

Executive Summary

INTRODUCTION

Boston's FY27 budget is rooted in a legacy of disciplined financial management. With a \$4.9 billion Operating Budget and a \$4.4 billion five-year Capital Plan, the City balances fiscal restraint with a commitment to high-quality public services. This budget focuses on refining internal processes for better service delivery, while the Capital Plan ensures the long-term health of Boston's essential infrastructure—from schools and parks to roads and public safety facilities.

The FY27 annual operating budget totals \$4.9 billion, representing a 2.1% increase (\$99 million) over the previous year. This growth is supported by the consistent reliability of local property taxes and a modest rise in local revenues, most notably from hotel occupancy and meals excise taxes, and Payments in Lieu of Tax (PILOT) agreements with local tax-exempt institutions. To offset revenue declines caused by Federal Reserve interest rate cuts and a slowdown in licensing and permit activity, the City is strategically using Parking Meter Fund reserves as bridge funding. Meanwhile, net state aid—calculated as total aid minus assessments for public charter school tuition and MBTA contributions—remains relatively flat for FY27.



The Second International Day of Play on Boston City Hall Plaza

Through the strategic management of long-term liabilities, the City will achieve \$37.7 million (4.9%) in savings for FY27. These efficiencies are vital to protecting essential services from deeper, more disruptive cuts. Specifically, the Boston Retirement System (BRS) adopted an optimized pension schedule that maintains our FY28 full-funding goal while saving \$24.7 million (5.3%) this year. Additionally, by restructuring and refinancing existing debt, the City has reduced its debt service appropriation by \$13.1 million (4.2%), ensuring a stable funding stream for the Capital Plan.

The FY27 operating budget for Boston Public Schools (BPS) currently displays an increase of \$88.3 million (5.4%). Adjusting for the extraordinary growth in health benefits, the budget is growth by \$41.1 million (2.7%). This funding will go into schools and inclusive classrooms to bridge gaps in opportunity and achievement and will build a foundation for the district's future.

The \$4.4 billion FY27-FY31 Capital Plan proposes investment in every neighborhood across the city, delivering state of the art new libraries, community centers, pools, schools, and parks. This year's Capital Plan decreases slightly from the previous plan, both in terms of overall size and number of projects. This demonstrates fiscal responsibility while still delivering hundreds of transformative investments across Boston, and in many cases represents a consolidation and streamlining of investment planning.

The Capital Plan continues to focus on investments in the City's basic inventory of public assets: our roads, bridges, schools, libraries, and parks. Investment decisions are made to ensure that capital projects will deliver meaningful impact to constituents in all areas of the city, especially those that have seen historic disinvestment. It invests in projects in every neighborhood, consistent with the strategic master plans that have been developed with the community. This ensures that the municipal, civic, and open space assets, which residents cherish in their neighborhoods, remain active and vibrant parts of the community.

The FY27-FY31 Capital Plan includes funding for new and renovated schools; transformative mobility projects that make Boston's roads and bridges safe for all users, regardless of how they travel; major park upgrades in neighborhoods throughout the city; new community center and library buildings; and planning for the impact of climate change by dedicating significant City funding toward climate and coastal resilience projects.

For more information on the City's FY27 Operating Budget and FY27-FY31 Capital Plan, please visit: <https://www.budget.boston.gov>.

PUBLIC ENGAGEMENT

In past years, the Office of Budget Management (OBM) coordinated a cross-departmental effort to engage Boston residents in the development of the City's budget, including hosting public meetings and creating educational videos and slide decks that live on [boston.gov](https://www.boston.gov). For explanations of how the budget is created and how residents can get involved, visit: <https://www.boston.gov/departments/budget/how-budget-works>.

As a result of the passage of Ballot Question 1 in 2021, the City created a new Office of Participatory Budgeting (OPB). OPB, funded in the Finance Cabinet, was charged with setting up an equitable and binding decision-making process in which all Bostonians may participate. In collaboration with its board, OPB implemented its first idea solicitation and selection cycle, called Ideas in Action, in FY25. The second cycle finished in March 2026, funding programs such as immigrant legal services, increased access to fresh foods and housing stability grants. You can read more about the process and winning proposals by visiting OPB's website: <https://www.boston.gov/departments/participatory-budgeting/ideas-action>. The FY27 Recommended Budget contains funding for the third round of projects.



Runners on Boylston St. during the 129th Boston Marathon

NEW CITY COUNCIL BUDGET APPROVAL POWERS

In November 2021, Boston voters approved Ballot Question 1, a City Charter change. This amended the City of Boston's existing budgetary process, in which the City Council had the power to adopt or reject a budget or to reduce a specific item in a budget, to one in which the Mayor and the City Council hold budgetary powers together. The City Council is now able to modify and amend appropriation orders as long as the changes do not exceed the total amount of the Mayor's proposal.

The FY27 Operating Budget is the fifth budget to be submitted following the change to the City Charter. The City Council is expected to conduct robust hearing process in the weeks following the Mayor's recommended budget filing on April 8, 2026 and adopted budget in June. The FY27 annual operating budget approval process will be as follows:

- **April 8th, 2026** – The Mayor submits her Recommended Budget to the City Council.

- **June 3rd or 10th 2026** - The City Council will take action on the annual operating budget making amendments within available funding.
- **June 10th or 17th, 2026** - Within the seven-day statutory requirement, the Mayor has the option to approve or return the FY27 annual operating budget to City Council with further amendments.
- **June 24, 2027** – The last scheduled City Council meeting of FY26. The City Council has the option to override the Mayor’s amendments in whole or in part with a two-thirds majority vote of the City Council.
- **July 1, 2026** - The FY27 annual operating budget is in place for the beginning of the fiscal year.

THE GENERAL FUND

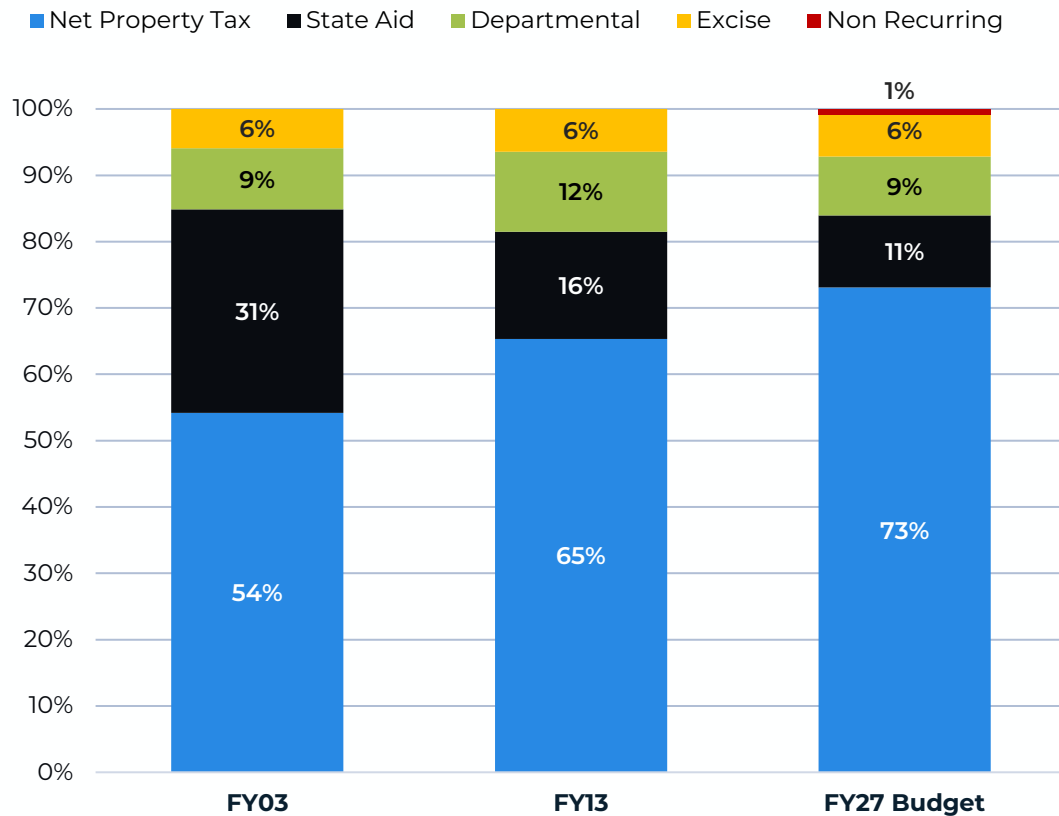
The City’s entire budget of \$4.9 billion is funded through the general fund. All revenues discussed below are deposited into the City’s general fund and reflected on a fiscal-year basis July 1 through June 30.

REVENUE

As the national and global macro-economic factors trickle down into Boston, the City’s total revenues are not projected to increase at the same level as they have in recent years. Property tax remains the main driver of year-over-year revenue growth through a combination of the allowable 2.5% increase and cautious new growth estimates. While certain local receipts, such as excise taxes, are expected to grow modestly in FY27 after strong performance in FY25 and FY26, reductions in projected permit and interest revenue reduce the City’s total revenue projection down to 2% total growth. The City anticipates state aid to increase by approximately 2.7%, based on the FY27 state budget as submitted by Gov. Maura Healey in January 2026.

The FY27 Operating Budget relies on \$4.9 billion in revenue, a \$99 million increase, or 2.1%, from budgeted FY26 revenue. Property tax accounts for the majority of recurring revenue growth in FY27, followed by local receipts, including excises, licenses, fees, and fines.

Figure 1: Share of Revenue by Category FY03, FY13, and FY27



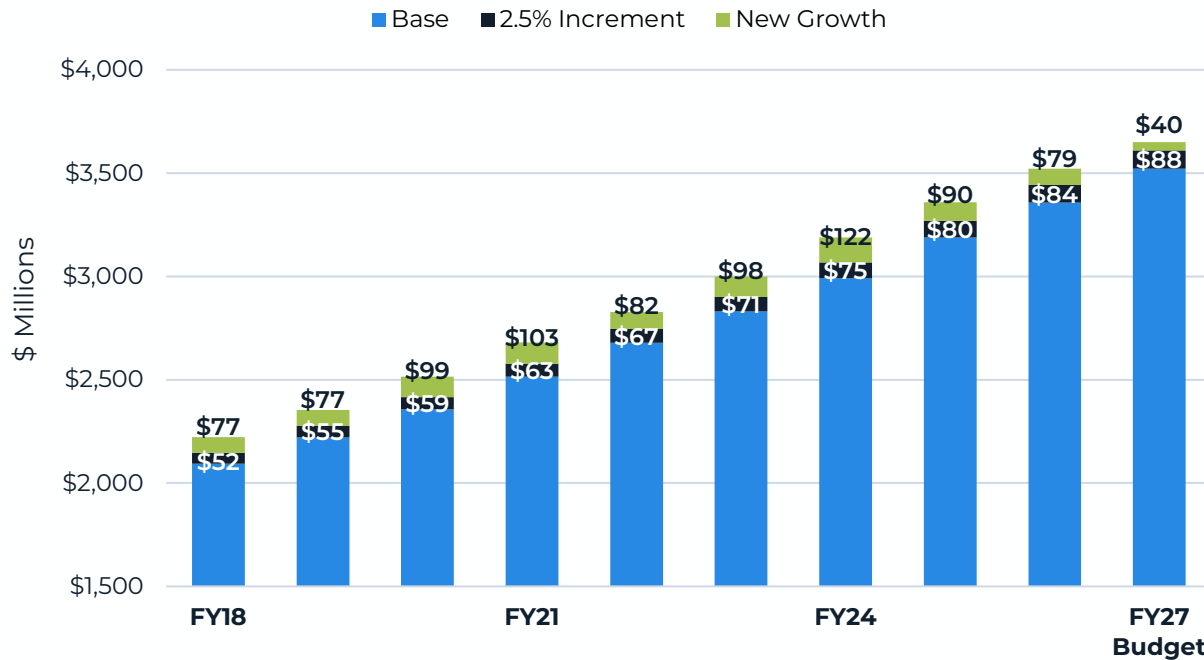
PROPERTY TAX

Property tax remains the primary revenue source for all City services and departments. In Massachusetts, Proposition 2 ½ constrains the amount of property tax revenue the City can raise each year from its existing tax base to a 2.5% annual increase. Some of this limitation is eased by new growth (eg. new construction) that is added to the property tax levy outside of the 2.5% increase. Despite the addition of new growth, property tax growth lags behind the growth in property value. Total property value has grown 59% in the past 10 years while property tax revenue has grown by 41%. The growth in property value is consistent with the City’s commitment to new housing construction and the strength of Boston’s development climate. Consequently, property tax growth continues to be a point of strength for the City.

In FY27, new growth is expected to be lower than in recent years due to economic uncertainty resulting from high interest rates, inflationary pressure on the construction industry, and existing commercial real estate availability. During the past seven years, notable construction projects in Boston have entered the City’s property tax base for commercial, mixed-use and residential properties, particularly in the Seaport District, Dorchester, and the Back Bay. However, due to a stagnating development pipeline, caused in part by higher-than-average interest rates and less new monies flowing into the Commonwealth, the City is predicting a

reduction in year-over-year permitting revenues and development. In order to mitigate these effects, the Administration has placed an increased focus on the conversion of vacant office spaces into residential units, which we expect to continue well into the next several years.

Figure 2: Property Tax Levy Increase by Type (in millions), FY18 – FY27



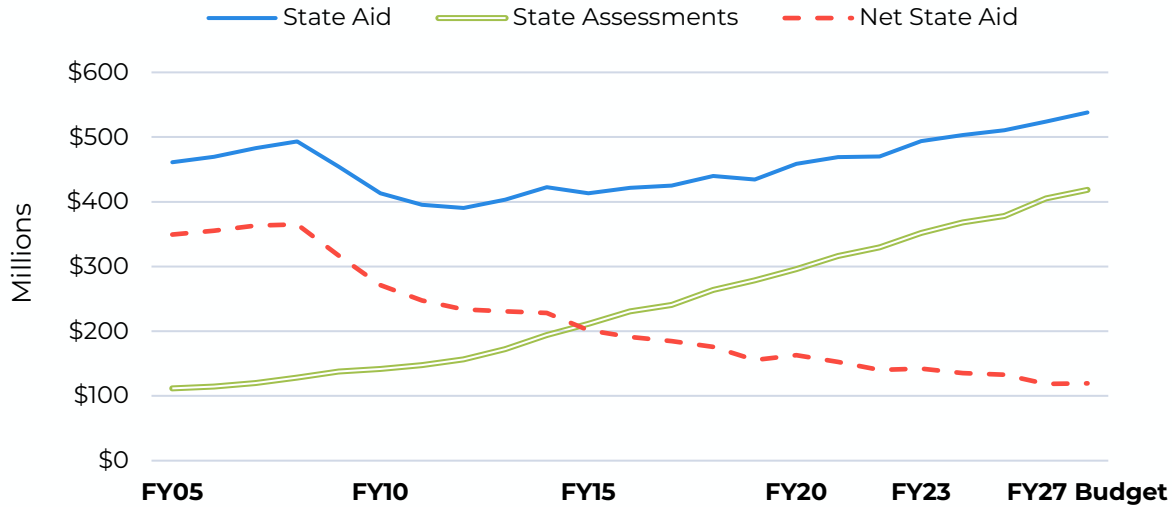
Despite the need to maintain and grow property tax revenue, the City is committed to keeping residential property tax bills affordable to retain more low- and middle-income homeowners in the City. Recent local policy actions demonstrate success as residential taxes are more than 17% lower than the statewide average. The City Council, with the approval of the Mayor, once again chose the maximum exemption allowed by law – 35% for the FY26 tax rate. The FY26 residential exemption amount increased by \$370 over the prior year’s amount, saving eligible taxpayers up to \$4,354 on their property tax bills. Compared to the average property tax bill for a single-family home in Massachusetts, Boston’s bill is 6% lower.

State Aid

In 2002, state aid constituted 30% of the City’s annual budget and helped the City maintain a sustainable balance between revenue sources. In the following decades, Boston’s financial support from the state remained mostly flat, with the City filling the gap from other sources. Across all General Fund sources, the City expects to receive \$538 million in state aid in FY27, 10.9% of the City’s budget. This percentage is largely in line with the overall percentage of the City’s budget in its FY26 appropriation.

Net state aid, which is state aid revenue less state assessments, has been consistently decreasing since FY08. This is driven primarily by increases in the state assessment for charter school tuition and a decrease in the reimbursable portion of that assessment. Despite this trend, net state aid is projected to increase by \$1 million, or 0.9%, compared to the FY26 appropriation.

Figure 3: State Aid, State Assessments and Net State Aid (in millions), FY05-FY27

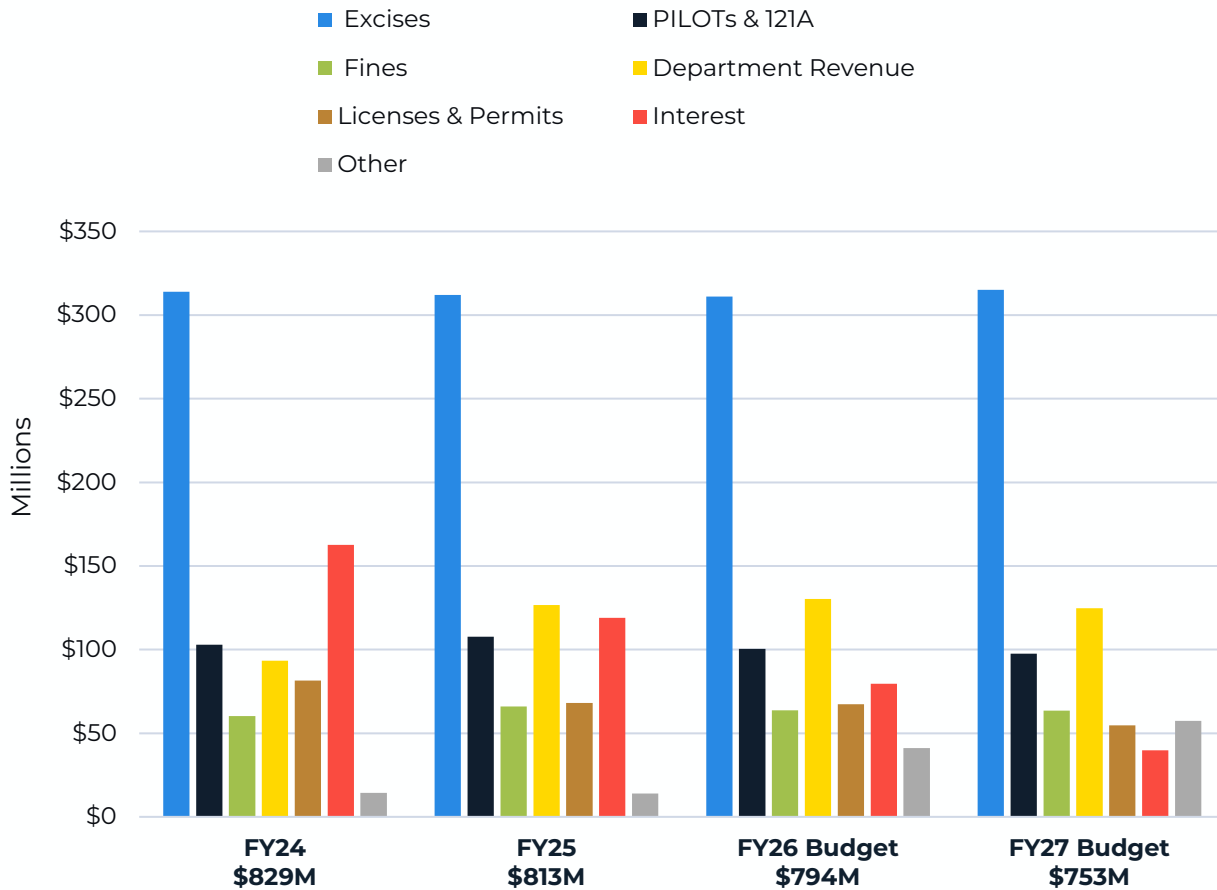


The FY27 projected net state aid totals \$119.6 million based on the Governor’s proposed state budget, at the time the recommended City budget was finalized. Compared to FY08 levels, net state aid for FY27 will be \$245.4 million, or 67% less. Despite the annual increases in UGGA and Chapter 70 aid, assessments have continually outpaced aid revenues, placing extraordinary pressure on the City to generate revenue from property taxes and other local revenue sources to fund services.

LOCAL RECEIPTS

Local receipts, or revenue the City generates locally from sources other than property tax, include items like excise taxes, fees, fines, and permits. This vital revenue source generally follows the City’s overall economic health and was greatly impacted by the coronavirus pandemic and economic fallout, though having recovered since. In FY27, local receipts are projected to decrease by \$41 million, or 5%, over the FY26 budget, due primarily to the forecasted reduction Federal interest rates. Most other receipt types are remaining fairly level (see Figure 4).

Figure 4: Recurring Local Receipts by Type, FY24-FY27



Local receipts can be more susceptible to macroeconomic factors than property tax. Therefore, a diversified revenue base is beneficial to the City’s fiscal health. Given that local receipts are one area where the City can pursue new revenue streams and expand existing ones, the City will continue to study opportunities to raise revenue in a thoughtful, equitable, and sustainable manner.

AVAILABLE FUNDS

The City has historically allocated \$30 million per year from the Parking Meter Fund to supplement parking-related expenses within the operating budget. In years where there have been surplus revenues, the City has elected to not appropriate those funds. In putting together the FY27 budget, the City recognizes that, due to lagging local receipts, and significant growth in certain costs, the City may need to utilize a one-time “bridge” to help close the budget gap. Therefore, the FY27 recommended budget contains an increase in the size of the Parking Meter appropriation, to \$46 million.

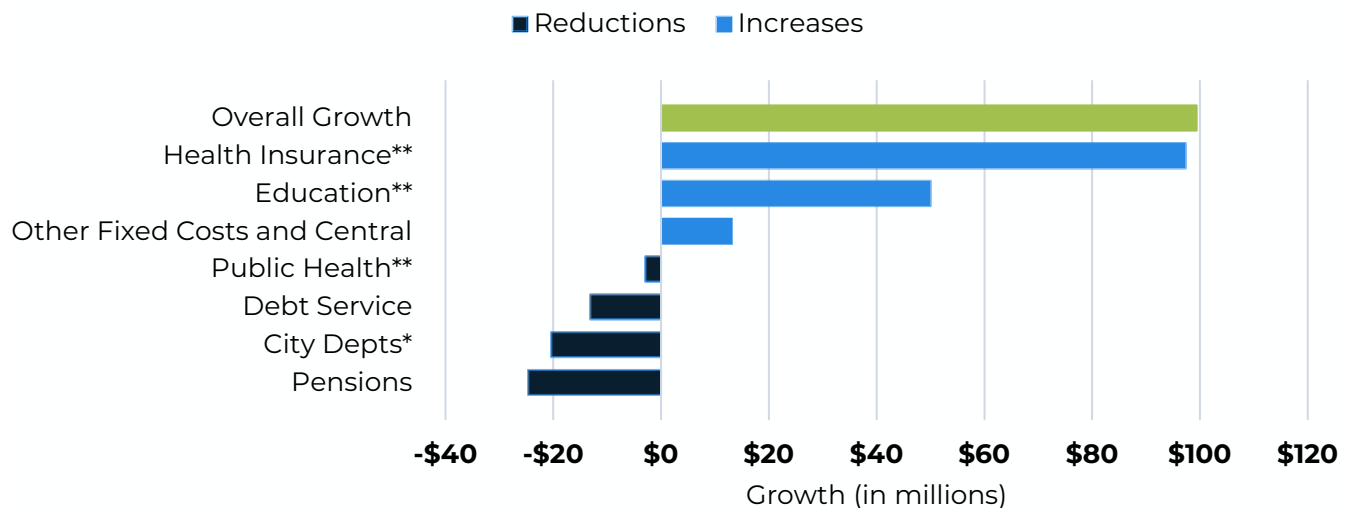
NON-RECURRING REVENUE

In FY27, the City has budgeted the use of \$40 million of budgetary fund balance. Budgetary fund balance is more commonly referred to as “Free Cash.” These funds support the appropriation for Other Post-Employment Benefits (OPEB), the liability associated with retiree health insurance costs. The same amount was budgeted in FY26.

EXPENDITURES

Overall FY27 operating budget expenditures are showing a year-over-year increase of \$99 million or 2.1% over FY26, (see Figure 5). The FY27 spending growth falls within the City’s projected revenue growth and maintains core services, meets legal requirements and honors contractual agreements, and supports long-term liabilities.

Figure 5: FY27 Net Budgetary Growth



*minus Health Insurance

** minus Health Insurance and Central

City Appropriations

City services such as police, fire, public works, housing, and other central funds are projected to decrease by a total of \$7.8 million or 0.9% but, when adjusted for the extraordinary growth in the central fund of health insurance, city appropriations are decreasing by \$20.4M or -1.3%.

The largest area of growth in the operating budget for City appropriations is in the People Operations Cabinet, which is growing by \$45 million or 15.4% driven in large part by the growth in the central Health Insurance appropriation of \$43.8 million or 17.5% which covers health insurance premiums for active and retired employees. Health insurance premiums are significantly impacted by the increased cost of medications covered by the City’s health plans.

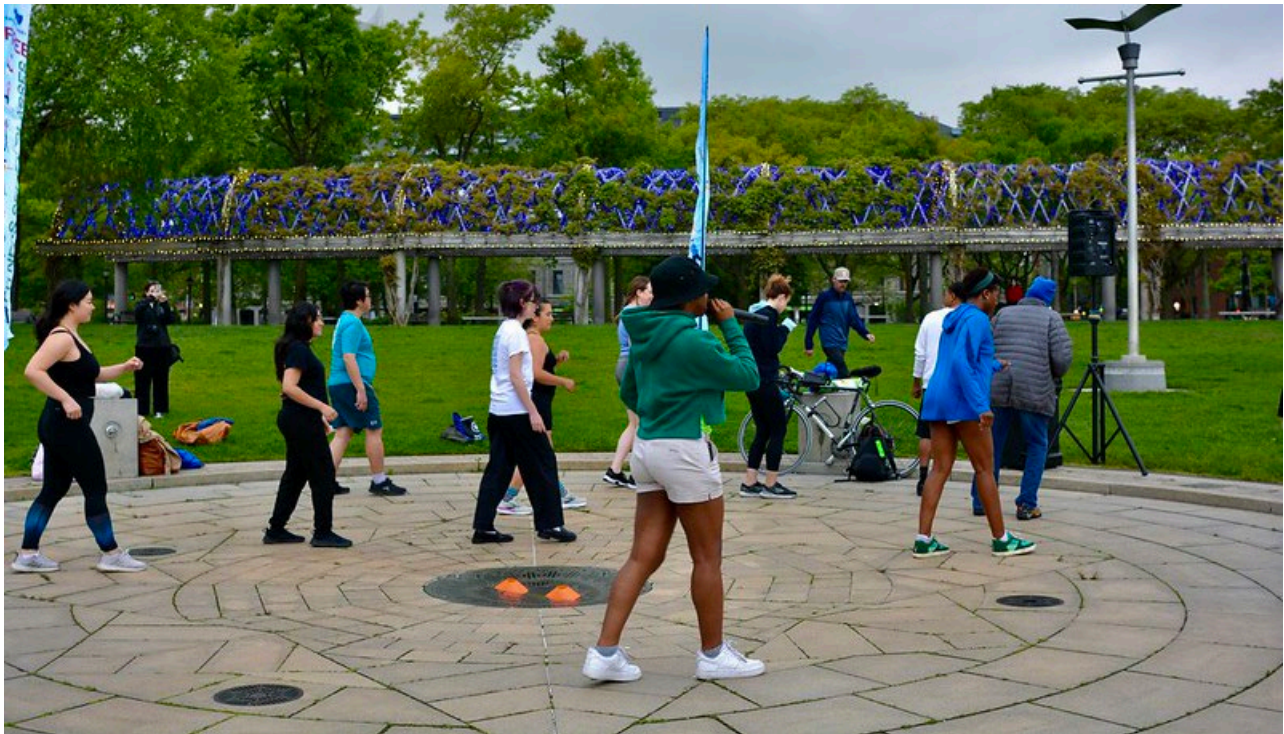
The Public Safety Cabinet is growing by \$7.8 million, or 1%, with the Fire Department having a settled collective bargaining agreement in FY27 with its largest union, IAFF Local 718. The Streets Cabinet is growing by \$1.6 million or 0.8% driven largely by new parking ticket management contract, improving the constituent experience and protecting a key revenue source.

The remaining 15 City Cabinets in the City Appropriations grouping are described in additional detail in the Appropriations section of the Operating Budget Chapter.

The City believes its employees are its greatest resource for providing excellent city services. Fair wages are an important component to support the City's greatest resource. The City continues to negotiate successor agreements for the outstanding contracts. The FY27 budget includes a \$21.9 million reserve for collective bargaining. As contracts are settled, the funding, with the approval of the Boston City Council and the Mayor, will be moved from the reserve to the individual departmental budgets where the wages will be paid.

Public Health

The Public Health Commission (PHC) budget is growing by \$2.4 million (1.6%) in FY27. The Public Health Commission will focus on the most vulnerable populations struggling with substance use disorder and homelessness, as well as the general health and well-being of all residents. Unlike other City departments, the PHC budget contains health insurance and pensions.



Bostonians exercise at Christopher Columbus Waterfront at the 2025 Summer Fitness Series Kickoff

Education

The FY27 operating budget for Boston Public Schools represents an increase of \$88.3 million (5.4%, or net of a substantial increase to health insurance, 2.7%).

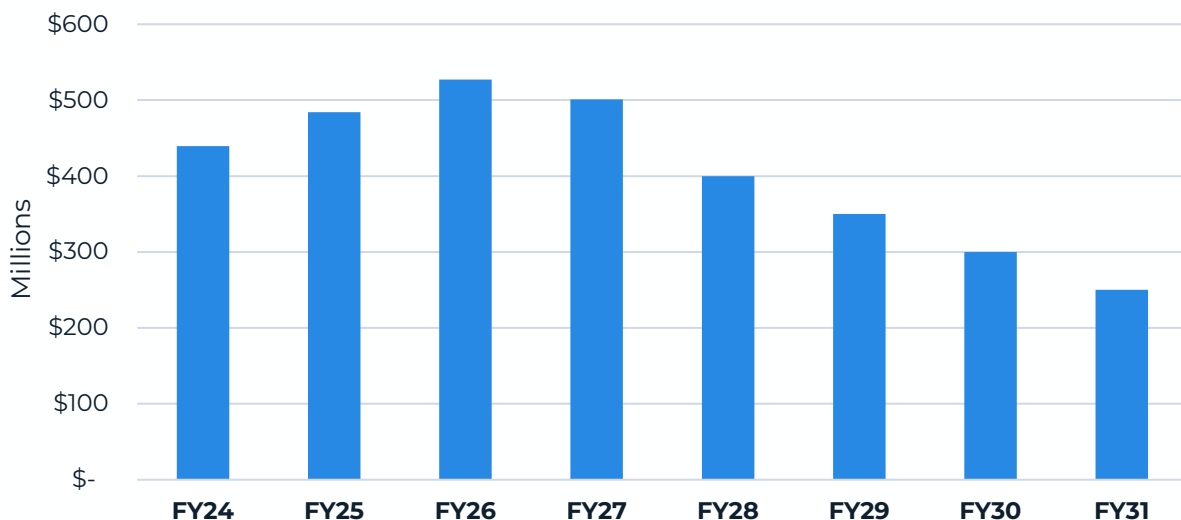
The \$1.73 billion appropriation seeks to meet three of the School Committee’s goal- Accelerating Academic Performance, Ensuring Access for All Students, and Consistency in High-Quality Learning Opportunities- while contending with significant inflationary pressures on the district’s operations.

Cost savings achieved through aligning staffing with changes in enrollment and finding efficiencies in Central Office will be dedicated to sustaining investments going directly into schools. These efforts are headlined by ongoing inclusion work to ensure that students with the highest need are educated in the least restrictive environment. Additional school-directed initiatives will deliver an expansion of dual language programs and promote high quality instructional materials, equitable literacy, and college and career readiness.

Fixed Costs

As noted earlier implementing strategic management of long-term liabilities, the City will achieve \$37.8 million (4.9%) in savings for FY27. These efficiencies are vital to protecting essential services from deeper, more disruptive cuts. Specifically, the Boston Retirement System (BRS) adopted an optimized pension schedule that maintains our FY28 full-funding goal while saving \$24.7 million (5.3%) this year. Additionally, by restructuring and refinancing existing debt, the City has reduced its debt service appropriation by \$13.1 million (4.2%), ensuring a stable funding stream for the Capital Plan. The remaining non-discretionary fixed costs that continue to grow consist of state assessments like charter school tuition growing by \$9.8 million (3.3%) and the Massachusetts Bay Transit Authority (MBTA) assessment growing by \$2.7 million (2.7%).

Figure 6: Pension Funding Schedule



Boston's pension schedule used for the FY27 budget is based on an actuarial valuation as of January 1, 2025. Boston's pension liability was 89.4% funded and is estimated to be fully funded by 2028.

FY27-31 CAPITAL PLAN

The \$4.4 billion FY27-FY31 Capital Plan makes critical investments in the City's infrastructure in every Boston neighborhood: new and renovated schools, parks and playgrounds, civic buildings like libraries and community centers, streets for everyone, affordable housing, and climate resilience. Together, these projects will support Boston's dynamic economy and improve quality of life for residents by encouraging affordability, increasing access to opportunity, and promoting a healthy environment and public realm.

Planned bond issuances, the backbone of the Plan's financing stream, are expected to stay relatively level over the prior year's Capital Plan, representing fiscal responsibility and adherence to our debt management policies. As a result, the FY27-31 Capital Plan looks to maximize our bond dollars as well as our outside funding sources – other City funding, available federal funding, and State grants like Chapter 90 and our continued partnership with the Massachusetts School Building Authority (MSBA).

The investments made in the FY27-FY31 Capital Plan align with the City's planning efforts, and other strategic priorities, ensuring that our investments follow the long-term work of our user departments:

- Supporting the Boston Public Schools' Long-Term Facilities Plan, both through state of good repair investments and the construction of new schools and renovations to facilitate mergers and consolidations. This means investments for new construction with the MSBA Core and ARP programs, City investment in facility and reconfiguration needs, and strategic reserves for future projects identified through strategic planning and community engagement.
- Making transportation and public works investments in our Streets to make streets that are safer and welcoming for all users, travel that is more reliable and predictable, and quality transportation choices that improve access to interconnect our neighborhoods for all modes of travel.
- Preparing for climate change by incorporating green infrastructure into our street, parks, and facility projects, and by continuing to develop and implement plans for coastal and storm water resilience. Our Coastal Resilience Reserve and ongoing planning efforts with the Army Corp of Engineers place the City in a strong position to begin coastal construction projects over the next decade.
- Construction and renovation of the City's civic buildings, focusing on libraries, community centers, and City Hall, to ensure that constituents have access to high quality public space.