

## **GRAFTON'S PROPOSITION 2 ½ OVERRIDE QUESTION**

Over the past several weeks the Board of Selectmen, School Committee and the Finance Committee have had serious discussions regarding a potential Proposition 2 ½ override. Below are the facts that were presented to the three organizations. If you have any questions regarding the override, please feel free to contact the Town Administrator's Office at 508-839-5335.

### **[WHAT IS A PROPOSITION 2 ½ OVERRIDE?]**

#### How much

### **WHAT IS A PROPOSITION 2 ½ OVERRIDE?**

Proposition 2½ is a Massachusetts statute which limits property tax increases by Massachusetts municipalities. The name of the initiative refers to the 2.5% annual limit on the increase to the entire amount of the annual tax levy raised by a municipality. So if the town's previous tax levy was \$30,000,000, the town could only raise it by \$750,000 plus any increase due to new property growth.

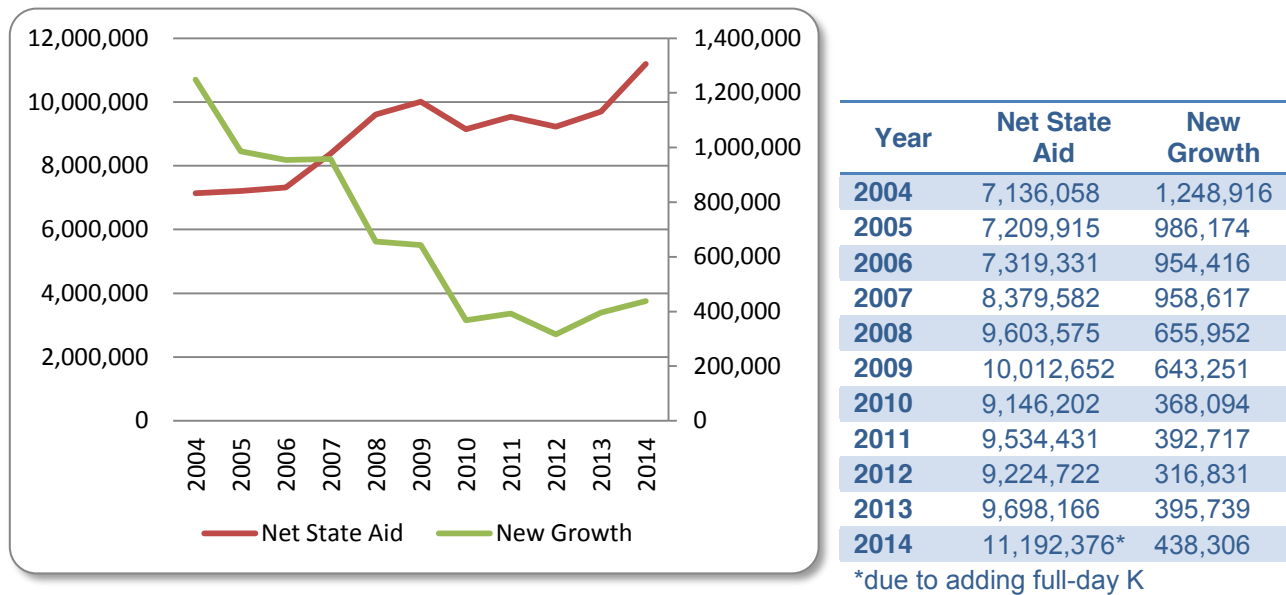
A side effect of Proposition 2½ is that municipality income will decline in real terms whenever inflation rises above 2.5%. Historically inflation has been above 2.5% for a significant majority of the years since 1980 (24 out of the 33 years to date), thus resulting in a real decline in local tax rates and local spending ability.

Proposition 2½ allows a community to assess taxes in excess of the automatic annual 2.5 percent increase and any increase due to new growth by passing an override. When an override is passed, the levy limit for the year is calculated by including the amount of the override. The override results in a permanent increase in the levy limit of a community, which as part of the levy limit base, increases at the rate of 2.5 percent each year.

### **WHY IS AN OVERRIDE BEING CONSIDERED?**

With the development of the FY15 Municipal Budget it has become clear that there is not enough ongoing, recurring revenue to meet ongoing expenses at current levels of service. There are several factors that play into this. First, expenses, specifically health insurance, are growing at an unsustainable pace. Second, revenue growth continues to be stagnant. The property tax levy limit can only grow by 2.5% plus new growth, and the State continues to fund local aid below inflation rates.

In the early 2000s, new growth in the tax base and adequate funding of local state aid was enough to continually meet the needs of the budget. However, with the downturn in the economy new growth and state aid both dropped sharply (see table below). Over those years, Ch. 70, PAYT, stimulus funds, oil/gas conversion, meals excise taxes, solar fees and stagnant budgets all served to balance the budget. We are currently looking at potential health insurance savings, but options for continually solving our budget shortfalls are few. This leaves the Town two options: reduce spending or increase revenue.



## HOW MUCH IS THE OVERRIDE?

**The Board of Selectmen, School Committee and Finance Committee all recommend seeking a Proposition 2 ½ override. Currently, an override of \$3.5 million is being proposed.** As shown in the table below, the \$3.5 million override request will cover projected operational and road expenses through FY20. Depending on how new growth, health insurance and state aid grow over the next several years will determine whether or not the budget is indefinitely sustainable. The Town and School Department will continue to maintain strong fiscal management and strive to stabilize the budget in years beyond FY20.

In the first few years, there will be an excess between the levy limit (the legal limit to which the Town can tax) with the \$3.5 million override and projected costs. The town does not intend to collect the full levy in the first five years after the override has passed. This will keep taxes lower than if the full levy was collected every year.

## WHAT DOES IT BUY ME?

The \$3.5 million override request is comprised of \$2 million earmarked for the School Department and \$1.5 million for the repair and reconstruction of the town roads.

## SCHOOLS

The current funding model for our schools is not sustainable. Despite having the lowest per pupil spending in the state, annual cost increases for special education tuitions and salaries alone exceed the limited additional dollars available to the town each year. In the coming months the town will need to make a decision as to what the immediate and long-term future of the Grafton Public Schools will be.

This funding deficit is not a new problem. In the past, federal stimulus funding and increases in Chapter 70 monies have helped to bridge the gap in the delta between town and state funding and district needs. This additional funding, paired with efforts to reduce costs, share services, increase revenues, and maximize staffing, has allowed the Grafton Public Schools to provide level services over the past three years. Going forward there is no anticipated funding that will help bridge this funding gap that is faced annually. An inability to meet the needs of the school district will therefore lead to the reduction of needed staffing and services if override funding is not realized.

The Fiscal Year 2015 request exceeded the Fiscal Year 2014 request by \$2,060,000. The components of that request are shown below:

Factor	Cost Increase
Requested Positions to fill existing special education, reading, class size and counseling needs	\$611,000
Salaries	\$734,000
Special Education Transportation	\$90,000
Tuitions (private – special education)	\$205,000
Tuitions (collaborative – special education)	\$164,000
Special education therapeutic services (i.e. occupational and physical therapy)	\$17,000
Maintenance projects (i.e. roof repairs, tile replacement, carpet replacement)	\$73,000
Service contracts (HVAC systems, elevators, security, etc.)	\$66,000
School-based supplies	\$18,000
Technology (wireless, server replacement)	\$38,000
Other	\$44,000
<b>Total Increase Over FY14</b>	<b>\$2,060,000</b>

The Town is not able to fully fund the school department's request and is short \$855,000. If the school department reduces their proposed budget by \$855,000, the following reductions will occur:

Non Personnel: \$124,000

- Maintenance projects
- Supplies

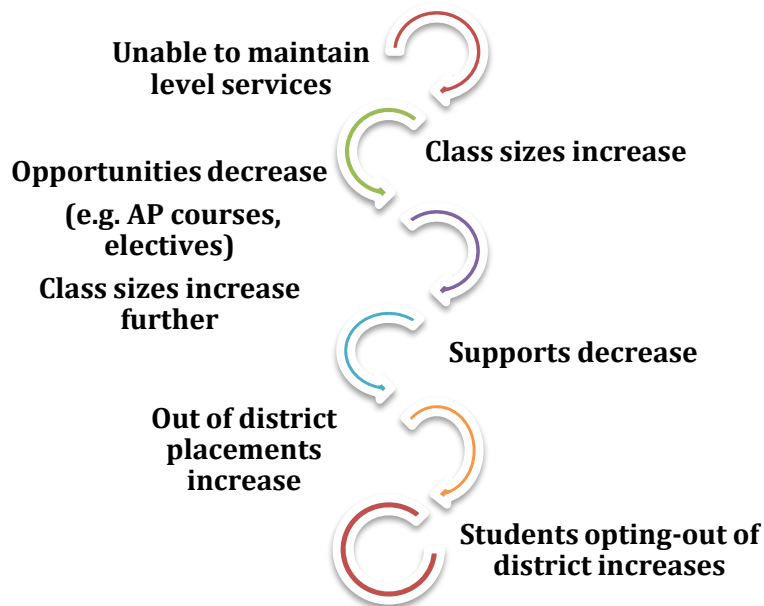
Existing positions: 7.5 FTE - \$396,000

New requests: 6.4 FTE - \$335,000

- Social studies teacher at GHS – requested to reduce class sizes
- Math teacher at GHS – requested to reduce class sizes
- Special education teacher at NGES – requested to meet special education needs

- Special education teacher at SGES – requested to meet special education needs
- Adjustment counselor split between MSES & NSES – requested to improve student services
- Psychologist split between NGES & SGES – requested to improve student services
- Part-time reading specialist at NSES – requested to meet student reading needs

In short, an inability to fund the annual difference between school district needs and available town revenue and state funding will erode the stability that currently exists within the Grafton Public Schools. This erosion is progressive and follows a predictable pattern that is being experienced in numerous districts across the state. This pattern typically involves a significant increase in class sizes at the secondary level, a reduction in related arts opportunities (arts, music, physical education, technology, electives), significant increases in class sizes at the elementary level, and further reduction of support services.



These cumulative reductions typically trigger a snowball effect in terms of consequences within a school district. As class sizes increase and supports diminish there is an expected increase in the demand for special education services, an increase in the number of students opting out of the school district, a decrease in revenue generation from choice and tuitioning-in students, and an increase in out-of-district special education placement tuitions.

The costs associated with an inability to maintain a stable school district are significant. Undoubtedly, larger class sizes, a reduction in support services, and diminished opportunities for students will have a negative and lasting impact on achievement and college and career readiness.

If the proposed override is passed, the Grafton Public Schools will be afforded the opportunity to be fiscally and operationally stable through the next six years. Instead of focusing on minimizing the negatives associated with dismantling a school system, the focus will be on strengthening and improving. For example, approximately .75% or \$216,000 of the override funds would be devoted to

strengthening educational programs annually. These funds would be used initially to strengthen areas of need in FY15 and then to build on existing programming over coming years. By continually building on existing programming, the Grafton Public Schools will become a great school system, one that could potentially realize the following services and supports:

- Increased literacy and special education supports
- Improved level of nursing services grades 9-12
- Restored custodial levels
- Increased level of art, music, technology at grades K-8
- Expanded advanced math programming
- Increased student access to technology
- Increased literacy and math supports
- Increased student access to extra-curricular, art & music, athletics, service-based opportunities
- Expanded Advanced Placement programming 9-12 grades
- Increased foreign language opportunities
- Enriched STEM (science, technology, engineering, math) programming
- Vocational/alternative education programming

All in all, the override funds will avert negative impacts on existing programming, will offer stability for the school district over the coming years, and will allow for the potential for further growth and improvement

## ROADS

The Town completed a comprehensive pavement report in 2013. Based on this report, a budget of \$2,000,000 for road repairs and maintenance (\$1.5 million from an override and \$500,000 Chapter 90 funds), would gradually improve the Pavement Condition Index (PCI) and reduce the existing backlog of road work to be done throughout town. The table and graphs below provide further details.

Date	Current Funding		With Override	
	PCI	Backlog	PCI	Backlog
<b>Current</b>	73	\$18,103,000	73	\$18,103,000
<b>2015</b>	72	\$18,917,000	76	\$16,476,000
<b>2016</b>	72	\$19,675,000	77	\$16,447,000
<b>2017</b>	72	\$21,233,000	79	\$16,905,000
<b>2018</b>	71	\$22,257,667	80	\$16,224,000
<b>2019</b>	70	\$23,415,667	81	\$15,214,000



Here is a calculator to determine a more accurate estimate of the cost of the override for your own home. Double click on the yellow cell below to enter your current assessed value.

Estimated Current Assessed Value:	\$350,000
FY16	\$5,355
FY17	\$5,553
FY18	\$5,763
FY19	\$5,944
FY20	\$6,094

## WHAT IS THE PROCESS?

At the joint meeting on March 25, 2014, the committees decided upon Saturday, June 14, 2014 as the date for the override election.

In the May Town Meeting there will be two different budget articles on the agenda. The first will be the balanced-budget as submitted by the Town Administrator. This budget decreases the school department's requested budget by \$855,000.

The next article on the agenda will be the budget with the Superintendent's requested budget (with the additional \$855,000), contingent on the passing of the override on June 14<sup>th</sup>. This will clearly delineate what the school budget will look like with and without the requested funding.

## CONCLUSION

In order to avoid significantly reducing services, the Town Administrator and School Superintendent recommend seeking an override in the amount of \$3.5 million to address the fiscal shortfall. The increased funding will allow the School Department to increase services and provide funding for improving the road infrastructure throughout town.