Municipal Empowerment Act
Fiscal & Staffing Stability
Healey-Driscoll Administration

Introduction

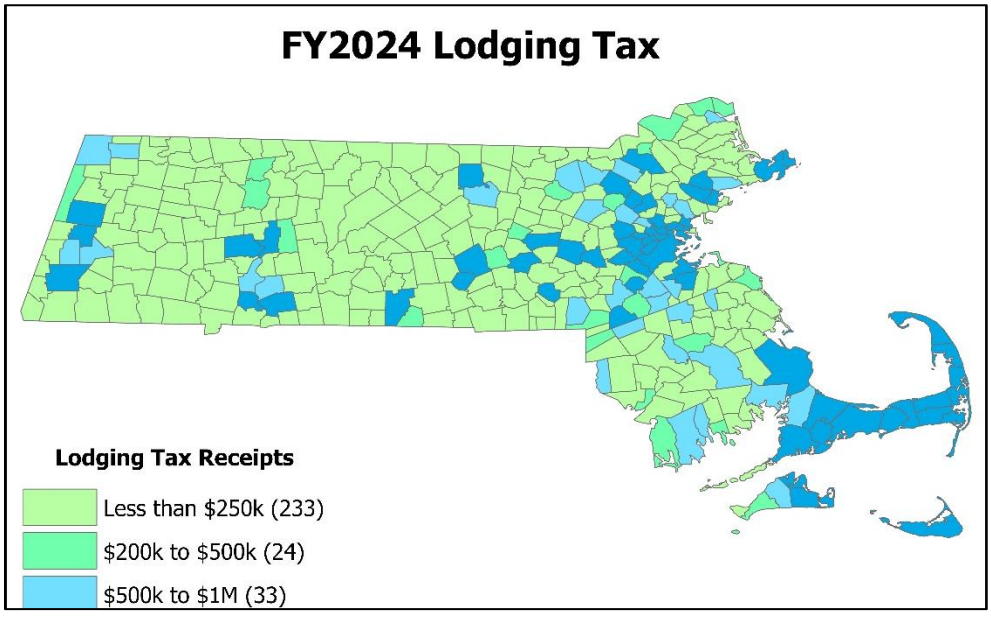
The Municipal Empowerment Act is designed to provide local governments with greater freedoms and flexibilities to serve Massachusetts residents – including provisions specifically designed to strengthen municipal finances and address critical workforce challenges, such as **increases to the local meals 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 temporary **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.

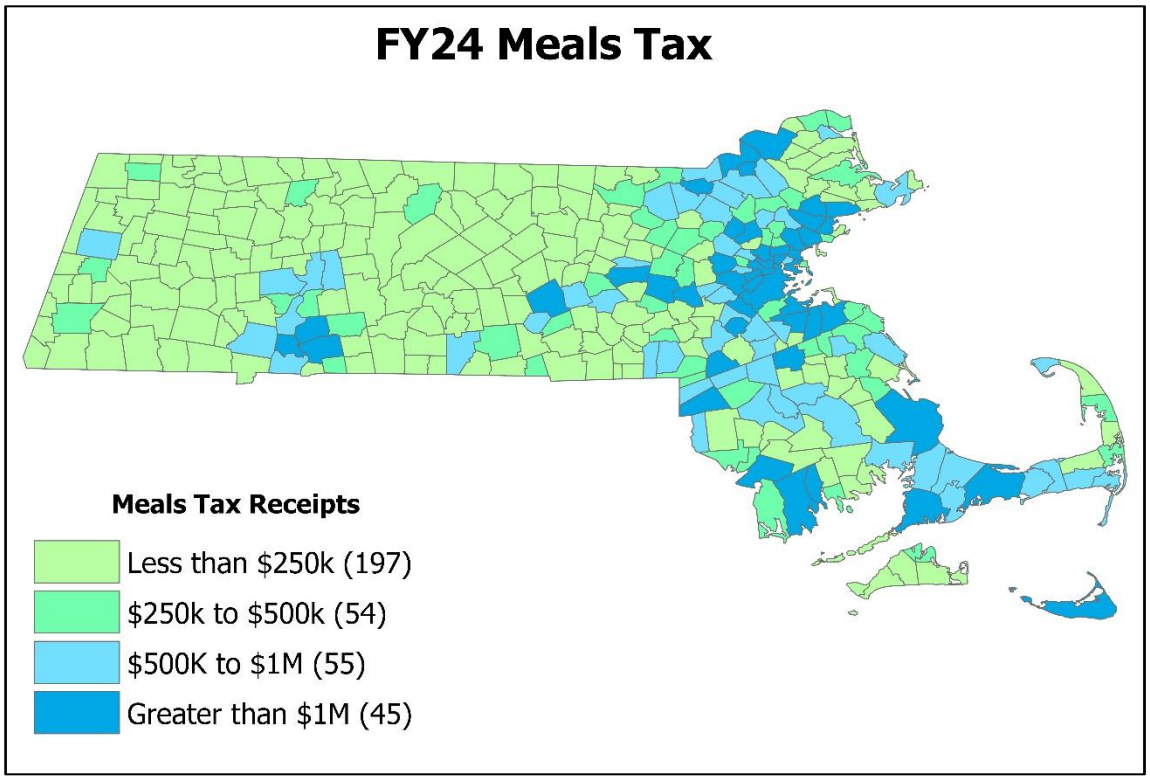
In response, the Municipal Empowerment Act includes several provisions designed to empower communities to generate additional local resources to support local needs.

First, the bill **increases the ceiling for local meals and lodging taxes**. Last changed in 2009, municipalities can currently adopt an up to 6 percent local lodging tax by local legislative vote. To date, 227 municipalities have adopted a local lodging option, generating $359 million in local



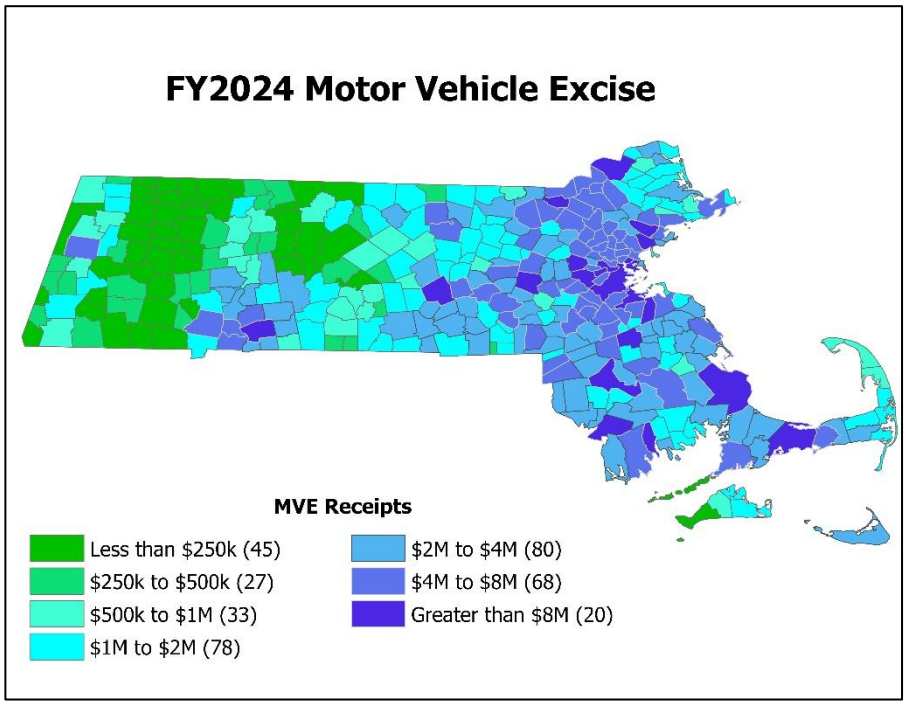
resources in FY24. The Municipal Empowerment Act proposes **increasing the maximum local lodging tax by 1 percent** (6 percent to 7 percent for all communities other than Boston, 6.5 percent to 7.5 percent for Boston). This change could unlock an estimated $57 million in additional local revenue and 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, 259 municipalities have adopted this local option, generating $186 million in local revenue in FY24. The proposed change could generate an additional estimated $62 million in annual local revenue.



Additionally, the bill **creates a new up to 5 percent local option Motor Vehicle Excise (MVE) surcharge** that can be either dedicated to local stabilization funds or treated as general fund revenue. 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 $1 billion in local revenue in FY24. Currently, the average MVE bill is $164. In communities where this local surcharge is adopted, that average bill would only increase by up to $8.20 (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 $52 million in new local revenue and benefit

every community in Massachusetts. This proposal has been updated since last session to allow municipalities to determine what MVE local option surcharge amount, up to 5 percent, makes the most sense for their community and allows resulting revenue to be dedicated to a local stabilization fund for specific purposes.



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.
- **Increase municipalities' toolbox for reducing school bus service costs**: The Municipal Empowerment Act would repeal a law that limits the ability of municipalities to start in-house school bus services when private transportation companies are available.

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

During the administration's 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 temporary flexibilities in post-retirement employments**: The bill also 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 for 3 years – 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.

The Administration will also be convening an advisory group to improve the administration of the boat excise tax. The boat excise is an existing local revenue generator to support municipal waterways improvements and maintenance. The assessment process for this excise is cumbersome, creating headaches for local officials and causing some municipalities to forgo collection of this revenue source. The Executive Office for Administration and Finance will be convening an advisory group of local officials to develop recommendations on how to streamline this assessment process to make it easier for municipalities to take advantage of this existing revenue source.