



Proposition 2½ Levy Limit Override Outcomes and Consequences

There has been much discussion the past several months about a potential Proposition 2½ override vote. 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 \$50,000,000, the town could only raise it by \$1,250,000 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.

This handout has been prepared to clarify the consequences of passing an override or not. It is designed to show the consequences over time of funding town services at different levels. Below are the three major functional areas of the Town's finances: (1) schools, (2) town operations and (3) road maintenance. For each functional area there are three funding scenarios—these are shown in blue. The top funding scenario is an "ideal" funding scenario i.e. if money were not an issue, what services would be provided. The second scenario is a "level-service" budget i.e. the cost to provide the exact same services that are being provided now. The third scenario is the projected available funding scenario i.e. the level of service that can be provided with the funding available without an override or other tax increase.

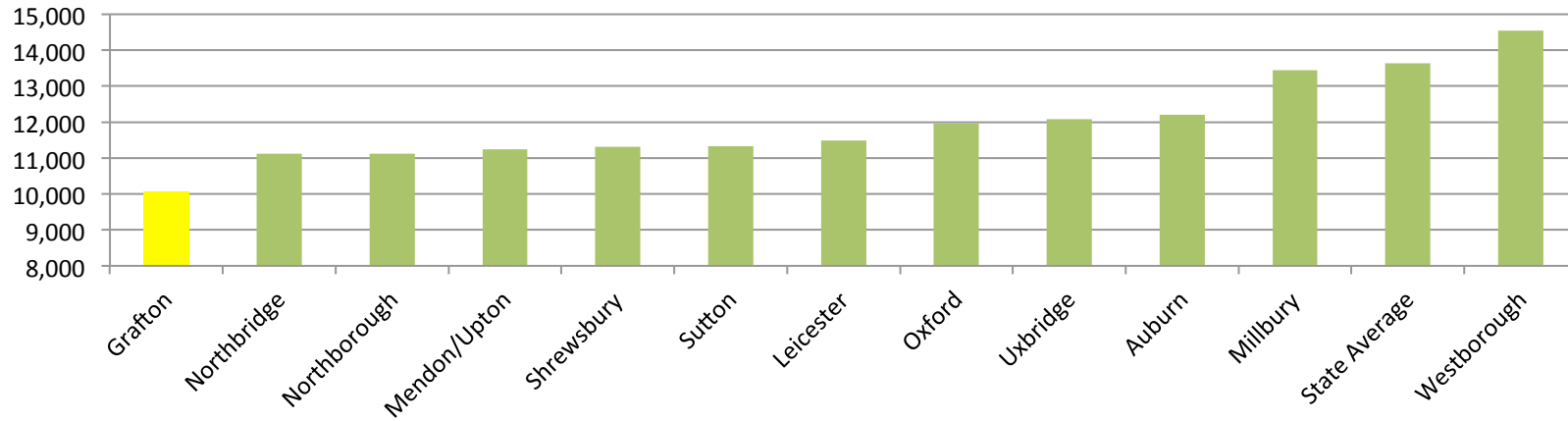
For each funding scenario in blue, there is a white box below that explains the operational outcomes and consequences of funding at that level. This shows how services will be affected depending of the level of funding.

Finally, there is a chart that shows the forecasted average property-tax bill under each funding scenario. **To fund the "ideal" scenario a \$5 million override would need to be passed. The "level-service" scenario would require a \$2 million override.** Although not as dramatic, there is also a tax bill increase under the current Proposition 2 ½ levy limit as well.

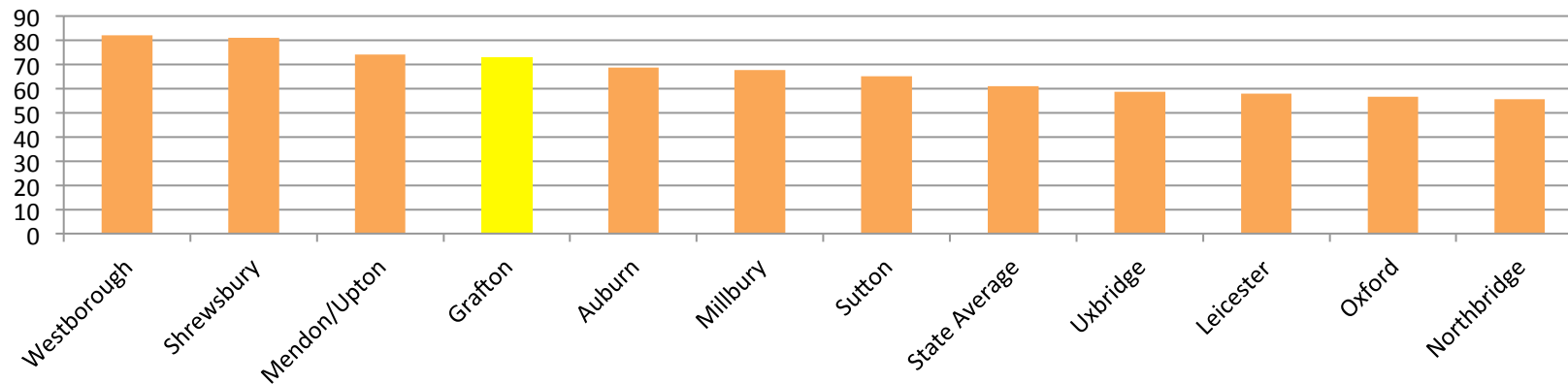
SCHOOLS

The Grafton Public Schools are the most efficient schools in the State. The District spends less per pupil than any other community as shown in figure 1 below. The District is also highly effective in using its resources, as student's MCAS scores rank fourth in comparison to our sister communities as shown in figure 2 below. Additional cuts to funding will have significant impacts to budgets already stretched very thin.

School Spending per Pupil



2013 MCAS Scores

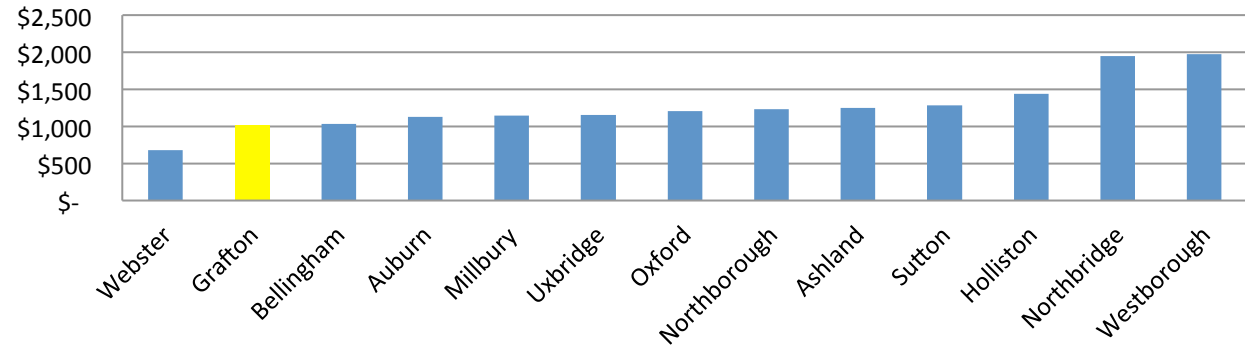


School	FY15	FY16	FY17	FY18	FY19	FY20
Ideal Funding (6+% annual increase)	Ideal \$29.3 M	Ideal \$31 M	Ideal \$32.9 M	Ideal \$34.9 M	Ideal \$37 M	Ideal \$39.2 M
	<ul style="list-style-type: none"> Class sizes: <ul style="list-style-type: none"> 20-23, K-6 23-26, 7-12 	<ul style="list-style-type: none"> Increased curriculum supports Increased reading supports After-school programming 	<ul style="list-style-type: none"> Coaching model K-6 reading & writing Advanced math programming Expanded dept. head model at GHS Increased special ed. Programming 	<ul style="list-style-type: none"> Immersion programming Expansion of technology programming 	<ul style="list-style-type: none"> Development of vocational program 9-12 STEM Initiative 	<ul style="list-style-type: none"> Expansion of vocational programming 7-12 STEM Initiative
Level Service (4-5% annual increase)	Requested \$28.8 M	Level Service \$30.2 M	Level Service \$31.7 M	Level Service \$33.3 M	Level Service \$35 M	Level Service \$36.8 M
	<ul style="list-style-type: none"> Increased supports (special education, counseling) Class sizes: <ul style="list-style-type: none"> 20-24, K-6 24-29, 7-12 	<ul style="list-style-type: none"> Class sizes: <ul style="list-style-type: none"> 20-24, K-6 24-29, 7-12 	<ul style="list-style-type: none"> Class sizes: <ul style="list-style-type: none"> 20-24, K-6 24-29, 7-12 	<ul style="list-style-type: none"> Class sizes: <ul style="list-style-type: none"> 20-24, K-6 24-29, 7-12 	<ul style="list-style-type: none"> Class sizes: <ul style="list-style-type: none"> 20-24, K-6 24-29, 7-12 	<ul style="list-style-type: none"> Class sizes: <ul style="list-style-type: none"> 20-24, K-6 24-29, 7-12
Reductions to Meet Available Funding (less than 4% annual increase)	TA Proposed \$27.8 M	Reduction \$29.7 M	Reduction \$31.1 M	Reduction \$32.5 M	Reduction \$34 M	Reduction \$35.5 M
	<ul style="list-style-type: none"> Class sizes 27+ Grades 5-12 Reduced electives at GHS Limited special education programming 	<ul style="list-style-type: none"> Class sizes 27+ Grades K-12 Reduced electives at GHS Reduction of clubs/activities Reduction of instructional assistants 	<ul style="list-style-type: none"> Reduction of art/music/athletic opportunities (in and out of school) Admin. Reduction – (shared schools) 	<ul style="list-style-type: none"> Reduction of supports (i.e. guidance, counselors, non-instructional staff) 	<ul style="list-style-type: none"> Transportation reduction 7-12 	

TOWN OPERATIONS

Town operations are also very efficient ranking the second lowest per capita as compared to our sister communities (see figure 3). Again, budget cuts to the Town's Operating Budget will have significant impacts.

Figure 3
Town Expenses per Capita



	FY15	FY16	FY17	FY18	FY19	FY20
Ideal Funding (3% annual increase)	Ideal \$19.7 M	Ideal \$20.2 M	Ideal \$20.7 M	Ideal \$21.3 M	Ideal \$21.9 M	Ideal \$22.5 M
	<ul style="list-style-type: none"> Hire two additional police officers 	<ul style="list-style-type: none"> Hire one add'l administrative staff Expand recreational programming 	<ul style="list-style-type: none"> Hire Facilities Manager One add'l DPW laborer 	<ul style="list-style-type: none"> Hire Economic Development Director 		
Level Service (2.5% annual increase)	Requested \$19.3 M	Level Service \$19.8 M	Level Service \$20.3 M	Level Service \$20.9 M	Level Service \$21.4 M	Level Service \$22 M
	<ul style="list-style-type: none"> Level Service 	<ul style="list-style-type: none"> Level Service 	<ul style="list-style-type: none"> Level Service 	<ul style="list-style-type: none"> Level Service 	<ul style="list-style-type: none"> Level Service 	<ul style="list-style-type: none"> Level Service
Reductions to Meet Available Funding (1.5% annual increase)	Reduction \$18.3 M	Reduction \$19.2 M	Reduction \$19.6 M	Reduction \$20 M	Reduction \$20.4 M	Reduction \$20.7 M
	<ul style="list-style-type: none"> Institute Trash Fee Increase employee contribution to Health Insurance Eliminate COLA Furlough 	<ul style="list-style-type: none"> Eliminate 2 PT employees Reduce 6 FT employees to PT at Town Hall Increase fees 	<ul style="list-style-type: none"> Reduce DPW by 2 employees Reduce hours at library 	<ul style="list-style-type: none"> Eliminate 3 staff 	<ul style="list-style-type: none"> Permanent wage reduction 	

ROADS

Road repairs and maintenance in Grafton, like most communities, is funded by “Chapter 90” dollars from the State. The formula for distributing Chapter 90 funds to municipalities is shown in the table to the right. The town has received approximately \$500,000 annually over the past few years. The chart below shows the Pavement Condition Index (the average condition of all the road surfaces throughout the Town) at three different proposed funding levels.

Factors:

Road miles - 58.33%

Population - 20.83%

Employment - 20.83%

	FY15	FY16	FY17	FY18	FY19	FY20
Ideal Funding	Ideal \$2 M	Ideal \$2 M	Ideal \$2 M	Ideal \$2 M	Ideal \$2 M	Ideal \$2 M
	• PCI increases to 75	• PCI increases to 77	• PCI increases to 79	• PCI increases to 80	• PCI increases to 81	• PCI increases to 82
Level PCI	Level PCI \$1 M	Level PCI \$1 M	Level PCI \$1 M	Level PCI \$1 M	Level PCI \$1 M	Level PCI \$1 M
	• Maintain PCI at 73	• Maintain PCI at 73	• Maintain PCI at 73	• Maintain PCI at 73	• Maintain PCI at 73	• Maintain PCI at 73
Estimated CH 90 Funding	CH 90 Estimated \$500,000	CH 90 Estimated \$525,000	CH 90 Estimated \$550,000	CH 90 Estimated \$575,000	CH 90 Estimated \$600,000	CH 90 Estimated \$625,000
	• PCI drops to 72	• PCI drops to 71	• PCI drops to 70	• PCI drops to 69	• PCI drops to 68	• PCI drops to 66

Property Tax

The chart below details what the average homeowner's tax bill will look like under the three proposed funding scenarios: (1) optimal, (2) level service and (3) balanced with existing revenues. The forecasted tax rate is included as well. The table to the right shows the current tax rates and average property tax bills for our sister communities. Note: communities with asterisks are not "DOR sister communities" but are nearby.

Municipality 2014	Residential Tax Rate	Single Family Average Value	Ave Single Family Tax Bill
Webster	13.29	217,795	2,894
Oxford	15.00	220,875	3,313
Northbridge	13.26	265,248	3,517
*Millbury	17.10	212,531	3,634
Bellingham	14.66	257,222	3,771
Auburn	17.29	219,444	3,794
Uxbridge	17.31	264,600	4,580
*Sutton	16.88	303,854	5,129
Grafton	15.26	337,217	5,146
Northborough	16.59	375,222	6,225
Ashland	17.39	365,236	6,351
Holliston	19.88	363,184	7,220
*Westborough	19.29	421,660	8,134

	FY15	FY16	FY17	FY18	FY19	FY20
Ideal Funding	\$5 M Override	\$5 M Override	\$5 M Override	\$5 M Override	\$5 M Override	\$5 M Override
	<ul style="list-style-type: none"> \$5,146 average home tax bill Est. \$15.26 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,947 average home tax bill Est. \$15.26 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$6,085 average home tax bill Est. \$15.26 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$6,229 average home tax bill Est. \$15.26 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$6,378 average home tax bill Est. \$15.26 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$6,532 average home tax bill Est. \$15.26 per \$1,000 tax rate
Level Service	\$2 M Override	\$2 M Override	\$2 M Override	\$2 M Override	\$2 M Override	\$2 M Override
	<ul style="list-style-type: none"> \$5,146 average home tax bill Est. \$15.26 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,488 average home tax bill Est. \$14.95 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,620 average home tax bill Est. \$15.11 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,757 average home tax bill Est. \$15.29 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,899 average home tax bill Est. \$15.47 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$6,046 average home tax bill Est. \$15.66 per \$1,000 tax rate
Forecast with Existing Revenue Sources	No Override	No Override	No Override	No Override	No Override	No Override
	<ul style="list-style-type: none"> \$5,146 average home tax bill Est. \$15.26 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,181 average home tax bill Est. \$14.11 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,310 average home tax bill Est. \$14.28 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,442 average home tax bill Est. \$14.45 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,580 average home tax bill Est. \$14.63 per \$1,000 tax rate 	<ul style="list-style-type: none"> \$5,723 average home tax bill Est. \$14.82 per \$1,000 tax rate
Forecasted Average Home Assessed Value	\$367,117	\$371,843	\$376,569	\$381,295	\$386,021	\$390,747

SCENARIOS

Estimated Revenue	\$	47,930,550	\$	49,462,060	\$	51,227,699	\$	53,044,756	\$	54,904,395	\$	56,797,807
Ideal Scenario												
School	\$	29,300,000	\$	31,058,000	\$	32,921,480	\$	34,896,769	\$	36,990,575	\$	39,210,009
Town	\$	19,826,249	\$	20,292,948	\$	20,827,460	\$	21,396,859	\$	21,985,116	\$	22,593,484
Roads	\$	2,000,000	\$	2,000,000	\$	2,000,000	\$	2,000,000	\$	2,000,000	\$	2,000,000
Total	\$	51,126,249	\$	53,350,948	\$	55,748,940	\$	58,293,628	\$	60,975,691	\$	63,803,494
Shortfall	\$	(3,195,699)	\$	(3,888,888)	\$	(4,521,241)	\$	(5,248,872)	\$	(6,071,296)	\$	(7,005,687)
Level Service Scenario												
School	\$	28,823,631	\$	30,264,813	\$	31,778,053	\$	33,366,956	\$	35,035,304	\$	36,787,069
Town	\$	19,342,682	\$	19,797,998	\$	20,319,473	\$	20,874,984	\$	21,448,893	\$	22,042,424
Roads	\$	1,000,000	\$	1,000,000	\$	1,000,000	\$	1,000,000	\$	1,000,000	\$	1,000,000
Total	\$	49,166,313	\$	51,062,810	\$	53,097,526	\$	55,241,940	\$	57,484,197	\$	59,829,492
Shortfall	\$	(1,235,763)	\$	(1,600,751)	\$	(1,869,827)	\$	(2,197,184)	\$	(2,579,802)	\$	(3,031,686)
Reduction Scenario												
School	\$	28,455,750	\$	29,701,937	\$	31,068,140	\$	32,480,864	\$	33,945,403	\$	35,458,726
Town	\$	18,974,800	\$	19,235,122	\$	19,609,559	\$	19,988,892	\$	20,358,992	\$	20,714,081
Roads	\$	500,000	\$	525,000	\$	550,000	\$	575,000	\$	600,000	\$	625,000
Total	\$	47,930,550	\$	49,462,060	\$	51,227,699	\$	53,044,756	\$	54,904,395	\$	56,797,807
Shortfall	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-

REVENUE FORECAST

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Tax Levy Limit (incl. New Growth)	\$29,821,646	\$30,952,187	\$32,120,992	\$33,329,016	\$34,577,242	\$35,866,673
Debt Exclusion	\$3,309,051	\$3,282,656	\$3,282,656	\$3,282,656	\$3,282,656	\$3,282,656
Tax Max Allowable Levy	\$33,130,697	\$34,234,843	\$35,403,648	\$36,611,672	\$37,859,898	\$39,149,329
Cherry Sheet State Revenues	\$12,265,364	\$12,633,325	\$12,949,158	\$13,272,887	\$13,604,709	\$13,944,827
Local Receipts	\$3,947,995	\$4,016,572	\$4,307,488	\$4,603,461	\$4,894,494	\$5,170,587
Free Cash Usage	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
Other Funds	\$179,364	\$184,745	\$190,287	\$195,996	\$201,876	\$207,932
Other Available Funds - MAY	\$13,600	\$13,600	\$13,600	\$13,600	\$13,600	\$13,600
AVAILABLE REVENUE	\$16,486,323	\$16,928,242	\$17,540,533	\$18,165,944	\$18,794,679	\$19,416,946
TOTAL FUNDS	\$49,617,020	\$51,163,085	\$52,944,181	\$54,777,617	\$56,654,577	\$58,566,275
Cherry Sheet Offsets	\$27,644	\$28,197	\$28,761	\$29,336	\$29,923	\$30,521
Overlay reserve	\$275,000	\$275,000	\$275,000	\$275,000	\$275,000	\$275,000
Cherry Sheet Assessments	\$850,126	\$867,129	\$884,471	\$902,161	\$920,204	\$938,608
Subtotal	\$1,152,770	\$1,170,325	\$1,188,232	\$1,206,497	\$1,225,126	\$1,244,129
Blackstone Valley Assessment	\$880,000	\$902,000	\$924,550	\$947,664	\$971,355	\$995,639
Warrant Articles - Current Year	\$103,700	\$103,700	\$103,700	\$103,700	\$103,700	\$103,700
October Meeting	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
TOTAL SPENDING	\$2,186,470	\$2,226,025	\$2,266,482	\$2,307,860	\$2,350,182	\$2,393,468
New Growth	\$375,000	\$385,000	\$395,000	\$405,000	\$415,000	\$425,000
REVENUES	\$47,430,550	\$48,937,060	\$50,677,699	\$52,469,756	\$54,304,395	\$56,172,807