

# City & Town

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



## Highlighting Areas of Local Interest in the FY21 Budget

Secretary Michael J. Heffernan

January 23rd, 2020

On Wednesday, January 22, the Baker-Polito Administration released its FY21 budget recommendation – a balanced and economically responsible spending proposal that continues funding key programs and priorities.

This is the sixth budget proposal of this administration, and it recommends several investments that will provide resources and support for local cities and towns.

### In this issue:

- **Highlighting Areas of Local Interest in the FY21 Budget**
- [FY2020 Tax Levies, Assessed Values and Tax Rates](#)
- [Data Highlight of the Month: Certified Tax Rates](#)
- [An Update on Short-term Rentals](#)
- [FY2021 Preliminary Cherry Sheet Estimates](#)

### Education

This proposal fully funds the first year of the Student Opportunity Act, adding a total of \$355 million in new spending for initiatives laid out in this comprehensive education legislation. This includes \$303.5 million in funding in Chapter 70 education aid to local cities and towns for a total investment of \$5.480 billion.

It also supports \$23.2 million for additional charter school tuition reimbursement, \$17.3 million in additional support for special education circuit breaker reimbursement for cities and towns, and \$10 million for the new Twenty-First Century Education Trust fund which will supplement \$12.6 million for Targeted Assistance to close achievement gaps in low-performing schools.

### Local Aid

The FY21 budget increases unrestricted general government aid, or UGGA, by 100% of the consensus state tax revenue growth rate – 2.8% – to a total of \$1.160 billion, an increase of \$31.6 million compared to last year.

Including this year's proposal, the Baker-Polito Administration has increased the total annual UGGA distribution by \$214.5 million since taking office, giving cities and towns more flexibility to address needs within their communities.

### Important Dates & Information

## 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!

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

## Updating Your Community's Contact Info

As newly elected and appointed officials begin to settle into their positions across the Commonwealth, the DLS would like to kindly remind all municipal clerks and others with administrative privileges to update [DLS Gateway's Local Officials Directory](#) (LOD).

Please take a moment now to verify the accuracy of contact information as listed in the Local Officials Directory.

Ensuring the local officials in your community are accurately listed allows them to receive timely notifications regarding many important DLS processes, certifications and communications

If you need assistance updating your LOD entry, please contact the Gateway Support staff at (617) 626-2350 or by email at [dlsgateway@dor.state.ma.us](mailto:dlsgateway@dor.state.ma.us). Thank you!

## Proposed FY2021 State-

## Community Compact Program

Thanks to the leadership of Lieutenant Governor Polito and our partnership with the Legislature, Community Compact related programs are continuing to support cities and towns and encourage the implementation of best practices.

This budget proposal includes \$4 million in funding for Community Compact related programs including best practices and regionalization and efficiency grants. Additionally, it includes \$3 million for district local technical assistance and \$4.8 million for the Public Safety Staffing Grant Program managed by the Executive Office of Public Safety and Security.

## Stabilization Fund

Due to a growing economy and bipartisan fiscal discipline, the state's Stabilization Fund, or "rainy day fund," has increased threefold since the Baker-Polito Administration took office. We now have the third largest stabilization fund in the country, and the FY21 budget includes another \$310 million increase to the Stabilization Fund. This is an important example of our fiscal discipline, and it will provide a substantial buffer for essential government services in the event of a future recession or economic downturn.

## Local Grants

This budget also continues support for other grant programs which provide much-needed resources for local municipalities. For example, it recommends \$11 million in funding for the Shannon Grant program. This important initiative funds anti-gang and youth violence prevention efforts in communities throughout Massachusetts.

Thank you for everything you continue to do for communities throughout Massachusetts.

I hope you have a great winter and I am excited to see you at the Massachusetts Municipal Association Annual Meeting on January 24.

## FY2020 Tax Levies, Assessed Values and Tax Rates

### Tom Guilfoyle - Bureau of Accounts Supervisor

This article reviews property tax levies and assessed values for all 351 communities from FY2010 to FY2019. For 345 communities with FY2020 tax rates certified by the Bureau of Accounts as of December 24, 2019, it compares FY2020 and FY2019 tax levies and assessed values and then provides some quick FY2020 stats. This article then updates the status of

**Owned Land Valuation under MGL C. 58 § 13-17**

The Division of Local Services has posted on its website proposed FY2021 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. In addition, please see the [DLS Frequently Asked Questions](#) about this program.

The Bureau of Local Assessment (BLA) is notified of acquisitions, deletions and agency transfers by the Department of Capital Asset Management & Maintenance (DCAMM). In preparation for the FY2021 final numbers, if your community has newly reported and outstanding acquisitions from calendar year 2018 and 2019, you will be notified by mid-February by BLA for processing in the Gateway system by March 1, 2020. It is imperative you respond to any request for information within fifteen (15) days to have the additional acreage included in your FY 2021 valuation issued on June 1, 2020.

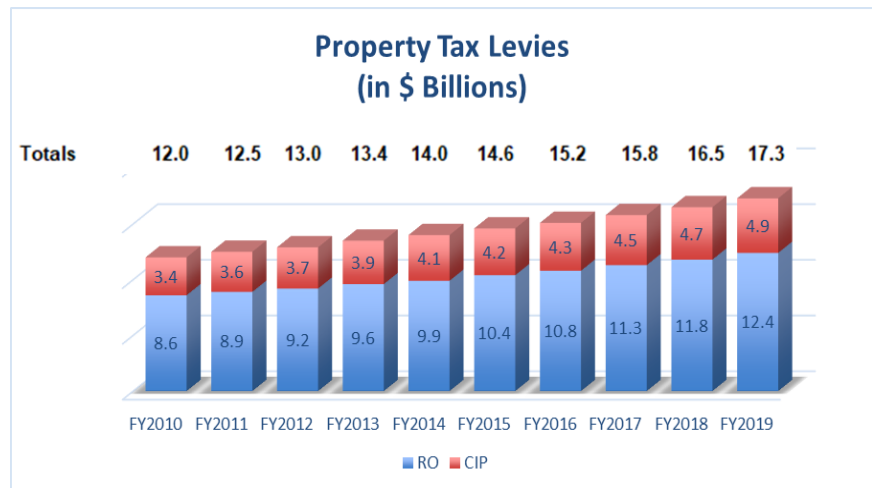
Any community questioning their proposed state-owned land valuation should contact the Bureau of Local Assessment at [bladata@dor.state.ma.us](mailto:bladata@dor.state.ma.us).

several communities that either hit or were approaching their levy ceilings in FY2016. Finally, it will report on tax rate shifts between property classes.

**Tax Levies**

The property tax levy is the annual amount of taxes assessed upon real and personal property in the community. For most communities, the property tax levy is the largest revenue source. Along with other revenue sources such as estimated receipts and available reserves, these revenues balance the spending needs voted in the omnibus budget. Since FY1982, the property tax levy has been subject to the limits of Prop 2½.

The graph below shows property tax levies for residential and open space (RO) classes as well as commercial, industrial and personal property (CIP) classes for FY2010 to FY2019. Tax levies grew by 44% or by \$5.3 billion, from \$12.0 billion to \$17.3 billion, over this time period.



In proportion, as seen in the chart below, property taxes owed by the respective class groupings remained about the same from FY2010 to FY2019.

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
<b>RO</b>	<b>71.5</b>	<b>71.3</b>	<b>71.2</b>	<b>71.0</b>	<b>70.9</b>	<b>71.2</b>	<b>71.4</b>	<b>71.4</b>	<b>71.5</b>	<b>71.6</b>
<b>CIP</b>	<b>28.5</b>	<b>28.7</b>	<b>28.8</b>	<b>29.0</b>	<b>29.1</b>	<b>28.8</b>	<b>28.6</b>	<b>28.6</b>	<b>28.5</b>	<b>28.4</b>

The graph below shows that in total for the 345 communities with certified FY2020 tax rates, tax levies increased from FY2019 to FY2020 by about 4.7%, or by \$808.3 million, from \$17.3 billion to \$18.1 billion.

**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](#).



**Other DLS Links:**

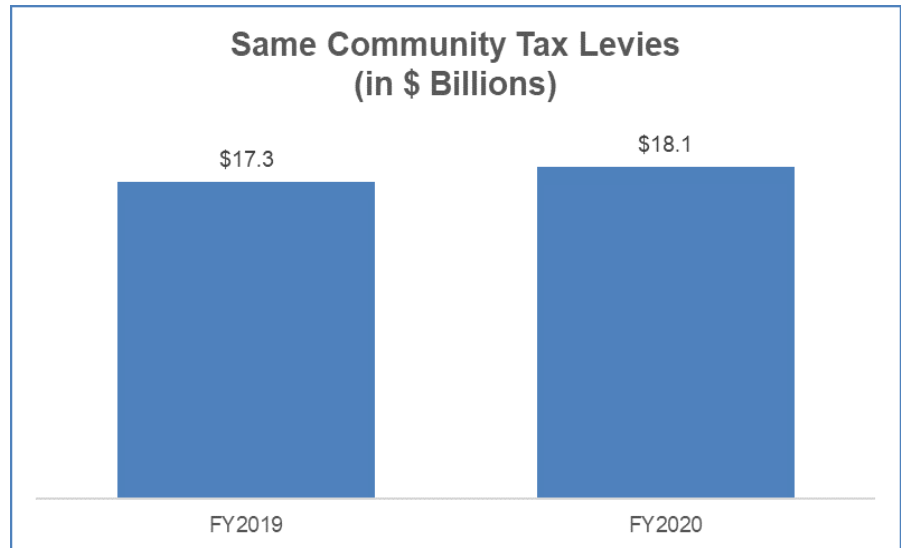
[Local Officials Directory](#)

[Municipal Databank](#)

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

[Bulletins](#)

[Publications & Training](#)



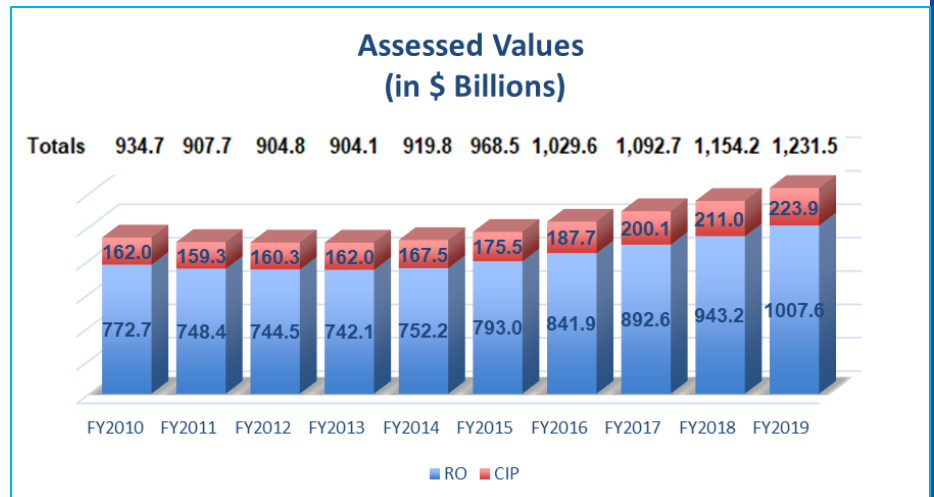
**Quick FY2020 Tax Levy Stats**

# of Communities Where the Tax Levy Increased	334
# of Communities Where the Tax Levy Decreased	11
Median % for Increases Only	4.1%
Greatest % Increase	Mount Washington 37.5%
Greatest % Decrease	Everett 29.8%

**Assessed Values**

The tax levy is distributed among taxpayers based on the assessed value of their properties as determined by the local assessors using proper standards of appraisal and assessment. [DLS Bureau of Local Assessment](#) staff reviews the assessors' estimates to ensure that they comply with these proper standards. This review is conducted every fifth fiscal year.

The next graphic shows total assessed values from FY2010 to FY2019. Values from FY2010 to FY2013 fell by 3.3% or by about \$30.6 billion from \$934.7 billion to \$904.1 billion. Values then rose from FY2013 to FY2019 by 36.2% or by about \$327.4 billion from \$904.1 billion to \$1.231.5 trillion. In FY2016, assessed values first grew to over \$1 trillion.



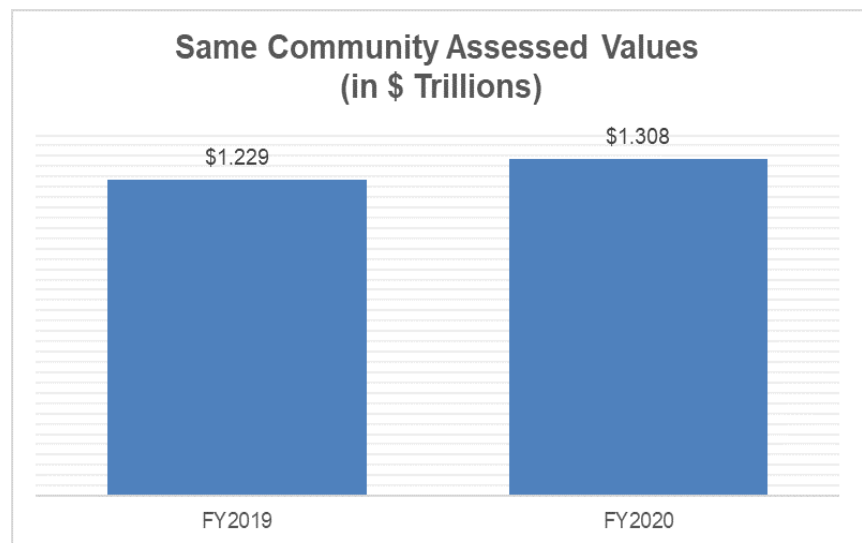
[Center](#)

[Tools and Financial  
Calculators](#)

In proportion, as seen in the chart below, total assessed value of the CIP classes gained more share of the total over the time period shown and has remained about stable since FY2014.

<b>Percentages of the Assessed Values</b>										
	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
<b>RO</b>	82.7	82.4	82.3	82.1	81.8	81.9	81.8	81.7	81.7	81.8
<b>CIP</b>	17.3	17.6	17.7	17.9	18.2	18.1	18.2	18.3	18.3	18.2

This next graph shows that in total for the 345 communities, assessed values increased from FY2019 to FY2020 by about 6.4% (\$78.5 billion) from \$1.229 trillion to \$1.308 trillion.



#### Quick FY2020 Assessed Value Stats

# of Communities Where the Assessed Value Increased	337
# of Communities Where the Assessed Value Decreased	8
Median % for Increases Only	5.0
Greatest % Increase	Belmont 15.9
Greatest % Decrease	Windsor 3.9

#### The Levy Limit

In FY2016, six communities “hit the ceiling” of Prop 2½. (As part of Prop 2½’s levy limit, when a community has lost all override capacity, its incremental levy limit equals its levy ceiling of 2.5% of assessed value.) To follow their progress, the next chart presents levy limits and levies as percentages of their levy ceilings for these communities in FY2016 and in the two most recent fiscal years.

	Levy Limits and Levies as % of Levy Ceiling					
	FY2016		FY2019		FY2020	
	Levy Limit %	Levy %	Levy Limit %	Levy %	Levy Limit %	Levy %
Holyoke	100	100	100	100	100	99
Pittsfield	100	92	100	96	100	97
Somerset	100	74	100	76	98	69
Springfield	100	100	100	100	99	99
West Springfield	100	88	100	87	100	88
Worcester	100	98	95	90	92	86

The above chart shows that in FY2020, five of the six communities continue to find their levy limits at or very close to their levy ceilings (Levy Limit %). However, in only three of the six communities are their tax levies very close to their levy ceilings (Levy %). For the others, there is some room for the tax levy to increase if needed before the ceiling could be met again.

In FY2016, nine communities “approached the ceiling” of Prop 2½ (were within 90% to 99% of levy ceiling). To follow their progress, the next chart presents levy limits and levies as percentages of their levy ceilings for these communities in FY2016 and in the two most recent fiscal years.

	Levy Limits that "Approached the Ceiling" in FY2016					
	FY2016		FY2019		FY2020	
	Levy Limit %	Levy %	Levy Limit %	Levy %	Levy Limit %	Levy %
Agawam	94	79	95	81	96	82
Avon	92	100	99	100	97	97
Everett	92	87	83	81	87	57
Framingham	93	89	86	78	83	75
Heath	97	82	100	86	100	89
Marlborough	99	75	93	70	93	71
Monroe	93	73	98	84	93	100
Russell	95	85	95	93	93	91
Wendell	97	78	100	90	N/A	N/A

The following chart presents levy limits and levies as percentages of their levy ceilings for an additional 11 communities that have “approached the ceiling” since FY2016.



	Levy Limits that have "Approached the Ceiling" Since FY2016					
	FY2016		FY2019		FY2020	
	Levy Limit %	Levy %	Levy Limit %	Levy %	Levy Limit %	Levy %
Adams	85	89	88	88	91	90
Charlemont	84	78	88	79	91	78
Chester	86	81	95	84	94	83
Chicopee	88	82	92	88	92	86
Greenfield	89	87	93	89	93	92
North Adams	89	89	98	97	98	95
Pelham	83	85	90	86	92	88
Peru	86	81	90	74	91	75
Shutesbury	89	88	96	93	99	96
Warwick	87	82	93	85	91	81
Westfield	89.8	89	96	91	95	89

As the incremental lower limit of Prop 2½ continues to increase, the extent to which future changes to the real estate market, either locally or statewide, add to or subtract from the number of communities found in any of these categories remains to be seen.

### Tax Shift

At the annual classification hearing, mayors, city/town councils and boards of selectmen decide how to further distribute the tax levy. These boards may decide within certain legal limits upon:

- a single tax rate structure which distributes the tax levy in proportion to the share that their property class bears to the total assessed valuation of the community; or
- a multiple tax rate structure which shifts some of the taxes that would be paid by RO taxpayers under a single tax rate structure onto CIP taxpayers.

These boards and councils may also decide to grant:

- a residential exemption;
- an open space class discount;
- a small commercial exemption.

### *By the Percentages*

Most communities do not shift the tax burden from the Residential and Open Space classes to the other classes of Real and Personal property. The communities that do, however, have done so for many years. The chart below shows that among the 345 communities, this multiple tax rate pattern has generally continued. For the six tax rates yet to be certified, one has traditionally shifted the burden.

	Shifting the Burden							Communities Reporting
	No Shift	>100% to 110%	>110% to 130%	>130% to 150%	>150% to 174%	>174% to <175%	175%	
FY2017	242	4	21	17	36	5	26	351
FY2018	243	6	18	18	37	3	26	351
FY2019	241	8	17	18	37	6	24	351
FY2020	238	7	17	17	36	9	21	345

## Tax Rates

The calculation of the annual tax rate involves the efforts of many local officials as well as the citizenry who, in some cases, assemble data and in other cases vote financial policy. Timely tax rate setting is an important key to a successful financial operation and helps avert a cash shortfall, temporary borrowing costs and work flow disruption in city and town hall financial offices.

### Quick FY2020 Tax Rate Stats

FY2020 Highest Res. Tax Rate	\$24.21	Longmeadow
FY2020 Highest Commercial Tax Rate	\$40.66	North Adams
Greatest \$ Inc. from FY2019 in Res. Tax Rate	\$2.30	Easthampton
Greatest \$ Dec. from FY2019 in Res. Tax Rate	\$3.10	Ashby
FY2020 Lowest Res. Tax Rate	\$2.78	Hancock
FY2020 Lowest Commercial Tax Rate	\$2.78	Hancock
Greatest \$ Inc. from FY2019 in Commercial Tax Rate	\$5.88	Monroe
Greatest \$ Dec. from FY2019 in Commercial Tax Rate	\$10.55	Everett

For more information on tax rates, assessed values, shifts and levy limits, please visit the [DLS Municipal Databank](#).

## Data Highlight of the Month: Certified Tax Rates

**Linda P. Bradley – DLS Data Analytics & Research Bureau Data Analyst**

Property tax related reports can be found on the [DLS Data Analytics website](#). Specifics on communities and their tax rate shifts can be found in the Tax Rate by Class [report](#). Definitions as to what specific types of properties these tax classes consist of can be found in Bureau of Local Assessment's [Property Classification Code](#).

We hope to better acquaint you with the data the DLS has to offer through this Data Highlight of the Month. For additional information please contact us directly at [databank@dor.state.ma.us](mailto:databank@dor.state.ma.us) or (617)-626-2384.

## An Update on Short-Term Rentals

**Donnette Benvenuto – Data Analytics & Research Bureau Data Analyst**

In December of 2018, Governor Baker expanded the definition Room



Occupancy to include Short-term Rentals. A Short-term Rental is defined as a property that is rented for more than 14 days in a calendar year. The legislation added a new local option Community Impact Fee (CIF) to assess an additional 3% on professionally managed units and on two- and three-family owner-occupied properties. FAQ's on Short-term Rentals can be found [here](#) and [here](#).

Changes to local option rates and fees require a vote by the legislative body of the city or town. In order to adopt the CIF, a community must have already adopted the Local Option Room tax and notified the Division of Local Services (DLS) of the adoption. The community must include two separate questions on their warrant article. They must first vote to accept option one on professionally managed units, then they may vote to accept option two related to owner occupied two- and three-family units. The Data Analytics and Resources Bureau (DARB) must be notified within 48 hours of this vote. Notification of Acceptance forms can be found [here](#).

Since December 2019, nine communities have adopted the local option tax for the first time and 14 have increased their rate to the 6%. The local option tax provides a special allowance for the City of Boston to increase its rate to 6.5%. So far, 14 communities have accepted the CIF.

The Short-term Rental legislation also created a new Water Protection fund made up of all municipalities within Barnstable County. The additional 2.75% for the fund is collected by Department of Revenue (DOR) at the same time as other local option taxes are collected. Membership in the fund is administered by the Department of Environmental Protection. Communities in Dukes and Nantucket may vote to join the fund, however, to date, no communities of Dukes and Nantucket have pursued this option.

From September to December of 2019, DOR distributed \$113,924,396 in Local Room Occupancy. For the same time period in 2020, DOR distributed \$256,574,900, an increase of 125.2%. To view a report with all Room, CIF and Meals Tax distribution amounts, click [here](#).

At this time, DLS is unable to segregate distribution amounts by Short-term Rentals and traditional lodgings. However, estimates based on assessments are available to local officials upon request. Please note that DOR cannot provide details by establishment due to taxpayer confidentiality. DLS encourages local officials to request a list of properties registered as short-term operators to ensure local rules on short-term rentals are being followed. To request this list, please email us at [databank@dor.state.ma.us](mailto:databank@dor.state.ma.us).

### **FY2021 Preliminary Cherry Sheet Estimates DLS Data Analytics and Resource Bureau**

The Division of Local Services has posted on its website preliminary cherry sheet estimates based on Governor Baker's FY2021 budget recommendation (House 2), which was released today.

[Municipal estimates receipts and charges](#)

[Regional school estimated receipts and charges](#)

House 2 recommends funding FY2021 Chapter 70 at \$5.480 billion, or \$303.5 million higher than the FY2020 GAA; increases Unrestricted General Government Aid (UGGA) by \$31.6 million to \$1.160 billion and increases Charter Tuition Assessment Reimbursements to \$138.2 million, a \$18.2 million increase over the FY2020 GAA; and level funding most other cherry sheet accounts at the FY2020 amounts.

More detailed information regarding Chapter 70 and other school finance related initiatives contained in H.2 and the accompanying legislation can be found on the Department of Elementary and Secondary Education (DESE) website at <http://www.doe.mass.edu/finance/chapter70>. 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](mailto:databank@dor.state.ma.us) or (617) 626-2384 with any questions.

## January Municipal Calendar

- |    |                  |  |
|----|------------------|--|
| 31 | DESE             | <b>Notify Communities and Districts of Estimated NSS Requirements</b><br>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 | <b>Deadline for Pipeline Company to File Form of List with BLA</b>   |
| 31 | State Treasurer  | <b>Notification of Monthly Local Aid Distributions</b> , see <a href="#">IGR 17-17</a> for more cherry sheet payment information, monthly breakdown by program is available <a href="#">here</a> .   |

# February Municipal Calendar

## Deadline to Pay 3rd Quarter Tax Bill

- 1 Taxpayer Per [M.G.L. c. 59, § 57C](#), this is the deadline to pay the 3rd quarter actual tax bill without interest unless the bills were mailed after December 31. If mailed after December 31, the actual tax is due as a single installment on May 1 or 30 days after the bills were mailed, whichever is later.

## Quarterly Tax Bills – Deadline to Apply for Property Tax Abatement

- 1 Taxpayer According to [M.G.L. c. 59, § 59](#), abatements applications are due on February 1 unless actual tax bills were mailed after December 31. In that case, they are due May 1 or 30 days after mailing, whichever is later.

- 28 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](#).

*Due Date Exceptions - According to [M.G.L. c. 4, § 9](#), if the date for any statutory action or payment falls on a Sunday or legal holiday, that action may be performed or payment made on the next business day. This rule also applies to any actions required by or payments due on a Saturday in communities that accepted [M.G.L. c. 41, § 110A](#) permitting public offices to remain closed on that day. The due dates for any local property tax payment, abatement application, or exemption application are also extended to the next business day by [M.G.L. c. 59, §§ 57, 57C](#), and [59](#) when municipal offices are closed due to a weather-related or other public safety emergency.*

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](mailto:cityandtown@dor.state.ma.us).

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