



April 15th, 2021



#### In this edition:

- **New Growth, Employee Onboarding/Offboarding, Setting the Tax Rate, and Calculating the Levy and Tax Limit Trainings Now Available**
- **Motor Vehicle Excise: Trends & Forecasting**

#### Important Dates & Information

#### **Bulletin 2021-2: FY2022 Budget Issues and Other Related Matters**

This [Bulletin](#) addresses several issues that cities, towns, regional school and other districts should consider for

#### **New Growth, Employee Onboarding/Offboarding, Setting the Tax Rate, and Calculating the Levy and Tax Limit Trainings Now Available**

DLS has recently added new items to the [Municipal Finance Training and Resource Center](#) that we hope you'll find helpful and informative:

- A new [video](#) presentation providing an overview of new growth, how it is calculated, and the various reporting requirements associated with it. For additional sources on new growth review, view *IGR 2021-10: Fiscal Year 2022 Guidelines for Determining Annual Levy Limit Increase for Tax Base Growth* by clicking [here](#).

(Note: All communities must use Gateway's document upload option to attach one or more supporting documents to the LA-13 New Growth form. See [instructions](#) for FY2022. This includes the required use of its [standardized New Growth Excel Template in FY 2022](#).)

- A [guide](#) to some of the municipal finance laws regarding the onboarding and offboarding of municipal employees. While each municipality should have its own thorough process as part of its human resources function, there are also several other requirements set forth by state statute and by the Division of Local Services that communities must

FY2022 budget issues and other related matters including:

- **Coronavirus Relief Fund (CvRF) and The American Rescue Plan Act (ARPA)**
- **Dedication of Revenue Stream to a Stabilization Fund**
- **Estimating FY2022 Receipts**
- **Estimating FY2022 Enterprise Revenues**
- **Appropriations from Free Cash to Reduce the Tax Levy**
- **Appropriating from Free Cash or Enterprise Retained Earnings**
- **Balance Sheets as of 6/30/2021 and Revenue Recognition**
- **Betterment Reserve**
- **Special Accounting Treatment for Intended FEMA Reimbursement**
- **Early Voting Law**
- **911 Reimbursements**
- **Borrowing Purposes and Terms**
- **Borrowing - Premiums, Surplus Proceeds and Debt Exclusions**
- **Certification of Notes and Receipt of Audit Reports**
- **Court Judgments**
- **Departmental Revolving Funds**
- **Emergency Expenditures**
- **Energy Generating Facilities Enterprise Fund**
- **Energy PILOTs under G.L. c. 59, § 38H(b)**

follow when transitioning staff in certain positions.

- Video presentations that provide an overview of [setting the tax rate](#) and using DLS worksheets to calculate the [levy limit](#) and [tax limit](#).

We plan to add a video presentation on tax billing schedules in the coming weeks!

Be sure to bookmark the [Municipal Finance Training and Resource Center](#) page and subscribe to our [YouTube channel](#) to stay updated on new items added. Is there something you'd like to see added? Please send us your feedback by completing [this brief survey](#) or emailing us at [DARB@dor.state.ma.us](mailto:DARB@dor.state.ma.us).

#### **Motor Vehicle Excise Tax: Trends and Forecasting Tony Rassias - Deputy Director of Accounts**

Every calendar year, pursuant to [M.G.L. c. 60A](#), there is assessed and levied a motor vehicle excise (MVE) tax to the owner of every motor vehicle and trailer registered in Massachusetts under [M.G.L. c. 90](#), for the privilege of registration, and in lieu of a personal property tax. Owners of a motor vehicle must pay an excise tax equivalent to \$25 per \$1000 of value for the calendar year. The excise value for the year is calculated by applying the percentage fixed by law to the manufacturer's list price for vehicles of the same make, type, model, and year of manufacture. The percentage declines over several years, as shown in the table below:

<u>Excise Assessed for:</u>	<u>Percentage</u>
Model year	90%
Second year	60%
Third year	40%
Fourth year	25%
Fifth and following years	10%

For many years, next to the property tax and state cherry

- **Estimating FY2022 Medicaid Receipts**
- **Expenditure Budgeting for FY2022**
- **Expenditure of Federal Funds Threshold**
- **Free Cash Update and Non-Recurrent Distributions to Cities and Towns**
- **Advances in Anticipation of Issuing Debt**
- **Minimum Performance Bond – Treasurers, Collectors and Clerks**
- **Year End Transfers**
- **School Finance**

To review other Bulletins and Publications recently issued by DLS, please see this [webpage](#).

### New Informational Guideline Releases

The Division of Local Services (DLS) has issued and posted the following Informational Guideline Releases (IGRs) regarding the form and content of tax bills and cost of living adjustments for FY2022.

[IGR 2021-3 - Fiscal Year 2022 Tax Bills Semi-Annual Payment System](#)

[IGR 2021-4 - Fiscal Year 2022 Tax Bills Semi-Annual Payment System – Optional Preliminary Bills](#)

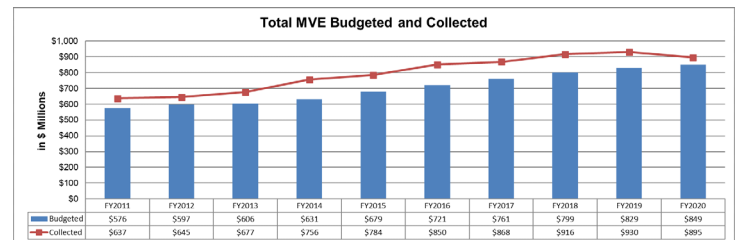
[IGR 2021-5 - Fiscal Year 2022 Tax Bills Semi-Annual Payment System – Annual Preliminary Bills](#)

[IGR 2021-6 - Fiscal Year 2022 Tax Bills Quarterly Payment System](#)

sheet, this excise has been one of the largest locally generated revenue sources for the local government’s General Fund. This article will review MVE budget and collection trends, discuss collections for FY2021 and the forecasting conundrum for FY2022, offer some advice and finally show where to learn more about this excise.

### The Trend in Total Amounts Budgeted and Collected

The graph below shows total MVE budgeted and collected by all cities and towns over the last ten-year period, from FY2011 to FY2020. In total, budgeted amounts increased annually and generated about \$8 billion in General Fund revenues for cities and towns. However, notice the statewide decrease in the FY2020 amount collected.



### Budgeting for a Surplus

During the annual budget process, most cities and towns conservatively budget MVE estimates to be collected in the next fiscal year and in doing so hope to build a surplus (see *City & Town*, [Identifying Fiscal Stress: Diminishing Reserves, December 6, 2018](#), on how to improve free cash position and for policies on generating and using free cash.)

Budgeting for the following fiscal year will often take the form of simply estimating an amount based on current fiscal year experience. Provided continued annual growth in the excise and conservative estimating, cities and towns are more likely to receive more excise than budgeted which will help create a revenue surplus. The graph below shows that from FY2011 to FY2020, MVE dollars collected exceeded budgeted amounts each year. However, notice the steep decline in excess collected over budgeted in FY2020.

[IGR 2021-7 - Social Security Deduction for Fiscal Year 2022](#)

[IGR 2021-8 - Optional Cost of Living Adjustment for Fiscal Year 2022 Exemptions](#)

The Bureau of Accounts has also posted its updated Enterprise Fund Manual. [See IGR 2021-11 - Enterprise Funds.](#)

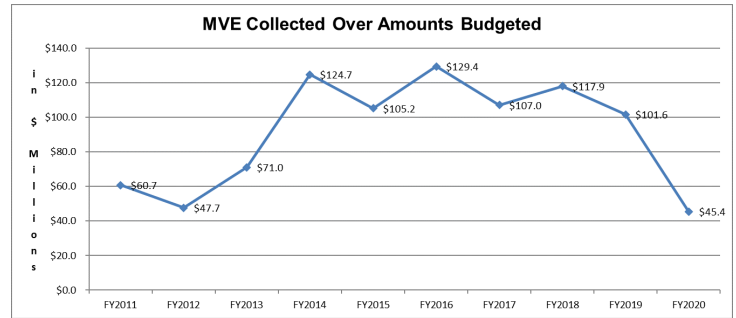
To access additional IGRs and Bulletins, please visit this [webpage](#).

**Municipal Vulnerability Preparedness (MVP) Program FY22 Funding Round Now Open**

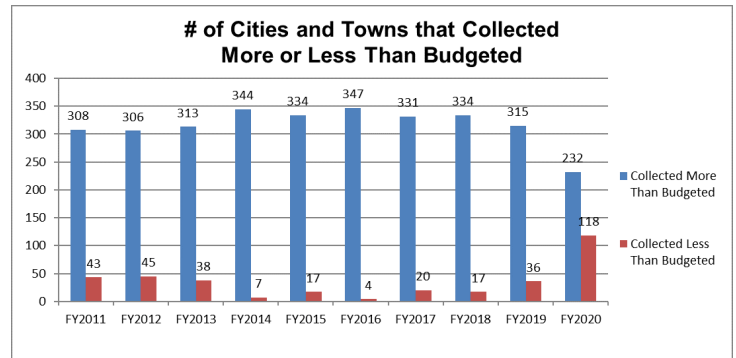
**Municipal Vulnerability Preparedness Program Planning Grants**

The Executive Office of Energy and Environmental Affairs (EEA) is seeking proposals for Municipal Vulnerability Preparedness (MVP) Planning Grants, which provide support for Massachusetts cities and towns to complete climate vulnerability assessments and develop action-oriented climate resiliency plans. The program helps communities define extreme weather and natural and climate related hazards; understand how their community may be impacted by climate change; identify existing and future vulnerabilities and strengths; and develop, prioritize, and implement key actions. State-trained MVP providers offer technical assistance to communities in completing the assessment and resiliency plans.

Communities that complete the MVP planning grant program become certified as an MVP community and are eligible for MVP Action



The next graph for FY2011 to FY2020 shows that over this time, most cities and towns collected more MVE than budgeted. Notice again for FY2020 that the number of cities and towns that collected more than budgeted fell significantly and the number of communities that collected less than budgeted rose.



**A Developing Trend?**

Despite the general annual rise in statewide MVE collection as shown in the first graph above, this next graph shows MVE collection from a different angle and for the most recent fiscal years, revealing either a trend developing or the exacerbated effect of the pandemic.

Grant funding. The link to the COMMBUYS website hosting the RFR and required forms can be accessed through the new [MVP program website](#).

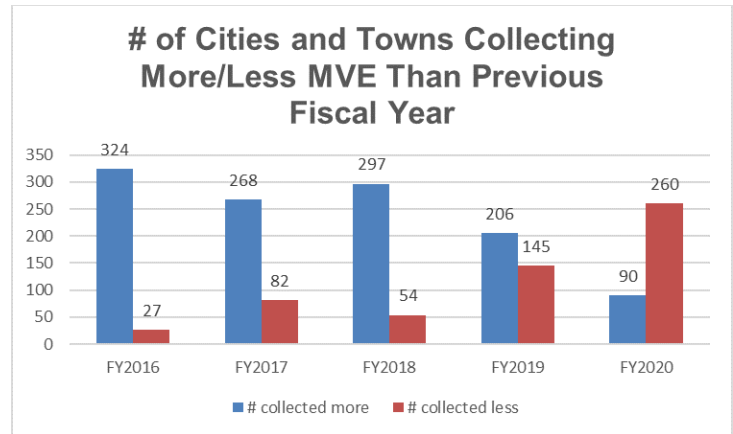
Planning Grant applications are due by 4:00 p.m. on June 4, 2021 (via email, see RFR for details) for MVP planning processes that must be complete by June 30, 2022. Please reach out to [kara.runsten@mass.gov](mailto:kara.runsten@mass.gov) with questions.

### **Municipal Vulnerability Preparedness Program Action Grants**

EEA is also seeking proposals for MVP Action Grants, which provide designated MVP Communities funding to implement priority climate adaptation actions identified through the MVP planning process or similar climate change vulnerability assessment and action planning that has led to MVP designation after EEA review.

Projects are required to use climate data and projections. Projects that propose nature-based solutions or strategies that rely on green infrastructure or conservation and enhancement of natural systems and that have robust community engagement plans are preferred. Applicants can request up to \$2 million in funding (regional proposals may request up to \$5 million), and a 25 percent match of the total project cost is required.

EEA recommends reading the RFR in full as there have been several updates to the Action Grant RFR from the last round; significant changes are outlined on page 1. The link to the COMMBUYS website hosting the RFR and required forms can be accessed through the new [MVP program website](#).



In FY2020, 260 cities and towns collected an average 4.7% less than the previous fiscal year and 90 cities and towns collected an average 3.0% more.

### **FY2021 MVE Estimates**

For 350 cities and towns reporting FY2021 estimates, 304 estimated less than their FY2020 collection by an average 9.2%, 5 estimated the actual FY2020 collection and 41 estimated greater than their FY2020 collection by an average 2.8%.

Were conservative estimates conservative enough? Many budget analysts monitor their MVE estimate once MVE commitment #1, the largest dollar commitment of the calendar year, is released by the Registry of Motor Vehicles (RMV) and received locally. This commitment is released early in the calendar year and provides a strong indicator of whether the local MVE estimate can be achieved.

Commitment #1 of 2021 showed a statewide excise decrease from commitment #1 of 2020 of 6.7%. More specifically, committed excise for 318 cities and towns showed an average percentage decrease of 4.8%, ranging from 43.2% to 0.1%, and for 33 towns an average percentage increase of 1.7%, ranging from 12.3% to 0.2%.

We need to wait until later this calendar year to see full FY2021 actuals when they are reported to the Bureau of Accounts. However, in an effort to analyze how the budgeted amounts will compare to actual collections,

Action Grant proposals are due by 2:00 p.m. on May 7, 2021 (via online form, see RFR for details) for project proposals that must be completed by June 30, 2022, or June 30, 2023. Please reach out to [kara.runsten@mass.gov](mailto:kara.runsten@mass.gov) with questions.

### **Inspector General Offers Fraud Awareness Training**

We will be presenting our Fraud Awareness Training on Wednesday, April 21, 2021. This one-hour webinar focuses on raising your fraud awareness and providing techniques to detect fraud in your jurisdiction. Registration will be open until Wednesday, April 7, 2021.

Learn the basics of fraud awareness and detection and how you can protect your organization from fraud, waste and abuse.

**When:** Wednesday, April 21, 2021

**Where:** Online platform-Blackboard®

**Time:** 3:30 p.m. - 4:30 p.m.

**Cost:** \$29

**If you are interested in attending any of our winter/spring classes, you may [register online](#). Additional registration options may be found at <https://www.mass.gov/how-to/register-for-an-mcppo-class>. If you have any questions, please contact us at [MA-IGO-Training@state.ma.us](mailto:MA-IGO-Training@state.ma.us). We look forward to your participation!**

### **Other resources available for you:**

Please watch our 21-minute YouTube video on Fraud Awareness and Prevention in the Workplace at <https://www.youtube.com/watch?v=i58CofSv9jU>

commitment #1 was 88.7% of the aggregate amount budgeted for FY2021 by cities and towns, a positive sign. One city and seven towns had the first commitment be equivalent to less than 75% of the budgeted amount; for eight cities and 55 towns, it was more than 100%.

To maximize FY2021 collections, collectors must pursue receivables and mail committed excise bills as soon as possible, collectible in FY2021.

### **Forecasting FY2022 MVE Estimates: A Budgeting Conundrum**

In normal times, attaining any reasonable degree of accuracy when forecasting MVE requires a matrix of indicators that may include:

- confidence in the area's economy
- volume of new car sales
- the age of vehicles on the road
- collection of receivables
- population change
- new home construction
- loss of major business
- new business moving in
- car prices and interest rates
- collection rate history

But given current conditions, the extent the pandemic will cause further disruptions into FY2022 and confound all the usual indicators is also unclear. For now, here are some general best practices to follow:

- play it conservatively
- keep the estimate reasonable and justifiable
- listen to reputable economic forecasters regarding area recovery

## **Farm Value Advisory Commission FY22 Recommended Chapter Land Values**

The Division of Local Services has posted the Farmland Valuation Advisory Commission adopted range of recommended agricultural, horticultural, and forest land use values for the various categories of land classified under *Chapter 61 and 61A* for Fiscal Year 2022.

Please see below for the land rates and related information:

[FY 2022 Chapter Land 61 and 61A](#)

[Recommendations](#)

[Notification to Assessors](#)

[Farm Animal Excise](#)

[Farmland Crop Development](#)

Communities questioning the FY 2022 chapter land rates should contact the Bureau of Local Assessment at [bladata@dor.state.ma.us](mailto:bladata@dor.state.ma.us).

## **Community Compact Efficiency & Regionalization Grant Program Now Open**

The Efficiency & Regionalization grant program provides financial support for entities interested in implementing regionalization and other efficiency initiatives. The application period for the FY21 E&R Grant program opens on March 15th, 2021 and closes on April 15th, 2021.

To learn more, please [click here](#).

## **OSD: Latest Issue of *Buy the Way Now* Available**

- review Bureau of Accounts or other Division of I Services (DLS) guidance
- watch for information from the RMV on future commitments
- be prepared to adjust the estimate

To learn more, please see the Municipal Finance Training and Resource Center's [Motor Vehicle Excise page](#).

Don't miss the March-April 2021 edition of [Buy the Way](#), the monthly newsletter of the Operational Services Division (OSD).

Click [here](#) to get news and updates from OSD delivered to your inbox.

## **Cybersecurity and IT Health Check Programs**

The Office of Municipal and School Technology has announced the following programs available to Massachusetts municipalities and schools. If you have any questions, please contact [Catherine.Marques@mass.gov](mailto:Catherine.Marques@mass.gov)

### [Cybersecurity Health Check](#)

The Cybersecurity Health Check Program provides opportunities for local government to access basic cyber security services at no cost.

These services can be a good first step in discovering, assessing and identifying cybersecurity gaps that could impact IT systems that support essential business functions. This is a rolling application.

### [IT Health Check](#)

An IT Health Check is a high-level assessment of current IT assets. A Health Check can be a good first step in discovering, assessing and identifying gaps that could impact IT systems that support essential business functions.

The discovery will results in a completed score card that will identify the current state of critical IT systems, and platform and vendor



agnostic suggestions. This is a rolling application.

**DLS Links:**

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

[Events & Training Calendar](#)

[Municipal Finance Training and Resource Center](#)

[Local Officials Directory](#)

[Municipal Databank](#)

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

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial Calculators](#)



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