

DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Supporting a Commonwealth of Communities

Massachusetts Municipal Association (MMA) Annual Meeting

January 21, 2022



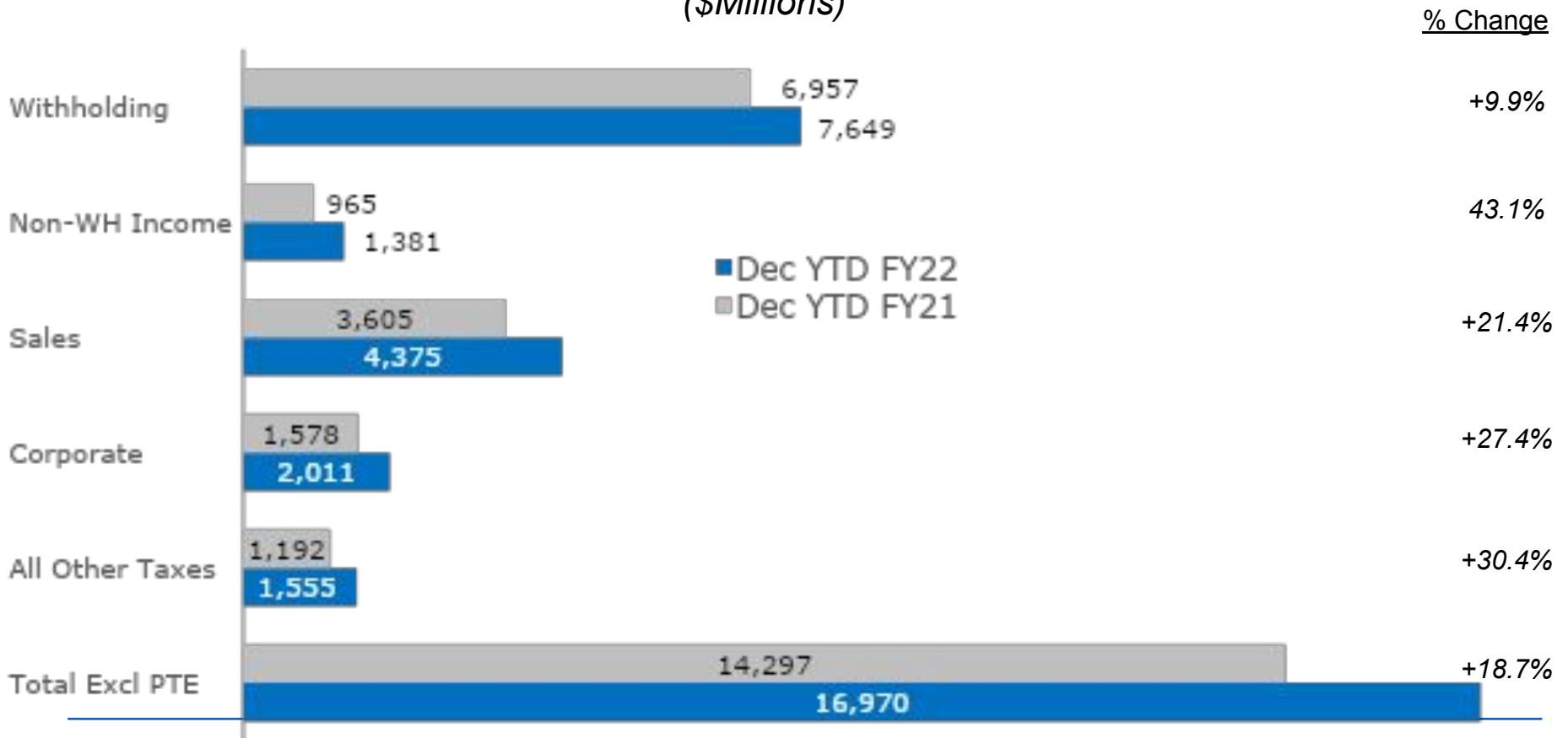
Commissioner Geoffrey Snyder



FY22 December Year to Date Revenue of \$17.846 Billion is 24.8% Higher than the Prior Year

The increase is in part due to the temporary impact of the recently enacted Pass-Through Entity (PTE) excise. After adjusting for PTE excise payments of \$876 million, FY22 December year to date collections total \$16.970 billion, 18.7% more than collections in the prior year.

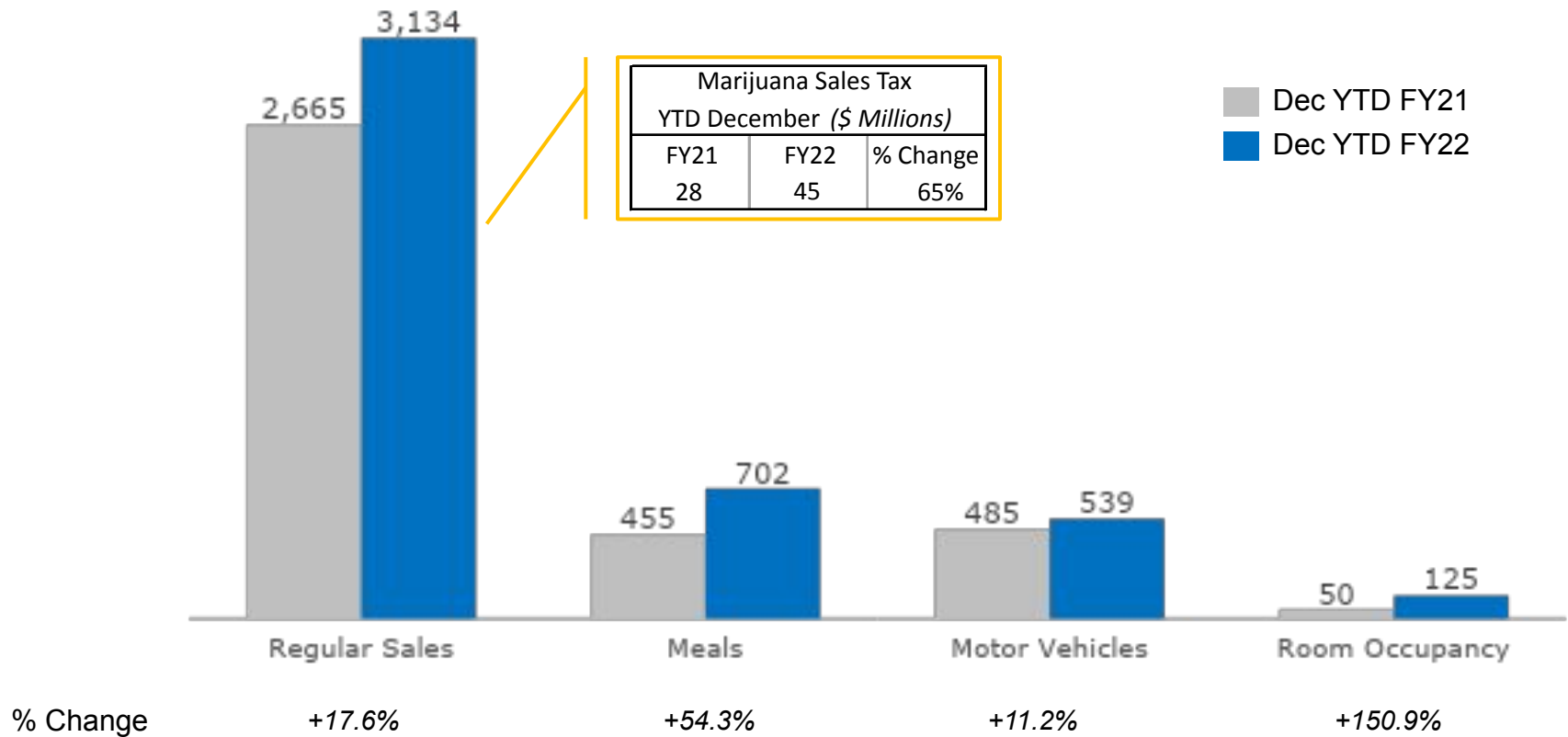
FY22 December Year-To-Date Revenue Collections by Tax Type Adjusted for PTE Excise Payments (\$Millions)





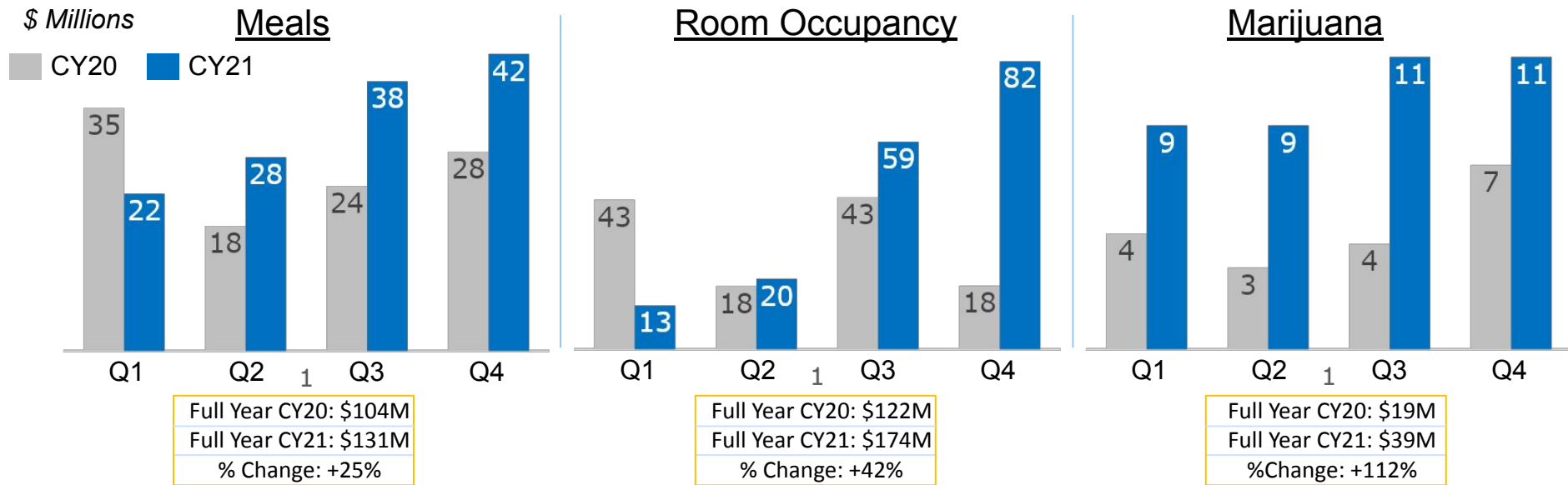
A Closer Look at Select State Tax Types

FY22 December YTD Regular Sales, Meals, Motor Vehicles, and Room Occupancy Tax
State Tax Revenue \$ Millions

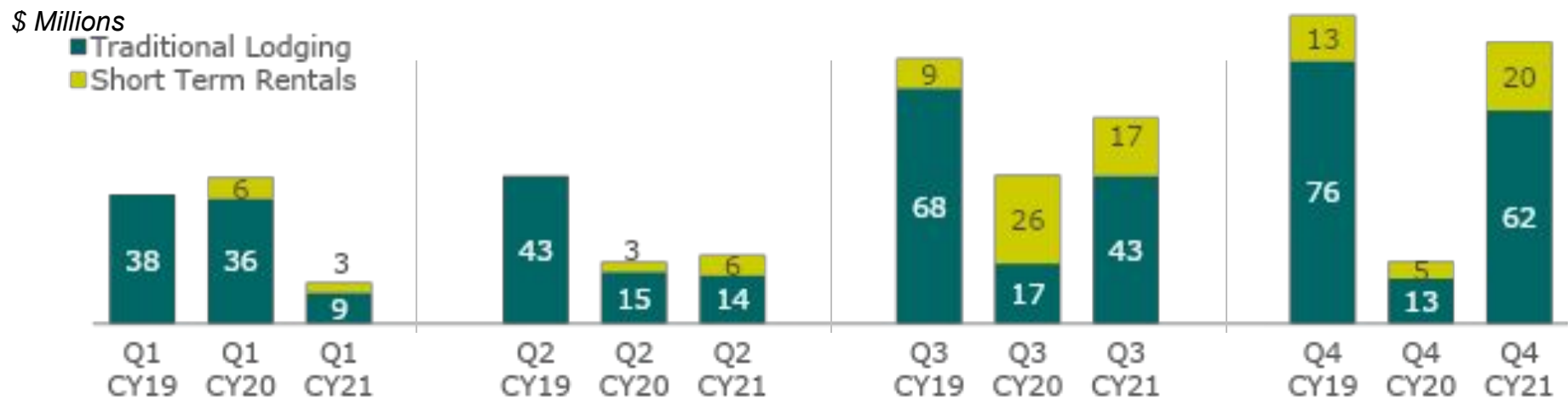




Local Option Distributions Mirror State Tax Collections



Components of Room Local Option Distributions





Recap

- The Massachusetts's economy is recovering from the pandemic-induced recession.
 - After adjusting for PTE excise, December 2021 fiscal year-to-date collections are \$2.674 billion or almost 19% more than collections from prior period.
 - Strong sales and the easing of COVID-19 restrictions helped drive increases in meals, room occupancy and marijuana state and local tax collections.
- However, there is uncertainty regarding the sustainability of these positive economic trends going forward. DOR will continue to closely monitor these trends and the impact they may have on revenue collections.



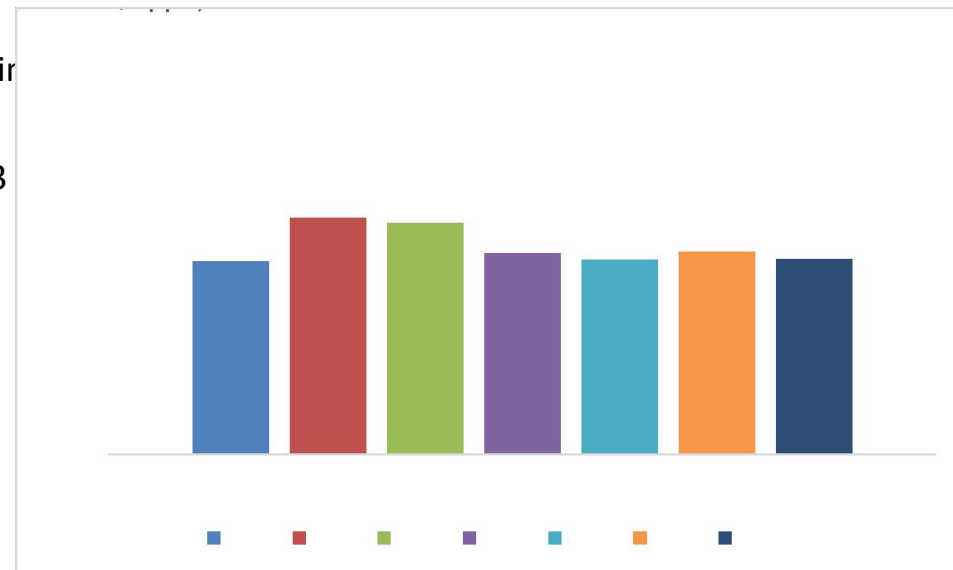
DLS Update

Senior Deputy Commissioner
Sean Cronin

How are We Doing? Tax Rates

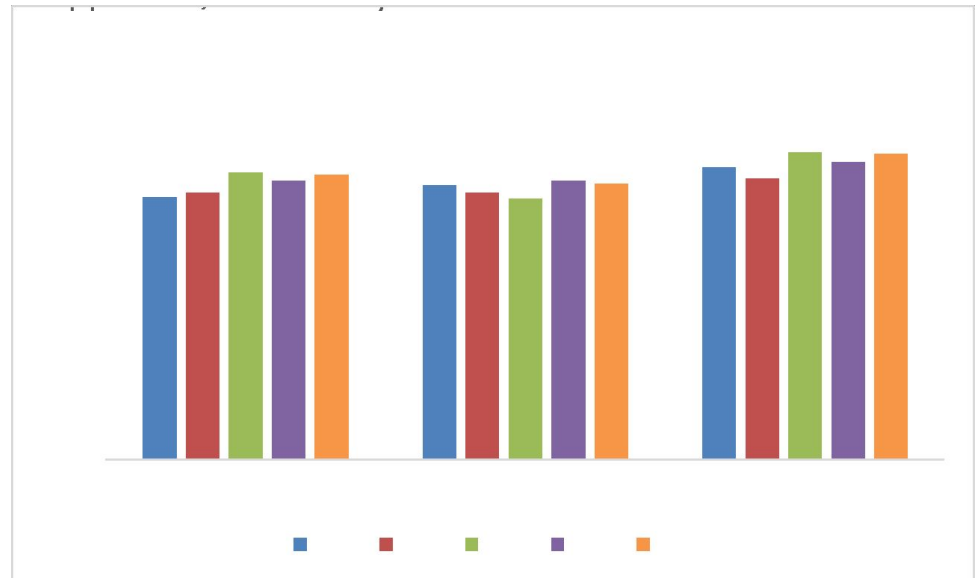
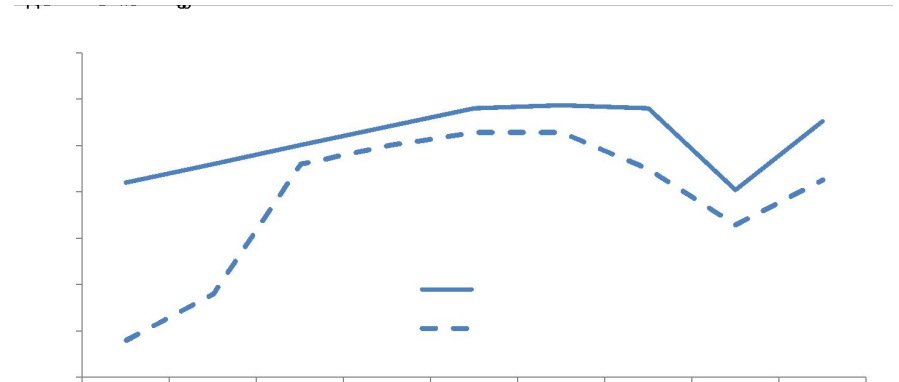
- By the end of November, we received 125 recaps, a decrease from pre-COVID levels
 - This decrease presents downstream effects
- Every Recap submitted by Dec 31 was approved (345 in / 345 approved)
- Turnaround times:
 - Number of working days to approve tax rates remain relatively consistent at 82%
 - The median approval time remained consistent at 3 days

| | TAX RATES | | |
|------|-------------------------|------------------|---------------------|
| | Approved by end of Nov. | Approved in Dec. | Approvals Remaining |
| FY22 | 125 | 220 | 6 |
| FY21 | 109 | 230 | 12 |
| FY20 | 145 | 200 | 6 |
| FY19 | 151 | 191 | 9 |
| FY18 | 161 | 177 | 13 |
| FY17 | 173 | 172 | 6 |
| FY16 | 163 | 179 | 11 |
| FY15 | 134 | 202 | 16 |
| FY14 | 119 | 219 | 14 |



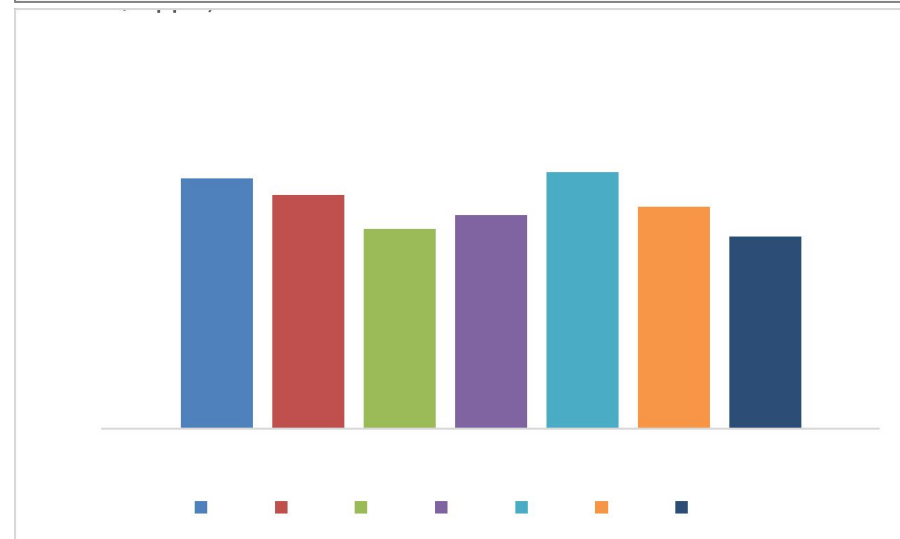
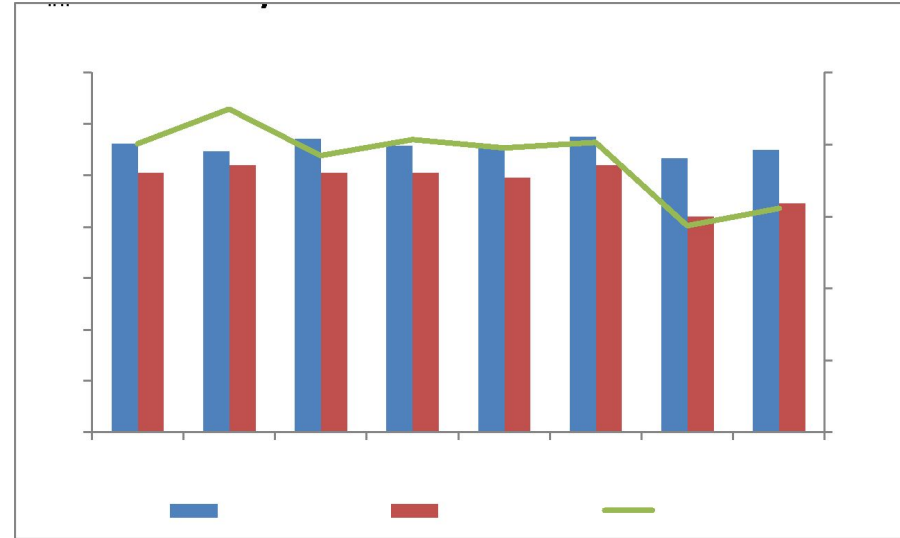
How are We Doing? BLA Forms

- 86% of municipalities had their New Growth approved by the end of November
 - Increase from last FY; significant improvement from FY14
- Turnaround times
 - For Sales, the number approved within 5 working days increased to 81% and the median turnaround time remained constant at approx. 3 days
 - The number of New Growth submissions approved within 5 working days dropped slightly to 78% and the median turnaround time remained constant 3 days
 - For Interim Year Adjustments, the number approved within 5 working days increased to 86% and the median turnaround time remained constant 2 days



How are We Doing? Free Cash

- Increase in the number of submitted Balance Sheets approved (from 79% to 81%)
 - Below pre-pandemic level, but that’s due primarily to the need to shift focus to higher levels tax recaps submitted in December
- Number of Free Cash certifications completed within 10 days declined to 57%
 - due primarily to the need to shift focus to higher levels tax recaps submitted in December
- Median decreased from 10 days to 9 days





Website / Resource & Training Center



Assessing Resources

Chief, Bureau of Local Assessment
Chris Wilcock



DLS

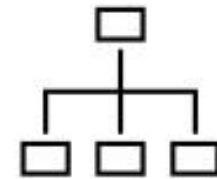
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Christopher Wilcock

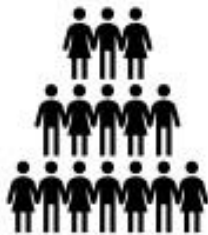
Bureau Chief of Local Assessment
Wilcock.c@DOR.State.MA.US



351 Municipalities



16 Valuation Professionals at BLA



1,500 Valuation Local Officials



- 2.5M Real Estate Parcels
- 200K Personal Property Accounts
- 140K Property Sales Reviewed

Local
Assessment
Bureau
by the numbers

MGL Chapter 59



- 1.4T in Taxable Assessed Value
- 18.9B Local Tax Revenue (65% total rev)

- All property, real and personal, situated within the commonwealth, and all personal property of the inhabitants of the commonwealth wherever situated, unless expressly exempt, shall be subject to taxation...
- The assessors shall determine the fair cash valuation of such real property according to section thirty-eight; and if the city or town has been certified by the commissioner pursuant to subsection (c) shall classify such real property according to the following uses...



has shown
* numbers as of 01/13/13



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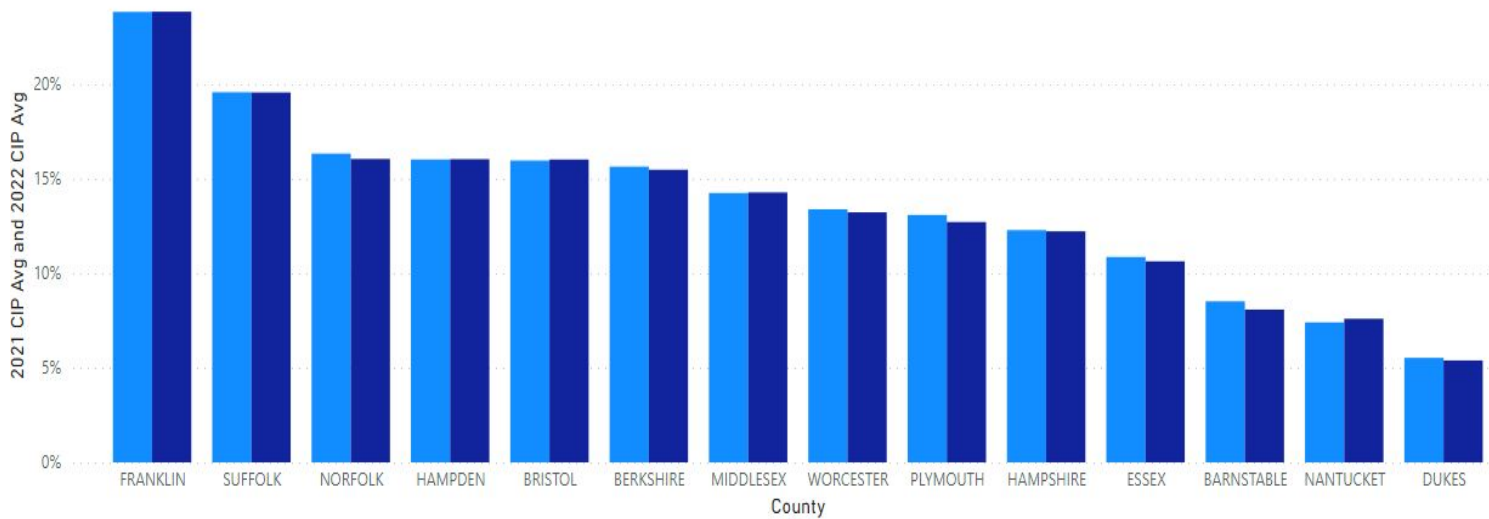
Christopher Wilcock
Bureau Chief of Local Assessment
Wilcock.c@DOR.State.MA.US



What happened to the CIP % in CY 2020?

[Back to report](#)

● 2021 CIP Avg ● 2022 CIP Avg



[Back to report](#)

CIP PERCENTAGE OF TOTAL ASSESSED VALUE FROM 2021 TO 2022 (LA4 APPROVED)

| Fiscal Year | Barnstable | Berkshire | Bristol | Dukes | Essex | Franklin | Hampden | Hampshire | Middlesex | Nantucket | Norfolk | Plymouth | Suffolk | Worcester | Total |
|-------------|------------|-----------|---------|-------|--------|----------|---------|-----------|-----------|-----------|---------|----------|---------|-----------|---------------|
| 2018 | 8.51% | 14.25% | 16.49% | 5.71% | 11.14% | 23.04% | 15.79% | 11.92% | 14.62% | 6.35% | 16.27% | 13.60% | 20.14% | 13.78% | 14.44% |
| 2019 | 8.34% | 14.94% | 16.00% | 5.65% | 10.88% | 23.63% | 15.79% | 11.74% | 14.50% | 6.93% | 16.26% | 13.30% | 19.77% | 13.55% | 14.39% |
| 2020 | 8.48% | 15.42% | 15.89% | 5.62% | 10.99% | 23.68% | 15.89% | 12.00% | 14.14% | 6.89% | 16.17% | 13.14% | 19.67% | 13.45% | 14.37% |
| 2021 | 8.52% | 15.64% | 15.96% | 5.53% | 10.86% | 23.83% | 16.02% | 12.28% | 14.25% | 7.40% | 16.33% | 13.09% | 19.58% | 13.39% | 14.43% |
| 2022 | 8.08% | 15.48% | 16.02% | 5.39% | 10.63% | 23.84% | 16.04% | 12.22% | 14.28% | 7.59% | 16.05% | 12.71% | 19.57% | 13.23% | 14.30% |

*numbers as of 01/01/22



Timely Setting of a Tax Rate

Chief, Bureau of Accounts
Deb Wagner

Free Cash Results

Bureau of Accounts automated our free cash calculation and proof process

- Access to data from Gateway
- Ability to see trends and analyze information statewide
- Historical data (eventually) will allow for community specific information





Free Cash Results

Select Municipalities: 351 Selected Select FY: 2021 Submit

Cherry Sheet Est vs Recap Pg 2 Est Free Cash Proof

Export Table

FY2021

<< < Page 1 of 8 >>

| DOR Code | Municipality | Revenue Deficits | Revenue Deficit % Total | Excess Shortfall Local Receipts | Excess Shortfall Local Receipts % Total | Revenue Received Not Estimated | Revenue Received Not Estimated % Total | Excess Shortfall Cherry Sheet Receipts | Excess Shortfall Cherry Sheet Receipts % Total | Appropriation Turnbacks | Appropriation Turnbacks % Total | Negative Free Cash PY | Negative Free Cash PY % Total | PY Free Cash Not Appropriated | PY Free Cash Not Appropriated % Total | Overlay Surplus Closed | Overlay Surplus Closed % Total | Inc/(Dec) Outstanding Property Taxes | Inc/(Dec) Outstanding Property Taxes % Total | Inc/(Dec) Adjustments to Free Cash | Inc/(Dec) Adjustments to Free Cash % Total | Other Adjustments |
|----------|--------------|------------------|-------------------------|---------------------------------|---|--------------------------------|--|--|--|-------------------------|---------------------------------|-----------------------|-------------------------------|-------------------------------|---------------------------------------|------------------------|--------------------------------|--------------------------------------|--|------------------------------------|--|-------------------|
| | | 0 | 0.00 | (343,977) | (7.17) | 0 | 0.00 | (44,170) | (0.92) | 1,613,437 | 33.64 | 0 | 0.00 | 3,159,121 | 65.87 | 0 | 0.00 | 136,136 | 2.84 | 172,142 | 3.59 | 0 |
| | | 0 | 0.00 | 2,088,694 | 16.16 | 0 | 0.00 | (224,623) | (1.74) | 4,028,957 | 31.17 | 0 | 0.00 | 7,192,038 | 55.64 | 0 | 0.00 | 395,891 | 3.06 | (186,574) | (1.44) | 0 |
| | | 0 | 0.00 | 40,691 | 10.15 | 0 | 0.00 | (1,281) | (0.32) | 103,757 | 25.87 | 0 | 0.00 | 120,699 | 30.10 | 100,000 | 24.94 | 12,310 | 3.07 | (8,000) | (1.99) | 25,047 |
| | | 0 | 0.00 | 828,847 | 41.89 | 0 | 0.00 | (15,987) | (0.81) | 975,862 | 49.31 | 0 | 0.00 | 0 | 0.00 | 10,389 | 0.53 | 271,411 | 13.72 | (1,106,543) | (55.92) | 1,014,875 |
| | | 0 | 0.00 | 2,242,395 | 25.25 | 0 | 0.00 | (19,347) | (0.22) | 2,047,878 | 23.06 | 0 | 0.00 | 4,066,672 | 45.79 | 0 | 0.00 | 200,092 | 2.25 | 89,089 | 1.00 | (82,706) |
| | | 0 | 0.00 | 1,522,517 | 13.74 | 0 | 0.00 | (392,018) | (3.54) | 3,202,407 | 28.91 | 0 | 0.00 | 5,659,184 | 51.08 | 0 | 0.00 | 105,484 | 0.95 | (15,781) | (0.14) | 0 |
| | | 0 | 0.00 | 591,794 | 34.63 | 0 | 0.00 | (41,554) | (2.43) | 813,910 | 47.63 | 0 | 0.00 | 208,906 | 12.23 | 0 | 0.00 | 147,154 | 8.61 | (2,700) | (0.16) | 0 |
| | | 0 | 0.00 | 429,006 | 48.41 | 0 | 0.00 | (34,413) | (3.88) | 499,601 | 56.38 | 0 | 0.00 | 85,979 | 9.70 | 0 | 0.00 | (4,392) | (0.50) | 34,818 | 3.93 | 0 |
| | | 0 | 0.00 | 82,736 | 16.65 | 0 | 0.00 | 4,807 | 0.97 | 138,500 | 27.87 | 0 | 0.00 | 55,855 | 11.24 | 0 | 0.00 | 70,332 | 14.15 | 82,266 | 16.55 | 0 |
| | | 0 | 0.00 | 560,436 | 27.67 | 0 | 0.00 | (34,274) | (1.69) | 1,463,092 | 72.24 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | (182,654) | (9.02) | (85,120) | (4.20) | 0 |
| | | 0 | 0.00 | 4,670,208 | 33.57 | 145,919 | 1.05 | 215,080 | 1.55 | 4,419,694 | 31.77 | 0 | 0.00 | 3,727,877 | 26.80 | 0 | 0.00 | 391,455 | 2.81 | 41,498 | 0.30 | 0 |
| | | 0 | 0.00 | 1,046,726 | 6.02 | 0 | 0.00 | 159,639 | 0.92 | 1,531,736 | 8.81 | 0 | 0.00 | 14,830,692 | 85.30 | 0 | 0.00 | 249,070 | 1.43 | 85,067 | 0.49 | 0 |
| | | 0 | 0.00 | 148,418 | 7.27 | 0 | 0.00 | 439,127 | 21.51 | 928,377 | 45.48 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 210,820 | 10.33 | 71,562 | 3.51 | 0 |
| | | 0 | 0.00 | 553,813 | 21.90 | 45,683 | 1.81 | 19,884 | 0.79 | 1,295,416 | 51.22 | 0 | 0.00 | 0 | 0.00 | 402,770 | 15.93 | 69,006 | 2.73 | 42,759 | 1.69 | 0 |
| | | 0 | 0.00 | 4,120,438 | 16.87 | 0 | 0.00 | 219,847 | 0.90 | 3,519,852 | 14.41 | 0 | 0.00 | 13,562,123 | 55.52 | 0 | 0.00 | 2,108,667 | 8.63 | 163,751 | 0.67 | (92) |



Free Cash Results

The results show...

Statewide, Bureau of Accounts has certified to date, free cash totaling

\$1,519,703,825

This is an increase over the 2021 certifications of \$351,317,019 or 30%

Of the amount certified, the free cash proofs show that free cash was generated in the following manner:

| | | |
|-------------------------------------|------------------------|------------|
| Unspent 2021 Free Cash | \$522,354,143 | 36% |
| Appropriation Turnbacks | 511,583,686 | 35% |
| Excess Local Receipts | 332,468,242 | 23% |
| Decrease in Outstanding Receivables | 56,285,885 | 4% |
| | \$1,422,691,956 | 98% |



However...

Reductions to free cash totaled

\$86,651,129

This is 5% of Undesignated Fund Balance

| <u>< 1% - 5%</u> | <u>6% - 10%</u> | <u>11% - 15%</u> | <u>16% - 20%</u> | <u>21% - 30%</u> | <u>33%</u> | <u>89%</u> |
|---------------------|-----------------|------------------|------------------|------------------|------------|------------|
| 183 | 31 | 12 | 6 | 4 | 1 | 1 |



What reduces free cash?

- The calculated amount cannot be substantiated by supporting documentation;
- A variance between the balance sheet and cash and/or outstanding receivables detail;
- Illegal deficits or any legal deficit not raised in the FY2022 tax rate, or otherwise funded before the rate is set (if tax rate certification preceded free cash certification);
- A fund balance deficit in an individual Capital Projects Fund where funds were not borrowed by June 30;
- A deficit fund balance in the self-insurance health claims trust (Note: the deficit must be raised in the FY2022 tax rate, unless otherwise funded before then);
- A grant deficit as of June 30 for which funds were not borrowed by June 30 or reimbursement was not received by September 30.
- A Chapter 90 fund balance deficit where funds were not borrowed by June 30; reimbursement was not received by September 30; or reimbursement was not filed with MassDOT by September 30 and BOA is not satisfied that payment will be made.
- Prepayments – except prepayment of special education tuition for a period not exceeding three months as allowed per MGL c. 71 § 71D and collaboratives under MGL c. 40 § 4E.



Here's what that looks like

| | | | |
|--|---------|---------------------|-----------|
| <u>BEGIN:</u> | | | |
| UNRESERVED UNDESIGNATED FUND BALANCE | | 2,251,487 | |
| <u>LESS:</u> | | | |
| PERSONAL PROPERTY TAXES RECEIVABLE | | 462,673 | |
| REAL ESTATE TAXES RECEIVABLE | | 2,480,108 | |
| OTHER RECEIVABLES IN DEFERRED REVENUE BELOW | | | |
| _____ | _____ | | |
| _____ | _____ | | |
| _____ | _____ | | |
| _____ | _____ | - | |
| OTHER RECEIVABLES, OVERDRAWN ACCOUNTS, DEFICITS | | | |
| Summer School Revolving | 765 | End Abuse | 1,587 |
| Chapter 90 | 275,798 | 19 Ped/Bike Saftey | 872 |
| ██████████ Settlement | 484 | 19 Bulletproof Vest | 19,356 |
| Nat'l Endowment Art | 14,812 | ██████████ Tourism | 761 |
| LED Lighting | 37,780 | Mun Vulnerability | 58,528 |
| COH Preservation Plan | 113 | SAFE Student | 171 |
| DESE Influence | 200 | 14 Shannon CSI | 1 |
| COA Elder Aff | 499 | MEMA Homeland | 3,779 |
| SAFE Fire | 1,444 | CIT Jail Dervision | 1 |
| Sel Enforce | 1 | EMD & Training | 1,258 |
| SAFER 2017 | 267,006 | 19 MHC Survey | 5,000 |
| Valley Arena Park | 23,416 | 20 Traffic Enf | 15 |
| Indust Devel Rev Loan | 1 | Diverting Juveniles | 5,349 |
| Gov Summer Youth Prog | 158,947 | 19 Traffic Enf | 10,432 |
| 16 Safe Youth | 134,132 | Cops Hiring | 1,891 |
| 19 Traffic Enf | 4,308 | 18 Traffic | 2,353 |
| 20 Traffic Enf | 478 | 18 Sust Traffic | 249 |
| 18 Innovations Re-entry | 2,010 | PSAP Reg EMG | 4,134 |
| ██████████ Memorial | 1 | Additional Sheet | 971,177 |
| | | | 2,009,109 |
| FREE CASH VOTED FROM TOWN MEETING NOT RECORDED | | | - |
| <u>ADD:</u> | | | |
| CIRCUIT BREAKER, OTHER CLOSED ACCOUNTS, ADJUSTMENTS | | | |
| _____ | _____ | | |
| _____ | _____ | | |
| _____ | _____ | - | |
| DEFERRED REVENUE (CREDIT BALANCE +, DEBIT BALANCE -) | | | 2,353,573 |
| | | | (346,831) |



Free Cash and Tax Rate Certification Process

Things you can do that will improve the process and avoid surprises

Tax Rate:

1. Work together as a team to coordinate process
2. Monitor the state budget process as it evolves
3. Coordinate the estimation of local receipts – is what you balanced the budget with the same amount that is going on the local receipts page? Call your field rep early with questions
4. Include documentation for increases to local receipts
5. Double check appropriations on recap page 4
6. Ensure that increases to user fee estimates for enterprise funds can be substantiated
7. If your values are certified, consider holding your classification hearing and setting your tax rate, even if it's earlier than usual



Free Cash and Tax Rate Certification Process

Balance Sheet:

1. Read the Year End Letter to Accountants and Auditors
2. Give sufficient time for certification prior to the need to appropriate free cash
3. Keep up with cash and accounts receivables reconciliations monthly
4. Use current year forms
5. Double check your submission for accuracy
6. Call your field rep prior to submission with questions



Chief, Municipal Finance Law Bureau Ken Woodland



Chapter 102 of the Acts of 2021

- “An Act relative to immediate COVID-19 recovery needs” signed December 13, 2021
 - Sections 20-29
 - Municipal finance provisions effective December 13, 2021
 - Summary of changes published in DLS “City & Town” January publication
- G.L. c. 61A, § 2A
 - Energy Facilities Reference Error
- G.L. c. 59, § 18
 - Personal Property Terminology



Chapter 102 of the Acts of 2021 Continued

- G.L. c. 218, § 21
 - Clarification Language Added
- G.L. c. 44, § 28A
 - Regional School Districts Financing Leases Reference Error
- G.L. c. 44, § 63
 - Sale of Real Estate Proceeds Reference Error
- G.L. c. 44, § 31
 - Defining What Constitutes a Final Judgment



Chapter 102 of the Acts of 2021 Continued

- G.L. c. 44, § 20
 - Bond and Note Premiums (net issuance costs)
 - › Premium received on notes must be applied to the first payment of interest on the notes
 - › Premiums received on a borrowing for which Proposition 2½ debt exclusion has been approved at the time of sale must be used for project costs and reduce the borrowing



Chapter 102 of the Acts of 2021 Continued

- G.L. c. 44, § 20 Continued
 - Bond and Note Premiums (net issuance costs)
 - › Premiums received on a borrowing for which Proposition 2½ debt exclusion has not been approved can still be used:
 - » for project costs and reduce the borrowing
 - » capital purposes (amendment removes requirement that each premium reserved for capital purposes be appropriated for a purpose for which the municipality could borrow for an equal or greater term than the borrowing and lets the premiums be appropriated for any borrowable purpose)



Chapter 102 of the Acts of 2021 Continued

- G.L. c. 44, § 20 Continued
 - Bond and Note Premiums (net issuance costs)
 - › Borrowing authorizations no longer are required to expressly provide for the application of a premium to project costs and to reduce the amount of the borrowing authorization by the same amount
 - › Bonds premiums not in excess of \$50,000 may be applied, with the approval of the CEO, for the payment of indebtedness

Questions:

- Please email dlslaw@dor.state.ma.us