



DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE



In this Issue:

- [PERAC Provides Insights into Pension Liabilities](#)
- [By the Numbers](#)
- [BLA Details Five Year Certification Reassignments](#)
- [Ask DLS](#)
- [Save the Date - Assessment Administration: Law, Procedures and Policies \(Course 101\)](#)
- [Sewer Rate Relief Fund - FY2017](#)
- [DESE Highlights Digital Connections Initiative](#)
- [OSD Announcements: Neighbor-to-Neighbor Series](#)

[Local Officials Directory](#)

[Municipal Calendar](#)

[IGR's & Bulletins](#)

[Workshops, Seminars & Events](#)

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.

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PERAC Provides Insights into Pension Liabilities

This past month, I had the opportunity to attend the Public Employee Retirement Administration Commission's (PERAC) 12th annual *Emerging Issues* forum. This was a great event and kudos to PERAC's Executive Director Joseph Connarton and his staff for pulling together such an educational and insightful forum. PERAC gave a historical overview of local pension system funding. Titled "Looking Back and Looking Forward," there were many takeaways, including the following:

- In 2001, the aggregate unfunded liability for all local systems was \$8.9B and the aggregate funded ratio was 82.8%. Currently, those figures are \$51B and 58.4%, respectively.
- A common trait of the best funded systems was their avoidance of cutbacks to both the prior year appropriation and to the appropriation schedule.
- In 2012, 60% of the systems had a full-funding date of 2030 or earlier. That figure is down to 38%. On the positive side, there are four fewer systems (19) with a full-funding date between 2036-2040.
- For the 30-year period 1985-2015, the average investment return (using PRIT figures) was 9.5%. However, for the past 15 years, it is 5.8%, below the assumed rates of return, which now range between 7%-8%.
- Related to the previous bullet, PERAC's 2015 Annual Report

(which is a great document that I recommend local officials read annually), shows that in 2003, all but three (97%) of the local retirement systems used an assumed rate of return of 8% or greater; now that number is down to 25%. Reducing the assumed rate of return is a prudent step to take, but it does drive up the unfunded liability. That fact, coupled with actual market returns, has contributed to the increase in total unfunded liability noted in the first bullet.

So what does this all mean? It means that funding the pension liability is a significant challenge, and to do so in a prudent manner takes a commitment to long-term fiscal discipline. It is also clear that local retirement systems need to continue to focus on the issues of assumed rate of return and full-funding dates. These are complicated and complex issues that have a direct impact on a community's fiscal health; therefore, they warrant much discussion.

Sean R. Cronin
Senior Deputy Commissioner of Local Services

By the Numbers

City & Town will provide updates on the progress of the tax rate and certification season in each edition through the rest of the calendar year. In addition to these helpful statistics*, we're also pleased to announce that you can now follow the tax rate setting process in real time. Thanks to our Municipal Databank staff, this public information is available 24/7 by [clicking here](#).

Preliminary Certifications: 47 Communities Approved

Final Certification: 23 Communities (of 117 Total in Certification Year)

LA4/ New Growth: 83 Approved (104 Submitted)

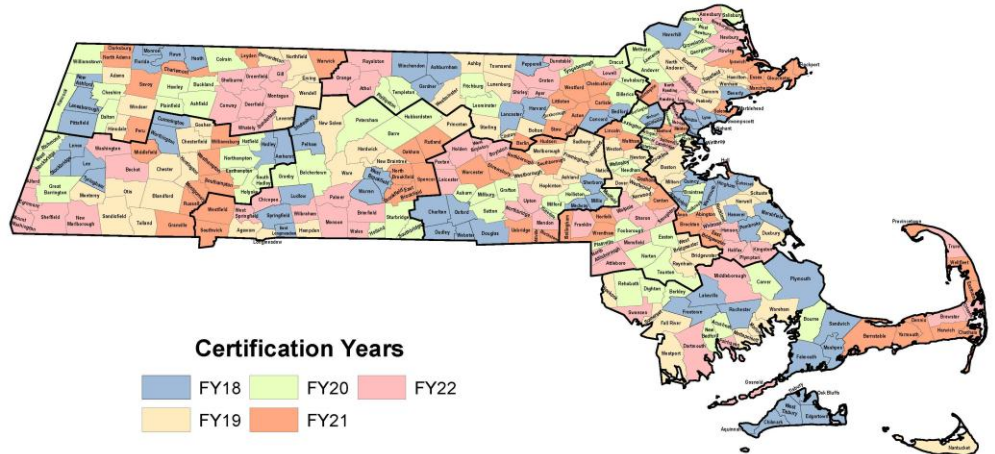
Tax Rates: 29 Approved

Balance Sheets: 97 Approved

Aggregate Free Cash Approved Total: \$510,625,320

(*Numbers provided are as of close of business on 10/5/16.)

Proposed 5 Year Certification Cycle



(To view the full map, please [click here](#).)

BLA Details Five Year Certification Reassignments

Joanne M. Graziano - Bureau of Local Assessment Chief

As part of the recently passed [Municipal Modernization legislation](#), the Massachusetts Association of Assessing Officers (MAAO) and the Division of Local Services (DLS) sought legislation that would extend the certification period from three years to five years for a variety of reasons. (Section 35-36, 250)

The change has been a topic of conversation for many years as to whether the five year certification plan is a reasonable time period between certification reviews. This time, the conversation turned into reality. Since 1981, all communities have had their assessing practices reviewed by DLS every three years. In addition, assessors are required to report in interim years that they have reviewed their assessments and if necessary, adjusted them to maintain fair cash valuations. As a result, there has been a dramatic improvement in local assessing practices and professionalism. Assessing professionals across the Commonwealth possess extensive training and professional capabilities. Standards are in place to ensure values in all years reflect fair cash value. Assessing and GIS software, along with improvements in Web access, provide the taxpayer with transparent data and assessments.

DLS no longer feels the need to conduct the same level of review that we have up until this point, but we are committed to ensuring the hard won standards are maintained. We expect communities will benefit from fewer reviews as a cost saving measure and utilize funding to continue to improve their operations. Also important, distributing the

workload evenly over a five-year period will allow the division to better utilize available resources in terms of staffing.

This past spring, BLA staff spent time working on a reassignment plan that would make sense for communities. We acknowledge the advances the assessing community has made and encourage regionalization of services and data sharing. That is particularly important in small communities with budgetary constraints that preclude them from hiring a sufficient number of in-house staff. Also, third-party vendors are likely to be more attracted to under-served regions of the state if several contiguous communities need services.

Reassignment Considerations

Based on data we had compiled with the reassignment in FY 2011 ([Municipal Relief Act - Chapter 188 of the Acts of 2010](#)), we were able to review communities with similar principles from that program. BLA appraisal staff in Boston, Worcester and Springfield also assisted looking for certain shared similarities before we finalized the new five-year cycle.

Listed below are some of the shared factors we considered:

- Advisor regions were a consideration to maintain an even workload.
- Number of times a community has been postponed in past reallocation
- Regional school districts
- Power plants
- Community traits such as being in the same real estate market and/or being predominately rural, agricultural, industrial, etc.
- Computer assisted mass appraisal systems
- Contiguous geography or traits such as seashore, mountains, etc.
- Municipal taxing districts.

Under the guidance of Donna Demirai, we began the slicing and dicing process with some targeted guidelines:

1. Communities would not be asked to be certified earlier than currently scheduled because we do not wish them to incur additional costs.
2. Communities would not be postponed more than two years to maintain the integrity of the certification process for taxpayers.

Postponing certain communities will begin for fiscal 2018.

Fiscal year 2018 is the first year that we will reach the targeted annual number of 70 communities awaiting certification, down from 117. The process will be complete in FY2022.

Communities wishing to see how the new certification schedule will be phased in from FY18 through FY2022 and to see whether their community will be postponed should consult [this table](#).

In the end, we have a new certification map that will continue to allow communities to work with each other, their vendors and BLA. In review, of the 351 cities and towns, 132 remained in their scheduled cycle, 91 will be postponed one year, and 128 will be postponed two years.

Gratitude to the Five Year Certification Recertification team that contributed on this project: Donna Demirai, Sandra Bruso, Scott Santangelo and Stephen Sullivan.

Ask DLS

This month's *Ask DLS* features questions regarding changes made by the Municipal Modernization Act, [Chapter 218 of the Acts of 2016](#). The Act takes effect on November 7, 2016. The changes made by the Act are summarized in the article published in the [August 18, 2016 issue of City & Town](#). Please let us know if you have other areas of interest or send a question to cityandtown@dor.state.ma.us. We would like to hear from you.

What is the deadline for taxpayers to apply for personal exemptions from taxes assessed on their domiciles?

Beginning with this fiscal year, FY2017, taxpayers have until April 1 to apply to the assessors for personal exemptions whenever the actual tax bills are mailed on or before January 1. If the bills for any year are mailed after January 1, however, taxpayers will have three months from the date of mailing to apply for that year.

This deadline applies regardless of the billing system the city or town uses, i.e., semi-annual or quarterly, and applies to:

1. Personal property tax exemptions for veterans, blind persons, seniors, surviving spouses and other individuals ([MGL c. 59, sec. 5, Clauses 17, 17C, 17C1/2, 17D, 18, 22, 22A, 22B, 22C, 22D, 22E, 22F, 37, 37A, 41, 41B, 41C, 41C1/2, 42, 43, 52, 53, 56 and 57](#));
2. Deferrals of property taxes for seniors or individuals experiencing hardships ([MGL c. 59, sec. 5, Clauses 18A and 41A](#));
3. Residential exemptions adopted as part of annual tax classification decisions, unless the city or town has a special act setting a different deadline ([MGL c. 59, sec. 5C](#));
4. Small commercial exemptions adopted as part of annual tax classification decisions ([MGL c. 59, sec. 5I](#));
5. Community preservation surcharge exemptions ([MGL c. 44B](#),

- [sec. 3](#)); and
6. Municipal water infrastructure surcharge exemptions ([MGL c. 40, sec. 39M](#)).

What change has been made to the amount of the Residential Exemption?

The selectmen or mayor, with the approval of the city council, may adopt a residential exemption for all Class one, residential properties that are the principal residence of the taxpayer on January 1. [MGL c. 59, sec. 5C](#). The adoption is made annually, usually at the same time as the adoption of the residential factor which determines the percentages of the local tax levy to be borne by each class of real property under [MGL c. 40, sec. 56](#). See [Section IV-C of Informational Guideline Release \(IGR\) 16-402](#). However, the residential exemption may be adopted before or after the adoption of the residential factor.

On or after November 7, 2016, a city or town may adopt a residential exemption for this fiscal year, FY2017, of up to 35% of the average assessed value of all Class One, residential properties, unless it has a special act setting a different limit. See secs.124 and 247 of [c. 218 of the Acts of 2016](#) (the Municipal Modernization Act). Previously, the maximum exemption was 20% of the average assessed value of all Class One, residential properties. As noted above, the deadline for taxpayers who did not receive adopted residential exemptions in their actual tax bills is April 1 beginning in FY2017, unless the city or town has a special act setting a different deadline. The recent amendments to [MGL c. 59, sec. 5C](#) do not amend these special acts. Consequently, communities with special legislation must adhere to the provisions of their acts regarding the maximum exemption and the application deadline.

Additional information on the residential exemption may be found in the *Ask DLS* published in the [September 1, 2016 issue of City & Town](#).

If a community has accepted the Community Preservation Act (CPA), are applications for surcharge exemptions open to public inspection? If a surcharge exemption application is denied, can the applicant appeal to the Appellate Tax Board (ATB)?

Cities and towns accepting the CPA can adopt any of four optional full or partial exemptions from the CPA surcharge. In addition, taxpayers granted property tax exemptions receive a reduction in their assessed CPA surcharges in proportion to their reduced property taxes. [MGL c. 44B, sec. 3](#). However, the CPA does not currently contain any application deadlines or procedures for taxpayers seeking these reductions.

As explained above, amendments made by the Municipal Modernization Act and effective November 7, 2016 will give taxpayers until April 1 to apply to the assessors for a CPA surcharge exemption (or 3 months

after the actual tax bills are mailed, if later). Taxpayers who want to contest the action by the assessors on their applications will also be able to appeal to the ATB in the same manner and by the same deadline as property tax appeals under [MGL c. 59, secs. 64, 65, 65A and 65B](#). In addition, CPA applications will be exempt from public disclosure just like applications for property tax abatements or personal exemptions as provided in [MGL c. 59, sec. 60](#).

What changes have been made to the overlay account?

The overlay is raised by the assessors in the annual tax levy as a reserve for abatements and exemptions. [MGL c. 59, secs. 23, 25 and 70A](#). Currently, there is a separate overlay reserve account for each fiscal year to cover property tax abatements and exemptions granted by the assessors or ordered by the Appellate Tax Board for just that fiscal year.

The Municipal Modernization Act creates a single overlay reserve to cover the costs of potential abatements or exemptions granted by the assessors or ordered by the Appellate Tax Board for any fiscal year. With a single overlay reserve, municipalities may now avoid deficits which formerly occurred when amounts abated or exempted exceeded the balance in the overlay account for that particular year. The single overlay takes effect on November 7th, 2016. No local action is needed. As of that date, all balances in all overlay accounts will be merged into a single overlay account, the balance for which may be charged for abatements or exemptions granted for any fiscal year. Local assessors, however, will still need to review, as part of each year's budget and tax rate process, whether an additional amount needs to be raised that year for addition to the single overlay account.

Save the Date - Assessment Administration: Law, Procedures, and Valuation (Course 101)

The Division of Local Services will offer the basic assessor training course "[Assessment Administration: Law, Procedures and Valuation](#)," also known as Course 101, in Townsend this fall. The course will be held from 4:00 pm to 7:00 pm for six nights.

The dates of the class are: Wednesday, October 19th; Wednesday, October 26th; Tuesday, November 1st; Wednesday, November 9th; Wednesday, November 16th; and Wednesday, November 30th. Please note that there is one Tuesday class. There will be no class the week of Thanksgiving.

If you have any questions regarding this training opportunity, please

contact Donna Quinn at (617) 626-3838 or quinnd@dor.state.ma.us.

Sewer Rate Relief Fund - FY2017

Bureau of Accounts

The Division of Local Services has released Bulletin 2016-04B: Sewer Rate Relief Fund - FY2017. It can be found by [clicking here](#).

The Sewer Rate Relief Fund operates under the provisions of Chapter 29 Section 2Z of the General Laws. The Fund was created in 1993 to mitigate escalating costs of sewer service in the Commonwealth. Awards were based on "eligible debt service" and were calculated at up to 20% of debt service. For FY2017, \$1.1 million has been appropriated. Applications must be returned by Friday, October 28th, 2016 to the address noted in the bulletin.

DESE Highlights Digital Connections Initiative

Kenneth Klau - DESE Director of the Office of Digital Learning

A review of publicly available data indicates wide variation in what communities are paying for internet connectivity for their schools. The Executive Office of Education, the Department of Elementary and Secondary Education, and the Office of Information Technology (MassIT) are partnering with EducationSuperHighway, a national non-profit, to help public school districts obtain affordable, high-speed broadband access. EducationSuperHighway provides a team of expert consultants to work with each interested district to conduct outreach to a broad network for competitive providers; support their RFP process; build a business case for municipal approval; and act as project managers during the implementation process. All services are free of charge. To schedule a kick-off call, visit <https://calendly.com/massachusetts>. To see what your school district is paying for broadband as compared to similar districts across Massachusetts, visit EducationSuperHighway's Compare & Connect K-12 website: <http://www.compareandconnectk12.org/>.

The support provided by EducationSuperHighway is part of the Digital Connections Initiative, which provides tools, assistance, and funding to bridge the digital divide that exists in some schools across the Commonwealth and strengthen twenty-first century teaching and learning. Other elements include: (1) the Digital Connections Partnership Schools (DCPS) Grant, which provides \$2 million in state bond funds to cover non-discount project costs under the federal E-rate program (state match); (B) the Massachusetts School Building Authority (MSBA) Loan Program which provides up to \$2.5 million in interest-free

loans to each school district to cover discounted costs for the local match. Districts that do not qualify for a state match are still eligible for loans, and districts could apply for a loan only. (3) E-rate is a federal program that provides technology discounts for schools and libraries. E-rate is administered by the Universal Services Administrative Company (USAC) under the oversight of the Federal Communications Commission (FCC). All public schools are eligible to receive discounts on eligible services, but only if the services are purchased from eligible contracts and the application is approved by USAC. Discounts on Wi-Fi range from 20 to 85 percent based upon poverty level and whether the district is rural or urban. Rural districts and districts with higher poverty receive greater discounts. Almost all Massachusetts public schools receive at least a 40 percent discount. Funding under the current program is only available for a limited time and all districts are strongly encouraged to file an E-rate application for reimbursements no later than FY19. For more information about the Digital Connections Initiative, visit: <http://www.doe.mass.edu/grants/2017/dcpsg/>.

Please do not hesitate to contact Kenneth Klau, Director of the Office of Digital Learning within the Department of Elementary and Secondary Education, with any questions: kklau@doe.mass.edu(781) 338-3505.

OSD Announcements: Neighbor-to-Neighbor Series

Operational Services Division

Throughout the fall, join your neighbors, the Massachusetts Office of the Inspector General, and OSD to learn procurement best practices, including how to:

- Prepare for An Act to Modernize Municipal Finance and Government, the new law streamlining municipal procurement, effective November 7th
- Comply with Chapter 30B, the Uniform Procurement Act
- Save time and money using statewide contracts
- Generate procurement efficiencies by centralizing operations
- Maximize grant dollars awarded as part of the [Community Compact](#)

There currently are three scheduled stops in the Neighbor-to-Neighbor series, with additional dates and locations being added in the very near future. Events have been held in Quincy and Needham and the feedback has been positive.

If you're a local government buyer, click the link below for the city or town nearest you to register today. We are grateful to the host cities and towns for their assistance in planning!

[Everett](#) - October 12
[Haverhill](#) - October 26
[Dighton](#) - November 3

OSD will provide updates as additional dates and locations are added to the Neighbor-to-Neighbor schedule of events.

October Municipal Calendar

October 1	Taxpayer	<p>Deadline for Submitting Forest Land Certification and Management Plan, MGL Ch. 61</p> <p>According to MGL Ch. 61, Section 2, this is the deadline to submit to the Assessors the State Forester's certification and approved management plan in order to have the land valued as classified forest land in the next fiscal year.</p>
October 1	Collector	<p>Mail Semi-Annual Tax Bills</p> <p>For communities using the regular semi-annual payment system, actual tax bills or optional preliminary bills should be mailed by this date.</p>
October 1	Taxpayer	<p>Semi-Annual Preliminary Tax Bill - Deadline for Paying Without Interest</p> <p>According to MGL Ch. 59, Sec. 57C, this is the deadline for receipt of the preliminary tax payment without interest in communities using the annual preliminary tax billing system, unless the bills were mailed after August 1. If mailed after August 1, the payment is due November 1, or 30 days after the bills were mailed, whichever is later.</p>
October 1	Taxpayer	<p>Deadline for Applying to</p>

		<p>Have Land Classified as Agricultural/Horticultural Land or Recreational Land, MGL Ch. 61A and Ch. 61B</p> <p>According to MGL Ch. 61A, Sections 6 and 8, and Ch. 61B, Sections 3 and 5, this is the deadline to apply to Assessors to have land valued, taxed and classified as agricultural/horticultural or recreational land in the next fiscal year, unless a revaluation program is being conducted for that fiscal year. Under MGL Ch. 59, Section 38 and DOR guidelines, Assessors must review all property valuations and make adjustments to ensure current fair cash valuations every year. Because a revaluation program is being conducted every year, taxpayers who do not submit their applications by October 1 have until 30 days after the actual tax bills for the fiscal year are mailed to apply.</p>
October 15	Superintendent	Submit School Foundation Enrollment Report to DESE
October 31	Selectmen	Begin Establishing Next Fiscal Year Budget Guidelines and Request Department Budgets
October 31	Assessors	<p>Begin Work on Tax Rate Recapitulation Sheet (to set tax rate for annual preliminary tax bill communities)</p> <p>A community that uses the annual preliminary tax bill system (on a quarterly or semiannual basis) should begin gathering tax recap information in order to have enough time for the tax rate to</p>

		be set and tax bills mailed by December 31. See August's Complete Tax Rate Recapitulation Sheet.
Final Day of Each Month	State Treasurer	Notification of Monthly Local Aid Distribution Click www.mass.gov/treasury/cash-management to view distribution breakdown.

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