

City & Town

Christopher C. Harding, Commissioner • Sean R. Cronin, Senior Deputy Commissioner of Local Services



An Update from the Lieutenant Governor Lieutenant Governor Karyn Polito

January 9th, 2020

In this issue:

- **An Update from the Lieutenant Governor**
- **Counting More Free Cash**
- **Ask
DLS: Community Preservation Act**



As the Commonwealth welcomes a new year, our Administration, in partnership with the Legislature, has been working hard to strengthen initiatives and programs that support Massachusetts residents and our local cities and towns.

We recently signed a supplemental budget for Fiscal Year 2019 which included several investments that provide resources to municipalities and help promote growth and development throughout Massachusetts.

Infrastructure Improvements

The supplemental budget included \$20 million for the Chapter 90 program which enables municipal investments in roads and bridges across the Commonwealth. Our Administration recognizes the need to ensure reliable travel and allow people to reach jobs and opportunities. Since taking office, we've awarded \$1.1 billion in chapter 90 funding to all 351 cities and towns, and that doesn't include the supplemental funding we've included in 3 of the past 5 years. The Transportation Bond Bill we recently filed also includes another installment of \$200 million per year in Chapter 90 funds.

Community Compact Program

\$1.2 million was included in the supplement budget for the Community Compact Program. This important initiative provides grants for cities and towns that have entered compacts with the Commonwealth to support public interests and develop mutual standards for governing effectively. This funding has been approved for implementing best practices, and eligible communities should use their passcode that was included in my August 15th letter in order to apply online at www.mass.gov/ccp for another Compact.

For example, we have awarded over \$9 million since 2015 in Community Compact Information Technology Grants to help over 250 communities modernize their technology infrastructure. We also recently launched the [Community Compact Connector](#) which provides municipalities with clear visibility into state grants and resources.

By the Numbers

City & Town provides updates on the progress of the tax rate and certification season while also allowing you to 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](#).

Prelim. Certifications
Approved: 71

Additionally, the FY20 supplemental budget we filed in early January proposes another \$3 million in Community Compact Program funding.

Final Certification: 71 (of 71 total)

LA4 Approved: 349 (349 submitted)

LA13/ New Growth Approved: 349 (349 submitted)

Tax Rates Approved: 344

Balance Sheets Approved: 268

Total Aggregate Free Cash Approved: \$1,262,409,097

Important Dates & Information

New IGRs: Property Tax Exemptions & CPA

The Division of Local Services has issued the following Informational Guideline Releases (IGRs):

[IGR 19-13: Property Tax Exemptions To Promote Economic Development, Affordable Housing, Workforce Housing, And Manufacturing Workforce Development](#)

[IGR 19-14: Community Preservation Fund](#)

To see all our recent IGRs, please click [here](#).

DLS at MMA

We hope you'll visit the DLS booth (#715) at the 41st MMA Annual Meeting & Trade Show on January 24 & 25, 2020 at the Hynes Convention Center!

Education

The supplemental budget provided a total of \$40 million for various initiatives to strengthen the foundations of education, empower schools and educators, and develop pathways to college and careers so all students in the Commonwealth can succeed.

This included \$7 million for school safety improvements, \$4 million for scholarship programs aimed at improving college affordability and student success, \$2 million for additional special education circuit-breaker funding for cities and towns, and \$5.2 million in increased funding for regional school transportation.

Additionally, the supplemental budget included a provision to allow the Clean Water Trust to spend \$5 million on deleading projects. This includes grants at early education facilities, childcare centers and public schools with a priority on elementary schools.

Stabilization Fund

The supplemental budget deposited funds into the Stabilization Fund, or the emergency "rainy day fund," and its balance has now increased to \$3.4 billion. This represents an extraordinary threefold increase over the past five years. This balance represents more than 10% of the amount collected in fiscal 2019 taxes and is a substantial buffer for essential government services in the event of a future recession or economic turndown.

Thank you for everything you do for our cities and towns. I look forward to seeing you all at the Massachusetts Municipal Association Annual Meeting on January 24th, and I hope you have a great winter!

Counting More Free Cash

Deb Wagner - Bureau of Accounts Springfield Office Supervisor

In our [February 7, 2019 City & Town](#) article entitled "Counting Free Cash (UPDATED)", we noted that despite a new overall record in the statewide free cash certification amount (\$1.711 billion as of 7/1/2017), the number of municipalities with decreases rose by 10 when compared to the previous year's certifications. We summarized that a trend of annually decreasing certifications for individual cities and towns is something to keep an eye on.

In our [October 3, 2019](#) article entitled "Free Cash – Final Update for July 1, 2018," despite yet another new record in total statewide certifications of \$1.754 billion as of 7/1/2018, 13 more communities saw an increase than a decrease from 7/1/2017. This reversal from the last period was good news. However, the \$43 million increase from 7/1/2017 represented only a 2.5% increase, second lowest increase in percentage to 2.3% in the 7/1/2012 to 7/1/2013 certification period.

Whether the most recent total has reached its apex remains to be seen.

July 1, 2017 Certifications

DLS will host its "Developments and Initiatives in Municipal Finance" workshop on Friday at 2pm. We look forward to seeing you!



Other DLS Links:

[Local Officials Directory](#)

[Municipal Databank](#)

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

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial Calculators](#)

This article will review how communities appropriated their free cash certification as of July 1, 2017, the most recent certification period for which the Bureau has complete information regarding certifications and appropriations.

This certification was effective from the date the Bureau certified the figure on or after July 1, 2017, until the close of business on June 30, 2018. During this period, free cash may have been appropriated for expenditure in FY2018 or FY2019.

Certifications

Free cash certifications totaled \$1,710,818,696 for 347 out of 351 cities and towns that submitted a balance sheet to the Bureau of Accounts. Two communities, originally certified in the negative, were subsequently changed to a positive after free cash was updated. The total reflects the certifications after their updates.

For the 347 communities certified, this total dollar amount represented in median terms 5.24% of their [FY2018 operating budgets](#). This median ranged from a high of 46.4% to a low of .3%.

Free Cash Updates

A community may request that the Bureau of Accounts (BOA) update its certification once during a fiscal year. The Director of Accounts may allow such a request unless it appears that an update could result in a negative free cash certification as of the following June 30.

Updating free cash involves receipts attributable principally to prior fiscal year property taxes, net of refunds, received from July 1 through March 31 of the next fiscal year and provides the city or town with additional appropriation authority if needed.

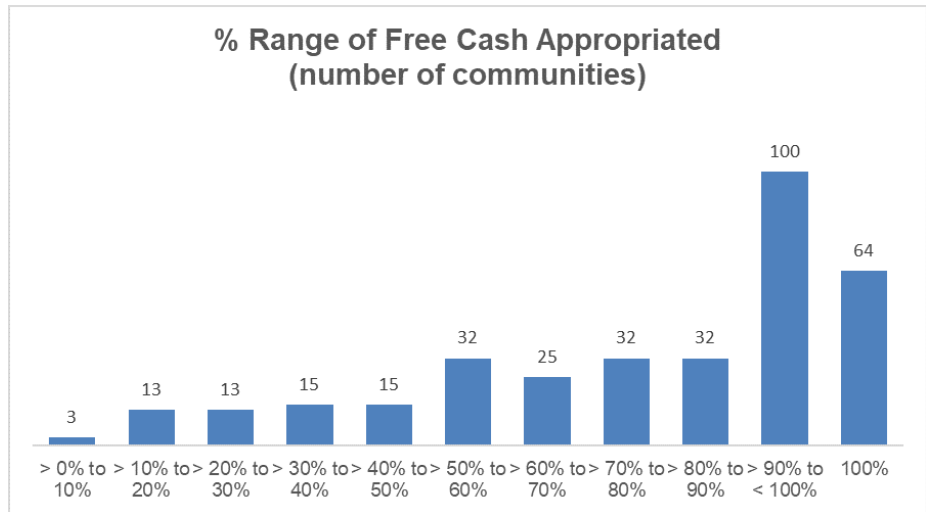
Appropriations

BOA does not receive information as to the purpose of each appropriation, however it can determine whether the appropriation was made for a particular purpose, to "reduce the tax rate", or in combination of these two.

Included in the 347 communities during the period were three that appropriated \$0 from their certification, 64 that appropriated their entire certification, and eight that left a balance of 15¢ to less than \$100.

The total amount appropriated was \$817,875,340 or 47.8% of the total statewide updated certification.

For the 344 communities that appropriated from their certification, the following table shows how many communities did so and by what percentage range for the 7/1/2017 certification period.



For these 344 communities, 276 voted for particular purposes only, 62 voted for particular purposes and to reduce the FY2018 and/or FY2019 tax rate, and six voted to reduce only the FY2018 or FY2019 tax rate.

Trend Spotting

In Massachusetts, the median population for all cities as towns as of 2018 was 10,874. In four counties located in the western part of Massachusetts (Berkshire, Franklin, Hampden and Hampshire), the median population in 2018 was 1,875 (1,868 without counting Springfield). Let's look at whether these communities appropriate their free cash certifications to the same extent and for the same general purposes as other communities in the Commonwealth.

The following table compares "Western Mass" free cash certifications as of July 1, 2017 and appropriations for FY2018 and FY2019 to all other communities in Massachusetts:

Total Free Cash Certifications/Appropriations - July 1, 2017			
	Western Mass	All Others	Total
Total \$ Certified	126,796,808	1,584,021,888	1,710,818,696
Total \$ Appropriated	88,248,755	729,626,585	817,875,340
% Appropriated	69.6	46.1	47.8
Median % Appropriated	77.3	91.8	87.3
# Appropriating	99	245	344
# Not Appropriating	0	3	3
Not Certified	2	2	4
Total	101	250	351

Two percentages shown above, "% Appropriated" and "Median % Appropriated", are the most striking. However, when removing both Boston and Cambridge certifications and appropriations from "All Others" due to their relative size, 46.1% appropriated becomes 63.6%, and the percentages for "Western Mass" communities and "All Others" become more in line. However, in median terms, after removing both Boston and Cambridge, the percentage for "All Others" remains at 92%. This shows that generally "Western Mass" communities appropriate less of their certification than "All Other" communities with or without Boston and Cambridge.

The following table compares how “Western Mass” communities appropriated their free cash compared to “All Others” communities in Massachusetts:

Free Cash Appropriations - July 1, 2017			
	Western Mass	All Others	Total
# Particular Purpose Only	74	202	276
% Particular Purpose Only	74.7	82.4	80.2
# Particular Purpose and Reduce Tax Rate	22	40	62
% Particular Purpose and Reduce Tax Rate	22.2	16.3	18.0
# Reduce Tax Rate Only	3	3	6
% Reduce Tax Rate Only	3.0	1.2	1.7

The percentages above show how “Western Mass” communities appropriated their July 1, 2017 certifications differently than All Others by appropriating for particular purposes only less so, appropriating for particular purposes and to reduce their FY2018 and/or FY2019 tax rates more so, and appropriating to reduce their FY2018 and/or FY2019 tax rates only more so.

Summary:

- Almost every community appropriated from its certification, some for particular purposes, others to reduce the tax rate, and still others a combination of both
- Two communities updated their annual certification
- Certifications averaged about 5.24% of FY2018 operating budgets
- Although three municipalities made no appropriation and 64 appropriated the entire amount, communities mostly appropriated between > 90% and <100% of their certification
- 276 communities appropriated for particular purposes only and 62 others combined this with an appropriation to reduce the tax rate
- About half of the total certification was appropriated and the balance returned for certification in the following year
- Measured by median, “Western Mass” communities appropriated less of their certification than the rest of the Commonwealth’s municipalities and their uses for it varied more

Please review our *City & Town* article on [Fiscal Stress – A Diminishing Level of Reserves](#), December 6, 2018 for a refresher on how to improve free cash position and for policies on generating and using free cash. For FAQs on free cash, see [Counting Free Cash](#), *City and Town*, December 21, 2017. Also, please checkout the DLS [Municipal Finance Trend Dashboard](#) for free cash statistics.

Ask DLS: Community Preservation Act

This month's *Ask DLS* features frequently asked questions about the Community Preservation Act. Additional questions about the Community Preservation Act will be featured in future editions 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 Community Preservation Act (CPA)?

The CPA, [G. L. c. 44B](#), allows a city or town to establish a special fund, the community preservation fund (CP Fund), that may be appropriated for certain open space, recreational, historic and community (affordable) housing purposes.

Under the CPA, a community establishes a property tax surcharge, the revenue from which is credited to the CP Fund. In addition to the local surcharge revenue, annual distributions from the "Massachusetts Community Preservation Trust Fund" are credited to the CP Fund. Monies distributed from the state trust fund are derived primarily from surcharges on fees charged for recording certain documents with the Registry of Deeds or Land Court.

A community accepting the CPA must establish a Community Preservation Committee (CPC) to make annual recommendations to its legislative body regarding expenditures from the CP Fund. In each fiscal year, the community must spend or reserve at least 10 percent of the annual CP Fund revenues for each of the CPA's community preservation purposes: open space (including recreation), historic resources and community housing.

How does a municipality adopt the CPA?

There are two alternatives under the CPA that may be adopted by a city/town and both require majority approval of the city's/town's legislative body and voter approval at the next regular municipal or state election. A city or town may adopt either:

A.) A "traditional" CPA under [G.L. c. 44B, § 3\(b\)](#), where the city/town approves a surcharge of up to 3% of taxes assessed annually on real property and may adopt any of the exemptions to the surcharge that are allowable under [G.L. c. 44B, § 3\(e\)](#).

B.) A "blended" CPA under [G.L. c. 44B, § 3\(b1/2\)](#), where the city/town approves a surcharge of at least 1% of taxes assessed annually on real property and an annual appropriation of additional municipal revenues up to 2% - the surcharge and additional revenues together cannot exceed 3% of the taxes assessed annually on real property. The city/town also may adopt any of the exemptions to the surcharge that are allowable under [G.L. c. 44B, § 3\(e\)](#).

If the legislative body has not adopted the CPA, is there another adoption process available?

Yes. As an alternative to legislative body approval, a petition signed by 5% of

the registered voters may be submitted to place a ballot question for voter acceptance of the CPA under [G.L. c. 44B, § 3\(h\)](#). The petition must state whether the adoption is under [G.L. c. 44B, § 3\(b\)](#), “traditional” CPA, or under [G.L. c. 44B, § 3\(b½\)](#), “blended” CPA. The petition must also state the amount of the surcharge percentage and, if adoption is under [§ 3\(b½\)](#), the maximum percentage of municipal revenue that may be appropriated to the CP Fund. The petition must also state any exemptions to be adopted. The signed petition is submitted to the local board of registrars of voters, board of elections commissioners or local election commission. The board or commission has seven days to certify the signatures.

Are there any timing issues regarding when the CPA adoption must go to the voters?

Yes. After the legislative body accepts the CPA and adopts a surcharge plan (or after the petition has been submitted and the signatures have been certified), the acceptance question must be placed before the voters on the ballot at the next regular municipal election or state election where the municipality can comply with applicable referendum notice requirements of [G.L. c. 54, § 42C](#). Questions to voters are required to be filed with the city/town clerk 35 days before a municipal election and, in the case of a state election, questions must be filed with the state secretary 60 days before a state election.

For example, on May 1, the legislative body accepts the CPA and adopts a surcharge or the local election commission certifies the signatures contained on a petition. The next regularly scheduled municipal election is May 20 and the next regularly scheduled state election is November 2. Because the next regularly scheduled municipal election is less than 35 days after the legislative body’s acceptance of the CPA or the certification of the signatures on the petition, the acceptance referendum cannot be placed on the municipal election ballot because it is not possible to give the city or town clerk the required 35 days advance notice of the referendum. In this case, the acceptance referendum must be placed before the voters at the next regularly scheduled state election because the city or town is able to give the secretary of state the required 60 days advance notice of the referendum.

What is the question that is placed on the ballot for voter approval?

The form of the question is stated in [G.L. c. 44B, § 3\(f\)](#):

"Shall this (city or town) accept sections 3 to 7, inclusive of chapter 44B of the General Laws, as approved by its legislative body, a summary of which appears below"

A fair, concise summary and purpose of the CPA provisions that are the subject of the referendum must appear underneath the question. The summary is to be prepared by the community’s city solicitor or town counsel and must include the surcharge percentage approved by the legislative body. It should also include any exemptions adopted by the legislative body and include the statute. It should also state the effective fiscal year of the acceptance and any other relevant information.

The question is approved and the statute accepted if a majority of the voters voting on the referendum vote “yes.”

Although the CPA does not provide a form for a ballot question proposed by petition, the question should be in substantially the same form as the above ballot question and the city solicitor or town counsel should prepare a fair and concise summary to be printed below the question.

Stay tuned for next month's *City & Town* for Part 2 in our FAQ series on the CPA where we will discuss CPA exemptions.

January Municipal Calendar

31 DESE

Notify Communities and Districts of Estimated NSS Requirements

As soon as the Governor releases the ensuing year's budget, DESE notifies communities and districts of that next year's NSS estimates, which are subject to change once the final state budget is approved.

31 Pipeline Company

Deadline for Pipeline Company to File Form of List with BLA

31 State Treasurer

Notification of Monthly Local Aid Distributions, see [IGR 17-17](#) for more cherry sheet payment information, monthly breakdown by program is available [here](#).

To view the municipal calendar in its entirety, please [click here](#).

Editor: Dan Bertrand

Editorial Board: Sean Cronin, Donnette Benvenuto, Linda Bradley, Paul Corbett, Theo Kalivas, Ken Woodland and Tony Rassias

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

To unsubscribe to *City & Town* and all DLS alerts, email dls_alerts@dor.state.ma.us.