



MEMO

TO: Senate Finance Committee

FROM: Karen Horn, Director Public Policy & Advocacy

DATE: March 19, 2020

Thank you for your consideration of issues that are likely to compromise local government's capacity to provide services to constituents. I am providing a list of issues as of today but caution the committee this is not an exhaustive list.

Towns are expecting reduced revenues from more than the normal number of

- Requests for abatement of property taxes and fees
- Late payment of taxes and fees
- Increased delinquencies.

Towns and cities are anticipating significantly reduced revenues from local option taxes to affect their revenues. Local officials have heard from small businesses that they will need to choose between making payroll or paying sales, meals, rooms and alcohol taxes for the previous month and then will be in arrears on taxes.

Towns and cities are also anticipating increased grievances of property values if the market for real property takes a downturn. Hearings for grievances need to be heard by June 19 in towns of fewer than 5000 population and by July 9 for towns of more than 5000 population.

As a result of severely reduced revenues, towns and cities may need to borrow in anticipation of taxes, which is designed to be short term borrowing. If borrowing in anticipation of taxes were necessary for a longer period of time, there would be significant ramifications for a municipality's level of debt and interest rates.

Towns and cities that passed bond votes at Town Meeting Day have authority to borrow but are not time constrained as to when they would actually need to bond. As Michael Gaughan from the Bond Bank will tell you, the markets are highly unpredictable right now. As a result, municipalities will be very careful about borrowing from both the perspective of the long-term capacity to repay debt if local fee delinquencies increase, and the volatility of the market. Having said that, many of the projects for which bond votes were passed are projects that the Agency of natural Resources requires of towns and so there will need to be discussions with the agency regarding those obligations.

Sincerely,

Karen B. Horn, Director
Public Policy and Advocacy