

# The Community Connection

TOWNS/SCHOOL BUDGET PROCESS COMMITTEE/APRIL, 2011

## School District & Municipal Budgets 2011/2012

### Town School Budget Process Committee

	Hamilton	Wenham
Selectmen	Bill Bowler	Harriet Davis
Finance Committee	John McWane	Catherine Harrison
Town Mgr/Town Adm	Michael Lombardo	Jeff Chelgren
Finance Director	Deborah Nippes-Mena	Nichole Hagstrom
Community Members	George Lamontagne	Deborah Evans

### Regional School District Members

*Committee*

Alexa McCloughan

*Superintendent*

Raleigh Buchanan

*Assistant Superintendent for Finance*

Peter Gray

### Town Meeting & Ballot Vote Dates

#### Wenham

- Saturday, May 7, 8:00 a.m. – noon (Election of town officials)  
1:00 p.m. (Town Meeting/Buker School)
- Thursday, May 19, 7:00 a.m. – 8:00 p.m.  
(Wenham Town Hall)\*

#### Hamilton

- Saturday, May 14, 9:00 a.m. (Town Meeting/HWRHS)
- Thursday, May 26, 7:00 a.m. – 8:00 p.m. (Winthrop School)

\*Note new location for Wenham ballot voting

# UNDERSTANDING THE NUMBERS

The 2011 edition of The Connection has gone online!

After taking a straw vote last May at the Hamilton and Wenham Annual Town Meetings, the Budget Process Committee decided as a cost savings measure not to mail The Connection to every household as was done in the past. For those citizens who do not have access to a computer or printer, copies will be available at Hamilton and Wenham Town Halls, the Regional School District office, and the Hamilton Wenham Library.

There has been considerable change in local governance as well this past year. Hamilton adopted a Town Manager form of government and expanded its Board of Selectmen from 3 to 5 members. Michael Lombardo is the town's first Town Manager. Wenham hired a new Finance Director, Nichole Hagstrom. Finally, the school district has a new Superintendent, Raleigh Buchanan, and a new Assistant Superintendent for Finance, Peter Gray. The Budget Process Committee has been instrumental in introducing these folks to the community.

Unfortunately one thing has not changed, the severe pressure on town and school budgets. Our communities expect and deserve high quality services delivered in a cost effective manner. Town and school leaders continue to endeavor to fulfill this mission, but for the past number of years the task has been extraordinarily difficult. While final figures will not be known until after town meetings, it is likely that local aid from the state for both the towns and schools will be down. Due to the economy, local receipts for automobile excise taxes are down significantly. The gaps from these reductions can only be made up by real property taxes, which in both towns is 95% residential.

On the plus side the towns and schools are fortunate to have hard working professionals and volunteers, as well as interested and committed citizens, to work on the budgets and other important issues.

To get additional information on the budgets, plan to attend the joint budget forum on Thursday, April 28 at 7:00 p.m. at the Buker School. Attend your town meeting and vote in your town election.

## For More Information

To learn more about these budgets, you can find additional resources and information at the following sources:

- Hamilton and Wenham Town Halls.
- Regional School District Office on School Street in Wenham.
- Hamilton-Wenham Public Library.
- Offices at each school.
- School district website: [www.hwschools.net](http://www.hwschools.net).
- Towns websites: [www.hamiltonma.gov](http://www.hamiltonma.gov) and [www.wenhamma.gov](http://www.wenhamma.gov).
- Coverage in the Hamilton Wenham Chronicle, the Salem News, and The Patch at [www.hamilton-wenham.patch.com](http://www.hamilton-wenham.patch.com).
- Town Warrant Booklets available from both Town Halls and online.

## Regional Services Apportionment Adjustments for FY2012

### Regional School District

#### FY2011

Wenham: 32.68%  
Hamilton: 67.32%

#### FY2012

Wenham: 32.46%  
Hamilton: 67.53%

-Apportionment based upon enrollment

### All others

(Joint Recreation, ECO, and Joint Library)

#### FY2011

Wenham: 36.40%  
Hamilton: 63.60%

#### FY2012

Wenham: 36.02%  
Hamilton: 63.98%

-Apportionment based on property valuation

### COA Van

#### FY2011

Wenham: 56.34%  
Hamilton: 43.66%  
- based on rider ship from calendar year  
2007, 2008 & 2009

#### FY2012

Wenham: 54.99%  
Hamilton: 45.01%  
- based on rider ship from calendar year  
2008, 2009 & 2010

The Wenham Finance Committee is pleased to share the following highlights of our Fiscal 2012 budget proposal along with charts and schedules depicting relevant historical financial comparisons.

For the first time since 1998, our recommended Article 2 operating budget is significantly below the Proposition 2 ½ levy limit. Overall, the proposed Town operating budget would increase expenditures by 0.5% from 2011. Salaries and wages would increase 4.4% and Town expenses 1.7%. These increases would be offset by a proposed 2.7% decrease in the Town's contribution to School District expenses. This proposed reduction is a major change from recent history, as Wenham's contribution to School District expenses has increased each year since 1993. The majority of the 4.4% increase in salaries and wages is roughly split between non-discretionary requirements and maintenance initiatives. The maintenance initiatives address the need to preserve Town assets and avoid excessive repairs or premature replacement in future years. The bottom line effect of all of the above recommended expenditure requests and revenue projections is an increase of about 18 cents or 1.03% in the tax rate. Although this is the smallest increase in total taxes levied since 1997, it still leaves the Town with one of the highest tax rates in the state.

We hope that you will take the time to read and understand the financial information contained herein as well as the financial information that we will share with you in our Wenham 2012 Town Warrant book. We also hope that you will attend and participate in our upcoming Warrant Hearing on Monday, May 2 and of course, our annual Town Meeting on Saturday, May 7.

## THE PROCESS

### How the Budget is Produced

- Board of Selectmen and Finance and Advisory Committee release a joint budget message and set timeline.
- Departments/boards submit budget requests.
- Board of Selectmen reviews budget requests, meets with departments/boards, and makes recommendations to the Finance and Advisory Committee.
- The Finance and Advisory Committee meets together with representatives of the large departments/boards to hear presentations of their budget requests. The Finance and Advisory Committee reviews budgets and Board of Selectmen's recommendations. The Committee meets jointly with the Hamilton Finance Committee to review the budget requests of the Regional School District and the town's joint programs.
- The Finance and Advisory Committee analyzes revenue forecasts, capital plans, and other relevant information.
- The Finance and Advisory Committee makes additions or reductions by balancing the value of services or assets against the pressure of an already high tax rate.
- The Finance and Advisory committee makes recommendations to Town Meeting for the annual operating budget (Article 2) and override articles.

### FY'12 Budget Challenges

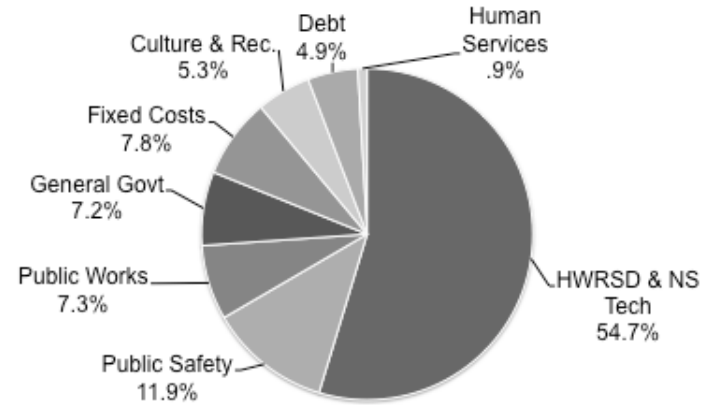
- Current tax rate in top 10% of state.
- Local receipts decreasing.  
(Reduced Motor Vehicle Excise Tax Revenue, Investment Income & Permit Income)
- Reduced state aid.
- Unfunded mandates.  
(Quinn or Educational Stipend for Police and EPA Storm Water Regulation)
- Limited new growth (increases in value from new building).  
(new growth = increase in tax levy)
- Uncertainty concerning impact of Operational Audit on school budget.

# FY '12 BUDGET

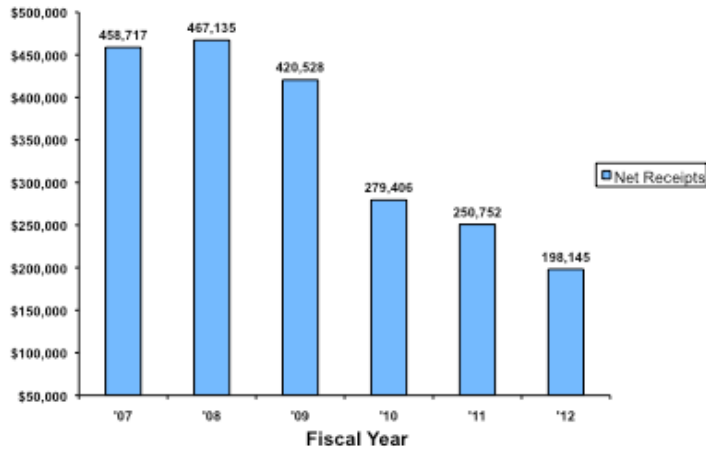
## Proposed Budget

	FY '11	FY '12
Town Salaries & Wages	\$2,859,186	2,986,293
Town Expenses & Water Capital	3,153,024	3,163,011
Town Debt	657,950	699,435
Town Warrant Articles	145,000	0
Misc Expenditures	1,016,609	756,037
(Town Revenue: State/Local)	(3,499,335)	(3,037,194)
<b>Net Town Expenditures</b>	<b>4,332,434</b>	<b>4,567,582</b>
Wenham Share School Net Expense	7,546,469	7,340,954
Wenham Share School Debt Service	280,790	335,284
North Shore Voc/Tech School	50,223	90,295
North Shore Voc/Tech School Debt		978
<b>Total Tax To Be Raised</b>	<b>\$12,209,915</b>	<b>\$12,335,093</b>

## Distribution of Wenham FY2012 Expenses (Excluding Water Dept.)

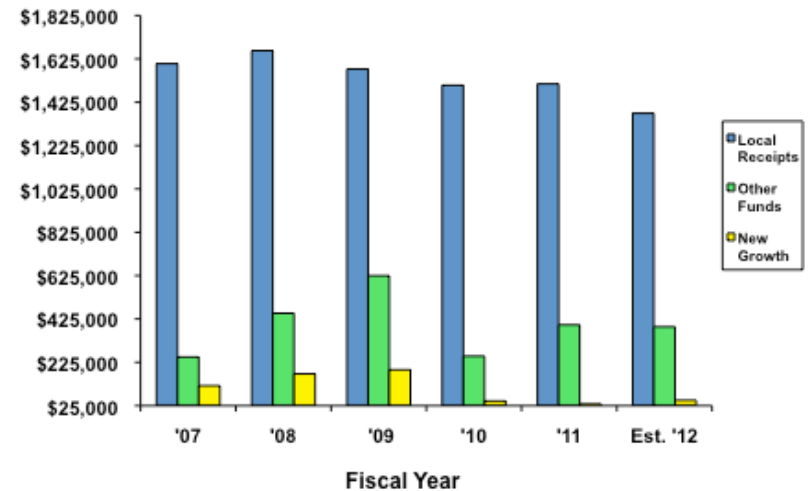


## Wenham State Aid (Cherry Sheet)



State Aid does not include proposed meal tax.

## Wenham's Other Revenue Sources



# FY '12 BUDGET

FY '12 BUDGET

## Capital Expenditures in FY' 12

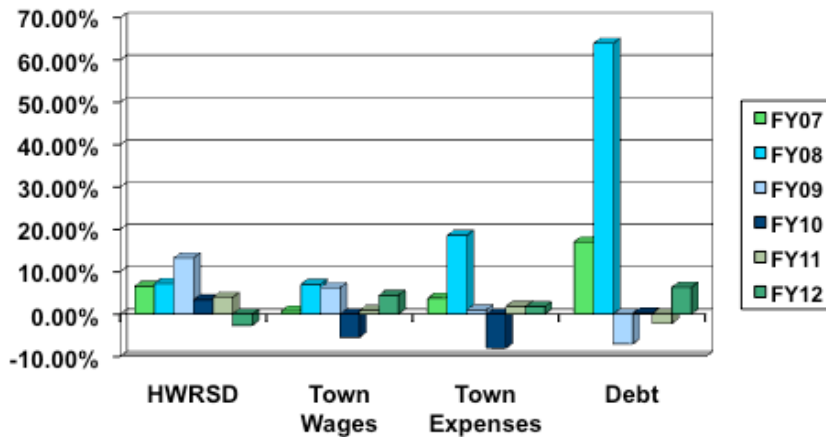
Department	Capital Item	Value
Info. Technology	Computer Replacement	\$4,500
Bldg & Grounds	Jacobsen Mower Attachment	\$ 10,000
Police	Portable Radios	\$ 1,700
Fire	Breathing Apparatus	\$ 15,500
Water	Hydrant & Meter Replacement	\$ 15,000
	<i>all Water Department items covered by water rates)</i>	
Highway	Trackless Machine	\$ 160,000 *

\*Debt Exclusion Override Article

## Annual Warrant Highlights

- Financial Actions
  - Town and School budgets - \$14,616,250
  - Water Department budget - \$426,497
  - Chapter 90 Approval - \$117,977
  - CPA Appropriations
  - Debt Exclusion Override - \$160,000
  - Cemetery Perpetual Care Transfers
- Fall Loose Leaf Collection
- War Memorial – Car Barn Lot
- ECO – Citizen Petition

## Budget Changes Year over Year



## Median Assessed Value & Tax Bill

Fiscal Year	Tax Levy	Median Assessed Value	Median Tax Bill
2012*	12,532,571	467,550	8,112
2011	12,215,056	467,550	8,036
2010	11,995,547	503,750	7,838
2009	11,712,231	551,850	7,567
2008	10,781,613	544,200	7,031
2007	9,686,667	546,700	6,380

\*Proposed Tax Levy using FY11 Assessed Value

# TOWN OF HAMILTON

The downturn in the economy and decreased State revenue are expected to continue during 2012. State Local Aid is projected to decrease by 9.09% (\$51,632) and local receipts are estimated to drop by 6.0% (\$100,000). However, the town received its second State 911 grant of \$152,000 that helped offset revenue decreases. In addition, an accounting error setting the FY 2011 tax rate resulted in an over taxation of \$275,000. To correct this error the Finance Committee and Board of Selectmen voted to use these funds to reduce the FY 2012 budget. The end result is a projected increase in town revenues of about \$186,000.

On the expense side, the town's FY 2012 budget increased by 4.76% (\$387,977), driven principally by increases in health insurance (\$81,597), snow and ice removal (\$74,237), restructuring of Police coverage (\$116,939), purchase of new computer systems (\$55,536), and the Energy Savings and Conservation debt (\$8,828). Town employees again received no cost of living increase and are to be commended for their continued high performance despite tight salary and expense constraints.

Entering FY 2011, the town's Free Cash was \$880,000 and the Stabilization Fund was \$630,000. To bring our Stabilization Fund to more acceptable levels, the Finance Committee, BOS, and Town Manager are recommending the appropriation of \$100,000 to the Stabilization Fund.

The other major town expense is the budget for the Hamilton-Wenham Regional Schools. The Fin Com and BOS initially voted to support the budget presented by the Superintendent and approved by the School Committee's Finance Committee. Since then, State aid to the schools was increased and with that taken into account the Fin Com and BOS agreed to a school budget decrease of 1.88% or \$294,486. Note that the School Committee has voted for no decrease.

If the town's recommended funding of the school budget is maintained, the result will be a decrease in town expenses of 0.04% or \$8,207. With the excess tax of FY 2011 taken into account, the resulting property tax will decrease by \$0.20, which will mean a savings of about \$80 for the median priced home of about \$400,000.

The full budget is posted on the town's website, [Hamiltonma.gov](http://Hamiltonma.gov), under the Finance Department.

## THE PROCESS

### How the Budget is Produced

- Town Manager working with the Selectmen and Finance Committee release a joint budget message and set timelines
- Departments/Boards submit budget requests and warrant article proposals
- Town Manager reviews budgets, meets with departments & boards and delivers proposed budget to the Finance Committee
- H-W Finance Committees meet jointly on the joint program budgets; Library, Emergency Center, Recreation, Elder Van & HWRSD
- Finance Advisory Committee delivers a budget recommendation to the Board of Selectmen for their approval
- Recommended budget is submitted to Town Meeting

### FY'12 Budget Challenges

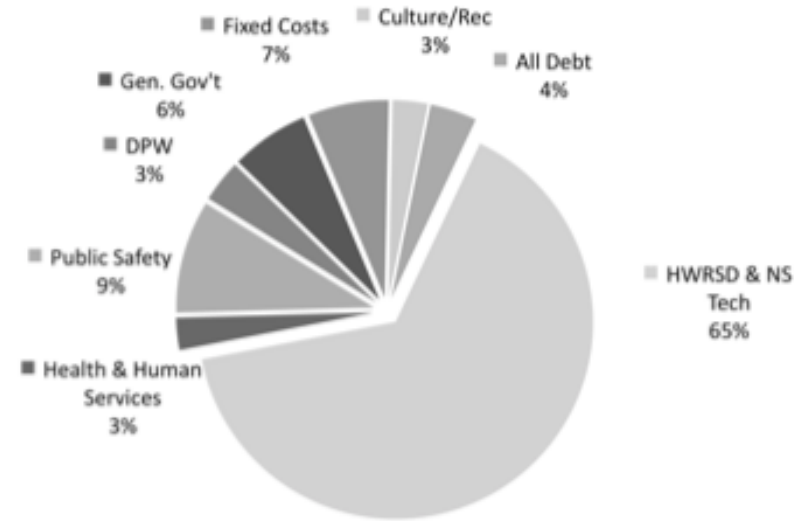
- Increasing Fixed Charges.  
(Health Benefits, Property and Casualty Ins., Retirement)
- Decrease in State Aid and local revenues creating a funding gap over prior year expense structures.
- Decrease in new construction affecting tax base and levy capacity.
- Maintain community service level with minimal increase in Property Taxes.
- Funding of Landfill Closure.
- Unfunded State Mandates.  
(DEP-Ipswich River Regulations, EPA storm water rules, Prevailing Wage Law, Ch. 40-B affordable housing, Closed Landfill rules)

# FY '12 BUDGET

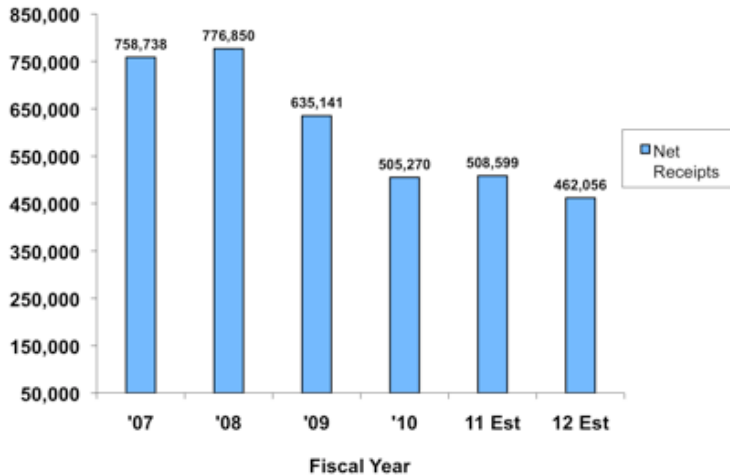
## Proposed Budget

	FY '11	FY '12
Town Salaries And Wages \$	3,539,743	\$ 3,582,630
Town Capital And Operating Expense	4,427,379	4,730,112
Town Debt	971,884	941,636
Town Articles	153,820	189,760
<u>Town Revenue: (State/Local)</u>	<u>(2,749,534)</u>	<u>(2,945,530)</u>
Net Town Expenditures	6,360,779	6,498,608
Hamilton Share School Net Expense	15,601,818	15,307,333
Hamilton Share School Debt Service	530,947	658,622
North Shore Voc/Tech School	159,008	179,262
<b>Total Tax To Be Raised</b>	<b>\$22,652,552</b>	<b>\$22,643,852</b>

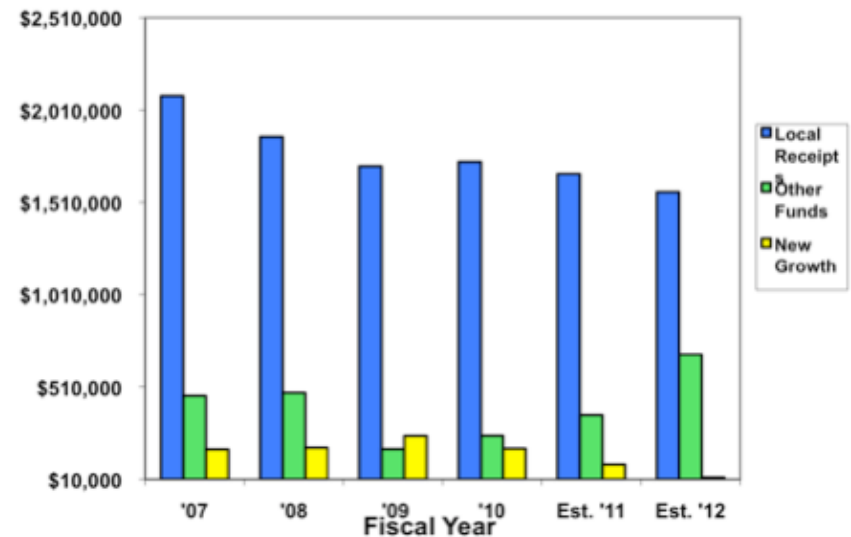
## Distribution of Hamilton FY10 Expenses



## Hamilton State Aid (Cherry Sheet)



## Hamilton's Other Revenue Sources





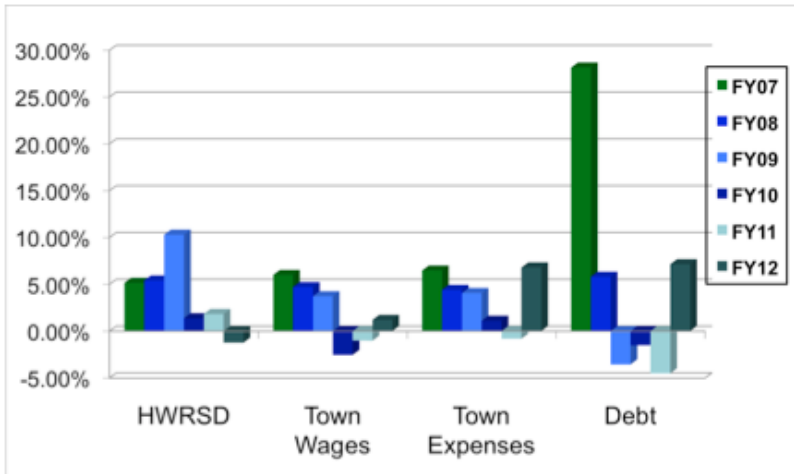
# FY '12 BUDGET

## Median Assessed Value & Tax Bill

Fiscal Year	Tax Levy	Assessed Value	Property Tax Bill
<b>2012*</b>	<b>\$22,643,852</b>	<b>395,500</b>	<b>6,720</b>
2011	22,909,942	395,500	6,799
2010	22,447,259	403,300	6,565
2009	21,889,263	427,700	6,514
2008	19,907,450	450,800	6,036
2007	18,735,982	435,700	5,481

\*Proposed Tax Levy using FY11 Assessed Value

## BUDGET CHANGES Year over Year



## Annual Warrant Highlights

- Financial Actions
  - Town and School budgets \$24,689,734
  - North Shore Technical High School \$179,262
  - Water Enterprise \$975,383
  - Waste Reduction Enterprise \$307,500
  - Community Preservation Budget \$508,918
  - Debt Borrowing for closing Landfill \$2,000,000
  - Other Town Articles \$189,760
  - Capital Fund Transfer \$185,000  
The surplus Bond proceeds from the construction of the Library & Recreation building
- Planning/Zoning Actions
  - None are scheduled for this town meeting
- Town By-Law Amendments
  - Adopt MGL for Other Post Retirement Trust
  - Chapter XIV Disposal of Refuse and Garbage
- Other Actions
  - Home Rule Petition- Group Insurance Policies
  - Home Rule Petition- Hamilton Development Corp

## Operating Equipment Expenditures

Fiscal Year	Purchase	Lease/Purchase
2012		\$121,866
2011	\$256,000	\$ 82,495
2010	\$ 12,000	\$108,937
2009		\$ 69,000
2008	\$ 54,000	\$ 40,000
2007	\$135,000	\$ 40,000



# FY '12 BUDGET

### FY 12 Budget Challenges

- Implementation of new accounting software combined with a change to methodology has improved accuracy of annual budget process
- FY12 Budget request no additional support from Hamilton or Wenham other than enrollment changes
  - The FY12 budget includes \$252,142 in incremental spending for new positions
  - Revenue outlook is augmented by a contribution from several one time factors
- FY12 budget includes a union negotiation placeholder as well as a 13.7% increase in health insurance

### There are strong reasons for the HWRSD to retain financial flexibility now for FY13

- To deliver level services in FY13 will produce a potential budget deficit of \$2 million dollars, attributable to:

Loss of one time federal stimulus revenues	\$248,484
No SPED prepayment	\$600,000
Negotiations (TBD)	\$700,000 (estimated) – 3 open contracts
FY13 potential health insurance increase	\$250,000 (estimated)
Other non-discretionary increases such as utilities, etc.	\$200,000 (estimated)

- E&D at 3.7% of budget as of June 30, 2012 (or \$1,030,563) will help fund this gap and mitigate program loss for District and is within our recommended and allowable balance

- A tactical strategy while HWRSD seeks longer term solutions to rising costs

### FY12 HW School Committee Approved Budget

Expenses	FY10 Actuals	FY 11 Budget	FY11 Projected Actuals	\$ Change	FY12 Budget	FY12 Budget vs FY11 Actuals \$	FY12 Budget vs FY11 Actuals %
Salaries	\$17,498,115	\$17,162,461	\$17,315,860	\$153,399	\$17,945,312	\$629,452	3.6%
Instructional Expenses	\$627,432	\$871,853	\$722,732	-\$149,121	\$722,732	\$0	0.0%
SPED Contracted Services	\$225,152	\$517,260	\$404,932	-\$112,328	\$404,932	\$0	0.0%
SPED Transportation	\$302,703	\$278,996	\$251,612	-\$27,384	\$251,612	\$0	0.0%
SPED Out-of-District Tuition	\$528,752	\$1,268,954	\$694,734	-\$574,220	\$694,734	\$0	0.0%
Routine Maintenance	\$546,621	\$646,415	\$553,792	-\$92,623	\$553,792	\$0	0.0%
Utilities	\$564,286	\$627,211	\$559,093	-\$68,118	\$559,093	\$0	0.0%
Health Services	\$230,736	\$237,838	\$244,864	\$7,026	\$244,864	\$0	0.0%
Insurance/Pensions/Taxes	\$3,476,772	\$4,012,604	\$3,733,527	-\$279,077	\$4,208,701	\$475,174	12.7%
Legal	\$119,087	\$60,000	\$74,254	\$14,254	\$74,254	\$0	0.0%
School Committee	\$44,113	\$99,207	\$43,588	-\$55,619	\$43,588	\$0	0.0%
Transportation-Regular Education	\$643,146	\$636,000	\$682,632	\$46,632	\$693,632	\$11,000	1.6%
Technology	\$291,878	\$213,288	\$357,262	\$143,974	\$385,262	\$28,000	7.8%
Central Office	\$99,393	\$525,851	\$512,871	-\$12,980	\$541,871	\$29,000	5.7%
Staff Professional Development	\$229,782	\$297,442	\$322,025	\$24,583	\$322,025	\$0	0.0%
Other Expenses	\$690,619						
<b>Gross Budget</b>	<b>\$26,118,587</b>	<b>\$27,455,380</b>	<b>\$26,473,778</b>	<b>-\$981,602</b>	<b>\$27,646,404</b>	<b>\$1,172,626</b>	<b>4.4%</b>

# FY '12 BUDGET

FY '12 BUDGET

FY12 <i>Projected</i> Non-Town Revenue and Town Appropriations							
	FY10 Actuals	FY 11 Budget	FY11 Projected Actuals	\$ Change	FY12 Budget	FY12 Budget vs FY11 Actuals \$	FY12 Budget vs FY11 Actuals %
<b>Non-Tax Revenues</b>							
State Aid:Chapter 70	\$3,436,056	\$3,298,036	\$3,298,036	\$0	\$3,166,115	-\$131,921	-4.0%
State Aid: Transportation	\$315,190	\$274,860	\$275,000	\$140	\$275,000	\$0	0.0%
School Choice		\$589,000					
SPED Tuition	\$32,000	\$30,200	\$30,200	\$0	\$30,200	\$0	0.0%
Circuit Breaker	\$132,000		\$58,000	\$58,000	\$58,000	\$0	0.0%
Interest/Other Income	\$195,491	\$75,000	\$79,000	\$4,000	\$79,000	\$0	0.0%
Medicaid	\$40,000	\$36,000	\$36,000	\$0	\$36,000	\$0	0.0%
Revolving Funds-used to offset expenses							
E&D							
School Choice					\$500,000	\$500,000	
All Day Kindergarten Tuition					\$125,000	\$125,000	
Federal Stimulus Funds					\$248,484	\$248,484	
Facility Rental	\$4,000	\$4,000	\$4,000	\$0	\$4,000	\$0	0.0%
<b>Total Revenues</b>	<b>\$4,154,737</b>	<b>\$4,307,096</b>	<b>\$3,780,236</b>	<b>-\$526,860</b>	<b>\$4,521,799</b>	<b>\$741,563</b>	<b>19.6%</b>
<b>Net Budget Total</b>	<b>\$21,963,850</b>	<b>\$23,148,284</b>	<b>\$22,693,542</b>	<b>-\$454,742</b>	<b>\$23,124,605</b>	<b>\$431,063</b>	<b>1.9%</b>

FY 12 School Committee Approved Budget		
• <b>Salaries</b>	<b>\$ 17,945,312</b>	
– Instructional - Regular Education & Special Education		
– Administrative		
– Clerical		
– Custodial & Maintenance		
– Athletics & Extracurricular		
• <b>Expenses</b>	<b>\$ 9,701,092</b>	
– Health Services		- Instructional Supplies
– Maintenance		- Utilities
– Legal		- Central Office
– Technology		- Insurance
– Pensions & Taxes		- Professional development
– Contracted Services (SPED)		- SPED Out-of-District Tuition
– Transportation (Regular & Special Education)		
• <b>Total Request</b>	<b>\$ 27,646,404</b>	
<i>\$ Increase</i>	<i>\$191,204</i>	
<i>% Increase</i>		<i>0.69%</i>

# MUNICIPAL FINANCE TERMINOLOGY

*As both Towns and the Regional School District prepare for presentation of their FY12 budgets, it is a good opportunity to provide to the public information that will help to better understand how budgets are composed. This article is, therefore, designed to provide an outline of the terms commonly used during the discussion of town and school budgets. The terms and their definitions are as follows:*

## **LEVEL SERVICE BUDGET**

Level Service Budget is the estimated cost to deliver the same services from one year to the next. It includes all contractual increases and projected economic factors that affect these services. It is a useful planning tool in understanding the economic factors which affect the budget process.

## **CHERRY SHEET**

This is the shorthand name for the local aid which towns and municipalities receive from the State. The aid is offset by any State or County charges which are assessed to communities. (An example would be assessments for membership in the Northeast Mosquito Control District.) The amount of Cherry Sheet funds are identified as part of the budgeting process and are distributed quarterly.

## **OVERLAY (ALLOWANCE FOR ABATEMENTS AND EXEMPTIONS)**

This is a reserve account to fund anticipated property tax abatements and exemptions and uncollected taxes. The amount of the reserve is set by the Board of Assessors.

## **STABILIZATION FUNDS-TOWNS**

The purpose of this fund is to accumulate funds for capital and other future spending purposes. While there is no specified amount required to be in the stabilization fund, an amount of 3-5% is considered to be optimal. Amounts from the stabilization fund can be appropriated by a 2/3 vote of Town Meeting for any lawful municipal purpose.

## **STABILIZATION FUND-REGIONAL SCHOOLS**

A regional school district has the option of establishing a stabilization fund which is governed by MGL c. 71, §16G ½. A regional school district stabilization fund is governed differently from a town stabilization fund.

The school committee, boards of selectmen and/or town meetings approve funds to be expended from the stabilization fund. The stabilization fund is not certified by Department of Revenue. The District Treasurer is the custodian of the fund. The law restricts the use of the fund to "... any purpose for which a regional school district may borrow money". MGL c. 71, §16(d) provides the definition for the types of appropriations permitted from the stabilization fund which include: acquiring land, school construction and reconstruction, extraordinary repairs to school building(s), construction of sewerage systems, sewerage treatment and disposal systems, purchasing equipment, construction, reconstruction and improvements to outdoor playground, athletic or recreational facilities, constructing, reconstructing, or resurfacing roadways and parking lots.

By law, each year the school committee may not authorize an amount for deposit into the stabilization fund that exceeds 5% of the operating budget appropriated by the member towns in the preceding year.

By law, the aggregate amount in the stabilization fund can not exceed 5% of the combined equalized valuations of the member towns.

## **RESERVE FUND**

This is an amount set aside annually within a town budget to pay for "extraordinary and unforeseen expenditures". The amount in the reserve fund may not exceed 5% of the prior year's tax levy. The fund is within the exclusive control of a town's Finance and Advisory Committee, although transfers are made in consultation with the Board of Selectmen. An example of such an extraordinary expenditure would be for unanticipated fuel increases.

## **FREE CASH**

Free cash is a town's unrestricted available funds that may be used to fund any appropriation. Free cash results when either when revenue collections exceed budgeted estimates or actual expenditures are less than budgeted appropriations.

## **PROPOSITION 2 ½**

Proposition 2 ½ is a State law enacted in 1980 which limits the amount which a community can raise through real and personal property taxes. There are two primary limitations, the Levy Limit and the Levy Ceiling. A town has a Levy Limit which is the

total amount which it is authorized to levy in real and personal property taxes as part of the permanent levy. This amount can be increased no more than 2 ½% + New Growth + an Override from one year to the next. There is a further limitation that a town may not levy in taxes more than 2 ½% of the total value of its real and personal property. This is the Levy Ceiling.

## **NEW GROWTH**

New Growth consists primarily of increases to the tax base as a result of new construction or additions to personal property. It also includes exempt property which has returned to the tax rolls. It does not include any increase in property valuation due to revaluation.

## **OPERATIONAL OVERRIDE**

An override is an increase in the Levy Limit in excess of 2 ½% + New Growth as described above. An Override requires a majority ballot vote for a specific dollar amount for a specific purpose. If passed, the amount of the Override becomes a permanent part of the Levy Limit, subject only to the Levy Ceiling.

## **DEBT EXCLUSION/CAPITAL OUTLAY EXPENDITURE EXCLUSION**

These are votes, similar to an Override vote, to increase the Levy Limit either for the purpose of paying debt service for the length of the debt or for incurring capital costs during the year the project is undertaken. Unlike an Override, these increases do not become a permanent part of the Levy Limit. A Debt Exclusion is subject to the Levy Ceiling while a Capital Outlay Expenditure Exclusion is not. Like an Override, both require a majority ballot vote for a specific amount for a specific purpose.

## **ENTERPRISE FUND**

An Enterprise Fund is an account for financing specific services where it is intended that the costs of providing the service will be recovered through user charges. An example is the Water Enterprise Fund.

## **LOCAL RECEIPTS**

Local Receipts are locally generated revenues other than real and personal property taxes and enterprise fund revenues. Examples include motor vehicle excise taxes, investment income, fines, fees, rentals and other charges for services.

## **CHAPTER 70**

Chapter 70 funds account for the second largest source of revenue for the school district after local property taxes. Ch 70 aid has declined significantly over the past several years, from 19% of the gross budget in FY01 to 13% of the FY 09 gross budget.

## **CIRCUIT BREAKER**

The "Circuit Breaker" law is designed to partially reimburse school district for high cost special education students. The law reimburses a portion of instructional and tuition costs for In District and Out of District students if the cost exceeds approximately \$32,000.

## **SCHOOL CHOICE**

Under the school choice law, parents may send their children (selected through lottery) to schools other than those in their hometown. The state mandates the home school district transfer what amounts to a per pupil tuition of \$5,000 of its state aid to the district accepting the student. The home district must pay additional money for special education students.

## **EXCESS & DEFICIENCY FUND BALANCE**

This fund (also known as the "E & D" or the "reserve fund balance") is the school's equivalent of the town's "free cash" (see above). The "E & D" fund must be certified annually by the Department of Revenue (DOR) prior to the school committee making expenditures. Once certified by DOR, the school committee can approve expenditures for "unanticipated expenses", i.e., special education, major maintenance and capital projects, shortfalls in state aid, regional transportation, etc. The school committee approves funds to be expended from the "E & D" by a vote of two-thirds. By law, the "E&D" can not exceed 5% of operating budget. Auditors recommend that a minimum of 3% of the operating budget should be in the "E & D" at all times.

For more information regarding town and school budgets, when budget presentation meetings are scheduled to occur, and eventually the budgets themselves, the public is encouraged to visit the town and school websites.