

PROPOSITION 2 1/2

The levy limit explained

Proposition 2 1/2 refers to an initiative statute adopted by the voters of the Commonwealth in November 1980. Its purpose was to stabilize municipal property taxes. It limits the amount by which the taxing *capacity* of the Town is allowed to increase each year. The allowed growth is 2.5 percent of the prior year's *levy limit*. For FY07 this allowed increase in the limit will be \$1,291,989, which is 2.5% of the FY06 levy limit, \$51,679,556.

Added to the levy limit computation is the levy increase attributable to *new growth*. This represents additions to the base of taxable property, typically as a result of new construction, renovation and minor alterations, or change of use. Permitting the levy limit to be adjusted by *new growth* recognizes the fact that development creates pressures on Town services over the long term.

The assessment date for each tax year is Jan. 1. The 2001 Annual Town Meeting adopted a state law allowing the physical improvements existing on property through each June 30 to be assessed with the taxable roll of the preceding Jan. 1. Thus, *New growth* forecasted for FY07 is based on the activity of the current 12-month fiscal year ending June 30, 2006. The budget estimate is \$600,000, equivalent to 1.1% of the FY06 total property tax levy.

Total growth of the *levy limit* is therefore attributable to two factors, one which is fixed (+2.5% per year) and one which is variable and subject to economic conditions. The total increase in the FY07 *levy limit* is thus projected to be \$1,891,989.

Additionally, the FY07 permitted tax levy will increase due to the added cost of debt service already approved by voters at the ballot box in prior years. The FY07 increase is \$211,023.

The total increase in the Budget Plan recommended by the Finance Committee amounts to \$3740,593. This recommendation will permit the operating budgets to rise as follows: Town Government departments, +5.5%; Concord Public Schools K-8, +4.8%; Concord-Carlisle High School operations, +6.5%. Funding this proposed budget level will require exceeding the levy limit by \$657,538 based upon current projections of other revenues and available resources.

Funding the FY07 Guideline Budget		Calculation of Annual Levy Limit	
• use of prior unused levy limit	\$ 898,012	FY06 levy limit	\$51,679,556
• permitted 2.5% increase in limit	1,291,989	2 1/2 percent	1,291,989
• increase in debt exclusion levy	211,023	est. New Growth	<u>600,000</u>
• est. tax levy from new growth	600,000	Projected FY07 limit	\$53,571,545
• projected change in State aid (net)	18,481	allowed debt levy	<u>2,697,566</u>
• change in Free Cash use	0	available at levy limit	56,269,111
• change in other local resources	68,550	Needed to balance budget	\$56,926,649
• taxation over the levy limit	<u>657,538</u>		
	\$3,740,593		

Overriding the levy limit

Once at the annual levy limit, the Town may exceed this limit only with a majority vote at a town-wide special or regularly scheduled election. Without changes to current state laws, development of new municipal revenue sources, or significant amounts of new state aid, override votes have become an annual consideration in the budget cycle. Voters have approved operating overrides for the Town government accounts and the schools in each of the past five years:

- a series of ballot questions approved for a total of \$2,249,022 on June 10, 2001;
- a series of ballot questions approved for a total of \$1,478,773 on May 14, 2002;
- a series of ballot questions approved for a total of \$1,532,364 on May 13, 2003;
- a series of ballot questions approved for a total of \$1,858,160 on June 8, 2004; and
- a series of ballot questions approved for a total of \$752,480 on June 7, 2005.

Nine of 16 debt exclusion ballots have also been approved by the voters (see the section Excluded Debt, pages 37-38).

Forms of overrides

The Town Meeting does not vote on overrides, or specify the ballot questions. By state law, overrides and debt exclusions are voted upon only at a townwide election. State law vests in the Board of Selectmen the sole authority to determine and specify the ballot questions. The Town Meeting's responsibility is to adopt budgets, and, when necessary, to specify how much of an appropriation authority is to be contingent upon override or exclusion approval by the townwide electorate.

There are several permitted forms of a vote to exceed the annual levy limit:

General override

A majority vote of the Board of Selectmen (3 of 5) is required to place this question on a ballot. The dollar amount of the levy limit increase must be specified and, if approved, the vote permanently

increases the limit. The question can be posed with respect to the total budget or by identifying allocations to specific departments.

Capital Outlay Exclusion

A two-thirds vote of the Board of Selectmen (4 of 5) is required to place this question on a ballot. If approved, the dollar amount of the override is effective for one year only. This form of vote can be used to authorize a capital purchase in lieu of a borrowing authorization. It can only be used for an expense that qualifies, under state law, for debt issuance authorization by the Town Meeting.

Debt Exclusion

A two-thirds vote of the Board of Selectmen (4 of 5) is required to place this question on a ballot. If approved, the override is effective only for the duration of the specified loan. The annual debt service amount (principal and interest payment) is added to the otherwise allowable annual levy limit.