



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Supporting a Commonwealth of Communities

Municipal Modernization Act

**Association of Town Finance Committees
October 15, 2016**

Municipal Modernization Goals

- **Streamline state oversight**
- **Eliminate or update obsolete laws**
- **Promote local independence**
- **Provide greater local flexibility**

Municipal Modernization Act

- **Signed by Governor on August 9, 2016**
- **Act effective on November 7, 2016**
 - **Some sections effective for FY2017**
 - **Some sections effective on dates after November 7**
- **Local acceptance statute amendments apply to city, town or district that already accepted with one exception**

Municipal Tax and Finance

- **DLS duties and responsibilities**
- **Local tax administration**
- **Collection procedures**
- **Borrowing**
- **Special funds and revenues**
- **Financial management and governance**

DLS Oversight Duties

Local Tax and Finance

Certification of Local Assessments

- **§§ 35-36** – Amend G.L. c. 40, § 56 which provides for periodic certification of local assessments and annual allocation of tax levy
 - Requires DLS certification review of local assessing practices every 5 instead of every 3 years
- **§ 250** – Makes change effective for certifications beginning in FY2018

Accounting Standards

- **§§ 77-83, 182 – Update Director of Accounts powers under G.L. c. 44 regarding municipal and district audit and accounting and reporting standards in order to ensure periodic audits and uniformity in municipal and district accounting**

Accounting Standards (continued)

- **Director's power to set minimum standards includes:**
 - **Treatment of revenues**
 - **Expenditures**
 - **Debt, including maximum useful life of assets financed with debt**
 - **Accounting system for financial transactions**
 - **Adequacy of financial records**
 - **Content and frequency of audits**

Accounting Standards (continued)

- **Director's power to set minimum standards includes (continued):**
 - **Power to issue legal opinions**
 - **Power to visit local offices and review any and all financial documents and records**
 - **Power to direct municipal officials to take action as needed to comply with minimum standards**
 - **Power to contract for services and deduct from state aid if non-compliance**

Collections

Betterments

- **§ 191 -Amends G.L. c. 80, § 13 related to collection of betterments and special assessments to recoup costs of infrastructure improvements (e.g. water, sewer) from owners of properties specially benefitted**
- **Starts interest accrual 30 days after bill mailed, not when betterment assessment committed**

Betterments (continued)

- **Allows interest at any rate up to 2% above rate of municipal loan financing the public improvements project, not fixed at 2% above**
- **Allows annual apportioned installments to be structured:**
 - **For same number of years as loan,**
 - **As level payments or**
 - **On semiannual or quarterly basis like taxes**

Borrowing

Borrowing Purposes and Terms

- §§ 61, 63-64, 178, 180 – Amend borrowing purposes and terms under G.L. c. 44, §§ 7 and 8 (and make conforming amendments to other statutes)
- §§ 7 (inside debt limit) and 8 (outside debt limit) borrowing purposes updated and consolidated

Borrowing Purposes and Terms (continued)

- **§ 7 – Current 34 borrowing purposes now consolidated into 11 updated purposes**
 - **§ 7(1) covers acquisition of interests in land and assets and broad range of capital projects**
 - **Useful life must be 5 or more years**
 - **§ 7(1) includes demolition of public facilities and remediation of public land**
 - **§ 7(5) allows borrowing for repairs to private ways open to public under G.L. c. 40, § 6N**

Borrowing Purposes and Terms (continued)

- **§ 8 – Borrowing purposes consolidated and updated**
 - **§ 8(8), (8A) – Allows borrowing for construction of municipally-owned broadband or telecommunication system without light plant**
 - **§ 8(15) – Allows borrowing for broader municipal golf course improvement purposes**

Borrowing Purposes and Terms (continued)

- **§ 7 – Maximum borrowing term for purpose is:**
 - **Stated years or**
 - **Maximum useful life of asset determined by Director of Accounts under guidelines setting minimum standards (G.L. c. 44, § 38)**
 - **Guidelines cannot set maximum term over 30 years and cannot change stated term for certain purposes**
 - **§ 7(3) - Court judgments - Director cannot set higher than stated 1 year, but Municipal Finance Oversight Board may approve longer term**

Borrowing Purposes and Terms (continued)

- **§ 8 – Maximum borrowing term for purpose is:**
 - **Stated years or**
 - **Longer term less than or equal to 30 years as determined by the Director of Accounts to be maximum useful life of assets under G.L. c. 44, § 38 guidelines**

Bond Proceeds

- **§ 67** – Amends G.L. c. 44, § 20 which governs treatment of bond proceeds
 - Changes treatment of bond premiums (net of issuance costs) from general fund revenue to require:
 - Use to pay project costs and reduce amount borrowed if borrowing vote authorizes or
 - Reservation in separate fund to appropriate for capital projects
 - Purpose must be one for which loan may be incurred for equal or longer period than loan for which premiums received

Bond Proceeds (continued)

- **Broadens use of surplus bond proceeds**
 - **May still appropriate surplus proceeds when project completed for purpose for which loan may be incurred for equal or longer period than original loan**
 - **Surplus of up to \$50,000 when project completed may be applied without appropriation to pay debt service**
 - **Requires approval of chief executive officer**

Tax Exempt Lease-Purchase Agreements

- **§ 69 – Adds G.L. c. 44, § 21C, which relates to tax exempt lease-purchase (TELPs) financing agreements**
- **Creates uniform procedure for letting departments use TELPs instead of debt to pay for equipment or asset**
- **TELPs used by departments to pay in annual installments (installment sales)**
- **Liability incurred by department against departmental budgets**

TELPs (continued)

- **Requires authorization by 2/3 legislative body vote on recommendation of chief executive officer**
- **Lease term cannot be more than useful life of asset**
- **Appropriation for 1st fiscal year of lease makes TELP binding as if debt issued**
- **May refinance and pay off TELP with refunding bonds under G.L. c. 44, § 21A**

Revenues and Special Funds

Single Overlay

- §§ 131, 133, 152 - Amend G.L. c. 59, §§ 23, 25 and 70A, which govern overlay reserve for property tax abatements and exemptions
 - Creates a single overlay account on municipality's books and records
- § 249 – Merges existing overlay balances into single account when Act takes effect

OPEB Trust Funds

- **§ 15** – Amends local acceptance G.L. c. 32B, § 20, which governs local other post-employment benefit (OPEB) funds
- **§ 15** - Adds new G.L. c. 32B, § 20A regarding OPEB reporting
- **§ 238** – Grandfathers OPEB funds created under G.L. c. 32B, § 20 before effective date of Act
 - New terms can apply if unit re-accepts or unit with special act fund accepts

OPEB Trust Funds (continued)

- **Authorizes creation of GASB and IRS compliant trust fund for OPEB liabilities under G.L. c. 32B, § 20**
 - **Provides flexibility in designating trustee**
 - **Provides procedure to create governing trust instrument**
 - **Provides procedure to dedicate Medicare Part D revenues to fund**

OPEB Trust Funds (continued)

- **Clarifies custody, investment, appropriations in and out of OPEB fund**
 - **Designates treasurer as custodian of fund**
 - **Provides investment options, including:**
 - **Investment in State Retirees Benefits Trust**
 - **Use of private trust Prudent Investor standard**
- **Requires appropriations out of fund for retiree health insurance purpose by 2/3 vote of legislative body**

OPEB Trust Funds (continued)

- **Expands local government units that can establish OPEB fund under G.L. c. 32B, § 20 to include:**
 - **Educational collaboratives**
 - **Regional school districts**
 - **Councils of government**
 - **Housing and redevelopment authorities**
- **Allows a governmental unit to participate in trust fund of another unit**

OPEB Trust Funds (continued)

- **Requires governmental units to report actuarial valuation reports and additional OPEB data to PERAC and DLS under new G.L. c. 32B, § 20A**
- **Additional data to be determined by Executive Office for Administration & Finance in consultation with PERAC**

Public Safety Injury Leave Indemnity Fund

- **§ 60 - Amends G.L. c. 41, § 111F, which governs injury leave benefits for police officers and firefighters injured in the line of duty**
 - **Adds local acceptance paragraph to create injury leave indemnity fund**
 - **Credits fund with municipal appropriations for fund purposes and insurance or restitution proceeds from 3rd parties**
 - **Allows fund to be spent, at direction of chief executive officer and without appropriation, for medical bills, injury leave benefits and salaries of replacements**

Stabilization Funds

- **§ 22 - Amends G.L. c. 40, § 5B, which lets cities, towns and districts create 1 or more stabilization funds**
- **Eliminates caps on:**
 - **Total annual appropriations into funds (10% of prior year levy) and**
 - **Aggregate balance of all funds (10% of Equalized Valuation)**

Stabilization Funds (continued)

- **Makes quantum for appropriations into fund a majority vote of legislative body**
 - **2/3 vote still required to:**
 - **Appropriate from existing fund**
 - **Create a new fund**
 - **Change purpose of a fund**

Stabilization Funds (continued)

- **Allows dedication of certain revenue streams to a fund**
 - **2/3 vote of legislative body required to dedicate revenue stream**
 - **Can dedicate all or % not less than 25% of specified revenue source**
 - **Cannot dedicate locally assessed taxes, excises or surcharges**

Rental Proceeds Fund

- **§ 19 - Amends G.L. c. 40, § 3, which relates to municipal power to hold, lease or convey real and personal property**
 - **Establishes revolving fund for rents from lease of non-school property or space**
 - **Operates same as revolving fund for leased surplus schools/space within schools**
 - **Balance at year-end closes to general fund unless provision allowing carryover accepted**

Insurance and Restitution Proceeds

- **§ 84 - Amends G.L. c. 44, § 53, which credits all receipts to general fund and requires appropriation to spend**
 - **Allows expenditure without appropriation of insurance or restitution payments of \$150,000 or less to repair or replace damaged property**
 - **Extends school department authority to spend without appropriation restitution payments from students for lost or damaged books or materials to lost or damaged electronic devices**

Betterment Reserve

- **§ 93 - Adds new G.L. c. 44, § 53J that creates reserve in order to pay debt service for the infrastructure for which betterments or special assessments are assessed**
- **All payments of apportioned installments and prepayments are credited to the reserve fund**
- **Reserve an available fund within general fund or if applicable, enterprise fund**
- **Annual appropriations from reserve limited to same % of debt service payment due that FY as project costs assessments made to recover**

Parking Revenues

- **§§ 25-26, 28-29 – Amend G.L. c. 40, §§ 22A-22C which reserve parking meter or lot revenues for appropriation for parking and traffic regulation activities**
 - **Treats as general fund revenues unless statutes accepted to reserve for appropriation**
 - **Allow rates to consider management of supply and use revenues for other transportation purposes**
- **§ 27 - Adds G.L. c. 40, § 22A¹/₂ which allows creation of parking benefit districts**

Financial Management

Final Judgments and Awards

- **§§ 72-73 - Amend G.L. c. 44, § 31 regarding payment of final court judgments and adjudicatory claims without appropriation**
 - **Expands to include final awards of any state or federal adjudicatory agency**
 - **Eliminates DOR approval to pay judgment or award over \$10,000 after tax rate set from available cash**
 - **Requires certification by municipal counsel that judgment or award final and applicable local procedures followed**

Snow and Ice Deficit Spending

- **§ 74 - Amends G.L. c. 44, § 31D regarding deficit spending for snow and ice removal**
 - **Allows deficit spending upon approval of the local chief administrative officer (mayor, selectboard or other under charter)**
 - **Current law requires prior approval by the finance committee and selectboard in a town, city council in a city**

End of Year Transfers

- **§§ 75-76 - Amend G.L. c. 44, § 33B regarding appropriation transfers at year-end (May 1 – July 15) by selectboard and finance committee in towns and city council upon mayor's recommendation**
 - **Eliminates 3% cap on year-end transfers from departmental line items**
 - **Allows year-end transfers from non-departmental line items**
 - **Year-end procedure still does not apply to school and light departments**