



The Research Bureau

CASTING BALLOTS ON TAXES

Town Meeting, Local Governance, and
Proposition 2 1/2's Limits

REPORT 25-01

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EXECUTIVE SUMMARY

PROPOSITION 2 1/2 is a bedrock part of the yearly budget cycle for Massachusetts municipalities. Because it limits the amount of property tax revenues that communities can collect, it restrains how much money these municipalities can spend each year. Although the limits on property tax collection grow slowly every year, cities and towns across the state can override them through voting and new development.

This report looks at financial decision-making between FY2014 and FY2024 in the towns that neighbor

Worcester: Auburn, Boylston, Grafton, Holden, Leicester, Millbury, Paxton, Shrewsbury, and West Boylston. Each of these communities has had its own unique experience with the constraints of Proposition 2 1/2.

In the following pages, readers will learn about the governance structure in these communities, changes in revenues and expenditures over ten years, an in-depth examination of votes to increase the property tax levy limit, and information on new construction, as well as a look into the future of the region.

PAGES 3-5 | DISCUSS TOWN GOVERNANCE STRUCTURES:

- 292 communities in Massachusetts are governed by **“Town Meeting”** forms of government. Town Meeting serves as the legislative body, and refers to the event where the group convenes.
- Open Town Meeting allows every resident voter to attend and participate; Representative Town Meeting elects residents from precincts.
- **Relatively small numbers of people attend Town Meeting each year.** There is no statewide mandate for an acceptable quorum for a Meeting to be valid.

PAGES 6-12 | DISCUSSES THE LIMITS ON PROPERTY TAX REVENUE:

- Proposition 2 1/2, adopted by the majority of Massachusetts voters in 1980, limits the amount of property tax revenue that municipalities can collect each year, and prescribes how that limit grows. Since **Massachusetts’ municipalities must have balanced budgets**, communities are limited by the law on what they can spend each year.
- Communities can levy property tax up to their “levy limit” and are **free to increase or decrease tax rates as much as they want under that limit.**
- The nine towns under study **have seen their general fund revenues and expenditures increase in aggregate** by 15.81% and 13.9% (in FY23\$) between FY14 and FY23.
- Between FY14 and FY24 (in FY23\$) property tax revenues are also up in all nine communities (28.32%) but state aid revenues are down (-7.7%). Most state aid is earmarked for education as part of Massachusetts Ch. 70 funding program — and three of these communities, as members of regional school districts, receive little state aid as a result.
- For the most part, these nine communities levy very close to the limit each year, **with little “excess capacity” left over.**

PAGES 13-24 | EXAMINES OVERCOMING THE PROPERTY TAX CAP THROUGH VOTING AND NEW GROWTH:

- Communities can overcome the limits on property tax collection through voting or new development.
- Since FY1990, **these nine towns have had 96 permanent override votes, 118 debt exclusion votes, and 12 capital exclusion votes.** These pages show voting patterns, types of votes, and vote margins.
- Many of these votes have succeeded or failed by **small margins**, usually less than 500 votes, and sometimes by fewer than 100.
- New Growth (i.e., new development) can also increase the limits on property tax. Since 2015, most new growth has been residential, but in recent years, commercial and industrial new growth has come close in value.

PAGES 24-26 | QUESTIONS TO CONSIDER AND CONCLUSIONS:

- Political decisions in these communities **are often made by small numbers of people**, and property tax limits are difficult in years where inflation expands normal expenditures.
- To avoid future budget crunch, **these communities must embrace expansive new growth** to increase their limits, and cannot count on community members to vote on Proposition 2 1/2 overrides



INTRODUCTION

Creating a yearly budget is an essential job of municipal government. Revenues in communities across the Commonwealth are driven by property taxes; however, property taxes must abide by Proposition 2 1/2, which limits how much a community can levy, or raise, from the assessed value of properties within their boundaries. Plenty of literature references the difficulties that can arise when limiting property tax revenue for communities whose expenditures may rise more quickly than anticipated. What options do communities have to overcome these difficulties?

The financial situations of Worcester's nine direct neighbors get very little attention. *Just this year alone*, Paxton and West Boylston offered Proposition 2 1/2 override votes to their respective residents to try to raise more money for Fiscal Year 2025 and subsequent budgets; **both votes failed. Since 2014, there have been fifteen votes to override the Proposition 2 1/2 levy limit in these nine communities.**

This report will cover financial decision-making in these nine towns. First, it will explain how Auburn, Boylston, Grafton, Holden, Leicester, Millbury, Paxton, Shrewsbury, and West Boylston are governed—through the ins and outs of Town Meeting. Second, it will shift to cover the ultimate local policy: property tax collection, and the limits (and possibilities!) of Proposition 2 1/2. The report largely relies on information from the Massachusetts' Division of Local Services, which serves as a clearinghouse for financial and other data from across the Commonwealth. Although these two sections may seem unrelated, there is a consistent through-line: decisions in small communities are made by small numbers of people, so that every vote—whether at Town Meeting or for a Proposition 2 1/2 override—truly does count. Proposition 2 1/2 itself limits how much property tax a community can raise, regardless of how much expenditures rise compared to the year before. Since raising property taxes is an unpopular political position, what can be done to alleviate this kind of financial pressure? Ultimately, the solution lies in encouraging and supporting new commercial and residential development.

THE TOWN BUDGET PROCESS: A TOWN GOVERNMENT PRIMER

According to the Massachusetts Municipal Association (MMA), 292 of 351 communities (83%) across the Commonwealth of Massachusetts are towns with a town form of government. In Massachusetts, these communities use **"Town Meeting."** Powers are split between the **Executive** (the Select Board, usually three to five members elected for one to three-year terms) and the **Legislative**, "Town Meeting." Town Meeting refers to both the "event and [the] entity." (Citizen's Guide to Town Meeting)

In general, the Select Board possesses the "executive power," and as such serves as the administrative head of most town functions. Among its other responsibilities, the Select Board, in combination with a Finance Board or Committee, must create and present a balanced budget to Town Meeting. This includes conversations with various town departments in order to determine what they will need for the following year. As the Select Board is an elected position, and generally part-time, most towns hire professional administrators or managers to serve as the day-to-day head of town affairs. Generally, Town Administrators have powers delegated from the Select Board, while in many cases Town Managers have powers enumerated in the town charter and bylaws. Each spring, the Select Board is responsible for convening the legislative Town Meeting through a "Town Meeting Warrant" (which is just the agenda for the meeting).

As each town's "legislature," Town Meetings are responsible for accepting and amending the budget, authorizing debt and budget transfers, as well as other matters, including passing bylaws. The majority of Town Meetings are the purest distillation of democracy—direct democracies. According to the MMA, in 89% of Massachusetts towns *every* registered voter may meet at Town Meeting to participate in decision making. These so-called "Open" Town Meetings are in-person affairs that require a significant time commitment, meaning that those that show up can have a big influence on the next fiscal year, through their comments, questions, and votes. As purely local affairs, Open Town Meetings may not get as much coverage or attention as larger state or national elections, especially in communities that do not have an active press presence, in turn driving down participation and interest. But, these meetings are vitally important for decision-making about the future of a community, and decisions made in Town Meetings touch the lives of every resident in ways that decisions made in far off places might not.

Two examples of recent meetings: at Holden's 2024 Annual Town Meeting in May, 232 out of 15,504 registered voters (1.5%) were present. They voted on 35 Articles, of which all but one passed. In Leicester, the 2024 May Town Meeting met twice. On the first day, 200 voters attended

out of 8,640 registered voters (2.3%). On the second, 124 attended (1.4%). Although both of these meetings met quorum, "Open" Town Meetings often have small turnout, allowing the individual voters who do show up to have disproportionate voices to the rest of the community. These few self-selected residents then have the power to make big decisions that impact everyone in that town.

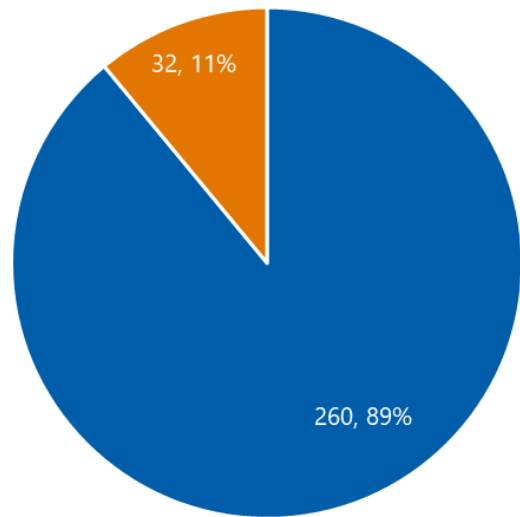
Of course, it would be impossible for 15,000 people to come together at once to meet in-person to discuss the budget—the logistics of that would be impossible to overcome, and such an event would have no meaningful discussion take place. Even the largest legislature in the world is only 3,000 members (the National People's Congress of the People's Republic of China) and can only meet for two weeks a year. Still, that means that any residents that *do* attend these meetings play a big role in shaping their respective homes—and for those who might think that their vote does not matter, it *truly* does here.

Still, the dates of Annual Town Meetings are fixed by bylaw to a certain day each year, allowing residents to plan ahead. And, of course, residents have the opportunity to show up to any scheduled town meeting that they wish if they have concerns. However, special meetings outside of the schedule might be harder for some residents to attend. For example, Leicester's bylaws provide for an Annual Meeting on the first Tuesday in May each year. This was the meeting 200 voters attended. The second meeting, a few weeks later, and saw only 124 voters attend.

"Special" Town Meetings are any that are not the "Annual" meeting, and are either called by (1) the Select Board *or* (2) 200 registered voters, or 20% of the total number of voters (whichever is less), request that the Select Board convene one. **Whether the Annual or a Special Town Meeting, there is no standard, statewide number of residents who must attend in order for votes to be valid** (as every legislative body requires some number of members to show up to form a "quorum" in order for votes taken to be considered legitimate). Usually, each town sets for itself the required quorum within its bylaws. **According to the Secretary of the Commonwealth of Massachusetts', quorum can be as low as zero.** Table 1 shows the quorum requirements in these towns, as well as the most recent number of registered voters in each.

Grafton has the lowest percentage of registered voters required to attend in order for quorum to be met, with no minimum number requirement. Boylston's quorum represents the highest percentage of voters, at 2.33%. Interestingly, five of the seven "open" Town Meetings have fixed values for quorum, while Holden has a fixed percentage, equal to 1% of registered voters—meaning

Chart 1: Town Meeting Community Breakdown



■ Open Town Meeting ■ Representative Town Meeting

Source: Massachusetts' Municipal Association

the requirement shrinks and grows along with the town.

To return to an earlier point, the other 11% of towns engage in a form of Town Meeting akin to representative democracy, i.e., precinct-based **representative Town Meeting**. Towns using representative Town Meeting are divided into precincts, from which registered voters elect representatives to meet and discuss budget items and bylaw proposals at the Annual and Special Town Meetings. In Representative Town Meeting, a majority of Town Meeting Members constitutes a quorum.

So long as they meet a minimum population threshold, towns have some latitude over which form they use. According to Amendment Article LXXXIX of the Massachusetts Constitution, **towns with fewer than 6,000 inhabitants cannot adopt a representative Town Meeting form of government, but towns with more than 6,000 may do so.** Auburn and Shrewsbury, with

Representative Town Meeting: Auburn and Shrewsbury

Both Auburn and Shrewsbury elect members to Representative Town Meeting by precinct. Each precinct contributes a proportional number of members to Town Meeting equal to the number of residents in that precinct to the total number of town wide residents. Each member of Representative Town Meeting serves a three-year term and every year one-third of its seats are up for election. Auburn has 120 representatives; Shrewsbury, 240.



Table 1: Quorums and Registered Voters for Town Meeting

Municipality	Quorum	Registered Voters (2/24/24)	% of Registered Voters a Quorum Represents
Auburn*	Majority of Town Meeting Members	12,977	N/A
Boylston	100	4,284	2.33%
Grafton	No Minimum	14,854	N/A
Holden	1% of Eligible Voters	15,553	1.00%
Leicester	50	8,640	0.58%
Millbury	100	10,724	0.93%
Paxton	50	3,668	1.36%
Shrewsbury*	Majority of Town Meeting Members	26,154	N/A
West Boylston	100	5,902	1.69%

Source: Town Bylaws, Town Charters, and the Secretary of the Commonwealth of Massachusetts, Election Division.

* Auburn and Shrewsbury are Representative Town Meeting and have 120 and 240 Town Meeting Members, respectively. A majority in each would therefore be 61 and 121.

Table 2: Town Meeting Attendance, May 2024

Municipality	Annual Town Meeting Date	Voters Present, May 2024	% of Registered Voters (or Town Meeting Members in Auburn and Shrewsbury)
Auburn*	1st Tuesday in May	87	72.50%
Boylston	1st Monday in May	144	3.36%
Grafton	2nd Monday in May	~200**	1.35%
Holden	3rd Monday in May	232	1.49%
Leicester	1st Tuesday in May	200	2.31%
Millbury	1st Tuesday in May	170	1.59%
Paxton	1st Monday in May	158	4.31%
Shrewsbury*	After the 1st Tuesday in May but before the end of May	196	81.67%
West Boylston	Third Week in May	417	7.07%

Source: Town Bylaws, Town Charters, Town Meeting Minutes for May 2024, and the Secretary of the Commonwealth of Massachusetts, Election Division.

* Representative Town Meeting; therefore, the count represents the number of Town Meeting Members who attended.

** The official tally is not on the minutes; but based on vote counts from the meeting video, about 200 voters were present.

more than 6,000 residents, have representative Town Meetings. Of the other seven towns in this report, all but Boylston and Paxton are eligible for Representative Town Meeting.

Municipalities in Massachusetts must have balanced budgets; the Select Board, Town Manager, Finance Committee, etc., must present a balanced budget to Town Meeting. As said in the introduction, the majority of income in most towns is from property tax revenues. However, as part of the balancing of revenues and expenditures, municipalities are limited in how much they can raise from property tax by **Proposition 2 1/2**, a ballot measure from 1980 that limits the growth of property

taxes in towns. Because understanding Proposition 2 1/2 is crucial to understanding the financial situation of these nine communities, the bulk of this report will explain how it works and how it impacts these communities.



PROPOSITION 2 1/2: UNDERSTANDING THE LIMITS OF PROPERTY TAX REVENUE

In 1980, 59.02% of Massachusetts voters enacted Proposition 2 1/2, a ballot referendum intended to lower reliance by municipalities on property taxes (and thus change the spending habits of both state and local government) (Denison, 1996). The law officially came into force in 1982. See below for an explanation of terms.

Each year, the levy ceiling for a community is equal to 2.5% of the full and fair cash value of its taxable real property. The **levy limit** for a community is equal to the previous year's levy limit, plus 2.5% and any new growth. **"New growth"** accounts for new development in the community and is not the same thing as growth in assessed property values. These two factors permanently increase the levy limit without requiring voters in the community do anything. Finally, municipalities can permanently raise their levy limits through an **override** vote, or, temporarily, through **debt and capital exclusion votes**. The *levy ceiling* cannot be exceeded except by temporary debt and capital exclusion votes.

Once the levy limit of a municipality has been established, it can choose to set its levy to *whatever* it wants so long as it doesn't exceed that limit. In theory, this means that the community can raise or lower property taxes as much as it wants under that limit (i.e.,

the levy could grow by 10% one year and decline by 20% the next year). That means that the property tax rate that residents and business owners see on their tax bills can increase by more than 2.5% a year, as long as the community remains **below its levy limit** and as long as there is space under the levy limit to do so. It is a misconception that Proposition 2 1/2 prevents communities from changing property taxes by more than 2.5%, again, **as long as there is space under the levy limit to do so**. In practice, communities may not be able to increase property taxes much because they are at the levy limit already. **If a community has a split tax rate** (meaning that it taxes residential property differently than it does commercial, industrial, and personal), there are limits to how much one side or the other can have its taxes raised or lowered, to avoid shifting all the burden onto one property class.

WHY DISCUSS PROPOSITION 2 1/2 AT ALL?

Proposition 2 1/2 shapes the fiscal realities of Massachusetts' municipalities. This report examines how its constraints on property tax revenue influence local budgets, at a time when costs are growing faster than revenues; and how those limitations could be overcome.

Proposition 2 1/2 requires an understanding of a few different, but related, terms:

Levy: The amount of money that a community raises in taxes each year.

Levy Limit: The maximum amount of money that a community can raise each year through property taxes; as long as it is below the levy ceiling, the community *can* raise it through a vote.

Levy Ceiling: The absolute maximum amount of money a community can raise through the yearly 2.5% increase to the levy limit or override votes. It cannot be increased or decreased except through changing property assessments or adding or removing taxable property from the tax roll. The levy limit can be equal to the ceiling, and can only exceed it through temporary debt and capital exclusion votes.

Excess Capacity: The difference between the *levy* the community enacts and the *levy limit*.

Residential, Commercial, Industrial, and Personal: These are different types of real property that can exist in a community. In many communities, the tax rate for all types are the same; in others, there is what is called a "split" tax rate where some of the burden is shifted onto one category over another (usually onto Commercial, Industrial, and Personal over Residential).

Override: A community can choose to permanently increase its levy limit, so long as it is still below the ceiling. Eligible voters must have a specific purpose and amount to vote on. The override amount is then included in the next year as the base by which the levy limit is increased.

Debt and Capital Exclusion: For certain capital debt services or projects, a community can temporarily increase its levy limit in certain years in order to pay for those projects. This does not increase the "base" levy limit, and is therefore not included in the following year's 2.5% increase.

▶ **Debt Exclusion:** Communities can raise money past their levy limit every year until the capital debt is repaid.

▶ **Capital Exclusion:** Communities can raise money past their levy limit once to pay for a capital asset.



For the FY25 budget year, two of Worcester’s neighbors, Paxton and West Boylston, held votes to permanently increase their levy limits. Paxton held two separate votes, decreasing the amount requested after the first vote failed (457 yes to 538 no); the second vote failed as well (274-488). West Boylston asked its voters for a large sum of money, \$4,000,000, not to be levied all at once in FY25 but to provide room for the next few budget cycles as to prevent the necessity to vote year-over-year. Its proposal, too, failed to muster support among voters (244-703).

As this report will demonstrate shortly, **many of these nine communities have frequently come up to their levy limits in the last ten years, with very little space to account for unanticipated cost increases** (such as inflation or increases in health insurance, for example). Since the levy limit is limited to 2.5% growth per year (plus new growth), it is possible for costs of government services to grow at a faster rate than can be levied, even if services are kept level. Furthermore, municipalities do not have access to other revenue generators, besides a few excise tax options, which are often limited in what they can be used for (such as Community Preservation Act funds). State aid can help fill the gap, but state aid is never guaranteed; in FY23, for example, property tax revenue made up anywhere from 60% to 90% of local revenues, depending on the level of state aid in that particular community.

It is ultimately up to the towns themselves to balance their budgets. It is possible for an objective perspective, however, **to point out patterns, problems, and solutions so that the region, as a whole, can move forward strongly together**. Understanding Proposition 2 1/2’s limits and possibilities are crucial *because* communities in Massachusetts rely so heavily on property tax revenues for their activities. Without new growth, property tax revenues

grow slowly and steadily. And, even with new growth, communities may be faced with increased expenses necessary to service and maintain it. If expenditures grow at a faster rate, communities might need to cut services. These communities cannot necessarily expect the state to provide state aid to fill the gap.

Demonstrating Proposition 2 1/2’s natural limits could, interestingly, encourage communities to pursue new development to support continuation of crucial services. This should especially be pursued now as Massachusetts continues to emphasize residential development across the state. Ultimately, though, it is up to these (and many of Massachusetts’ 342 other communities) to pursue policies that encourage and attract new development, and to, when necessary, convince their citizens to vote for overrides to keep services.

YEAR-OVER-YEAR REVENUES

Taken in the aggregate, these communities have seen some slowing growth in their general fund revenues and expenditures in the last ten years; though, it should be noted, expenditures closely follow revenues in Massachusetts, where communities are required by law to have balanced budgets. **Charts 2 and 3** below document this change over time. Positive numbers indicate that total general fund revenues or expenditures grew compared to the year before; negative numbers, which occurred for revenues in FY22 and FY23, indicate that there was shrinkage. **Taken in aggregate, between FY14 and FY23, these communities have seen their revenues increase by 15.81% and their expenditures increase by 13.9% in FY23 dollars.**

The COVID-19 pandemic surely played a large role in 2022 and 2023 when revenues and expenditures declined. However, each community was impacted differently. Boylston, for example, saw a 7.52% increase in revenues

Illustration of How Levy Limits Change

The Town of Bureauland levied \$500,000 from its residents and businesses in FY20. It had a levy *limit* of \$750,000 and a levy *ceiling* of \$1,000,000. It had *no* new growth in FY20. What would it be allowed to levy in FY21?

To answer that question, one must take the levy *limit* and add 2.5% to it. In this case, that’s \$18,750, giving a final levy limit of \$768,750, well below the levy ceiling. Additionally, property assessments remained the same, so the levy ceiling did not change. Bureauland would be free to raise a property tax levy anywhere from \$0 to \$768,750 for FY21.

However, imagine that Bureauland’s levy limit was \$990,000 instead, and its ceiling was still \$1,000,000. If the ceiling remained the same in FY21, its limit could only increase to \$1,000,000, and could not surpass it. Bureauland could then levy only up to the \$1,000,000, as its limit equals the ceiling.

If in FY20, Bureauland decided that its projected limit of \$768,750 wasn’t enough, it could hold a Proposition 2 1/2 override vote for any amount, so long as it remained beneath the ceiling. It could raise its levy limit to \$900,000, for example. As a permanent increase, FY22 would increase the new limit of \$900,000 by 2.5%. There is no limit on the number or specific timing of Proposition 2 1/2 override votes that can be taken in a year.

from FY21 to FY22; Shrewsbury saw a 5.66% increase. In Shrewsbury's case, a \$9.5 million Proposition 2 1/2 override vote in FY21 allowed its FY22 revenues to increase as significantly as they did. Holden, Leicester, and Paxton, on the other hand, saw declining revenues in both FY22 and FY23.

It is true that for the majority of these years these communities have seen their bottom line increase, but it is also true that the increase is trending smaller nearly every year. Slowing growth, especially in revenues, could be a cause for concern if it forces service cuts (early indications for FY24 data, seen in the next set of tables, seem positive for revenue growth). Slowing growth is especially a cause for concern if it is caused by a slowdown in property tax collections, the main source of revenue for Massachusetts

municipalities, which as established has a state-imposed cap on natural growth. **Slowing growth in revenues can also be related to other factors, such as the end of debt and capital exclusion projects that are paid for through temporary increases in the levy limit.** Once that debt is paid, the temporary levy limit would decrease. Expenditures, would, of course, follow suit.

The property tax levy and state aid, the two largest sources of revenue for these municipalities, similarly have seen stable to slowing growth (all numbers in FY23\$). Heat map **Table 3** on the next page shows year-over-year percent change in the property tax levy each of these communities. Property tax growth happens slowly, as is expected under Proposition 2 1/2. The colors *compare towns to themselves*; as the legend indicates, the more

Chart 2: General Fund Revenues, Year-Over-Year Percent Change (in FY23\$)

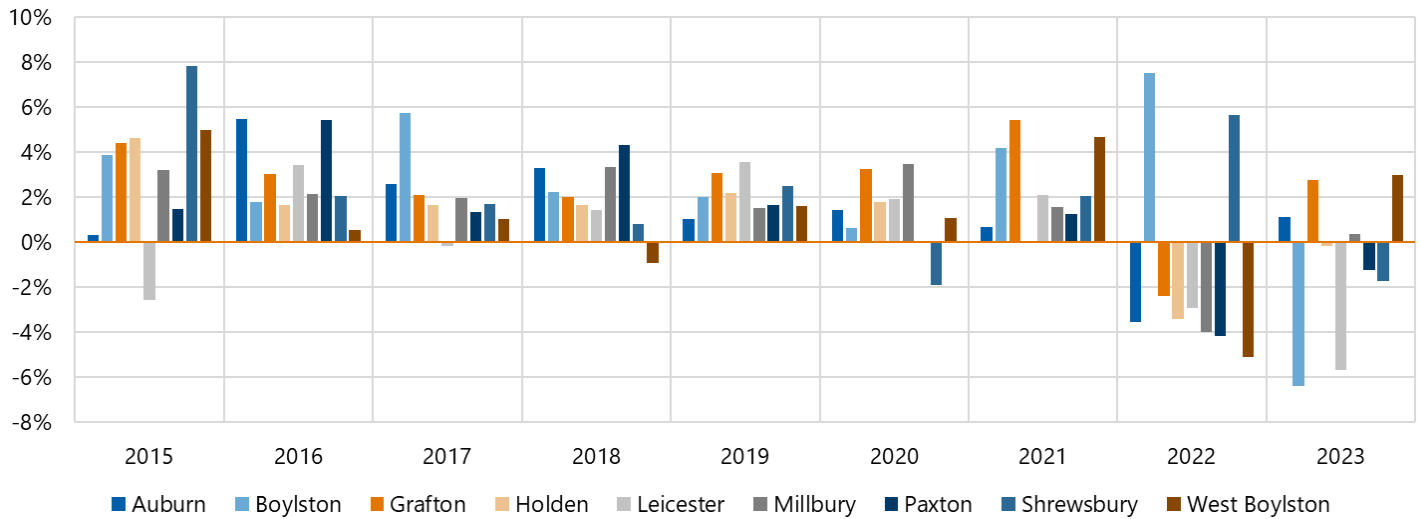
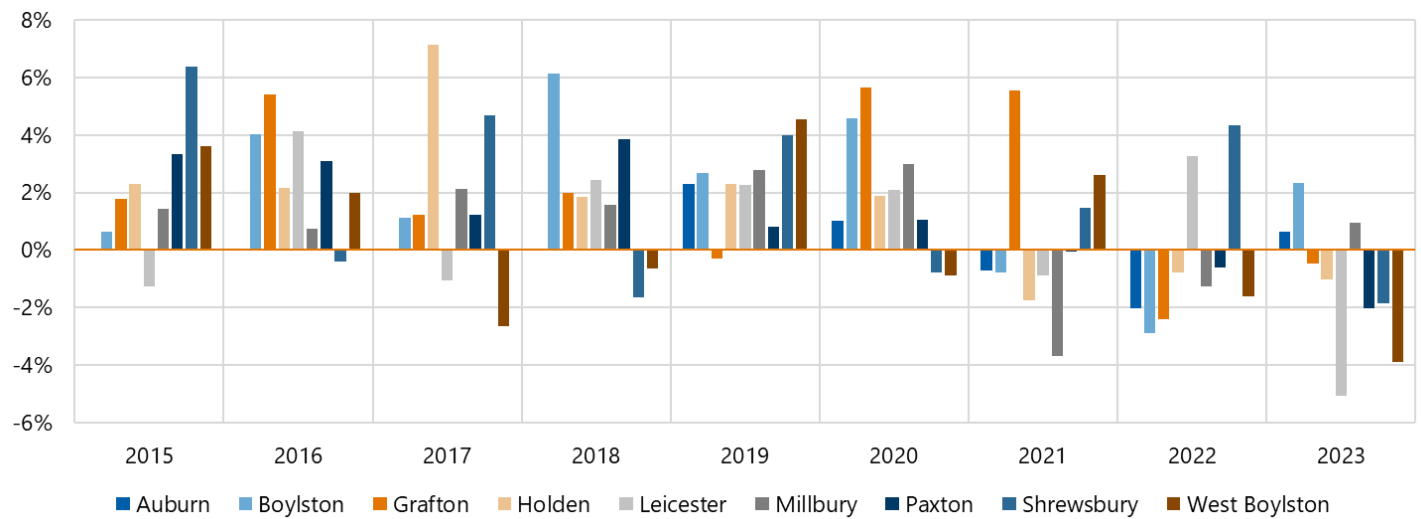


Chart 3: General Fund Expenditures, Year-Over-Year Percent Change (in FY23\$)



Source: Massachusetts Division of Local Services, [General Fund Revenues and Expenditures](#). DLS lists two different general fund expenditure numbers for Auburn for these years. 2018 to 2023 are values that include health insurance (Auburn is self-insured and therefore expenditures are reported slightly differently). These expenditures are on some tables and not on others. Therefore, Auburn's values begin in the expenditures chart in 2019, with a 2018 base year.



orange a cell is, the more growth occurred in that year compared to the other years in the last ten years in that town. **Overall, property tax collection is up between 2014 and 2024.**

The table demonstrates a slowdown in property tax growth over these ten years, with occasional pockets of increase. From 2014 to 2015 most of these communities had their largest increase in property tax growth, and most saw slower growth in the following years. The years of COVID-19 saw slowed or declining property tax growth compared to the years before, likely a response to economic conditions. Only Shrewsbury saw significant growth in FY22, and as noted earlier that was because of a Proposition 2 1/2 override vote the year before. A closer look at the last three years of property tax revenues is in **Table 4.**

The heat map in **Table 5** shows state aid revenues over the same time period, and compared in the same way: towns are *compared only to themselves*, and the more orange a cell is, the higher the relative increase in state aid compared to all other years. State aid growth is not guaranteed, depending on Massachusetts' fiscal situation and legislative priorities, and for the most part it sees small changes from year to year; and much of any increase is earmarked for education. Still, these communities have seen decreases, overall, in the last five years. **Taken in aggregate, state aid is down 7.7% between 2014 and 2024, and only three communities have seen an increase in state aid during this period.** Compared to state aid for all towns statewide (defined as communities with town meeting forms of government), this is an outlier; over the same time period, adjusted to FY23\$, state aid is actually up by 2.95%. This discrepancy can be partially explained, however, by the fact that three of these nine

Table 3: Property Tax Revenues, YoY % Change (2014 Start, FY23\$) (Colors Compare Towns to Themselves Only)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2024
Auburn	2.18%	7.20%	2.69%	1.31%	0.67%	1.55%	-0.76%	-2.96%	-2.04%	-0.99%	8.81%
Boylston	0.71%	1.13%	3.97%	4.34%	3.71%	8.27%	4.46%	-2.28%	3.05%	3.21%	34.70%
Grafton	8.22%	3.06%	2.70%	3.30%	2.59%	4.79%	5.71%	-1.53%	0.20%	2.68%	36.23%
Holden	3.12%	-0.48%	6.09%	3.81%	3.97%	2.00%	3.10%	-2.67%	-1.78%	2.21%	20.74%
Leicester	0.17%	3.38%	3.61%	3.38%	2.43%	4.46%	1.40%	-2.81%	-0.87%	4.49%	21.14%
Millbury	4.34%	2.43%	3.11%	3.66%	1.96%	3.92%	2.57%	-2.51%	0.26%	3.16%	25.19%
Paxton	3.36%	2.57%	3.44%	2.59%	4.29%	1.37%	0.92%	-3.06%	-2.05%	-1.64%	12.11%
Shrewsbury	12.02%	3.03%	1.46%	3.71%	2.12%	3.07%	4.86%	8.37%	-0.79%	1.79%	46.68%
West Boylston	5.34%	3.12%	1.24%	2.52%	3.48%	3.35%	2.14%	-3.46%	-1.84%	0.56%	17.36%
Grand Total	5.98%	3.03%	2.90%	3.18%	2.47%	3.28%	3.17%	0.42%	-0.79%	1.75%	28.32%



Table 4: Property Tax Revenues, Change from Year Before (FY23\$)

	2022	2022	2023	2023	2024	2024
Auburn	-2.96%	(\$1,472,318.50)	-2.04%	(\$982,886.36)	-0.99%	(\$466,064.00)
Boylston	-2.28%	(\$375,856.88)	3.05%	\$492,410.35	3.21%	\$533,269.01
Grafton	-1.53%	(\$827,830.44)	0.20%	\$109,155.17	2.68%	\$1,433,652.06
Holden	-2.67%	(\$1,342,394.25)	-1.78%	(\$870,280.95)	2.21%	\$1,062,042.94
Leicester	-2.81%	(\$534,677.49)	-0.87%	(\$160,660.94)	4.49%	\$823,296.80
Millbury	-2.51%	(\$819,935.00)	0.26%	\$82,048.35	3.16%	\$1,006,960.38
Paxton	-3.06%	(\$400,022.06)	-2.05%	(\$260,139.82)	-1.64%	(\$203,445.43)
Shrewsbury	8.37%	\$8,027,768.26	-0.79%	(\$823,866.12)	1.79%	\$1,843,031.23
West Boylston	-3.46%	(\$759,860.87)	-1.84%	(\$388,749.01)	0.56%	\$116,763.89
Grand Total	0.42%	\$1,494,872.78	-0.79%	(\$2,802,969.34)	1.75%	\$6,149,506.89

Source: MA Division of Local Services, [Revenues by Source](#)



towns—Boylston, Holden, and Paxton—are members of regional school districts, and therefore receive less state aid than communities that operate their schools directly. Additionally, some state aid increases or decreases may also be related to specific projects, such as construction, depending on the community.

Indeed, for some communities, state aid is not a major source of revenue. Two of the nine communities here, Boylston and Paxton, received less than \$800,000 each in FY23 – Shrewsbury received more than \$24 million. **For the most part, state aid is earmarked for schools as part of Massachusetts’ Ch. 70 education funding;** the reason Boylston and Paxton receive so little in comparison to Shrewsbury, besides the vast disparity in population, is that they are part of regional school districts, and state aid goes directly to those districts. The destinations of state aid for FY23 can be found in **Chart 4**.

In total, between FY15 and FY24, these nine communities collected (in FY23\$) \$3,329,230,402 in property taxes;

\$952,504,663 in state aid; and \$904,388,134 in local receipts and other sources of revenue (this does not include enterprise or CPA funds). Growth in general fund revenues and expenditures has been slowing, and during the height of the pandemic and inflationary pressure, even declined (expenditures likely declining due to falling revenues to pay for them). The property tax levy, similarly, has seen stable to slowing growth over the period under study; and state aid was lower in aggregate in FY24 than it was in FY15.

CLOSE TO THE CAP: HOW CLOSE ARE THESE COMMUNITIES TO MAXING OUT THEIR LEVY LIMITS?

As discussed at the beginning of this section, communities can raise or lower their property tax levies (i.e., the amount of tax they want to raise from property) as much or as little as they want, *so long as* they remain underneath the levy limit. Practically, communities are unlikely to lower their levies. In the years that a community taxes below its levy limit, the difference between the levy and the limit is

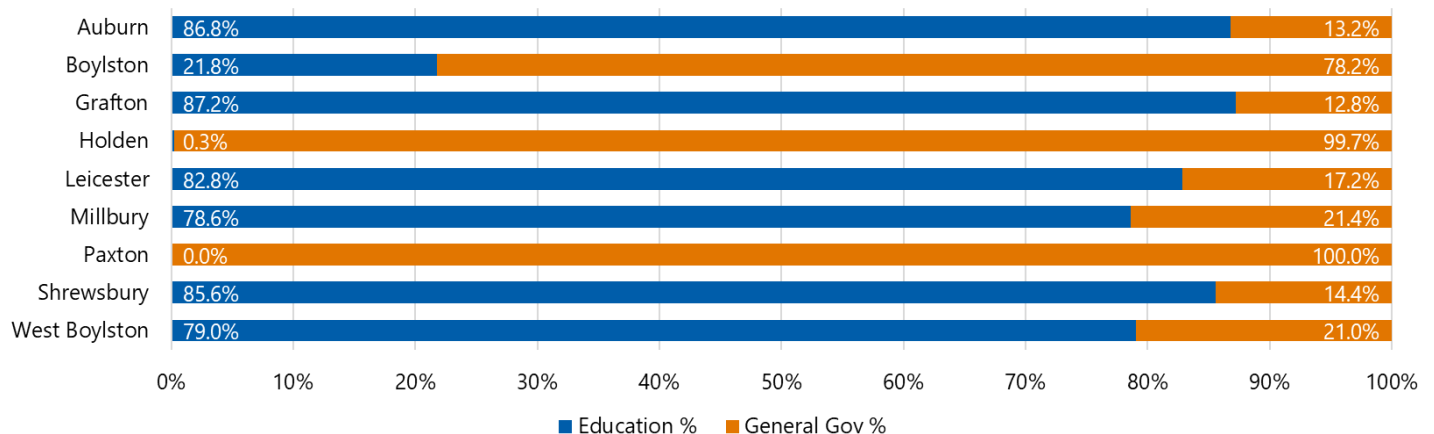
Table 5: State Aid Revenue, YoY % Change (2014 Base Year, FY23\$) (Colors compare Towns to themselves only)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2024
Auburn	2.82%	0.29%	4.63%	8.80%	6.91%	4.89%	0.56%	-4.03%	6.40%	3.28%	39.59%
Boylston	-1.41%	0.57%	5.28%	0.37%	8.99%	-55.40%	-3.38%	1.53%	-2.59%	6.10%	-48.36%
Grafton	1.30%	1.35%	0.70%	-0.15%	-0.21%	0.46%	-0.99%	-3.07%	3.86%	-1.11%	2.00%
Holden	1.26%	-2.30%	1.64%	-0.63%	-0.40%	-0.16%	-44.58%	-1.83%	0.45%	0.28%	-45.54%
Leicester	-4.79%	1.51%	-0.54%	-0.80%	-1.92%	-1.37%	-2.01%	-5.53%	-2.28%	5.44%	-12.01%
Millbury	1.68%	0.31%	0.68%	0.21%	1.27%	2.64%	0.78%	-5.49%	-1.71%	4.65%	4.81%
Paxton	1.12%	1.52%	0.21%	0.48%	-0.39%	-33.92%	-1.77%	-0.69%	2.99%	1.30%	-30.76%
Shrewsbury	-0.05%	0.26%	-0.06%	-2.54%	-0.70%	-0.48%	-2.25%	-4.77%	-13.41%	-1.00%	-23.02%
West Boylston	5.90%	-0.43%	-3.62%	-7.65%	-3.80%	-0.84%	-4.06%	-3.71%	-2.44%	-1.07%	-20.17%
Grand Total	0.41%	0.47%	0.59%	-0.23%	0.49%	-0.35%	-3.27%	-4.36%	-3.03%	1.48%	-7.70%

Source: MA Division of Local Services, [Revenues by Source](#)



Chart 4: Percentage of State Aid Categories in FY23



Source: MA Division of Local Services, [Cherry Sheet Estimates](#)



known as **“excess capacity.”** Excess capacity does not signify anything other than the difference between the two numbers. **Communities can have as much or as little excess capacity as they want or are able. The levy limit will not decrease just because a town is not taxing to the limit.**

The nine towns here each have varying histories with excess capacities; some are close to the limit each year, while others have more room to work with. Heat map **Table 6** tells this story between FY15 and FY24, showing, essentially “money left on the table” – that is, revenue these communities chose not to raise for one reason or another in a particular year. *Colors compare towns to themselves; the more orange a cell, the larger the excess capacity available to that town compared to the other years in the table. This particular table shows excess capacities with a levy limit that includes debt and capital exclusions*—these are temporary increases to the levy limit that residents in these communities have voted to include at various times and for particular purposes. And it should be noted that without these exclusions, this table looks very different, and changes in excess capacity can sometimes be attributed to temporary exclusions beginning or coming to an end.

Leicester, Paxton, Shrewsbury, and West Boylston have often levied close to the limit available to them. Auburn and Boylston, on the other hand, have had plenty of excess capacity to work with – and Auburn’s has been increasing in the last ten years, though there are good reasons for this. **Boylston and Auburn’s frequent extra capacity could indicate either that expenses in proportion to revenues remain stable every year or that there is a significant amount of new growth allowing for steady increases in the levy limit beyond**

the normal 2.5% increase. (It should be noted that the amounts levied over the limit, from exclusion votes, can only be used for the exclusion purposes, and cannot be used as part of other revenues for the town). **Auburn is the only community to regularly tax below even its permanent limit over these ten years even with exclusions.**

Since the percentages above are based on each individual community’s tax levy, communities with similar excess capacity can have very different amounts of money available to them. For example, in FY2023, even with 0.6% excess capacity, Paxton had \$7,014 left before reaching its limit, while Leicester had \$10,894. The 0.25% in Shrewsbury was actually \$259,575. Auburn and Boylston? \$8,251,200 and \$1,332,015, respectively.

Another way to think about excess capacity is in relation to the general fund expenditures and populations of these communities. Do the towns with fewer residents have more or less excess capacity than those with more? How does that compare with general fund expenditures? As probably expected, towns with more residents have higher budgets. Of the five towns here with less than 15,000 residents, four have excess capacities of less than 0.8%, with two less than 0.1%. **More residents do not necessarily mean more excess capacity,** as Shrewsbury had the fourth lowest excess capacity in FY23. The scatterplot listed under **Chart 5** on the following page compares all of these communities by population estimates, FY23 general fund expenditures, and FY23 excess capacity. Dot size differs depending on size of excess capacity.

Why do communities choose to levy so close to their limits? The simple answer is that expenses can outrun revenues. Property tax revenues are the main source of

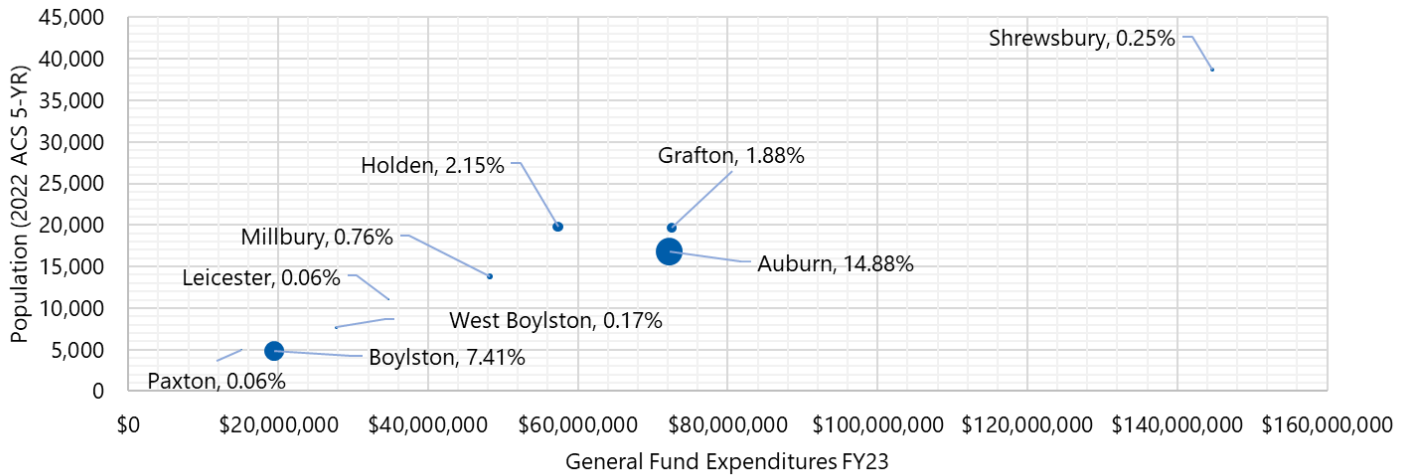
Table 6: Excess Capacity (Remaining Levy Capacity Divided by Levy Limit Including Debt and Capital Exclusions) (Towns compared to themselves)

Municipality	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Auburn	8.57%	8.51%	9.19%	9.94%	11.15%	11.94%	14.04%	14.71%	14.88%	16.20%
Boylston	7.21%	9.00%	9.24%	8.71%	13.16%	9.26%	8.27%	8.92%	7.41%	6.88%
Grafton	3.14%	2.75%	1.92%	0.77%	0.18%	0.25%	4.51%	3.37%	1.88%	0.72%
Holden	0.74%	6.15%	5.82%	5.69%	3.09%	3.21%	0.32%	1.50%	2.15%	1.80%
Leicester	0.06%	0.00%	0.03%	0.03%	0.03%	0.03%	0.05%	0.04%	0.06%	0.03%
Millbury	0.19%	1.43%	1.47%	0.08%	0.04%	0.04%	0.52%	2.68%	0.76%	6.48%
Paxton	0.02%	0.04%	0.06%	0.01%	0.04%	0.06%	0.02%	0.00%	0.06%	0.05%
Shrewsbury	0.07%	0.08%	0.04%	0.12%	0.08%	0.07%	0.05%	1.44%	0.25%	0.02%
West Boylston	0.03%	0.01%	1.50%	1.41%	0.03%	0.02%	0.04%	0.20%	0.17%	0.06%

Source: MA Division of Local Services, [Excess Levy and Override Capacity FY2007 to Present](#)



Chart 5: Relationship between Population, General Fund Expenditures, and Excess Capacity



Source: US Census Bureau, American Community Survey 2022 5-YR Estimates (DP05). MA Division of Local Services, [General Fund Expenditures; Excess Levy and Override Capacity FY2007 to Present](#)

income for communities in Massachusetts, and without new growth, the limit on these revenues increases only 2.5% each year, no matter economic conditions (while state aid for operating expenses is stable to decreasing). **Proposition 2 1/2's limits do not consider inflation, the actual costs of necessary services, or other factors that affect expenditures.** In other words, whether intended or not, expenditures have no limit; any number of pressures, whether purposeful or incidental, can increase them, even if the goal is to keep them level. Inflation and other unexpected costs can quickly cause economic problems. Local governments may also find it difficult to cut expenses and services when they have already been approved. **Although these communities may have no other choice than to tax close to the limit, leaving some room for when costs really get out of control could help lessen the blow from needing to otherwise cut services.**

As an example of cost increases over time, consider the salaries of employees in these communities. In FY23 dollars, between FY14 and FY23, salaries and wages increased in aggregate by 16.06%. However, the total number of employees directly employed by these municipalities decreased by 3.98%. Possible explanations could include, for example, required cost-of-living increases for employees; and, of course, seven of these nine communities gained employees during this time period. **Still, the increase in wages in across all of these communities is equal to nearly half the increase in property tax revenues over this same time period (\$31.4 million in wages; \$72.9 million in property tax revenues).** Notably, as they are part of regional school districts, the employee wages and counts of Boylston, Holden, and Paxton do not include school employees.

Municipality	Salary % Change	Employee % Change
Auburn	13.77%	8.91% (864 to 941)
Boylston*	-38.57%	-38.25% (251 to 155)
Grafton	28.35%	-38.76% (1,032 to 632)
Holden*	16.56%	6.88% (160 to 171)
Leicester	-0.11%	6.09% (558 to 592)
Millbury	12.61%	6.80% (706 to 754)
Paxton*	32.48%	39.29% (28 to 39)
Shrewsbury	24.84%	15.78% (824 to 954)
West Boylston	4.47%	0.00% (225)

Source: MA Division of Local Services, [Municipal Employee Counts and Wages](#). * Boylston, Holden, and Paxton are members of regional school districts and therefore their numbers do not include school employees; salaries and staffing in the other communities here do include school employees

Frequently levying close to the limit can mean there is little room for adjustment if increases to expenses that are out of the control of local government, such as inflation, exceed the increase in revenues. In such cases, if new development growth has been slow, it may be necessary for these communities to turn to voting for levy limit increases that can allow them to absorb these increases in expenditures. Without either new growth or levy limit increases, communities would be forced in such cases to cut services to save money. The following pages discuss voting for overrides, debt, and capital exclusions, as well as new growth, to discuss ways to increase property tax revenues under Proposition 2 1/2.

OVERCOMING THE CAP: PERMANENT OVERRIDE VOTES, TEMPORARY OVERRIDES, AND NEW GROWTH

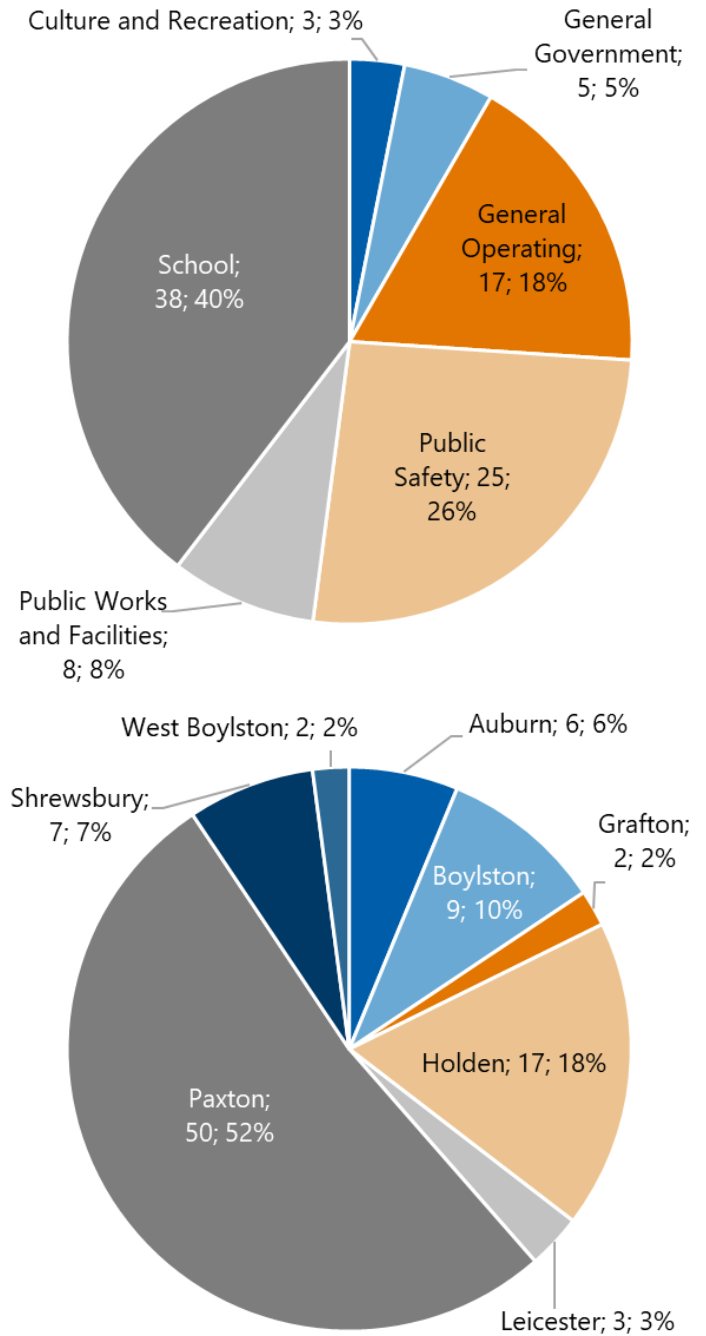
According to Proposition 2 1/2 and its later amendments, communities can vote to permanently increase (or, very rarely, decrease) their levy limits by majority vote. The Select Board will approve a vote for the community, and then all voting-eligible residents will have a chance to vote for or against the increase. On the ballot itself, the question must include the amount requested as well as the purpose (i.e., the “personnel, services or programs for which the additional funds will be used” and cannot be written in such a way as to advocate for or against the question). Once approved, the “**override**” becomes a permanent part of the levy limit, and in future years is included in the 2.5% increase that communities are afforded yearly.

THE HISTORY OF OVERRIDE VOTES IN GREATER WORCESTER

Municipalities can decide to vote for overrides for any number of reasons—it could be as simple as expenditures outpacing revenues, or it could be for specific purposes, such as for certain capital projects. One of the more common reasons that communities choose to vote for an override is to provide more funds for education. School district growth, from increasing enrollment, might make such votes necessary. **For fiscal years starting in 1990, the earliest year for which DLS data is available, there have been 96 permanent override votes among eight of these communities** (Millbury did not hold any permanent override votes during this period); **of these, 38, or 40%, have been related to their schools.** Paxton has had the most override votes (50), of which it has had the majority of Public Safety-related votes (22 of 25) and School-related votes (15 of 38). In general, override votes occur just prior to the start of the fiscal year, so FY1990 votes occurred in June 1989, for example.

Analyzing this data in several ways reveals some interesting insights. **For example, separating the votes by decades to which they apply shows that the plurality of override votes applied to the 1990s, and they have slowed down since.** This tracks with literature that shows that in general Massachusetts communities responded to the economic downturn in the late 80s and early 90s with an explosion in override votes that did not happen during the mid-80s, when strong economic growth led to strong state aid and a construction boom allowed communities to grow their property tax base through “new growth” (Oliff 2010, 3; Brown 2018, 371). Strong state aid allowed communities to weather the mandatory period of lowering property taxes following

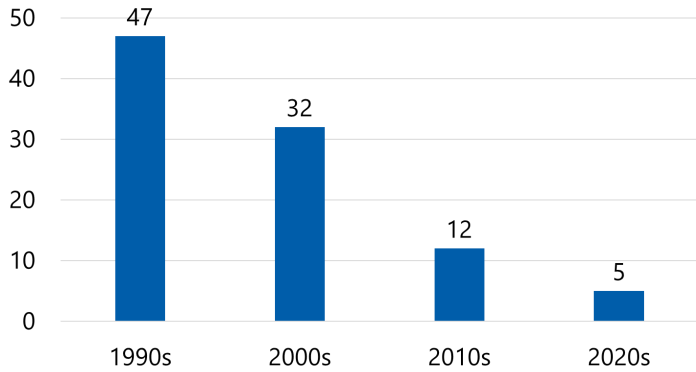
Chart 6: Number of Proposition 2 1/2 Override Votes by Category and Community since FY1990



Source: MA Division of Local Services, [Override/Underwrite Ballot Questions](#)



Chart 7: Proposition 2 1/2 Votes by Decade in Nine Towns



Source: MA Division of Local Services, [Override/Underride Ballot Questions](#)

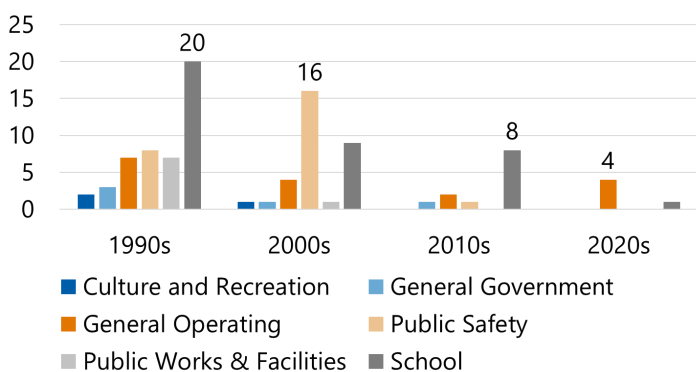
Proposition 2 1/2's adoption, but the national economic downturn at the end of the 1980s affected that aid. Ironically, economic downturns might lead to lower state revenue (and therefore less local aid), but the need for municipal services remains stable (Brown, 376).

The majority of votes in the 1990s and 2010s were focused on education expenses. But in the 2000s, the majority were related to Public Safety, with 13 votes for FY 2004 alone (11 were in Paxton).

The majority of these votes ended in a loss (30 wins to 66 losses, a success rate of 31.25%). Chart 9 shows the percentage, in each community, that permanent override votes succeeded versus failed. It includes the number of wins and losses in each as well (with only two votes, Grafton has a 100% success rate in passing overrides).

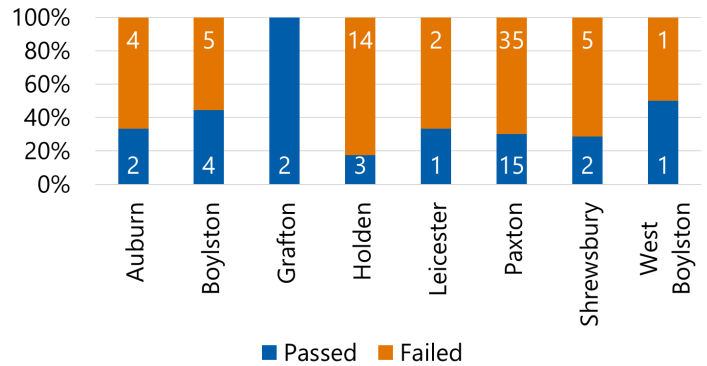
Whether an override succeeds or fails often falls to small numbers of voters—a given, considering the size of these communities—but the margins of a successful or failed override are themselves quite interesting. **Overrides that have passed in these communities have often done so in smaller numbers than those that have**

Chart 8: Proposition 2 1/2 Votes by Category, by Decade; Nine Towns



Source: MA Division of Local Services, [Override/Underride Ballot Questions](#)

Chart 9: Proposition 2 1/2 Votes by % Passed or Failed

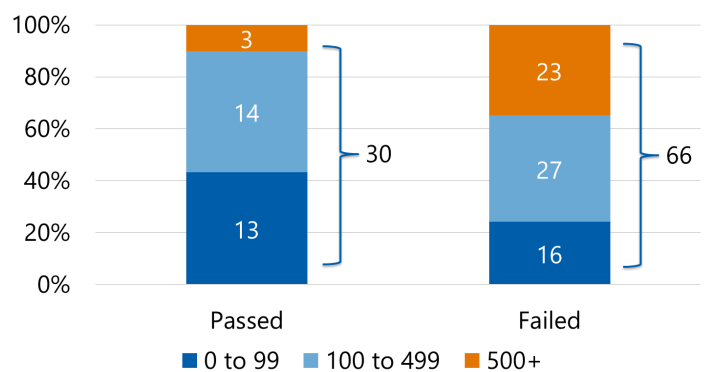


Source: MA Division of Local Services, [Override/Underride Ballot Questions](#)

failed. For example, in the 30 overrides that passed, 13, or 43.3%, passed by 99 or fewer votes. In contrast, the 66 failed overrides saw margins of 99 or fewer votes on 16 occasions, or 24.24% of the time. Of course, the sheer number of votes for overrides in Paxton skew these numbers; seven of the passed votes and 12 of the failed votes occurred in Paxton. Without Paxton, votes succeeded 15 times, 40% of which did so with 99 or fewer votes. Votes failed 31 times, with 12.9% of those votes doing so by 99 or fewer votes. Without Paxton, 19 of those 31 votes failed by more than 500 voters.

Still, the number of votes separating a passed or a failed override tend to be small, and especially when an override passes: 90% of the successful override votes had margins of less than 500 votes in the override's favor, compared to 65.2% of votes that failed. **In other words, voter turnout matters—and every vote counts.**

Chart 10: Proposition 2 1/2 Votes by Vote Margin (FY90 to FY25)



Source: MA Division of Local Services, [Override/Underride Ballot Questions](#)



A MORE RECENT HISTORY OF OVERRIDE VOTES

Since June 2014 (accounting for fiscal years 2015 to 2025), there have been 15 votes among the nine communities in this report to permanently increase their levy limits. Grafton, Paxton, Shrewsbury, and West Boylston have each attempted a permanent override; and six of those votes ultimately succeeded. The table below shows these votes, including the vote margin, overall turnout, and what percentage of eligible voters the margin represented. The turnout percentage is based on the number of eligible voters logged in the Secretary of the Commonwealth's

voter statistics for the period directly preceding the vote. The override amounts are in nominal dollars (i.e., they are not inflation adjusted).

Just as in the entire historical period, the majority of the override votes in the table above have been in in Paxton (66%). And, again, it is clear that every vote counts. **Only one of the votes in this table had a margin of more than 15% of eligible voters (Shrewsbury's vote in 2014). Despite a 25.7% turnout, Grafton's 2020 vote was close—a margin of 99, representing only 0.73% of eligible voters, allowed for the override to succeed.**

Table 8: Permanent Override Votes since 2014

Municipality	Category	Description	Vote Date*	Override Amount	Vote: Yes-No (Margin)	Overall Turnout	Margin % of Eligible Voters
Grafton	School	Funding the Schools Operating Budget	6/14/2014	\$2,000,000	2,039-1,414 (625)	28.95%	5.24%
Grafton	General Operating	Operating Budget	6/23/2020	\$3,200,000	1,781-1,682 (99)	25.70%	0.73%
Paxton	School	Fund Wachusett Regional School District Assessment	5/12/2014	\$120,000	67-175 (108)	7.80%	3.48%
Paxton	School	Fund Wachusett Regional School District Assessment	2/11/2015	\$400,000	88-214 (126)	10.01%	4.18%
Paxton	School	Fund Wachusett Regional School District Assessment	5/9/2016	\$300,000	184-292 (108)	14.99%	3.40%
Paxton	School	Fund Wachusett Regional School District Assessment	5/8/2017	\$190,092	127-173 (46)	9.03%	1.38%
Paxton	General Operating	Fund Operating Budget	5/14/2018	\$100,000	219-151 (68)	11.19%	2.06%
Paxton	Public Safety	Refurb Fire Dept Platform Ladder	5/14/2018	\$110,000	136-222 (86)	10.82%	2.60%
Paxton	School	Fund Wachusett Regional School District Assessment	5/14/2018	\$300,000	200-172 (28)	11.25%	0.85%
Paxton	School	Replace Turf at Wachusett Regional School District	5/14/2018	\$60,120	101-269 (168)	11.19%	5.08%
Paxton	General Operating	Fund Various Departments in The Town	5/13/2024	\$1,440,000	274-488 (214)	20.35%	5.71%
Paxton	General Operating	Fund Various Departments in The Town	6/24/2024	\$950,000	457-538 (81)	26.57%	2.16%
Shrewsbury	General Operating	Fund Municipal and School Operating and Capital Expenses	6/3/2014	\$5,500,000	7,102-2,704 (4,398)	43.09%	19.32%
Shrewsbury	School	Municipal and School Operating Budget	5/4/2021	\$9,500,000	4,344-2,781 (1,563)	28.74%	6.30%
West Boylston	General Operating	School and General Operating Budget	6/4/2024	\$4,000,000	244-703 (459)	15.81%	7.66%

Source: MA Division of Local Services, [Override/Underride Ballot Questions](#); MA Secretary of the Commonwealth, Elections Division. Green denotes an override that passed. Red, an override that failed.



Paxton's 2018 request for \$300,000 for the Wachusett Regional School District succeeded by **28** votes, the closest of any of the votes in this table. Only three votes, in the entire period described in the previous section, were decided by fewer than 28 votes, including one in Boylston for FY97 that succeeded by only **five** votes.

One thing to notice from this particular list is that these communities approach their votes in very different ways. Grafton, Shrewsbury, and West Boylston each asked for very large permanent overrides, while Paxton generally (with one exception) asked for multiple small permanent overrides. Part of this, very likely, is a function of the sizes of their budgets and their available levy limits. Grafton for example had general fund expenditures in FY23 of \$72.5 million; Paxton's was \$15.1 million. **Paxton's requests are never going to be for sums that are similar to Grafton or Shrewsbury's; however, historically Paxton has approached its requests with a specificity and a granularity that other communities have not**, more often holding votes for smaller amounts of money. For example, 64% (32 of 50) of Paxton's total override votes have been for less than \$100,000; the closest any other community comes is Boylston, at 55% (five of nine). **Thirteen of those votes were for less than \$10,000—one, according to DLS data, for \$340 in 2002.**

This is not meant to criticize communities for having more or fewer votes than others. There are any number political or financial reasons why a community would choose to have votes for multi-millions of dollars or votes in the hundreds of thousands instead. **As discussed already, Paxton's yearly budget is the smallest of all of these communities, so of course it is not going to ask for the same amount of money as Grafton.** Financially, when it has asked for small amounts of money, perhaps the concern is to ask specifically for whatever amount the community is under that year, rather than for more (as these do become permanent increases). **Politically, it may be easier to allow residents to "pick and choose" what they want to support, rather than to lump similar departments together into one vote (such as the four different options presented in 2018).**

Looking at an example of a Proposition 2 1/2 override vote can give some insight into (1) why it took place and (2) why a specific amount was chosen. West Boylston had a failed override vote in 2024 for the FY25 budget cycle of \$4 million for the School and General Operating Budgets. In preparation for the vote, the town posted a voter's guide to explain its reasoning both for the vote and for the amount chosen.

On why the override was necessary, the town wrote:

The Town of West Boylston and West Boylston Public School budgets each have structural deficits as each rely on one-time funds to balance the budget as opposed to solely relying on recurring revenue streams. Further, the cost of operations continue to outpace available revenues and without an override these deficits will grow and service cuts will be required. Over the recent years significant increases have been seen in health insurance, retirement, contractual obligations, and supplies. This override is designed to provide level services to the community while taking into account the expected cost increases to provide these services over the next five years.¹

The reasons for the override itself reflect the different rates of growth for revenues and expenditures: the **cost of operations has, at least in West Boylston, outpaced revenues, especially in health insurance, retirement, and other contractual obligations.** According to the FY25 budget presentation, costs were expected to continue to outpace revenues through FY29.² The last sentence also provides an answer for the second question: the request for \$4 million was designed to provide level services for the following five years and not just for FY25. When asked why that was the case at the May 2024 Town Meeting, the Town Administrator replied "that we do not want to come back to the Town and ask for another override."³ The implication being that asking voters once for an override is easier than having to ask every year for one.

Although the town voted on \$4 million, the intention was not to raise the levy by that much in one year. Rather, on the web page referenced above, in their FY2025 budget presentation, and in Town Meeting itself, it was made clear that if the override vote passed the town would raise \$600,000 for the first year. According to their explainer, "\$300,000 will be added to the public school budget and \$300,000 of free cash will no longer be used to balance the overall budget," as one of the stated goals was to reduce reliance on one-time revenue sources.

Ultimately, the reasons for why a town holds a Proposition 2 1/2 override vote are highly dependent on the town, its revenue outlook, expected (or even unexpected) general operating expenditures, state aid, school-funding requirements, and the like. However, if communities are finding that the levy limit is too constricting, what else can they do? There are two options: if it is for a capital project,

they can vote on temporary overrides (debt and capital exclusions) or, more sustainably, they can promote new development to increase the tax base. The next two sections will explore these ideas.

TEMPORARY OVERRIDES: DEBT AND CAPITAL EXCLUSIONS

For certain ongoing capital debt expenses, communities can vote for overrides that temporarily increase the upper limit of a particular year's levy. **Debt exclusions allow communities to levy above the limit for several years, until the debt has been paid. Capital exclusions allow communities to levy above the limit for a one-time expense.** In both cases, the levy limit for that year is increased, **but it is not included in the yearly 2.5% increase;** hence, those new limits are truly temporary.

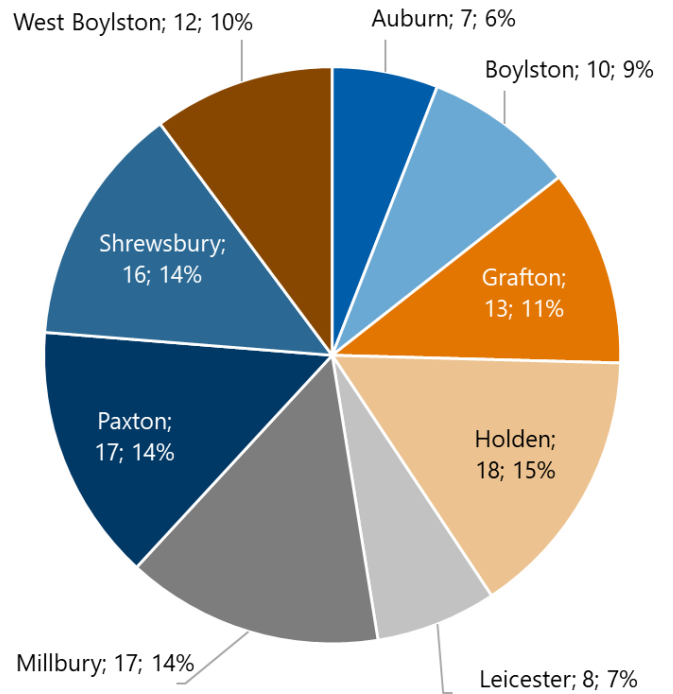
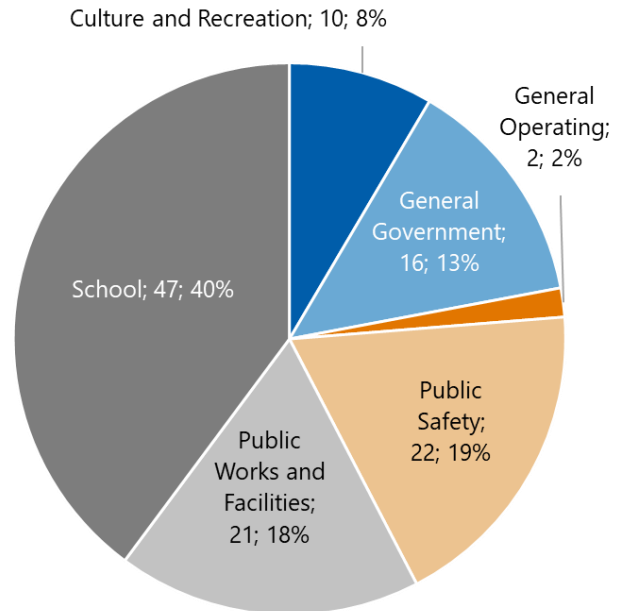
Debt Exclusion Votes

Starting with fiscal year 1990, there have been 118 debt exclusion votes within all nine communities. Unlike the permanent override votes, these have been more evenly spread among the towns under study. There are some other substantial differences. For example, votes for debt exclusion sometimes do not apply to the following fiscal year, starting in some year in the future. **Additionally, debt exclusion votes, once they occur, apply for the entirety of the life of the debt** (so some votes might apply for 10 or more years once the debt is incurred). This is not to say, of course, that the community has to levy up to the total amount of the debt (they could cut costs in other areas and apply the savings to the debt) but they will have a temporarily increased levy limit for several years without any additional votes.

The two pie charts to the right show the number of votes by community as well as the number of votes by category. This includes all votes available within DLS data, with temporary levy limit increases beginning in Fiscal Year 1990. Holden has had the most debt exclusion votes (18) while Auburn has had the fewest (7). **Much like permanent overrides, votes for school projects have been the plurality of votes, at 40%.**

Chart 12 on the top of the next page shows the number of votes in different decades cut in two different ways. The left blue bars indicate the number of votes by the date they took place; the right orange bar indicates the fiscal year that votes were slated to begin adding increases to the levy limit. The lag between when votes occur and when they take effect is especially visible in this chart. For example, in the 1980s there were seven votes for debt exclusions, but the earliest that one was slated to take effect was in 1990.

Chart 11: Debt Exclusion Votes, 1980s to 2025, Nine Towns

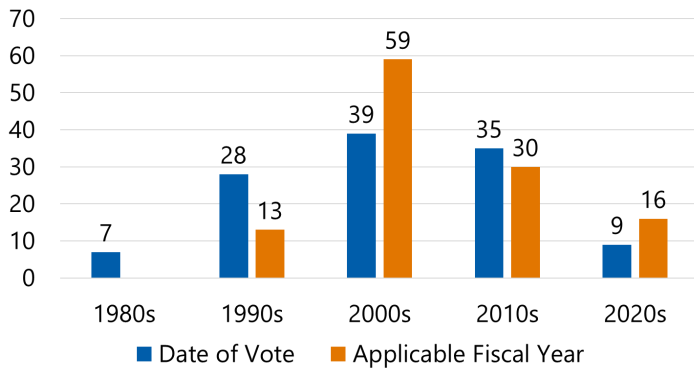


Source: MA Division of Local Services, [Debt Exclusion Ballot Questions](#)

And just like with the permanent override votes, some decades have different priorities than others (**Chart 13**). While the plurality of votes in any particular decade went towards schools, what comes "in second" generally vacillates between public safety and public works.



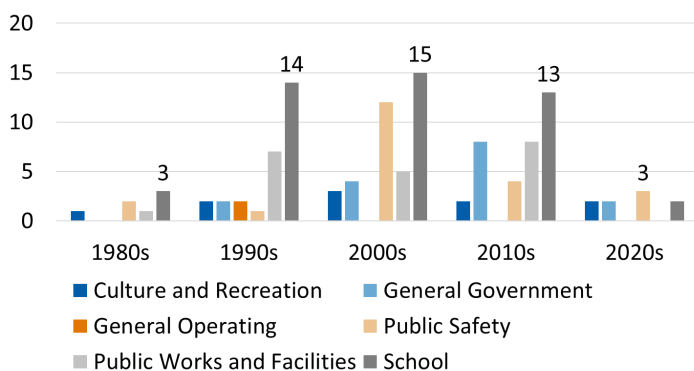
Chart 12: Debt Exclusion Votes by Date of Vote and Applicable Fiscal Year, Nine Towns



Source: MA Division of Local Services, [Debt Exclusion Ballot Questions](#)

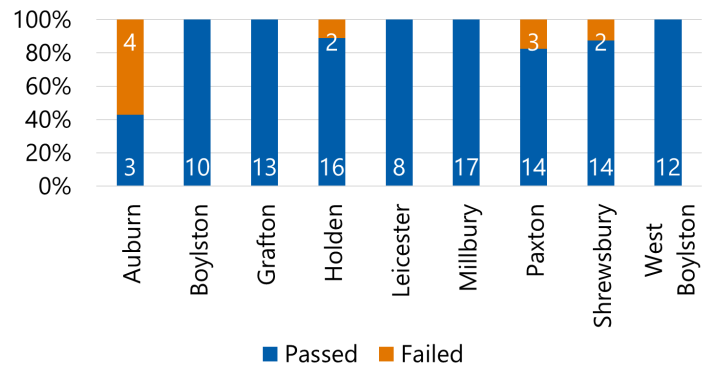
Unlike permanent override votes, debt exclusions are pretty popular. **Out of 118 votes in these nine communities, 90.68% of them have passed.** The only communities with any losses were Auburn, Holden, Paxton, and Shrewsbury, and only in Auburn have more votes failed than succeeded. It is very possible that debt exclusion votes are more popular than permanent overrides for a few reasons. First, they are finite by nature. While they may increase the levy limit for many years, the increase should remain stable over time, and does not get included in the yearly 2.5% increase like permanent overrides. Second, they are for specific capital projects. Some examples of votes that succeeded include: "Finance Construction, Equipping, and Furnishing New High School," "Fire Engine for Fire Department," "Close Landfill," and "Remodel Library." Many of the votes under "School" are related to renovations or new school constructions. **Although permanent override votes also require reasons for the raise to be given, they are often more nebulous (such as "Funding Town and School Budgets") and may cause voters more hesitation.** Chart 14 shows the number of votes that succeeded and failed

Chart 13: Debt Exclusion Votes by Category and Date of Vote, Nine Towns



Source: MA Division of Local Services, [Debt Exclusion Ballot Questions](#)

Chart 14: Debt Exclusion Votes by % Passed or Failed



Source: MA Division of Local Services, [Debt Exclusion Ballot Questions](#)

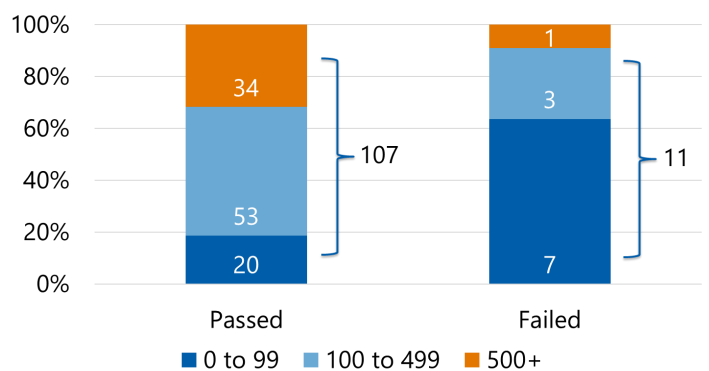
in each community, separated into individual town percentages.

Finally, just as with permanent override votes, many of these votes often succeed or fail by relatively small margins. Again, part of the reason for this is simply that there are not many registered voters in some of these communities, **but it also reinforces the notion that every vote really does count. One vote succeeded by only five votes; another failed by three.** See Chart 14 for more details.

Capital Exclusion Votes

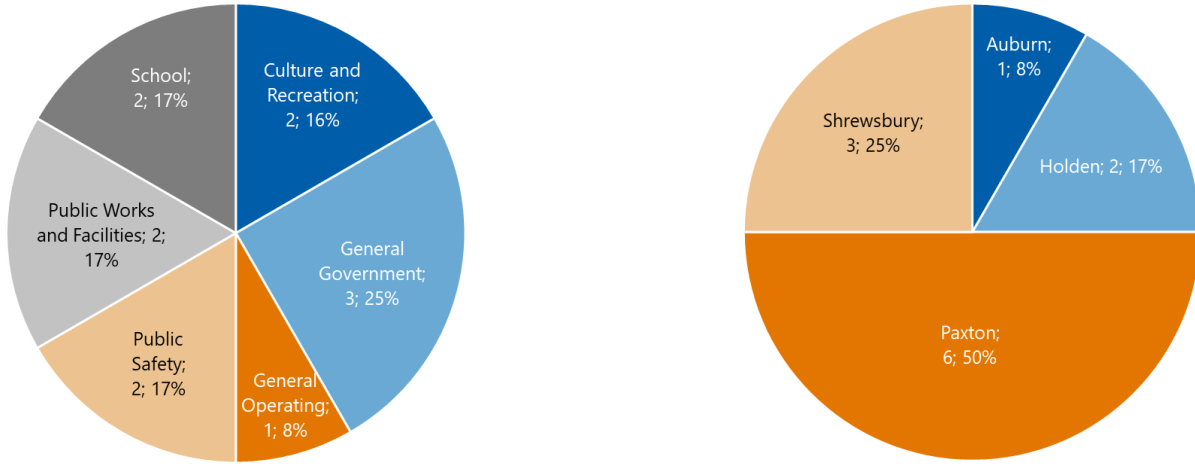
Capital Exclusion votes are a lot rarer than either permanent overrides or debt exclusions. Unlike debt exclusions, **capital votes can only be for one-year, one-time purchases.** Since many capital projects are more likely to be funded through debt and bonds, capital exclusion votes are simply less common. Still, there have been 12 of these votes, the first applying to fiscal year 1992 and the latest applying to fiscal year 2025. Paxton has had the most votes (six) while Auburn has had the

Chart 14: Debt Exclusion Votes by Vote Margin



Source: MA Division of Local Services, [Debt Exclusion Ballot Questions](#)

Chart 15: Capital Exclusion Votes between FY1992 and FY2025, by Category and Community



Source: MA Division of Local Services, [Capital Exclusion Ballot Questions](#)

fewest (one). The plurality of votes was classified as “General Government” (three), while “General Operating” has had only one, and the rest have had two each.

Chart 16 shows the breakdown in category by decade of effect. Of the twelve capital exclusion votes, seven succeeded (for a success rate of 58.3%). **Chart 17** shows the breakdown in win (vote success) and loss (vote failure) in the four communities that have held this type of vote. And, finally, **Chart 18** shows the breakdown in vote margins. **Yet again, every vote counts. One capital exclusion vote succeeded by 12 votes; another failed by 38.** These are small margins. Only one vote failed by more than 1,000 votes—in Holden for FY2004, a vote failed 1,843 votes, by far the largest margin for this particular type of vote.

Although debt and capital exclusion votes are only temporary, they are a powerful and popular way to raise

money for capital projects. Unlike permanent overrides votes, the majority of debt and capital exclusion votes in these communities have succeeded. Although these votes are limited to what they can pay for (no new teachers or police officers, for example, through these votes), they can at least allow communities to upgrade infrastructure that their otherwise stretched revenues may not be able to.

Chart 17: Capital Exclusion Votes by % Passed and Failed

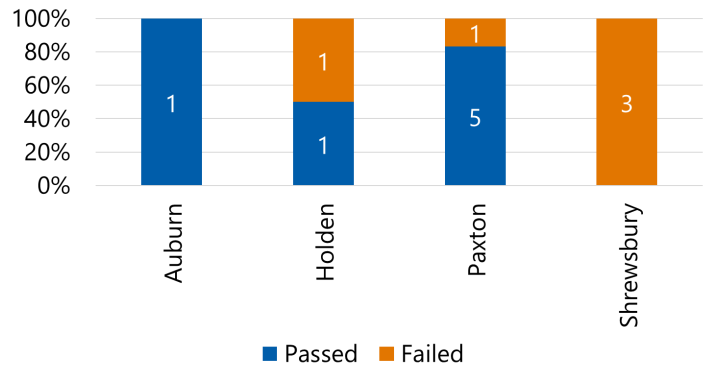
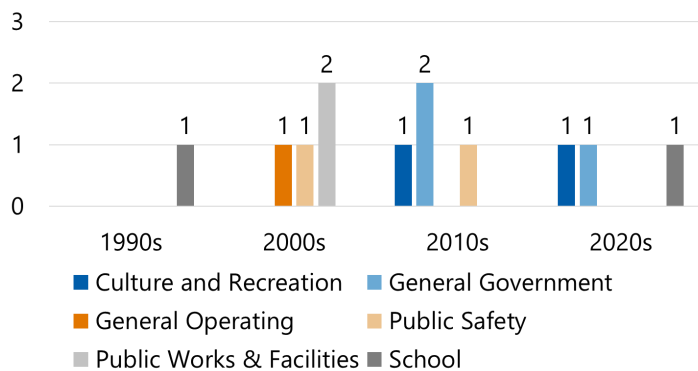
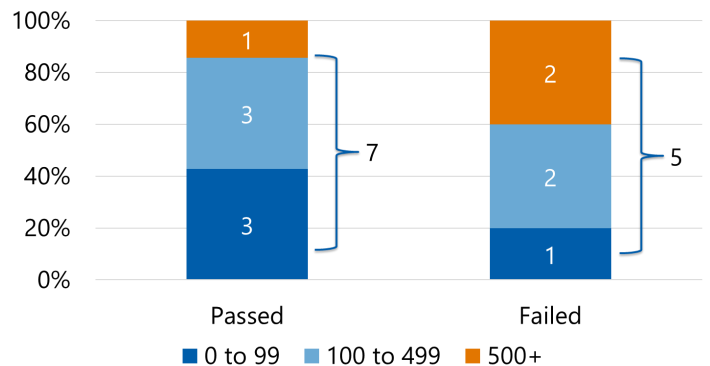


Chart 16: Capital Exclusion Votes by Category and Decade of Effect



Source: MA Division of Local Services, [Capital Exclusion Ballot Questions](#)

Chart 18: Capital Exclusion Votes by Vote Margin



Source: MA Division of Local Services, [Capital Exclusion Ballot Questions](#)



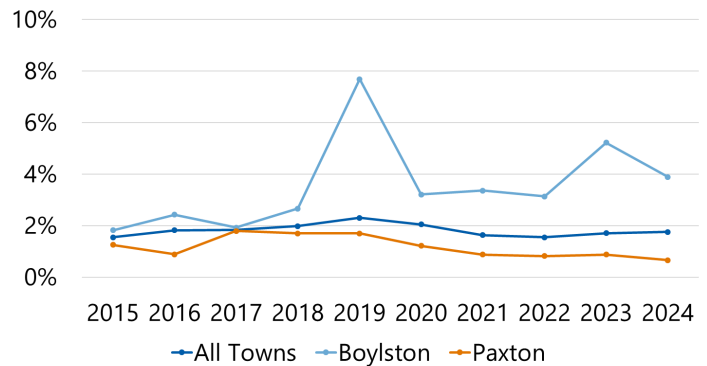
No Vote Required: Permanent Increases to the Levy Limit Through New Growth

The only other way for communities to increase their property tax revenue streams, outside of the normal 2.5% increase or voting to permanently add dollars to the levy limit, is through “new growth.” **New growth does not refer to the growth of assessed values in a community, but rather truly “new” development (i.e., new construction on existing parcels; formerly exempt property that is returning to the property tax rolls; new subdivision parcels or condo conversions).** The amount that new growth adds to the levy limit varies by community. It is calculated by taking the increase in assessed value of a property and multiplying it by the prior year’s tax rate.

According to the Department of Revenue, adding “new growth” to the levy limit is a recognition that new infrastructure will incur costs on the community. If it is from a new residential subdivision, for example, those costs could include snow removal on new streets, increases in public safety costs, and costs related to road work.

A quick note on the following figures and determining levy limits. New growth is often shown as a percentage of the prior year’s levy limit (as this is what is “growing” with those new dollars). This may be a little confusing, but essentially “FY24 New Growth” is added to the “FY23 Levy Limit” in order to determine the “FY24 Levy Limit.” **Chart 19** shows new growth added to the levy limit as a percentage of the prior year’s levy limit for all nine communities in aggregate as well as for Paxton and Boylston—the two communities with the lowest and highest average new growth (respectively) as a percentage of the previous year’s levy limit. Comparing new growth in these communities as a percentage of their prior year levy

Chart 19: New Growth as a Percentage of Prior Year Levy Limit, FY15-FY24



Source: MA Division of Local Services, [New Growth Analysis](#)

limit is useful here simply because the budgets, property tax levies, and property tax limits differ widely. Bigger percentages therefore denote bigger budgetary impacts.

In aggregate, these communities are adding between 1.54% and 2.3% of their prior year’s levy limit to the next year’s levy limit in total new growth. **Table 9** shows these values for all nine communities between FY2015 and FY2024 as a heat map. *The colors serve to compare the communities to each other on a year-by-year basis.* The more orange a value is, the higher it is compared to other values in that year; the bluer, the lower it is compared to other values that year. For example, in FY2024, Boylston had the most new growth as a percentage of its prior year levy limit—hence the dark orange in its cell—while Paxton had the least, as shown by the dark blue in its cell. For nearly all the years in this heat map, Boylston has ranked at or near the top for new growth.

New Growth can be either residential or commercial, industrial, and personal (CIP). For the most part, new growth in these nine towns is largely residential. In

Table 9: New Growth as a Percentage of Prior Year Levy Limit (Color values Compared in Columns, so by Year)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Auburn	1.46%	2.29%	2.19%	1.47%	1.52%	2.08%	1.47%	1.58%	1.38%	1.37%
Boylston	1.82%	2.43%	1.93%	2.66%	7.69%	3.21%	3.36%	3.14%	5.22%	3.89%
Grafton	1.35%	1.32%	1.65%	2.09%	1.69%	2.38%	2.32%	1.95%	1.90%	1.91%
Holden	2.35%	2.49%	2.08%	2.35%	2.19%	2.00%	1.12%	1.50%	1.36%	1.63%
Leicester	1.04%	1.77%	1.26%	1.46%	1.89%	2.13%	1.33%	0.94%	2.12%	3.39%
Millbury	2.03%	1.93%	3.35%	2.20%	3.00%	3.25%	2.56%	1.92%	1.79%	1.74%
Paxton	1.26%	0.89%	1.79%	1.70%	1.70%	1.22%	0.88%	0.82%	0.88%	0.66%
Shrewsbury	1.28%	1.58%	1.51%	1.98%	2.32%	1.56%	1.14%	1.40%	1.46%	1.53%
West Boylston	1.16%	1.19%	0.61%	2.08%	1.71%	1.23%	1.71%	0.34%	1.32%	1.21%

Source: MA Division of Local Services, [New Growth Analysis](#)

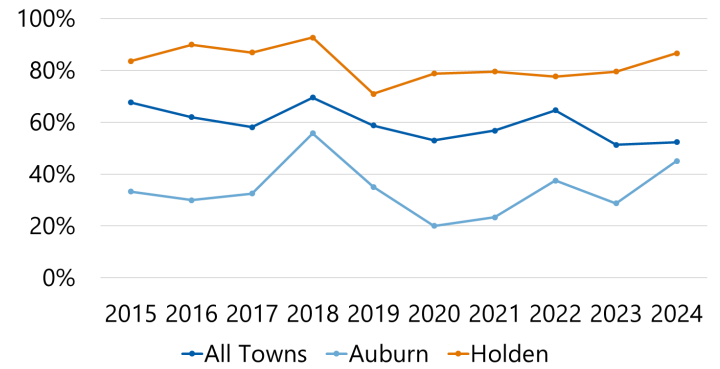


aggregate, residential new growth makes up anywhere between 50 and 70% of all new growth each year. **Chart 20**, shows these percentages for all nine towns in aggregate, as well as the two communities where residential new growth made up the largest and the smallest percentage of all new growth: Holden and Auburn, respectively. (Auburn's split tax rate does affect how this is calculated. See note below Table 10).⁴

Table 10 shows the individual data for all of the communities under study. Here, towns are compared only to themselves. The bluer a cell is within a row, the smaller portion residential new growth made of total new growth that year in that community. The more orange a cell is within a row, the larger portion residential new growth made of total new growth that year. As an example, Auburn saw its residential new growth make up the smallest portion of total new growth in 2020, with 20.04% of new growth that year attributed to residential properties. By contrast, 2018 was a year in which the majority of new growth was residential.

The heat map tells an interesting story of residential growth. This table does not tell us anything about how much was being built year to year, just what percentage of added value was residential. And the pandemic really saw a decrease in residential new growth compared to the years before. Compare, for example, 2015-2019 to 2020-2024. In these nine communities, looking only at light to dark orange cells, 30 show residential new growth as a higher percentage in these communities in 2015 to 2019, compared to 21 light to dark orange cells in 2020 to 2024. While, of course, every community is different, the COVID-19 pandemic had a big impact on new residential construction that seems to only recently be recovering.

Chart 20: Percentage of New Growth Value that is Residential, FY15-FY24



Source: MA Division of Local Services, [New Growth Analysis](#)

The declining percentage of new growth that is residential can be seen in the aggregate of these communities. **Chart 21**, at the top of the following page, shows the year-over-year percentage change in residential, CIP, and total new growth between 2015 and 2024 in FY23 dollars. Positive numbers indicate an increase in the value of new growth from the year before, while negative number indicate the opposite. For six of the ten years in this chart, the value of total new growth was higher than the year before. Three of the ten years in which the value of total new growth declined compared to the year before were 2020, 2021, and 2022—key COVID-19 pandemic years in which construction slowed. Interestingly, CIP growth seems to experience big swings in growth, as evidenced in three periods here: 2015 to 2016, 2018 to 2019, and 2022 to 2023.

Since 2020, the amount of CIP new growth added to the levy limit has come close to matching the amount of

Table 10: Residential New Growth as a % of Total New Growth (Colors compare within Row)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Auburn*	33.23%	29.98%	32.54%	55.77%	35.02%	20.04%	23.36%	37.54%	28.78%	45.04%
Boylston	90.79%	75.11%	97.32%	74.92%	27.73%	52.04%	73.11%	84.34%	24.69%	27.57%
Grafton	84.79%	78.38%	59.43%	69.01%	70.04%	55.63%	51.84%	75.25%	67.86%	69.01%
Holden	83.57%	89.89%	86.86%	92.70%	70.94%	78.74%	79.56%	77.63%	79.52%	86.62%
Leicester	54.18%	40.11%	76.25%	71.50%	41.46%	44.68%	64.85%	60.30%	31.96%	19.37%
Millbury	29.47%	38.21%	21.25%	54.00%	79.46%	58.44%	44.97%	40.63%	61.90%	63.04%
Paxton	88.61%	69.49%	79.27%	72.93%	74.26%	78.96%	81.78%	87.48%	77.22%	90.64%
Shrewsbury	81.06%	72.20%	73.23%	68.54%	64.23%	57.62%	65.53%	69.45%	56.96%	45.64%
West Boylston	80.20%	58.22%	54.73%	58.68%	78.06%	48.96%	78.57%	77.31%	40.98%	58.09%

Source: MA Division of Local Services, [New Growth Analysis](#)

* Since the specific value of new growth added to the levy limit depends on the tax rate for that property class, the percentage of residential new growth added in Auburn is going to generally be lower since it has a split tax rate (so commercial new growth has a bigger added effect on the total value).



residential new growth year after year, indicating that new residential construction is likely declining in all of these communities. Chart 22 below demonstrates this in aggregate across all nine towns. All values are in FY23 dollars (and, again, this is the amount of money added to levy limits of these communities, not the total property values of this new construction).

Communities are incentivized by Proposition 2 1/2 to pursue new growth if they don't want to cut services for residents. And, indeed, communities should focus on new growth in order to grow their levy limits more than the 2.5% allowed by Proposition 2 1/2. **Overrides can be politically tricky, as many might not want to vote to raise their property taxes. But, new growth can be politically fraught as well,** depending on community feeling about new development projects, especially housing. **Despite the State's recent emphasis on residential growth, some communities throughout the Commonwealth remain resistant to new residential construction** (which, again, provides much needed property tax revenues). Consider, for example, the 2024 Greater Boston Housing Report Card by the Boston Foundation, which found that **between 2010 and 2024, 12 communities around Boston used taxpayer funds to purchase land to prevent housing development (Boston Foundation 2024, 90). Some of these communities even used debt exclusion votes under Proposition 2 1/2 to fund these purchases.** New growth is a solution to tight budgets caused by property tax limits, but it is not necessarily a panacea either.

COMPARING TO THE STATE

This section will briefly turn to comparing these nine communities with the state-at-large, focusing especially on override voting and new growth.

According to DLS records, **going back to fiscal year 1990, there have been 4,545 votes for a permanent Proposition 2 1/2 override in Massachusetts, across 302 communities** (Massachusetts had 351 communities, so nearly 14% of communities in Massachusetts have not had an override vote at all). As we already know, 96 of these votes occurred in the nine towns in this report, representing about 2.1% of all votes covered in this time period; these are broken down on **Chart 23**. Paxton's 50 override votes represent 1.1% of all override votes since the first votes in the database applied to FY1990. While impressive, **Paxton actually ranks 19th in terms of**

Chart 21: Year-Over-Year Percent Change in New Growth Values, Towns in Aggregate, FY23\$

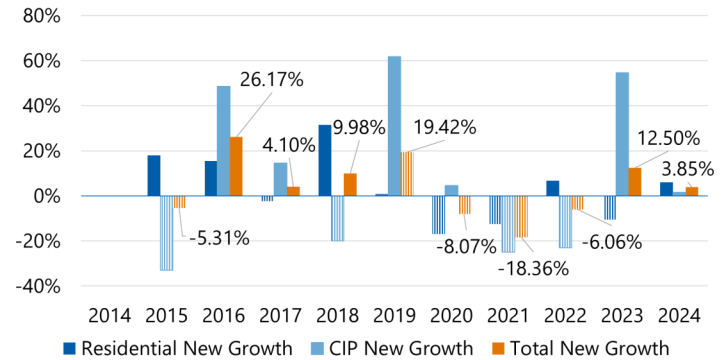
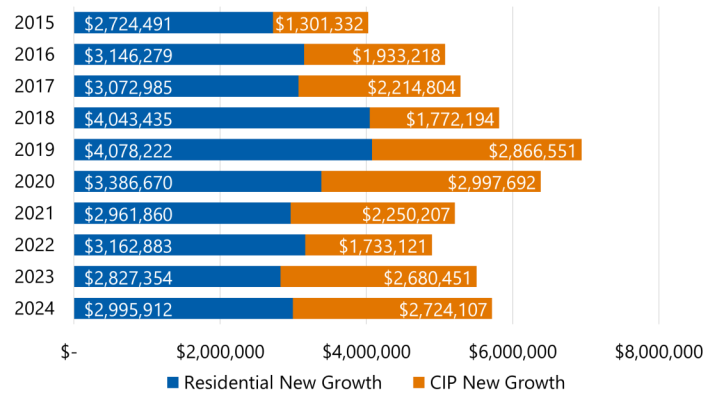
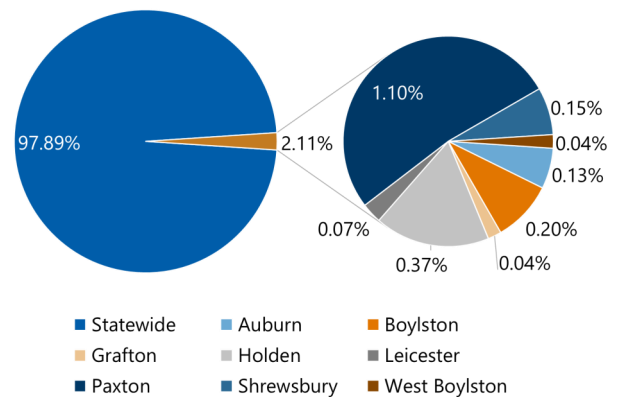


Chart 22: Total New Growth Added to Levy Limits (Towns in Aggregate), FY23\$



Source: MA Division of Local Services, [New Growth Analysis](#)

Chart 23: Percentage of Proposition 2 1/2 Votes Statewide since FY90



Source: MA Division of Local Services, [Override/Underwrite Ballot Questions](#)

number of votes in this period; Chatham, with 94 votes, and Tisbury, with 90, take up the top two spots.

Statewide, votes related to education are the most common, followed closely by general operating votes and public works a distant third. And, much like the nine towns under study above, statewide there have been more votes for overrides beginning in the 1990s than any other decade, with more than double the override votes first

applying in the 1990s compared to the 2000s. Every decade has seen fewer override votes than the decade before.

Finally, more votes have failed than succeeded. Out of 4,545 total override votes in this dataset, 2,666 (or 58.7%) have failed. Interestingly, work by other scholars has shown that wealthier communities (with higher household incomes) tend to pass override votes more often than less wealthy communities. For example, Brown found that the communities in Massachusetts in 2018 with median household incomes below \$49,999 (32, of which 25 at the time had had override votes) passed override votes only 27.125% of the time; compare to the 15 communities with median household incomes above \$125,000 passed override votes 69.435% of the time (2018, 382-383). Given that education is a major vote category, communities with more school-age children are also more likely to vote for overrides than those without (Oliff & Lav 2010, 11).

In any case, there is a slightly higher failure rate among the nine towns (68.8%) than statewide. Vote margins are similarly slim; the vast majority of successful override votes, 84.8%, passed by fewer than 500 votes, compared to 70.6% of failed override votes.

Chart 27 shows how these communities compare to others statewide in the number of override votes. Each of the nine towns is included with arrows demonstrating the number of other communities with more, fewer, or the same number of override votes beginning with FY1990.

These nine communities have at times been above both the statewide new growth total (without Boston) and the statewide new growth total of towns only (communities with open or representative town meeting forms of government). This is demonstrated in **Chart 28**, showing statewide (all communities), statewide (without Boston), statewide (towns only), and finally the nine towns. **These**

Chart 24: Proposition 2 1/2 Vote by Category Since FY90 (Statewide)

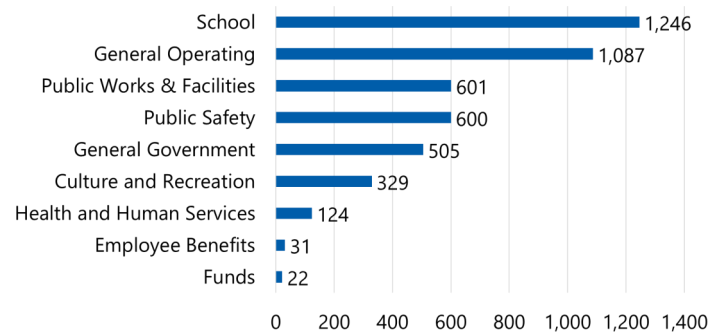


Chart 25: Proposition 2 1/2 Vote by Decade of Effect, Since FY90 (Statewide)

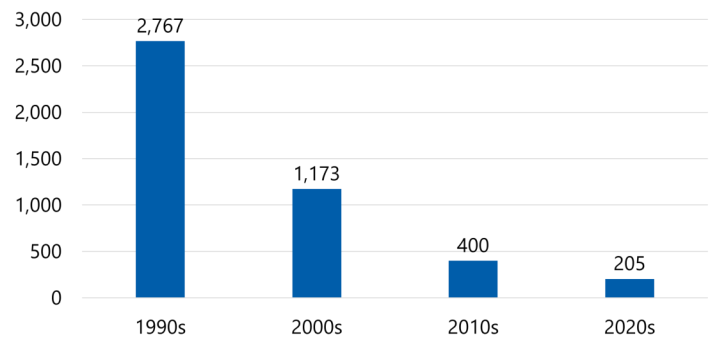
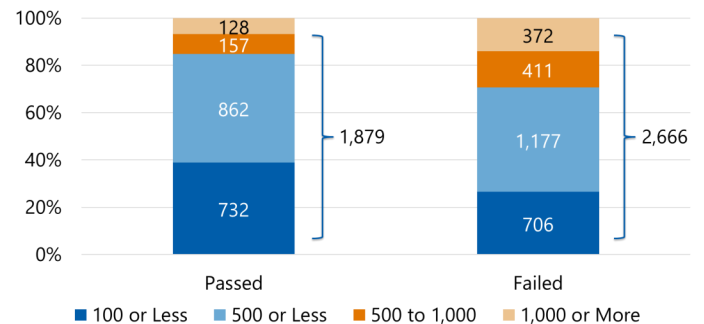
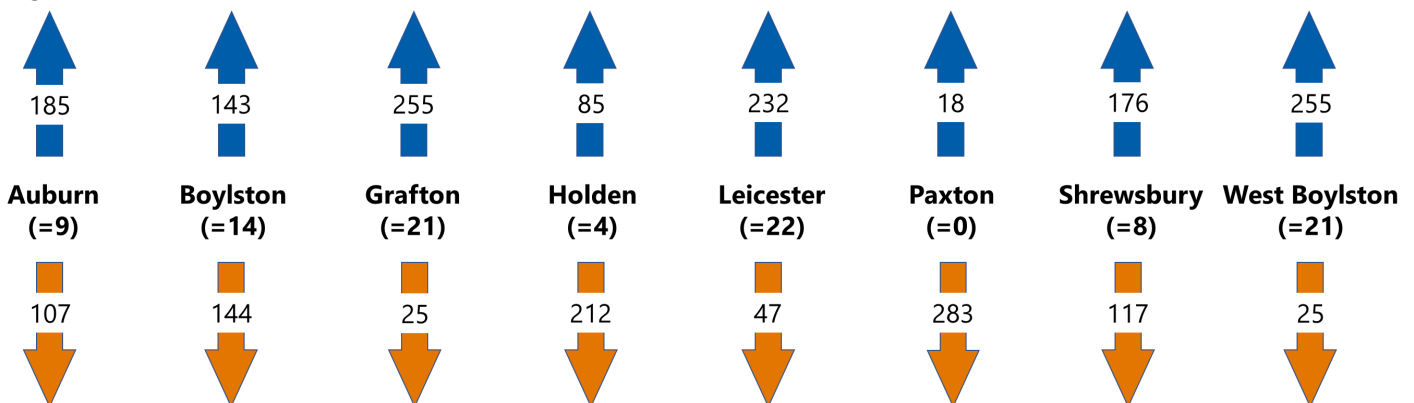


Chart 26: Percentage of Proposition 2 1/2 Votes by Vote Margin, Since FY90 (Statewide)



Source: MA Division of Local Services, [Override/Underride Ballot Questions](#)

Chart 27: Communities Statewide with More, Fewer, or the Same Number of Proposition 2 1/2 Votes as the Nine Towns



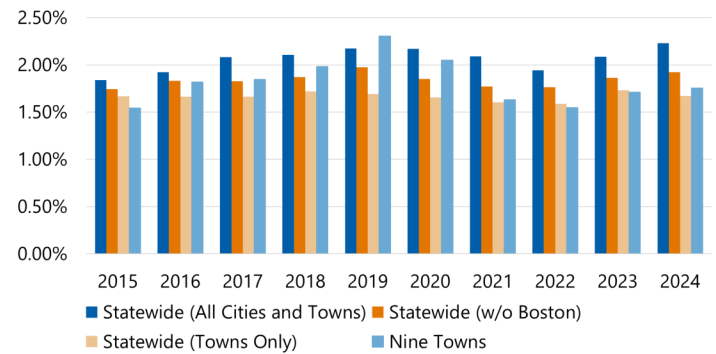
Source: MA Division of Local Services, [Override/Underride Ballot Questions](#)



nine towns had a higher new growth percentage than the statewide total (without Boston) 42.2% of the time, and a higher new growth percentage than the statewide town total 52.2% of the time. Some communities fared better than others. Boylston and Millbury, for example, had a higher new growth percentage each of the years between 2015 and 2024 than all towns statewide combined. Paxton and Shrewsbury had a higher new growth percentage than all towns only twice each. Five communities had a higher new growth percentage than the statewide total of only towns.

In comparison to the rest of the state, the nine towns under study are not big outliers. Despite faring better than all towns combined, their new growth is generally in line with what is observed statewide. In terms of Proposition 2 1/2 override votes, patterns observed statewide are seen within these towns as well (although Paxton representing 1.1% of all override votes in the database is significant). These nine communities may not be major outliers, but this does not change this report's conclusions, to be found in this final section.

Chart 28: New Growth as a Percentage of Prior Year Levy Limit, FY15-24, Statewide



Source: MA Division of Local Services, [New Growth Analysis](#)

QUESTIONS TO CONSIDER AND CONCLUSIONS

While the nine towns discussed in this report all have their own individual quirks, problems, and material conditions, three things are certain: (1) **political decisions in these communities are often made by small numbers of voters**, (2) **the limits on property tax collection imposed by Proposition 2 1/2 are tough to deal with in years when inflation and other costs grow faster than revenues**, and (3) **state aid has generally decreased over time**. Many of these communities levy close to their limits each year, indicating some strain in their expenditures. Since state aid is never really guaranteed to increase, save at times for education, and since there are

not really other ways to raise serious amounts of revenue, these communities must find solutions to any current or future budget crunches.

This is not to say that these communities are currently facing a budget crisis, or that they will face one for sure in the future. However, it is important to prepare for all exigencies and possibilities, especially as these communities continue to grow or shrink. According to projections from the Central Massachusetts Regional Planning Commission, all nine communities are expected to grow between 2020 and 2050. Finding ways to support

Town	CMRPC/MAPC Projections				MassDOT Projections			
	2030	2040	2050	2020-2050	2030	2040	2050	2020-2050
Auburn	10.17%	3.19%	3.03%	17.12%	6.24%	0.61%	-0.95%	5.87%
Boylston	-1.79%	3.13%	3.71%	5.03%	3.71%	0.54%	-0.30%	3.96%
Grafton	7.47%	4.91%	3.44%	16.61%	4.74%	2.28%	-0.57%	6.53%
Holden	-5.41%	3.02%	2.79%	0.17%	2.12%	0.45%	-1.19%	1.35%
Leicester	6.55%	2.81%	3.27%	13.12%	1.41%	0.24%	-0.73%	0.92%
Millbury	10.86%	2.63%	3.98%	18.30%	6.27%	0.06%	-0.05%	6.29%
Paxton	0.20%	1.78%	4.13%	6.20%	-4.01%	-0.76%	0.10%	-4.64%
Shrewsbury	6.71%	3.92%	3.35%	14.61%	3.10%	1.33%	-0.65%	3.79%
West Boylston	4.77%	3.73%	4.28%	13.33%	-4.71%	1.15%	0.23%	-3.39%

Source: Central Massachusetts Regional Planning Commission, [Socio-Economic Projections](#)



the influx of new residents will be crucial for these communities to survive. **Table 11** shows the projected percentage change of population (positive = growth, negative = decline) of each of these communities, using both CMRPC and MassDOT projections.

Between 2020 and 2050, according to CMRPC, Millbury is projected to grow the most, and Holden the least. Services will need to be provided to these new residents, providing further strains on revenues. According to MassDOT, on the other hand, Grafton is expected to grow the most and Leicester the least, while Paxton and West Boylston may instead see a population *decline*. **Whichever projection is correct, these communities will have to constantly rethink their revenue streams and expenditures.**

What can be done?

Cutting government services may be necessary in some communities in the short term, depending on free cash and other reserves available to them. Obviously, also, these towns should not count on state aid to save them when times are tough. In some cases, communities may need to consider Proposition 2 ½ override votes more often in order to build in some leeway with their levy limits and rising expenditures.

There are real examples of how to approach Proposition 2 ½ in ways that can ensure long-term stability for communities. One such example is West Boylston's from earlier in this report, where a larger limit increase is requested from voters, with a road-mapped intention to only increase the levy gradually over multiple years. Another example stems from Shrewsbury's successful override in 2021. Although the town's property tax levy increased in FY22, the town, among other actions, moved a portion of that increase into a Proposition 2 ½ Override Stabilization Fund, as part of a commitment to set aside funds to prevent another override vote for at least four years.⁵

However, Proposition 2 ½ override votes tend to be unpopular with voters, and fail more often than they succeed. **If communities really want to increase their "bottom line" while avoiding tough spending cuts, they really ought to double down and focus on the opportunities available through new growth.** New Growth offers enormous potential for communities to increase their main source of revenues, without necessarily worrying about raising the tax rate for the community as a whole.

A good example of how new growth can create excess levy capacity is in Boylston. Although excess capacity in Boylston cannot be due solely to new growth, it must surely play an important factor. Between FY15 and FY24,

Boylston has consistently added the greatest percentage of new growth to its levy limit compared to the rest of these communities (adding between 1.82% and 7.69% of its total levy limit to its new levy limit each year in new growth). **Moreover, Boylston has frequently had the most or second-most excess capacity of all nine towns.** The last time Boylston held a Proposition 2 ½ override vote was 2004. Although it is true that that without temporary exclusions Boylston would have no excess capacity at all (and, counterfactually, the capital projects built through exclusions would not likely exist without those exclusions anyway), new growth *now* allows the community to build some safety into its revenue stream.

On the other hand, **Paxton has had on average the least amount of new growth every year under study, and it frequently has had the smallest amount of excess capacity left in its levy each year.** Additionally, despite having ten Proposition 2 ½ override votes between FY2014 and 2025, only two of those votes have succeeded, having little discernible effect on Paxton's excess capacity (look at Grafton and Shrewsbury for examples where override votes led to big increases in excess capacity in the following years).

Since new growth can be residential or commercial, these communities are not locked into their current paths. Since eight of the nine communities have single tax rates—and as Auburn continues to move towards a single tax rate—**either new residential or commercial properties are potentially attractive options for that growth. The path forward depends on how these communities view themselves and their own senses of self-preservation.** They can choose to build new residential properties and ensure that there is adequate housing for new and existing residents going forward, and prevent potential "brain drain" to communities that do actively build new housing. They can choose to incentivize the construction of new commercial properties to provide valuable and needed jobs for community members, or to attract visitors. **In either case, increasing the underlying tax base through development is an attractive option in comparison with asking voters to increase their own taxes when times are tough.**

This is not a report on the ins and outs of local politics and what has or has not been tried in any of these communities regarding new development. But the evidence is clear: **new growth, whether residential or commercial, is the only viable way to overcome the limits imposed by Proposition 2 ½.** While new growth has its own sets of political problems, new growth avoids the political problems of override votes, where voters are asked, essentially, to raise their own taxes for the common



good (and while it may be for the good of all, there are certainly a plethora of reasons people might vote for or against overrides). While it may be in the best interest of a community, for example, to increase its education funding (and, in the process, attract new people to the community), it can sometimes be hard to ask people with no connection to the schools to pay more for them. It is also of course true that residents may oppose new growth (opposition to a housing complex or a new shopping center are certainly possible and have undoubtedly occurred); **but at the end of the day, new growth should be a preferred alternative to going to voters year after year to ask to raise taxes**, and relying on the unknown coalitions of voters who may or may not show up to vote for levy increases.

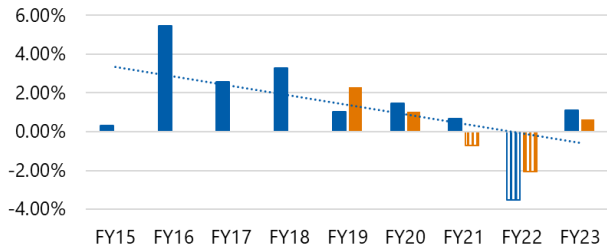
Although we are seemingly out of the inflationary period brought on by the COVID-19 pandemic, it is impossible to forecast the future. That means that growth in expenditures may, at times, outpace growth in revenues. In order to avoid the any future budget crunch, communities need to build in excess capacity into their main source of

revenue, and the best way to do that is, seemingly, through new growth and development policies that bring new residents and businesses into the community.

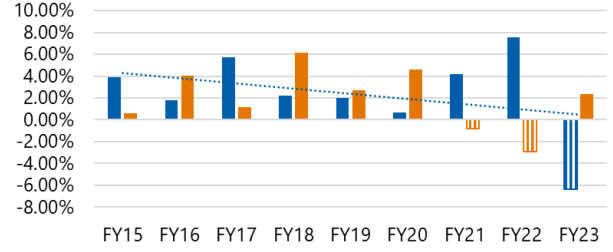
Proposition 2 1/2 limits the possibilities of what communities can do with property taxes. By locking growth at 2.5% every year, and limiting communities to overrides or new development for other increases in their levy limits, **the law leads these communities to make hard decisions about their budgets**. When the state, in some years, lowers state aid, it can make it even harder for these communities to keep balanced budgets when outside pressures on expenditures, such as inflation, raise those expenditures beyond what Proposition 2 1/2 allows. **Working within the limits of the system means that these communities need to focus on new growth if they wish to maintain services, and the state must continue to do what it can to incentivize that new growth, both residential and commercial, as well.**



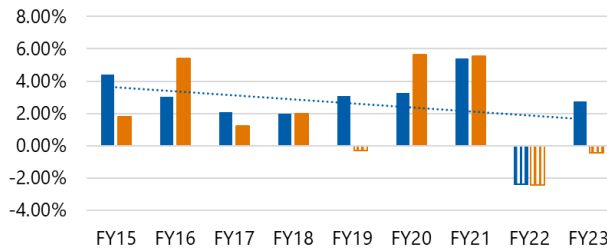
APPENDIX A: GENERAL FUND REVENUES AND EXPENDITURES, YEAR OVER YEAR PERCENT CHANGE, FY14 TO FY23 (FY23 \$)



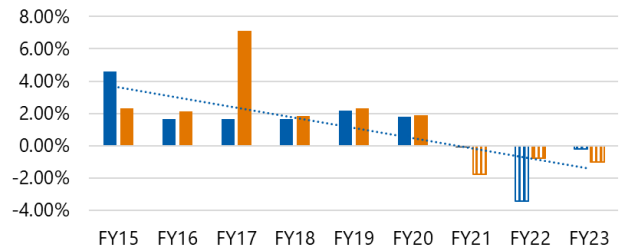
Auburn Rev Auburn Exp Linear (Auburn Rev)



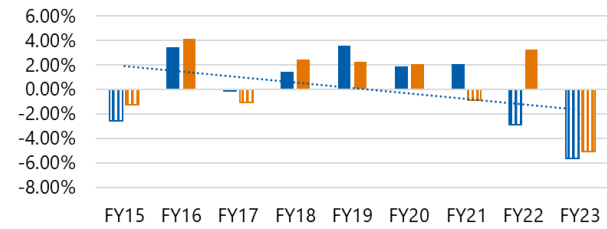
Boylston Rev Boylston Exp Linear (Boylston Rev)



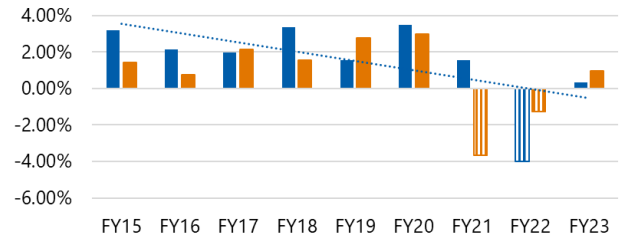
Grafton Rev Grafton Exp Linear (Grafton Rev)



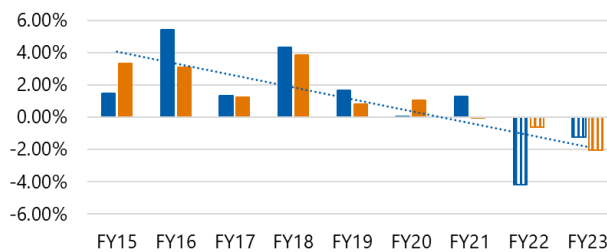
Holden Rev Holden Exp Linear (Holden Rev)



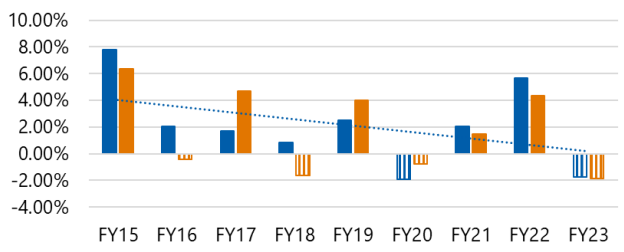
Leicester Rev Leicester Exp Linear (Leicester Rev)



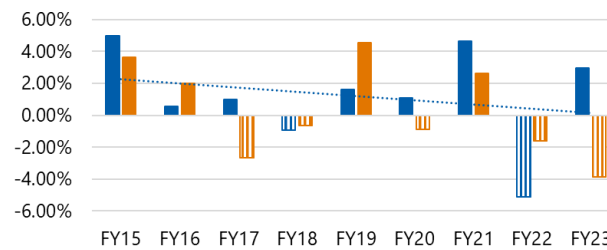
Millbury Rev Millbury Exp Linear (Millbury Rev)



Paxton Rev Paxton Exp Linear (Paxton Rev)



Shrewsbury Rev Shrewsbury Exp Linear (Shrewsbury Rev)



West Boylston Rev West Boylston Exp Linear (West Boylston Rev)

Source: Massachusetts Division of Local Services, [General Fund Revenues and Expenditures](#). Positive numbers indicate growth, and negative indicate decline from the year before. DLS lists two different general fund expenditure numbers for Auburn for these years. 2018 to 2023 are values that include health insurance (Auburn is self-insured and therefore expenditures are reported slightly differently). These expenditures are on some tables and not on others. Therefore, Auburn's values begin in the expenditures chart in 2019, with a 2018 base year.

The "linear" represents the trend in revenue growth since 2014. A declining line indicates slowing growth.



APPENDIX B: A NOTE ON METHODOLOGY

All financial and voting numbers in this report are via the Massachusetts Department of Revenue, Division of Local Services. For numbers that have been inflation adjusted to FY23 dollars, the U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers-Northeast (CPI-U

-NE) was used. Town Meeting Minutes and Bylaws for all nine communities were consulted for Town Meeting and, in West Boylston, for certain Proposition 2 1/2 information.

NOTES ON THE TEXT

¹ (page 16) This information was drawn from a voter's guide posted to [West Boylston's Website](#)

² (page 16) [West Boylston FY2025 Budget Presentation](#)

³ (page 16) West Boylston Town Meeting Minutes, May 20, 2024

⁴ (page 21) Since the specific value of new growth added to the levy limit depends on the tax rate for that property class, the percentage of residential new growth added value in Auburn is going to generally be

lower since it has a split tax rate (so commercial new growth has a bigger added effect on the total value).

⁵ (page 25) Discussions about the Override Stabilization Fund, as well as other agreements by the Board of Selectmen and the School Committee, can be found on this timeline found on [Shrewsbury's Website](#).

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