



# **Budget Procedures for a Proposition 2½ Override**

**November 29, 2022**

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# Agenda

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- 1. Introduction/Definitions**
- 2. Recent Override History in Massachusetts**
- 3. Hingham FY24 Budget Calendar**
- 4. Legal Overview: Hingham Budget and Override Process**
- 5. Municipal Finance Resources & Tools**
- 6. Questions?**



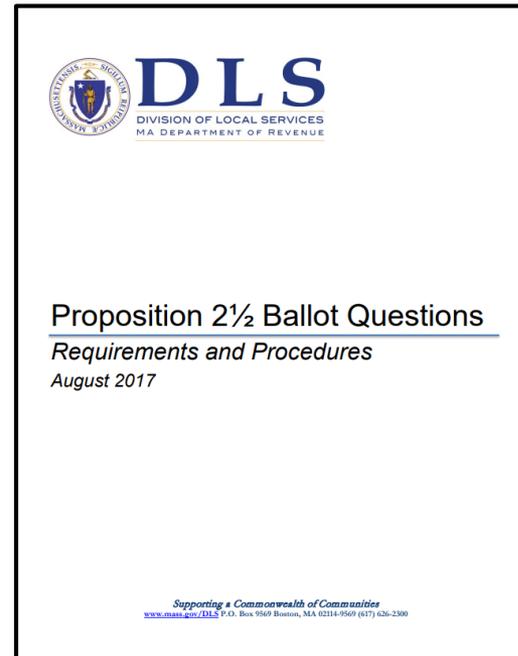
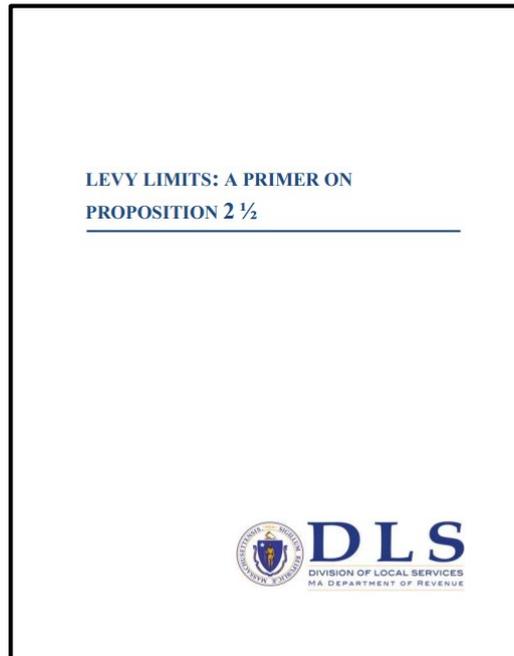
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# Introduction/Definitions



# What is a Proposition 2½ Override?

An override is a voter-approved, permanent tax increase designed to provide a community with the ability to generate sufficient revenues to fund costs that are likely to continue into the future, such as annual operating and fixed expenses.



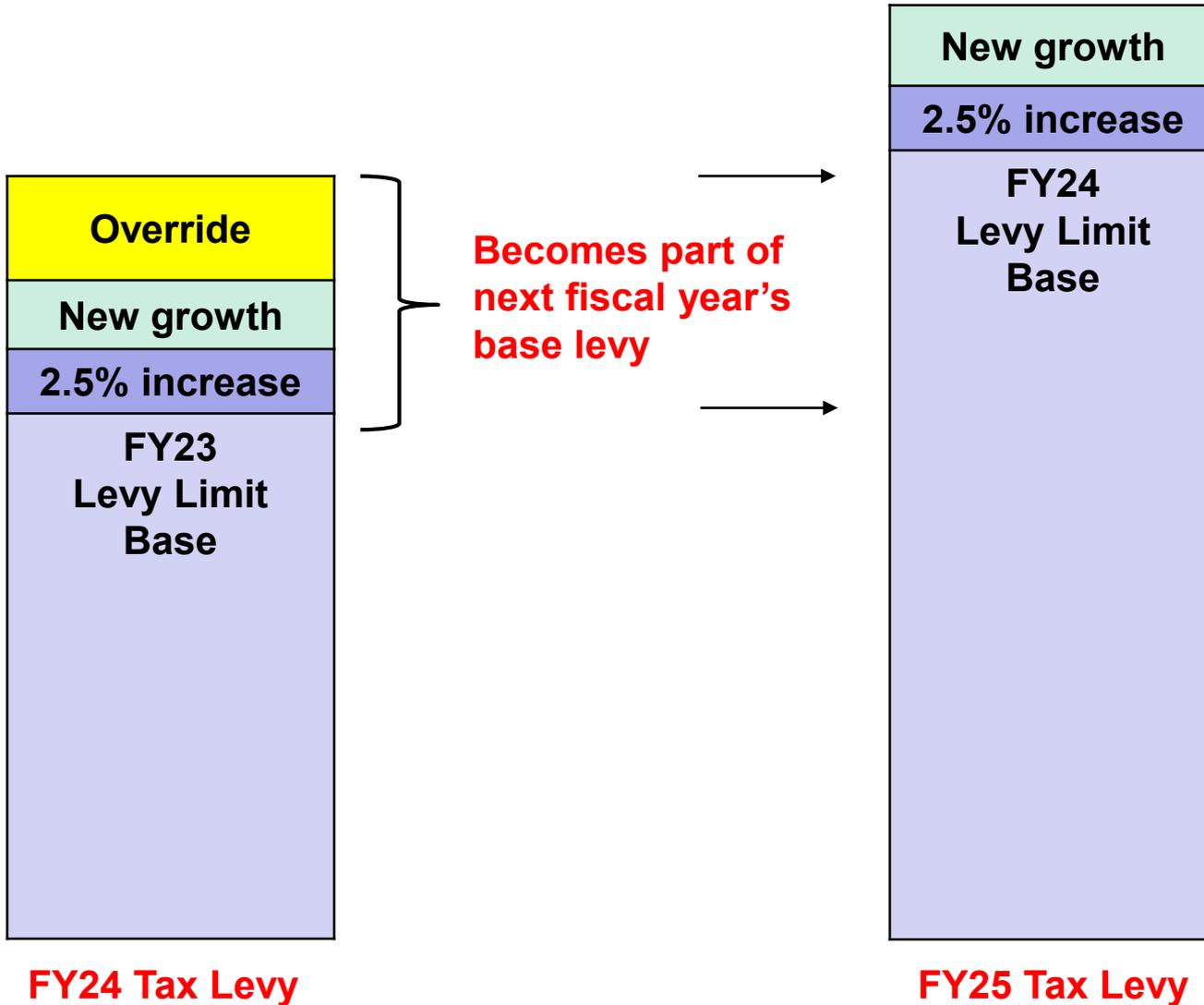
# Definitions/Key Terms

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- **Proposition 2½**: State legislation enacted in 1980 that placed constraints on how MA municipalities can raise revenue from property taxes.
- **Tax Levy**: Revenue raised through real and personal property taxes. Largest source of revenue for most MA cities and towns.
- **Levy Ceiling**: Prop 2½ caps the tax levy at 2.5% of the total full and fair cash value of all taxable real and personal property in town.
- **Levy Limit**: Maximum amount a community can levy in a given year. Prop 2½ generally caps the annual increase at 2.5% (plus new growth).
- **New Growth**: An increase in the levy limit by an amount based on the increased value of new development and other growth in the tax base in a given year that is not the result of revaluation.

# How does an Override work?





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# Recent Override History in Massachusetts

# Recent MA Overrides: FY20-23



## 47 communities proposed 84 overrides between FY20-23

MA Override Ballot Votes	FY20	FY21	FY22	FY23	Total	
Win*	22	12	19	13	66	79%
Loss	7	7	2	2	18	21%
<b>Total</b>	<b>29</b>	<b>19</b>	<b>21</b>	<b>15</b>	<b>84</b>	<b>100%</b>

\*Note: One FY20 override (for \$297,656 in Tisbury) passed on the ballot and is noted here as a WIN, but failed at Town Meeting. Source: [DLS Municipal Databank](#)

# Recent MA Overrides: FY20-23



## Top 5 Overrides by Amount

#	Municipality	2020 Pop.	FY	Amount	Result	Description
1	Winchester*	22,970	2020	\$10,000,000	WIN	Operating Budget and Building Stab Fund
2	Shrewsbury	38,325	2022	\$9,500,000	WIN	Muni and School Operating Budget
3	Norwood	31,611	2020	\$5,950,000	WIN	For Municipal Government, School Department Operations and Establishing a Stabilization Fund for Both
4	Arlington	46,308	2020	\$5,500,000	WIN	Town and School Operating Budget
5	Melrose	29,817	2020	\$5,180,000	WIN	General Operation of School

\*Note: Benchmark community. Source: [DLS Municipal Databank](#)



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# Hingham FY24 Budget Calendar

# Hingham FY24 Budget Calendar



Date	Item
November 2022	Preliminary municipal and school budget development
December 2022 /January 2023	Initial hearings on preliminary budget requests
January 20, 2023	Deadline to insert warrant articles, including Article 6 (Select Board must forward articles to AdCom within 10 days)
January/February 2023	Review and revise proposed budgets to include potential reductions and/or additions with override options
March 2023	Final approval of budgets by Select Board and School Committee; Final Article 6 recommended motion by Advisory Committee

# Hingham FY24 Budget Calendar



Date	Item
March 23, 2023	Last day for Select Board to vote to approve and sign warrant
March 24, 2023	Send warrant to printer; Deadline for Select Board to submit ballot question to Town Clerk
April 10, 2023	Customary deadline to deliver warrants to Hingham households
April 14, 2023	Deadline to post attested copy of warrant in Town Clerk's Office; Deadline to post ATM and election notice in newspaper
April 24, 2023	Annual Town Meeting
April 29, 2023	Annual Town Election

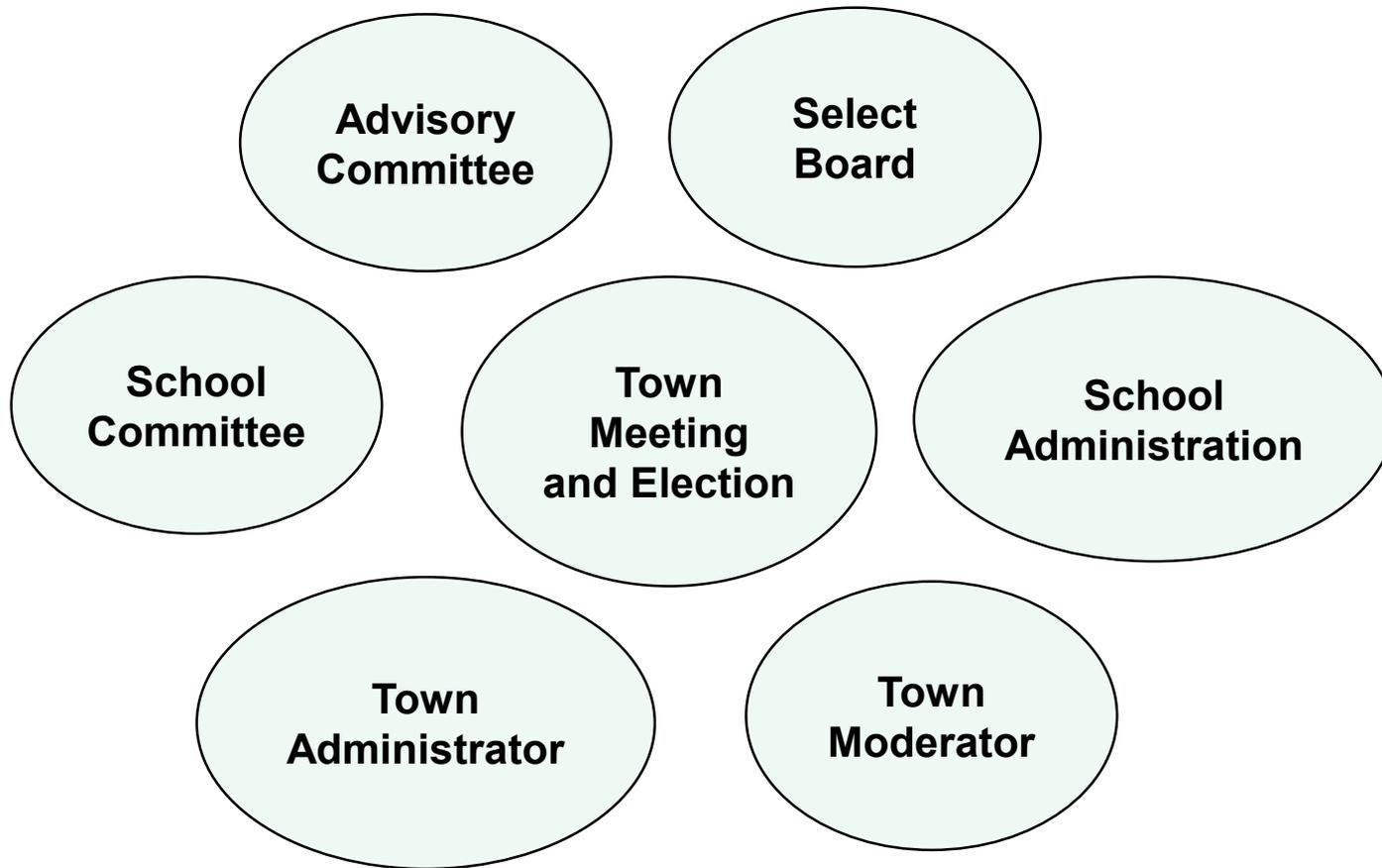


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# **Legal Overview: Hingham Budget and Override Process**

# Key Stakeholders

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# Legal Overview: Budget and Override Process

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- 1. A. School Administration develops proposed education budget  
B. Town Administrator develops proposed municipal budget**
- 2. A. School Committee approves proposed education budget  
B. Select Board approves proposed municipal budget**
- 3. Select Board inserts Town Budget Warrant Article 6 into Warrant and Town Administrator forwards proposed Town budget to Advisory Committee**
- 4. Advisory Committee considers Town budget and makes recommendations to Town Meeting (recommended motion under Article 6)**
- 5. Select Board votes to place Proposition 2½ override question on ballot**
- 6. Town Meeting makes budget appropriations (contingent appropriations subject to approval at Town Election)**
- 7. Voters consider Proposition 2½ override question at Town Election**

# Legal Overview: Budget and Override Process



- 1A.** School Administration develops proposed education budget
  
- 1B.** Town Administrator develops proposed municipal budget

## Town Administrator Special Act

*(Special Act has force of Town Charter – MGL Chapter 4, Section 7)*

SECTION 2. “(b) Notwithstanding any general or special law or by-law of the town of Hingham to the contrary, the powers and duties of the town administrator shall include, but not be limited to, the authority and duty to:

...(vii) prepare, develop and assemble, in a timely manner, the town budget for the non-school departments and accounts...”

# Legal Overview: Budget and Override Process

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## 2A. School Committee approves proposed education budget

### [MGL Chapter 71, Section 37](#)

**“The school committee in each city and town and each regional school district: ...shall review and approve budgets for public education in the district...”**

### [MGL Chapter 71, Section 38N](#)

**“The school committee of each city, town or regional school district shall hold a public hearing on its proposed annual budget not less than seven days after publication of a notice thereof in a newspaper having general circulation in such city, town or district... At the time and place so advertised or at any time or place to which such hearing may from time to time be adjourned all interested persons shall be given an opportunity to be heard for or against the whole or any part of the proposed budget...”**

# Legal Overview: Budget and Override Process

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## **2B. Select Board approves proposed municipal budget**

### [Town Administrator Special Act](#)

**SECTION 2. “(b)(vii)...following the development of the budget, the town administrator shall submit the entire budget document to the select board for review; and provided further, that the town administrator shall forward the budget document, including alterations approved and incorporated therein by the select board, to the advisory committee...”**

# Legal Overview: Budget and Override Process

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## 3. Select Board inserts Town Budget Warrant Article 6 into Warrant

### [MGL Chapter 39, Section 10](#)

“Every town meeting or town election, except as hereinafter provided, shall be called in pursuance of a warrant, under the hands of the selectmen... The warrant for all town meetings shall state the time and place of holding the meeting and the subjects to be acted upon thereat...”

and Town Administrator forwards proposed Town budget to Advisory Committee in accordance with TA Special Act and General By-law Article 14

# Legal Overview: Budget and Override Process



4. Advisory Committee considers Town budget and makes recommendations to Town Meeting (recommended motion under Article 6)

## [Hingham General By-laws, Article 14](#)

**SECTION 4 – “The advisory committee shall consider the budget proposed for the town for the ensuing fiscal year by the Select Board. Such budget shall show in detail all estimated income from the proposed tax levy and other sources and all proposed expenditures, including debt service, for the ensuing fiscal year, and shall be arranged to show the actual and estimated income and expenditures for the previous, current and ensuing fiscal years. The advisory committee shall, after considering such proposed budget, establish the amounts which should, in its opinion, be appropriated for the ensuing fiscal year, shall add thereto such explanations and suggestions as it deems expedient, and shall report thereon...”**

# Legal Overview: Budget and Override Process



4. Advisory Committee considers Town budget and makes recommendations to Town Meeting (recommended motion under Article 6)

## MGL Chapter 39, Section 16

“Every town whose valuation for the purpose of apportioning the state tax exceeds one million dollars shall...by by-law provide for the election or the appointment and duties of appropriation, advisory or finance committees, who shall consider any or all municipal questions for the purpose of making reports or recommendations to the town...

In every town having a committee appointed under authority of this section, such committee, or the selectmen if authorized by a by-law of the town... shall submit a budget at the annual town meeting.”

# Legal Overview: Budget and Override Process



## 5. Select Board votes to place Proposition 2½ override question on ballot

### [MGL Chapter 59, Section 21C](#)

**“(a) Whenever used in the text of this section, the following words and terms shall have the following meanings... ‘Local appropriating authority’, in a town, the board of selectmen...**

**(g) The local appropriating authority of any city or town which is subject to the provisions of paragraph (f) may, by majority vote, seek voter approval to assess taxes in excess of amount allowed pursuant to said paragraph (f) by a specified amount...**

**(i) With regard to the referenda procedures set out in this section the local appropriating authority may direct that the questions be placed upon the official ballot at a regular city or town election or at a special election which the local appropriating authority may call at any time...”**

# Legal Overview: Budget and Override Process



6. Town Meeting makes budget appropriations (contingent appropriations subject to approval at Town Election)

## [MGL Chapter 40, Section 5](#)

“A town may at any town meeting appropriate money for the exercise of any of its corporate powers....”

## [MGL Chapter 71, Section 34](#)

“...The vote of the legislative body of a city or town shall establish the total appropriation for the support of the public schools, but may not limit the authority of the school committee to determine expenditures within the total appropriation.”

# Legal Overview: Budget and Override Process



## 7. Voters consider Proposition 2½ override question at Town Election

### MGL Chapter 59, Section 21C

(g) “...Any question submitted to the voters shall be worded as follows:—

‘Shall the (city/town) of \_\_\_ be allowed to assess an additional \$\_\_\_ in real estate and personal property taxes for the purposes of (state the purpose(s) for which the monies from this assessment will be used) for the fiscal year beginning July first, nineteen hundred and \_\_\_?’

YES \_\_\_ NO \_\_\_’

Said question shall be deemed approved if a majority of the persons voting thereon shall vote ‘yes’.”

# Override Procedure – Key Components

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- 1. Potential multi-year financial management plan between Select Board, School Committee, and Advisory Committee regarding future budget commitments (based on FY21 Financial Management Plan precedent)**
- 2. Select Board has sole authority to determine override question format and place question on ballot**
- 3. Budget appropriations (Article 6) require a majority vote at Town Meeting**
- 4. Override ballot question requires a majority vote at the Town Election (election must be held by September 15)**

# Example: Hingham FY10 Contingent Override



The following amounts will be added to the respective budgets as indicated below, contingent upon affirmative action by the voters of the Town on the ballot question to allow the Town to assess an additional \$1,100,000 in real estate and personal property taxes for purpose of operation of the new elementary school for the fiscal year beginning July 1, 2009.

## 999 OPERATIONAL OVERRIDE

School Department - Salaries			888,291
School Department - Expenses			121,171
Police Department			7,565
Contributory Group Insurance			47,500
Employer Medicare Taxes			13,973
Fire, Public Liability, Property Damage, etc.			21,500
<b>TOTAL OPERATIONAL OVERRIDE</b>	<b>0</b>	<b>0</b>	<b>1,100,000</b>
<b>GRAND TOTAL</b>	<b>70,852,528</b>	<b>74,513,414</b>	<b>77,538,460</b>

## QUESTION 1

Shall the Town of Hingham be allowed to assess an additional \$1,100,000 in real estate and personal property taxes for the purpose of operation of the new elementary school for the fiscal year beginning July first, 2009?

**YES**

**NO**

# Example Ballot Question: Single Question Override



**Presents voters with a single choice of additional funding for a general or specific purpose.**

“Shall the Town of Yourtown be allowed to assess an additional \$\_\_\_\_\_ in real estate and personal property taxes for the purposes of funding the operating budgets of the Town and the Public Schools for the fiscal year beginning July 1, \_\_\_\_\_?”

## **Shrewsbury FY22 example:**

Shall the Town of Shrewsbury be allowed to assess an additional \$9,500,000 in real estate and personal property taxes for the purposes of funding municipal and school operating expenses for the fiscal year beginning July first, two thousand twenty one?

# Example Ballot Questions: Menu Override

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**Presents two or more questions which fund different purposes.  
Each question stands on its own merits.**

**“Shall the Town of Yourtown be allowed to assess an additional \$250,000 in real estate and personal property taxes for the purposes of funding the Fire Department for the fiscal year beginning July 1, \_\_\_\_\_?”**

**Shall the Town of Yourtown be allowed to assess an additional \$250,000 in real estate and personal property taxes for the purposes of funding the Public Library for the fiscal year beginning July 1, \_\_\_\_\_?”**

# Example Ballot Questions: Tier Override



**Provides voters with a choice of two or more different funding levels for one purpose. Each question is an alternative proposal.**

**“1A: Shall the Town of Yourtown be allowed to assess an additional \$1,000,000 in real estate and personal property taxes for the purposes of operating the Municipal Government and Public Schools for the fiscal year beginning July 1, \_\_\_\_\_?”**

**1B: Shall the Town of Yourtown be allowed to assess an additional \$500,000 in real estate and personal property taxes for the purposes of operating the Municipal Government and Public Schools for the fiscal year beginning July 1, \_\_\_\_\_?”**

**1C: Shall the Town of Yourtown be allowed to assess an additional \$250,000 in real estate and personal property taxes for the purposes of operating the Municipal Government and Public Schools for the fiscal year beginning July 1, \_\_\_\_\_?”**



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# Municipal Finance Resources & Tools



# Municipal Finance Resources & Tools

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- **Town Financial and Legal Team**
- **Five-Year Financial Forecast**
- **Financial Planning Model**
- **Sustainable Budget Task Force and Report**
- **Potential multi-year Financial Management Plan**
- **Department of Revenue/Division of Local Services**
- **Other MA communities**



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**Questions?**

# Appendix: Hingham Override History



Fiscal Year	Result	Description	Amount
1990	LOSS	School and Municipal Services	\$950,000
1990	LOSS	School and Municipal Services	\$1,900,000
1991	WIN	General Operating Budget	\$875,000
1992	LOSS	General Operating Expenses	\$1,000,000
1992	LOSS	Fund General Operating Budget	\$1,000,000
1994	WIN	Purpose of Funding School Oper Expenses	\$485,508
2005	WIN	Funding School Operations	\$753,682
2010	WIN	Purpose of Operation of the New Elementary School (East)	\$1,100,000

Source: [DLS Municipal Databank](#)