

Boston’s FY24 Budget Fortifies Basic City Services

What to Watch: New Growth and Collective Bargaining Costs

The City of Boston’s FY24 General Fund budget strengthens basic, essential city services and operations—investing in education, public safety, and infrastructure. The \$4.3B budget is \$276.9M, or 6.9%, more than the FY23 budget, driven by projected increases in revenue from property and excise taxes.

As this budget plans more spending for core city services and improvements in other departments, the City must carefully monitor revenues, especially new growth revenue, and abatements. Because of increased office vacancies and an uncertain commercial real estate development market, property tax revenue might not be as strong as in past years of booming growth. Additionally, state aid net of state assessments continues a long downward trend, as state assessments levied on Boston have increased more than state aid received. Net state aid is budgeted to decrease \$12.9M, or 9.0%, from FY23. These figures will change to \$11.1M, or 7.7%, based on changes in the final state budget.

On the spending side, eleven unions have yet to settle contracts, and seven more contracts are set to expire in FY24. One of the biggest unions, the Boston Police Patrolmen’s Association filed for state involvement, which might result in even higher costs, as has occurred in past arbitration cases. The International Association of Firefighters, Local 718 have reached a tentative agreement with the City.

Where the Money Comes From – The City’s primary revenue source, the **property tax**, is expected to be \$3.1B. The City estimates the amount of property tax revenue driven by **new growth** at \$60.0M. At 39.3% less than the \$98.8M in budgeted new growth revenue in FY23, this conservative estimate accounts for economic uncertainty and is the same as last year’s initial budgeted amount of \$60.0M. State aid is budgeted to increase by \$5.1M, or 1.0%, from FY23. The state budget was finalized after the City budget, so these figures do not reflect additional aid from the final state budget. Excise tax revenue is projected to increase by \$102.6M, or 67.8%, from FY23, driven by a rebound in room occupancy excise, aircraft excise, and meals excise, following decline during the pandemic. Due to the strength of local revenue, the FY24 budget does not include American Rescue Plan Act funding for revenue replacement, unlike the past two fiscal years. The overall proportion of revenue sources is mostly consistent with FY23, though excise tax revenue is expected to be a slightly larger portion and net property tax is expected to be slightly smaller.

General Fund Revenue Summary

\$ Figures in Millions

Account	FY23 Current	FY24 Budget	% of Total FY24
Net Property Tax	\$2,963.3	\$3,098.0	72.4%
State Aid *	\$508.7	\$513.8	12.0%
Excises	\$151.3	\$253.9	5.9%
All Others	\$299.2	\$374.2	8.7%
Subtotal Recurring	\$3,922.5	\$4,239.9	99.1%
Non-recurring	\$80.5	\$40.0	0.9%
Total Revenue	\$4,003.0	\$4,279.9	100.0%

* Does not reflect state aid from final state budget

Where the Money Goes – Boston Public Schools’ \$1.3B budget (not including health insurance) makes up **30.6%** of the City’s budget. Even as student enrollment has continued to decline, the BPS budget increased by \$75.8M over FY23. This includes additional investments in strategic priorities, such as inclusive education, multilingual education, and equitable literacy. BPS also expects increased costs for salaries, facilities, and transportation.

The **Public Safety Cabinet** (Police, Fire, and Emergency Management) is budgeted at \$684.5M, an increase of \$10.4M, or 1.5%, over FY23. A \$9.1M, or 2.3%, increase in the Police budget is intended to fund a recruit class to replace projected attrition, provide community listening sessions, and support the Youth Connect program, among other expenses. The Fire and Emergency Management budgets increased by \$1.2M, or 0.4%, and \$179.6K, or 13.9%, respectively, from FY23. Additionally, the Boston Public Health Commission’s budget is \$129.9M, an increase of \$10.5M, or 8.8%, as it continues funding low-threshold housing, adds administrative capacity, and adds five EMTs.

The **Streets Cabinet**, which includes Public Works, Transportation, and Central Fleet Maintenance, has a \$191.3M budget, \$13.8M, or 7.8%, more than FY23. This includes additional funding for projected higher costs in waste removal contracts, for promoting safer streets and Blue Bikes, and to support Green Infrastructure. The Operations Cabinet budget increased by \$7.1M, or 13.7%, from FY23 to support maintenance of city property and add staff in Public Facilities, Property Management, and Inspectional Services.

Other notable departmental increases include **\$3.8M for Boston Public Libraries** that will enable expanded library hours, and **\$2.6M for Parks and Recreation** to support maintenance improvements and recreation planning.

Personnel spending, including salaries and benefits, is the city’s largest expense and accounts for 45.5% of the growth in the FY24 budget. The City projects a large increase in the number of city-funded personnel—464.7 full-time equivalents (FTEs) by January 1, 2024. About half of the growth comes from BPS and Police. BPS is projected to increase by 141.6 FTEs, in part because positions are being moved off of one-time federal ESSER funding. An increase of 108.6 FTEs in Police is because of a delay in the 2023 police class. Also contributing to the increase to a lesser extent are two new departments: the Office of Planning & Design, with a budget of \$451,126 for staff to support the new Boston Planning Advisory Council, and the Office of Participatory Budgeting, with a budget of \$2.0M to fund staff and begin programming to engage residents in the budgeting process. The mayor intends to appropriate another \$2.0M to Participatory Budgeting.

Mandatory costs and benefits as a whole are budgeted at \$1.4B, an increase of 6.2%, which is on par with recent years. Debt service costs, however, are budgeted to increase by 15.0% and to be 5.8% of the General Fund, continuing a trend of higher annual increases in the past three years, the result of increased borrowing in the capital plan. Pensions are projected to increase by \$36.7M, or 10.4%, in order to maintain the City’s funding schedule; it is on track to fully fund its unfunded liability by 2027. State assessments are expected to cost \$18.1M, or 5.0%, more than in FY23, with \$15.9M of that increase for charter school tuition.

Capital Budget – Boston’s \$4.2B five-year capital plan represents a 15.2% increase over the prior plan, continuing a multi-year trend of increasing plan growth. The City utilizes its strong Aaa/AAA credit rating to issue cost-effective general obligation bonds, which represent 76.2% of all capital project funding. There are 69 new projects planned, including energy retrofits in Boston Housing Authority buildings, a study and design to consolidate the Shaw and Taylor schools, a reserve for Green New Deal for BPS projects, and initiatives to calm traffic and make streets safer.

General Fund Spending Summary

\$ Figures in Millions

Account	FY23 Current	FY24 Budget	% of Total FY24
School *	\$1,233.7	\$1,309.5	30.6%
Police	\$395.9	\$405.0	9.5%
Fire	\$276.9	\$278.1	6.5%
Public Health Com.	\$119.4	\$129.9	3.0%
Public Works	\$129.5	\$139.9	3.3%
Other Dept'l	\$477.0	\$563.7	13.2%
Subtotal Dept'l	\$2,632.4	\$2,826.1	66.0%
Health Insurance	\$363.0	\$358.6	8.4%
State Assessments **	\$364.4	\$382.4	8.9%
Pensions	\$353.9	\$390.6	9.1%
Debt Service	\$216.0	\$248.3	5.8%
Other	\$73.3	\$73.8	1.7%
Total Expenditures	\$4,003.0	\$4,279.9	100.0%

* Not including health insurance ** Does not reflect state assessments from final state budget