

## **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 is to restrict the increase in the property tax levy. 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.

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 January 1. The 2021 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 January 1. Thus, new growth forecasted for any Fiscal Year is based on the activity of the current 12-month fiscal year ending June 30 of the preceding year. 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.

### **Overriding the Levy Limit**

Once at the annual levy limit, the Town may exceed this limit only with a majority vote at town-wide special or regularly scheduled election, though Town Meeting must still appropriate the associated expenditures. Voters have approved operating overrides for the Town government accounts and the schools for six consecutive years concluding with FY07 (ballot vote of June 6, 2006):

FY02 budget: \$2,249,022	FY04 budget: \$1,532,364	FY06 budget: \$752,480
FY03 budget: \$1,478,773	FY05 budget: \$1,858,160	FY07 budget: \$657,538

Eighteen debt exclusion questions have also been approved by the voters since 1980. The most recent approvals were ballots in 2022 and 2023 for the construction of a new \$110 million Middle School. The total debt exclusion tax levy for FY24, inclusive of both the CCRSD & Minuteman debt assessments, is budgeted at \$7,423,620 (about 6.7% of the total projected tax levy). Of this amount, \$3,055,012, about 2.8% of the projected tax bill, is for the Concord-Carlisle High School; \$2,584,071, about 2.3% of the projected tax bill, services the debt associated with the Alcott, Thoreau, and Willard elementary school projects and the feasibility study for the Middle School; \$1,048,150, about 0.9%, services the debt associated with the Middle School and \$488,844, about 0.40% is for the Minuteman Regional High School project. Of the remaining balance, \$99,794, about 0.1%, is for water and sewer improvement projects and \$217,750, or about 0.20%, is for the School Bus Depot. Between September 2004 and May 2011, a total of \$53,330,000 was issued as long-term debt to finance the construction of the three elementary school buildings. As of June 30, 2022, \$37,242,000 of this debt has been repaid. In June of 2022, \$12,000,000 was issued as long-term debt to finance the Middle school.

## **FORMS OF OVERRIDES**

The Town Meeting does not vote on overrides or specify the ballot questions. By state law, overrides, capital outlay and debt exclusions are voted upon only at a town-wide election and require a simple majority vote for approval. State law gives the Select Board the sole authority to determine and specify the ballot questions. The Town Meeting's responsibility is to adopt budgets, and, when necessary, to specify whether and how much of an appropriation is to be contingent upon override or exclusion approval by the town-wide electorate. Override votes may precede or follow Town Meeting action. A General Override or Capital Exclusion vote will show the amount of the override in the wording of the ballot question. A Debt Exclusion cannot, by state law, show the amount of the debt, but rather can only refer to the debt authorized or to be authorized by a vote of Town Meeting. Authorization of Town debt by the issuance of bonds requires a two-thirds vote in a specified amount at Town Meeting. There are several permitted forms of a vote to exceed the annual levy limit:

### **GENERAL OVERRIDE**

A majority vote of the Select Board (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 Select Board (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 Select Board (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 permitted annual levy limit.