

CPA Calculator: The Costs and Benefits for Becket

Introduction to the CPA Calculator

The CPA Calculator provides a convenient means of estimating the funding that can be raised under a variety of scenarios. The CPA Calculator answers the following questions:

- How much can be raised through CPA at various levels of surcharges and exemptions?
- How much will a typical homeowner pay as a CPA Surcharge?
- What is the likely amount of the State matching funds?

The calculations in this section are based on DOR data for **Fiscal Year 2004** as to local tax rates and assessments. Given the structure of the Community Preservation Act, however, several simplifying assumptions are required to reflect the effect of exemptions and other program rules. Therefore, the estimates reported below represent only **approximations**.

How much can be raised through CPA at various levels of surcharges and exemptions?

Primary funding for the CPA comes from a surcharge of up to 3.0% on the local real property tax levy. The surcharge, however, may be offset in part by certain exemptions, including:

- For the first \$100,000 of taxable value of residential real estate
- For property owned and occupied by a person who qualifies for low-income housing or for low- or moderate-income senior housing
- For the full value of commercial/industrial properties in communities with a classified tax structure

The following table shows the amount of CPA funds that could be raised at various surcharge rates and types of exemptions:

	1.5% Surcharge	2% Surcharge	2.5% Surcharge	3% Surcharge
No Exemptions	\$44,371.	\$59,162.	\$73,952.	\$88,743.
First \$100,000	\$19,923.	\$26,565.	\$33,206.	\$39,847.
Low/mod income	\$41,931.	\$55,908.	\$69,885.	\$83,862.
First \$100,000 & low/mod	\$18,703.	\$24,938.	\$31,172.	\$37,407.
Commercial/Industrial (does not include \$100K and low/mod)	NA	NA	NA	NA

These estimates are based on DOR data for Fiscal Year 2004. To review or modify the assumptions that were used in these calculations, click [here](#).

How much will a typical homeowner pay as a CPA Surcharge?

At the current residential tax rate of 9.92 per \$1000 of value in Becket, the following tables illustrate the CPA tax that would be paid by a typical homeowner given a range of property values, surcharge rates, and exemptions:

(1) Typical CPA Tax with no exemptions:

No Exemptions	CPA Tax for Residential Property Valued At:				
	\$100,000	\$200,000	\$300,000	\$500,000	\$750,000
Surcharge	\$100,000	\$200,000	\$300,000	\$500,000	\$750,000
1%	\$9.92	\$19.84	\$29.76	\$49.60	\$74.40
2%	\$19.84	\$39.68	\$59.52	\$99.20	\$148.80
3%	\$29.76	\$59.52	\$89.28	\$148.80	\$223.20

(2) Typical CPA Tax with first \$100,000 exempt:

\$100,000 Exempt	CPA Tax for Residential Property Valued At:				
	\$100,000	\$200,000	\$300,000	\$500,000	\$750,000
Surcharge	\$100,000	\$200,000	\$300,000	\$500,000	\$750,000
1%	\$0.00	\$9.92	\$19.84	\$39.68	\$64.48
2%	\$0.00	\$19.84	\$39.68	\$79.36	\$128.96
3%	\$0.00	\$29.76	\$59.52	\$119.04	\$193.44

Based upon spreadsheet model from MA Executive Office of Environmental Affairs.

What is the likely amount of the State matching funds?

As part of the CPA, the state has created a Community Preservation Trust Fund, which is funded through new fees at the Registry of Deeds and Land Court. State officials estimate that this trust fund will aggregate at least \$26 million per year. These monies will then be used to match funds raised through the local real estate tax surcharge. The total state match received by a municipality cannot exceed the amount of the local tax surcharge collected in a given year; i.e., no community can receive more than a 100% match.

The first-round "general distribution" goes to all communities that have adopted the CPA. The state will take 80% of the amount in the trust fund that year and divide it among all participating communities so that they receive the same percentage match. If an 80% distribution is sufficient to pay a full 100% match to every eligible community, no further distribution rounds will be necessary and any surplus is carried over until the next year. This is the anticipated outcome for at least the first 6-8 state match years (2002-2009).

In future years when the first round does not generate a full match, the remaining 20% of the state trust fund will go toward a second-round "equity distribution" which favors communities with a smaller population and /or lower economic base. However, only those communities that adopted the maximum 3.0% surcharge will be eligible for this match. In this equity distribution round, funds will be allocated based on "preservation rank" which is a function of the community's population and property tax valuation per capita. All eligible cities and towns will be divided into ten equal deciles, such that community's with larger populations and higher tax values will have the lowest ranking and receive the lowest match, and vice versa. To download an Excel spreadsheet that calculates the community preservation ranks and deciles for all 351 Massachusetts cities and towns, click [here](#) for a listing by preservation rank and [here](#) for an alphabetical list of communities.

In order to estimate Becket's state match, several assumptions must be made.

- First, the balance in the CPA Trust Fund each year must be estimated. This amount was originally projected at \$26 million annually; the balance is currently ahead of that estimate due to the startup phase when no draws were made and due to the continuing strong real estate market.
- The next and most important assumption regards the number of other communities that pass the CPA each year. There are 36 communities who passed the CPA in 2001 and will receive matches in 2002. An additional 22 cities and towns passed the CPA in 2002 and received matches in 2003. Fourteen more communities adopted the CPA in 2004 and will receive their first match in October, 2005. Those communities that vote in 2005 will see their first state matching funds in October of 2006.
- Lastly, in future years it will be necessary to analyze the communities eligible for the second or equity round of the state match and determine the likely ranking of Becket relative to these other cities and towns.

Based on the current CPA Trust Fund balance and the number of communities that will be eligible for a match in 2005, a reasonably conservative estimate is that all participating communities will receive a 100% match for the next 3-5 years. A full state match is also possible in subsequent years, but the results cannot be predicted with as much certainty that far in the future. Please contact the Coalition with any questions about the details of the state match or our predictions for the match percentage over the next few years.

For a more detailed explanation of the distribution formulas for the state match, click here for a copy of the [legislation](#) (and reference Section 10). If you have any other questions, please contact Katherine Roth at 617-367-8998 or katherine.roth@tpl.org.

Handout taken from: <http://www.communitypreservation.org/FundResults.cfm#2>