Understanding Overrides

A Community Guide to Proposition 2½ Overrides

Fiscal Year 2027 Revenue and Fiscal Year 2028 Budget

Fiscal Year 2027 Revenue

Tax Levy	$82,982,340
State Aid	$40,176,441
Local Receipts	$14,822,056
Enterprise Indirect	$1,631,794
Ambulance Receipts	$2,000,000
Free Cash	**$3,476,739**
Total Fiscal Year 2027 Revenues	**$145,089,370**
Fiscal Year 2027 Budget	**$145,089,370**

Fiscal Year 2028 Budget

Fiscal Year 2028 Budget	**$145,089,371.87**
Free Cash Needed	**$3,476,739.59**

INCREASES DRIVING THE GAP

+ Union Contracts
+ Health Insurance
+ Pension Obligations
+ Department Requests
+ School Requests

Override needed to cover the free cash used to balance the budget and to avoid cuts to departments.

State Aid

Randolph's net revenues are composed 24.4% from State Aid, which is considerably higher than the state average. Each year this creates uncertainty in our revenue numbers.

Understanding Free Cash

A one-time resource, not a recurring one

What Is Free Cash?

Free cash is the portion of a community's unrestricted funds certified by the state at the close of the fiscal year, the amount left over from actual receipts and unspent appropriations after obligations are met. Because it is generated fresh each year and its size cannot be predicted, it is a **one-time (non-recurring) resource.** The free cash balance is **cumulative, the total carried across all fiscal years**, not the amount certified in any single year.

Best Practice: Use Free Cash for One-Time Purposes

Because it does not recur, free cash should never fund ongoing operating costs. Used well, it is a powerful financial tool that can:

Fund Capital Needs

Pay for one-time capital projects and equipment, avoiding or reducing borrowing and the interest costs that come with it.

Build Stabilization Reserves

Transfer free cash into stabilization funds to strengthen reserves, support the community's bond rating, and prepare for future needs.

Provide a Financial Cushion

Serve as a buffer against one-time, unforeseen expenses and revenue shortfalls, protecting core services from sudden shocks.

Randolph's Free Cash Balance

A depleting cushion

The cumulative free cash balance has fallen sharply, and continued use to support the operating budget would consume a majority of what remains.

Current Balance

$5.8M

FY 2027 Budget Supplement

$3.4M

Would Be Consumed

58%

If the $3.4M prior-year draw continues

What This Means

Repeating last year's **$3.4 million** draw to support the operating budget would require using **58% of the entire remaining balance in a single year**, an unsustainable pace that leaves little cushion for capital needs, reserves, or unforeseen expenses.

A Structural Budget Gap

- To continue services and avoid cuts, the Town has relied on one-time revenues to balance its budget for several years.
- The Town Manager and Town Council discussed this at length in recent budget hearings, particularly regarding the financial needs of the School Department.
- One-time funds were used to prevent cuts to key services and staffing, and to provide financial leadership through the pandemic and the volatile years since.
  - Sources included ARPA funds, various school relief funds, and free cash.
  - These sources cannot be relied upon at these levels going forward.
- **In the Fiscal Year 2027 Budget, the Town relied on $3.4 million in free cash, one-time money.**

Fixed Costs Grew Faster Than the 2.5% Cap

Last year's increases in mandatory expenses:

Debt / Interest	**$2,055,426**
Health Insurance	**$1,574,620**
School / Charter Assessments	**$905,579**
FICA / Retirement	**$588,181**

State law limits the annual levy increase to 2.5%; these mandatory costs routinely rise faster, widening the structural gap.

Future Pressures and Where Cuts Would Fall

Concerns in Future Budget Years

- Charter Schools
- School Choice
- Student Opportunity Act
- Lottery for admission to Blue Hills and the related assessment
- Cost of School Transportation
- Cost of Special Education
- School Union Contracts

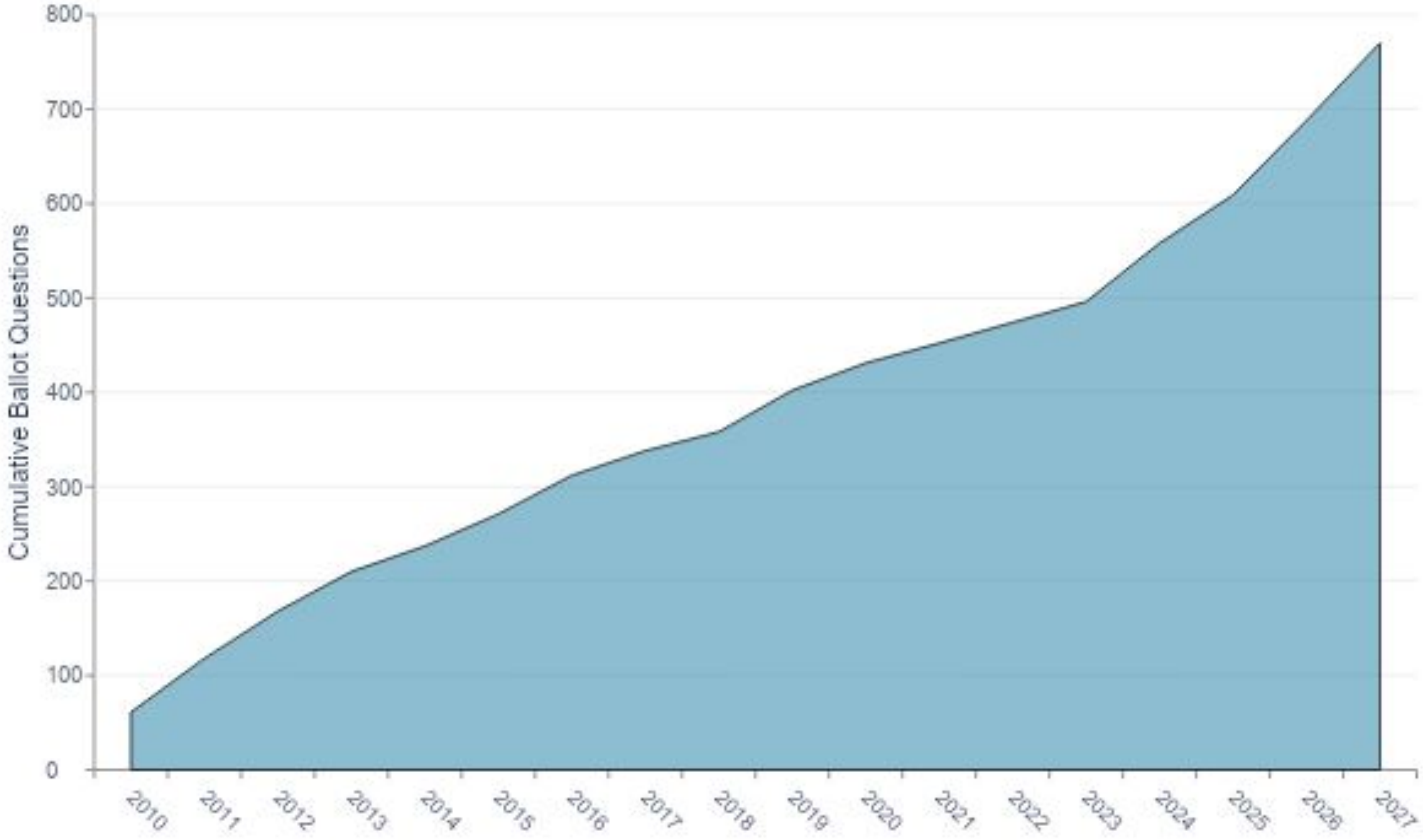
Rising cap on school choice. The Town's schools fall into the category this year that lifts the cap on certain school choice options, so these numbers could soar.

If Cuts Become Necessary

- Meaningful savings can only come from the key service areas where the Town has invested:
  - Schools
  - Police
  - Fire
  - Public Works (DPW)
- Schools are currently funded well above the required minimum. If forced to cut, funding could be reduced toward, but not below, that minimum.
- Other departments are staffed so leanly that they offer little opportunity for significant savings.

Public Safety, Health, DPW, and Schools represent the Town's core service investments and the only realistic sources of meaningful savings.

Overrides Statewide Since Randolph's Last Override (2010)



770

Override ballot questions statewide since Randolph's last override

178

Massachusetts communities that have put an override to voters

Revenue Tool

Overrides have become a routine budgeting tool across the Commonwealth.

Cumulative count of Proposition 2½ override ballot questions statewide, fiscal years 2010 to 2027, measured since Randolph's last override.

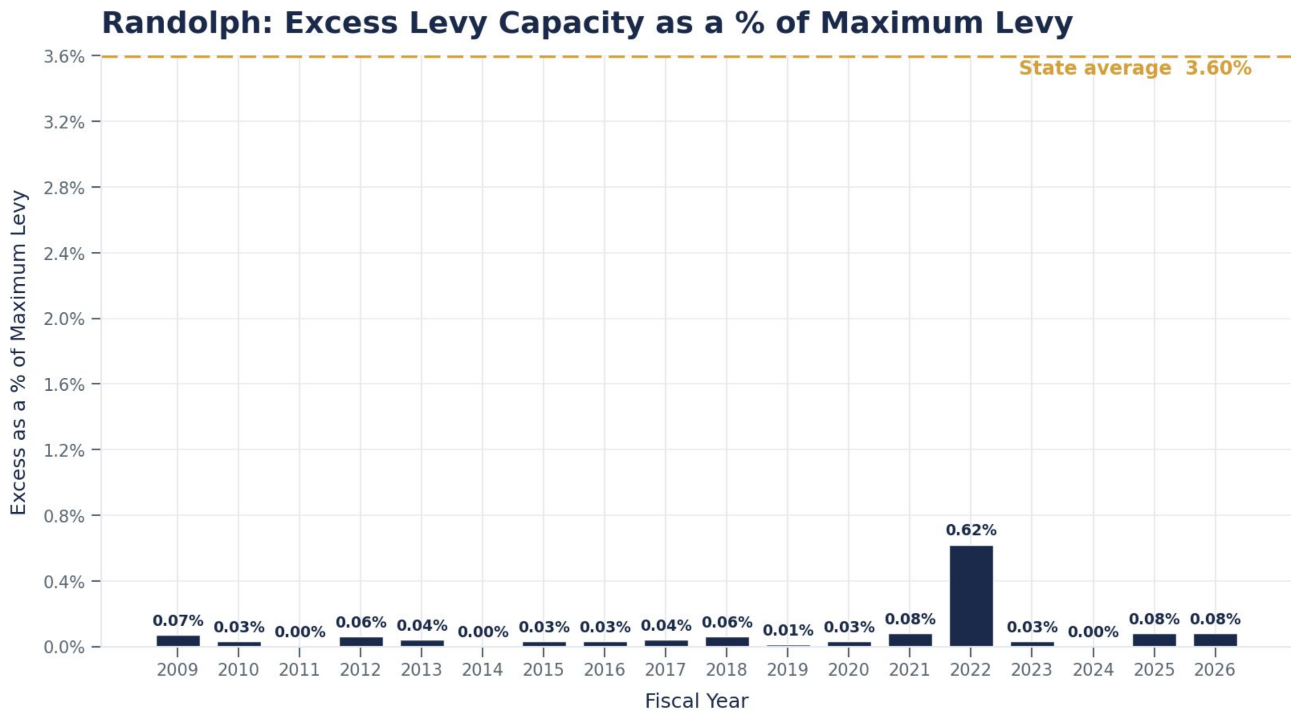
What is Proposition 2½?

Proposition 2½ is a Massachusetts law, enacted in 1980, that limits the amount of property tax revenue a city or town may raise each year. It establishes two constraints on the property tax levy:

Levy Limit

The levy limit can only grow by 2.5% over the prior year's levy limit, plus certified new growth.

This is the binding constraint for most communities and the one that drives override discussions.



What is an Override?

An override is a voter-approved, permanent increase to a community's levy limit. It allows a municipality to assess property taxes beyond the automatic 2.5% annual increase. Once approved, the override amount becomes part of the base levy limit.

Key Characteristics

- Permanent - the increase is added to the levy limit base
  - The override amount is a one-time increase to the Levy Limit base
- Must be approved by the voters on a ballot question at an election, requires a vote of the Council to be placed on the ballot.
- The ballot question must state a specific dollar amount and purpose
- Typically used to fund recurring operational expenses: education, public safety, public health, municipal services

Example

	Prior Year Levy	$1,000,000
+	Proposition 2½ (2.5%)	$25,000
+	New Growth	$10,000
+	Override	$500,000
=	New Levy	$1,535,000

Why Do Communities Consider Overrides?

Costs Outpace the 2.5% Cap

Municipal costs, including salaries, health insurance, special education, and transportation, routinely grow faster than the 2.5% annual increase allowed under Proposition 2½. State Aid growth fluctuates, as the State faces similar challenges as municipalities.

Structural Budget Gaps

When the gap between allowable revenue growth and actual cost growth persists year over year, communities face a structural deficit that cannot be resolved through one-time measures alone.

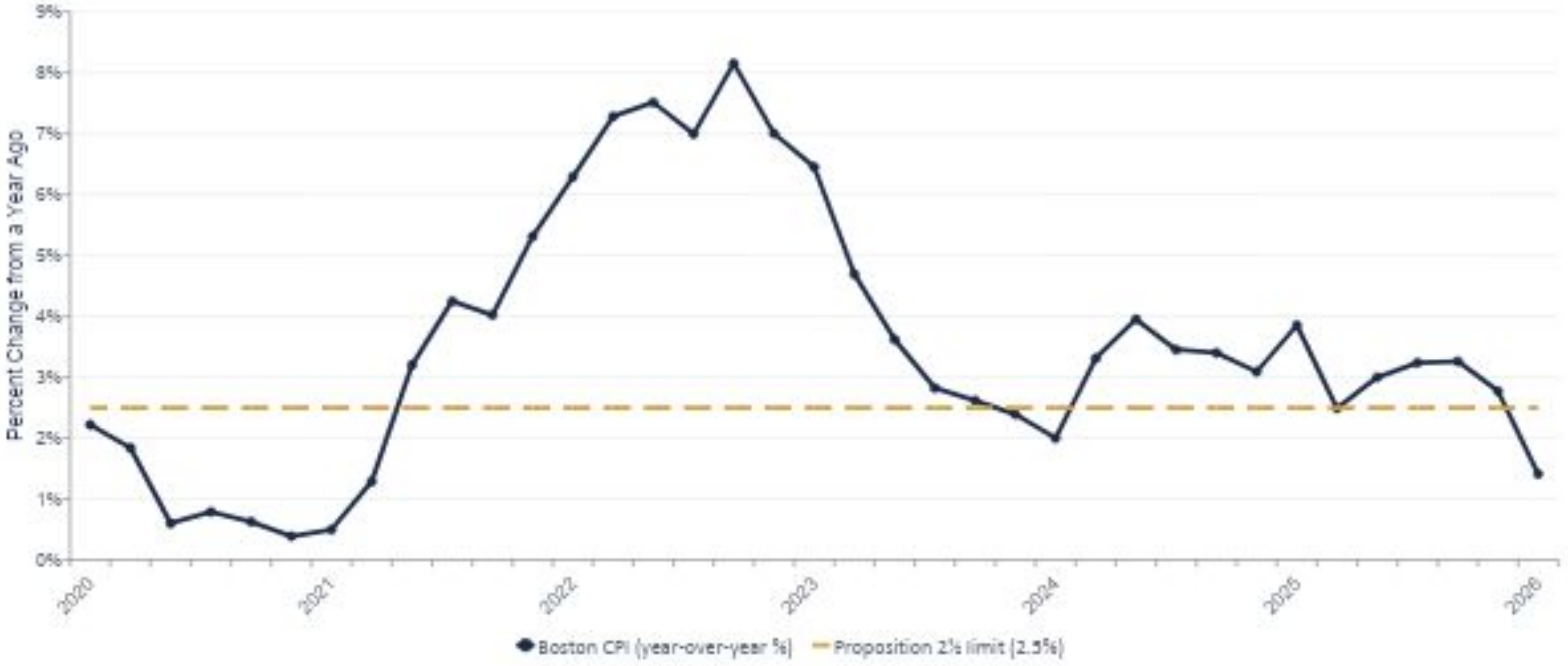
Loss of One-Time Revenue Sources

Federal relief funding (e.g., ARPA/ESSER) and reserve drawdowns are finite. As these expire, underlying gaps resurface.

Limited Revenue Alternatives

Property tax revenue makes up the largest portion of funding for communities. In Randolph, the Tax Levy accounts for 64.3% of net revenues to the General Fund. State Aid represents the second largest net revenue sources at 24.4%.

Boston-Area Inflation vs. the 2.5% Threshold



Source: U.S. Bureau of Labor Statistics via FRED (CUURA103SA0), Boston-Cambridge-Newton, MA-NH. Reported bimonthly, not seasonally adjusted. January 2020 to May 2026.

How the Annual Levy Limit Is Calculated

Prior Year Levy Limit
The maximum the community could levy last fiscal year

\+

2.5% Automatic Increase
Prior year levy limit multiplied by 2.5%

\+

New Growth
Value from new construction and taxable development

\+

Debt Exclusions *
Temporary, voter-approved amounts for project debt service

\+

Override
A permanent, voter-approved increase to the levy base

=

Total Levy

The maximum amount that can be raised through the property tax in the new fiscal year

Levy Limit + Debt Exclusions + Override

*A debt exclusion raises the levy only by the amount of that year's debt service. It rises and falls with the payment schedule and ends when the debt is paid off.

How Does a Ballot Question Get Approved?

Two required steps

Approving an override ballot question requires two steps.

1 Town Council Places the Question on the Ballot

The Town Council votes to place an override ballot question on the ballot at a regular or special election.

If a special election is used, the Council must also vote to call for the special election.

2 Voters Approve the Question

Voters approve the override question by majority vote at a regular or special election.

The ballot question must state the dollar amount and the purpose of the override.

An override permanently increases the levy limit and requires approval by a majority of voters.

Tentative Schedule and Deadlines

For a special election

Tue, Dec 8, 2026	**Special Election — vote on the override ballot question**
Nov 28 - Dec 5, 2026	In-person early voting on the override ballot question *M.G.L. c. 54, § 25B*
Nov 28, 2026	Last day to register to vote in the override election *10 days prior (M.G.L. c. 51, § 26)*
Nov 3, 2026	Massachusetts State Election
By Nov 3, 2026	Town Council must give the Town Clerk formal notice calling the special election and the exact ballot language *At least 35 days prior (M.G.L. c. 54, § 42C)*
By Oct 20, 2026	If opting out of in-person early voting, the Registrars and Council must act by this date *45 days prior to election (M.G.L. c. 54, § 25B(c)(1))*
By Oct 13, 2026	**Deadline for Town Council to vote to call a special election and approve the exact ballot question language** *Required early so ballots can be translated into Vietnamese and printed in time (M.G.L. c. 59, § 21C)*
Sep 1, 2026	Massachusetts State Primary Election

Dates are tentative and subject to statutory deadlines. Gold entries mark the key Council action deadline and the election date.

Common Misconceptions

✗ **"Proposition 2½ means my tax bill can't go up more than 2.5%."**

→ Proposition 2½ limits the total tax levy for the entire community, not individual tax bills. Your bill depends on your property's assessed value relative to the community's total assessed value. Revaluations can shift your share up or down.

✗ **"An override is temporary."**

→ An override is permanent. It becomes part of the base levy limit. Debt exclusions are the temporary mechanism. Unlike Debt Exclusions, which are reported through annual DE-1 forms, an Override is part of the Levy Limit calculation.

✗ **"Communities that override are overspending."**

→ The 2.5% cap was never intended as a benchmark for appropriate spending. It is a constraint on revenue growth. Whether an override is necessary depends on the gap between the cost of maintaining services and allowable revenue. Final year of Student Opportunity Act.

✗ **"If an override fails, the community just keeps the same budget."**

→ If an override fails, the community must reduce expenditures to fit within the existing levy limit. This often means cuts to staffing, services, or programs.

How Does an Override Impact Taxpayers?

The tax impact of an override depends on the size of the override and the assessed value of each property.

Estimated Tax Impact Formula

Tax Impact = (Override Amount / Total Assessed Value) x Individual Property Assessed Value

Scenarios:

- **$5 million Override: Fills the FY2027 budgetary gap of $3.5 million dollars (which was filled with free cash) but will not be sufficient to maintain current staffing and service levels in FY2028 and beyond. Staffing cuts and service reductions will be required in FY2028.**

- **$7.5 million Override: Fills the FY2027 budgetary gap of $3.5 million dollars, and will provide some coverage for inflationary increases, but will not be sufficient to maintain current staffing and service levels in FY2028 and beyond. Staffing cuts and service reductions will be required in FY2028.**

- **$9.5 million Override: Provides for maintenance of current staffing and service levels for the next several years and should prevent the need for another override for at least 10 years.**

- **$12 million Override: Provides for maintenance of current staffing and service levels, will likely prevent the need for another override for many years, and will also permit the Town to implement key Town Council policy and service initiatives that have not been implemented due to insufficient available funding.**

$5 million Override

Estimated increase by percentile cohort

Townwide Average Increase

$99.50

Per quarterly tax bill

Lower 50th Percentile Average

$89.20

More than half of homes pay less

Lower 25th Percentile Average

$82.88

The most modestly valued homes

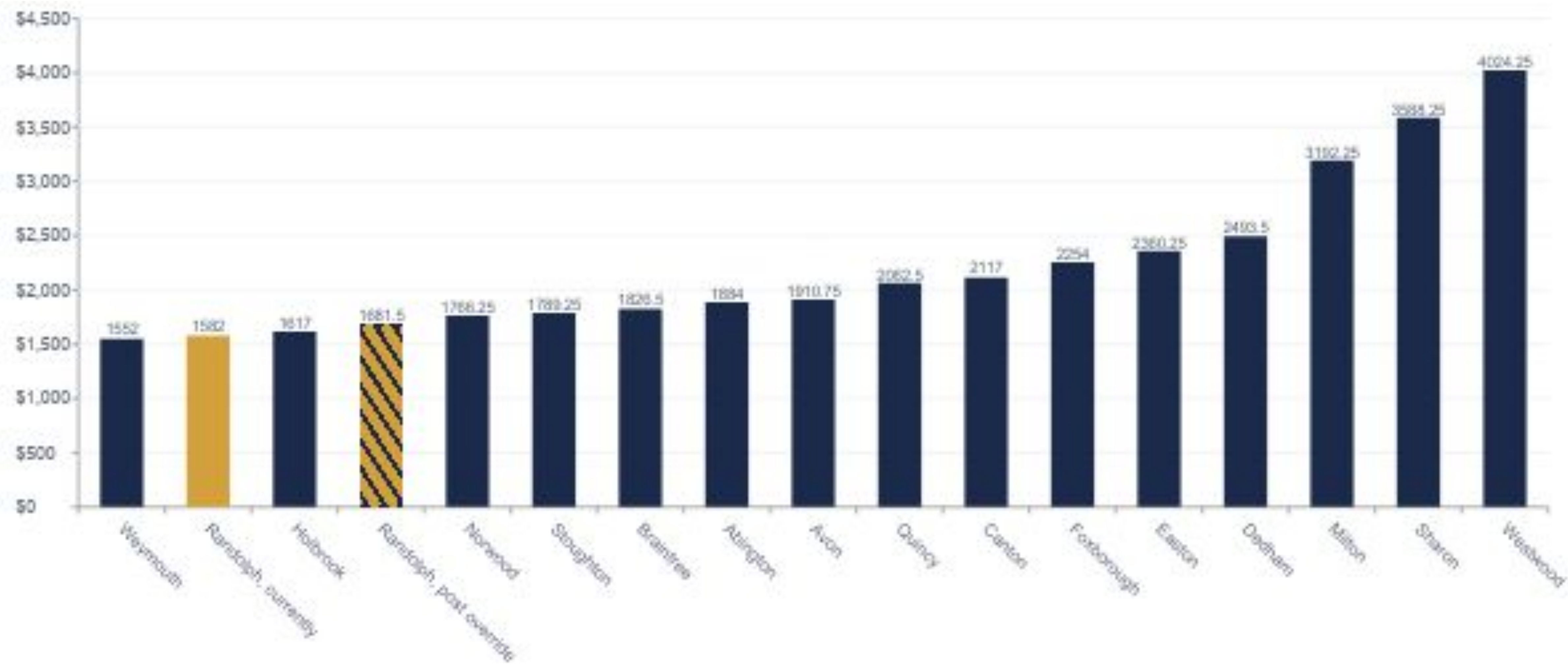
Override Result

Fills the FY2027 budgetary gap of $3.5 million dollars (which was filled with free cash) but will not be sufficient to maintain current staffing and service levels in FY2028 and beyond. Staffing cuts and service reductions will be required in FY2028.

Each cohort represents 10% of homes. Home assessments range from $83,200 (0-10th percentile) to $1,184,600 (91-100th percentile).

$5 million override

Single-Family Tax Bill, quarterly payment, Fiscal Year 2026



These communities represent Randolph's first- and second-order neighbors, excluding Boston and Brockton.

Municipalities sorted from lowest to highest quarterly single-family tax bill. Randolph shown in gold; the striped bar reflects Randolph after the proposed $5 million override.

$7.5 million Override

Estimated increase by percentile cohort

Townwide Average Increase

$149.25

Per quarterly tax bill

Lower 50th Percentile Average

$133.80

More than half of homes pay less

Lower 25th Percentile Average

$124.32

The most modestly valued homes

Override Result

Fills the FY2027 budgetary gap of $3.5 million dollars, and will provide some coverage for inflationary increases, but will not be sufficient to maintain current staffing and service levels in FY2028 and beyond. Staffing cuts and service reductions will be required in FY2028.

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$7.5 million override

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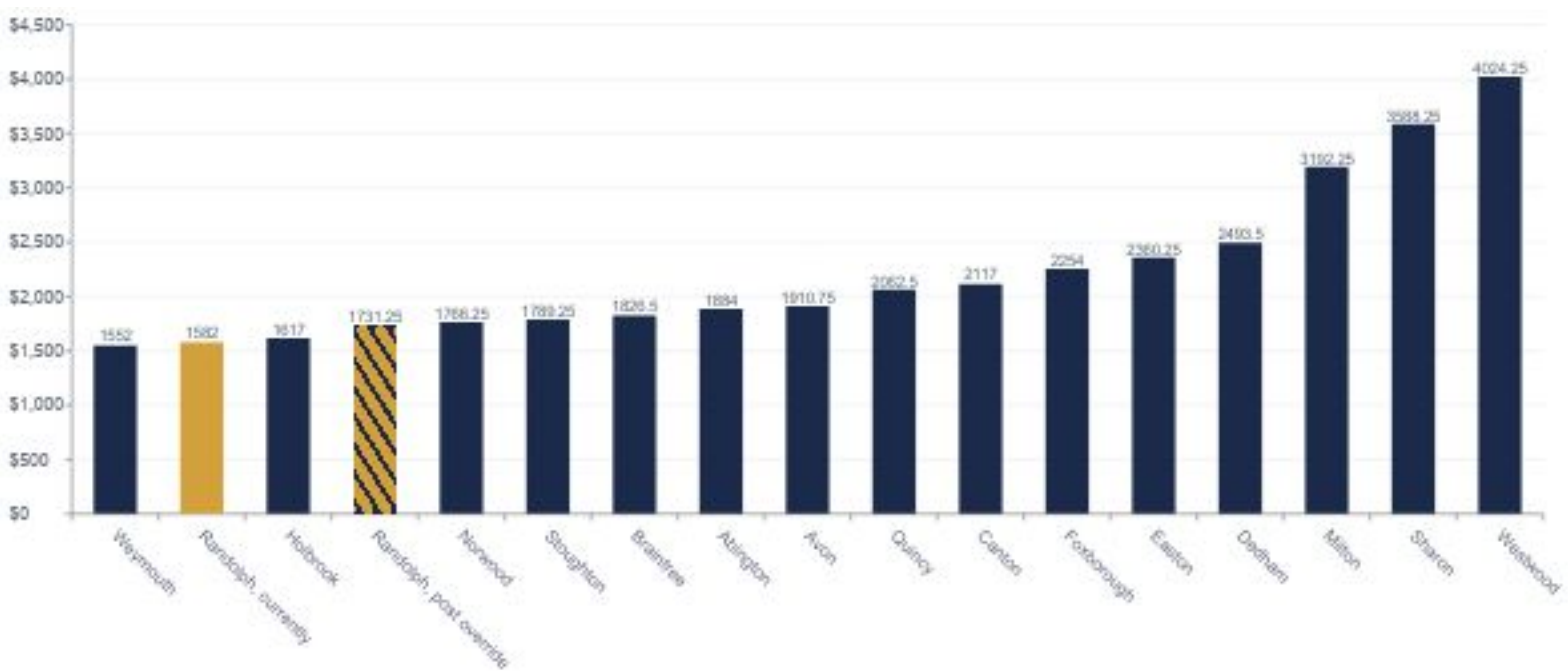

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Municipalities sorted from lowest to highest quarterly single-family tax bill. Randolph shown in gold; the striped bar reflects Randolph after the proposed $7.5 million override.

$9.5 million Override

Estimated increase by percentile cohort

Townwide Average Increase

$189.04

Per quarterly tax bill

Lower 50th Percentile Average

$169.48

More than half of homes pay less

Lower 25th Percentile Average

$157.48

The most modestly valued homes

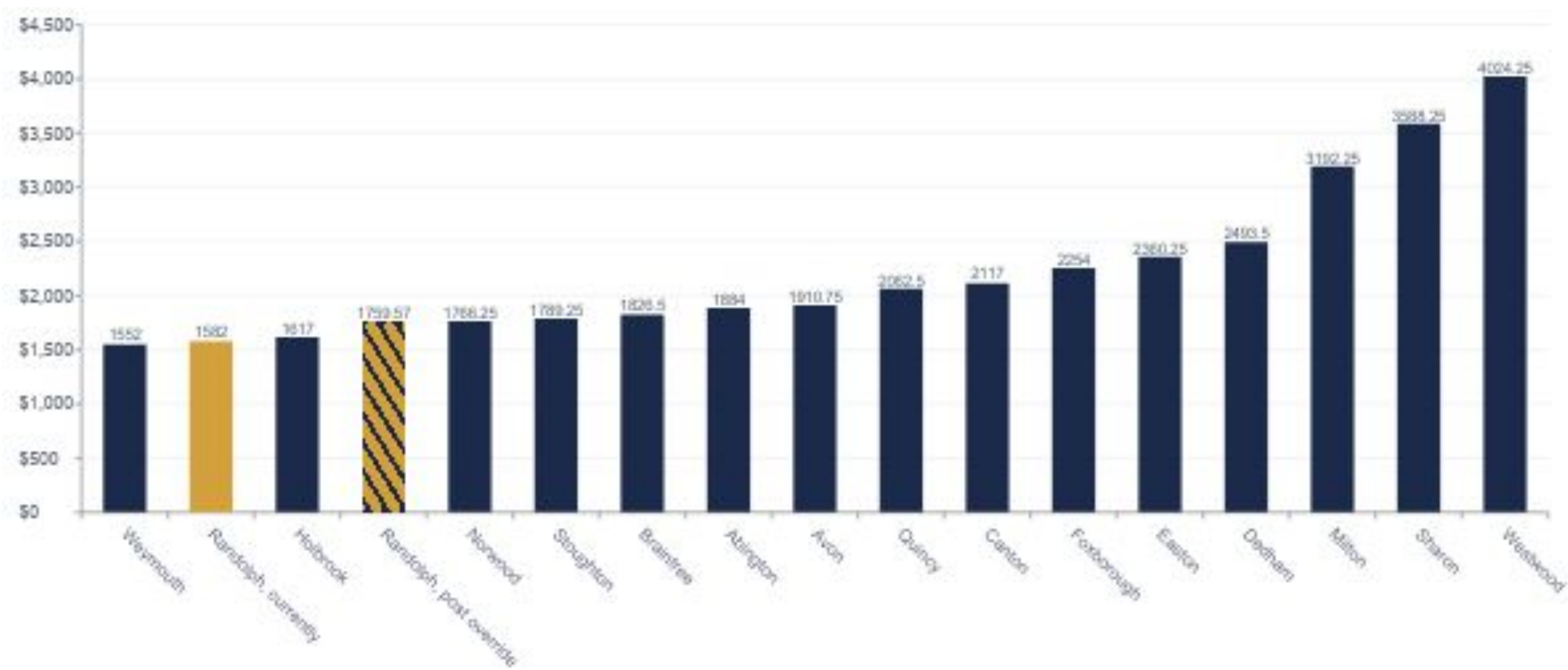
Override Result

Provides for maintenance of current staffing and service levels for the next several years and should prevent the need for another override for at least 10 years.

Each cohort represents 10% of homes. Home assessments range from $83,200 (0-10th percentile) to $1,184,600 (91-100th percentile).

$9.5 million override

Single-Family Tax Bill, quarterly payment, Fiscal Year 2026

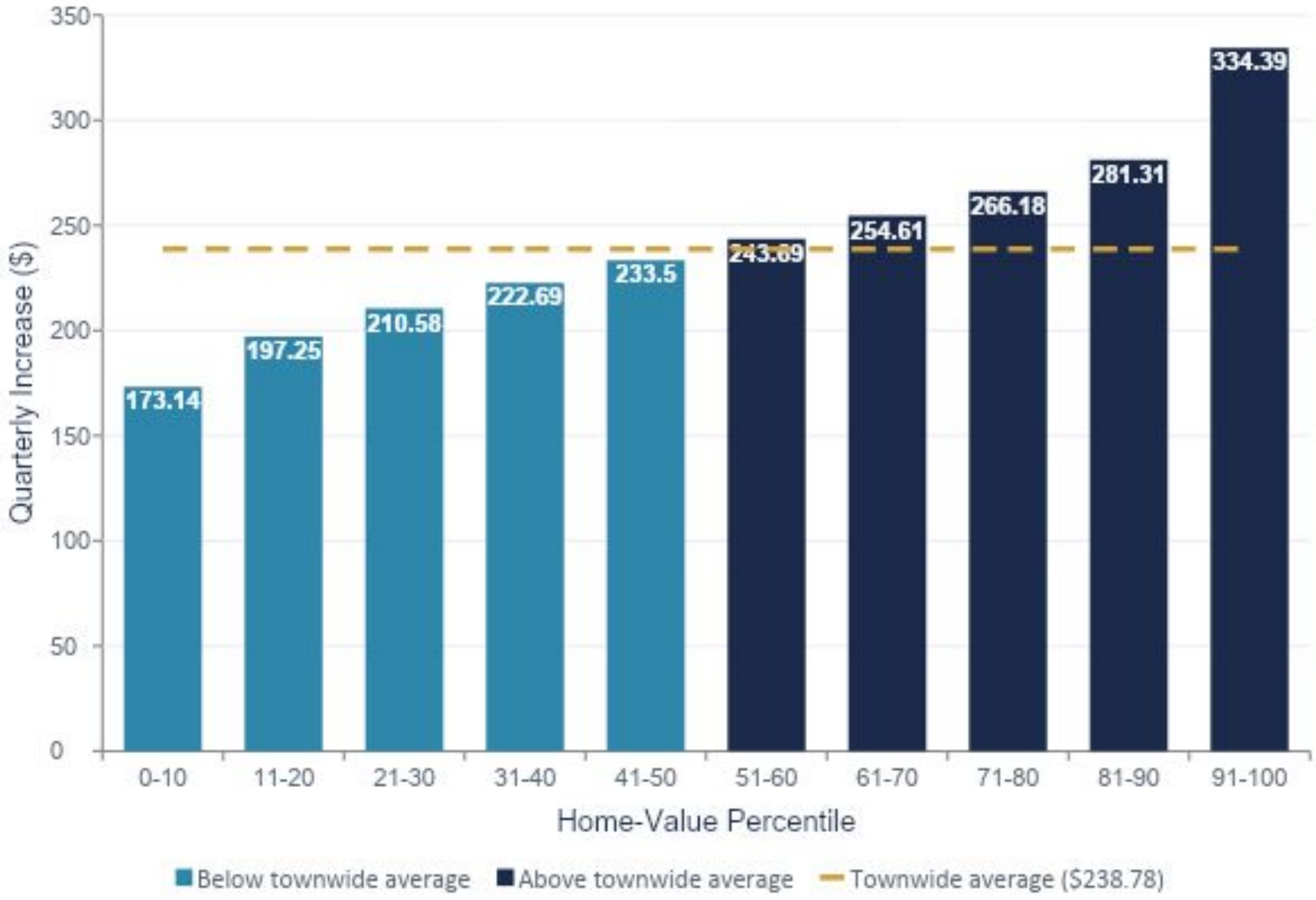


These communities represent Randolph's first- and second-order neighbors, excluding Boston and Brockton.

Municipalities sorted from lowest to highest quarterly single-family tax bill. Randolph shown in gold; the striped bar reflects Randolph after the proposed $9.5 million override.

$12 million Override

Estimated increase by percentile cohort



Townwide Average Increase

$238.78

Per quarterly tax bill

Lower 50th Percentile Average

$214.08

More than half of homes pay less

Lower 25th Percentile Average

$198.92

The most modestly valued homes

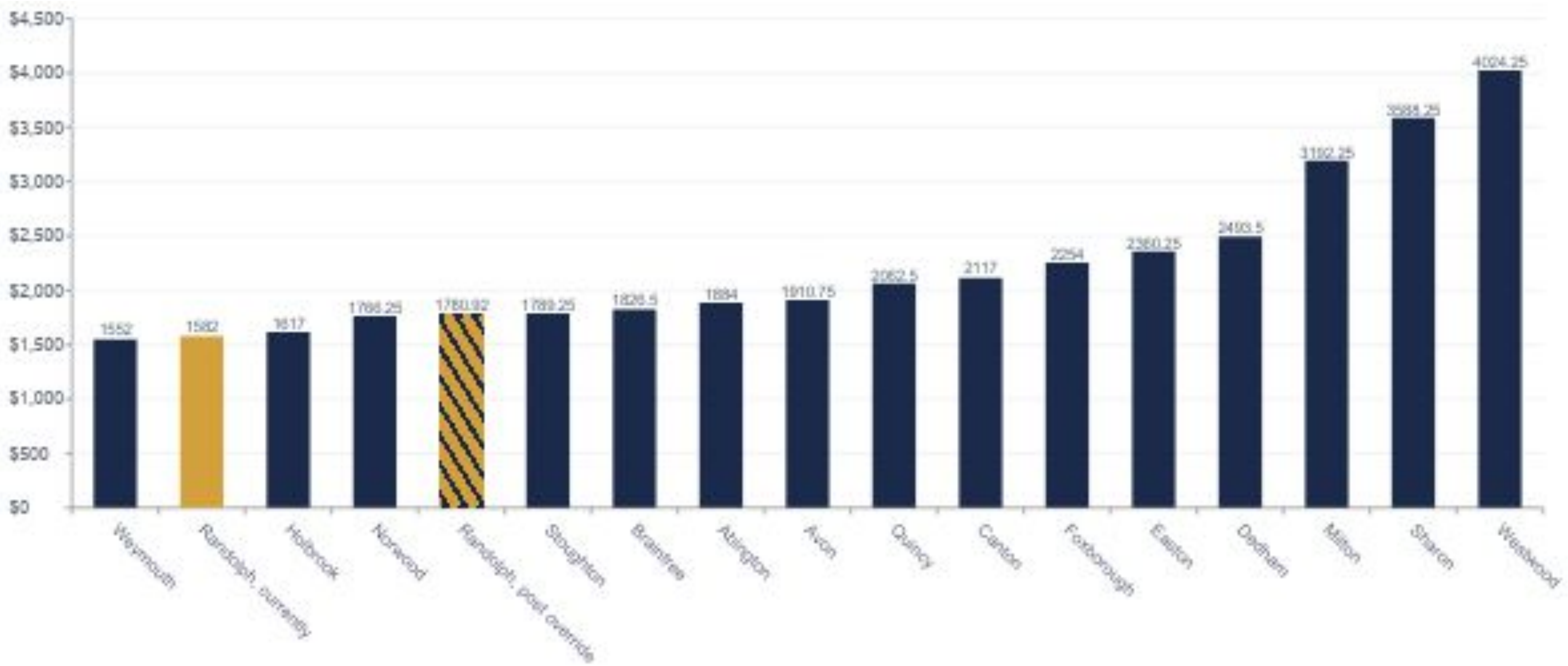
Override Goal

Provides for maintenance of current staffing and service levels, will likely prevent the need for another override for many years, and will also permit the Town to implement key Town Council policy and service initiatives that have not been implemented due to insufficient available funding.

Each cohort represents 10% of homes. Home assessments range from $83,200 (0-10th percentile) to $1,184,600 (91-100th percentile).

$12 million override

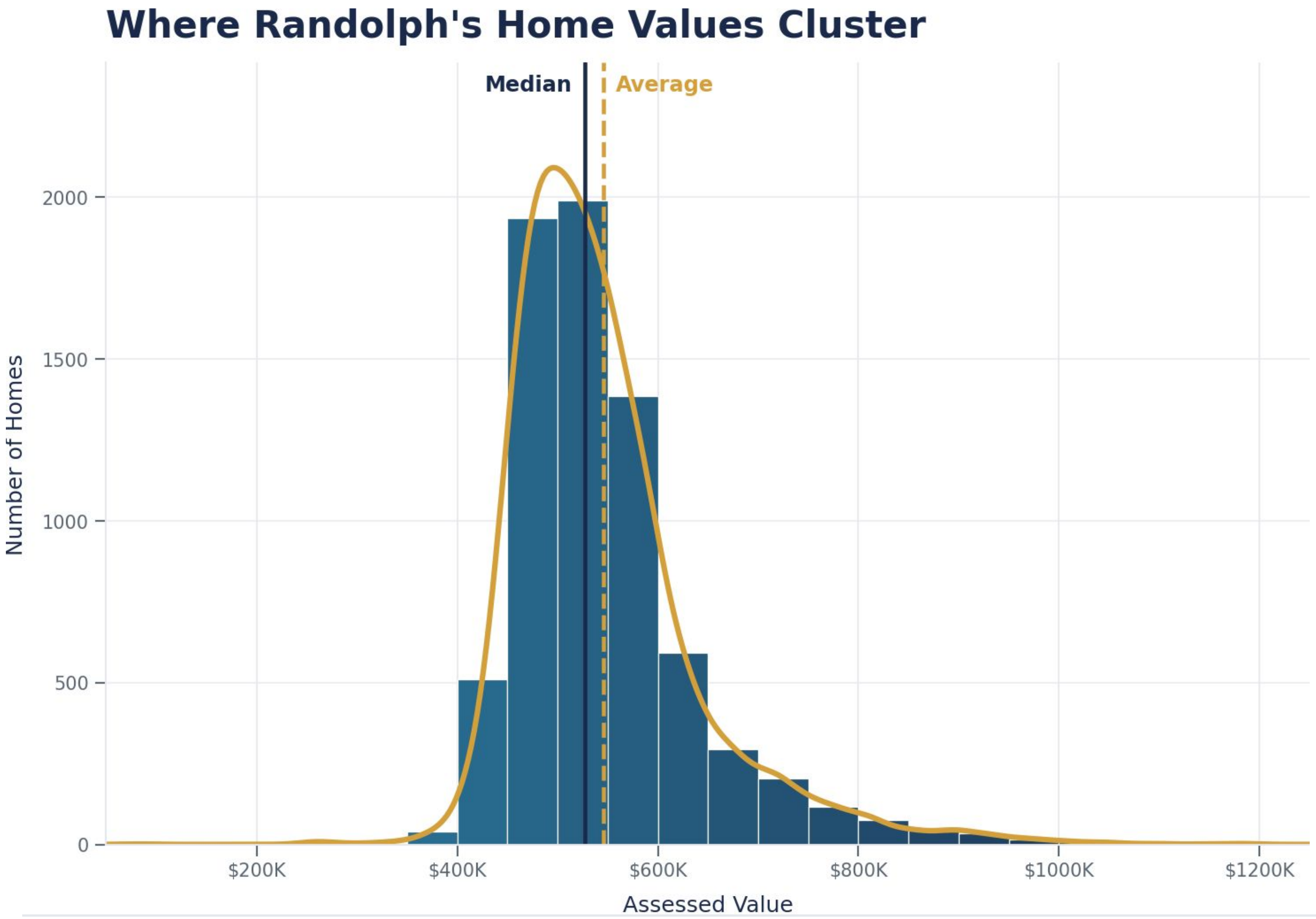
Single-Family Tax Bill, quarterly payment, Fiscal Year 2026



These communities represent Randolph's first- and second-order neighbors, excluding Boston and Brockton.

Municipalities sorted from lowest to highest quarterly single-family tax bill. Randolph shown in gold; the striped bar reflects Randolph after the proposed $12 million override.

Distribution of Single-Family Home Values



Average Single-Family Home Value

$545,795.03

The gold dashed line on the chart

Median Single-Family Home Value

$526,900.00

The navy line on the chart

In Short

Values are right-skewed, so the average sits above the median. Most homes fall below the townwide average.

Town of Randolph | 7,263 single-family parcels | Smoothed density shown in gold.

Quarterly Tax Bill Increase by Cohort

Average increase, by override amount

	House Assessment Range		Quarterly Tax Bill Increase			
Percentile Range	**Minimum**	**Maximum**	**$5m Override**	**$7.5m Override**	**$9.5m Override**	**$12m Override**
0-10	$83,200	$425,100	$72.14	$108.22	$137.07	**$173.14**
11-20	$425,300	$466,586	$82.19	$123.28	$156.16	**$197.25**
21-30	$466,600	$496,400	$87.74	$131.61	$166.71	**$210.58**
31-40	$496,500	$521,900	$92.79	$139.18	$176.30	**$222.69**
41-50	$522,000	$545,700	$97.29	$145.94	$184.85	**$233.50**
51-60	$545,800	$569,500	$101.54	$152.31	$192.92	**$243.69**
61-70	$569,700	$595,100	$106.09	$159.13	$201.56	**$254.61**
71-80	$595,200	$624,700	$110.91	$166.36	$210.72	**$266.18**
81-90	$625,000	$666,300	$117.21	$175.82	$222.71	**$281.31**
91-100	$666,400	$1,184,600	$139.33	$208.99	$264.73	**$334.39**

Each cohort represents 10% of single-family homes. Figures show the average quarterly tax bill increase per home at each override amount.