Proposition 2 1/2

20 Years Later

Commissioned by
Citizens Economic Research Foundation
and presented by
Citizens for Limited Taxation

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Lane & Company compiles and provides electronic access to a Massachusetts municipal finance database. The base includes the latest information on municipal officials, economics and demographics, property taxes, audited financials, and indebtedness.

The various data and reports are used primarily by the financial industry in preparing official statements for general obligation bond and note issues and for credit analysis purposes in connection with municipal offerings.

Most of the major financial advisors and the largest Massachusetts municipal bond funds are Lane & Company clients. Currently, more than 90% of all official statements issued for Massachusetts's city, town and district general obligation bonds and notes are prepared using information drawn from this database.

Notes and Definitions

Per Capita Dollars

From 1982 to 2000 the population of Massachusetts increased by 10.3%. By converting actual dollars to per capita dollars, the effect of this increase on the attached analysis is eliminated.

Receipts - State

State aid is allocated directly to cities and towns through the Cherry Sheet programs. Cherry Sheet aid includes distributions that provide funds according to various formulas, reimbursements for all or part of the costs incurred during a prior period for certain programs or services, and offset items that are funds which must be spent for specific municipal functions. Chapter 70 aid, the largest single distribution program, is education aid designed to ensure equitable and adequate funding for schools. The Chapter 70 aid bridges the gap between a community's educational needs and their ability to raise enough revenue to meet those needs. Lottery aid is a general-purpose financial assistance program. Any additional lottery money is allocated by an equalizing formula giving more aid to communities with lower property values and large populations and less to those with higher values and smaller populations. This amount is then added to the prior year's base.

Receipts - Local

Local receipts are revenues generated at the local level from a variety of different sources. Motor vehicle excise; fines, licenses and permits; charges for water, sewer and trash collection services (non-enterprise); and, investment income are some of the most common. Local receipts can be included in the general fund or reserved for a specific departmental use.

Other Revenue Sources

All revenues that do not fall into one of the other categories are included in this category. Free cash, overlay surplus, gifts and bequests, stabilization funds, and trust funds and other reserves are examples of other revenues.

Free Cash

Free cash is the amount a community has accumulated when actual revenue collections exceed the budget estimates used when setting the tax rate and/or actual expenditures and encumbrances (committed funds not yet expended) are less than appropriations.

Tax Levy

The property tax levy is the revenue a municipality raises through real and personal property taxes. Since 1982, the amount of money a community can raise from this source has been constrained by the limits imposed by Proposition 2 ½. The amount of a community's levy is limited to 2.5 percent of the total assessed value (commonly known as the levy ceiling). Also annual increases in the levy are limited to no more than 2.5 percent of the prior year's levy limit, plus certified new growth and any additional property taxes authorized by override referenda. Communities can also increase their levy limit temporarily through debt or capital outlay expenditure exclusion referenda.

Average Integrated Operating Cost

Represents what a city or town spends on a per pupil basis for its resident students (net average membership). City or town spending includes funds appropriated to the school committee budget; assessments to member regional school districts; municipal indirect costs to support education; tuition payments to other public or private schools and federal impact aid funds.

Tax Levy FY 2000 vs. FY 1982 Adjusted for Inflation
($ per capita)

	State Average				
	1982		2000	2000 vs. 1982 Adjusted	
	Actual	Adjusted(1)	Actual	Increase	Increase
	$	$	$	$	%
Amount to be Raised					
Appropriations	835.42	1,490.77	2,120.59	629.82	42.2
Other Amounts to be Raised	60.59	108.12	75.46	-32.66	-30.2
State and County Cherry Sheet Charges	48.95	87.35	35.97	-51.38	-58.8
Allowance for Abatements and Exemptions (Overlay)	23.90	42.65	26.27	-16.38	-38.4
Total Amount to be Raised	968.86	1,728.89	2,249.49	520.59	30.1
Less Estimated Receipts & Other Revenue Sources					
Estimated Receipts - State	241.15	430.32	624.89	194.57	45.2
Estimated Receipts - Local	124.79	222.69	392.18	169.50	76.1
Revenue Sources Appropriated for Particular Purposes	63.57	113.44	93.36	-20.08	-17.7
Revenue Sources Appropriated to Reduce the Tax Rate	11.76	20.98	20.22	-0.76	-3.6
Total Estimated Receipts and Other Revenue Sources	441.27	787.43	1,130.66	343.23	43.6
= Tax Levy	527.59	941.47	1,118.83	177.36	18.8

Source: Massachusetts Department of Revenue

(1) U.S. Consumer Price Index

Tax Levy Percentages FY 2000 vs. FY 1982
($ per capita)

	State Average			
	1982		2000	
	Actual $	% of Total %	Actual $	% of Total %
Amount to be Raised				
Appropriations	835.42	86.2	2,120.59	94.3
Other Amounts to be Raised	60.59	6.3	75.46	3.4
State and County Cherry Sheet Charges	48.95	5.1	35.97	1.6
Allowance for Abatements and Exemptions (Overlay)	23.90	2.5	26.27	1.2
Total Amount to be Raised	968.86	100.0	2,249.49	100.0
Less Estimated Receipts & Other Revenue Sources				
Estimated Receipts - State	241.15	54.6	624.89	55.3
Estimated Receipts - Local	124.79	28.3	392.18	34.7
Revenue Sources Appropriated for Particular Purposes	63.57	14.4	93.36	8.3
Revenue Sources Appropriated to Reduce the Tax Rate	11.76	2.7	20.22	1.8
Total Estimated Receipts and Other Revenue Sources	441.27	100.0	1,130.66	100.0
= Tax Levy	527.59		1,118.83	
Levy by Class				
Residential	433.12	82.1	760.55	68.0
Open Space	3.58	0.7	0.26	0.0
Commercial	33.76	6.4	233.45	20.9
Industrial	18.24	3.5	69.72	6.2
Personal	38.90	7.4	54.85	4.9
Total Levy by Class	527.60	100.0	1,118.83	100.0

Source: Massachusetts Department of Revenue

Levy by Class FY 2000 vs. FY 1982 Adjusted for Inflation
($ per capita)

	State Average				
	1982		2000	2000 vs. 1982 Adjusted	
	Actual	Adjusted(1)	Actual	Increase	Increase
	$	$	$	$	%
Levy by Class					
Residential	433.12	772.88	760.55	-12.33	-1.6
Open Space	3.58	6.40	0.26	-6.13	-95.9
Commercial	33.76	60.24	233.45	173.21	287.5
Industrial	18.24	32.55	69.72	37.17	114.2
Personal	38.90	69.41	54.85	-14.56	-21.0
Total Levy by Class	527.60	941.47	1,118.83	177.36	18.8

Source: Massachusetts Department of Revenue

(1) U.S. Consumer Price Index

Assessed Valuations by Class FY 2000 vs. FY 1982 Adjusted for Inflation
($ per capita)

	State Average				
	1982		2000	2000 vs. 1982 Adjusted	
	Actual	Adjusted(1)	Actual	Increase	Increase
	$	$	$	$	%
Assessed Valuations					
Residential	11,642.06	20,774.74	53,486.35	32,711.61	157.5
Open Space	192.52	343.54	17.72	-325.83	-94.8
Commercial	1,255.19	2,239.83	9,316.47	7,076.64	315.9
Industrial	689.94	1,231.16	3,048.12	1,816.96	147.6
Personal	661.20	1,179.88	2,341.91	1,162.03	98.5
Total Assessed Valuation	14,440.91	25,769.16	68,210.57	42,441.41	164.7

Source: Massachusetts Department of Revenue

(1) U.S. Consumer Price Index

Education Expenditures FY 1999 vs. FY 1982 Adjusted for Inflation
($ per student)

	State Average				
	1982		1999	1999 vs. 1982 Adjusted	
	Actual $	Adjusted(1) $	Actual $	Increase $	Increase %
Average Integrated Operating Cost	2,442	4,216	7,352	3,136	74.4

Source: Massachusetts Department of Education

(1) U.S. Consumer Price Index