

# SENATE . . . . No. 266

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To accompany the petition of Frank J. Ward that cities and towns be authorized to establish a municipal loan fund for the purpose of eliminating borrowing on notes in anticipation of revenue. Municipal Finance.

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## The Commonwealth of Massachusetts

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In the Year One Thousand Nine Hundred and Thirty-Two.

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An Act to establish the Municipal Loan Fund and to eventually eliminate Borrowing by Cities and Towns on Notes in Anticipation of Revenue, except from Said Fund.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. In the year nineteen hundred and  
2 thirty-three, and each year thereafter, each city  
3 and town shall appropriate from taxes or revenue  
4 an amount equal to thirty cents on each thousand  
5 dollars of its assessed valuation for the previous  
6 year, without reducing such valuation by abate-  
7 ments or refunds, and including in such valuation  
8 the value of motor vehicles taxed under the motor  
9 vehicle excise tax laws, exclusive of abatements,  
10 and shall pay said amount before the close of each  
11 fiscal year to the commissioners of the sinking  
12 funds or to the commissioners of the Municipal

13 Loan Fund in each city or town who shall estab-  
14 lish with the original amount so paid them a fund  
15 to be known as the Municipal Loan Fund and all  
16 subsequent yearly payments paid them hereunder  
17 shall be added to said fund. The treasurer of  
18 each city or town shall be treasurer of said fund.

1 SECTION 2. If no commissioners of the sinking  
2 funds are in existence in any city or town such  
3 commissioners shall be elected by the city council  
4 in any city and by the selectmen in any town, and  
5 if desired by said city council or selectmen the  
6 name commissioners of the sinking funds may be  
7 substituted by the name commissioners of the  
8 municipal loan fund. In any city or town now  
9 having sinking funds the name commissioners of  
10 the sinking funds may be substituted by commis-  
11 sioners of the municipal loan fund when such  
12 sinking funds expire, such change in name to be  
13 made without change in the personnel or terms  
14 of office of the commissioners of the sinking funds  
15 at the time the change is made.

1 SECTION 3. The funds of the Municipal Loan  
2 Fund shall be loaned to the city or town estab-  
3 lishing same by the said commissioners on its  
4 notes in anticipation of revenue at a fair rate of  
5 interest or discount and any interest or discount  
6 so earned by said fund shall be added to it. When  
7 said fund has accumulated to an amount equal  
8 to seventy-five per cent of the average amount  
9 borrowed by said city or town on its notes in

10 anticipation of revenue exclusive of notes in  
11 renewal, during the preceding three years no  
12 further appropriations need be paid to the fund  
13 as provided in section one of this act. No city  
14 or town shall borrow on its notes in anticipation  
15 of revenue, except from the Municipal Loan Fund,  
16 until ninety-five per cent or more of said fund has  
17 been loaned to said city or town on said notes and  
18 the city or town shall keep the said funds as  
19 constantly and as fully employed as possible by  
20 so loaning them.

21 When said fund has accumulated to an amount  
22 equal to the amount borrowed by said city or  
23 town on its notes in anticipation of revenue dur-  
24 ing the preceding fiscal year, exclusive of notes  
25 issued in renewal, any excess over such amount in  
26 said fund shall be paid over by said commission-  
27 ers during the following year to said city or town  
28 and said excess shall be used to reduce the amount  
29 necessary to be appropriated for payments on  
30 serial bonds, other than water bonds, of said city  
31 or town, during that year.

1 SECTION 4. The cash in the custody of said  
2 commissioners belonging to this fund shall be  
3 deposited only in national banks in Massachu-  
4 setts or in banks holding a charter from the state  
5 of Massachusetts. Any such bank to be a de-  
6 pository for such cash must have been chartered  
7 for twenty or more years and must have paid the  
8 legitimate demands of its depositors for the pre-  
9 ceding twenty years without invoking any time

10 clause or moratorium and without loss to its  
11 depositors of any percentage of their deposits  
12 during that time. The commissioners shall not  
13 at any time keep on deposit in any bank so eligible  
14 to receive such cash for deposit more than five  
15 per cent of the assets of said bank as reported to  
16 the comptroller of the currency or to the state  
17 bank commissioner in its last preceding report.

1 SECTION 5. This fund shall be used for no  
2 other purposes than those mentioned in section  
3 three of this act without the approval of four  
4 fifths of the members of each branch of the Mas-  
5 sachusetts legislature and the approval of the  
6 governor and the unanimous approval of the  
7 governor's council.

1 SECTION 6. Whenever twenty year, serial pay-  
2 ment bonds bearing four per cent interest or less  
3 may be sold at par by any city or town such bonds  
4 may, until the fund accumulates to the larger  
5 limit mentioned in section three of this act, be  
6 issued outside the debt limit and the proceeds of  
7 same, exclusive of accrued interest and any  
8 premium received, shall be added to this fund.  
9 The appropriation to be made each year under  
10 section one of this act may be reduced in any  
11 year by the amount to be appropriated in that  
12 year for the payment of serial bonds issued under  
13 this section, and may also be reduced by an  
14 amount equal to three and one half per cent of the  
15 amount of the bonds issued hereunder, outstand-

16 ing at the end of the last fiscal year. Bonds issued  
17 for the purpose of this act shall be designated on  
18 the face thereof "Municipal Loan Fund Loan Act  
19 of 1932" and during any fiscal year a city or town  
20 may issue a total amount of such bonds not in  
21 excess of five times the appropriation required in  
22 section one of this act.

The first part of the book is devoted to a general  
 introduction of the subject and the author's  
 objectives. The second part is a detailed  
 study of the various aspects of the  
 problem, and the third part is a  
 summary of the results and a  
 discussion of the conclusions.

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