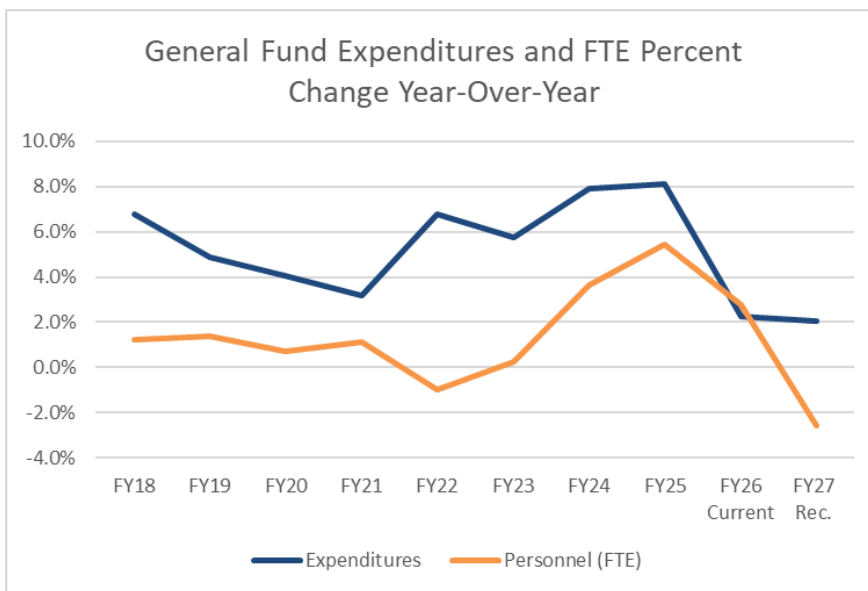


## FY27 Budget Expected to Rise 2.1% Amid Low Revenue Growth

### *Hard Decisions as 519.8 FTEs Eliminated and Departments Experience Cuts*

Budget season in the City of Boston began on April 8 with Mayor Michelle Wu’s release of her FY27 recommended budget. The \$4.94B FY27 operating budget represents a 2.1% increase from FY26. The slowdown in revenue limited FY27 budget growth, with property taxes increasing at their slowest rate since FY98. Nevertheless, property taxes grew as a share of overall revenues from FY26, due in large part to steep declines in other revenues, particularly from interest on investments and building permits. The City did not increase its normal draw on its cash reserves in FY27 but did increase its use of available funds from parking meters to help gain additional revenue.

In addition to cuts across many departments, the City restructured pension and debt service payments, reducing spending in these categories by \$24.7M and \$13.1M, respectively. The City’s workforce funded by the operating budget is slated to decrease by 519.8 (2.6%) full-time equivalents (FTEs). However, the reductions in FTEs do not translate into a proportionate decrease in the FY27 operating budget. Health insurance and salary increases negotiated in recent collective bargaining agreements were major drivers of growth in this budget. The FY27 increase of \$92.0M in spending on health insurance represents a 23.9% increase from FY26 to FY27. After excluding health insurance, the Boston Public Schools (BPS) budget is still growing 2.7% (\$40.1M), which is notable in a year in which multiple departments are facing budget cuts. The combined total budget of all other departments is shrinking by 1.0% (-\$16.4M). Alongside the operating budget, the Mayor also released a \$4.44B 5-year capital plan, a decrease of 1.0% (-\$43.2M) from the previous capital plan.



**Budget and Personnel Over Time** – The FY27 proposed budget comes in at a 2.1% increase, the smallest increase since FY12<sup>1</sup>, and well below the average growth of 5.3% over the last decade. From FY16 through the current FY26 budget, the general fund budget increased 65.6%, from \$2.88B in FY16 to \$4.84B in FY26, nearly twice the rate of inflation in the Boston-Cambridge-Newton consumer price index (35.4%) over the same time. Personnel has seen more moderate growth over this time. From January 2016 to January 2026, the City added 2,993.9 general fund FTEs, an increase of 17.7%.

<sup>1</sup> All data in this report, other than the FY27 recommended budget and the FY26 current budget, reflects the actual amount spent by the City at the end of each fiscal year.

## Revenues

**Revenue Setting** – In Boston, the Mayor has the sole power to determine expected revenues for the fiscal year. The City Council, under [the process](#) adopted in 2021, can only reduce or reallocate expenses from the Mayor’s proposed budget. Because of the state law requiring a balanced budget, total expenditures may not exceed the revenue amount proposed by the Mayor. If the City Council appropriates less than the maximum revenue collected, excess revenue would eventually result in a surplus and be added to the City’s budgetary reserve after certification by the state.

**Property Tax Growth Slows to a Trickle** – The property tax, Boston’s most important source of revenue, accounts for 73.1% of the City’s FY27 revenue. Net property tax is expected to increase 3.6% from FY26, the lowest level in nearly thirty years (since FY98). This increase in property tax revenue is significantly below the average of 5.4% over the last five years. Despite the slow growth, property taxes accounted for a larger share of total revenues from FY26 (72.0%), due in large part to steep declines in other revenue sources. The overlay reserve, a fund set aside for expected abatements or non-payment of taxes and that takes away from the City’s gross receipt of property tax, is budgeted to increase by 5.6% (\$2.0M) to -\$38.0M.

*Net property tax is expected to increase 3.6% from FY26, the lowest level in nearly thirty years (since FY98).*

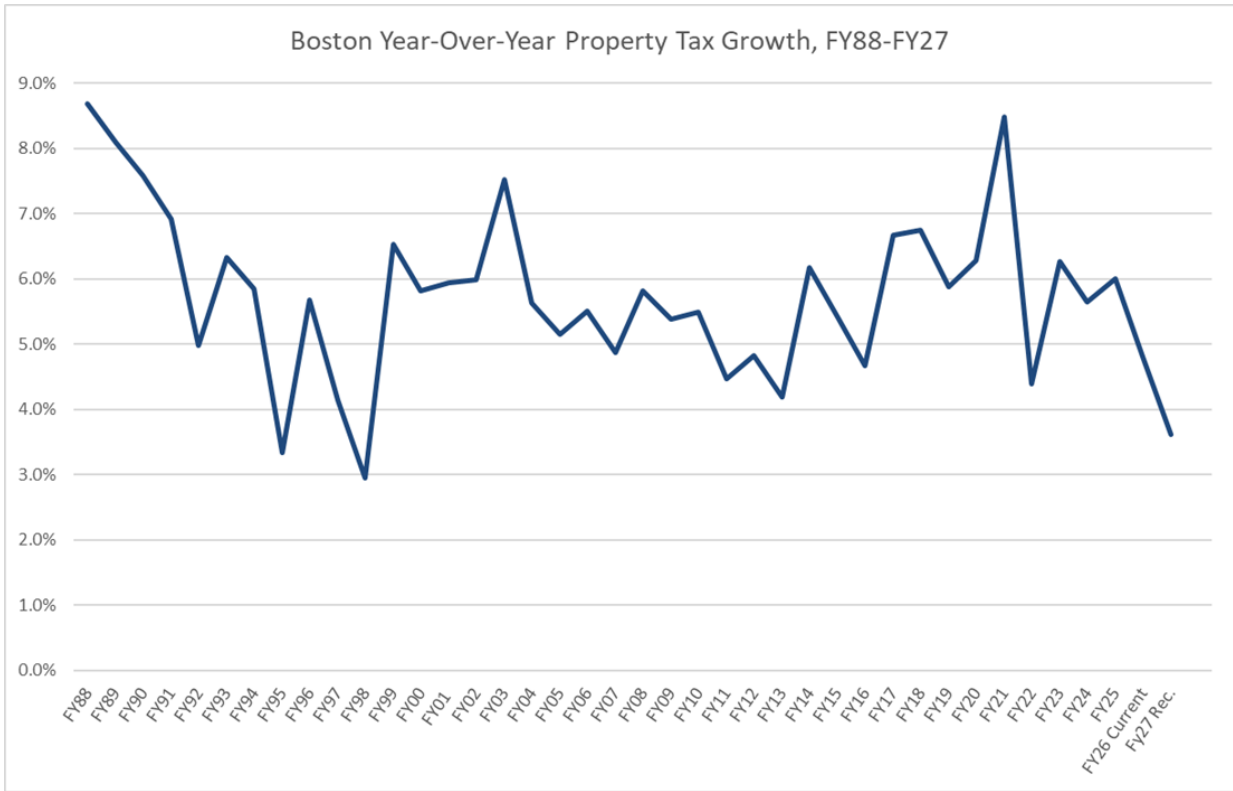
New growth, which has driven the City’s increase in the property tax base over much of the last two decades and has allowed the tax levy to rise well above 2.5% each year, is budgeted at \$40.0M. While in line with the City’s previous conservative budgeting practices, this represents the lowest new growth projection since FY16 and is down from the \$60.0M budgeted for the past four years. New growth accounted for 48.2% of the levy limit increase in FY26, down from 53.2% in FY25. The reduced new growth figure acknowledges a new reality for the City: decreased construction activity is leading to [reduced growth in property tax revenues](#). In FY26, for the first time since FY15, the standard base growth was greater than new growth.

The increase in the property tax levy limit attributable to the standard base increase represented \$83.9M, while new growth only accounted for \$78.1M. In FY26, new growth reached its lowest share in more than a decade, down 35.9% from the FY24 peak of \$121.8M. Commercial new growth (\$30.9M) now accounts for less than half the amount from FY24.

### General Fund Revenue Summary

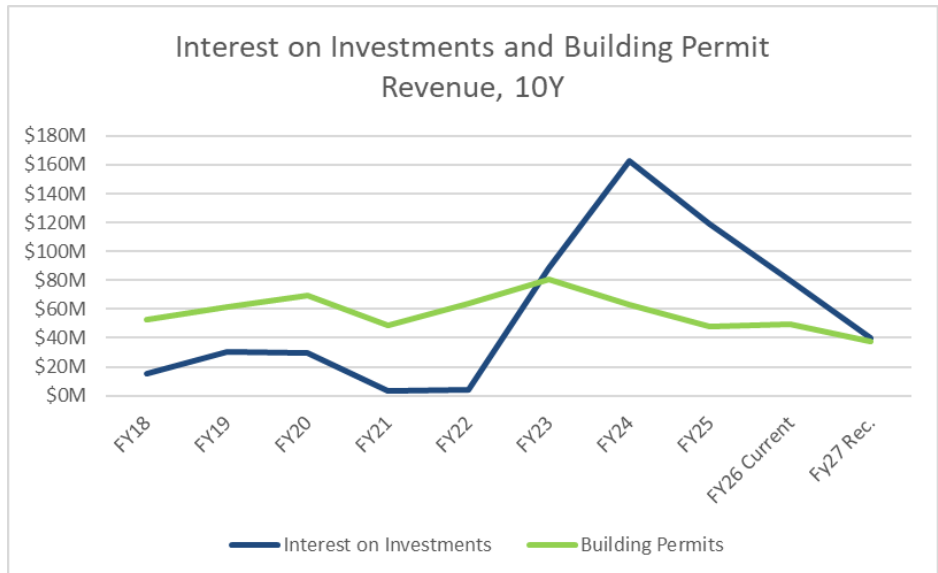
*\$ Figures in Millions*

	FY26 Current	FY27 Current	FY26 to FY27 \$ Change	FY26 to FY27 % Change	% of Total FY27
Net Property Tax	\$3,485.3	\$3,611.4	\$126.0	3.6%	73.1%
State Aid	\$524.0	\$538.1	\$14.0	2.7%	10.9%
Excises	\$311.0	\$315.1	\$4.1	1.3%	6.4%
Dept. Revenue	\$84.1	\$78.7	-\$5.4	-6.4%	1.6%
Fines	\$63.8	\$63.5	-\$0.3	-0.5%	1.3%
PILOT	\$58.2	\$59.7	\$1.5	2.6%	1.2%
Licenses and Permits	\$67.4	\$54.8	-\$12.6	-18.7%	1.1%
BPDA Transfer	\$46.1	\$46.1	\$0.0	-0.1%	0.9%
Parking Meter Fund	\$30.0	\$46.0	\$16.0	53.3%	0.9%
Interest on Investments	\$79.6	\$39.8	-\$39.8	-50.0%	0.8%
All Others	\$53.4	\$49.3	-\$4.1	-7.7%	1.0%
<b>Recurring Revenue</b>	<b>\$4,803.0</b>	<b>\$4,902.4</b>	<b>\$99.4</b>	<b>2.1%</b>	<b>99.2%</b>
Budgetary Fund Balance	\$40.0	\$40.0	\$0.0	0.0%	0.8%
<b>Total Revenue</b>	<b>\$4,843.0</b>	<b>\$4,942.4</b>	<b>\$99.4</b>	<b>2.1%</b>	<b>100.0%</b>



**Drop in Interest on Investments and Building Permits Cuts into Revenue Growth** – The FY27 budget projects sharp declines in interest on investments and building permits, which are sensitive to economic conditions. Taken together, declines in building permits and interest on investments represent a loss of \$51.9M from FY26, which tempered overall revenue growth to just 2.1% in FY27. Interest on investments, in particular, has seen strong yet volatile growth over the last 5 years, rising from \$3.6M in FY21 to \$119.0M in FY25, before declining to \$79.6M in FY26. In FY27, the City is budgeting \$39.8M from interest on investments, down 50.0% (-\$39.8M) from FY26. While this sharp decline brings interest on investments closer to recent historical levels, it represents a steep year-over-year loss that had an outsized impact of reducing overall revenue growth in FY27. Revenue from building permits, the price of which are tied to the cost of construction, is estimated to decrease sharply by 24.5% (-\$12.1M) from FY26. The \$37.2M in expected revenues from building permits would be the lowest since FY13. The decline in building permits is an indicator of economic growth and a harbinger of the City’s expected decline in construction activity for FY27.

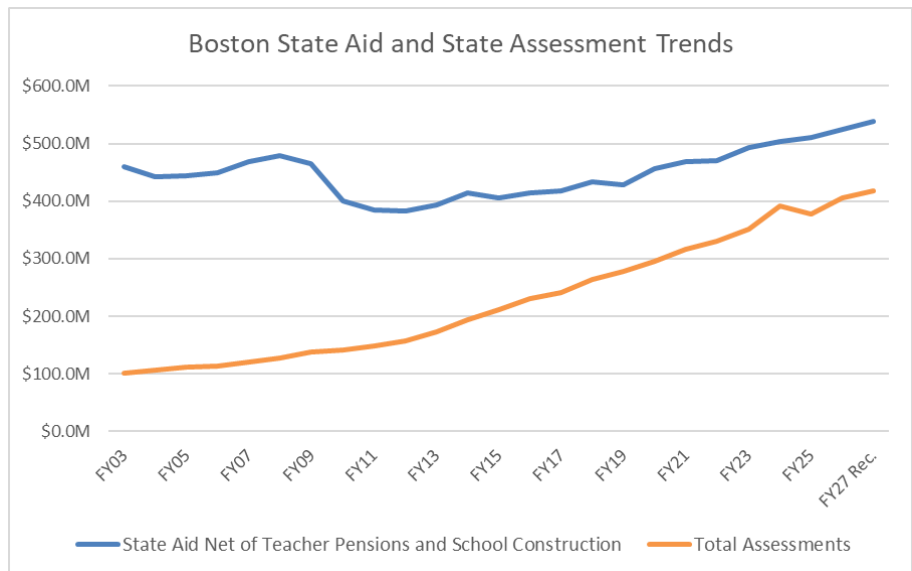
**Free Cash and Other Available Funds** – Despite limited revenue growth, the City did not increase its appropriation from its budgetary fund balance (also known as “free cash”) from FY26. The FY27 budget



appropriates \$40M from its “free cash” to support the City’s payments towards its Other Post-Employment Benefits (OPEB) liability, in line with the City’s history of appropriations. While the City opted not to dip into additional “free cash” compared to FY26, it did dip into the Parking Meter Fund. The Parking Meter Fund is one of two special trust funds that may be used to support the City’s general fund budget. In FY27, the City elected to increase the FY26 appropriation of \$30.0M from the Parking Meter Fund by 53.3% (\$16.0M) to \$46.0M in FY27 as a stopgap measure in response to lagging revenues. If the City had not taken an additional \$16.0M from the Parking Meter Fund, overall FY27 revenue growth would have risen an anemic 1.7% from FY26, instead of the 2.1% budgeted this year. As of the end of FY25, the Parking Meter Fund had a balance of \$65.9M, which is projected to decrease to \$39.9M by the end of FY27.

**State Aid** – State aid, which is the City’s second largest revenue source, reflects the governor’s proposed level of \$538.1M. State aid is budgeted to account for 10.9% of the City’s FY27 total general fund revenue, up slightly from 10.8% in FY26. However, the proportion of revenues coming from the state remains well below historical levels, as the City received 21.2% of its revenue from state aid twenty years ago. Despite Boston’s size relative to other cities in Massachusetts, the \$538.1M it is budgeted to receive in FY27 is less than the \$654.9M in proposed aid to Springfield and just slightly more than the \$502.9M in proposed aid for Worcester. Although state aid will increase by \$14.0M (2.7%) from FY26, this increase is accompanied by rising state assessments, which are budgeted to increase by \$13.0M (3.2%).

Assessment increases are driven primarily by higher MBTA and charter school tuition assessments. Net state aid, the total amount of aid less assessments, is budgeted to be 0.9% (\$1.0M) higher than in FY26. Net state aid as a percent of general fund revenues is budgeted to be 2.4% in FY27, the lowest level on record and a decline from 15.8% two decades ago, highlighting the steep drop-off in state aid’s importance to funding city services. In FY27, the City will spend \$13.3M more than it receives in education aid.



**Excises** – Excise taxes are expected to increase slightly by 1.3%, or \$4.1M, from FY26. As the City’s third-largest source of revenue, they are expected to comprise 6.4% of overall revenue, the same proportion as in FY26. Major swings among individual line items led to the overall modest increase in excise revenue. Room occupancy excise, the City’s largest source of excise revenue that applies to hotel and short-term rental bookings, is budgeted at \$163.9M, an increase of 9.4% (\$14.1M) from FY26. Despite this substantial increase, a sharp decrease in the jet fuel excise of \$11.5M (-27.7%) offset most of these gains. The motor vehicle excise is expected to gain \$1.7M (2.4%), while the meals excise is budgeted to remain flat at \$42.8M. All other excises combined are budgeted to drop \$185.0K (-3.3%) to \$5.4M.

## Expenditures

**Spending Growth Driven by Personnel Salaries and Benefits** – Of the \$4.94B proposed budget, three-quarters (76.5%), including salaries and certain benefits, are discretionary costs that the Mayor and City Council directly control. Discretionary costs are budgeted to increase by 3.4% (\$125.6M) from FY26 to FY27. Boston Public Schools will increase by \$88.3M (5.4%), with health insurance accounting for more than half (54.6%) of this growth. Excluding health insurance costs, BPS’ budget will increase by \$40.1M (2.7%) from FY26 to FY27. The public safety cabinet (Police, Fire Department, and Emergency Management) is budgeted to increase by \$7.8M (1.0%) from FY26. Funding for the Police Department is budgeted to increase by only \$443.8K (0.1%), while the Fire Department is budgeted to increase 2.4% (\$7.8M). The Boston Public Health Commission and Streets Cabinet are budgeted to increase by \$2.4M and \$1.6M, respectively, from FY26. The Department of Innovation and Technology’s budget, which had seen substantial increases in previous years, is projected to decrease slightly by \$0.5M (-0.9%) in FY27. Snow Removal Management is not budgeted to increase in FY27, despite the City having higher-than-budgeted snow removal costs in FY26.

Many cabinets and departments are experiencing substantial reductions in their budgets in FY27 due to reductions or the elimination of discretionary grant programs. The Mayor’s Office of Housing (MOH) is budgeted to decrease by 9.6% (-\$5.2M), due to reducing the City-funded voucher program and removing the Affordable Commercial

Assistance Fund. MOH is expecting to continue to draw on \$101.0M in external funding, as well as revenues from the Neighborhood Housing Trust and Inclusionary Development Policy Fund to preserve the City’s efforts to increase affordable housing. The Worker Empowerment cabinet will decrease by \$7.7M (-24.0%), driven primarily by a \$6.0M cut to the Office of Youth Employment & Opportunity. The

**General Fund Expenditure Summary**  
\$ Figures in Millions

	FY26 Current	FY27 Budget	FY26 to FY27 \$ Change	FY26 to FY27 % Change	% of Total FY27
Schools	\$1,638.2	\$1,726.6	\$88.3	5.4%	34.9%
Police	\$484.1	\$484.5	\$0.4	0.1%	9.8%
Health Insurance*	\$251.3	\$295.2	\$43.9	17.5%	6.0%
Fire	\$328.7	\$336.6	\$7.8	2.4%	6.8%
Public Works**	\$153.2	\$153.4	\$0.2	0.1%	3.1%
Public Health Com.	\$145.9	\$148.3	\$2.4	1.6%	3.0%
Human Services Cabinet	\$104.6	\$98.0	-\$6.6	-6.3%	2.0%
Innovation and Technology	\$58.1	\$57.6	-\$0.5	-0.9%	1.2%
Mayor’s Office of Housing	\$54.5	\$49.2	-\$5.2	-9.6%	1.0%
OPEB	\$40.0	\$40.0	\$0.0	0.0%	0.8%
Worker Empowerment Cabinet	\$32.2	\$24.5	-\$7.7	-24.0%	0.5%
Collective Bargaining Reserve	\$17.5	\$21.9	\$4.4	25.3%	0.4%
Economic Opportunity Cabinet	\$14.8	\$12.1	-\$2.6	-17.8%	0.2%
Equity & Inclusion Cabinet	\$15.5	\$11.9	-\$3.7	-23.7%	0.2%
Other Appropriations	\$317.0	\$321.4	\$4.5	1.4%	6.5%
<b>Subtotal Appropriations</b>	<b>\$3,655.6</b>	<b>\$3,781.1</b>	<b>\$125.6</b>	<b>3.4%</b>	<b>76.5%</b>
Pensions	\$467.7	\$443.0	-\$24.7	-5.3%	9.0%
State Assessments	\$405.4	\$418.5	\$13.0	3.2%	8.5%
Debt Service	\$310.0	\$296.9	-\$13.1	-4.2%	6.0%
Other Mandatory	\$4.3	\$2.9	-\$1.4	-32.8%	0.1%
<b>Total Expenditures</b>	<b>\$4,843.0</b>	<b>\$4,942.4</b>	<b>\$99.4</b>	<b>2.1%</b>	<b>100.0%</b>

\*Excludes BPS \*\*Includes Snow Removal

Equity & Inclusion cabinet will decrease by \$3.7M (-23.7%), driven by particularly large cuts in the Office for Immigrant Advancement (-\$1.8M), the Office of Black Male Advancement (-\$501.2K), and the elimination of the Human Rights Commission (-\$391.6K). The Economic Opportunity & Inclusion cabinet will decrease by \$2.6M (-17.8%) and the Office of Arts & Culture will decrease by \$1.2M (-27.0%).

**Despite FTE Reductions, Personnel Spending Remains High** – Personnel services including reserves for future collective bargaining agreements, continues to be the largest expenditure for the City and accounts for 61% of the proposed budget, with health insurance costs occupying an additional 9.7% of the FY27 budget. The reserve for collective bargaining, a fund set aside for anticipated future costs of collective bargaining increases, is budgeted at \$21.9M for FY27. In December 2025, the City adopted a new collective bargaining agreement with the Boston Police Patrolmen’s Association, extending their contract by one year to June 30, 2026.

Notably, several cabinets and departments are budgeted to experience reductions in FTEs yet still had their budgets increase due to increases in wages and other adjustments from collective bargaining. Taken together, reductions in FTEs across three departments account for 94.6% of all FTE reductions from FY26 to FY27: Boston Public Schools (-421.4 FTEs), the Fire Department (-42.6 FTE), and the Police Department (-27.8 FTEs). For all three of these departments, the budgetary impacts of these FTE reductions were at least partially offset by increases to salaries and wages negotiated in collective bargaining agreements. Despite a 2.5% reduction of FTEs at the Fire Department, the new International Association of Fire Fighters (IAFF) contract passed in February 2026 helped contribute to a 2.4% increase in spending. In BPS, as explored in the Research Bureau’s [Research Update](#) in February, despite a 7.2% cut in the number of BPS aide FTEs, funding for aides’ salaries will be increasing by 2.0% in FY27. While BPS teacher FTEs will be decreasing by 5.2% from FY26, teachers’ salaries will decline by only 1.0% in FY27. According to the City, despite a reduction of overtime hours in the Police Department, overtime costs continue to climb in part due to wage increases negotiated as part of collective bargaining agreements. Police overtime is budgeted to remain flat at \$55.6M in FY27, despite the City recently citing cost overruns in police overtime as a contributing factor in the current FY26 deficit. Among all other departments combined, FTEs remained stable, decreasing by 28.0 FTE (-0.6%).

**Health Insurance Costs Up 23.9% from FY26** – The City expects to spend \$477.4M on health insurance in FY27: \$182.3M of BPS’ FY27 budget is dedicated to health insurance; \$295.2M is dedicated to health insurance costs for the rest of the City’s employees. The additional \$92.0M on health insurance compared to FY26 (\$385.4M) represents a 23.9% increase from FY26 to FY27. In the absence of structural changes to health insurance plan design and the City’s financial management of the Health Claims Trust Fund, FY27 marks a new trajectory in how health insurance costs will impact the City’s budget for the foreseeable future. From FY17 to FY24, the City used surplus resources in the Health Claims Trust Fund to constrain health insurance costs as a share of the general operating budget. In FY25 and FY26, the City not only exhausted these surplus funds but also used available catastrophic reserves to cover outlays. Premiums, which are shared by the City and employees, must cover claim expenses and begin to restore the Fund’s catastrophic reserves in FY27 and beyond. The Research Bureau’s March 2026 [Special Report](#) on the City’s management of health care costs describes targeted interventions to contain costs.

**Discretionary Spending Growth Partially Offset by Decreases in Mandatory Spending** - One-quarter (23.5%) of the City’s budget are mandatory costs, which the City is legally required to pay each year. These include pension obligations (\$443.0M), debt service (\$296.9M), and state assessments (\$418.5M). Other mandatory items include obligations to the Suffolk County Sheriff’s office (\$2.9M). Mandatory costs are expected to decrease by 2.2% (\$26.2M) in FY27 from FY26. While state assessments increased by \$13.0M (3.2%) in FY27, FY27 pensions and debt service payments were lower than FY26 by \$24.7M and \$13.1M (-5.3% and -4.2%), respectively.

**Adjusting Pension Payments Down** – Boston’s spending on pensions is budgeted to decrease significantly in FY27, declining by 5.3% (\$24.7M) to \$443.0M. In September 2024, the City adjusted its pension funding schedule to extend it one year to FY28. In March 2026, the Retirement Board made a decision to moderate the payment schedule. The newly adopted appropriation schedule makes sufficient, but less aggressive, payments to eliminate

the unfunded liability by FY28. City’s pension liability is currently 89.4% funded; the FY28 schedule to fully fund Boston’s pension liability is 12 years earlier than the legally required funding date of 2040. As of December 31<sup>st</sup> 2025, the preliminary actuarial valuation of the Boston Retirement System’s investments and obligations for City employees provided room for lowering appropriations in FY27. That said, choosing a less aggressive appropriation schedule narrows the City’s ability to absorb more generous than anticipated pension outlays and to reach its target of fully funding pension liabilities by FY28. It also could put off the amount and timing of when the City can begin more fully addressing the OPEB liability.

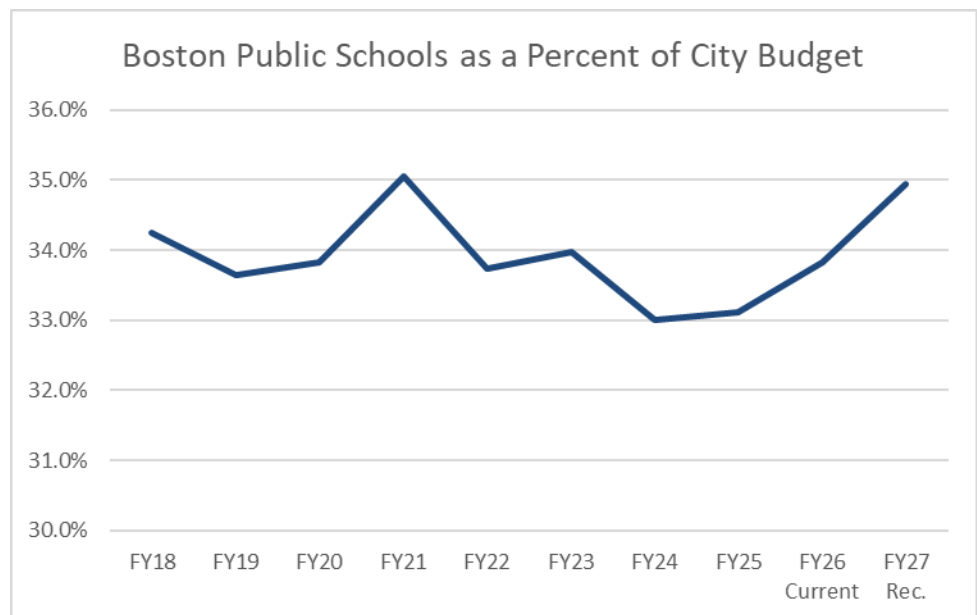
**Refinancing Debt to Lower FY27 Costs** – Debt service, which is payment on debt previously incurred for the City’s capital expenses, is budgeted to decrease by 4.2% (-\$13.1M) from FY26. The City restructured and refinanced debt to lower FY27 payments while adhering to the following broad debt repayment policies: at least 30% of overall debt is repaid within five years and no less than 55% in 10 years, and a 7% ceiling on debt service as a percentage of General Fund expenditures. Over the last 5 years (FY21 to FY26), debt service has increased by 34.7%, from 4.8% of expenditures in FY21 to 6.4% of expenditures in FY26. However, it is projected to drop to 6.0% in FY27.

The FY27-FY31 capital plan, which will impact future debt service costs, is budgeted to decrease by 1.0%, or \$43.2M, to \$4.44B, the second straight year of a decline. Although debt service payments dipped in FY27, per the FY27-FY31 capital plan, debt service payments are scheduled to increase from FY28 to FY31. While the capital plan is primarily financed through the issuance of general obligation bonds, the FY27-FY31 capital plan budgets for \$241.9M in federal funds (5.5% of total), primarily for the City’s Public Works (\$159.5M) and Transportation (\$55.2M) departments. State grants and other funding account for 7.0% and 4.8% of the funding package, respectively.

**Boston Public Schools Budget** – Boston Public Schools is the largest City department and is set to comprise 34.9% of the FY27 budget, its highest share of expenditures since FY21. The School Committee approved BPS’ FY27 operating budget of \$1.73B on March 26, with the adopted budget representing an increase of 5.4% (\$88.3M) from the FY26 current budget, up from the 4.5% increase as [originally proposed](#) in February.

Of the \$16.0M increase from the proposed to adopted BPS budget, \$14.1M was due to higher-than-expected costs for health insurance. Additional changes included a \$2.8M cut to the physical plant budget (i.e. facilities, maintenance, and custodial services), which allowed for additional funds to be spent on transportation (\$2.1M).

Health Insurance costs for BPS are budgeted to increase by 35.9% (\$48.2M) from FY26, making up over half of the



FY27 BPS budget increase. Without health insurance costs, the BPS budget is still budgeted to grow 2.7% (\$40.1M), a notable trend in a year in which multiple departments are facing budget cuts and the combined total budget of all other departments is shrinking by 1.0% (-\$16.4M). These added expenses are in part driven by the City’s May

2025 agreement with the Boston Teachers Union, the largest union of City employees, which was originally expected to add \$86.3M in FY27. Added personnel spending driven by collective bargaining increases, coupled with rising costs, has resulted in a 5.4% increase in the BPS budget, despite a 3.9% (-421.4) reduction in FTEs. The factors behind this disparity are further explored in the Research Bureau's [Research Update](#) from February.

**External Funding & the End of ARPA** – The Mayor has also released the proposed FY27 externally-funded budget, which consists of state, federal, and private funding. External funds in FY27 are proposed at \$502.2M, down \$116.8M (-18.9%) from \$619.0M in FY26. The departments with the largest decrease in external funds are the Mayor's Office of Housing (-\$49.4M), BPS (-\$17.8M), Workforce Development (-\$17.2M), and Boston Public Health Commission (-\$17.1M). With these sharp decreases, external funds will make up 9.2% of the City's total FY27 all-funds budget of \$5.44B, down from 11.3% of the FY26 total of \$5.46B.

Per the most recently available data, Boston spent \$433.2M in federal grants to fund city operations in FY25. December 31<sup>st</sup> 2026 is the deadline for the City to expend all its funds from the major one-time COVID-19-era federal assistance program within the American Rescue Plan Act (ARPA), which has helped the City fund valuable projects across multiple areas, including supporting the development of affordable housing. With these funds coming to an end, the City will have to make hard decisions on whether to continue funding programs from the general fund. To learn more about the state of the City's federal grant funds and the services that were supported through ARPA funding, read the Research Bureau's recent [Research Update](#).

**Next Steps** – FY27 marks the fifth budget process in which the City Council has increased power to amend or reduce expenses. Despite these enhanced budgetary powers, the Council has enacted only relatively minor changes in past budget cycles. Throughout its review, the City Council should exercise its responsibility as the City's appropriating authority and ensure that the City's fiscal health is at the forefront of its decisions. After holding a series of budget hearings in April and May and considering amendments to the recommended budget, the City Council must take action by the 2<sup>nd</sup> Wednesday in June. Following the City Council vote, the Mayor has 7 days to approve or veto any amendments made to her proposed budget. Following any vetoes, the budget moves back to the City Council, which has the authority to override the Mayor's vetoes. A final vote by City Council is expected by the last Wednesday in June.

## Recommendations and Key Findings

Key issues that merit the attention of the Boston City Council are:

- **Impact of Weak Growth on Revenues** – Boston's weak commercial real estate market has impacted multiple areas of the FY27 budget. The FY27 estimate of \$40.0M in new growth leads to a generationally low estimate for total property tax growth. Interest on investments and building permits, which are economically dependent, paint an even more dire economic picture for the City. Despite the property tax being the City's primary revenue source and growing by \$126.0M (3.6%) from FY26, the combined \$51.9M drop in revenue in FY27 from building permits and interest on investments tempered overall revenue growth to just 2.1%. Within the total property tax revenue levy is the split between the residential and commercial property tax burden, with a continuing flow of the tax burden falling onto residential property owners, as commercial property tax values continue to fall. Many of the drivers of commercial growth are outside the control of the City, particularly the cost of capital. But it is incumbent on the Administration and City Council to think aggressively and creatively about how to best enhance our existing policy tools and to develop new tools to spur commercial growth.

- **Health Care Cost Control** – Health insurance is crowding out spending across the budget, consuming 9.7% of the budget or \$477.4M. While health insurance costs are increasing for all payers, the City has been acutely affected in the last two years by several factors, including high-cost claims, exhausting surplus reserves, needing to refill catastrophic reserves, and relatively expensive plan benefits. While the recent [negotiation of utilization management](#) is a positive step, further cost savings are needed. Upcoming negotiations with the Public Employee Committee to contain costs via plan design changes will be necessary, but insufficient, to rein in health care costs. Key financial management decisions to stem rising costs include larger reserves, pegging premiums to expenses regardless of surpluses, and insuring the City against high-cost claimants.
- **Transparency Around Discretionary Grant Program Management** – The Mayor’s transmittal letter and the FY27 budget book make multiple references to cuts and elimination of discretionary grant programs. It will be useful for the City Council and public to understand specifically the following: what grant programs were eliminated; which ones were replaced/supplemented with other funding; what will happen to the personnel who were managing these grants; what proportion of the FY27 budget is dedicated to discretionary grants; and, how have discretionary grants as a share of the operating budget changed over time.
- **Impact of Collective Bargaining Agreements** – Collective bargaining agreements (CBAs) are a major cost driver of budget increases. As an example, the 2025 contract with the Boston Teachers Union was projected to have a cost of \$181.0M to the City over three fiscal years. As CBAs become finalized and “bake in” added costs, it can limit the City’s ability to manage budget challenges. In FY27, increased spending for multiple departments is attributable to new CBAs. Most notably, Boston Public Schools and the Fire Department are reducing FTEs yet seeing compensation costs rise. The City Council must understand the full cost impact (including pension implications) of CBAs before they are approved. An upcoming Research Bureau publication will examine the costs of recent CBAs.
- **Police Overtime** – Police overtime is a regular driver of cost overruns in the City’s budget and is contributing to the City’s FY26 deficit. Police overtime costs have gone significantly over budget in FY26, yet the FY27 recommended budget increases the Boston Police Department’s budget by only \$443.8K (0.1%). The FY27 budget book notes a reduction in total hours of overtime but cites the CBA as a source of cost increases. The assumptions underlying the minimal FY27 budgeted increase amid cost overruns should be shared.
- **Debt Restructuring and Pension Funding Adjustment** – The FY27 budget captures \$37.8M in savings from debt restructuring and pension funding adjustments. While these actions mitigated the budget shock of rising health insurance costs and constrained revenues, these decisions should be communicated publicly and details of these transactions should be shared with residents, with all relevant documents posted online.

Overall, the FY27 budget makes a number of important but tactical choices to address City spending in response to the lowest level of revenue growth since FY12. As the City enters a new low-growth environment that is likely to limit revenue in the foreseeable future, Boston should examine structural and strategic steps needed for its long-term financial health.