

The Plymouth Economy: Where We Are Now – Where We Are Headed

Overview

As part of the new Community Master Plan process, independent experts have done an in depth review of Plymouth's finances. Based on the Town's long range spending needs and revenue projections, they have prepared an analysis that indicates that Plymouth's economy is at a critical junction. Put simply, our expenses are rising faster than our revenues. That needs to be addressed now in order to preserve our community for the future.

Understanding the Revenue Picture

A. Where Does the Money Come From?

The current annual budget for Plymouth, which represents the expenses for all of the things the Town does, is around \$325 million. Plymouth obtains the "revenue" that pays for those expenses from the following sources:

1. Taxes on:

- Real Property (residential and commercial at the same rate)
- Personal Property/Excise (residential and commercial)
- Restaurant Meals
- Hotel/Motel/Short Term Stays
- Ride Share
- Cannabis Sales

2. Community Preservation

This is a surcharge (meaning an additional charge) of 1.5% on residential and commercial property tax bills adopted by the Town under the state Community Preservation Act. Use of these funds is statutorily restricted for open/recreational space, affordable housing, and historical preservation. There is an annual state contribution to this fund, but the amount is not set and for the last decade it has been shrinking.

3. Payment In Lieu of Taxes (PILOT) Agreements

These are agreements between the Town and private entities which establish payments to the Town instead of property taxes. They are often used where such calculations can be difficult to perform or to avoid potential disputes over amounts owed. The principal PILOT agreement the Town has is with Holtec International for the Pilgrim Station Nuclear Power Plant site ("Pilgrim").

4. User fees on:

Municipal water and sewer
Transfer station use
Airport
Cable television access

5. State Aid to Cities and Towns

These are monies provided by the State either as a general return to Plymouth or for specific purposes. They are colloquially called “Cherry Sheet” payments.

Here’s how this applies to Plymouth’s revenue:

Currently, 78% of all monies the Town spends comes from real property taxes.*

- The state average is that 58% of municipal revenue comes from property taxes.**

In Plymouth, over 80% of the property tax revenue comes from residential property taxes.*

- Because commercial development has been flat for an extended period of time, Plymouth has grown dependent on new housing and increased values to maintain its spending levels.

The next highest percentage of the Town’s revenue comes from State aid, which is around 10% of the total budget.*

- This is significantly below the state average in which unrestricted State aid represents 19% of the typical municipal budget.**
- While the amount of State aid to Plymouth has generally been increasing, it is not proportionate to the added mandatory expenses being imposed by the State.
- This is not unique to Plymouth; when adjusted for inflation, cities and towns are getting 35% less in state aid than 20 years ago.**

All other revenue sources combined fund only about 10% of the Town’s expenses, meaning changes to those amounts do not have a significant impact.*

- Again, this differs from the state average where other revenues such as enterprise funds and local receipts (meals and hotel taxes, excise taxes, etc.) make up around 25% of the municipal revenue.**

B. Where Does the Money Go?

In simple terms, Town expenses fall into three general categories:

1. Compulsory Spending

These are mandatory expenses necessitated by contract (such as salaries), state law (such as schools), financial obligations (such as interest on debt), or maintenance requirements (for municipal buildings, facilities, and infrastructure).

2. Discretionary Spending

These are expenditures for things the Town wants but is not required to have.

3. Enterprise Fund Spending

Enterprise funds are accounts funded by user fees for the purpose of maintaining defined facilities and services. These accounts **cannot** be used for any other purpose. These funds are intended to be self-sustaining, but there are instances in which other monies have been used to address shortfalls or infrastructure expenses.

Compulsory spending represents 80% of the total Town budget.* 61% of the total Town budget is spent directly on school expenses.* As a result, the Town has only a modest amount in its annual budget that it can cut or defer without reducing staff and/or services.

Revenue and Expense Trends

Plymouth's choices have dictated its current fiscal posture.

A. How We Got Here

From 1968 through the early 2000s, a significant portion of the Town's revenue came from PILOT payments from Pilgrim. Each time the power plant added or upgraded equipment it paid additional amounts to the Town. Plymouth primarily used those funds to maintain lower property taxes. This in turn spurred further residential growth.

In the early 2000s, the owners of Pilgrim (then Entergy) stopped upgrading the facility and began the process for its eventual shutdown (which occurred in 2019). During that time, the amount of PILOT payments being made to the Town began to decrease. At the same time, the cost of providing services for the increased number of residents continued to rise.

Because the amount of commercial tax revenue in Plymouth has remained relatively flat, to make up the revenue shortfall the Town began to rely on increased residential growth. The Town approved larger scale residential developments (such as Pinehills and Redbrook). At the same time, because Plymouth did not encourage more affordable housing it was also compelled to accept 40B projects (such as The Walk and The Oasis). However, unlike Pilgrim Station, these projects added residents that require municipal services, meaning that Town expenses have increased to meet those needs. In many instances the cost of services and infrastructure required by new residents is (or ultimately will be) greater than the property taxes they generate.

B. Where We Are Now

Currently, the cost of operating the Town is increasing every year by approximately 3%.*

- In contrast, over the past 5+ years new revenue (meaning taxes from new sources as opposed to increased taxes from existing sources) has increased annually by only around 1%.*

To address this 2% deficit, Plymouth has “made up” the difference by taxing rising property values (*i.e.* increasing property tax bills).

- This approach is problematic for Plymouth for multiple reasons, but fiscally its most significant issue is that it is unsustainable.

C. Where We Are Heading

Based on current trends, Plymouth will have a difficult time maintaining even its existing revenue growth rate.

- For the last 20 years Plymouth has relied on new residential growth and increasing property values as its primary source of revenue. However, new property development in Plymouth is expected to significantly slow in the forthcoming years.
- As for continuing to increase revenues based on rising property values, it would be at best irresponsible to base fiscal planning on the absurd assumption that the unprecedented increase in Plymouth housing prices will continue indefinitely.

Impact on Plymouth

Tracking Plymouth's spending, both mandated and discretionary, along with growth trends locally and statewide, the Town's consultants have determined:

If revenue growth in Plymouth continues at its present 1% per year rate:

- We will be able to fund current spending (mandatory and discretionary) for up to 8 years, **after which we will have to increase taxes by over 2.5% or cut all discretionary spending.***
- Plymouth will be able to then meet its mandatory spending requirements for another 4 to 6 years (depending on funding mandates), after which it will have to **increase taxes by over 2.5%, cut all discretionary spending, and decrease services and maintenance.**

However, based on current trends Plymouth will have a difficult time sustaining its current growth rate.

- As just one example, over the last 5 years new housing in the Pinehills and Redbrook developments alone has accounted **for over 40%** of the Town's entire annual new revenue growth.*** That growth will end in 3-4 years when those developments reach their full buildout.

If that revenue is not replaced and new growth in Plymouth decreases to .5% per year:

- Plymouth will be able to fund our current spending level for 4 years, **after which it will have to increase taxes by over 2.5% or cut all discretionary spending.***
- Plymouth will then be able to meet its mandatory spending requirements for up to another 4 years, after which it will have to **increase taxes by over 2.5%, cut all discretionary spending, and decrease services and maintenance.**

Many communities have already been forced to cut staff, reduce services, and seek tax overrides. Plymouth has only been able to stave of these actions due to the amount of residential development that has occurred over the last decade.

Challenges

In order to increase (or even just maintain) our current level of revenue, Plymouth will need new residential and commercial developments. However, there are a number of factors which may inhibit Plymouth's ability to do so.

First, there is limited land for either new residential or commercial growth.

- The entire Town of Plymouth is about 66,000 acres in total.*
- 91% of all land in Plymouth is either already developed (54%) or permanently protected as open space (37%).*
- Approximately 2% of the remaining undeveloped land is unbuildable for environmental reasons (such as wetlands).

With regard to new residential development, of the remaining potentially developable 3,750 acres in Plymouth around 3,400 acres is zoned residential.*

- This is mostly zoned rural residential (3 acre zoning).*
- The only significant remaining parcels are the 1,500 acre Holtec site, a portion of the Wood Lot, and a parcel adjacent to Indian Brook in Manomet.
- As the community has stressed its desire for these areas to remain largely undeveloped, there is little likelihood of further significant residential development (beyond new 40B projects if the Town is unable to prevent them).

As for new businesses, there are only around 350 acres currently zoned for commercial use which are undeveloped, over 1/3 of which are the already cleared properties at 6 Collins Avenue and 71 Hedges Pond Road.*

The residents of Plymouth have consistently stated that they want new business growth that supports the needs of the community, meaning providing needed goods and services as well as living wage jobs. However, Plymouth has limited the available space for such growth and then opposed efforts to develop even that land it has zoned for commercial use.

Plymouth also developed a reputation as being a difficult place for new businesses. We require appearances before multiple boards and committees, impose conditions and restrictions on development, and seek public improvements as concessions for approvals, all of which increase the cost for businesses proposing to locate here.

- In the past, such restrictions resulted in property owners selling commercially zoned land to residential developers who then circumvented all of our processes by obtaining approval for housing from the state under Chapter 40B.

Further, businesses find locating in Plymouth difficult due to housing costs. Housing costs in Plymouth continue to rise, in part due to our zoning restrictions. This has made it increasingly difficult for people to both live and work in Plymouth. On a daily basis:

- 16,000 people commute into Plymouth to work;*
- 23,000 people out of Plymouth to work; * and
- 7,400 people both live and work in Plymouth (including those working from home)*

As a result of these conditions, unless there is a compelling need to be in Plymouth businesses often elect to locate elsewhere in save costs for themselves and their workers.

Finally, the “traditional” source of commercial revenue on which Plymouth has relied, tourism, is not sufficient for its current and future needs.

- Tourism in Plymouth is declining on an inflation adjusted basis, resulting in challenges for businesses that rely on visitors.*
- Plymouth is also falling behind neighboring communities when competing for tourism dollars.*
- Even if Plymouth could increase tourism, the cost to the Town to support that industry (including preservation of attractions, infrastructure, and public safety) is outpacing the revenue it generates.

Conclusions

Plymouth's reliance on residential growth to support Town expenditures is unsustainable. Plymouth will eventually run out of land to build new residences, and the demand for services created by an increasing population ultimately will equal or exceed the tax revenue they generate, putting us back into the same position.

Increasing commercial growth is necessary, but it is not a panacea. We would need to more than doubling our current commercial property tax revenue to have even a modest impact on our residential property tax base.

Plymouth needs to look critically at all aspects of our community to determine how to balance its need for fiscal growth with other competing interests (such as open space and housing). Without significant new revenues, the residents of Plymouth will be compelled to both pay even higher taxes (necessitating Proposition 2½ overrides) and cut services and programs.

This is not politicking or alarmism, it is simple math.

* Information regarding Plymouth finances, demographics, and land use is from the information provided by the Town and the Existing Conditions analysis done by Stantec as part of the Plymouth Community Master Plan process.

** Information regarding average municipal budgets is from CBS Boston, November 20, 2025.

*** Information regarding Pinehills and Redbrook was provided by the Town Assessor's Office.