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City and Town

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Health Insurance for Municipal Employees

by James R. Johnson

Through most of the past decade, employers offering health insurance plans for their employees — both private and public employers — have been confronted with major cost increases, often reaching double digits on an annual basis.

Cities, towns and districts have been part of this national trend. The cost of funding the coverage for employees and their dependents has become a major factor in constructing a balanced budget each year. The problem is compounded by state law governing collective bargaining with public employee unions, which generally requires agreement with all of the multiple unions on insurance benefits in contracts with the employer.

The city, town or district may provide the coverage under several models. Most employers offer several plans, for example, full indemnity, HMO, PPO and others. For decades, the employer sought bids from private insurance companies for the coverage. More recently, public employers sought to operate self-insurance plans authorized under M.G.L. Ch. 32B Sec. 3A. Data collected by the Bureau of Accounts as part of the review of municipal balance sheets indicates that over 65 cities and towns use this option.

The income of such funds are the municipal appropriation, the payroll deductions from employees, and recoveries under "stop loss" policies bought by the municipality to reinsure the plan for catastrophic losses exceeding a deductible amount. The deductibles range from about \$50,000 for a small town to perhaps \$300,000 for a city with

substantial fiscal strength and a larger number of employees. Expenses are payment of claims (often performed by a hired administrator), the premium on the "stop loss" policy, and administrative costs.

Severe fiscal issues have arisen for over 15 years because of underfunding of appropriations for such plans, or claims losses exceeding estimates. Claims losses often reflect not only the rapid escalation of both costs and services, but also the lag of up to 18 months between development of the municipal budget and the end of the fiscal year.

The fiscal issues have been of the magnitude that two cities and one town that operated self-insurance plans have become subject to special legislation imposing a state-dominated control board or other sanctions.

An additional issue has been the practice of some municipalities to record as expenses cash payments only, and not "incurred but not reported" (IBNR) claims. An IBNR claim arises when the medical services are provided during a fiscal period, say in May or June, but is not paid until the next fiscal period, say in July or August. The liability clearly exists as of the fiscal year end on June 30, and such liabilities should be recorded on the balance sheet.

During 2005, Chapter 61 of the Acts of 2005 was enacted effective on August 3. The Act amends the statute authorizing cities, towns and districts to operate such plans to require an audit, which can be a part of the regular municipal audit. The Act requires the recording of claims that have been incurred

but not paid as of the conclusion of the fiscal year. The Act also provides that any deficit in operations of the plan must be provided in the next annual tax levy of a city or town, or in the next year's budget for any other political subdivision.

Section 2 of the Act provides for an exception to the funding of deficits for those entities where a deficit results from recognition of the incurred but not reported claims for the first time as the end of FY05. In this one case, the deficit may be capitalized and funded over the three fiscal years 2007, 2008 and 2009. Recognition of this requirement should be part of the FY07 budget process for any city or town involved. The Division of Local Services issued Informational Guideline Release (IGR) 05-101 in September 2005 relative to this legislation.

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From the Deputy Commissioner

Soaring health care costs have caused some communities, such as the City of Springfield, to accept Section 18 of

M.G.L. Chapter 32B in order to save money on retiree health insurance. Section 18 allows a community to shift a significant portion of its retiree health care costs to the federal Medicare program. For Springfield, these cost savings are projected to total almost \$19 million over the next three years.

Once adopted, Section 18 requires all eligible retirees to enroll in Medicare Part B. Though not all will be eligible, retirees may be eligible if they paid into the Medicare system for at least 10 years during their local government employment, during prior employment, or if a spouse contributed to Medicare. Those that are eligible likely have been automatically enrolled in Medicare Part A.

Municipal cost savings arise when retirees enroll in Medicare as this federal insurance program covers a substantial portion of their health costs. For example, Medicare Part A covers inpatient care in hospitals including critical access hospitals or skilled nursing facilities when medically necessary. Medicare Part B covers up to 80 percent of doctors' services and outpatient care. Together, the two Medicare plans provide a significant level of health coverage.

For more information on Section 18, please refer to the article entitled "Saving Money on Retiree Health Insurance," located in the Financial Management Assistance section of the Division of Local Services' website (www.mass.gov/dls).

**Gerard D. Perry
Deputy Commissioner**

Legal

in Our Opinion

Sheriff's Records Open to Public Inspection

by James Crowley

In a decision interpreting the Commonwealth's public records law, the Supreme Judicial Court held that the Barnstable County Sheriff must disclose to a local newspaper the names and addresses of reserve deputy sheriffs. The requested information was not exempt from disclosure. The decision is *Cape Cod Times v. Sheriff of Barnstable County*, 443 Mass. 587 (2005).

When James Cummings took office as Barnstable County Sheriff in January 1999, he began the practice of appointing reserve deputy sheriffs. He appointed more than 100 reserve deputy sheriffs who possess all the powers and duties of a deputy sheriff when called upon by the sheriff. Successful applicants take an oath, receive a photographic identification card, and are allowed to carry badges. When the *Cape Cod Times* requested to inspect records in the sheriff's possession pertaining to the reserve deputy sheriffs, Cummings refused access to the records. The newspaper then brought suit in Superior Court.

Sheriff Cummings contended the records were not public since they were created in a "personal" as opposed to an official capacity. Secondly, the requested records belonged to a private organization, the Barnstable County Deputy Sheriffs Association. Third, he said release of the names and addresses of reserve deputy sheriffs would be an unwarranted invasion of privacy. In his view, the reserve deputy sheriffs were merely volunteers who helped raise money for charitable endeavors including a "youth ranch," which operated on land leased by the

sheriff from the Town of Barnstable. The Superior Court ruled in favor of the sheriff and the newspaper appealed. The Supreme Judicial Court agreed to hear the case.

The Supreme Judicial Court stated that the Massachusetts public records law (M.G.L. Ch. 66 Sec. 10) was enacted to ensure access to materials made or received by any officer or employee of any political subdivision of the Commonwealth unless otherwise exempt. Courts in Massachusetts have held that a presumption exists that a record, regardless of physical form or characteristics, is public, and the burden of proof is on the custodian of the record to demonstrate that the record is exempt from disclosure. The Legislature has broadly defined public records in M.G.L. Ch. 4 Sec. 7 Cl. 26 and then listed 15 exemption provisions. At issue for the Supreme Judicial Court was whether the names and addresses of reserve deputy sheriffs were personal records exempt from disclosure.

The court observed that the appointment of reserve deputy sheriffs is an official act. Sheriff Cummings made these appointments by virtue of the public office he holds since the power to appoint "inheres in the office of the Barnstable County Sheriff." In the court's view, Sheriff Cummings acted as a public official and not as a private citizen when he made these appointments. Furthermore, the records of the appointments in the sheriff's office were made by Cummings as a consequence of his official status and must be disclosed unless some exemption provision applied.

In its review of the various statutory exemption provisions, the court began with M.G.L. Ch. 4 Sec. 7 Cl. 26 (e), which exempts records that were "personal to him and not maintained as part of the files of the governmental unit." As

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Focus

on Municipal Finance

A Report from the Municipal Finance Task Force

by John Hamill

Massachusetts cities and towns are facing a long-term financial crunch caused by increasingly restricted and unpredictable local aid levels, constraints on ways to raise local revenue, and specific costs that are growing at rates far higher than the growth in municipal revenues.

Municipal managers and elected officials across the state — regardless of whether they live in cities, towns, resort communities and rural hamlets — understand that municipal government is nearing a crisis point. Citizens are feeling increasingly sour toward local government because their family's property

tax bill has increased dramatically, they are now paying fees for many services that used to be covered by general revenue, and, still, core local government services are being cut.

For the past nine months, I have chaired the Municipal Finance Task Force, a group of statewide experts and leaders from the business sector, the non-profit community, unions, municipal government, state government and academia that was charged with providing an analysis of municipal revenues, municipal expenditures and local aid focused on the period of 1981–2005. Our work was facilitated by the Metropolitan Area Planning Council.

The task force's mission was to understand long-term trends in municipal finances and their impact on local budgets and services, to enable municipalities to develop strategies and policies

to better navigate these trends, and to provide recommendations for our political leaders at the local and state levels. This fall, we released a comprehensive report, *Communities At Risk*, which tries to distill what we learned.

After nine months of in-depth discussions and financial analysis, it is clear that our system for financing local government in Massachusetts is fundamentally broken.

We are hopeful that the task force's work will shine a light on the facts we uncovered through our research and prompt a public debate about the state of local government finances in Massachusetts.

Municipal Budget Growth

Despite stereotypes to the contrary, municipal budgets have seen only modest real increases over the past 25 years.

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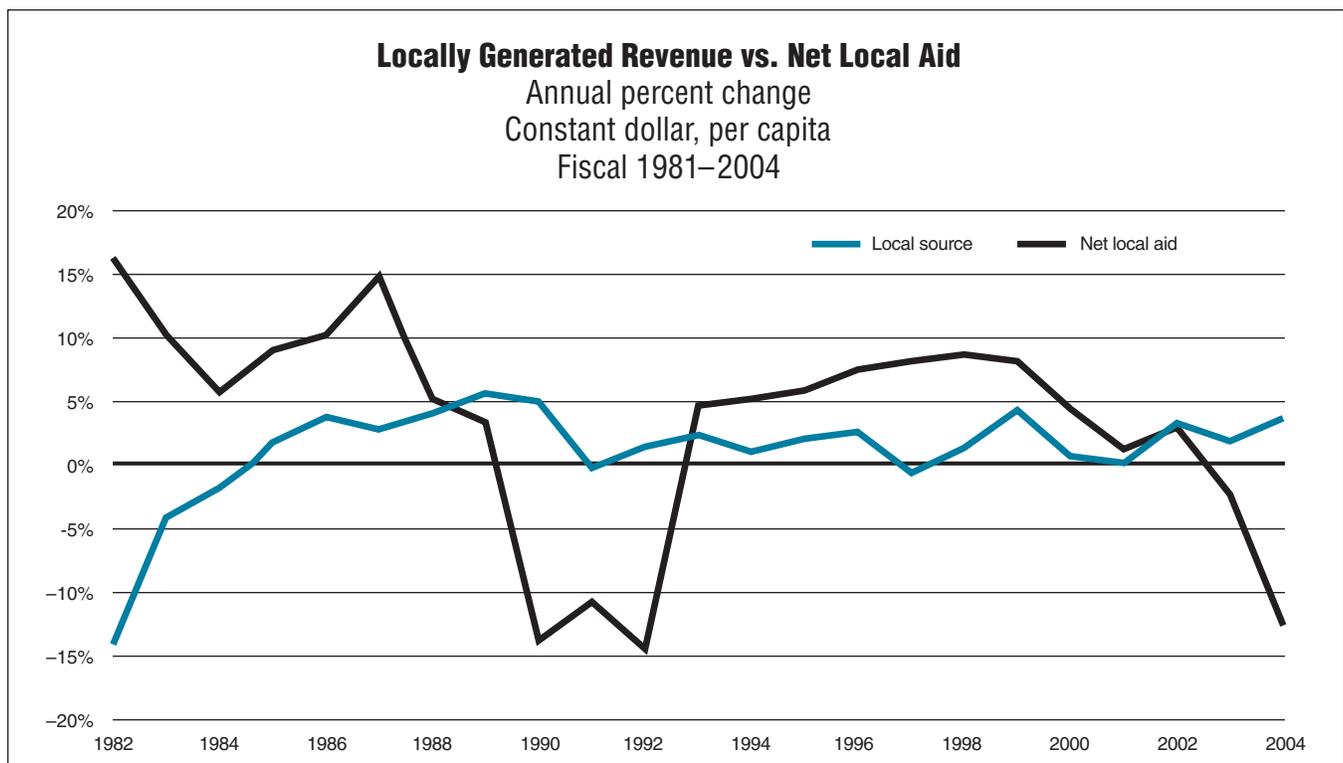


Figure 1

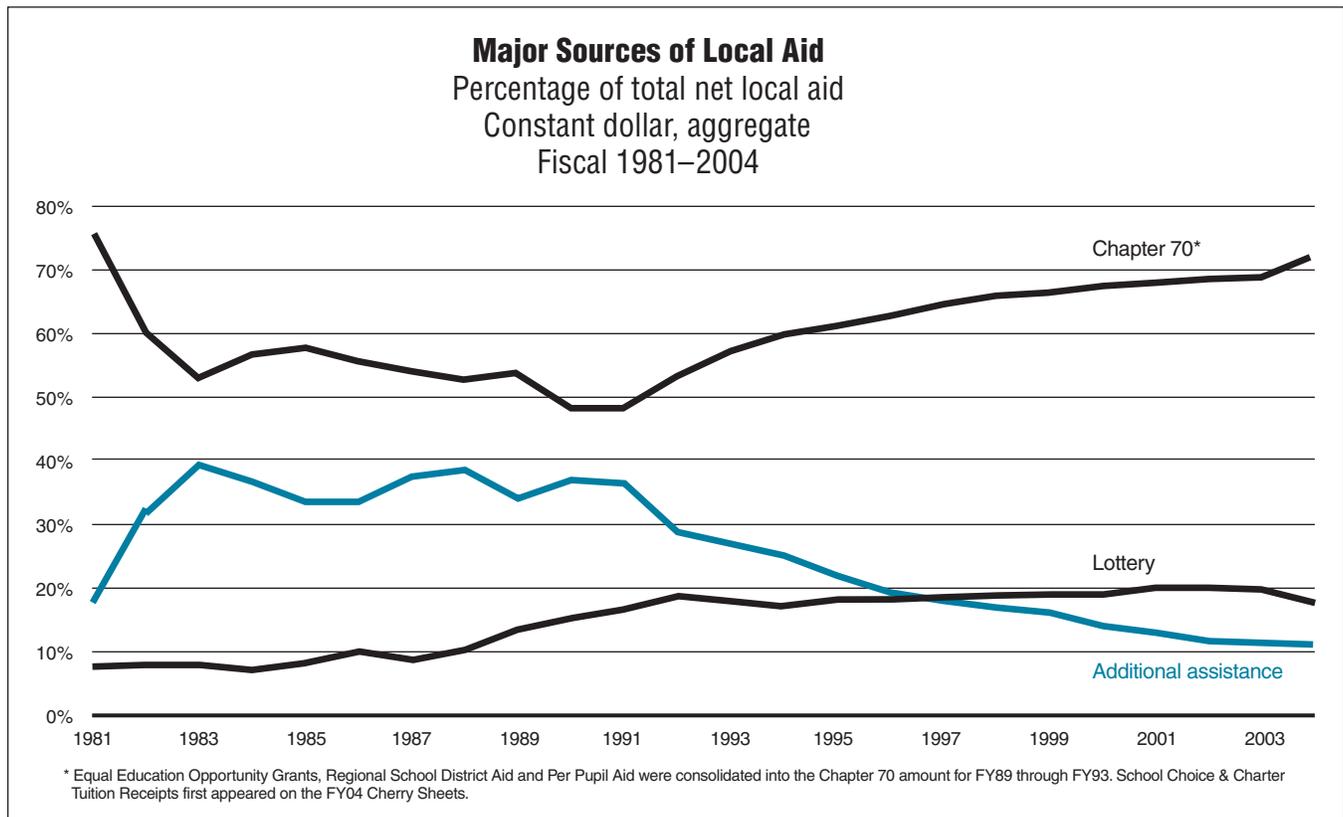


Figure 2

Since 1981, per capita annual growth for municipal budgets has averaged only 1.1 percent after adjusting for inflation.

The anecdotal stories about municipalities being profligate with tax dollars might be true in specific incidents, but the facts simply do not support the argument that municipal budgets are out of control.

Likewise, we often read media reports about particularly generous union contracts. However, the long-term trend uncovered by the task force is that municipal wages are only growing at .7 percent in inflation-adjusted terms between 1994 and 2003, compared to 1.8 percent for the private sector and 1.0 percent for state employees over the same period.

Beyond that, municipal governments in Massachusetts have been shedding employees more steeply than any other state in the nation. The Massachusetts Taxpayers Foundation reported last year

that Massachusetts cities and towns cut 14,200 jobs, or 5.2 percent of municipal employees, between February 2002 and August 2004.

Municipal Health Insurance Crisis

Obviously, every employer is struggling with soaring health care costs. Municipalities are particularly hard-hit, and there is a quiet crisis at the local level. The Massachusetts Taxpayers Foundation recently surveyed a representative sample of Massachusetts municipalities and found that local health insurance costs have skyrocketed more than 60 percent since 2001, a rate of growth that is simply not sustainable.

Many cities and towns are now spending more than 10 percent of their total municipal budgets on health insurance premiums. The foundation's report also found that 80 percent of property tax growth allowed under Proposition 2½ is being used on that one line item.

Unlike private employers or the state government, complicated laws leave cities and towns little flexibility in mitigating rising health care costs. As a result, the rate of growth in health insurance premiums for municipalities is double the level of growth for state government.

Support for Core Government Services

There are those who argue that cities and towns have benefited from enormous increases in local aid from state government through the 1990s. It is true that there has been a significant and worthwhile increase in education aid to cities and towns (although the distribution of that aid has varied greatly by community), but municipalities are limited to spending those resources only on schools.

A broad analysis of all major categories of local aid clearly shows that non-school aid has been stagnant or declining for more than 15 years. Most dramat-

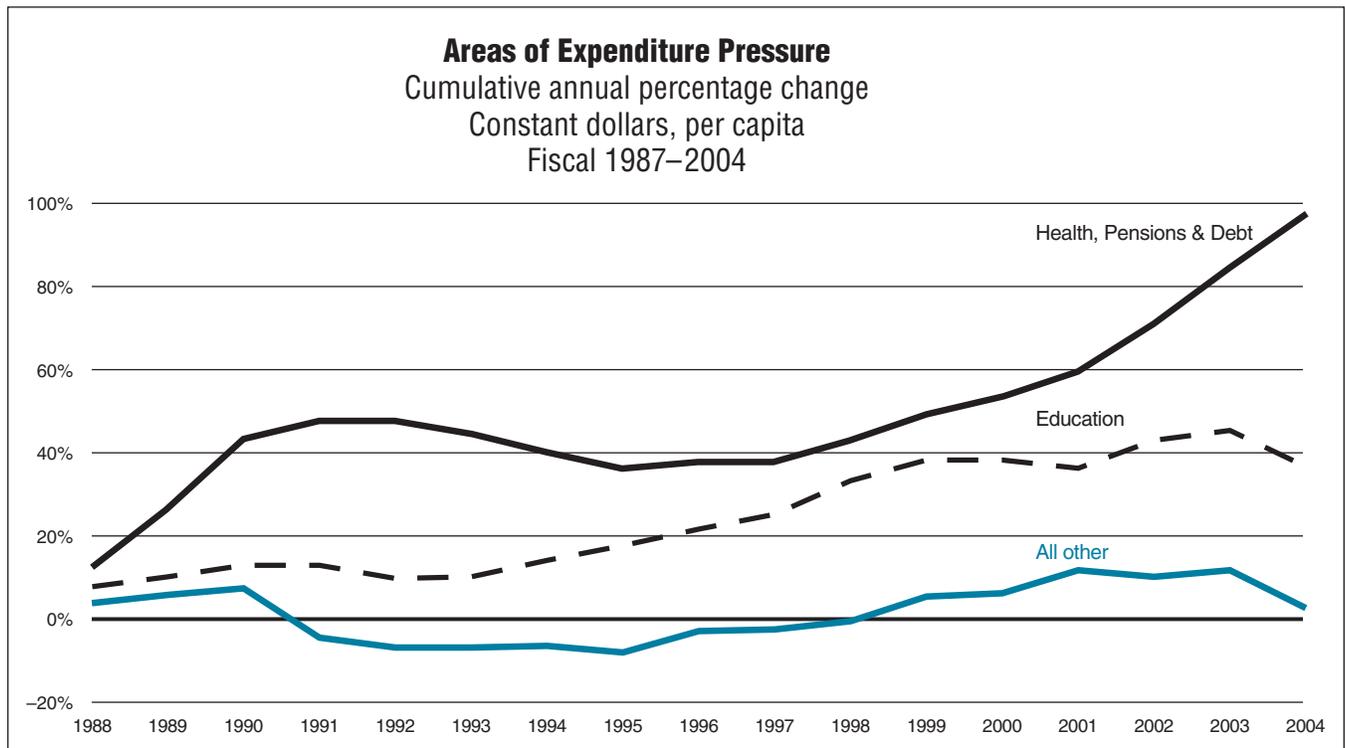


Figure 3

ically, one category of non-school aid known as “Additional Assistance,” which used to go to all Massachusetts cities and towns, now only serves fewer than half of our municipalities, has diminished by more than \$430 million, and has lost its moorings from a formula that people can understand.

The Role of Local Aid

Massachusetts cities and towns are partners with the Commonwealth in delivering public services, such as local and state police protection, educational services from pre-school to graduate school, and a transportation system that runs from neighborhood cul-de-sacs to interstate highways.

However, despite the best intentions and sustained efforts of state policymakers, the partnership between the state and municipalities is threatened and needs to be reinvigorated. One striking fact: state expenditures for local aid peaked in fiscal 1988 at 20 percent of total state

expenditures, then dropped to 13.4 percent in 1993, and stood at 16.4 percent in 2004.

Increasing Property Taxes

In part because of the cuts to local aid that have occurred in recent years, as well as other factors like stagnant commercial property values, property taxes in Massachusetts are increasing, and family budgets are being impacted in significant ways.

Property taxes accounted for 52.9 percent of all municipal revenues in fiscal 2004, up from 46.1 percent in 1988, and residential property taxes now represent 72 percent of all property taxes paid, up from 68 percent in 2000.

This has real significance to families living in Massachusetts. Excluding 11 communities with residential tax exemptions, the Department of Revenue reports that the average family tax bill increased \$910 from FY00 to FY05.

Diminishing Core Government Services

All of these trends combined put enormous pressure on core municipal budgets. Possibly the most remarkable statistic in the report is that since 1987, per capita expenditures by cities and towns for core municipal services (excluding health care insurance, schools, and some fixed costs) have declined by an average of -0.3 percent growth in real terms.

As an example of what this means, the task force highlighted that spending on public works declined from 15 percent of municipal expenditures in fiscal 1987 to 9 percent in 2004. Ultimately, these long-term trends mean that we have fewer employees filling potholes, picking up trash, or plowing snow — basic quality-of-life services that citizens expect and rely on to be provided by their communities.

A Report from the Municipal Finance Task Force

The impact is not limited to public works. We see the results of these long-term trends in municipal finances in shortened library hours, fewer health and human services offered to residents, closed fire houses or fewer police patrols in neighborhoods.

A Blueprint for Reform

The Municipal Finance Task Force has proposed a comprehensive set of recommendations to stabilize municipal finances and revisit the partnership between the Commonwealth and its communities. There are no easy answers to the current situation, but it is clear that ensuring the viability of local govern-

ment must be a central concern for our state's policymakers and will require sustained commitment to a reinvigorated partnership.

The recommendations center around the Commonwealth's need to pursue strategies and policies that will ensure state assistance is sufficient and predictable, provide communities with additional ability to control non-property tax local revenues, and give communities the tools to better control costs.

Without action on these kinds of reforms, we face a future of diminished public services and higher local prop-

erty taxes that will create an increasingly sour political culture at the local level. That is not a future we want. Fortunately, we can shape our state's future through positive actions that recognize the struggle of cities and towns to provide the kinds of public services we deserve. ■

John Hamill is the Chairman of Sovereign Bank New England and served as Chairman of the Municipal Finance Task Force. A full copy of the report and its recommendations can be downloaded at www.mapc.org/.

Editor's note: This article represents the opinions and conclusions of the author and not those of the Department of Revenue.

continued from page five**Insurance****continued from page one**

Other cities, towns and districts are members of a joint purchase group authorized by section 12 of Chapter 32B. Such groups serve entities on the Cape and Islands, the west suburban area, the central Middlesex area, and parts of Berkshire County. The Bureau of Accounts is compiling participation data on these entities as part of the checklist submitted with city and town balance sheets this year.

Still other cities, towns and districts purchase insurance through the Massachusetts Interlocal Insurance Association, operated by the Massachusetts Municipal Association.

Continual attention to this volatile cost is needed to prevent budget deficits and insure sound operation of any funds established. ■

Sheriff's Records**continued from page two**

the court noted, the "personal" exemption provision would not apply to the appointment of reserve deputies since this is an official action by the sheriff. Secondly, the court disposed of the argument that releasing the names and addresses of reserve deputies would "constitute an unwarranted invasion of privacy," which is a basis for exemption found in paragraph (c) of M.G.L. Ch. 4 Sec. 7 Cl. 26. Citing prior decisions that interpreted this provision, the court held that the names and addresses of adults were not considered to be "intimate details" of a "highly personal nature." Third, the court rejected the sheriff's argument that release of the requested information could subject him to liability under M.G.L. Ch. 214 Sec. 1B for an invasion of privacy. According to the court, although M.G.L. Ch. 214 Sec. 1B establishes "a right against unreasonable,

substantial or serious interference" with privacy, this statute did not establish an alternative basis for non-disclosure of records. In fact, M.G.L. Ch. 4 Sec. 7 Cl. 26 (c) provides a broader protection against disclosure of records than M.G.L. Ch. 214 Sec. 1B. Finally, the court rejected the sheriff's argument that the release of the names and addresses could violate a constitutional right to privacy. In the court's view, a right to privacy would not keep from public scrutiny the names and addresses of those who applied for a public appointment.

Consequently, under the facts presented, the Supreme Judicial Court found that the names and addresses of the reserve deputies were public information because a public official appointed these individuals. ■

DLS Update

Colleary Appointed PTB Chief



Deputy Commissioner Gerard D. Perry has announced that **Kathleen Colleary, Esq.** has been appointed Chief of the Division's Property Tax Bureau (PTB).

The attorneys of the Property Tax Bureau are specialists in municipal law, particularly in property taxation and finance.

During her 25-year tenure at the Department of Revenue, Kathleen has been a valuable resource for state and local officials, as she possesses a wide range of expertise in laws relating to municipal finance. She is regarded as a subject matter expert in such key areas as assessment administration, Proposition 2½, special funds, the Community Preservation Act and town meeting procedures relating to budgets.

In addition, Kathleen participates as an instructor in most of the Division of Local Services' training programs, including Course 101, the basic course for assessors, and the annual New Officials Finance Forum. She also participates in the Division's "What's New in Municipal Law" seminars and is an instructor in educational programs sponsored by the various statewide, professional associations of municipal finance officers.

Kathleen began working for the Division in 1980 as an attorney in the Bureau of Local Assessment and eventually joined the Division's legal staff in 1986. She holds a bachelor's degree in political science from Arizona State University and a law degree from Boston College Law School. In 1996, she was

an individual recipient of the Commonwealth of Massachusetts' Citation for Outstanding Performance, and was a group recipient of this award in 2003 and in 2005.

Perry said that "Kathleen's qualifications — including her vast legal knowledge and ability to communicate complicated issues clearly and concisely — will be of great benefit to local officials as well as staff within the Division."

DLS Offers Budget Workshops

The Division of Local Services (DLS) will offer budget workshops for Massachusetts communities, to be held during the months of February through June 2006. These workshops offer participating communities an opportunity to develop preliminary budget estimates for the coming fiscal year.

The workshops include a general discussion of the factors that generate changes in revenues, as well as the factors governing changes in expenditures. The computation of the tax rate will also be reviewed.

Best results have occurred where the town officials and DOR employees discuss the factors in an interactive way. Participants should include representatives of the selectmen, assessors, finance committee as well as the accountant, treasurer and collector. In this way, all groups involved in setting the tax rate gain a common knowledge base.

Due to resource constraints, the Division will offer approximately 10 of these workshops. Preference will be given to smaller communities that have not yet participated in a budget workshop and/or have experienced a significant turnover in municipal finance staff. The

Division will provide all participants with workshop materials.

If the town would like to arrange a budget workshop, the Board of Selectmen should contact Tom Guilfoyle, DLS regional manager, at 617-626-2351.

CPA Matching Funds Distributed

Deputy Commissioner Gerard D. Perry has announced that the matching funds under the Community Preservation Act (M.G.L. Ch. 44B) reflecting surcharges on property taxes during FY05 were distributed on October 15, 2005.

The state matching funds this year were calculated at 100 percent of the amounts committed by the assessors, based on the surcharge rate adopted. While Chapter 44B provided for a multi-tier formula for computation of the matching funds, the fund balance at June 30, 2005, was sufficient to award 100 percent of the commitment in the first tier, which is the maximum allowed under the statute.

Chapter 44B contains requirements for minimum appropriations or reservations for each of the three purposes of the Act. Local officials should consult Informational Guideline Release 00-209 (as amended by IGR 01-207 and IGR 02-208). These IGRs are available on the Division of Local Services' website at www.mass.gov/dls under "IGRs" in the Quick Links Box.

The table on page 8 lists the 82 communities that received CPA matching funds in FY06, based on their FY05 surcharges. ■

DLS Update

CPA Matching Funds

Municipality	Fiscal year adopted	CPA reimbursement	Surcharge pct. adopted (3% max.)	Municipality	Fiscal year adopted	CPA reimbursement	Surcharge pct. adopted (3% max.)
Acton	2003	568,164	1.50	Mashpee	2006	851,270	3.00
Acushnet	2004	93,233	1.50	Medway	2002	457,682	3.00
Agawam	2003	341,504	1.00	Mendon	2004	163,634	3.00
Amherst	2002	183,797	1.00	Middleton	2005	109,686	1.00
Aquinnah	2002	51,867	3.00	Nahant	2005	129,606	3.00
Ashland	2003	568,794	3.00	Nantucket	2002	1,198,320	3.00
Ayer	2002	93,534	1.00	Newburyport	2004	480,381	2.00
Barnstable	2005	2,278,621	3.00	Newton	2002	1,899,326	1.00
Bedford	2002	918,041	3.00	Norfolk	2002	337,143	3.00
Bourne	2006	784,861	3.00	North Andover	2002	1,051,237	3.00
Boxford	2002	425,503	3.00	Norwell	2003	559,835	3.00
Braintree	2003	436,040	1.00	Orleans	2006	434,981	3.00
Brewster	2006	571,315	3.00	Peabody	2002	518,116	1.00
Cambridge	2002	5,905,823	3.00	Plymouth	2003	1,095,674	1.50
Carlisle	2002	270,723	2.00	Provincetown	2005	281,309	3.00
Chatham	2003	539,516	3.00	Rockport	2003	330,388	3.00
Chelmsford	2002	205,310	0.50	Rowley	2002	238,895	3.00
Chilmark	2002	135,130	3.00	Sandwich	2006	1,042,173	3.00
Cohasset	2002	278,306	1.50	Scituate	2003	721,362	3.00
Concord	2005	652,084	1.50	Southampton	2002	99,960	3.00
Conway	2005	43,520	1.50	Southborough	2004	202,990	1.00
Dartmouth	2003	381,760	1.50	Southwick	2004	155,493	3.00
Dennis	2006	758,958	3.00	Stockbridge	2003	101,571	3.00
Dracut	2002	527,457	2.00	Stow	2002	331,284	3.00
Duxbury	2002	967,965	3.00	Sturbridge	2002	271,839	3.00
Eastham	2006	383,978	3.00	Sudbury	2003	1,105,972	3.00
Easthampton	2003	206,753	3.00	Truro	2006	246,726	3.00
Easton	2002	625,268	3.00	Tyngsborough	2002	328,691	3.00
Falmouth	2006	1,767,448	3.00	Upton	2004	223,744	3.00
Georgetown	2002	223,686	3.00	Wareham	2003	436,112	3.00
Grafton	2003	198,449	1.50	Wayland	2002	465,413	1.50
Groveland	2005	172,706	3.00	Wellesley	2003	586,852	1.00
Hadley	2005	151,427	3.00	Wellfleet	2006	290,133	3.00
Hampden	2002	38,372	1.00	Westfield	2004	241,365	1.00
Harvard	2002	127,763	1.10	Westford	2002	1,078,627	3.00
Harwich	2006	840,098	3.00	Weston	2002	1,189,090	3.00
Hingham	2002	530,396	1.50	Westport	2003	310,535	2.00
Holliston	2002	284,723	1.50	Wilbraham	2005	192,240	1.50
Hopkinton	2002	532,714	2.00	Williamstown	2003	140,391	2.00
Leverett	2003	56,315	3.00	Yarmouth	2006	1,076,698	3.00
Lincoln	2003	461,436	3.00	Total		46,337,391	
Marshfield	2002	777,289	3.00				

DLS Update

Chesterfield–Goshen Finance Board Established

On September 23, 2005, Governor Romney signed House Bill 2603, an act which established a state controlled “finance advisory board” (FAB) to regulate the finances of the Chesterfield–Goshen Regional School District.

The district is comprised of the towns of Chesterfield and Goshen. It operates under a regional agreement dated in 1996, and operates an elementary school for students in kindergarten through grade six. The form of government is an elected six-member school committee, who are responsible for appointing a superintendent, who is the chief operating official for the district. In FY05, the district’s operating budget was approximately \$2 million.

James R. Johnson, Director of Accounts, said that the board was established to remedy the district’s “recurrent financial problems, including a deficit of \$180,000, as disclosed in the district’s most recent audit.” Johnson also said that the district “was unable to pay principle and interest on bonds issued in 1999.”

According to Johnson, the district’s failure to make bond payments triggered the implementation of M.G.L. Ch. 44 Sec. 19A, a law that empowers the state treasurer to pay the overdue principle and interest to prevent the district from defaulting on the loan.

The Chesterfield–Goshen FAB is crafted after the legislation that established the FAB for the Nashoba Regional School District in the fall of 2002. At that time, the Nashoba Regional School district was experiencing financial problems, which reached near crisis proportions. That board dissolved in June 2005, with the district successfully overcoming its fiscal problems.

The five-member Chesterfield–Goshen FAB is comprised of staff from the Division of Local Services (Thomas Guilfoyle, control board chairperson and designee of the Commissioner of Revenue; Melinda Ordway, designee of the Deputy Commissioner; and Dennis Mountain, designee of the Director of Accounts) as well as a designee of the Commissioner of Education and the Chair of the Chesterfield–Goshen Regional School District.

The legislation authorizes deficit borrowing for the district and creates a strong financial oversight role for the FAB. For example, “no appropriation, borrowing authorization or transfer shall take effect until approved by the board.” In addition, the board shall have the authority to:

- amend any appropriation, borrowing authority, transfer, or other municipal spending authority;
- set, raise or lower fees or charges;
- encumber or impound any unexpended or unencumbered appropriation or spending authority;
- review the annual budget prepared by the superintendent and issue a report of its findings; and
- establish a special reserve fund for extraordinary and unforeseen expenditures.

The board shall continue in existence until at least June 30, 2008.

Volunteer Firefighters Now Covered in Event of Tragedy

On November 8, 2005, Governor Romney signed legislation that provides a \$650,000 annuity to the family of fallen call firefighter Martin H. McNamara V, and requires cities and towns to provide death benefits to the families of vol-

unteer or part-time public safety officers who lose their lives in the line of duty.

Martin McNamara died while fighting an apartment fire in Lancaster in 2003. His status as a call firefighter prevented his wife and three children from receiving survivors’ benefits.

Earlier this year, with the support of the local legislative delegation, the governor proposed a \$650,000 transfer to the state pension fund to pay for the cost of an annuity for the McNamara family. At the same time, the governor also proposed making death benefits available to the families of volunteer and part-time first responders who die on the job. About half of the Commonwealth’s 20,000 firefighters operate on a call or part-time basis. Since 1980, seven such firefighters have died in the line of duty.

Communities may choose one of three options to provide benefits to survivors: they may purchase an annuity; pay for an insurance policy that provides a one-time benefit of \$500,000; or purchase an insurance policy that would cover the cost of an annuity to benefit the family of the deceased.

“I remember vividly the night that I responded to the tragic Lancaster fire that claimed the life of Marty McNamara,” said State Fire Marshall Stephen D. Coan. “While there can never be a silver lining when a life of a firefighter is lost in the line of duty, it is comforting to the families of call and volunteer firefighters across the state to know that from this day forward, if a similar tragedy occurs, the community will protect the firefighter’s family.” ■

DLS Update

New Senior Tax Relief Bill Signed

On November 20, 2005, Governor Romney signed legislation, Chapter 136 of the Acts of 2005, to provide property tax relief for Massachusetts senior citizens, which he said will help more seniors stay in their homes.

The act makes it easier for seniors to qualify for the refundable credit against their state income taxes known as the "circuit breaker tax credit." This credit has been available for tax years beginning on or after January 1, 2001, to homeowners and renters who are 65 or older at the close of the taxable year. See M.G.L. Ch. 62 Sec. 6 (k). To qualify, taxpayers must meet certain income limits and pay more than 10 percent of their income in real estate taxes on their domiciles. For taxpayers who own their homes, the assessed valuation of the home must also be within a certain limit. The law provides for the statutory base income and assessed valuation thresholds and the maximum credit to be adjusted annually based on the inflation rate.

As house values have risen, however, fewer seniors have become eligible for credits. This new bill raises the base property value threshold making more seniors eligible for tax relief. As a result, for tax year 2005, the assessed valuation, before the residential exemption but after the abatements, of the homeowner's principal residence may now not exceed \$600,000. Previously, the house had to be valued at \$452,000 or less. In addition, in future years, this new base amount will be adjusted by changes in assessed values so that it more accurately reflects the current real estate market. The income thresholds and maximum credit will continue to be adjusted by the inflation rate.

For homeowners and renters, the maximum credit available in 2005 is \$840 based on the actual real estate taxes or rent paid. To qualify, the taxpayer's "total income" cannot exceed \$45,000 for a single individual who is not the head of household; \$56,000 for a head of household; and \$67,000 for a husband and wife filing a joint return. For more information on the 2005 circuit breaker credit, refer to Technical Information Release (TIR) 05-17 (as revised). The direct link to this TIR is www.mass.gov/dor/rul_reg/tir/tir_05_17.htm.

The law also gives cities and town the option of charging seniors a lower rate of interest on property tax bills they have deferred. People 65 or older who meet certain income limits can defer property tax payments, but they must pay 8 percent annual interest on the amount deferred. Deferred taxes are then paid to the municipality on the owner's demise or property transfer, together with the interest. Eligible seniors must have gross receipts of no more than \$20,000, unless the city or town has adopted a higher limit which cannot exceed \$40,000. Now, cities and towns will also have the option of lowering the interest rate to as low as zero percent. The law requires the lower rate to be voted by the legislative body before the July 1 beginning of the fiscal year. Therefore, fiscal year 2007 is the first year cities and towns can implement a lower rate.

State Auditor Issues Report on Senior Property Tax Relief

State Auditor A. Joseph DeNucci issued a report in September 2005 calling for the consolidation of senior property tax relief programs into a single, state-funded program that provides uniform and increased benefits to senior citizens.

The report, conducted by his Division of Local Mandates, cited a complex system of local options that has resulted in major inconsistencies in property tax relief from community to community. For example, a senior who does not qualify for relief in one town could move to a neighboring town and qualify for a 60 percent tax break — as much as \$1,750 off the average property tax bill.

Moreover, the report found that state reimbursements to cities and towns for senior exemptions have declined to 76 percent of total exemption payments, providing only \$12.1 million in state aid for the \$16 million in local property tax exemptions currently granted. The report also said the exemptions have not kept pace with inflation and rising property values. As a result, the number of eligible seniors receiving benefits has declined from 50,000 in 1995 to 36,000 in 2004.

According to the auditor's report, the average local tax exemption for eligible senior citizens is \$500, which now relieves about 17 percent of the average property tax bill. In 1982, the same tax break represented an average 48 percent of the tax bill. To keep pace with the original legislative intent to offset 50 percent of the average statewide tax bill, the average exemption would have to be increased to \$1,446.

The report also noted that outdated reimbursement formulas have led to unintended and uneven results.

To address these inequities, the report recommended these improvements.

- Replace the existing menu of local options with a single, standardized, state-funded exemption program that is indexed to inflation. This could be done through the existing statewide Circuit

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DLS Profile
BLA Certification Advisor

In December 2004, **Deborah Stuart** began working for the Bureau of Local Assessment (BLA). She brings valuable experience in assessment and real estate, as well as computer technology, to the Division of Local Services. According to George Martin, finance director and town accountant in Hanover, “Deb’s technical understanding of the whole valuation process is superb.”

Deb began her career in assessment in the late 1980s as a consultant for an appraisal company. In 1991 she began working for the Town of Marshfield as an assistant assessor. A few years later, she was Hanover’s assessor/appraiser.

Eventually, Deb left her position in Hanover to begin a new career in the technology field. She attended Boston University where she earned a certificate in software development and web design, and this launched her career in the private sector working for Internet start-up companies. However, as the “dot.com” industry began experiencing some difficult financial times, Deb pursued and received a real estate broker’s license, and became a realtor in 2003.

Currently, Deb is the certification advisor for 34 communities located in Bristol, Dukes, Plymouth and Norfolk counties. She says she likes working for BLA because she enjoys working with local officials as well as performing the statistical analysis and data quality studies that her duties entail. She holds a bachelor’s degree from the University of Massachusetts in management. Originally from Hanson, Deb lives in the Green Harbor section of Marshfield. Outside the Division, she has coached youth soccer and finds time to row for the Duxbury Maritime School. ■



Deborah Stuart

Law Seminar Materials Online

The Division of Local Services has posted online the materials that were disseminated at this year’s “What’s New in Municipal Law” seminars. These seminars, offered by the attorneys of the Division’s Property Tax Bureau, were held in late September in West Springfield and Randolph. Presentations included discussions on new legislation and recent court decision pertaining to local government. To link to these materials, click on www.mass.gov/dls/publics.htm.

The attorneys of the Property Tax Bureau are specialists in municipal law, particularly in property taxation and finance. They interpret new laws and respond to the legal concerns of local officials.

Be sure to mark your calendars for next year’s seminars, which will be held on Friday, September 29, 2006, in West Springfield and Friday, October 6, 2006, in Randolph. ■

State Auditor

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Breaker Program that currently provides up to \$840 in property tax relief for eligible seniors through state tax credits.

- Increase the amount of state-funded tax relief to the original 50 percent goal, which would cost the Commonwealth an additional \$16 million. This would include a hold-harmless provision to ensure that no senior would receive less relief than he or she presently receives.
- Give communities the flexibility to charge a reasonable but limited interest rate in the existing property tax deferral program, which is currently underutilized by seniors because of the high fixed interest rate set by state law.

DeNucci said these reforms would free up about \$4 million in local revenue and reduce administrative costs attributable to the current program. ■

City & Town
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Joan E. Gourke, Editor

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