

## **State Releases FY2014 Matching Funds for Community Preservation**

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On November 15<sup>th</sup>, the Division of Local Services (DLS) processed the annual distribution of state funds to the 148 communities that adopted the Community Preservation Act (CPA) statute and collected the local surcharges during FY2013. The state match totaled \$54.9 million and was funded through the traditional Registry of Deeds revenue collections and a one-time infusion of \$25 million in state surplus revenue. The combined revenue sources allowed for a first round match of 52.22 percent. This is the first time the first round state match has been over 50 percent since FY2010. Without the additional revenue added to the trust fund this year, cities and towns in the program would have received a first round match of less than 31 percent and total state funding of \$32.7 million.

According to the Community Preservation Act, there are three potential rounds for distributing the state match.

- Round 1 distributes 80% of CPA trust fund balance to all CPA participants
- Round 2 equity distribution (only for those with 3% surcharge)
- Round 3 surplus distribution (only for those with 3% surcharge)

When there are sufficient available funds in the trust fund to match the net surcharge committed, the CPA statute requires the Division to provide a 100 percent match. For the first six years of the program, the revenue stream into the trust fund was enough to provide for a 100 percent match. In those years when the trust fund balance is not sufficient to provide for a 100 percent match, the Commissioner of Revenue has discretion as to whether all of the three rounds will be used. In FY2009, the first year that there was not enough money to provide a 100 percent match, the Commissioner chose to distribute matching funds using only the first and second rounds. By holding back the Round 3 surplus distribution, we were able to reserve a little additional funding for FY2010, decreasing the rapid reduction in the state match slightly. Since FY2010, DLS has calculated the state match using all three rounds.

In FY2013, 148 communities assessed the surcharge on property tax bills making them eligible for the state match in FY2014. Of the 148 communities eligible, 75 have adopted the CPA at 3 percent making them eligible for all three rounds. There are a number of communities that have adopted the surcharge at three percent and continue to receive a 100 percent state match. Of the 75 communities that adopted the maximum three percent surcharge, 23 are receiving a 100 percent state match. These communities collectively account for only \$3.5 million of the total \$92.5 million committed statewide by

all communities that have adopted the surcharge. In addition to the 23 communities with a 100 percent match, there are five communities with a state match over 90 percent and another five communities receiving between 80 and 89 percent state matches.

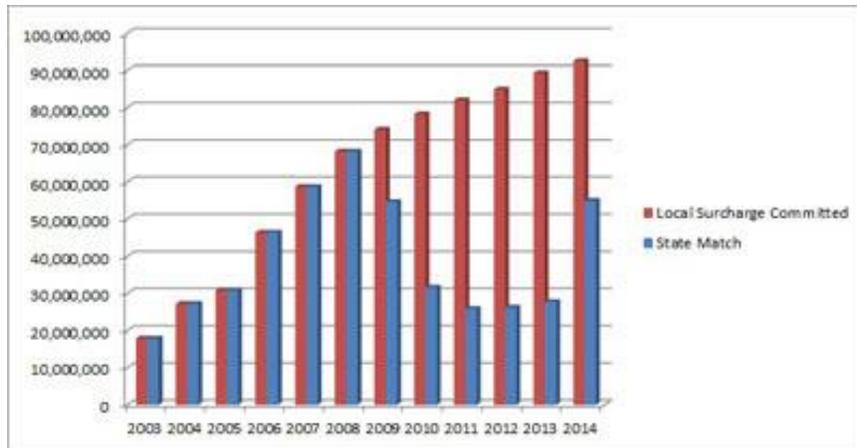
The table below details the annual state match, the number of communities participating and the first round match for each year of the program:

Fiscal Year	State Match	Number of Communities	Percentage Matched
2003	17,854,420	34	100.00%
2004	27,161,342	54	100.00%
2005	30,822,218	61	100.00%
2006	46,337,391	82	100.00%
2007	58,666,783	102	100.00%
2008	68,131,814	113	100.00%
2009	54,614,430	127	67.62%
2010	31,581,103	135	34.81%
2011	25,867,695	142	27.20%
2012	26,182,297	143	26.64%
2013	27,722,042	148	26.83%
2014	54,894,003	148	52.22%

Funding for the state Community Preservation trust fund comes from fees imposed at the Registry of Deeds or in Land Court for recording various documents. These fees are deposited into the trust fund monthly and are used to calculate the state match for the local surcharge imposed on property tax bills. In the last several years, the transaction fees have decreased as a result of the downturn in the real estate market. The decrease in registry revenues, combined with the increased number of communities participating, has resulted in a significant drop in the percentage of the state match since FY2008, the last year the Commonwealth matched 100 percent of the net surcharge committed.

In an effort to restore funding to the CPA program, language contained in the FY2014 state budget (Section 145 of Chapter 38 of the Acts of 2013) provided for supplemental funding of up to \$25 million. This funding was to come from the Commonwealth's general fund surplus, provided that the state surplus was sufficient to accommodate this transfer. The State Comptroller's office reported in early November that there were sufficient revenues in the state's FY2013 surplus to allow the full \$25 million to be transferred to the Community Preservation trust.

As the chart below illustrates, there has been a significant drop in the amount of the state matching funds in comparison to the amount of the surcharge cities and towns have committed. Without the additional revenue added to the trust fund this year, cities and towns in the program would have received less than a 31 percent state match. This slight increase reflects an uptick in the amount of fees collected at the Registry of Deeds and Land Court, which is consistent with reports of increased property sales. Another factor is that with the distribution date changed from October 15<sup>th</sup> to November 15<sup>th</sup>, there was an additional month of collections included in the state fund for distribution month.



As we have done in the past the Municipal Databank has posted the current state match on the Division's website. An Excel file with the details by round can be downloaded from the following link: <http://www.mass.gov/dor/docs/dls/mdmstuf/cpa/fy14cpapayment.xls>.

This file also includes the data used to create the tables and charts appearing above, as well as the historical state matching funds by community since the beginning of the program.