

Patrick/Murray File Municipal Partnership Act

Legislation is aimed at empowering communities, strengthening relationship with state government

BOSTON-Thursday, February 15, 2007-After meeting with local elected officials from across the Commonwealth today, Governor Deval Patrick and Lieutenant Governor Timothy Murray filed a Municipal Partnership Package, a series of initiatives aimed at improving the health of the Commonwealth's 351 cities and towns and strengthening the partnership between local governments and state government. "This administration is fully committed to an active, working partnership with every city and town in this Commonwealth," said Governor Patrick. "When they are strong, the Commonwealth is strong. So, whether it is encouraging the business growth, building the housing, improving and expanding the rails and roads, or strengthening the schools-by working on these issues together we will move Massachusetts forward. Today we take one major step towards rebuilding this relationship, and I thank those local officials and legislators who have worked with our administration to make that possible." Among the provisions of the legislation are plans to help lower property taxes, allow cities and towns to participate in the state's health insurance program, require the state pension board to take control of underperforming municipal pension funds, and close a corporate tax loophole to make utility companies pay their fair share to cities and towns. "For far too long, cities and towns have suffered under a state government unable to realize the benefits of a collaborative partnership with its cities and towns," Lt. Governor Murray said. "The local communities our citizens call home know best what they need to thrive. I am proud to be part of team that recognizes that, and I look forward to working to empower our municipalities and to building a long-lasting relationship." Highlights of the legislation are below.

- GIC Program:

In order to lower the skyrocketing health care costs municipalities are currently facing, the legislation includes a provision to allow cities and towns, by local option, to participate in the Group Insurance Commission. Rapidly escalating health insurance costs have put cities and towns across the Commonwealth in the untenable position of either cutting municipal services or increasing already high property taxes. A recent Massachusetts Taxpayers Foundation report reveals that the cost of health coverage to municipal employees has skyrocketed by an average of 63 percent from 2001 through 2005, a growth rate nearly double the rate of increase for health coverage of state government employees over the same period.

- Pension Reform:

The legislation also proposes to save cities and towns money by requiring underperforming municipal, county, and authority pension funds to be taken over by the state retirement board. The state pension fund is one of the most successful in the country. Over the long term, this aggregation of funds will prove beneficial for cities and towns.

- Property Tax Relief and Stabilization:

Fulfilling a campaign pledge to provide property tax relief to homeowners, Governor Patrick will allow cities and towns to impose a meals tax that would help generate revenue to provide tax relief to senior citizens. The legislation allows municipalities to impose a meals tax of up to 2 percent of gross receipts. Twenty-five percent of the amount collected would be deposited into a state reserve fund to be used for the purpose of reimbursing cities and towns for property taxes abated for qualifying senior citizens. Diversifying a community's revenue base diminishes cities and towns reliance on the property tax. Without additional options, local governments are forced to rely on property taxes.

- Closing the Telecom Tax Loophole:

Governor Patrick is also proposing to close long-standing and obsolete loopholes in property tax laws that enable telecommunications companies to avoid their fair share of local taxation would benefit all cities and towns in the Commonwealth. Recent aggressive use of outdated tax provisions has resulted in a shift in tax burden from profitable businesses to residential and other business taxpayers across the state. The closure of the loophole will assist cities and towns in their efforts at stabilizing residential property taxes. Overall, the telecommunications industry in Massachusetts is avoiding an estimated \$140 million in annual property taxes due to the loopholes and outdated language in the current law. In addition, "new growth" revenues that would normally accrue with the addition and replacement of property will be lost as telecommunications companies use the law to keep once-taxable property off local tax rolls.

- Examination of Home Rule

The Patrick/Murray administration has been working to identify ways to ease restrictions on local communities to allow them more freedom to grow their local economies. The legislation establishes a commission to consider ways to grant increased local authority in areas currently requiring home rule petitions. The commission would also investigate methods for providing incentives for best municipal practices and reorganization of municipal services. The legislation also creates a commission to study expansion of state technology at local levels, creates incentives to encourage best fiscal practices and regionalization of services, increases flexibility for municipal borrowing, streamlines the abatement process, extends the soon to expire property tax classification rules, and confirms existing municipal authority to impose trash collection fees.