490,646	Medford	5,517,226	1,335,603	1,396,982	1,368,634	9,618,445	Wayland	83,106	22,912	22,432	14,862	143,312
Braintree	3,408,462	851,830	886,894	845,525	5,992,711	Melrose	2,728,075	667,749	689,325	667,924	4,753,073	Wellesley	2,589,688	604,846	627,962	584,313	4,406,809
Brocton	871,195	138,738	147,043	130,878	1,287,854	Merrimac	0	0	2,131	1,587	3,718	W. Springfield	142,016	31,445	57,260	52,495	283,216
Brookline	5,526,496	1,433,992	1,460,406	1,486,480	9,907,374	Methuen	190,343	59,241	53,805	54,952	358,341	W. Stockbridge	54,141	10,039	9,776	8,995	82,951
Burlington	2,215,380	504,748	525,856	500,564	3,746,548	Middleton	22,454	4,859	4,849	6,172	38,334	Westborough	0	11,061	69,757	63,745	144,563
Cambridge	10,061,686	2,201,997	2,220,953	2,285,620	16,770,256	Milford	226,741	52,407	51,562	46,072	376,782	Westfield	238,860	67,273	62,061	57,959	426,153
Canton	1,950,242	475,001	585,671	575,052	3,585,966	Millbury	0	27,028	14,849	14,413	56,290	Weston	29,284	25,788	40,138	42,946	138,156
Charlmont Sewer District	17,114	3,423	3,423	3,236	27,196	Milton	2,612,191	658,519	691,027	680,023	4,641,760	Westwood	1,146,805	265,925	274,941	263,000	1,950,671
Charlton	54,418	65,570	64,283	59,562	243,833	Monson	6,464	6,159	5,874	5,335	23,832	Weymouth	5,420,645	1,242,582	1,285,868	1,283,176	9,232,271
Chatham	8,157	0	0	0	8,157	MWRA MetroWest Tunnel	310,000	0	0	0	310,000	Whitman	757,605	176,029	169,171	152,338	1,255,143
Chelmsford	1,290,314	356,746	356,150	420,947	2,424,157	Nahant	16,069	8,680	11,983	13,409	50,141	Williamstown	13,871	2,538	2,458	9,449	28,316
Chelsea	2,758,076	706,115	777,876	752,064	4,994,131	Natick	2,809,414	623,523	635,701	592,683	4,661,321	Wilmington	1,409,780	239,527	257,520	248,451	2,155,278
Chicopee	316,727	63,145	75,830	28,651	484,353	Needham	3,052,180	794,400	819,678	751,979	5,418,237	Winchester	2,004,608	472,473	493,738	474,144	3,444,963
Clinton	2,448	0	0	0	2,448	New Bedford	3,679,797	887,689	886,737	877,280	6,331,503	Winthrop	1,679,816	384,631	395,677	390,007	2,850,131
Cohasset	15,285	14,925	13,781	16,385	60,376	Newburyport	87,464	24,716	24,416	54,577	191,173	Woburn	4,310,520	972,719	1,061,853	1,022,388	7,367,480
Commonwealth of Massachusetts	1,346	0	0	0	1,346	Newton	8,991,852	2,200,006	2,295,794	2,245,664	15,733,316	Worcester	358,477	149,788	148,604	144,696	801,565
Danvers	1,099,220	246,423	265,235	307,989	1,918,867	N. Andover	104,038	38,626	37,257	33,057	212,978	Total local projects	26,049,551	8,014,507	8,550,291	8,495,242	51,109,591
Dartmouth	175,033	38,180	59,933	66,517	339,663	N. Attleborough	255,400	102,881	108,919	99,314	566,514	MWRA	203,238,984	48,924,410	51,260,899	50,026,066	353,450,359
Dedham	2,434,234	605,832	620,610	582,569	4,243,245	N. Brookfield	139,831	45,051	44,272	41,122	270,276	SESD	9,491,440	2,009,772	2,005,799	2,007,031	15,514,042
Douglas	0	0	0	8,735	8,735	Northampton	244,515	66,247	114,975	104,667	530,404	Total awards	238,779,975	58,948,689	61,816,989	60,528,339	420,073,992
Dracut	122,004	94,980	91,599	83,540	392,123	Northborough	3,780	4,775	6,778	6,762	22,095						
Dudley	36,097	34,072	59,209	54,179	183,557	Northfield	102,192	17,778	16,542	15,438	151,950						
E. Longmeadow	23,511	7,345	7,099	6,528	44,483	Norwood	2,981,521	758,634	791,965	779,334	5,311,454						
Easthampton	49,077	9,752	9,239	11,904	79,972	Otis	0	5,054	4,972	4,701	14,727						
Edgartown	446,104	239,906	222,306	205,202	1,113,518	Oxford-Rochdale Sewer District	39,200	12,533	12,267	11,346	75,346						
Everett	3,483,668	872,999	904,952	904,743	6,166,362	Palmer	120,237	15,409	37,235	30,900	203,781						
Fall River	34,951	33,953	34,060	31,334	134,298	Peabody	3,273,403	697,445	711,511	657,665	5,340,024						
Fitchburg	361,995	108,145	104,986	98,422	673,548	Pepperell	300,223	110,082	110,147	69,694	590,146						
Framingham	6,114,140	1,468,381	1,564,627	1,528,541	10,675,689	Plymouth	63,724	26,172	30,250	52,139	172,285						
Franklin	30,750	6,794	36,548	32,210	106,302	Quincy	8,670,813	2,185,309	2,282,620	2,238,131	15,376,873						
Gardner	115,062	39,593	38,211	35,120	227,986	Randolph	2,827,615	673,679	677,497	642,607	4,821,398						
Gloucester	1,249	12,557	36,210	79,860	129,876	Reading	2,085,008	480,928	496,892	473,503	3,536,331						
Grafton	0	221,180	104,627	95,757	421,564	Revere	4,219,880	995,734	1,052,339	1,038,819	7,306,772						
Grt. Barrington	303,673	98,708	96,121	88,450	586,952	Rockland	1,122,275	276,028	265,374	241,412	1,905,089						
Greenfield	58,441	12,452	10,038	9,189	90,120	Rutland	68,054	11,718	11,332	10,340	101,444						
Groton	0	0	3,560	2,612	6,172	Salem	2,416,639	521,675	520,025	508,233	3,966,572						
Hingham	634,212	169,904	167,390	151,956	1,123,462	Salisbury	112,032	62,374	171,069	155,236	500,711						
Hinsdale	0	0	0	8,644	8,644	Saugus	672,412	144,026	155,112	162,722	1,134,272						
Holbrook	1,044,634	214,181	220,753	245,241	1,724,809	Scituate	71,310	11,456	26,943	67,629	177,338						

Table 1

Tourism: Massachusetts' \$21 Billion Industry

by Paul Sacco, Executive Director of the Massachusetts Office of Travel and Tourism

From the beaches of Provincetown to the Norman Rockwell Museum in Stockbridge, Massachusetts has much to offer tourists. As the Commonwealth's third largest industry (behind health care and finance) with visitor direct spending reaching more than \$13 billion, tourism affects every city and town in Massachusetts.

Impact on Your Community

More than 147,300 Massachusetts residents are employed by the hospitality industry, from the attraction executive to the hotel housekeeper. Additionally, one of the most direct benefits to communities is the local option lodging tax of up to 4 percent. In Massachusetts, 160 cities and towns that have lodging properties take advantage of the local option tax and use the funds to provide local services and to reinvest in tourism development. After all, tourism isn't just for tourists; it creates a vibrant community for residents and a desirable quality of life to entice new business.

Tourism Marketing

At the state level, the Massachusetts Office of Travel and Tourism (MOTT) works to promote the Commonwealth as a friendly, family-oriented destination set in the midst of rich historical and cultural traditions. Each year, MOTT develops a targeted advertising and public relations campaign to highlight the scenic beauty, historic sites, and cultural attractions found in the Bay State. MOTT primarily markets Massachusetts to the drive markets of New York and

Connecticut, where research has shown that the majority of the Commonwealth's visitors arrive from, and to Massachusetts residents.

Additionally, Massachusetts has marketing and public relations representatives in Canada, Europe, Latin America, and Asia. While only 8 percent of Massachusetts visitors are international, they comprise 16 percent of travel expenditures because they stay longer and spend more than domestic visitors.

MOTT also maintains a highly interactive website, www.massvacation.com, which was re-launched last year and includes extensive attraction and event information as well as online hotel reservations. By combining online marketing with the free *Massachusetts Get-away Guide* (800-447-MASS), MOTT provides information to potential visitors as quickly as possible.

Regional Tourism Councils

In addition to reinvesting some of their local option room occupancy tax in marketing, the best way for local communities to encourage healthy growth in tourism is to work with their local regional tourism councils (RTC). The state is broken down into 13 regions, each of which is marketed by an RTC (for a complete list of RTCs, see www.massvacation.com/industryinfo).

While MOTT markets the entire state, the RTCs focus on drawing visitors to their regions. They are membership-based organizations that develop pro-

motional and advertising campaigns, regional guides, and websites. The RTCs have a close relationship with MOTT, working together on many programs as well as assisting with press trips for U.S. and international journalists.

For more information on how tourism affects your region, check out www.massvacation.com/research. Or, for more information about MOTT's programs: www.massvacation.com/industryinfo. ■

2000 Economic Impact of Travel on Massachusetts Communities

Source: Travel Industry Association of America

Number of Visitors

- Total: 26.7 million
- Domestic: 24.8 million
- International: 1.9 million

Total Economic Impact

- \$21.5 billion

Traveler Direct Expenditures

- \$13.3 billion

Jobs Supported by Tourism

- 147,300 employees earning \$3.7 billion

State Taxes Paid by Visitors

- \$414.7 million

Local Taxes Paid by Visitors

- \$248.4 million

Sewer Rate Relief

local awards totaling \$8.5 million. Some of the 102 communities and commissions that received funding for local projects are members of the MWRA and the SESD. A detailed listing of total awards as well as the amounts of the

MWRA and SESD awards attributable to the member communities are listed in *Table 1*.

Since FY94, the sewer rate relief program has distributed over \$419 million

for the purpose of rate relief to communities for a wide array of projects. The number of communities implementing water pollution control projects has increased as has the state's commitment to helping ratepayers. ■

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PERAC Study

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Plan Assumption	Study Outcome
Retirement rates	<p>A decrease in the number of expected retirements resulted in a small increase in total plan cost.</p> <ul style="list-style-type: none"> • For Group 1, adopt gender distinct rates.¹ • Rates were added (less than 100 percent) at ages 67–69. • For Group 2, adopt Group 1 rates described above. • For Group 4, add rates at ages 45–49 with generally gradually increasing rates thereafter. Significant decrease in rates at ages 50 and 55. Significant increase in rates at ages 56, 59 and 61–64.
Disability rates	<p>A decrease in number of expected disabilities resulted in a decrease in total plan cost.</p>
Withdrawal/turnover rates	<p>An increase in number of expected withdrawals resulted in a decrease in total plan cost.</p> <ul style="list-style-type: none"> • For all groups, adopt service based withdrawal table (current tables are age based). • New tables reflect higher withdrawal rates for Groups 1 and 2. • For Group 4, modest withdrawal rates added for service up to 10 years (prior table assumed no turnover).
Annual salary increase rate	<p>A decrease in overall rate resulted in a decrease in total plan cost.</p> <ul style="list-style-type: none"> • Prior PERAC standard assumption was 5.5 percent at all ages for each Group. • Revised salary increase assumption is generally greater than the current 5.5 percent rate for service less than 5 years and less than the current 5.5 percent assumption thereafter.
Mortality rates for retired and disabled members	<p>A decrease in the number of expected deaths resulted in an increase in total plan cost.</p> <ul style="list-style-type: none"> • Adopt the most current table of mortality rates for pension plans. • Adopt separate assumptions for members who retired under disability provisions. • Generally, revised rates assume longer life expectancy.

study, PERAC contracted with private actuaries to provide experience analysis for systems in which the actuary had performed valuations in successive years.

Table 2 summarizes the principal results of the study. To view the study in its entirety, visit the PERAC website at www.state.ma.us/perac/actuarialunit/experiencestudy.htm.

Revised actuarial assumptions were developed based on this analysis. Actual rates of disability, mortality and salary increase were found to be lower than assumed while withdrawal rates were found to be higher than assumed. Overall, the changes in assumptions, which became effective in the PERAC valuations as of January 1, 2002, will result in costs slightly lower than the previous assumptions. However, an actuarial valuation assesses a number of factors including investment performance, benefit changes and plan experience. The status of liabilities is a product of all of these factors as well as changes in assumptions. Consequently, although costs may be reduced as a result of the assumption changes, other factors, particularly investment performance, could negate that impact. ■

The Division of Local Services would like to thank PERAC Deputy Executive Director Joseph Martin and Frank Valeri, Director of Government Relations and External Affairs, for their assistance in providing this article.

1. Group 1 employees include officials and general employees including clerical, administrative and technical workers, laborers and mechanics. For a full list of the types of employees that comprise Groups 1–4, see M.G.L. Ch. 32 Sec. 3.

Table 2

DLS Update

2002 EQV Values

Assessors will receive their proposed Equalized Values (EQV) from the Department of Revenue's Bureau of Local Assessment (BLA) this month. Every two years the Commissioner of Revenue determines the EQV of all cities and towns in Massachusetts (M.G.L. Ch. 58 Sec. 10C). The proposed values represent the full and fair market value of all taxable property in the Commonwealth as of January 1, 2002. These values will be used in the distribution formulas of certain state aid and assessment programs.

BLA sent preliminary valuation numbers to assessors in June 2002. Assessors then have the opportunity to review the preliminary numbers and request adjustments from BLA, provided they have appropriate documentation. Assessors who subsequently remain dissatisfied can file an appeal at the Appellate Tax Board (ATB). Appeals must be filed on or before August 10, 2002. The ATB will act on EQV appeals by January 20, 2003. It is anticipated that the Legislature will accept the final EQVs early in the spring of 2003 and they will be used in local aid and assessment formulas for the first time in FY2004.

School Bus Driver Certification

The Transportation Division of the Department of Telecommunications and Energy (DTE) performs a variety of public safety and consumer protection functions. One major public safety initiative involves the licensing of all school bus drivers in the Commonwealth.

Under authority granted by M.G.L. Ch. 90 Sec. 8A, the DTE Transportation Division licenses over 20,000 individuals who transport over 500,000 school-age students daily. In addition, DTE processes over 2,000 new school bus driver applications each year.

The application for a DTE School Bus Driver Certificate involves the review of an applicant's driving record, criminal record, health records, and a minimum of 20 hours of training performed by a licensed instructor. The final step in the process requires the applicant to successfully pass a comprehensive three-part Commercial Driver's License (CDL) driving skills test.

M.G.L. Ch. 90 Secs. 7B and 8A require that any individual transporting school-age children (K-12) must have a valid driver's license and DTE School Bus Driver's Certificate. The certificate is valid for one year. The renewal process is similar to the original issuance with the exception of the driving test. Massachusetts is one of only 12 states that have formal licensing procedures for school bus drivers. The intent of the program is to ensure that only properly trained and qualified individuals transport students.

The Transportation Division has established a number of checks and balances designed to monitor the school transportation industry's compliance with school bus driver licensing requirements. These efforts include random, unannounced driver checks in partnership with the Massachusetts State Police, and safety training programs for school bus companies. In addition, DTE participates in school transportation association conferences to provide guidance regarding rules and regulations.

Overall, DTE promotes the concept that safe, reliable student transportation is a key component of a child's educational experience. If you have any questions regarding school bus driver certification, please contact Brian F. Cristy, Director, Transportation Division at (617) 305-3770. ■

Tax Liens continued from page two

Relying on federal court decisions interpreting the analogous federal tax lien statutes, the Supreme Judicial Court held that the state tax lien, like the federal lien, applied to property acquired during the life of the lien. The State tax lien arose when the assessment was made in accordance with M.G.L. Ch. 62C Sec. 50(a). The time of assessment under M.G.L. Ch. 62C Sec. 26(a) was "when the return is filed or required to be filed, whichever is later." In this instance, the date of assessment was November 1992 when the late state tax returns were filed. Under the six-year statutory rule, absent litigation, the state tax lien usually would not expire until November 1998. In this case, the court ruled the lien continued after the Milford parcel was acquired in 1994 and even after its sale in April 1998. State statute (M.G.L. Ch. 62C Sec. 65) also gave the Commissioner a one-year extension after this court decision to collect the balance owed by the plaintiffs since the tax escrow did not satisfy the full obligation.

By this decision, the Supreme Judicial Court has provided some guidance to practitioners on the length and extent of state tax liens. ■

DLS Profile: Technical Assistance Staff

The Division of Local Services' (DLS) Technical Assistance staff provides comprehensive financial management consulting services to cities and towns. Since the Division first began offering this service in 1984, well over 200 projects have been completed, resulting in comprehensive, written reports with results-oriented and practical recommendations.



Melinda Ordway, Joseph Markarian and Amy Januskiewicz

The Technical Assistance Unit offers two basic approaches to financial management assistance to cities and towns. The first, the financial management review, is an assessment of the overall financial operations of the community, including a review of the financial offices, the budget process and capital planning. In the second approach, the focus is on a particular problem identified by local officials. Financial management assistance may be requested by the chief executive officer(s) of any city or town and is free of charge.

Technical Assistance Bureau staff members **Melinda Ordway, Joseph Markarian and Amy Januskiewicz** enjoy working with local officials to help determine the strengths and weaknesses of their financial operations. Melinda has both a bachelor's degree and a master's degree in public administration from the University of Massachusetts. Joe holds a bachelor's degree from the University of Maine and a juris doctorate from Suffolk University, and Amy has a bachelor's degree in accounting from Bentley College.

Tom Wilson, town accountant in Oak Bluffs, said that the financial management review received by the town came at a "much needed time when there were many new staff members in place in the financial offices. The review helped coordinate their efforts. It was conducted in a friendly and professional manner."

It is also worth mentioning that the Technical Assistance staff received the Commonwealth of Massachusetts' Citation for Outstanding Performance Group Award in 2000. For more information regarding DLS' technical assistance services, please contact Rick Kingsley at (617) 626-2376. ■

Important June Dates

June is an important month for communities that use a quarterly tax billing system. This preliminary quarterly tax commitment should be prepared early enough (around June 15) for the preliminary tax bills to be mailed by July 1.

June 30 is the last date for assessors to submit requests for current fiscal year reimbursements of exemptions granted under the various clauses of M.G.L. Ch. 59 Sec. 5. If an exemption is granted to a residential property owner, the property tax is lowered, and the town collects fewer tax revenues than anticipated. If the assessors fail to submit a request for reimbursement to the Department of Revenue, the town's loss of tax revenues will not be offset by the exemption reimbursements from the state. ■

City & Town

City & Town is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials.

Joan E. Grouke, Editor

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