



FY18 Budget Update and Related Items

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NOTICE: Final 2017 State-Owned Land Valuation

On the basis of new information furnished to the Commissioner, the valuations posted on July 20, 2017 have been updated and are final. Should a community continue to be aggrieved, it will have until August 10, 2017 to file an appeal with the Appellate Tax Board. The 2017 [MGL Ch. 58, §§ 13-17B](#) finalized values will first be used on the 2019 Cherry Sheets and the [Ch. 59, § 5G](#) values will be used for Water Supply Protection and Annexed Land payments for FY2018 to be calculated and made by the Department of Conservation and Recreation (DCR) in the spring of 2018.

A listing of the final valuations of SOL eligible for reimbursement as of January 1, 2017 for each relevant community is found in [this link](#) in three Excel files. One file is for Cherry Sheet reimbursable land, the second is for DCR's Division of Water Supply Protection reimbursable land and the third is DCR's Division of Water Supply Protection Annexed Land.

On Monday, Governor Baker signed the Fiscal Year 2018 (FY18) budget into law, a \$39.4 billion plan that supports the Baker-Polito administration's work to build stronger and safer communities, advance educational opportunities, promote economic development and workforce skills training, and invest in mental health and substance misuse services. The FY18 budget will raise Chapter 70 education aid to local schools to an all-time high of \$4.747 billion, an increase of \$119 million over FY17 and a \$346 million increase since the administration took office. The FY18 plan also marks the third consecutive year of unrestricted local aid increases and provides a \$40 million increase in FY18 to \$1.062 billion. [Click here for a link to FY18 Budget Documents and Supplemental Budget Filing.](#) [Click here for a link to FY18 Budget.](#)

DLS has posted the final cherry sheet estimates based on the FY2018 budget. Click on the following links to display the [municipal cherry sheet estimates](#) and [regional school cherry sheet estimates](#). Also available on our website is a report showing trends in cherry sheet aid FY2010 to FY2018 by community or school district, click this link for [municipal trends](#) or this link for [regional school trends](#). These estimates are consistent with those released based on the Conference Committee report with the exception of school choice tuition assessments and receipts. They have been updated to reflect final tuition rates and updated enrollments.

Please remember that beginning with the first monthly local aid distribution later this month DLS will begin assessing districts sending children to a charter school on a monthly basis. The charter tuition reimbursement payment schedule will also be changed to coincide with the new assessment schedule. We've also released an Informational Guideline Release (IGR) highlighting the payment schedule for all cherry sheet receipts and assessments, click [here](#) to view the IGR. Please contact our Municipal Databank at databank@dor.state.ma.us or (617) 626-2384 with any questions.

In related news, I'm pleased to report that the budget fully supports the Community Compact Cabinet programs intended to promote best practices within the Commonwealth's cities and towns and support efficiency and regionalization efforts. Lieutenant Governor Karyn Polito will be following up in a future *City & Town* with a full update on the program that has engaged communities and fostered innovation in nearly 300 municipalities across the Commonwealth, so stay tuned.

They are listed separately because they are reimbursed differently. The spreadsheets have both a detailed listing of the land as well as its valuation. In order to review your community's data, click on the community name on the drop-down menu. Specific site and parcel information will display, as well as subtotals and a grand total for each community, and can be easily printed.

The Department is using land schedules from the individual communities, updated by the Department to reflect values as of January 1, 2017 to value the land. To view additional information, please [click here](#).

MUNICIPAL Databank



Other DLS Links:

[Local Officials Directory](#)

[Information Guideline](#)

[Releases \(IGRs\)](#)

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial](#)

[Calculators](#)

As some of you may already be aware, the Baker-Polito administration has recently announced that Governor Baker's Chief of Staff Steve Kadish will be leaving the administration and will be succeeded by Administration and Finance Secretary Kristen Lepore. Department of Revenue Commissioner Michael J. Heffernan has been appointed as the new A&F Secretary, and current DOR Chief of Staff Christopher Harding will become the new DOR Commissioner. These changes will be effective August 14th. Congratulations to all! I know we look forward to continue working with everyone in their new roles.

Finally, I'd like to ask each of you to dedicate a few minutes to taking our [brief online survey](#). Your responses are the best guidance we have for City & Town and help us improve both the delivery and content of the publication. To take the survey, please [click here](#).

City & Town Reader Survey

City & Town Editorial Board

City & Town is once again asking you, the readers, for your feedback through [a brief online survey](#). Your responses will help us improve both the delivery and content of the publication.

Previous survey results have prompted the addition of a table of contents, a new layout, the increased use of graphics, and the introduction of recurring features highlighting data and frequently asked questions.

We ask you to take a moment to answer the survey's eight questions. Your responses will be received anonymously and the results will be reported back in an upcoming edition. Your opinions matter and we thank you for helping to shape and improve City & Town. To take the survey, please [click here](#).

Updating Uncollected Property Taxes and Excises in Cities and Towns

Susan Whouley - Bureau of Accounts Field Representative and David Guzman - Bureau of Accounts Field Representative

This review updates our last report on the status of uncollected real estate, personal property and motor vehicle excise taxes as reported by cities and towns to the Bureau of Accounts (*City & Town* [May 5, 2016](#) for *Uncollected Real and Personal Property Taxes plus Tax Title and Foreclosures*, and [June 2, 2016](#) for *Motor Vehicle Excise and combined totals from both articles*).

This report will update the numbers and data analyses all in one article rather than in two. The collection procedures provided in last year's articles have not changed and can be reviewed by clicking on either link above. The tables used in this article use unaudited data as of June 30, 2016 data as received by the Bureau of Accounts (BOA) from 56 cities and

289 towns (6 towns did not report).

For all Massachusetts communities, the FY2016 real estate and personal property tax levy totaled about \$15.2 billion and the motor vehicle excise (MVE) commitment totaled over \$850 million. For many communities, the tax levy represents the largest revenue source of the general fund and MVE represents the third largest revenue source.

Collecting all taxes due within a fiscal year is highly unlikely, despite any municipal collector's best efforts. The collection of outstanding amounts, which have a process collectors and treasurers must follow, is critically important for improving a community's free cash position as well as its cash flow.

The Schedule of Outstanding Receivables

As part of the free cash certification process, BOA receives a Schedule of Outstanding Receivables (this Schedule is found in Gateway under Misc. forms) which matches receivables on the collector's and treasurer's books and should match the receivables reported in the accountant's general ledger to demonstrate that proper internal controls are in place. Any property tax variance results in a reduction to free cash. But free cash is not a replacement for the variance, and a variance reconciliation must still be attempted.

Statewide Uncollected Property Taxes and Motor Vehicle Excise

Table 1 details total outstanding real estate, personal property and MVE taxes for all fiscal years as of June 30, 2016 as accounted for on the collector's and treasurer's books.

Outstanding Real Estate, Personal Property and MVE Taxes			
(in \$ millions)			
	Cities	Towns	Cities and Towns
<i>Real Estate</i>			
due for FY2016	\$85.3	\$99.2	\$184.5
due for prior fiscal years	(\$8.7)	\$18.4	\$9.7
Subtotal Real Estate	\$76.6	\$117.6	\$194.2
<i>Personal Property</i>			
due for FY2016	\$9.3	\$4.8	\$14.1
due for prior fiscal years	\$49.8	\$20.1	\$69.9
Subtotal Personal Property	\$59.1	\$24.9	\$84.0
Total Real and Personal	\$135.7	\$142.5	\$278.2
<i>Motor Vehicle Excise</i>			
due for FY2016	\$37.2	\$36.3	\$73.5
due for prior fiscal years	\$76.3	\$31.2	\$107.5
Total Motor Vehicle Excise	\$113.5	\$67.5	\$181.0
Total Real Estate, Personal Property and MVE Taxes	\$249.2	\$210.0	\$459.2

Outstanding Real and Personal Property Taxes by Population

Table 2 shows outstanding real estate and personal property taxes for FY2016 factored for community population. The data reveals that:

- The median percentage for outstanding real estate taxes was lowest in communities with populations greater than 10,000.
- As populations decrease, median percentages for outstanding real estate taxes increase, to over one-and-one-half times more than for communities with populations greater than 10,000.
- The median percentage of outstanding personal property taxes is higher in communities with populations under 10,000 than those over 10,000, but it does not continue to increase as the towns get smaller.

FY2016 Outstanding Property Taxes by Population					
Median Percentages - Massachusetts			Median Population 10,723		
	pop > 10,000	pop < 10,000	pop < 5,000	pop < 3,000	pop < 1,000
Real Estate	1.2%	2.0%	2.7%	3.0%	3.4%
Personal Property	1.1%	0.8%	0.8%	0.8%	0.8%
All Real and Personal	1.3%	2.0%	2.5%	3.0%	3.3%
# reporting	56 cities 123 towns	166 towns	98 towns	71 towns	25 towns

The higher percentages in lower populated communities may be reflective of insufficient time, budget or staff to pursue outstanding taxes, prolonging of the collection process after June 30, a combination of all of the above, or possibly other reasons particular to those communities.

Commitments and Collection Rates

Table 3 details MVE taxes outstanding as of June 30, 2016 attributable to only FY2015 and FY2016 billings as of June 30, 2015 and June 30, 2016. For this analysis, RMV commitments issued in May are assumed billed and collectible in the next fiscal year.

Commitments and Collection Rates (in \$ millions)				
	FY2015	FY2016	\$ Increase	% Increase
MVE Commitments	837.3	915.1	77.8	9.3
MVE Outstanding	73.5	73.4	-0.1	-0.1
Commitments Collected	91.2	92.0		
Commitments Uncollected	8.8	8.0		

Sources: RMV and DLS Gateway. MVE Commitments for FY2015 have been revised from last year's report and include 341 communities reporting as outstanding.

Tax Titles

The collection of outstanding real estate taxes involves a "tax title" or "tax taking" process. Tax titles are reported on the Schedule of Outstanding Receivables in total for all fiscal years. Table 4 details tax titles by all cities, by all towns and then by all cities and towns in the aggregate.

Outstanding Tax Titles (in \$ millions)			
	Cities	Towns	Cities and Towns
<i>Tax Titles</i>	\$177.6	\$168.2	\$345.8

MVE Taxes Budgeted vs. Received

MVE taxes are estimated receipts of a city or town's general fund. They are budgeted for by fiscal year, usually based on the amount received in the prior fiscal year. Additional amounts may be budgeted with the approval of BOA, usually at the time of annual tax rate certification

Problematic for all cities and towns is the difficulty in determining a good MVE estimate at budget time. The greatest billing amount is unknown until at least seven months into the fiscal year when the largest commitment is received from the Registry of Motor Vehicles.

Table 5 reports the level of outstanding FY2016 MVE taxes in relation to FY2016 MVE taxes budgeted and received in FY2016.

FY2016 Outstanding Motor Vehicle Excise Taxes FY2016 Estimates and Actuals (in \$ millions)						
	FY2016 Amount Outstanding	% Outstanding	FY2016 Estimates	FY2016 Actuals	Amount Outstanding as % of Estimates	Amount Outstanding as % of Actuals
Cities	\$37.2	51%	\$310.0	\$367.9	12.0%	10.1%
Towns	\$36.3	49%	\$409.1	\$480.5	8.9%	7.6%
All Cities and Towns	\$73.5		\$719.1	\$848.4	10.2%	8.7%

Final Tally

Table 6 provides a final tally of outstanding property and MVE taxes for all fiscal years as of June 30, 2016.

Outstanding Property and Motor Vehicle Excise Taxes for All Fiscal Years (in \$ millions)			
	Cities	Towns	Cities and Towns
<i>Real Estate</i>	\$76.6	\$117.6	\$194.2
<i>Personal Property</i>	\$59.1	\$24.9	\$84.0
<i>Tax Titles</i>	\$177.6	\$168.2	\$345.8
<i>Motor Vehicle Excise</i>	\$113.5	\$67.5	\$181.0
<i>Total Outstanding Property and MVE Taxes</i>	\$426.8	\$378.2	\$805.0

Conclusion

The data shows that \$805 million of property and MVE taxes remained outstanding as of June 30, 2016, which theoretically, if paid all at once, could help solve many local matters. Expect, however, that amounts will be collected and abated over time, and that new amounts will be added and reported to BOA, after which we will update our readers.

Last year's article presented the following conclusions, which are as relevant today as they were then.

1. The collection of real estate, personal property and tax titles has a process that collectors and treasurers must follow to meet the fiduciary responsibilities of their positions, improve free cash levels and maintain adequate cash flow.
2. To ensure the availability of funds for appropriation and proper cash flow, collectors and treasurers in less populated communities may have increased challenges in collecting outstanding taxes.
3. The collection process for outstanding personal property taxes requires different methods than for outstanding real estate taxes because there is no similar lien.
4. Outstanding property taxes, whether placed into tax title or not, remain uncollected and weaken a community's financial position.

To learn more about the tax collection process, see:

[April 7, 2016 edition of City & Town](#)

[Massachusetts Collector's Manual](#)

[Massachusetts Treasurer's Manual](#)

New IGRs and Bulletins

Bureau of Municipal Finance Law

The Division of Local Services has posted on its website the following IGRs and bulletins that update guidance and forms to reflect Municipal Modernization Act and other legislative changes that are now in effect:

[IGR 17-18](#) Clause 22D Property Tax Exemption for Surviving Spouses of Active Duty Personnel and Veterans

[IGR 17-19](#) Clause 22F Property Tax Exemption for Paraplegic and Blind Veterans (Supersedes IGR 15-208)

[IGR 17-20](#) Stabilization Funds (Supersedes IGR 04-201)

[Bulletin 2017-06B](#) Revised Exemption Applications and Taxpayer Fact Sheet

Free IT Health Checks Available to Communities

MassIT Office of Municipal & School Technology

If you are struggling to get a handle on the state of technology in your community, a free IT Health Check could be a useful starting point. A health check is a high-level assessment that includes discovery of assets and identifications of issues and gaps that could impact the IT systems that support your essential functions.

The outcome of the health check is a scorecard that will give you a high-level evaluation of your servers, network, backup, e-mail and antivirus systems. Each area will include basic findings and severity levels. While you may want to perform a deeper assessment in the future, this high-level assessment can be useful in helping you to identify critical gaps, prioritize IT investments and build a roadmap.

Health Checks are performed by AKUITY Technologies at no cost to your community or the Commonwealth. The relationship between MassIT's Office of Municipal and School Technology and AKUITY Technologies is the result of acceptance of a best value offer, as indicated in the [due diligence posting available on CommBuys](#). To learn more or request a health check, please [click here](#).

Data Highlight of the Month: State-Owned Land Valuation

Anthonia Bakare - DLS Municipal Databank

State-owned land (SOL) is exempt land owned by the Commonwealth, generally as a result of a taking. If the land was taxable prior to becoming owned by the state, it may be reimbursable, which means the state will pay the community where the land is located to help defray the loss of the property from the tax revenues. The SOL reimbursement amount appears on the annual cherry sheets as a receipt program. The Bureau of Local Assessment has historically valued SOL every four years based on the community's current land schedule. However, as a result of the Municipal Modernization Act, SOL will now be valued based on a formula, and adjusted every two years through equalized valuation. The state reimbursement is calculated by the Municipal Databank based on adjusted values, three year average state tax rate and the available funding level of the annual state budget. For more information read the 2016 "What's New in Municipal Law" document [here](#).

The SOL valuation formula MGL Chapter 58 §13-17 has been amended to be more streamlined. The new formula based valuation process will take effect January 1, 2018. For your community's SOL amount or for a complete listing of historical data, see Cherry Sheet reports, in the right-hand section on the Databank's [website](#).

We hope you become better acquainted with the data the Division of Local Services has to offer through the *Data Highlight of the Month*. For more information, contact us directly at databank@dor.state.ma.us or (617) 626-2384.

July Municipal Calendar

- | | | |
|----|------------|--|
| 1 | Assessors | Real Estate Tax Exemption Eligibility Date
Assessors determine eligibility as of this date for real estate tax exemptions under M.G.L. c. 59, § 5 based on taxpayer applications received. [Refer to April 1 in this calendar.] |
| 1 | Collector | Mail Annual Preliminary Tax Bills
This date applies for all quarterly communities and for semiannual communities that issue annual preliminary bills under M.G.L. c. 59, § 57C . The 1 st and 2 nd quarter bills may be included a single mailing. |
| 15 | Accountant | Submit Balance Sheet for Free Cash Certification
The Accountant closes all accounts within two weeks of the fiscal year-end and submits the resulting balance sheet and supplemental documentation to BOA for certification of free cash. |

15	Accountant	Report CPA Fund Balance (recommended date) After closing the fiscal year and before the October 31 deadline, the Accountant submits the CPA fund balance report (Form CP-2 in Gateway) to BOA and gives notice to the Community Preservation Committee. CPA fund balances may be appropriated any time after the report.
15	Pipeline Company	Deadline for Appealing Commissioner's Pipeline Company Valuations to the ATB
15	Telephone and Telegraph Company	Deadline for Appealing Commissioner's Telephone and Telegraph Company Valuations to the ATB
20	BLA	Notification of Changes in Proposed EQVs (even-numbered years only)
31	State Treasurer	Notification of Monthly Local Aid Distributions - see IGR 17-17 for more cherry sheet payment information

Editor: Dan Bertrand

Editorial Board: Sean Cronin, Anthonia Bakare, Robert Bliss, Linda Bradley, Nate Cramer, Patricia Hunt and Tony Rassias

Contact *City & Town* with questions, comments and feedback by emailing us at cityandtown@dor.state.ma.us.

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