

Excess Levy Capacity Policy



Select Board
March 14, 2022

What is Excess Levy Capacity ?

Excess Levy Capacity is the difference between the levy limit and the levy in any given year.

Levy Limit – The total amount that can be raised by taxation under the limitations of Proposition 2 ½.

Tax Levy – The actual amount raised by taxation.

Common Misconceptions about Excess Levy Capacity

- 1.) Maintaining excess levy capacity reduces the Town's tax capacity in future years.
- 2.) The Town has the option of "recapturing" excess levy capacity from past years.



Why does Andover have excess levy capacity?

- Andover has maintained \$300,000 of excess levy capacity every year since 2015. The amount was established when the Select Board voted to release \$900,000 of excess levy capacity to fund the Municipal Services Facility.
- The POB plan will create excess levy capacity because 50% of the debt service is exempt from Proposition 2 ½. As a result, the overall burden on the general fund is reduced.



Excess Levy Capacity Policy Statement

Excess Levy Policy Statement: Excess levy capacity shall be considered a restricted revenue with the general purpose of mitigating the financial impact of property taxes. Excess levy capacity shall only be appropriated in accordance with the following:

- 1) Excess levy capacity may be used to offset the costs associated with major capital projects and as a measure to mitigate the overall tax impact of said project(s).
- 2) Excess levy capacity may be used to offset extraordinary expenses that may result in major service impacts or are otherwise unforeseen and critical to service delivery.
- 3) Excess levy capacity may not be used without the approval of the Select Board and Finance Committee.

It is understood that the total excess levy capacity will fluctuate annually based on the valuation of real property, each classification's share of the total levy and certified new growth.



Alternatives to maintaining excess levy capacity

- File **Special Legislation** that allows Andover to set an annual amount to be raised outside the limits of Proposition 2 ½
 - Amount could not exceed what was authorized by the debt exclusion.
 - Amount could be adjusted year to year.
- Proposition 2 ½ **Underride**
 - Permanently reduces the levy limit.
 - Underrides have been approved 21 times, by 17 communities, since 1980.
 - Average Population: 10,498
 - Average Amount: \$504,996
 - 159 overrides were approved by the same 17 communities that approved the 21 underrides.



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Constructing the Tax Levy

