

New Budgetary Process Comes with Challenges & Opportunities

Lessons Learned from the FY23 Budget Process

Boston's FY23 budget is the first to be impacted by the City Council's new, voter-approved budgetary powers. City Councilors gained the authority to amend budget line items so long as the total budget amount does not exceed the Mayor's proposed budget. Now that the FY23 budget has been approved, how did the implementation of these new powers work? What challenges did the City Council face? What changes should be made?

Report Objectives

Our report provides information and insights on:

- First-year results of the new budget process
- Challenges of implementation
- Recommendations

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Background

On November 2, 2021, Boston voters expanded the City Council's role in the City budget-setting process through approval of a Charter Amendment, pursuant to [Massachusetts General Law c. 43B, § 11](#). Previously, the City Council could only approve, reject, or reduce the Mayor's proposed budget. The revamped process, used for the first time this past spring to produce the FY23 budget, gave the City Council authority to modify and amend appropriations in the operating budget, as long as the total amount does not exceed the Mayor's proposed budget. The law requires that any additions made by the City Council must be offset by an equal reduction in another department.

The catalyst for this change originated when the City Council began seeking increased budget authority and transparency in 2020 to ensure the City's budget included their constituents' priorities.

New Budget Process in Action

In April, Mayor Wu proposed a FY23 \$3.99B operating budget to the City Council. The City Council's new budgetary powers allowed the Council to make changes to only \$1.72B (43.0%) of the proposed budget. The remaining \$2.27B (57.0%) was allocated to mandatory spending, such as pensions, debt service, health insurance and state assessments, and does not fall under the City Council's purview.

City Council Passes 61 Amendments - Once the traditional budget hearings and working sessions concluded, the City Council unanimously passed and sent to the Mayor 61 amendments to the original budget, reallocating \$25.8M and creating the City Council's version of the FY23 budget. Of the total \$25.8M reallocation, \$16.9M were shifts between departments and \$8.9M were changes within departments. City Council amendments shifting funds within departments were later determined to be outside the Council's authority.

The City Council focused mainly on reducing public safety budgets and increasing funds for youth employment. Of the \$16.9M reallocations between departments, the City Council reduced public safety budgets by \$15.6M, including a \$10.0M cut to the police overtime budget. The rest of the amendments took money from various departments in smaller amounts.

The City Council's major budget increases included \$6.9M for Youth Engagement and Employment (YEE) to add more staff and expand the youth employment program, \$2.5M for the Mayor's Office of Housing (MOH) to grow the City's housing voucher program, and \$1.1M for the Office of Economic Opportunity and Inclusion to increase technical assistance for all twenty Main Streets districts and to commission a

Boston's New Budget Process

**Specific dates reflect FY23 deadlines*

- **April 13, 2022** – The Mayor submitted a proposed budget to the City Council.
- **Mid-April to June** – City Council held budget hearings and working sessions to discuss the budget.
- **June 8, 2022** – The City Council unanimously passed its version of the budget with 61 amendments (\$25.8M).
- **June 13, 2022** - Mayor returned the budget to the City Council with additional amendments.
- **June 29, 2022** – The City Council voted unanimously to pass an amended operating budget, overriding some of Mayor Wu's returned amendments.

citywide life insurance study. Additionally, the City Council amended the budget to provide resources to support the creation of 30 positions citywide.

Mayor Wu Amends City Council's Budget - Mayor Wu accepted thirteen City Council amendments, partially accepted twelve, and rejected eleven, totaling \$7.9M in changes to the City Council's amendments. The Mayor's returned budget was, as she described it, "responsive to the advocacy and legislative intent of the Council" since it maintained many of the City Council's amendments at reduced amounts. After the Mayor proposed her original budget, the State Legislature increased Boston's estimated state aid by \$250.0K. The Mayor incorporated this additional revenue into areas the City Council had prioritized.

The Divide Between Mayor and City Council - The Mayor and City Council differed on two major points. First, the Mayor vetoed the Council's amendment to reduce police overtime as it was fiscally irresponsible and would continue a pattern of overtime overspending. By law, police overtime must be paid out regardless of how much was budgeted originally. As an acknowledgment of the City Council's push to decrease police overtime, Mayor Wu reduced the overall police budget by \$1.2M—a smaller amount compared to the City Council's \$13.3M reduction. Second, Mayor Wu could not formally accept the City Council's amendments within departments as the responsibility for managing departmental budgets rests with the Mayor.

City Council Approves Operating Budget - After debating the budget in working sessions, the City Council approved the FY23 operating budget, overriding \$2.1M of Mayor Wu's returned amendments. The final budget vote involved confusion, with the City Council recessing multiple times to consult about procedures and the actual line items needing a vote. During budget approval, the City Council reduced Boston's original budget by \$65,814 - funds that they cut but never appropriated for another use, effectively reducing the City's original budget.

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The City Council's \$2.1M override of Mayor Wu's returned amendments targeted support for the new Office of Black Male Advancement, the Office of Returning Citizens, and other priorities, but failed to gain enough votes to reallocate an additional \$2.4M to increase youth employment in the city from the police overtime budget.

Overall, the City Council redistributed within the operating budget only \$9.9M, or 0.6%, of appropriations the City Council had authority to amend. An analysis of the FY23 adopted budget can be [found here](#).

Challenges of Implementation

The City's longstanding checks and balances were muddled during this year's budget process as City Councilors figured out their role in the new process as part of executing their first budget. Some challenges and concerns include:

- **Vague Law = Confusion** – There was a great deal of legal confusion about Boston's new budget process because the new law is vague. The City Council devoted a substantial amount of time to

figuring out what actions it could and could not take. The City Council initially approved changes that it did not have the authority to approve.

- **Fiscal Responsibility** – The City Council struggled to make fiscally responsible amendments. For example, reducing funding for police overtime continued to be a point of contention, with the City Council voting once again to reduce the police budget. The Mayor responded by deeming this a “false reduction” that could create instability in future budgets and vetoed this amendment. Reductions to police overtime ultimately failed to make it into the final FY23 budget.
- **Difficult Choices** – City Councilors, especially the newly-elected ones, quickly learned how difficult it is to weigh the trade-offs of reducing a department’s funding in order to increase funding for another department.
- **A Patchwork of Priorities** – As anticipated, the new budget process pitted City Councilors’ individual priorities against one another as well as competing with the Mayor’s priorities. Councilors had to overcome discord about whether to be realistic or ambitious with their amendments.
- **Lack of Budget Analysis Capacity in the City Council** – Developing Boston’s budget is a lengthy, year-round process for the Administration and involves dozens of employees, experts, and the financial teams in the City. The lack of budget analysis capacity was a major drawback for the City Council, which struggled to exercise its new budgetary powers.

Conclusion & Recommendations

The FY23 budget season was unique given the new Administration, the addition of six freshman City Councilors and the first use of the shared Mayor-Council budgetary powers. The catalyst for changing the budget process was a desire among Councilors for more transparency and focus on community needs. The first-year results are mixed in achieving those goals.

The Research Bureau proposes the following recommendations to facilitate a more structured and streamlined budget process going forward:

- **City Council should uphold the fiscal health of the City** - The City Council should ensure that all amendments put the fiscal health of the City at the forefront, meaning that amendments are financially feasible and will not cause budget overruns. The City Council should also confirm that all amendments are made with a clear understanding of their impact on departmental operations when funding is moved from one department to another.
- **City Council Committee on Ways & Means should adopt rules and regulations** - Boston’s budget review falls to the City Council Committee on Ways & Means. This year’s review had City Councilors trying out their new budgetary powers while also learning about their expanded authority. The Ways & Means Committee should establish a set of goals, rules, and timeline to assist the City Council in executing their newly expanded authority. Rules and regulations could:
 - Create opportunities for City Councilors to become more informed about the budget process.

- Provide written guidelines on the types of amendments City Councilors can and cannot make.
- Establish earlier and firm deadlines for City Councilors to propose budget amendments for Ways & Means consideration so Councilors have time to provide feedback.
- **City Council should build stronger relationships with departments** - The City Council should work closely with departments to gather more relevant data to better inform its budget decisions. City Councilors could hold department hearings in the winter to get an update on how departments are operating, giving them a better idea of what community needs are going unfulfilled.
- **The City Council and Administration should make procedural changes** - Both the City Council and the Administration should improve the format and explanations of budget amendments. An explicit list of all budget amendments should be filed with the City Clerk in tandem with the transmittal letter and tax order. The Ways & Means Committee should spearhead this effort with the Administration to establish a reporting format that clearly presents budget decisions to the public.