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CITY & *Town*

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REPORT OF THE GOVERNOR'S TASK FORCE ON LOCAL FINANCE

Early this fiscal year, a panel of government and business leaders was assembled by Governor Dukakis to form the Governor's Task Force on Local Finance. The Task Force was chaired by Shawmut Bank's John P. Hamill and was charged with reviewing current problems in local finance, studying the history of those problems and developing recommendations for solving them. The findings and recommendations of the Task Force were previewed in December and the final report was issued in late January.

This issue of **CITY & Town** is almost entirely devoted to explaining in summary the conclusions and recommendations of the Hamill Task Force, for they will undoubtedly prove to be at the center of discussions on coping with the fiscal stress currently being experienced by Massachusetts communities. It is therefore advisable for **CITY & Town** readers to familiarize themselves with the report's contents and major recommendations. Following our summary of the report, this month's FOCUS examines the projected dollar impact of the recommended changes.

We hope you find this information useful. The Shawmut Bank has distributed the Hamill report to all cities and towns. Please contact the office of your Mayor or Board of Selectmen to obtain a copy of the report.

TASK FORCE GOALS AND RECOMMENDATIONS

The goal of the Task Force was to recommend a structure for financing local government. The Hamill report examines government finance since Proposition 2 1/2 and attempts to anticipate the factors that will influence local costs in the future, such as demographic, economic, and state and local policy changes.

These recommendations "envision a local revenue structure in which the two largest revenue streams — local property taxes and state revenue sharing funds — are predictable, dependable, and responsive to economic reality. The Task Force seeks greater flexibility with regard to sources of income. The use of that flexibility, whether for cost recovery through fees, local option excise taxes or additional state support for particular program priority, will depend on decisions to be taken at the local and state level, and the political will to make and implement those decisions."

The Task Force report stresses that its recommendations on local aid and property taxes be considered as interdependent, with the objective being a stable local revenue structure. Statewide impacts conceal enormous differences between communities. To allow all local governments equal benefit from a more responsive revenue structure, the Task Force concludes, changes must be made in existing local aid and in property tax policies.

LOCAL AID RECOMMENDATIONS

Among all its conclusions and recommendations, the Task Force perceives as central its proposal regarding the future of local aid, which it calls **revenue sharing.** The report stresses the importance of revenue sharing as a key ingredient of the state and local partnership, particularly in light of the increased reliance by local governments on state aid over the last decade. In its words, "The Task Force believes that a formal revenue sharing policy is an essential component of the commonwealth's financial structure."

As background to its recommendations, the Task Force observes, "In the years following adoption of the local tax limit, until the current year, the state followed an informal revenue sharing policy that made it possible for local governments to reduce and stabilize property taxes and continue to support schools, protect public safety and provide the other services that citizens require or expect of their cities and towns. . .the policy resulted in the allocation of an increasing share of state revenues to local support. It was an ambitious policy that could not be sustained when revenue growth flattened. . ."

The Task Force identifies three major issues to be addressed in development of this policy: What is the appropriate level of aid? How should aid be allocated? When should aid decisions be made?

Further, the Task Force offered a number of criteria it felt should govern a revenue sharing policy. First, the policy must be even-handed, favoring neither state nor local interests or programs. Second, to the extent possible, all state-collected taxes should be included in the shared funds. Finally, revenue sharing should be predictable in both timing and allocation method, for state budget makers and local officials alike.

The Task Force's recommendations on local aid are summarized as follows:

Base level of local aid on fixed percentage of known state taxes. For local aid to be stable and predictable, the Task Force recommends a revenue sharing policy that allocates a **fixed percentage** of state taxes for unrestricted local support. The percentage should be applied to the most recent known year of actual state revenue collections in order to eliminate both debate about the amount of money that should be available and the problems inherent in using estimates of future revenue collections. In practice, this means going back two fiscal years to get final, complete data.

The level of aid recommended by the Task Force is 26% of all state taxes except gas tax revenues earmarked by the constitution for the highway fund, plus revenues of all the games run by the State Lottery Commission. This percentage is deemed to be where the local share of these taxes stands now (in FY89, the share would have been 25%). This level of new aid would fund increases in unrestricted aid, now funded under the titles of Ch. 70 school aid, regional school aid, additional assistance and the lottery distribution.

The task force recommends that the local share be revisited if there is a significant change in state-local responsibilities.

Allocate aid using existing needs-based formula. The task force recommends that the present process for allocation of revenue sharing funds under the "needs based" formula be continued for all aid except regional school aid; this means that the existing lottery formula would be eliminated. The Task Force further recommends that the needs-based formula continue to be scrutinized annually for necessary changes, and that the current Chapter 70 formula be reevaluated as to its usefulness and appropriateness as a school funding formula.

Provide early notification. The Task Force recommends that estimates of receipts from the state be available when local officials are developing spending plans. The payment schedule during the budget year should be reliable and strictly adhered to so that local governments can manage cash flow and plan accordingly.

Existing categorical aid (which represents an additional $600 million in direct local aid) is intentionally not addressed in the Hamill report. According to the Task Force, "the funding for these aid programs will continue to reflect decisions made as a part of the annual state budget process. As a part of this annual process, special aid programs should be reviewed to ensure that each one continues to implement a goal that is a continuing state priority." Examples of such programs include: School Building Assistance, School Transportation Aid, Equal Educational Opportunity Grants, library aid, and reimbursements for property tax exemptions for senior citizens and veterans.

Regarding local aid recommendations, the Task Force believes "the commitment a fixed revenue sharing policy requires and the discipline it imposes should establish a relationship that will benefit both state and local governments."

Focus on Municipal Finance

Impact of Recommendations of The Governor's Task Force on Local Finance

This **FOCUS** examines the community-by-community impact of four of the recommendations made by the Governor's Task Force on Local Finance (see related article in this issue of **CITY & Town**). We look at the following recommendations:

- ***Index the annual, automatic increase in the levy limit to inflation.*** The measure proposed to replace the current 2.5% increase is a three year average of the index of prices paid by state and local governments for goods and services, calculated by the U.S. Department of Commerce.

  The impact of this *recommendation* is an estimated $92 million in additional taxing capacity statewide in FY91.

- ***Include the value of all improvements in new growth.***

  The annual impact of this *recommendation* is an estimated $18 million statewide.

- ***Allow communities to tax in the current fiscal year, new construction and improvements built between January 1 and June 30.*** This provision is at local option.

  This *new law* is estimated to have a one-time statewide impact of $61 million in FY91.

- ***Allow communities to have property taxes paid on a quarterly basis.*** This provision is at local option.

  This *new law* is estimated to have an annual statewide impact of up to $49 million.

These are the recommendations for which we are able to estimate the impact. There is an insufficient basis upon which to estimate the community-by-community impact of other recommendations in the Task Force report, such as local option excises, exemption of long-term capital improvement financing, and local aid. Please note that the data provided here are estimates; we encourage communities to also develop estimates based on their own data and experience.

METHODOLOGY

Indexed Increase. The impact of this recommendation was calculated using FY90 levy limits, if available, and estimated FY90 levy limits if the community has not yet set its FY90 tax rate. The FY90 levy limits were increased by the difference between a 4.6% increase and the current 2.5% increase allowed. (4.6% is the three year average of the index of prices paid by state and local governments for goods and services; this is the average used by the Task Force to estimate the statewide impact of this change. This average may vary according to changes in the index.)

New Growth Expansion. To calculate the impact of this recommendation, we analyzed new growth that was determined to be non-allowable under the existing law. An estimate was made as to the percentage of each community's non-allowable growth that would become allowable under the proposed change (tax exempt property and increases in value resulting from appreciation would not be allowed under either law). Statewide data were used to determine the average increase in allowable growth, with a distinction made for revaluation vs. non-revaluation communities.

Acceleration of New Growth. The impact of this new law (Chapter 653 of the Acts of 1989) was calculated using FY90 new growth, if available, and estimated FY90 new growth, if the community has not yet set its FY90 tax rate. FY90 New Growth was discounted by 10%, to account for the slowdown in the real estate market. This figure was divided by two, as the impact in FY91 will include an additional 6 months (half a year) of new growth.

Please note that these estimates were prepared based on an early draft of the legislation which allowed for all new growth to be accelerated — including condominium conversions, subdivisions and formerly exempt property returned to the tax rolls — whereas the final version pertains to new construction only. As such, they will overestimate the benefit for many communities. Further, construction activity is down in some areas as part of the general economic downturn. Please contact your community's assessors for their estimate of the potential benefit from adopting this change.

Quarterly Tax Bills. The impact of this new law (Chapter 653 of the Acts of 1989) was calculated using FY90 levy limits, if available, and FY89 or FY88 levy limits, if the community has not yet set its FY90 tax rate. The levy was divided by one half, to represent the total amount of the levy that would be collected early. The result was multiplied by 9%, the investment rate at which early tax payments will earn interest, then divided by four, to account for the three months during which these payments will earn interest. It is important to note that savings vary according to the interest rate used.

The table provides, by community: levy capacity increase in FY91 due to an automatic increase based on an index; levy capacity increase due to expanded new growth; the one-time levy capacity increase in FY91 due to accelerated new growth; and the savings and interest earnings due to quarterly tax billing.

IMPACT OF RECOMMENDATIONS/LEGISLATIVE CHANGES

MUNICIPALITY	Indexed Increases	New Growth Expansion	Acceleration of New Growth	Quarterly Tax Bills
ABINGTON	167,753	94,316	70,162	97,124
ACTON	409,705	191,853	227,796	231,503
ACUSHNET	88,378	26,898	55,808	44,362
ADAMS	84,557	7,752	44,474	41,467
AGAWAM	369,682	31,458	288,949	197,966
ALFORD	8,042	1,381	9,936	4,410
AMESBURY	206,175	46,167	216,393	102,968
AMHERST	252,566	10,889	163,179	135,213
ANDOVER	783,037	43,739	487,723	391,602
ARLINGTON	737,824	212,280	119,793	395,090
ASHBURNHAM	55,684	4,887	47,111	30,914
ASHBY	28,090	8,328	10,421	13,957
ASHFIELD	19,648	12,742	17,041	10,953
ASHLAND	228,535	32,690	160,937	121,154
ATHOL	70,384	525	23,678	35,090
ATTLEBORO	422,265	55,307	411,366	226,154
AUBURN	219,876	63,336	131,528	117,735
AVON	99,597	11,557	100,444	56,972
AYER	75,738	4,562	63,319	38,192
BARNSTABLE	778,496	7,995	364,207	462,297
BARRE	37,633	20,818	47,210	28,637
BECKET	27,505	12,318	29,070	15,490
BEDFORD	349,631	33,981	197,124	191,998
BELCHERTOWN	107,027	12,531	145,737	50,573
BELLINGHAM	159,699	96,568	117,285	93,953
BELMONT	519,357	3,349	85,033	289,025
BERKLEY	37,648	658	57,886	24,498
BERLIN	34,194	246	20,317	19,855
BERNARDSTON	26,521	12,408	14,243	14,002
BEVERLY	625,491	208,940	308,976	319,950
BILLERICA	681,984	33,173	485,912	349,737
BLACKSTONE	76,133	11,779	58,279	40,727
BLANDFORD	13,761	88	4,347	7,852
BOLTON	67,399	12,303	116,244	36,078
BOSTON	10,902,828	1,491,388	7,387,587	5,840,174
BOURNE	269,959	42,851	84,754	122,311
BOXBOROUGH	76,006	12,148	90,340	49,649
BOXFORD	115,558	18,355	72,504	73,752
BOYLSTON	52,501	2,387	39,366	26,477
BRAINTREE	625,435	63,712	155,054	318,744
BREWSTER	175,516	153,791	149,567	126,124
BRIDGEWATER	199,586	22,165	206,184	106,906
BRIMFIELD	31,650	3,068	12,235	16,248
BROCKTON	985,809	98,901	394,780	506,388
BROOKFIELD	27,660	7,280	33,033	14,362
BROOKLINE	1,286,090	152,268	300,789	688,894
BUCKLAND	22,993	12,384	9,324	12,311
BURLINGTON	670,249	31,338	338,535	341,454
CAMBRIDGE	2,460,739	496,770	3,185,801	1,231,995
CANTON	408,794	207,389	216,416	218,959
CARLISLE	111,261	36,793	82,355	68,080
CARVER	142,799	47,957	76,296	85,332
CHARLEMONT	18,048	1,759	29,282	10,138
CHARLTON	72,915	21,208	171,840	43,297
CHATHAM	161,558	225,668	44,404	103,704
CHELMSFORD	548,621	6,549	251,510	296,152
CHELSEA	274,077	4,511	168,557	138,649
CHESHIRE	18,853	9,555	11,739	10,084
CHESTER	13,325	1,357	18,219	8,493
CHESTERFIELD	16,555	4,584	10,087	9,369
CHICOPEE	566,269	37,426	348,555	269,114
CHILMARK	32,491	19,367	9,457	18,359
CLARKSBURG	14,105	3,827	2,729	8,167
CLINTON	135,036	26,500	65,707	72,334
COHASSET	189,586	32,085	55,283	102,639
COLRAIN	20,137	6,837	13,635	10,783
CONCORD	473,221	62,931	222,763	243,034
CONWAY	22,303	2,805	28,134	11,943
CUMMINGTON	11,265	3,340	5,874	5,850
DALTON	87,942	451	42,780	48,287
DANVERS	499,681	149,299	145,988	246,778
DARTMOUTH	307,702	38,264	152,075	157,476
DEDHAM	469,265	128,381	173,514	241,282
DEERFIELD	54,746	13,833	59,979	29,290
DENNIS	215,177	54,757	53,724	133,730
DIGHTON	71,385	40,141	24,706	38,214
DOUGLAS	53,496	5,936	104,226	31,625
DOVER	137,565	12,907	109,543	78,651
DRACUT	300,223	30,792	216,510	160,830
DUDLEY	56,226	6,676	64,239	27,199
DUNSTABLE	28,140	3,535	47,919	15,999
DUXBURY	351,490	21,306	125,445	182,498
E. BRIDGEWATER	146,193	78,353	117,162	78,269
E. BROOKFIELD	21,564	3,714	17,382	8,324
E. LONGMEADOW	221,104	17,840	285,356	118,411
EASTHAM	113,537	139,773	40,912	69,945
EASTHAMPTON	134,561	42,622	37,994	69,275
EASTON	261,784	138,602	137,988	146,519
EDGARTOWN	108,775	46,588	70,191	67,337
EGREMONT	24,454	7,226	8,096	11,993
ERVING	42,911	4,059	9,467	22,976
ESSEX	49,417	21,339	21,611	26,451
EVERETT	713,171	75,009	119,054	382,041
FAIRHAVEN	203,567	13,011	96,627	104,229
FALL RIVER	609,476	174,565	403,316	326,503
FALMOUTH	590,664	79,231	407,224	351,923
FITCHBURG	339,794	192,477	151,474	181,943
FLORIDA	17,379	3,429	7,543	9,309
FOXBOROUGH	229,575	63,767	293,607	133,884
FRAMINGHAM	1,181,229	244,851	449,468	606,380
FRANKLIN	310,119	36,443	483,292	166,102
FREETOWN	105,908	33,935	43,333	56,698
GARDNER	169,820	16,490	124,076	90,945
GAY HEAD	14,182	3,959	1,044	8,698
GEORGETOWN	81,950	50,741	44,951	39,973
GILL	15,821	2,100	4,964	5,331
GLOUCESTER	530,017	95,852	381,378	283,899
GOSHEN	12,742	1,148	5,402	6,668
GOSNOLD	4,454	6,164	122	1,739
GRAFTON	160,075	54,432	63,721	85,039
GRANBY	56,511	16,390	47,309	30,250
GRANVILLE	19,419	106	8,354	11,560
GT. BARRINGTON	134,051	31,852	67,473	60,470
GREENFIELD	198,835	32,523	113,776	100,648
GROTON	109,061	11,389	156,828	68,415
GROVELAND	60,978	39,390	31,941	32,972
HADLEY	50,959	8,388	15,686	28,759
HALIFAX	76,129	44,890	48,484	40,756
HAMILTON	130,659	867	38,967	70,151
HAMPDEN	64,885	6,792	39,531	35,839
HANCOCK	10,327	5,416	13,732	4,494
HANOVER	217,141	29,938	150,516	116,313
HANSON	107,036	662	75,983	60,476
HARDWICK	21,915	897	21,268	14,650
HARVARD	90,226	12,240	39,344	41,639
HARWICH	229,973	124,487	134,269	157,292
HATFIELD	39,058	14,149	23,846	22,566
HAVERHILL	595,100	102,615	505,067	297,593
HAWLEY	5,565	798	2,412	2,981
HEATH	10,408	1,030	2,271	5,390
HINGHAM	453,538	51,310	200,937	241,822
HINSDALE	22,108	2,096	3,310	11,832
HOLBROOK	150,852	39,503	134,386	88,702
HOLDEN	191,074	112,724	100,909	112,310
HOLLAND	30,032	10,245	16,826	16,077
HOLLISTON	231,200	123,128	135,387	121,437
HOLYOKE	325,217	97,365	159,912	167,019
HOPEDALE	86,282	12,630	85,015	46,211
HOPKINTON	189,757	110,262	188,739	106,142
HUBBARDSTON	29,461	9,845	64,991	16,796
HUDSON	267,855	70,476	180,190	129,839
HULL	187,812	101,520	26,499	101,270
HUNTINGTON	20,898	4,900	7,063	10,733
IPSWICH	189,602	67,047	176,790	88,454
KINGSTON	130,095	39,189	103,400	78,292
LAKEVILLE	92,324	13,555	174,997	49,434
LANCASTER	64,668	8,939	23,277	34,606
LANESBOROUGH	50,227	4,175	252,144	24,000
LAWRENCE	483,416	71,752	217,843	247,862
LEE	82,584	8,373	43,148	41,686
LEICESTER	71,364	7,352	26,543	36,690
LENOX	101,031	9,308	107,696	50,800
LEOMINSTER	457,664	65,933	338,662	210,157
LEVERETT	23,713	1,229	23,962	12,950
LEXINGTON	801,408	80,690	283,710	454,399
LEYDEN	9,005	609	5,190	4,591
LINCOLN	140,286	1,008	35,839	87,071
LITTLETON	143,024	43,061	110,585	81,672
LONGMEADOW	296,516	13,136	94,442	162,491
LOWELL	1,027,794	38,525	993,914	515,179
LUDLOW	219,181	14,927	240,235	116,594
LUNENBURG	123,841	11,638	157,180	67,365
LYNN	978,923	80,223	442,587	501,901
LYNNFIELD	221,849	25,260	50,423	118,532
MALDEN	622,265	172,498	179,829	333,319
MANCHESTER	135,279	4,521	26,672	72,965
MANSFIELD	286,765	59,564	529,614	162,180
MARBLEHEAD	423,519	159,494	69,761	227,143
MARION	96,625	21,923	30,230	45,111
MARLBOROUGH	693,728	30,627	596,830	355,522
MARSHFIELD	347,497	35,777	156,866	187,313
MASHPEE	204,821	34,210	286,660	114,299
MATTAPOISETT	108,567	29,444	42,290	64,251
MAYNARD	167,810	45,263	87,501	85,756
MEDFIELD	187,054	55,978	78,825	105,702
MEDFORD	772,644	353,775	402,568	396,270
MEDWAY	162,392	21,934	174,237	86,976
MELROSE	395,611	155,004	90,269	211,881
MENDON	50,869	6,471	41,583	25,559
MERRIMAC	53,048	16,992	42,123	26,787

IMPACT OF RECOMMENDATIONS/LEGISLATIVE CHANGES

MUNICIPALITY	Indexed Increases	New Growth Expansion	Acceleration of New Growth	Quarterly Tax Bills
METHUEN	554,129	27,932	251,186	296,852
MIDDLEBOROUGH	214,194	27,643	249,907	114,747
MIDDLEFIELD	6,143	1,058	5,469	3,191
MIDDLETON	94,935	657	44,050	50,783
MILFORD	347,803	103,482	249,631	186,314
MILLBURY	130,428	44,589	64,903	69,845
MILLIS	109,526	16,192	64,534	67,528
MILLVILLE	23,321	2,018	19,967	11,721
MILTON	444,747	24,564	50,374	247,576
MONROE	3,943	276	460	1,807
MONSON	66,461	12,131	25,504	34,172
MONTAGUE	95,071	43,810	122,166	50,120
MONTEREY	17,168	1,404	11,885	10,952
MONTGOMERY	11,190	2,750	8,615	5,619
MT. WASHINGTON	2,126	74	1,252	1,137
NAHANT	68,389	11,980	9,620	36,613
NANTUCKET	271,731	9,744	206,605	190,294
NATICK	599,053	187,188	160,285	305,045
NEEDHAM	634,964	126,278	142,695	370,711
NEW ASHFORD	3,077	683	1,171	1,605
NEW BEDFORD	891,922	176,259	1,792,512	362,854
NEW BRAINTREE	10,136	67	1,856	5,398
NEW MARLBORO	22,282	14,017	19,923	11,630
NEW SALEM	6,708	985	3,020	3,303
NEWBURY	88,319	62,212	39,689	47,404
NEWBURYPORT	298,216	13,109	385,038	146,408
NEWTON	2,199,775	93,008	743,318	1,075,289
NORFOLK	122,081	71,625	86,029	67,375
NORTH ADAMS	119,376	28,103	18,221	63,943
NORTH ANDOVER	384,493	135,323	134,595	205,832
N. ATTLEBORO	297,014	23,730	403,901	158,828
N. BROOKFIELD	38,018	12,354	10,135	20,273
NORTH READING	218,225	73,943	134,621	119,628
NORTHAMPTON	331,301	173,742	90,212	177,436
NORTHBOROUGH	239,786	3,869	176,168	128,403
NORTHBRIDGE	110,478	36,321	64,202	59,159
NORTHFIELD	38,044	16,158	17,482	20,851
NORTON	177,789	27,841	168,721	95,194
NORWELL	219,124	28,192	96,912	117,381
NORWOOD	480,945	28,376	300,031	257,634
OAK BLUFFS	94,758	33,570	96,941	48,300
OAKHAM	14,799	3,201	9,874	7,372
ORANGE	52,661	6,433	21,233	26,956
ORLEANS	150,512	10,122	78,095	89,785
OTIS	29,680	16,600	11,958	16,297
OXFORD	124,344	15,348	121,590	66,565
PALMER	110,983	8,682	26,432	57,415
PAXTON	57,021	32,815	35,664	30,495
PEABODY	766,121	305,273	398,790	363,340
PELHAM	21,561	1,727	27,104	11,545
PEMBROKE	223,618	28,119	180,497	119,694
PEPPERELL	111,355	26,912	82,727	55,826
PERU	9,762	835	3,567	4,804
PETERSHAM	15,630	5,044	2,940	7,802
PHILLIPSTON	10,629	5,826	8,128	5,584
PITTSFIELD	555,178	39,113	296,891	263,325
PLAINFIELD	10,781	1,027	4,320	4,703
PLAINVILLE	92,821	10,272	27,615	49,714
PLYMOUTH	1,028,453	38,573	3,492,558	531,230
PLYMPTON	38,909	8,309	63,683	20,840

MUNICIPALITY	Indexed Increases	New Growth Expansion	Acceleration of New Growth	Quarterly Tax Bills
PRINCETON	56,942	6,520	35,203	30,828
PROVINCETOWN	136,252	24,069	119,420	62,909
QUINCY	1,342,918	156,170	1,006,474	679,765
RANDOLPH	408,076	18,909	186,093	218,481
RAYNHAM	126,130	41,437	139,505	67,558
READING	389,617	18,108	128,515	200,436
REHOBOTH	116,478	35,679	50,985	49,262
REVERE	602,795	52,146	445,556	305,204
RICHMOND	27,506	6,546	10,978	13,905
ROCHESTER	50,845	4,549	49,918	26,421
ROCKLAND	176,114	19,980	155,697	99,029
ROCKPORT	136,862	111,990	33,506	74,072
ROWE	30,937	2,462	1,026	14,945
ROWLEY	58,053	19,496	28,416	31,463
ROYALSTON	9,385	2,797	8,112	4,397
RUSSELL	19,922	3,749	14,684	9,913
RUTLAND	46,876	7,799	29,701	25,095
SALEM	672,010	249,108	360,278	359,801
SALISBURY	84,807	15,995	25,793	43,665
SANDISFIELD	18,337	6,148	28,270	8,119
SANDWICH	298,695	34,132	259,535	178,421
SAUGUS	410,144	73,558	247,500	208,071
SAVOY	6,569	1,536	3,848	3,515
SCITUATE	325,312	19,683	89,609	174,181
SEEKONK	226,233	21,788	143,595	121,518
SHARON	305,321	133,806	139,444	149,165
SHEFFIELD	44,770	339	27,987	24,901
SHELBURNE	21,699	746	6,972	10,281
SHERBORN	119,818	27,203	32,507	71,578
SHIRLEY	44,326	17,937	28,968	23,745
SHREWSBURY	358,831	155,048	313,494	194,324
SHUTESBURY	23,638	6,424	28,810	13,014
SOMERSET	395,212	71,533	34,324	221,008
SOMERVILLE	812,423	252,106	147,186	390,950
SOUTH HADLEY	176,782	47,001	109,288	78,777
SOUTHAMPTON	47,514	5,032	25,441	25,020
SOUTHBOROUGH	153,926	80,774	73,086	85,587
SOUTHBRIDGE	131,345	44,392	58,626	72,065
SOUTHWICK	91,720	23,343	88,913	49,454
SPENCER	73,860	30,058	73,271	38,648
SPRINGFIELD	1,387,065	464,053	330,374	717,685
STERLING	88,066	2,923	43,448	48,662
STOCKBRIDGE	55,228	6,887	52,169	29,447
STONEHAM	361,241	19,560	95,260	193,492
STOUGHTON	419,420	35,536	432,182	224,103
STOW	118,970	705	46,026	68,817
STURBRIDGE	112,117	12,326	109,099	71,901
SUDBURY	400,640	106,499	266,825	202,408
SUNDERLAND	23,134	9,807	19,286	14,415
SUTTON	85,833	11,771	90,926	53,916
SWAMPSCOTT	280,038	58,356	56,067	150,020
SWANSEA	187,559	21,539	72,680	96,389
TAUNTON	470,780	159,580	480,630	250,202
TEMPLETON	31,350	18,331	25,107	16,976
TEWKSBURY	412,931	2,190	469,632	221,103
TISBURY	113,916	18,759	104,388	57,476
TOLLAND	6,108	1,819	3,156	3,492
TOPSFIELD	108,096	36,432	38,133	59,937
TOWNSEND	88,913	39,108	34,737	56,342
TRURO	52,352	10,696	44,376	27,023

MUNICIPALITY	Indexed Increases	New Growth Expansion	Acceleration of New Growth	Quarterly Tax Bills
TYNGSBOROUGH	128,242	40,711	84,245	74,836
TYRINGHAM	8,379	1,225	10,972	4,699
UPTON	53,493	17,981	75,934	28,641
UXBRIDGE	116,122	38,683	126,746	54,180
WAKEFIELD	444,916	19,989	207,744	238,312
WALES	16,834	1,135	13,407	8,116
WALPOLE	342,120	40,816	214,556	183,271
WALTHAM	1,038,416	587,407	732,510	556,281
WARE	86,330	15,500	46,950	46,216
WAREHAM	267,925	31,916	310,419	136,645
WARREN	34,521	4,144	14,978	17,708
WARWICK	10,089	51	5,378	5,626
WASHINGTON	6,345	3,550	2,579	3,395
WATERTOWN	600,478	161,676	153,099	321,605
WAYLAND	324,159	43,897	155,045	184,203
WEBSTER	135,475	7,828	100,914	72,557
WELLESLEY	623,486	88,622	132,794	337,835
WELLFLEET	80,611	48,103	22,715	47,595
WENDELL	11,591	2,832	9,684	6,775
WENHAM	69,113	10,281	28,092	38,688
WEST BOYLSTON	96,618	10,938	77,445	51,722
W. BRIDGEWATER	111,395	5,995	52,227	59,902
W. BROOKFIELD	35,244	3,814	16,117	17,529
WEST NEWBURY	67,605	20,928	25,432	38,283
W. SPRINGFIELD	418,196	14,301	252,180	212,994
W. STOCKBRIDGE	24,936	8,192	15,373	13,431
WEST TISBURY	50,775	22,852	23,034	27,228
WESTBOROUGH	353,460	158,793	257,617	187,190
WESTFIELD	459,309	107,960	299,788	245,987
WESTFORD	286,856	58,525	271,416	154,908
WESTHAMPTON	19,116	5,381	10,195	11,308
WESTMINSTER	64,227	26,044	36,815	38,398
WESTON	344,406	95,432	102,306	196,210
WESTPORT	164,130	35,534	38,687	84,916
WESTWOOD	358,640	37,758	151,729	201,094
WEYMOUTH	720,516	32,492	427,457	367,187
WHATELY	19,701	3,749	12,576	11,918
WHITMAN	146,032	6,012	114,091	94,476
WILBRAHAM	203,299	96,501	129,352	108,872
WILLIAMSBURG	28,524	357	17,172	14,778
WILLIAMSTOWN	107,436	14,359	42,381	57,536
WILMINGTON	403,474	114,170	280,003	221,484
WINCHENDON	67,883	10,558	66,843	39,438
WINCHESTER	499,360	43,147	141,743	267,369
WINDSOR	8,253	2,227	8,392	4,948
WINTHROP	184,865	25,155	132,725	85,681
WOBURN	628,346	89,785	329,033	336,539
WORCESTER	1,793,697	334,129	1,708,965	960,778
WORTHINGTON	15,151	2,015	12,965	9,573
WRENTHAM	128,573	805	121,090	68,755
YARMOUTH	336,826	201,301	202,766	195,692
State Totals	92,342,687	17,797,318	60,520,852	48,918,646

PROPERTY TAX RECOMMENDATIONS

While it recommends some adjustments to make the property tax more responsive to changes in economic conditions, the Task Force is firm in its support of Proposition 2 1/2:

"The discipline that Proposition 2 1/2 imposed on the property tax. . . is an important element of the local tax structure. As a tax on shelter, property taxes should continue to be constrained and the decline in burden caused by the 2 1/2 limit protected. Both the ceiling on the tax rate and an annual limit on tax increases should be retained."

The specific adjustments proposed are as follows:

Index annual increase to inflation. The automatic annual increase in levy limits is currently restricted to 2.5%. Since inflation in local government purchases has exceeded 2.5%, the effect of the 2.5% annual increase has been to force an annual reduction, in real terms, of the property tax. The Task Force believes that while the lower limit should be protected, the annual increase — rather than remaining as an arbitrary constraint — should measure something real. Proposed as the most appropriate measure is the index of prices paid by state and local governments for goods and services, maintained by the U.S. Department of Commerce. Using a three year average of this index will allow property taxes to keep pace with cost changes. When inflation is high, the annual adjustment will exceed the current 2.5%; when inflation is low, the annual adjustment could dip below the current guaranteed increase.

The impact of this recommendation is an estimated $92 million in additional taxing capacity statewide in FY91.

The current 2.5% increase also applies to certain assessments. The task force recommends that these also be changed to an indexed increase.

The Hamill report concludes that real increases above the annual limit should continue to be approved by voters, as the law requires: "These decisions, whether taken because of some extraordinary local expense or to provide funds for a new or expanded purpose, merit the consideration and public debate that an override vote entails."

Include all new growth. While the law currently provides for an annual levy limit increase to reflect growth in the tax base, this adjustment is limited to those improvements that increase the value of residential property by 50% or more, or commercial property by at least $100,000. As land values and construction costs have risen, fewer improvements or additions qualify. Property owners pay taxes for the improvements, yet these taxes are not included in the community's levy limit.

The Task Force recommends that the allowance for new growth include the value of all improvements. **The annual impact of this recommendation is estimated at $18 million statewide,** based on current data. The Task Force warns, however, that growth will slow in the years ahead.

Exempt annual cost of financing future long-term capital improvements from levy limit. The Task Force report observes that the constraints of Proposition 2 1/2 have caused communities to defer maintenance of existing capital facilities in recent years. Compounding this problem, in the years ahead many cities and towns will have to invest in costly new or expanded water, sewer and waste disposal systems, new school or other major public facilities. While the need for capital spending is great, however, there is unlikely to be significant state or federal assistance. The Task Force therefore recommends that communities have the authority to finance major capital improvements outside of the annual levy limit.

The proposed change would — at local option — allow debt service for major capital projects to be excluded from the levy limit by a two-thirds vote of the legislative body (Town Meeting or City Council), the same mechanism by which all municipal borrowing is now approved. The change would eliminate the need to put exclusions for capital projects of this type on the ballot for voter approval. However, all other characteristics of Proposition 2 1/2 debt exclusions would still apply, as would the normal restrictions on municipal borrowing.

Eligible investments must be carefully defined and limited. Minor renovations and repairs — borrowing for terms of less than 10 years — and refinancing of existing debt would not qualify.

The annual impact of this recommendation is an estimated $15 million statewide.

OTHER RECOMMENDATIONS

Property Tax Administration

The Task Force made two recommendations on property tax administration changes that have since been signed into law. Chapter 653 of the Acts of 1989 (the supplemental state budget) includes the following two local option provisions: advancement of the assessment date for new construction and quarterly tax billing. Advancement of the billing date is a one time revenue gain and provides a more current tax roll. Quarterly tax payments will improve cash flow, reduce borrowing costs, and increase interest earnings for municipalities.

The assessment date recommendation has a one time impact in FY91 of $61 million; quarterly tax billing is estimated to have an annual impact of up to $49 million.

The Division of Local Services is currently working with communities to implement these changes.

Motor Vehicle Excise

The Task Force supports a proposal by the Division of Local Services to revise the depreciation schedule for motor vehicles subject to the motor vehicle excise tax. This change would be revenue-neutral but have the dual advantages of more accurately capturing market value and reducing the administrative burden of administering this tax; it is estimated that the number of excise bills issued would be cut in half.

Local Revenue Flexibility

In its study of local finance, the Task Force also examined the potential for creating a new local option taxes. It concluded that broad-based local option taxes such as sales, income and/or payroll taxes are not suitable or appropriate revenue sources for Massachusetts cities and towns. Specific objections raised include the following:

- o A constitutional amendment would be required
- o Wide disparities in communities' tax bases would mean significantly disparate benefits from any local option tax
- o Border problems would preclude adoption of such taxes in many areas

The Task Force concludes that if such taxes are to be used locally, such use should be only on an area-wide or regional basis.

The Task Force is more supportive of local option taxes that follow the pattern of the room occupancy excise: an additional rate of tax on a tax already collected by the state. Examples cited in the report include the meals tax and the alcoholic beverages tax. The Task Force also suggests that a tax on recreational and entertainment events and a tax on short term parking may merit further exploration. These excises would have limited application among communities and yield relatively small amounts of revenue. They would be of principal value to larger cities and resort areas, where much of the tax could be exported to non-residents. However, local options taxes would add a measure of flexibility and local choice.

Local Fees and Charges

Many communities, observes the Task Force, continue to pay for most services through tax dollars rather than user fees. The report suggests that while this will continue to be a local decision, communities may increasingly need to avail themselves of this source of revenue flexibility.

The Task Force advocates a review of the approximately 200 local user fees and charges set by state law, with an eye toward providing greater flexibility where appropriate. Where state uniformity serves no clear purpose, the report states, control over rates should be placed at the local level.

Local Costs

Local government costs are influenced not only by demographic and economic forces, but also by public policy decisions made by federal, state and local governments. The Task Force examined a number of specific cost containment and savings proposals as part of its work on local finance. Two objectives were established in this review: to seek ways to increase local flexibility and responsibility for determining service levels and delivery methods and to seek opportunities for structural change in the way services are delivered.

In this area, the Task Force report:

- o Calls for an immediate review and revision of Massachusetts laws governing public construction
- o Endorses the recommendations of the Governor's Task Force on Special Education, which concluded that some cost controls can be incorporated into the special education system
- o Recommends a change in state law to allow labor-management negotiations relative to health insurance benefits for municipal employees, designed to encourage joint work on cost containment ideas
- o Encourages exploration of options for regional cooperation, such as regional school districts, mutual aid for fire protection, fee for service arrangements, agreements for cost sharing, and agreements with regional entities.

TRAINING OFFERED BY THE INSPECTOR GENERAL'S OFFICE

In January, 1990, the Uniform Procurement Act was signed into law. This new law, Chapter 30B of the General Laws, clarifies and modernizes the rules for contracting for supplies and services by all Massachusetts cities, towns, counties, districts, regional school districts, and local authorities. Chapter 30B also covers the purchase, sale, and rental of real property and the disposal of surplus supplies.

Chapter 30B will take effect on May 1, 1990. To assist public officials in understanding and implementing the provisions of Chapter 30B, the Officer of the Inspector General has scheduled the following training sessions. The ''general training sessions'' listed below are open to all employees of governmental entities affected by the new law. To reserve space at one of the general training sessions listed below, please contact the Office of the Inspector General at (617) 727-9140.

Tuesday, April 3:	Massachusetts Public Purchasing Officials Association membership, Cambridge
Wednesday, April 4:	Massachusetts Association of School Business Officers membership, Braintree
Wednesday, April 11:	General training session Hogan Center, Holy Cross College, Worcester 9:30 AM—12:30 PM
Thursday, April 12:	General training session Minihan Hall, Hurley Building 19 Staniford Street Boston: 9:30 AM—12:30 PM
Wednesday, April 18:	Massachusetts Government Finance Officers Association membership, Lexington
Thursday, April 19:	General training session Health Technology Building, Room C-111, Bristol Community College, Fall River 9:30 AM—12:30 PM
Monday, April 23:	General training session Smith Hall meeting room Essex Agricultural Institute Maple Street, Route 62, Danvers 9:30 AM—12:30 PM
Wednesday, April 25:	General training session Frost 271 (the Old Bookstore) Holyoke Community College (park in K or L lots only) Holyoke 1:30—4:30 PM
Thursday, April 26:	General training session Koussevitzky Hall, Room 111 Berkshire Community College, Pittsfield 9:30 AM—12:30 PM

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