

## **Municipal Relief Act: *Highlights***

The Municipal Relief Act is a package of legislative changes and local-option programs – big and small – designed to give our cities and towns the tools they need to operate more effectively and, ultimately, save money.

This omnibus relief bill is a combination of the best ideas suggested by the Municipal Relief Commission (co-chaired last year by Chairman Paul Donato and Senator Stanley Rosenberg), Governor Deval Patrick, local officials throughout the state, legislators, municipal advocacy groups, and private citizens.

Many of these are simple, straightforward, and common sense changes, allowing municipalities to do things one might have assumed they already could do. For example, this bill allows municipalities to establish an e-billing program, a money-saving practice that has been used by private companies for years. It also allows cities to offer benefits to their workers – such as healthcare spending accounts and larger optional life insurance maximums – already available for state workers, and gives cities the ability to enter into long term leases.

Other provisions are more pro-active, giving municipalities new tools to manage employee benefits, facilitate regionalization, operate more efficiently and enjoy more flexibility in municipal finance. For example, provisions to promote sound bidding practices and allow municipalities to enter into cooperative purchasing agreements and mutual aid agreements will help cities and towns save money on services, equipment and staffing.

These are tough times for our cities and towns, with cuts to local aid coming at the same time as rising costs. This bill won't make all of these problems disappear – but it will give municipal officials the tools they need to tackle these problems head on and govern as effectively as possible in this time of lean resources.

### **Highlights include:**

**Transferring Eligible Municipal Retirees into Medicare:** The bill will reduce benefit costs for municipalities by requiring that all eligible retired local employees enroll in Medicare as their primary source of health insurance coverage, as is already done on the state level.

**Optional Early Retirement Program:** The bill includes an Early Retirement Incentive program for cities and towns. This program would allow a limited number of long term municipal employees to receive early retirement benefits, while restricting the town's ability to refill those same positions to no more than 30%, 45%, and 60% of the former total salaries over the next three years, respectively. This program would be at the option of municipalities, giving cities and towns the flexibility to determine for themselves whether this tool is appropriate for their community.

**Retirement system funding relief:** The legislation proposes a pension funding relief plan to help local pension systems address unprecedented asset losses in a fiscally responsible and

manageable way, without the significant increases in payments that would otherwise be required. Specifically, the legislation allows local systems to extend their funding schedule subject to certain conditions and requires that future asset gains be used to shorten schedules, not reduce payments.

**Support for School District Regionalization:** The bill includes provisions to facilitate regionalization of school districts by allowing regional school districts to join with municipal districts in a superintendency union, and streamlining the process to allow regional school districts to access their stabilization funds.

**Collective Purchasing:** Another idea to help participating communities to save money, this would allow education collaboratives to leverage economies of scale by entering into bulk purchasing agreements with public entities outside our state borders. It would also give cities, towns and school departments the ability to participate in cooperative purchasing agreements with public agencies outside of Massachusetts.

**Mutual Aid Agreements:** The bill would allow cities and towns to join statewide mutual aid agreements to provide police, fire, emergency medical, public works, and other public safety assistance to other municipalities. This would allow cities and towns to save money on staffing and equipment while still being prepared for emergency situations.

**Sound Business Practices:** This would incorporate a number of changes to procurement law, including a provision to allow cities and towns to use reverse auctions when buying products and services in large amounts, reducing costs by having sellers bid against each other to provide the best price.

**Municipal Electronic Billing:** The bill would allow cities and towns the option to establish a voluntary e-billing program – an added convenience for residents, and a money-saver for cities and town.

**Renewable energy revolving fund and betterment program:** The bill would allow municipalities to offer a loan program to property owners for renewable energy improvements. This would give towns interested in promoting energy conservation and green energy the legal mechanism to set up a revolving fund for this purpose.

**Flexibility in Municipal and Regional School District Borrowing:** The bill would increase flexibility in municipal and regional school district borrowing by extending the allowable borrowing terms. It would also increase flexibility for emergency borrowing, expedite the process for achieving savings through refinancing, and remove overly restrictive requirements for amortization of debt.

**Abandoned and Unclaimed Checks:** Currently, a check issued by a municipality is not deemed abandoned until 3 years after issuance. This new provision would allow towns to print a one year expiration period, to be printed on the checks. Current requirements to attempt to contact the recipient by mail and provide public notices prior to reclamation remain unchanged.

**Local Option Tax Amnesty Program:** The bill allows towns to adopt a temporary tax amnesty program. Through this program, municipalities could waive portions of the penalties and interest due on unpaid taxes, so long as the taxpayer paid the principal amount owed and was not the subject of a criminal investigation for failure to pay taxes.

## **Municipal Relief Act: *Section by Section Summary***

### **Tools to Encourage and Facilitate Regionalization of Municipal Services**

**Joint or Regional Assessing Agreements** Section 51 clarifies the law permitting joint or cooperative assessing agreements to allow cities and towns to share assessors as well as assessing department staff.

**Collective Purchasing by Educational Collaboratives** Section 42 allows education collaboratives to enter into bulk purchasing agreements with public entities outside our state borders, to further leverage economies of scale and save money for participating school districts.

**Collective Bargaining and Regional Entities** Section 41 provides that a municipal decision to enter into an intermunicipal agreement or join a regional entity shall not be subject to collective bargaining.

**Mutual Aid Agreements** Sections 43 and 44 allow cities, towns, and other governmental units in Massachusetts to join statewide mutual aid agreements to provide police, fire, emergency medical, public works, and other public safety assistance to other municipalities.

**Regionalization Incentive** Section 120 requires agencies to encourage and prioritize existing grants for municipalities which apply jointly in regionalization efforts.

### **Municipal Finance Efficiency**

#### **Sound Business Practices** (Sections 16-22, 111)

- Allows towns to meet procurement requirements through purchase from the General Services Administration supply schedule.
- Allows procurement officers to use reverse auctions to buy products and services in amounts greater than \$25,000 from sellers who bid against each other for the product or service being auctioned. This process provides a method of acquiring best pricing from qualified bidders. Reverse auctions are allowed to use electronic bidding.
- Clarifies that intergovernmental transactions (state to town, feds to town, town to state, etc) are exempt from Chapter 30B.
- Clarifies that procurements for energy management services have competitive bidding safeguards in place
- Provides that a construction payment bond is required for contracts of more than \$25,000, increased from existing levels of \$2000 for municipalities and \$5,000 for the Commonwealth.
- Allows cities, towns, and school departments to participate in cooperative purchasing agreements with public agencies outside of Massachusetts.

**Municipal Electronic Billing** Section 92 amends c. 60, § 3A, the tax bill statute.

Allows cities and towns option to establish a voluntary e-billing program with the selectmen/mayor as approving officials. The language provides that any "user charge" bills to be included with tax bill mailing or e-billing should be set out in a by-law/ordinance. A by-law or ordinance would ensure a thorough discussion of the pros & cons, and then would govern all departments including those headed by elected officials. Requires/allows participating towns to

- display personal exemptions granted to seniors, blind, veterans, etc. and net amount due on the bill (subsection a)
- implement voluntary programs of e-billing subject to approval of selectmen or mayor (subsection b)
- include bills for other municipal charges (water, sewer, trash, light plant) in same envelope or e-billing as tax bill, as authorized by by-law or ordinance. The bills for the other charges have to be separate and distinct. Bills for independent water & sewer commission may be included in by-law or ordinance if approved by the commission.

**Review of Assessment Certification Schedule** Section 46 allows DOR to adjust the scheduled year for triennial certification of local assessing practices in order to equalize the number of communities scheduled in each year and to facilitate or implement regional and other cooperative assessing arrangements. This will enable DOR and local assessors to more efficiently and effectively carry out their responsibilities in ensuring current fair market values on an annual basis. Similar and nearby communities will be able to share consultants and market data, thereby resulting in more accurate assessments for local taxpayers.

**Audit of Personal Property Returns** Sections 80-82, 87-91 would allow assessors to subpoena and audit the records of taxpayers who are required to file an annual return of their taxable personal property in order to determine whether the return is complete and accurate. The assessors will have three years to audit the records. If taxable property is discovered, they will have six months to make an omitted or revised assessment. Taxpayers assessed under those sections have the right to apply for an abatement within 3 months after the additional tax bill is mailed.

**Streamlined Abatement Process** Section 75 streamlines the process by which local assessors can grant abatements without receiving prior approval from the department of revenue. The commissioner will issue guidelines granting authority to abate for reasons determined by DOR to be in the public interest.

**Amortize snow and ice removal costs.** Section 77 allows municipalities to amortize 2010 snow and ice removal costs over the fiscal years 2011 and 2012.

**Increase the Assessors Penalty Fee** Section 83 Currently, Chapter 59, Section 38 D provides for a \$50 dollar penalty to a commercial property owner who fails to provide information requested by the Board of Assessors in order to make accurate assessments. Section 83 would increase that fee to \$500 in the case of Class three or four real property.

**Assessor Extension Requests** Section 84 protects local Boards of Assessors from frivolous extensions of time by providing that failure of an owner or lessee of real property to comply with a

request for information within 60 days will be automatic grounds for dismissal of a filing at the Appellate Tax Board. The Appellate Tax Board and County Commissioners would be prohibited from granting extensions unless the applicant was unable to comply for reasons beyond his control or unless he attempted to comply in good faith.

**Overlay Accounts** Sections 78, 79, 85, 86 Under current law, a separate overlay account is created by towns for each fiscal year to fund abatements through the appeal of tax bills and other tax abatement programs. Surpluses from one year cannot be used to fund abatements for another year when that year's overlay has been depleted and a deficit created. A surplus from any year's overlay account can be used to finance operating or other municipal spending.

Sections 78, 79, 85, and 86 provide that a single overlay account would be created, with the amounts added each year effectively treated as exclusions from the levy limits of prop 2 ½. However, any surplus overlay could not be used to fund operating or other spending. Instead, any surplus would remain in the overlay account and continue into the following fiscal year.

Under this approach, municipalities would be more likely to avoid deficits and in some years, may be able to avoid having to raise additional amounts for the fund. Since no overlay surplus would exist, the amounts added outside of Prop 2 1/2 could never be used to fund operating or other spending

**Local Option Tax Amnesty Program** Section 115 allows adoption of a temporary tax amnesty program by a town, which as written would expire on June 30, 2011. Through this program, municipalities may waive portions of the penalties and interest due on unpaid taxes, so long as the taxpayer pays the principal amount owed and was not the subject of a criminal investigation for failure to pay taxes.

**Abandoned and Unclaimed Checks** Section 113 allows a one year expiration period to be printed on checks but does not change the current requirement to attempt to contact the recipient by mail and provide public notices prior to reclamation. Current law states that a check issued by a municipality is not deemed abandoned until three years after date of issuance.

**Elimination of Fee for State House Notes** Section 71 eliminates the fee charged to municipalities for the processing of State House Notes by the Director of Accounts. The revenue generated annually is a nominal amount. Eliminating this fee streamlines the processing of the notes and reduces costs for local governments.

**Long term municipal leases** Section 40 allows municipalities to enter into leases of up to 30 years without home rule petition to the legislature. This is an increase from 10 years.

**Civil Service Maximum Age** Sections 23 and 24 authorize the appointing authority to apply to the personnel administrator to waive the civil service maximum age requirement for certain individuals based on extenuating circumstances, consistent with the fundamental purposes of the requirement. No longer need to go through home rule.

**Separate Taxation of Condo Development Rights/Other Interests** Sections 93-95, 112, and 122 allow taxation of additional units constructed or under construction on land subject to a condominium master deed to the developer who retains development rights in the land. Those improvements now escape taxation until the master deed is amended because they are not separately taxable under the condo statute.

**Renewable energy revolving fund and betterment program.** Sections 56 and 57 set up a mechanism for municipalities to offer a loan program to residents for renewable energy improvements. The fund must be established by ordinance or bylaw after a public hearing. The fund administrator can apply for and accept grants or gifts for the purpose of the fund, make loans to private property owners to finance or refinance the costs of energy conservation and renewable energy projects after an energy audit has been completed, and receive repayments of the loans and interest. Whenever the city or town enters into the loan agreement with a property owner in this manner, a betterment agreement subject to Chapter 111 must be recorded.

**Motor Vehicle Registration Compliance** Sections 105 and 107 require that any new resident must register their vehicle within 30 days or penalty fees would apply. Any resident who owns a vehicle registered out of state but is for all intents and purposes operating within the Commonwealth would be subject to penalties \$250-500\$. Half of the penalty fee would remain in municipality where violation occurred.

**Due Date Motor Vehicle Excise Tax bill** Currently payment due date is 30 days after issue which can cause confusion. Section 96 requires specific due date to be printed on bills.

**Boat Excise Compliance** Section 97 requires non-payment of boat excise tax to be reported so that vessel registration is not granted.

**Authorizing municipal borrowing for dredging projects** Section 58 clarifies that municipalities can borrow for dredging projects

**Authorizing municipal borrowing for environmental clean up** Section 59 clarifies that municipalities can borrow for the cleaning up or prevention of pollution caused by existing or closed municipal facilities, without legislative approval.

**Trench Laws** Section 104 would waive the requirement that a contractor need a trench permit so long as the excavation is to be completed in one day, not left unattended, and will be backfilled and graded on the same day. Any violation would be punishable by fine not to exceed \$2500 per day.

**Flexibility in Municipal and Regional School District Borrowing** Sections 60-70 and 98 increase flexibility in municipal and regional school district borrowing by allowing borrowing for terms consistent with the maximum useful life of the asset, but not more than 30 years, as determined in accordance with guidelines established by the Division of Local Services of the Department of Revenue. Also increases flexibility for emergency borrowing, expedites the process for achieving savings through refinancing and removes overly restrictive requirements for amortization of debt.

## **Tools for Managing Employee Benefits**

**Transfer of Eligible Municipal Retirees into Medicare** - Sections 36 and 37 reduce municipal benefit costs by requiring that all eligible retired local employees enroll in Medicare as their primary source of health insurance coverage. The state already requires this of state employees. Currently cities and towns have the OPTION of doing this, but a large number of cities and towns have not done so. As a result, their retirees remain in the community's health plan at considerable and unnecessary expense to local taxpayers. (As of last January, 174 towns had considered the shift, only 107 voted to do so).

**Optional Early Retirement Program** - Section 25 is an Early Retirement Incentive program for cities and towns. This program would allow a limited number of long term municipal employees to receive early retirement benefits, while restricting the town's ability to refill those same positions to no more than 30%, 45%, and 60% of the former total salaries over the next three years, respectively. This program would be at the option of municipalities, giving cities and towns the flexibility to determine for themselves whether this tool is appropriate for their community.

**Retirement system funding relief:** Sections 26 - 29 is a pension funding relief plan to help local pension systems address unprecedented asset losses in a fiscally responsible and manageable way, without the significant increases in payments that would otherwise be required. Specifically, the legislation allows local systems to extend their funding schedule subject to certain conditions and requires that future asset gains be used to shorten schedules, not reduce payments.

**Revised Provisions for Transfer of Municipal Retirement Systems into PRIT.** Sections 30 and 31. Section 30 provides that a system that has voluntarily transferred its assets to PRIT before receiving a notice from PERAC that the system is underperforming shall be exempt from the requirement that the transfer be in perpetuity. Section 31 provides a simplified appeal process for those systems that appeal for an exemption from a transfer order.

**Pro-rating of Insurance for Part-time employees.** Section 32 allows a municipality to pro-rate its contribution for a part time employee's health insurance premium based on the number of hours per week worked by the employee, saving money for cities and towns.

**Pro-rating of Insurance for Part Time Retirees** Section 33 allows towns to negotiate health insurance contributions on a sliding scale for retirees working part time and hired after the date of this act.

**Municipal Life Insurance.** Sections 34 and 35 amend Section 11A of Chapter 32B by increasing the optional life insurance maximum for municipal, county, and district employees from \$74,000 to \$150,000 and allowing the local board to make the determination of amount.

**Health Care Spending Accounts.** Section 38 allows municipal employees adopting the state's health insurance to also obtain certain optional benefits under in the GIC. Employees contribute their own pre-tax dollars to be used for eligible dependent care or health related expenses.

## **Relative to Elections**

**Authorize Cities and Towns to send voter information** Section 72 sets up a local option mechanism to authorize governing bodies in individual towns to send information to voters at least 10 days prior to any election at which a binding or nonbinding question is submitted solely to the voters of that town. Information includes the full text of the question; a fair and concise summary of the question, including a one sentence statement describing the effect of the yes or no vote, prepared by the town counsel; and arguments for and against the question. It is currently possible to do this only with a home rule petition.

**Reduce the number of election officer required for polling places** Sections 73 and 74 reduces the number of election officers required under Chapter 54 for polling places.

**Validation of Local Elections by Secretary of State** Section 39 authorizes the Secretary of State to validate a town election or actions taken at a town meeting where an inadvertent failure to comply with certain procedural requirements occurred, but the result did not contradict the fundamental purposes of those requirements and the error was unlikely to affect the outcome of the election or meeting

## **Relative to Schools**

**Regional School Districts Sharing Superintendents** Section 101 This section allows regional school districts to join with municipal districts in a superintendency union and will facilitate a step toward regionalization.

**Regional School Districts Access to Stabilization Funds.** Section 99 Facilitates and streamlines the process to allow Regional School Districts to access their stabilization funds.

**School and Municipal Coordination** Section 100 states that towns may accept the provisions of this section, requiring that school and city officials meet annually to review the fiscal status of the school district budget and to identify potential cost savings through shared services.

**SPED tuition rates** Section 102 specifies that SPED rates can be established only at the start of the fiscal year. Note that individual plans can still change during the school year.

**SPED mileage reimbursement for parents** Section 103 allows schools to choose to adopt a program of parental reimbursement for parents who voluntarily choose to transport their disabled child to an approved out of district placement. This provision would allow a district to reimburse at rates in excess of the standard state mileage reimbursement if it can be demonstrated that such reimbursements represent a cost savings.

**Agency review of state and federal school reporting requirements** Section 119 directs the Department of Early and Secondary Education to review state and federal reporting requirements in order to consolidate and reduce duplicity of reporting.

## **Other**

**Municipal Police Training - Motor Vehicle Inspection Fee Increase** Sections 1-14, 45, 52-55, 108-110, 114, 121, 123

Chapter 6 of the General Laws is amended to change the authority and functions of the existing Municipal Police Training Committee. The membership is unchanged, but the Committee now becomes more advisory: Chapter 6 of the General Laws is further amended by striking out Section 116 and inserting a new section that establishes a municipal police training agency within the Executive Office of Public Safety and Security. The agency takes over some of the responsibilities previously held by the Committee, including training and promulgation of regulations. The Secretary of Public Safety and Security is given the authority to promulgate regulations relative to the policies and standards for training municipal police officers.

Language provides that if a municipality pays for a police officer or recruit to attend basic training officer or recruit must remain in the service of that municipality's police department for a minimum number of consecutive years, determined by the secretary of public safety and security by regulation; otherwise the officer or recruit is required to reimburse the municipality for the cost of the basic training costs; pro-rated, based upon the proportion of required service that such officer or recruit shall have served; provided that the officer's or recruit's failure to serve such municipality's police department for the required period was voluntary.

Section 106 raises the motor vehicle inspection fee by \$6 which will be deposited into the General Fund for distribution to cities and towns for municipal police training and community policing and to the department of state police for training and community policing; provided, however, that money distributed for basic police training established by the municipal police training committee shall be contingent upon a match of not less than \$1 in municipal contributions for every \$1 in state funding; and provided further, that state matching funds shall not exceed the amount available for appropriation. (revenue enhancer)

**State Cultural Districts** Section 15 establishes criteria for municipalities to create state cultural districts and directs departments and agencies to identify existing incentives and resources to enhance such districts. A cultural district shall be a recognized, labeled, mixed-use, compact area of a city or town in which a high concentration of cultural facilities serves as an anchor. The purpose is to attract artists and cultural enterprises to a community, while encouraging business and job development, establishing tourist destinations, preserving and reusing historic buildings, enhancing property values and fostering local cultural development. Agencies are directed to work with towns to identify programs and services that support and enhance the development of cultural districts and assure that they are accessible to such districts.

**Tax Increment financing** Sections 47, 48, 49, and 76 allow municipalities flexibility to negotiate the amount of the personal property tax exemption provided in a tax increment finance plan. Currently, personal property taxes can be waived, but only by 100%. The amount of the exemption for personal property shall be determined by multiplying the exemption percentage by the fair cash value of the personal property.

**Affordable Housing Excess Profits** Section 50 allows municipalities to collect excess profits from 40B projects for use for planning, education, public safety and infrastructure.

## **Studies**

**Establish Commission to review Local Aid Formulas** Section 116 Commission will review the general unrestricted local aid formula.

**Study on collaborative purchase of fuel:** Section 117 creates a special commission to investigate reduction of fuel costs through statewide heating fuel collaborative.

**Study on county funding.** Section 118 would establish a special commission to study the financing of county governments in the Commonwealth; to recommend to the Legislature any proposals for revenue sources that may be necessary to meet the obligations of the counties, including proposed changes in fees, rates, assessments, leases, or permits.