



September 3rd, 2020

Lieutenant Governor Polito Announces Opening of FY21 Community Compact Cabinet IT Grant Program Lieutenant Governor Karyn Polito



In this edition:

- Lieutenant Governor Polito Announces Opening of FY21 Community Compact Cabinet IT Grant Program
- Financing Massachusetts Town Government
- Another Look at State House Notes



As our Commonwealth's coordinated effort against the COVID-19 pandemic continues and we navigate our communities through these uniquely uncertain times, the need for responsive, innovative and

collaborative government has never been greater. While the FY2021 Community Compact Best Practice and Efficiency & Regionalization Programs are on hold as we work with our legislative colleagues on a final FY2021 state budget, it is in this spirit of efficient and cooperative government that we are pleased to announce the launch of the sixth year of the FY2021 Community Compact IT Grant Program.

Since its inception, the Community Compact IT Grant Program has awarded **240 grants totaling \$12 million to municipalities and school districts** to invest in transformative technology infrastructure and critical equipment. In years past, grant recipients have utilized funds to fulfill a variety of local needs, from implementing e-permitting systems and expanding or implementing fiber optic networks to upgrading records management, billing systems and public safety systems. A competitive grant program, the Community Compact IT Grant drives innovation and makes it easier for residents to interact and transact with their local government.

Fiscal Year 2021 CCC IT Grant Program

Important Dates & Information

2020 DLS "What's New in Municipal Finance Law" Seminar Available Online in October

For the first time, the Division of Local Services will present its annual "What's New in Municipal Finance Law Conference" as an online learning opportunity. Additional details will be forthcoming, so please stay tuned to *City & Town* for more information.

Latest Issue of *Buy the Way* Now Available

Don't miss the August-September 2020 edition of [Buy the Way](#), the bi-monthly magazine of the Operational Services Division (OSD). Click [here](#) to get news and updates from OSD delivered to your inbox.

IGR Regarding Applications to the Commissioner for Authority to Abate Taxes

The Division of Local

The last several months have demonstrated the paramount value of technology in our schools and in municipal operations and communities. The Community Compact IT Grant Program is perfectly positioned to meet our communities' existing technology needs and bolster our Commonwealth's technological capabilities. Under the Community Compact IT Grant Program, **grants of up to \$200,000 may be awarded to fund one-time capital needs such as technology infrastructure, upgrades, or purchases of equipment or software.**

The FY2021 Community Compact IT Grants application period opens on September 15, and any city or town that was not awarded an FY2020 Community Compact IT Grant is eligible and encouraged to apply.

Look out for my September 8 "Kick-Off" letter, as this communication will feature the FY2021 Community Compact IT Grant application password and additional information.

We are proud to once again offer this effective, municipally-focused grant program to our partners in local government and look forward to further supporting our cities and towns through this initiative.

Financing Massachusetts Town Government

Amy Handfield - Bureau of Accounts Field Representative

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The following is the first in a three-part series covering the financing of annual town budgets in Massachusetts. If you are a new town official, especially a new town finance official, we hope you'll find this series helpful.

Towns finance their annual budgets using different financing sources than do other levels of government. It's important to understand what these sources are, where they come from and what limitations may be placed on them. Let's look

Services' Bureau of Municipal Finance Law has issued [Informational Guideline Release \(IGR\) 20-10](#) containing guidance regarding Applications for Authority from the Commissioner of Revenue to Abate Local Taxes and Charges Under G.L. c. 58, s. 8. Please also see [this webpage](#) for more information on "8 of 58" applications.

To review other recent DLS Bulletins and Informational Guideline Releases, please see [this page](#) on the DLS website. For more helpful information, please visit and bookmark the DLS [COVID-19 Resources and Guidance for Municipal Officials webpage](#).

Bulletin Related to FY2021 Budget Issues and Other Related Matters

The Division of Local Services' Bureau of Accounts has issued [Bulletin 2020-10](#) containing guidance relating to FY2021 budget issues and other related matters.

MassWorks 2020 Round Now Open

at the other levels of government first.

Financing Other Levels of Government

The federal government's budget primarily uses income and estate taxes paid by individuals, payroll taxes paid jointly by employees and employers, corporate income taxes paid by businesses, and other miscellaneous, including excises, tariffs, and interest.

The federal government does not require a balanced budget. The [Congressional Budget Office](#) projects the FY2020 budget deficit at \$3.7 trillion. The Massachusetts state budget primarily uses income and estate taxes from individuals, corporate excises paid by businesses, federal government reimbursements, sales taxes, including regular sales taxes and others, such as occupancy, meals, motor vehicles, alcohol, etc., and other miscellaneous, including deed and licensing fees.

[G.L. c. 29, § 6E](#) requires the Governor to recommend, the Legislature to enact, and the Governor to approve a balanced budget for the state. County government budgets primarily use deeds excise, an annual assessment apportioned to each member community on the basis of its total taxable property values statistically determined at 100% of full and fair cash value every two years by the Commissioner of Revenue, and charges for services. County government budgets [must be balanced](#) annually prior to approval.

Financing Massachusetts Town Government

Every Massachusetts town must have a balanced budget before setting its annual tax rate and committing actual property tax bills for collection. A balanced budget applies sufficient financing sources equal in amount to appropriations and other required expenditures. A town has six main categories of financing sources for this purpose:

- 1.) a tax levy on taxable real and personal property
- 2.) state aid

The Baker-Polito Administration is pleased to announce the opening of the 2020 Round of the [MassWorks Infrastructure Program](#). All Massachusetts municipalities and public entities are eligible to apply for grants to support public infrastructure improvement projects.

MassWorks is a competitive grant program, administered by the [Executive Office of Housing & Economic Development](#) (EOHED) that provides capital grant funds for public infrastructure projects that support and accelerate housing production, spur private development, and create jobs throughout the Commonwealth. The deadline for applications, which will only be accepted electronically through an online portal, is August 28, 2020 at 11:59PM.

The 2020 Round RFR/Guidelines, Application Template, and online application link can be accessed at www.mass.gov/massworks. All questions should be

- 3.) local receipts
- 4.) reserves
- 5.) debt
- 6.) other sources, which may include federal, state, and other grants.

1.) *The Property Tax Levy*

In FY2020, the total property tax levy budgeted for all towns was \$9.5 billion. This represents 66.4% of all revenues budgeted by towns statewide. However, among individual communities, this portion of the budget can vary widely (between 45% to 89%), as do the other revenue sources discussed here.

The tax levy is collected by billing a town's taxable real and personal property. However, the total town tax levy is limited by Proposition 2½, a law that has constrained town property tax levies since FY1982. (To learn more about Proposition 2½, please view [this video](#).)

Each year, the local Board of Assessors holds a public classification hearing to assign values to all the classes of real and personal property in the community. At the same meeting, the Board of Selectmen makes policy decisions on the tax levy including consideration of the following options:

- vote to tax all real and personal property at the same tax rate
- vote to shift a portion of the tax burden (up to a legal maximum) from the residential and open space classes to the commercial, industrial and personal property classes
- vote a residential exemption for all eligible residential properties
- vote a discount for all eligible open space properties
- vote a small commercial exemption for all eligible commercial properties

Learn more about the classification hearing by [watching this video](#).

sent to
massworks@mass.gov.

DLS Links:

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

[Municipal Finance Training and Resource Center](#)

[Local Officials Directory](#)

[Municipal Databank](#)

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

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial Calculators](#)



2.) State Aid

In FY2020, the total state aid budgeted for all towns was \$1.6 billion, 11.3% of all town budgeted revenues statewide. General fund state aid is made up mainly of “Cherry Sheet” aid at \$1.56 billion (10.9%) and payments from the Massachusetts School Building Authority at \$54 million (0.4%).

[The Cherry Sheet](#)

The Commonwealth of Massachusetts distributes aid monthly to towns after amounts are approved in the annual State budget by the State Legislature. The Cherry Sheet is the official notification of estimated general fund state aid, as well as the state, and county assessments for programs the community participates in. Its name derives from the cherry-colored paper upon which it used to be printed.

The top five FY2020 Cherry Sheet receipts for all towns were:

- 1.) Chapter 70 (\$1.1 billion)
- 2.) Unrestricted General Government Aid (\$328 million)
- 3.) School Choice Receiving (\$39 million)
- 4.) State-owned Land (\$25 million)
- 5.) Veterans Benefits (\$19 million)

To view Cherry Sheet aid details for your town, please see [Category Four](#) of the DLS Massachusetts Municipal Finance Trend Dashboard.

[Massachusetts School Building Authority \(MSBA\)](#)

The MSBA provides general fund payments to eligible school districts for projects approved prior to the creation of the MSBA. The MSBA also provides grant payments for school construction that are accounted for in a town’s capital projects fund.

Other State Aid

Other state departments, authorities, agencies, and trusts grant additional state aid to eligible towns, directed mostly toward special projects or purposes. Here are some examples of grantors:

- [Massachusetts School Building Authority](#)
- [Massachusetts Department of Elementary and Secondary Education](#)
- [Massachusetts Water Resources Authority](#)
- [Massachusetts Clean Water Trust](#)
- [Massachusetts Department of Transportation](#)

Review of Part 1

- Massachusetts town budgets are financed differently than the federal, state, or county government budgets.
- The six main 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 revenues.
- Other state aid includes grants to eligible towns and targeted aid to specific towns for specific purposes.

The second article in this series will continue a review of the six components of Massachusetts town government finance.

Another Look at State House Notes

Bill Arrigal, Bureau of Accounts, Public Finance

Gerry Cole, Bureau of Accounts, Public Finance

First established in 1911, the Massachusetts State House

Notes Program is a convenient, no-cost note certification procedure for the issuance of short-term debt and long-term serial and refunding notes by a governmental entity. Administered by the Public Finance Section of the Bureau of Accounts, the program provides an alternative to the certification of notes procedure by commercial banks.

What are State House Notes?

State House Notes are borrowing instruments for local governmental entities for the short-term. They are known by different names and acronyms:

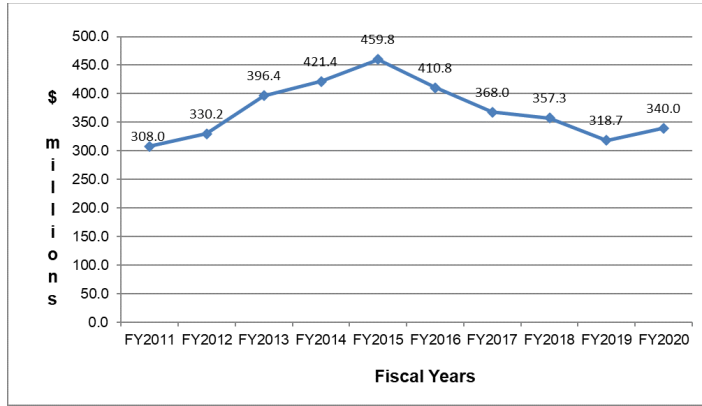
- Revenue Anticipation Notes (RANs)
- Renewal of Revenue Anticipation Notes (RRANs)
- Bond Anticipation Notes (BANs)
- Renewal of Bond Anticipation Notes (RBANs)
- State Aid Anticipation Notes (SAANs)
- Renewal of State Aid Anticipation Notes (RSAANs)
- Federal Aid Anticipation Notes (FAANs)
- Renewal of Federal Aid Anticipation Notes (RFAAN)
- Refunding Notes
- Serial Notes

They all, however, must receive certain local approvals and send required supporting documentation to the Bureau of Accounts for certification. Lenders await this certification before forwarding funds to the borrower.

State House Notes by the Numbers: FY2011 to FY2020

Graph 1 shows the dollar amount of State House Notes approved from FY2011 to FY2020.

Graph 1 - State House Notes (\$ approved)



Graph 1 shows that the dollar value of State House Notes certified in FY2011 was \$308 million and \$340 million in FY2020. FY2020's dollar amount is \$32 million (10.4%) more than FY2011 and 6.7% more than FY2019. During the period shown in the graph, the highest dollar value approved was in FY2015 and the least approved was in FY2011.

Table 1 shows the number of State House Notes approved each year from FY2011 to FY2020.

Table 1 - State House Notes (# Notes approved)

State House Notes - # of Notes Approved				
FY2011	FY2012	FY2013	FY2014	FY2015
421	494	500	474	476
FY2016	FY2017	FY2018	FY2019	FY2020
477	428	392	359	363

The general decline in the number of State House Notes approved and their dollar value over the last several fiscal years may reflect the complexity of today's capital market. As a result, a growing trend has moved toward the purchase of notes with full disclosure. Full disclosure includes a full legal opinion, an official statement, a short-term rating by a rating agency (e.g. Moody's, S&P, Fitch), recent audited financial statements and a municipal financial advisor. With full disclosure, notes have a much wider bidding pool than just local banks.

Table 2 shows the number of State House Notes approved in FY2018 through FY2020 by type.

Table 2 - State House Notes (# Notes by Type)

Type of Notes	BANs	RBANs	Refunding Notes	RANs	RRANs
# of Notes - FY2020	157	151	5	8	0
# of Notes - FY2019	166	141	5	10	0
# of Notes - FY2018	171	160	6	13	1

Type of Notes	FAANs	RFAANs	SAANs	RSAANs	Serial Notes
# of Notes - FY2020	1	0	12	3	26
# of Notes - FY2019	1	1	13	4	18
# of Notes - FY2018	1	0	15	5	20

Table 2 shows that for the 363 Notes approved for FY2020, the greatest number of Notes approved by type was for Bond Anticipation Notes followed by Renewal of Bond Anticipation Notes and then for Serial Notes. This is the same pattern as in the two previous fiscal years shown.

Chart 1 shows the percentage of FY2020 State House Notes approved for each note type.

Chart 1 - State House Notes (Notes by Percentage)

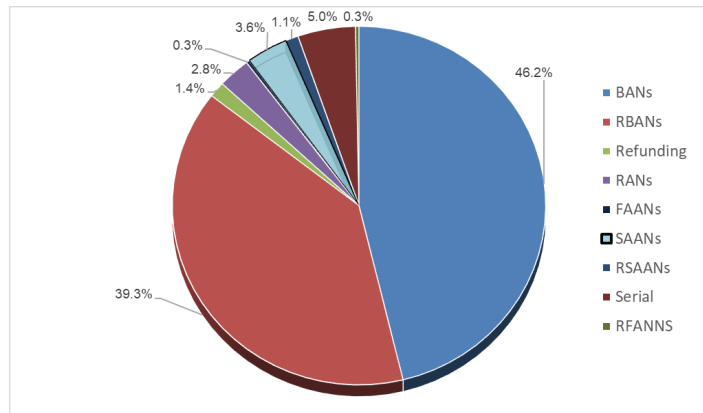


Chart 1 shows that by percentage, BANs and RBANs amounted to 85.5% of notes approved by the program.

Table 3 shows the number of State House Notes approved in FY2018 through FY2020 by purpose.

Table 3 - State House Notes (# Notes by Purpose)

	FY2018	FY2019	FY2020		FY2018	FY2019	FY2020
Airport	3	4	2	Land Acq	11	9	14
Bridge	0	3	1	Landfill	2	2	2
Building	17	10	6	Library	0	0	5
Building Repair	13	23	19	Medical Payments	0	0	0
Cable (Broadband)	9	11	21	Municipal Purpose Loan	131	125	120
Capital Projects	1	1	2	Public Way	8	4	6
Computer Hardware	2	1	1	Recreation	10	6	4
Conservation Land	1	1	0	Revenue	14	10	8
Court Judgment	0	0	0	School	13	3	6
Dam Repair	2	4	1	School Building	5	8	9
Deficit	2	2	2	School Feasibility	7	5	4
Dept'l Equip	49	48	43	School Remodeling	19	14	17
Emergency	8	1	2	Sewer	11	8	11
Energy Conservation	4	1	0	Sewer Treatment Plant	3	3	4
Eng & Arch	8	3	5	Solid Waste Transfer	1	1	1
Environmental	0	2	7	Street	6	10	17
Harbor	0	1	0	Urban Renewal	0	1	1
Highway	9	3	2	Water	23	31	20

Table 3 shows that for the 363 Notes approved for FY2020, the greatest number of Notes approved was for Municipal Purpose Loans (MPLs), followed by Departmental Equipment, Cable (Broadband) and then for Water. MPLs are loans in which there are two or more separate authorizations for separate purposes. MPLs, Departmental Equipment and Water also led in number of Notes certified in FY2018 and FY2019.

Additional FY2020 Statistics

For the 363 Notes approved in FY2020: 21 were for cities, 274 for towns, 29 for special purpose districts, 36 for regional school districts and 3 for counties. Other statistics showed:

- Highest dollar amount (\$7,421,684), lowest (\$10,000) and median (\$562,540)
- Highest interest rate for a Serial Note (3.85%), lowest (1.25%)
- Highest interest rate for a non-Serial Note (2.75%), lowest (0.7%), and median (1.7%)
- Longest number of days to maturity for non-serial (438 days), shortest (16 days), and median (364 days)
- The three top purchasers of Notes were Newburyport Five Cents Savings Bank, T.D. Bank and Greenfield Cooperative Bank

- Monthly notes processed showed the highest amount in June (62), lowest total in January and March (14)
- Longest term for Serial Note (15 years), shortest term (2 years)

To learn more about State House Notes, please visit the Bureau of Accounts Public Finance Section's [website](#).

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