



# Municipal Empowerment Act

## Fiscal & Staffing Stability

Healey-Driscoll Administration

### Introduction

The Municipal Empowerment Act is designed to provide local governments with greater freedoms and flexibilities to serve Massachusetts residents – including provisions specifically designed to strengthen municipal finances and address critical workforce challenges, such as **increases to the local meals and lodging tax ceilings**, a **new Motor Vehicle Excise surcharge local option** that can benefit every city and town in the Commonwealth, and provisions allowing for the **creation of Regional Boards of Assessors** and expanding the process for seeking **exemptions to post-retirement employment rules**.

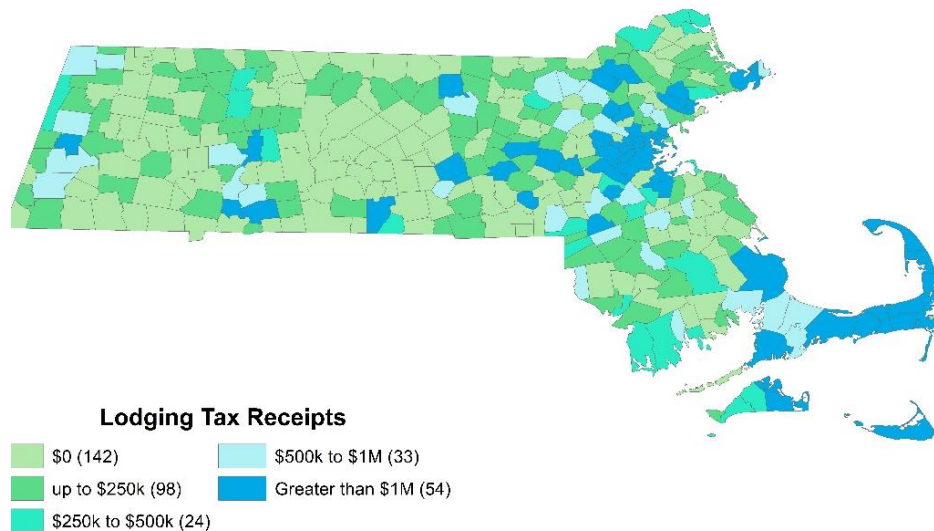
### Fiscal Strength: New tools to raise local revenue and provide targeted relief

For most cities and towns, property taxes are the largest source of revenue, followed by local aid. In Massachusetts, property taxes are capped by Proposition 2 ½ and local aid can fluctuate depending on the economy. Other locally-generated receipts are generally capped by state law and municipalities are limited in their ability to generate revenue from fees. As a result, throughout the Administration’s municipal listening session, local officials advocated for enhanced ability to generate more local non-property tax revenue.

In response, the Municipal Empowerment Act bill includes several provisions designed to empower communities to generate additional local resources to support local needs.

First, the bill **increases the ceiling for local meals and lodging taxes**. Last changed

FY 2023 Lodging Tax



in 2009, municipalities can currently adopt an up to 6 percent local lodging tax by local legislative vote. To date, 216 municipalities have adopted a local lodging option, generating \$317 million in local

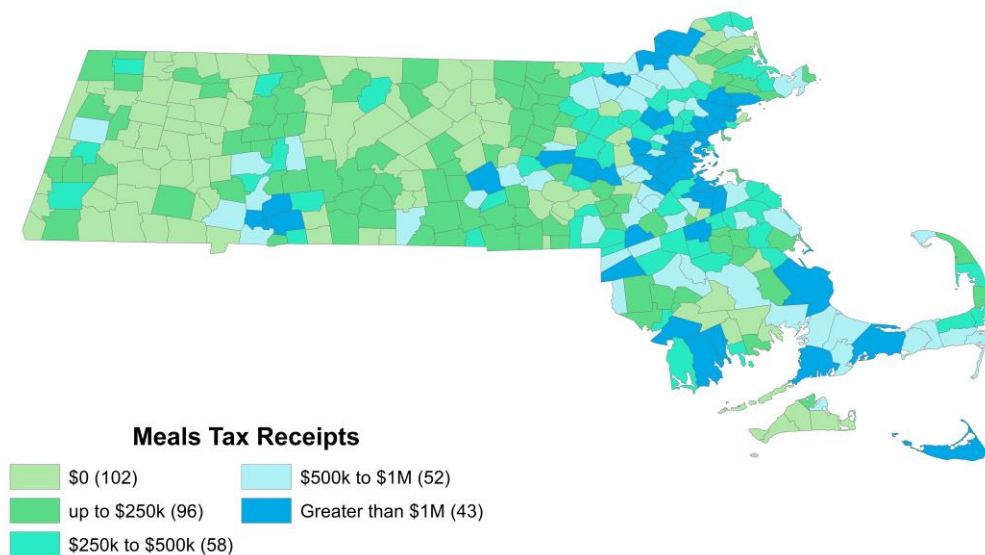
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resources in FY23. The Municipal Empowerment Act proposes **increasing the maximum local lodging tax by 1 percent** (6 percent to 7 percent for all communities other than Boston, 6.5 percent to 7.5 percent for Boston). This change could unlock an estimated \$49 million in additional local revenue and would be particularly impactful for larger communities and destination areas, such as the Cape.

The bill also **increases the ceiling for the local meals tax from .75 percent to 1 percent**. Made available in 2009, 251 municipalities have adopted this local option, generating \$175 million in local revenue in FY23. The proposed change could generate an additional estimated \$58 million in annual local revenue.

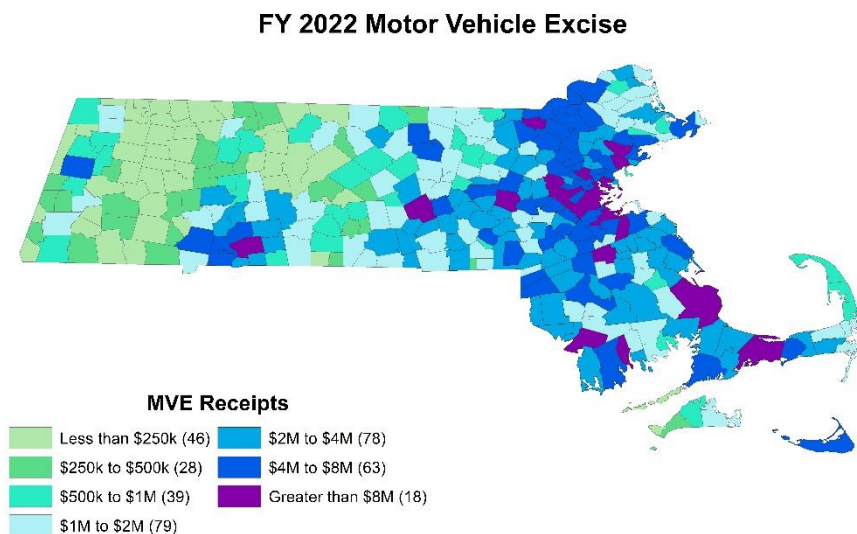
### **FY 2023 Meals Tax**



Expansions of local meals and lodging taxes are complemented by the bill's proposal to make COVID-era outdoor dining flexibilities permanent. Outdoor dining permitting accommodations are effective in supporting restaurants and enabling creative placemaking at the local level. These policies are further complemented by continued FY25 investments in the **Community One Stop for Growth** to support local economic development initiatives, including programs like the **Urban Agenda Grant Program** and **Massachusetts Downtown Initiative**, which support downtowns, main streets, and town centers. The administration is also **reinvigorating its tourism strategy** to help municipalities develop destination areas that attract visitors and support vibrant communities where people want to live, work, play, and stay.

Additionally, the bill **creates a new 5 percent local option Motor Vehicle Excise (MVE) surcharge**. Current law sets the MVE tax at \$25 per \$1,000 of a declining percent of a vehicle’s value, with value defined as the manufacturer’s list price in the year made. The MVE tax is the largest local receipt for most municipalities, generating more than \$950 million in local revenue in FY22.

Currently, the average MVE bill is \$154. In communities where this local surcharge is adopted, that average bill would only increase by \$7.70 (5 percent of the total bill). While certain communities benefit more than others from local meals and lodging taxes, the new local option MVE surcharge could generate an estimated \$48 million in new local revenue and benefit every community in Massachusetts.



The bill also contains several other provisions meant to help address financial pressures for communities and their residents, including:

- **Addressing long-term benefit funding pressures:** The bill will establish a new OPEB Commission to take a fresh look at opportunities to address unfunded liabilities from non-pension employee benefits.
- **Creating new property tax exemptions for seniors:** The bill will allow cities and towns to adopt a new Senior Means Tested Property Tax Exemption for qualifying seniors and to increase existing senior property tax exemptions (“clause exemptions”). The bill also adds an option to provide an annual cost of living adjustment to help combat the effects of inflation, available for seniors as well as other groups that qualify for locally adopted exemptions.
- **Codifying ability to amortize emergency deficit spending:** The bill will codify provisions allowing municipalities to amortize, or spread out, emergency-related deficit spending over three years rather than having to account for all costs in one fiscal year. This provision was recently passed as a one-time fix in response to 2023’s devastating floods.

### **Staffing Stability: Enhanced strategies and tools to address critical workforce shortages**

During the administration's Fall listening sessions with local leaders, one of the consistent themes raised across the state was the challenges municipalities face attracting and retaining staff. Mayors and managers expressed concerns about their inability to fill vacant positions across all aspects of local government, from public safety to public works, from finance to engineering, and everything in between. Without the human resources required, local government cannot provide the core services residents depend on.

The Municipal Empowerment Act includes several provisions targeted at relieving specific staffing challenges raised by local leaders:

- **Creating additional flexibilities in post-retirement employments:** The bill includes a provision aimed at addressing critical staffing shortages at the local level by expanding the process for seeking exemptions to post-retirement employment rules – a direct response to concerns raised by municipal leaders during the Administration's listening sessions about critical local staffing shortages in public safety and other areas.
- **Allowing the creation of Regional Boards of Assessors:** The bill will allow municipalities to create Regional Boards of Assessors to help streamline duties and reduce significant staffing challenges cited by many local leaders.
- **Establishing central valuation of telecom and utility property:** The assessment of certain types of personal property is currently complicated for cities and towns, requiring the hiring of costly valuation experts. The Department of Revenue's Division of Local Services (DLS) already centrally values telephone and oil/natural gas pipelines, so extending this to all telecom and to utility companies would result in a more efficient and cost-effective process for both municipalities and industry.

Additionally, the administration has proposed investments and policy changes in H2 designed to help address other critical workforce shortages at the local level, including:

- **\$500 k** to sustain the successful **Local Finance Commonwealth Fellowship Program**, which provides students at Massachusetts community colleges with career preparation and work-based learning to become the next generation of municipal finance professionals.
- **\$500 k** to launch a new program focused on **generating a pipeline of qualified individuals for high-demand municipal positions**. The program will be run by the Collins Center at UMass Boston in consultation with the Executive Office of Labor and Workforce Development and the Commonwealth Corporation.

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The Administration is also endorsing critical work being led by others to improve local staffing and finances:

- **Civil Service reforms:** The Administration is endorsing policies recently approved by the Special Legislative Commission to Study and Examine the Civil Service Law that will support alternative paths for civil service police and fire departments to recruit personnel while benefitting the system. Reforms would allow up to 50% of officers to be hired outside of the traditional civil service process and enable communities to create public safety cadet programs without requiring their own special acts.
- **Proposition 2 ½:** As previously noted, municipal budgets are heavily reliant upon property taxes, and the annual growth in that revenue source is restricted by Proposition 2 ½, which was enacted in 1980. During listening sessions, local officials noted that annual growth in employee costs, including pensions and health insurance, and other cost pressures such as education and solid waste management, often exceed the growth in property tax revenue. The Administration supports the Mass Municipal Association’s (MMA) planned examination of Prop 2 ½, its impacts on local budgets, and looks forward to engaging with MMA on the outcome of this work.

