

# TOWN OF NORFOLK

## Analysis of FY 2005 Revenue

The Town of Norfolk receives revenue to support its annual operating budget from four basic sources: 1) the tax levy; 2) local receipts; 3) state aid; and 3) miscellaneous sources including grants.

The property tax levy, which is the amount of revenue collected from all real and personal property, continues to supply 65% of the Town's total revenue. The property tax base increases each year as a result of three factors: 1) The increase allowed under Proposition 2 ½ (MGL 59 s.21c): Prop. 2 ½, which was adopted by voter initiative in 1980, imposes a property tax cap on all cities and towns. The tax cap allows the Town to increase its tax levy by an amount not exceeding 2 ½% of the overall tax base from the preceding year; 2) New growth: That is, growth in the tax base resulting from new construction, improvements to existing properties and restoration of exempt properties to the tax rolls; and 3) Overrides: Overrides allow the Town to raise additional revenue above the limit imposed by Prop. 2 ½. The levy is increased above the cap when voters approve a "general override" or a "debt or capital outlay exclusion."

A review of the Norfolk revenue sheet shows that the Town has levied the full 2 ½% increase allowed under the law in every year since Fiscal 2002. In addition, new growth has provided approximately \$400,000 per year in additional revenue over that same period. In 2002, the voters approved a \$300,000 general override of Prop. 2 ½ for a roads improvement program. Lastly, there have been debt exclusions for the construction and expansion of the H.O. Day School, the addition to the Norfolk Public Library and the purchase of a new fire truck.

In Fiscal 2005, which begins on July 1, 2004, the property tax levy will yield \$15,529,970. This represents an increase of \$1,068,810 or 7.3% over the amount raised in Fiscal 2004 (July 1- June 30, 2004).

A second source of revenue for the Town is designated as "Local Estimated Receipts." This is the estimate of all revenue to be raised from 1) The motor vehicle excise tax; 2) Various departmental fees, service charges, fines and charges for licenses and permits; 3) Investment income, i.e., the revenue derived from interest on Town deposits in various bank accounts; 4) Payments-in-lieu-of-taxes (PILOTS) or the voluntary payments made by tax exempt organizations that operate within the Town. Norfolk receives a payment of approximately \$8,000 from the Norfolk Housing Authority for housing projects owned and operated by the NHA; and 5) The underground utilities surcharge: In 2001, the Town Meeting approved a 2% surcharge on all utility bills to underwrite the removal of overhead wires and utility poles in the center of town. The \$149,300 surcharge will continue until the \$1.16 million bond for this project is repaid.

The third source of revenue for the Town comes from the Commonwealth of Massachusetts. Each year the state appropriates a sum in its annual budget to reimburse cities and towns for a portion of their costs for schools and for general government. A significant portion of the cost of

local government is attributable to the financial burden of programs that are mandated by the state, and so local governments maintain that state revenue sharing is essential. Financial assistance from the Commonwealth is referred to as "local aid" or "cherry sheet" revenue. The latter term stems from the practice of Department of Revenue going back to the 1930s of using pink colored paper to notify local communities of the amount of state aid they will receive during the fiscal year.

Cherry Sheet revenue is subdivided into two categories: 1) School aid; and 2) General government aid. The most important component of school aid is the Chapter 70 program. Chapter 70 funding has increased dramatically since the passage of the Education Reform Act of 1993. Norfolk will receive \$3,236, 571 in Ch. 70 monies in Fiscal 2005, by far the largest single category of state aid. Also under school aid, the town will receive \$561,475 in SBAB Reimbursements. These are the funds provided through the state's School Building Assistance Bureau to subsidize school construction and rehabilitation projects. Since the 1940s, the SBAB has subsidized municipal school projects; currently, SBAB is reimbursing Norfolk for 65% of the cost of building and expanding the H.O. Day School. SBAB reimbursements for the King Philip Middle and High School projects are administered separately through the KP school district.

Another category of school aid is the Charter Schools reimbursement. Beginning in 1995 when charter schools were first opened, the state has deducted from each town's Chapter 70 funds an amount for each student who attends a charter school. To cushion the blow, the legislature has provided partial reimbursement through the cherry sheet for the loss of Ch. 70 funds. The loss of Ch. 70 aid for Norfolk students attending charter schools will be approximately \$7600 per pupil in FY 2005, and the Town will lose an estimated \$130,000 for its 17 charter school students. The amount of state reimbursement for FY '05 is still being debated in the legislature. It will range from \$3,281 to \$36,808.

In the general government category, the largest source of funds is from the lottery distribution (\$842,604). Lottery aid has been steadily reduced since FY 2002 because the Commonwealth has taken a portion of the lottery proceeds to underwrite the state operating budget. Municipalities are pressing the Governor and the Legislature to restore full funding of lottery revenues but have not been successful at this point.

Highway funding from the state has traditionally come from state bonding, the Chapter 90 program, and from the cherry sheet, the Chapter 81 program. The state eliminated funding for the Chapter 81 program in FY 2003.

The Police Career Incentive Program, also known as the Quinn Bill, provides that police officers receive additional salary increments for earning college and/or graduate degrees. When the program was enacted in 1970, the state agreed to reimburse cities and towns at 50% of the cost of the Quinn benefit. Costs to the town in FY 2005 will amount to \$122,000. The reimbursement to the Town next year will be \$47,466.

Other general government categories of state aid include reimbursements for state mandated property tax reductions for the elderly, the blind and for veterans. The Commonwealth also

reimburses municipalities for lost tax revenue on lands owned by the state. Norfolk received \$131,866 for state owned lands in FY 2002; this amount has been reduced to \$70,236 in Fiscal 2005.

Reimbursements for lands owned by the state should not be confused with “prison mitigation” monies. Norfolk is one of ten communities hosting state prisons and correctional institutions. Since the early 1990s, the Town has received an annual payment of \$170,000-\$190,000 in prison mitigation funds. These payments are not shown on the cherry sheet but are contributed separately by the state as mitigation for Town land occupied by the Pondville and Baystate Correctional Centers and the M.C.I. Norfolk prison. Since prison mitigation funds are appropriated annually and not guaranteed, the Town has been conservative in earmarking these funds for capital purchases as opposed to the operating budget.

The Veterans Benefits program is a mandated state program to provide a source of income to indigent veterans. The Town had one veteran in this program during Fiscal 2003. In recent years, there are no recipients of veterans’ benefits, so state funding has nearly disappeared.

The last major category of revenue for the Town of Norfolk is designated as “Other Sources.” Other sources include a \$548,584 reimbursement from the Water Department to the Town for debt service payments made by the Town for Water Department capital projects. Also, the Town maintains a separate account for fees from the sale of cemetery lots and from the ambulance service. Each year, there is an appropriation from this fund to support the operating budget.

In the early 1990s, the federal government initiated the COPS program to provide a temporary subsidy to cities and towns for the hiring of additional police officers. Norfolk received \$75,000 under the COPS program in 2001. The subsidy is automatically phased out after three years, and so Norfolk’s subsidy has been reduced to zero for FY 2005.

In FY 2005, the Town will appropriate the last remaining funds in the Workers Compensation Trust Fund. Prior to Fiscal 2001, the Town was self insured for workman’s compensation, and an annual sum was appropriated into a Workers Compensation Trust Fund to pay for any claims by injured employees. The Town now handles workman’s compensation through an insurance policy. Now that all older claims have been settled, the remaining funds in this old account are being appropriated for the 2005 operating budget.

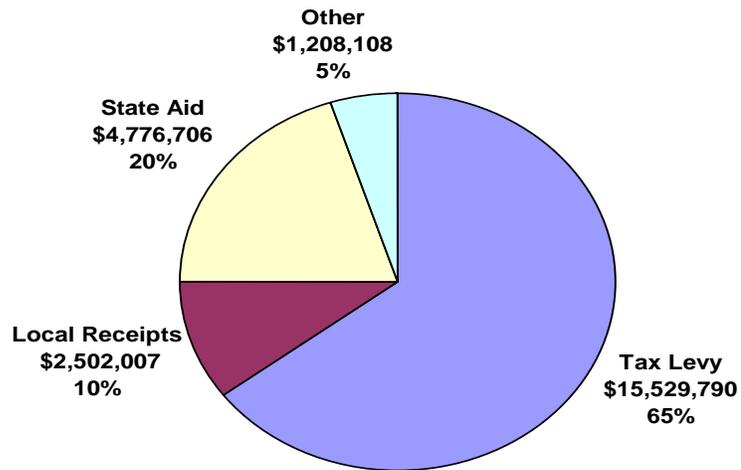
The Town also appropriates funds each year from the overlay account. The overlay is an account set aside for abatements when tax assessments are successfully challenged by a property owner. A portion of unused overlay funds from the current year are routinely appropriated for the following year’s operating budget.

Lastly, the Town will use “free cash” in FY 2005 to support the operating budget. Free cash is certified in the fall by the state Department of Revenue. Free cash represents any and all funds that were unexpended and have accumulated from prior years. Once certified by the DOR, free cash constitutes a reserve fund which may be used in any way the Town sees fit. Use of free cash for the operating budget is normally discouraged, but with the economic downturn and

budget austerity of recent years, Town leaders have decided to use free cash in preference to layoffs and reductions in services.

Total General Fund revenue for the Town in Fiscal 2005 will be \$24,016,611. This represents an increase of \$1,499,563 or 6.6% over Fiscal 2004.

## **Revenue by Source**



Send comments to:

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