



February 18th, 2021

An Update from A&F Secretary Heffernan

Michael J. Heffernan - Secretary of the Executive Office for Administration and Finance



Over the past few weeks, the Baker-Polito Administration has filed and signed several critical pieces of legislation which will help support our municipal partners and ensure the delivery of essential government services which matter to the people of Massachusetts.

In this edition:

- **An Update from A&F Secretary Heffernan**
- **A&F Publishes New Covid-19 Federal Funds Website**
- **Financing Town Government: Part 2**
- **Latest DLS Online Training Offers An Intro to Enterprise Funds**

First, on January 14, 2021, Governor Baker signed “An Act enabling Partnerships for Growth,” an economic development package that will help promote growth and opportunity in local communities as the Commonwealth recovers from the impact of COVID-19.

This economic development legislation contains key policy changes that will help businesses, workers, and residents. Most notably, it includes Housing Choice, a top priority for the Administration for the past several years. The Housing Choice provisions signed into law represent the first significant zoning reform in decades and will make it easier to build housing in communities that want it. Also included in this bill is language that will help encourage multifamily zoning in MBTA communities.

Important Dates & Information

The economic development legislation also includes capital authorizations to help drive growth and promote housing

DLS Seeks Bureau of Local Assessment Chief

The Division of Local Services is now accepting applications for its Chief of the Bureau of Local Assessment (BLA). Under the direction, oversight and leadership of the Bureau Chief, BLA certifies that the approximately \$1.4 trillion in real and personal property statewide is valued at full and fair cash value so that the nearly \$19 billion in property taxes is fairly assessed to municipal taxpayers.

Qualified candidates interested in this unique opportunity to serve at the forefront of modern assessment administration policy, procedures, and practices should [click here](#).

New IGR Regarding 2021 Land of Low Value Limit

The Division of Local Services' Bureau of Municipal Finance Law has issued [Informational Guideline Release \(IGR\) 2021-2](#) containing the Calendar Year 2021 Adjustment In Land of Low Value Foreclosure Valuation Limit.

To review other recent DLS Bulletins and Informational Guideline Releases, please see [this page](#) on the DLS

stability. Communities around the state will benefit from a \$40 million authorization for the revitalization of underutilized properties and \$10 million for regional and community assistance, tools that are more important than ever for the COVID-19 recovery. Recognizing the challenges that rural and small towns face, the new rural and small town development fund will provide up to \$20 million to support municipalities on local goals.

Secondly, on January 15, 2021, Governor Baker signed "An Act Authorizing and Accelerating Transportation Investment," which provides capital authorization to invest in building and modernizing a transportation system that meets the needs of residents, businesses, and municipalities across the Commonwealth.

This includes authorization for several local transportation programs which have become very popular with municipalities over the past six years include the Small Bridge program, Complete Streets program, and the more recent "public realm" improvements in the COVID-related Shared Streets and Spaces program. This legislation also includes additional authorization for a suite of new municipally focused programs, from the new Municipal Pavement program, to assistance to communities seeking to improve transit infrastructure and connectivity.

Lastly, the Administration filed its Fiscal Year 2022 (FY22) budget proposal, known as House 1, on January 27, 2021. This \$45.6 billion proposal continues the Administration's response to the COVID-19 pandemic and addresses key priorities including promoting economic growth and supporting cities and towns across the Commonwealth.

Notably, House 1 fully funds the first year of the landmark Student Opportunity Act with \$246 million in new funding related to this legislation. This includes nearly \$198 million in

website.

FY2021 Sewer Rate Relief Bulletin

The Division of Local Services' Bureau of Accounts has issued [Bulletin 2021-1](#) containing application instructions for Sewer Rate Relief in 2021. For FY2021, \$1.5 million has been appropriated. Applications must be returned by Friday, February 19, 2021 as noted in the Bulletin.

To review other recent DLS Bulletins and Informational Guideline Releases, please see [this page](#) on the DLS website.

DLS at MMA Annual Meeting

DLS recently joined ANF Secretary Heffernan and DOR Commissioner Snyder for an "Economic and Fiscal Outlook" workshop at the 2021 Massachusetts Municipal Association's Annual Meeting. To view presentations from the Commissioner, DLS Senior Deputy Commissioner Sean Cronin and Chief of the Bureau of Local Assessment Joanne Graziano, please [click here](#).

IGR Regarding Betterments and Special Assessments

new Chapter 70 funding, with a focus on supporting school districts which serve low-income students. Additionally, this proposal will allow local cities and towns to count \$114 million in federal support towards their Chapter 70 required local contribution, a commonsense measure to provide flexibility and fiscal support.

House 1 includes a \$39.5 million in increase in Unrestricted General Governmental Aid – or UGGA – consistent with the projected 3.5% increase in tax revenue, for a \$1.168 billion total investment. The recommendation also provides \$4 million in funding for Community Compact related programs including best practices and regionalization and efficiency grants, \$4.8 million for the Public Safety Staffing Grant Program managed by the Executive Office of Public Safety and Security, as well as \$3 million for district local technical assistance.

We look forward to continuing to collaborate with our Legislative colleagues on this proposal and other key pieces of legislation, and we appreciate your dedicated work on behalf of the people of Massachusetts.

A&F Publishes New Covid-19 Federal Funds Website Heath W. Fahle - Special Director for Federal Funds, Executive Office for Administration and Finance

The Executive Office for Administration and Finance's Federal Funds Office recently published a comprehensive website which provides detailed information on federal funds distributed to Massachusetts in response to the COVID-19 public health emergency.

This website includes data on federal funds provided to the Commonwealth including Coronavirus Relief Fund dollars, information on federal funds distributed to municipalities, as

The Division of Local Services' Bureau of Municipal Finance Law has issued [Informational Guideline Release \(IGR\) 2021-1](#) containing guidance regarding Betterments and Special Assessments.

To review other recent DLS Bulletins and Informational Guideline Releases, please see [this page](#) on the DLS website.

FY2022 Preliminary Cherry Sheet Estimates

The Division of Local Services has posted on its website preliminary cherry sheet estimates based on Governor Baker's FY2022 budget recommendation (House 1).

[Municipal estimates receipts and charges](#)

[Regional school estimated receipts and charges](#)

House 1 recommends funding FY2022 Chapter 70 at \$5.481 billion, or \$197.7 million higher than the FY2021 GAA; increases Unrestricted General Government Aid (UGGA) by \$39.5 million to \$1.168 billion and increases Charter Tuition Assessment Reimbursements to \$143.5.0 million, a \$26.1 million increase over the FY202 GAA; and level funding most

well as compliance resources for municipalities and state agencies.

The Baker-Polito Administration continues to work to maximize the usage of federal funds, manage compliance risks, and inform and involve state and local stakeholders. These efforts are helping cover the costs of the historic response to COVID-19, stabilize state and local budgets, and ensure responsible stewardship of fiscal resources.

The COVID-19 federal funds website can be found online here: <https://www.mass.gov/info-details/about-covid-19-federal-funds> and we encourage you to view the page and learn more about federal COVID-19 funds.

Financing Massachusetts Town Government: Part 2 Martin DiMunah - Bureau of Accounts Field Representative Katie Scopelleti - Bureau of Accounts Field Representative Tony Rassias - Deputy Director of Accounts

The following is the second of a three-part series covering the financing of annual town budgets in Massachusetts. The [first part](#) was published in our September 3, 2020 edition of *City & Town*. If you're a new town official, especially a new town finance official, we hope you will find this series helpful.

Towns finance their annual budget using different financing sources than other forms of government. It's important to understand what these sources are, where they come from, and what limitations may be placed on them. The following article continues our look at Massachusetts town government finance.

Local Receipts

other cherry sheet accounts at the FY2021 amounts.

More detailed information regarding Chapter 70 and other school finance related initiatives contained in House 1 and the accompanying legislation can be found on the Department of Elementary and Secondary Education (DESE) [website](#). Information includes the Chapter 70 aid calculations, minimum contributions and net school spending requirements.

Cherry sheet estimates for charter school tuition and reimbursements are based on estimated tuition rates and projected enrollments under charters previously issued by the Board of Elementary and Secondary Education. Please be advised that charter school assessments and reimbursements will change as updated tuition rates and enrollments become available. Estimates for the school choice assessments may also change significantly when updated to reflect final tuition rates and enrollments.

It is important for local officials to remember that these estimates are preliminary and are subject to change as the legislative process unfolds.

Please contact the DLS Data Analytics and Resources Bureau at databank@dor.state.ma.us with any questions.

Local receipts include both General Fund and enterprise fund receipts. In FY2020, local receipts budgeted for all towns was \$2.3 billion (16%) of all town budgeted revenues: General Fund totaled \$1.2 billion (9%), and enterprise fund \$1.1 billion (7%) of all town budgeted revenues.

General Fund Receipts

Per [G.L. c. 44, § 53](#), all town monies received belong to its General Fund unless allocated to another fund by law. These budgeted estimates, separate from property tax receipts, are detailed on the town's annual Tax Rate Recap form. The top five FY2020 budgeted General Fund receipts in dollars and percentages for all towns were:

- (1) Motor Vehicle Excise = \$472M (38%)
- (2) Charges for Services = \$277M (22%)
- (3) Penalties and Interest on Taxes and Excises = \$138M (11%)
- (4) All Other Excises including Meals & Room Occupancy = \$122M (10%)
- (5) Licenses and Permits = \$113M (9%)

Enterprise Fund Receipts

The enterprise fund statute, [G.L. c.44, § 53F½](#), was initially enacted in 1986. Before then, special revenue funds were authorized by various general laws or special acts to separately account for business type services. These special revenue funds were:

Final 2020 Equalized Valuations (EQVs)

The Bureau of Local Assessment issued the final 2020 Equalized Valuations (EQVs), representing the full and fair cash value of all taxable property for each municipality as of January 1, 2020 to the DLS Gateway [website](#).

Access can be made directly from the Gateway landing page, by clicking on [LA19 Equalized Valuation Report](#).

Proposed FY22 State Owned Land Valuation

The Division of Local Services has posted on its website proposed FY2022 state owned land values based on the fair cash value of certain state owned lands (SOL) pursuant to [MGL Ch. 58, §§ 13-17](#). These lands are reimbursed for loss of local tax revenue on the Cherry Sheet's State-Owned Land line.

Click [here](#) to display the proposed municipal state-owned land values and their share of the total state-owned land. For additional information, please view the [Frequently Asked Questions](#) about

- limited with regard to the services and costs covered,
- authorized mostly for water, gas and electric utility departments; and
- used primarily to account for annual operating costs, not the indirect costs, capital improvements or fixed assets of the service.

Enterprise funds generate most of their receipts from user charges to pay for the activity's cost and may only be established for utility, cable television public access, health care, recreational or transportation purposes.

A complete list of budgeted and prior year actual General Fund and enterprise fund receipts received can be found in [Category Four](#) of the DLS Massachusetts Municipal Finance Trend Dashboard.

Reserves

In FY2020, budgeted reserves for all towns totaled \$874 million (6.1%) of all town budgeted revenues. There are five major reserve funds available to towns: free cash, stabilization, overlay surplus, the finance committee's reserve fund and the enterprise fund's retained earnings.

- [Free Cash](#) – the General Fund's surplus from operations (read how [Chapter 53 of 2020, Section 6](#) temporarily affects its appropriation authority beyond June 30, 2020).
- [Stabilization Fund](#) – there are two types: general and special purpose (read how [Chapter 92 of 2020, Sections 10a and 10b](#) temporarily affects their funding and appropriation authority during FY2021).

this program.

Massachusetts Dredging Program Grants

In February, the Executive Office of Housing and Economic Development will open the 2021 grant round of the [Massachusetts Dredging Program](#), the Commonwealth’s first standalone grant program with focused funding to support saltwater dredging. One-year construction grants will be competitively awarded with a focus on shovel-ready projects that contribute to the economic significance, recreational value, public safety, and/or coastal resilience of Massachusetts’ coastal harbors. All 78 Massachusetts coastal municipalities are eligible to apply. Applications are anticipated to be due in mid-March. Watch for details at [How to Apply](#).

Housing Choice Initiative: Preliminary Guidance for MBTA Communities

Preliminary Guidance for MBTA Communities is posted [here](#) in response to changes in the Zoning Enabling statute (chapter 40A) enacted as part of the Economic Development Bond Bill and briefly described below.

Analysts often regard the free cash and general stabilization fund balances as core reserves.

- [Overlay Surplus](#) – surplus of amount initially provided for abatements and exemptions.
- [Finance Committee’s Reserve Fund](#) – appropriated to the finance committee by the legislative body, then transferred by the committee if necessary to a budget line item for an extraordinary and unforeseen purpose. The fund cannot exceed 5% of the prior fiscal year’s tax levy.
- [Retained Earnings](#) – the enterprise fund’s surplus from operations.

The following table shows some unique features of each reserve fund.

	Must be Certified by Bureau of Accounts?	Must be Appropriated by Legislative Body to be Spent?	Purpose for Which it Can be Spent	Returns to \$0 on June 30th?
Free Cash	Yes	Yes	Any Lawful	Yes
General Stabilization	No	Yes	Any Lawful	No
Special Purpose Stabilization	No	Yes	Specific, unless lawfully changed	No
Finance Committee Reserve Fund	No	No*	Extraordinary and Unforeseen	Yes
Overlay Surplus	No	Yes	Any Lawful	Yes
Enterprise Fund Retained Earnings	Yes	Yes	Enterprise Related	Yes

(* initially appropriated by the legislative body for allocation by the finance committee)

Reserves, sometimes called “rainy day funds,” prove invaluable to finance emergency spending and/or to replace lost revenues during bad economic times. They do not, however, regenerate automatically, so planning for them is important.

For more information, please read our *City & Town* publications from [December 15th, 2016](#) and [December 21st, 2017](#) on planning for free cash. Also, consider establishing a town reserve policy. To learn how, [click here](#).

The new section 3A of the Zoning Act states that an MBTA community shall have at least one zoning district of reasonable size in which multi-family housing is permitted as of right and meets other criteria set forth in the statute:

- Minimum gross density of 15 units per acre
- Not more than ½ miles from a commuter rail station, subway station, ferry terminal or bus station, if applicable
- No age restrictions
- Suitable for families with children.

The statute requires DHCD to issue guidelines that define compliance with this new section of the Zoning Act. Compliance criteria will be developed in consultation with affected MBTA communities and other stakeholders.

For purposes of EOHED and DHCD grant programs, MBTA communities will be deemed to be in compliance with this new section until more detailed compliance criteria have been established.

Review of Parts 1 and 2

- Massachusetts town budgets are financed differently than federal, state, or county government budgets.
- The six components of town government finance are the tax levy, state aid, local receipts, reserves, debt and other sources.
- The property tax and Cherry Sheet aid provide towns with most of their General Fund revenue.
- Other state aid includes grants to eligible towns and targeted aid to specific towns for specific purposes.
- Locally generated receipts include General Fund receipts and enterprise fund charges.
- A town's major reserves are free cash, stabilization funds, overlay surplus, the finance committee's reserve fund and the enterprise fund's retained earnings.
- Each reserve fund has its own unique features.
- Consider establishing a town reserve policy.

We hope you found this information helpful. Our third article in this series will further review components of Massachusetts town government finance.

All communities are eligible to apply for MassWorks or the Housing Choice Capital Grants Program in the upcoming 2021 grant cycle.

CvRF-MP Reconciliation Period Extension

DLS has posted on its [Covid-19 Resources and Guidance page](#), "Guidance for Massachusetts municipalities on the Reconciliation Round of the Coronavirus Relief Fund Municipal Program (CvRF-MP)." The federal Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") includes funds for Massachusetts governments to use to pay costs incurred in responding to the COVID-19 outbreak. This memo describes the Reconciliation Round (updated 1/19/21). [Please click here](#) to view the memo.

Cybersecurity and IT Health Check Programs

The Office of Municipal and School Technology has announced the following programs available to Massachusetts municipalities and schools. If you have any questions, please contact Catherine.Marques@mass.gov

Latest DLS Online Training Offers An Intro to Enterprise Funds

Frank Gervasio - DLS Director of Special Initiatives

This week, we've added a [new video presentation](#) to the [Municipal Finance Training & Resource Center](#) providing introduction to enterprise funds. [Enterprise funds](#) allow communities to maintain a separate accounting and financial reporting mechanism for a broad range of municipal services, such as public water or sewer utilities. The presentation provides a brief overview of why a municipality could consider creating an enterprise fund and how they would do so. Definitions of key terms, like "indirect costs", and best practices for enterprise fund management are also provided. In addition to this resource, our team is currently updating our Enterprise Fund Manual, which will be available online in the coming weeks.

We also continue to make portions of our assessing focus learning modules available on YouTube. You can now access videos regarding [state oversight of local taxation](#) and how assessors serve as [public officials](#) and as [part of a municipality's financial management team](#). We hope they will serve as a helpful resource for local officials and taxpayers alike! Note that new assessors are still required to complete Course 101 in Gateway, and these modules will still be available in their current form on our website. For other assessing related resources, please visit the [proper taxes and Proposition 2 ½ section](#) of our training page.

Be sure to bookmark the [Municipal Finance Training and Resource Center](#) page and subscribe to our [YouTube channel](#) to stay updated on new items added. Something you'd like to see added? We'd love to hear from you! Please email the DLS Data Analytics & Resources Bureau at DARB@dor.state.ma.us.

[Cybersecurity Health Check](#)

The Cybersecurity Health Check Program provides opportunities for local government to access basic cyber security services at no cost.

These services can be a good first step in discovering, assessing and identifying cybersecurity gaps that could impact IT systems that support essential business functions. This is a rolling application.

[IT Health Check](#)

An IT Health Check is a high-level assessment of current IT assets. A Health Check can be a good first step in discovering, assessing and identifying gaps that could impact IT systems that support essential business functions.

The discovery will results in a completed score card that will identify the current state of critical IT systems, and platform and vendor agnostic suggestions. This is a rolling application.

DLS Links:

[COVID-19 Resources and Guidance for Municipal Officials](#)

[Events & Training Calendar](#)

[Municipal Finance Training and
Resource Center](#)

[Local Officials Directory](#)

[Municipal Databank](#)

[Informational Guideline Releases
\(IGRs\)](#)

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial Calculators](#)

