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**REVENUE  
ESTIMATES AND  
ANALYSIS**

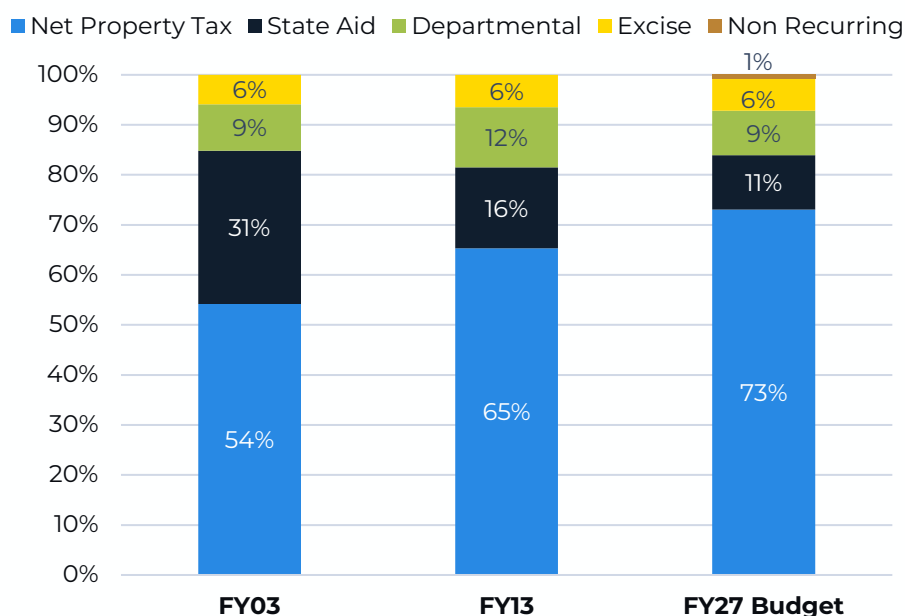
# Revenue Estimates and Analysis

## OVERVIEW

The FY27 operating budget is supported by \$4.9 billion in total revenue, which is an increase of almost \$99 million, or 2.1%, from budgeted FY26 revenue.

The City's revenue budget can be divided into five categories: property tax, state aid, departmental (includes intergovernmental revenue), excise, and non-recurring revenue. Over the past two decades, the City's revenue structure has shifted significantly toward property tax, as illustrated in Figure 1, while state aid has decreased as a share of the budget.

**Figure 1: Categories of Recurring Revenue, FY03, FY13, and FY27**



The boom in construction activity has made the shift more dramatic, yielding tax base growth well above the 2.5 percent statutory limit. Due to year-over-year reductions in estimated receipts, property tax accounts and state aid makes up the full amount of the year-over-year increase in total revenues.

## The National Economy

The macroeconomic climate and policy decisions made at the State and Federal levels can have profound effects on local revenue collections. As such, current economic conditions and forecasts are closely monitored. This includes price trends, unemployment, interest rates, and tariffs.

Before the COVID-19 pandemic, the nation's economy was on a 10-year-long growth period following the Great Recession (2008-2009). During this time annual growth in the U.S. Gross Domestic Product (GDP) averaged 2.4% from 2010 to 2019 (Figure 2). In 2020, the sudden suspension of travel, closure of businesses, and shock to supply chains caused GDP to contract by 2.2%.

**Figure 2: Real U.S. Gross Domestic Product Growth, Chained 2017 Dollars 2005-2025 (FRED Economic Data)**

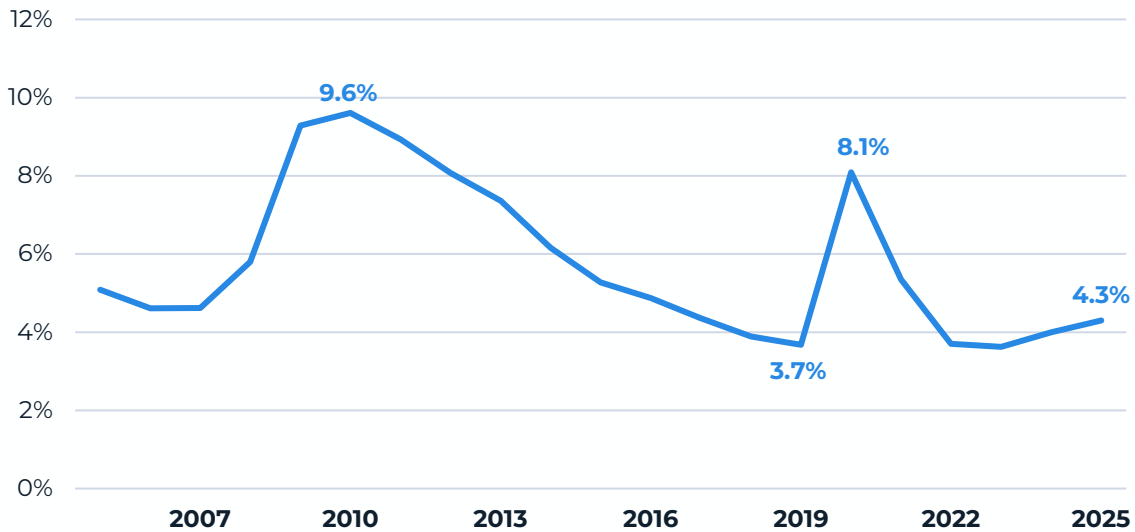


As the federal government stepped in to support the economy, economic fortunes quickly rebounded. Relief measures including fiscal stimulus to individuals, businesses, and government entities mitigated some of the negative economic effects of the pandemic and provided a boost as the most severe aspects of the pandemic subsided. In 2021, GDP grew by 6.1%, before dipping to 2.5% growth in 2022, and further to 2.0% in 2025.

Before March 2020, the civilian unemployment rate in the U.S. had steadily decreased since the end of the Great Recession; the unemployment rate was 3.6% at the end of 2019. The COVID-19 pandemic caused many companies, institutions, and government entities to lay off or furlough large numbers of their employees. By the end of the first quarter in 2020, the national unemployment rate briefly spiked to 13.0% before sharply falling. By the first quarter of 2022, the

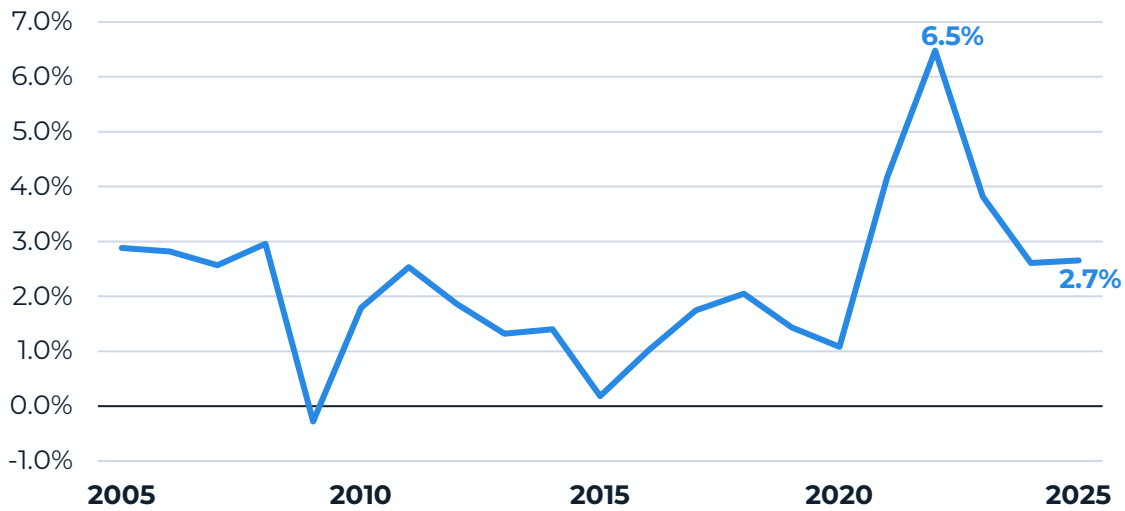
unemployment rate was back at pre-pandemic levels. This swift recovery contrasts the more gradual reduction in the unemployment rate following the Great Recession (see Figure 3). Despite the recovery in the unemployment rate, a smaller share of the population is actively working or looking for work than before COVID-19 pandemic began.

**Figure 3: Annual Civilian Unemployment Rate, Seasonally Adjusted, 2005-2025 (FRED Economic Data)**



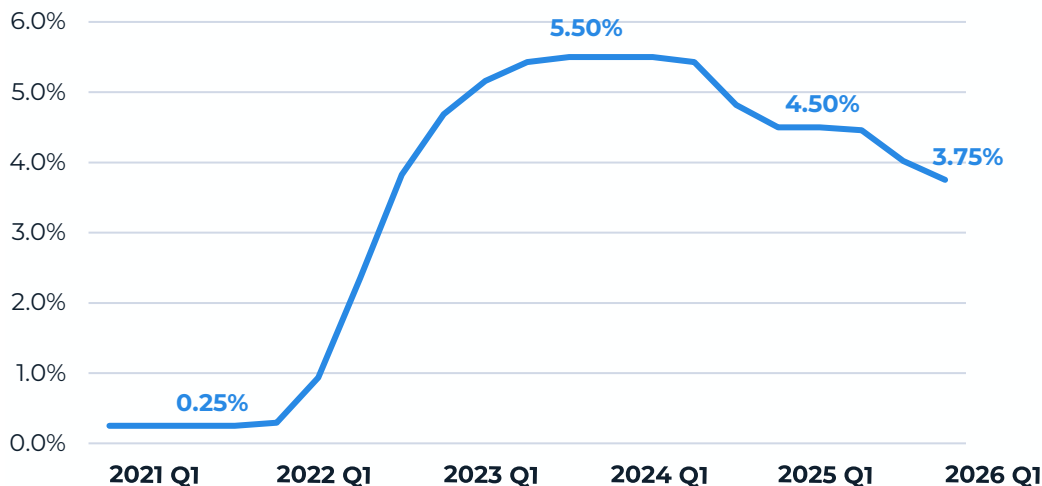
The speed and magnitude of recovery efforts were effective in quickly turning around the economy. In all, the federal government appropriated more than \$4 trillion in aid to individuals, businesses, government, and nongovernment institutions. These direct cash infusions spurred demand for goods and services which, combined with global supply chain challenges, drove up consumer prices. Most notably, housing, food, and transportation were all significantly impacted. Prior to the pandemic, annual price increases from inflation, as measured by the Personal Consumption Expenditures Index (PCE), averaged below 2%. Between 2021 and 2022, annual inflation increased to 6.5%, more than three times the pre-pandemic average. After the spike in 2022, PCE growth fell to 3.8% in 2023 and 2.6% in 2024, before leveling off in 2025 (see Figure 4).

**Figure 4: Annual Change in Personal Consumption Expenditures Index, Chained 2017 Dollars 2005-2025 (FRED Economic Data)**



Given the rapid ascent of the PCE Index in 2020 and 2022, the Federal Reserve raised interest rates in hopes of moderating price increases. Starting in March 2022 and continuing into 2023, the Fed raised interest rates from the 0% to 0.25% target to a 5.25% to 5.50% target. In response, PCE growth slowed from the historically high pace experienced in 2022. As inflation measures like PCE continue to fall, the Fed reduced rates six times from 2024 to 2025, down to 3.5%-3.75% (see Figure 5). Due to the current national and global economic factors, we will continue to monitor the Fed decisions throughout 2026.

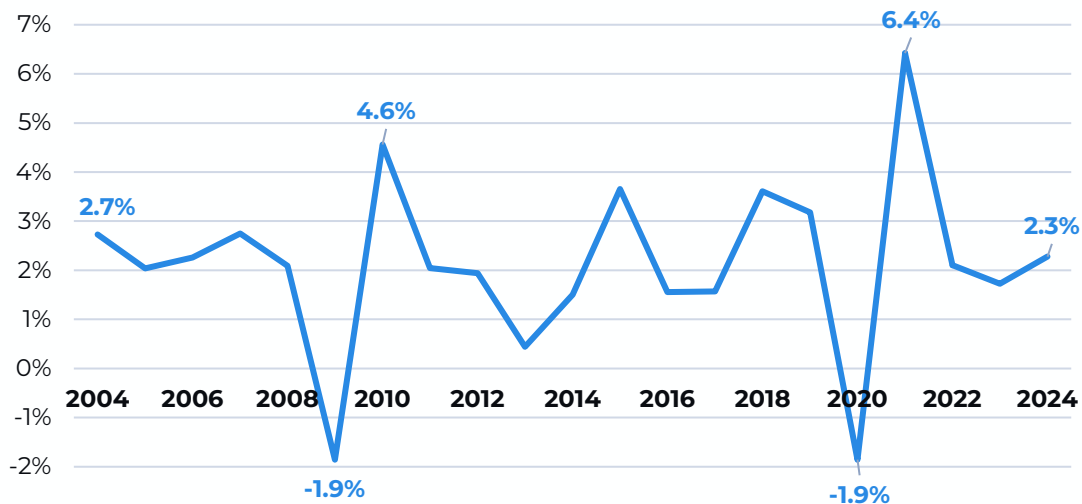
**Figure 5: Federal Funds Target Rate  
January 2021- January 2026 (FRED Economic Data, Monthly, End of Period)**



## The State and City Economies

Massachusetts' real GDP decreased by 1.2% in 2020 and rebounded in 2021 with annual growth of 6.5% (see Figure 6). The drop in GDP from the COVID-19 pandemic was less than the Great Recession GDP decline, and had a sharper recovery by 2022, in part due to the magnitude of the fiscal stimulus.

**Figure 6: Real Massachusetts Gross Domestic Product Growth, Chained 2017 Dollars 2005-2025 (FRED Economic Data)**



Like the national trend, the unemployment rate decreased for both Massachusetts and Boston metro following the Great Recession, reaching 2.6% statewide and 2.3% in the Boston metro in 2019. However, the swift and prolonged shutdown in Massachusetts due to the COVID-19 pandemic caused the state unemployment rate to reach 15.5% in the second quarter of 2020. After this initial spike, the rate began to drop, returning near pre-pandemic levels, 3.3%, by December 2022. The Boston metro unemployment rate peaked at 14.9% in the second quarter of 2020 before falling to 3.0% in December 2022. As of December 2024, unemployment rates for the state, 4.0%, and metro, 3.7%, have both edged up as higher levels of inflation linger. See the “Boston’s People & Economy” chapter of Volume I for more details on Boston’s population and labor force trends.

## The Commonwealth Budget

State aid to the City represents its second largest single source of General Fund revenue, although in the past two decades this has been declining as a share of total City revenues. Often, changes to law or policy recommendations that affect City expenditures and revenue-generating capacity occur within or alongside budget language. As a result, the State budget is of great interest to the City.

## **Recent Commonwealth Budget History**

After the Great Recession, the State faced several years of ups and downs in managing their structural balance. While state revenues, especially income tax, rebounded considerably, large variances in quarterly and yearly revenue collections made budget decisions difficult at the State level. As a result, the State tapped into its stabilization, or “rainy day,” fund on several occasions, in addition to reductions in expenditures and increases in revenues, to improve the fiscal sustainability of its budget.

At the close of FY08, the stabilization fund balance was \$2.1 billion. The State drew down the balance considerably by the close of FY10 to a low of approximately \$670 million before revenues began to increase again in FY11-FY12. By FY18 the fund again exceeded \$2 billion. The State may have been expected to access the fund during the COVID-19 crisis, but a massive infusion of over \$50 billion in federal relief and healthy revenue collections had brought the balance to a historical high point, \$8.5 billion, at the end of FY24, before dropping to \$8.1 billion, as of June 30, 2025.

State tax revenue collections for fiscal year 2025 totaled \$43.7 billion, roughly \$2.1 billion, or 5.1%, above benchmark expectations. This increase was mostly driven by the 4% income surtax on high earners, as well as capital gains tax, sales and use tax, and ‘all other’ tax. These surpluses were partially offset by a decrease in corporate and business taxes.

The FY26 State budget enacted in July 2025 set revenues at \$43.6B. In January 2026 the revenue benchmark for FY27 was set at \$44.9, reflecting a modest 2.4% growth, mostly due to expected federal funding cuts and state tax revenue losses created by changes to corporate tax law.

## **The FY27 Commonwealth Budget**

The City’s FY27 state aid budget is based on the Governor’s proposed \$62.8 billion budget for FY27. At the time the City enacted its adopted budget, the state budget had not yet been finalized and signed into law.

For more details, see “State Aid and Assessments” under the “Revenue Estimates” section below.

## **THE GENERAL FUND**

The City’s entire \$4.9 billion budget is funded through the General Fund. All revenues discussed below are deposited into the City’s General Fund pursuant to state law and are reflected on a fiscal year basis July 1 through June 30.

## **REVENUE ESTIMATES**

### **Property Tax**

The property tax levy has always been the City's largest and most dependable source of revenue. In FY26, the net property tax levy (levy less a reserve for abatements) totaled slightly under \$3.49 billion, 72.0% of the City's revenue. In FY27, the estimated net property tax levy totals \$3.61 billion and accounts for 73.1% of budgeted revenues.

Boston's economy has performed well despite the COVID-19 pandemic and property values in Boston have continued to steadily appreciate in value. Between FY20 and FY26, aggregate assessed values increased at 4.5% annual rate. In FY26, assessed values increased by \$2.2 billion, or 1.0%.

Proposition 2 ½ has been a significant factor affecting the City's property tax levy since its approval as a ballot measure in 1980. Proposition 2 ½ limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property (referred to as the levy ceiling). It also limits the increase in the total property tax levy to no more than 2.5% over the prior year's total levy (referred as the levy limit), with certain provisions for new construction. In practice, the total assessed value of property in Boston has increased 59% in the last 10 years, however, the property tax revenue has only increased 41% due to Proposition 2 ½.

Each year since FY85, the City has increased its levy by the allowable 2.5%. These increases have grown with the levy, beginning in FY85 at \$8.4 million and reaching \$84.0 million in FY26. The budgeted increase in FY27 is \$87.5 million.

In addition to allowable 2.5% increase the levy has also been positively impacted by taxable new value, or "new growth." New growth can arise from both real and personal property and is outside of the Proposition 2 ½ levy limit. Thanks to new commercial developments and residential investment, Boston has experienced unprecedented new growth in property tax revenue over the past several fiscal years. A large share of recent new growth has come from select developments in the Fenway, Downtown, and Seaport neighborhoods, though that number has begun to taper off over the last few years, due to elevated inflation pressures.

In FY27, the City is conservatively budgeting new growth at \$40 million due to economic uncertainty related to price inflation and high interest rates. Property tax growth from new growth has exceeded growth from the allowable 2.5% increase in 13 of the last 20 years. However, as was evident during the Great Recession, revenue from new growth is volatile and depends on the development cycle and the local, state and national economies. See Figure 7 for Property Tax growth in the past 10 years.

Finally, Proposition 2 ½ provides for local overrides of the levy limit and an option to exclude certain debt from the limit by referendum. The City has never sought a vote either to override or to exclude debt from the levy limitations.

Despite these constraints, the City is committed to keeping residential property tax bills affordable to retain more low and middle-income homeowners in the city. More than two-thirds of assessed property value in FY26 is classified as residential. As part of the tax-rate-setting process, the Assessing Department sorts properties into classes. The City's Assessing

Department assigns properties in the residential, commercial, industrial, and personal property categories. These categories are then split into two groups: residential and commercial/industrial/personal property. Through classification, the City shifts tax burdens between groups. This allows the tax rate per \$1,000 of property value for residential properties to be the lowest level allowed by law. Without classification, residential taxpayers would see their properties taxed at a higher rate on average.

In 2016, the City advocated for a change in State law that increased the residential exemption limit, a reduction in real estate taxes for homeowners who occupy their property as their principal residence, from 30% to 35% of the average assessed value of all Class One residential properties. 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.

**Figure 7: Property Tax Levy Increase by Type, FY18-FY27**

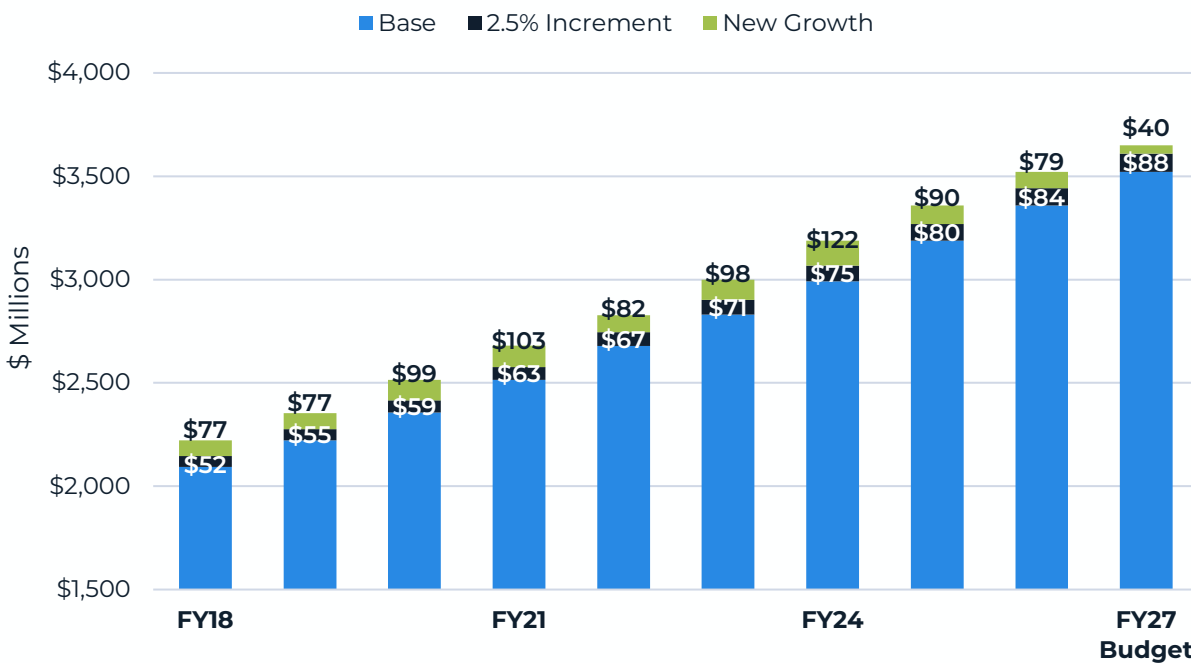
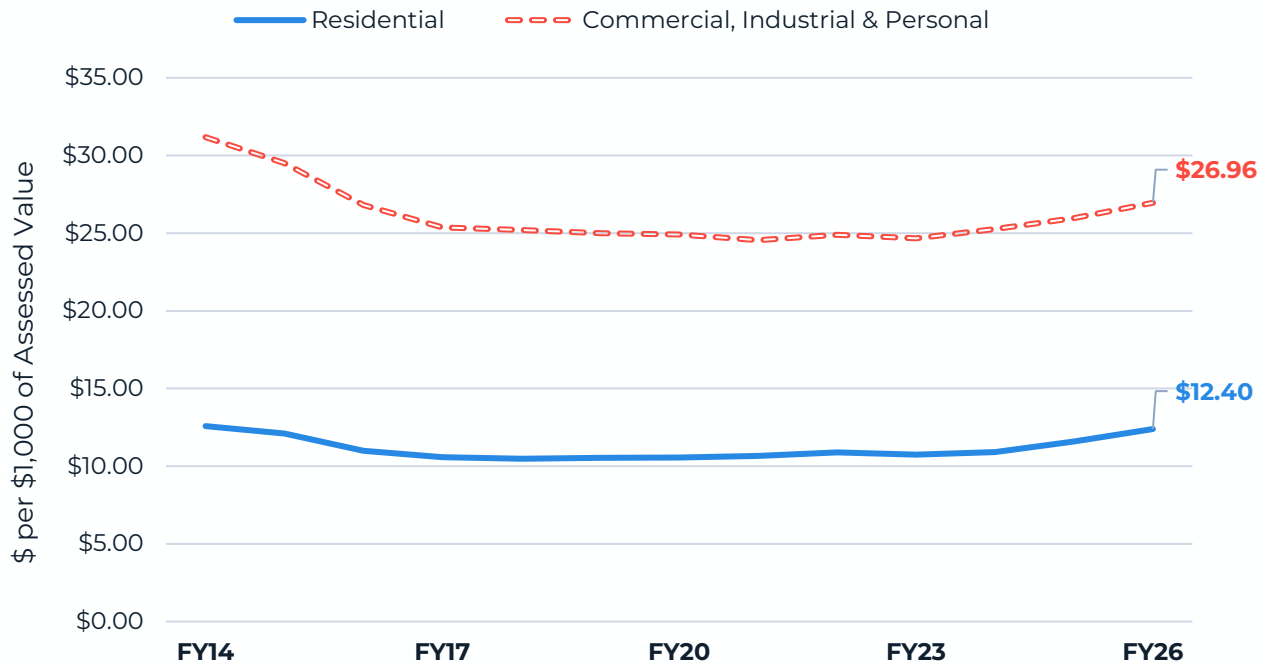


Figure 8 shows the two tax rates for residential properties and for commercial, industrial and personal properties since FY14. After briefly increasing following the Great Recession (FY08-FY13), corresponding to a decline in property values during collapse of the housing market in late 2007, rates declined steadily between FY14 and FY17 due to property value appreciation and accelerated property development. Since FY18, rates have moved within a narrow range. Tax rates for both residential and commercial, industrial, and personal property increased in FY26 as overall property value growth has continued to slow, due to lingering high vacancy rates in the commercial office and lab markets. Tax rates for FY27 will be set in December 2026.

**Figure 8: Property Tax Rates (per \$1,000 of value), FY14–FY26**



With the shift of work trends to full remote or hybrid remote/in-office schedules beginning with the COVID-19 pandemic, average office vacancy rates, an important indicator of commercial real estate value, have increased. According to Jones Lang LaSalle data, the commercial office vacancy rate for Boston, as a whole, was 23.6% in the third quarter of 2025. This is a 2.4 percentage point increase from the previous quarter, and roughly double pre-pandemic rates. In the South Boston Waterfront and Downtown, Boston’s office core, the rates were 11.6% and 20.0% respectively.

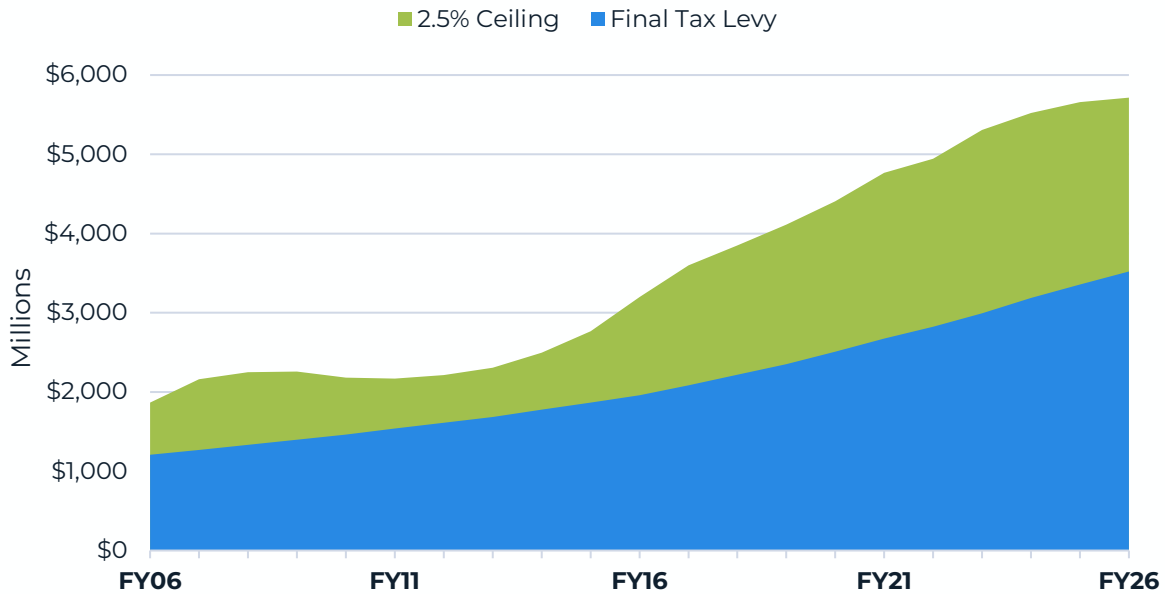
While commercial properties have seen a relative decline in demand, residential property values have appreciated and rents have increased. The citywide median single-family home price was \$800,000 in 2024, up 5% from 2023, and 76% from a decade earlier. After an 8.0% jump from 2022 to 2023, the median monthly rent in Boston was flat in 2024 at \$2,800.

Any significant decline in property values can present a problem for cities as dependent on the property tax as Boston. In the early 1990s property values decreased in Boston while the City continued to maximize the allowable levy increase under Proposition 2 ½. The levy nearly reached the levy ceiling of 2.5% of total assessed value. Reaching the 2.5% ceiling would have further limited the City’s capacity to increase the annual levy and raise the necessary revenue to support the City’s budget.

In the following decades strong new growth helped increase the levy ceiling at rate greater than the tax levy. In FY26 the levy was only 1.5% of total assessed value. The gap between the levy and the levy ceiling is sufficient to insulate property tax revenues from short term declines in the real

estate markets. Nevertheless, if values were depressed long enough, future growth of the property tax would be limited. The green area in Figure 9 shows the difference, or gap, between the tax levy and the levy ceiling.

**Figure 9: Property Tax Levy and Levy Ceiling, FY06-FY26**



### State Aid and Assessments

State aid refers primarily to distributions from the State to municipalities for Chapter 70 education aid, unrestricted general government aid (UGGA), and charter school tuition reimbursement, along with relatively small programs such as library aid. State aid, as it is used here, excludes any grants to or offsets for direct expenditures by City departments.

State aid in FY27 is based on the Governor's proposed budget. Both the Massachusetts House of Representatives and the Senate weigh in with their own proposals before submitting a compromise Conference Committee budget for the governor's signature. Due to the timeline of budget negotiations at the state level, the state budget was not finalized at the time the City's adopted budget was enacted.

The City received General Fund gross State aid totaling \$503.0 million in FY24 and \$510.8 in FY25. The City is projected to receive \$524.0 million in State aid in FY26 and has budgeted \$538.1 million for FY27.

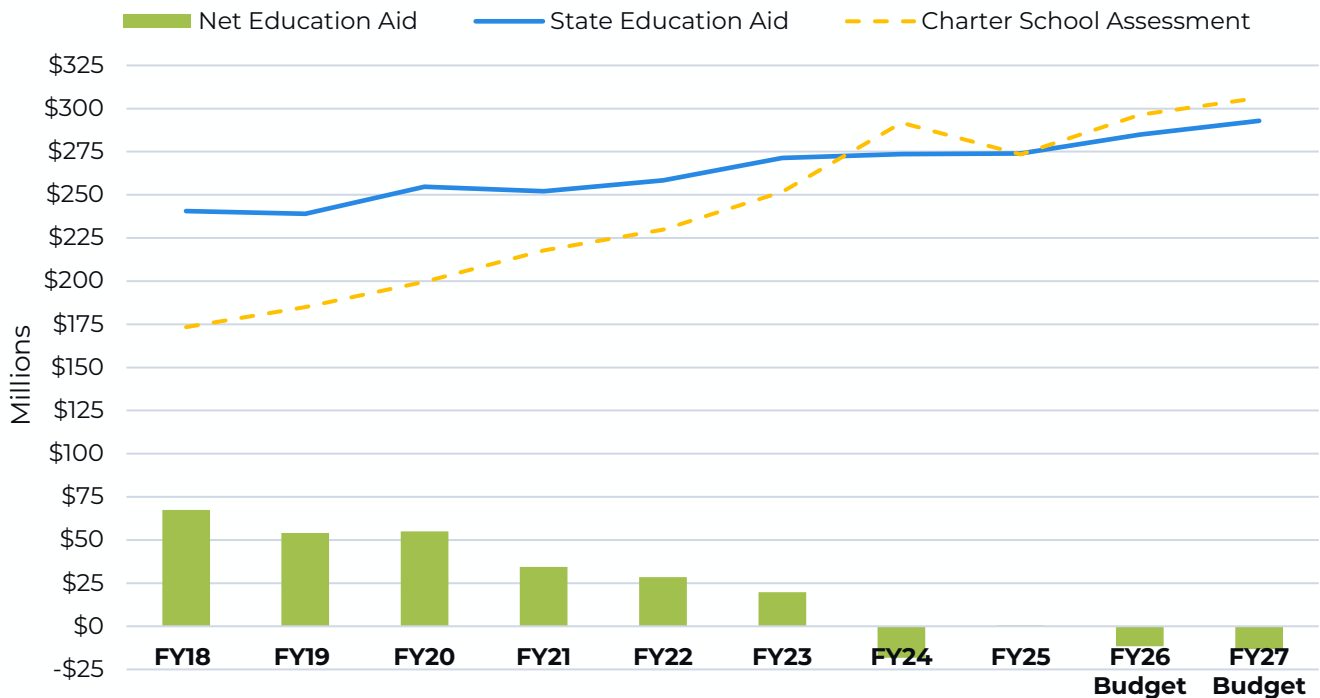
The state also imposes charges or assessments that are deducted from state aid distributions. These assessments are imposed by state and regional entities to municipalities for items such as charter school tuition and Massachusetts Bay Transportation Authority service. The City paid \$386.1 million in FY24 and \$390.8 million in FY25. The City budgeted \$407.9 million in assessments in FY26 and is budgeting \$421.3 million in FY27.

In 1993, the State began an effort to increase and equalize funding for local education. The Chapter 70 education aid formula, derived from that effort, establishes a foundation budget, or a minimum level of education spending in each school district. The foundation budget is funded by the district’s local contribution and Chapter 70 education aid. Education aid was modified again in 2019 by the Student Opportunity Act. This act provides additional aid to districts with exceptional need. As part of the new funding formula, the City received \$230.7 million in FY24 and \$236.7 million in FY25 from Chapter 70 education aid. The City expected to receive \$245.3 million in FY26 and is budgeting \$249.5 million for FY27 Chapter 70 education aid.

Boston is assessed by the Commonwealth to fund charter schools on a per-pupil basis. This assessment increased significantly following enactment of the 2010 achievement gap legislation that expanded the number of charter school seats. Boston’s charter school tuition assessment is budgeted to increase by \$9.8 million, or 3.3%, over the FY26 budget. More than 10,000 Boston students are projected to attend a state charter school in FY27.

Boston has seen its charter school costs rise dramatically in the past 10 years – 76% or \$132.4 million between FY18 and FY27. As shown in Figure 10, net education aid (Chapter 70 funds and charter school tuition reimbursement less the charter school assessment) has been decreasing over the past decade. In FY27, the City is projected to spend \$13.3 million more on the charter school assessment than it will receive in Chapter 70 and reimbursement aid. In comparison the City received \$67.3 million more than it was assessed in FY18.

**Figure 10: Net Charter School Costs, FY18-FY27**

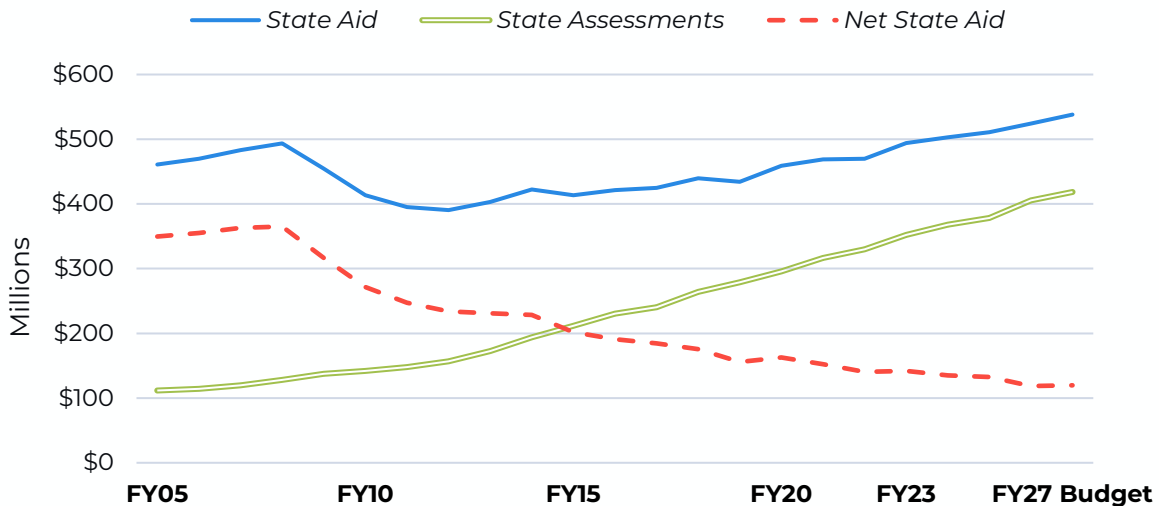


Close behind Chapter 70 aid is UGGA, the City’s second largest source of state aid revenue. Since the FY10 budget, the governor and Legislature have combined general government aid from Additional Assistance and Lottery categories into one account: UGGA. Revenue derived from the State’s lottery now accounts for nearly all funds dispersed through UGGA. For Boston, UGGA revenue totaled \$226.5 million in FY24 and \$233.3 million in FY25. The City was projected to receive \$235.9 million in FY26 and expects \$241.7 million in FY27, a 2.5% increase over the FY26 budget.

When combining all state aid and assessment line items, state aid less state assessments yields a net state aid amount distributed to the City each month. Net state aid, has been trending down since FY08. The steep increase in the charter school tuition assessment largely explains this trend. Despite a small increase in net state aid in the FY23 budget, the erosion of net state aid resumed in FY24 and has continued through FY25 and FY26. Currently, the City projects a FY27 to level off, with a small increase of \$1 million in net state aid. Nonetheless, the City still expects to be \$245.4 million, or 67%, below its FY08 level of net state aid. Net state aid amounted to \$135.0 million in FY24, decreased to \$132.7 million in FY25, and was budgeted to decrease further to \$118.6 million in FY26. The FY27 projected net state aid totals \$119.6 million, a \$1.0 million increase year-over-year, or less than 1% (see Figure 11).

The loss of hundreds of millions of dollars over the past two decades has put extraordinary pressure on the City to generate necessary revenue elsewhere. Local authority to implement new taxes is also strictly limited by State law. Therefore, it is important for the financial health of the City that the property tax levy continues to grow alongside existing locally generated revenues. Efforts to collect revenues more efficiently, establish new revenue sources, and refresh existing fee schedules all help reduce the City’s reliance on state aid.

**Figure 11: State Aid, State Assessments and Net State Aid, FY05-FY27**

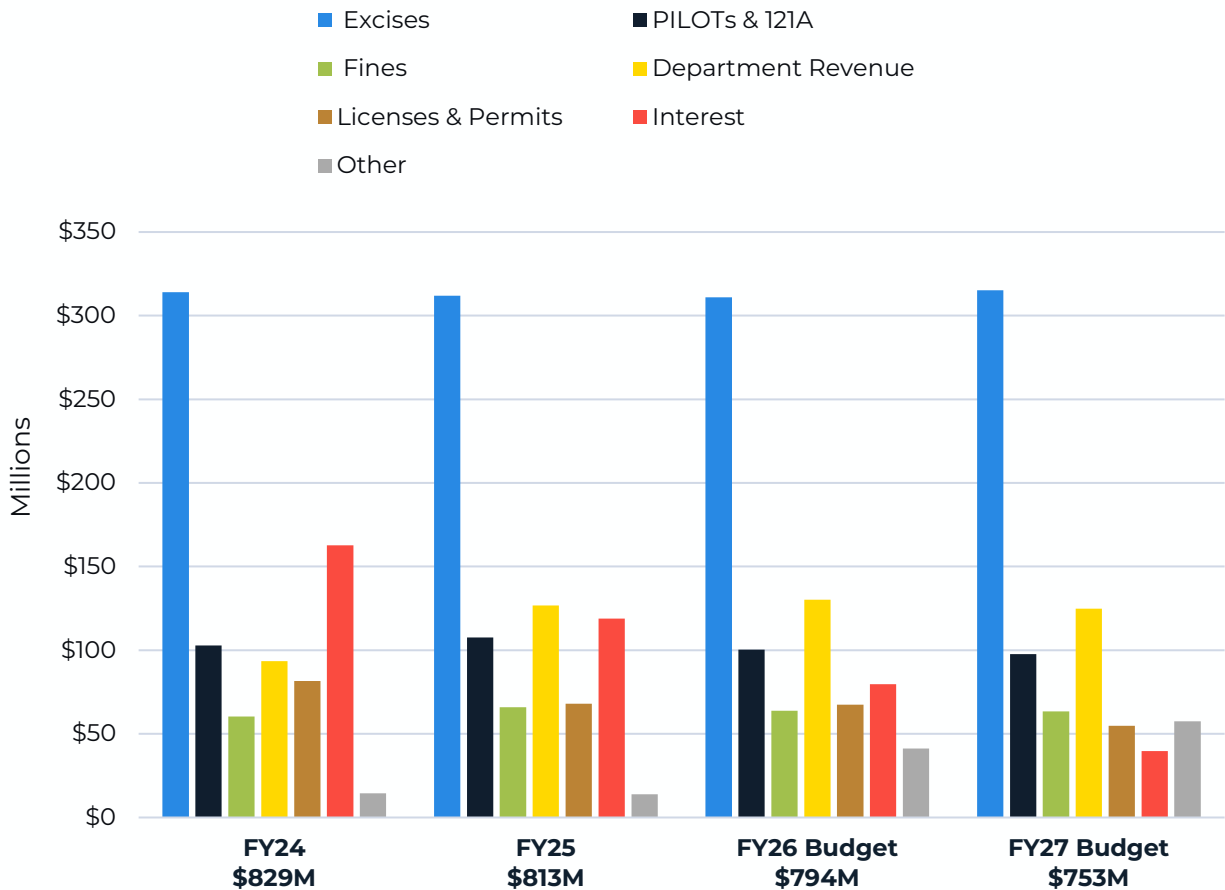


## Local Receipts

The City collects recurring revenues other than property tax and state aid. Revenue from excise taxes, payments in lieu of taxes, tax agreements, licenses and permits, fees and fines, investment income, intergovernmental transfers and available funds are part of this local receipts group. To forecast these receipts, the City uses a combination of methods including analytical trending of historical collections, econometric modeling using relevant economic data, and projections of departmental activity, service levels, and staffing.

The City collected \$829.1 million in FY24 and \$798.7 million in FY25, a reduction of \$30.5 million, due in large part to declining interest rates. The City is budgeting \$753.0 million to be collected in FY27, roughly in line with most receipt types, with the exception of interest revenues (see Figure 12).

**Figure 12: Recurring Local Receipts by Type, FY24-FY27**



### Excise Taxes

The City collects eight excise taxes. Four of these - rooms, motor vehicle, jet fuels, and meals excises account for over 99% of budgeted excise revenues in FY27. These revenues are described in more detail below.

The local room occupancy excise is a 6.5% excise levied on both hotels and short-term rental units. In addition to the local tax, the State collects a 5.7% excise tax and a 2.75% fee transferred to the State's convention center fund. The total tax from all sources is 14.95%. Short term rentals hosted on platforms like Airbnb or Vrbo also pay an additional 3% fee to the City unrelated to the local room occupancy excise. The local room occupancy excise was one of the City's most significantly impacted revenues during the COVID-19 pandemic. Revenues totaled \$15.6 million in FY21 before recovering strongly to \$144.6 million in FY24 and \$147.1 million in FY25.

Occupancy and daily rates have improved each year with calendar year 2025 marking the local lodging industry's best year since 2019. However, occupancy and daily rates are still below pre-pandemic levels. Corresponding to the continued improvement of this excise, the City budgeted \$148.0 million in FY26 and \$162.1 million in FY27.

The Commonwealth imposes an excise in lieu of property tax on motor vehicles, the proceeds of which are collected by the municipality in which the vehicle is principally kept. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation. Valuations are determined by a statutorily defined depreciation schedule based on the manufacturer's list price and the year of manufacture.

Motor vehicle excise revenue, including prior year collections, totaled \$72.7 million in FY24 and \$75.2 million in FY25. The City budgeted \$71.3 million in FY26 and is budgeting \$73.0 million in FY27. This revenue estimate is generated from projections of current year billings, remaining unpaid balances, and state sales tax data.

Beginning in 2009, the State granted municipalities a new local option tax on restaurant meals up to 0.75%. The City recorded \$40.6 million in meals excise collections in FY24 and \$41.3 million in FY25. Meals excise revenue surpassed pre-pandemic levels and has continued to grow steadily. The City budgeted \$42.8 million in FY26 and is holding that number steady in FY27, as we continue to monitor elevated price inflation pressures.

The excise on the sale of jet fuel is 5% of the average sales price of the previous quarter, but no less than 5 cents per gallon. Excise revenues are highly correlated with jet fuel prices and the flight activity at Logan International Airport. Jet fuel excise revenue totaled \$48.2 million in FY24, and 42.0 million in FY25. In those years the City benefited from historically high jet fuel prices and increased demand for travel. As jet fuel prices receded from these highs, the City budgeted \$41.5 million in FY26 and is budgeting \$30.0 million in FY27.

The 2017 state legislation that established the framework for cannabis sales and included a 3% local tax option layered on top of the 6.25% sales tax and a 10.75% state marijuana excise. The City receives quarterly payments for the 3% local option marijuana excise on cannabis sales within Boston. Under a City ordinance, the first \$1 million of total marijuana excise received and one-sixth of subsequent revenues until 2024 was transferred to the Cannabis Equity Fund to assist entrepreneurs disproportionately harmed by marijuana prohibition participate in the cannabis industry. Net collections to the General Fund for the marijuana excise totaled \$3.6

million in FY24 and \$2.9 million in FY25. The City budgeted \$3.7 million in FY26 and is budgeting \$3.8 million in FY27. Revenue growth is anticipated to slow as the market matures.

The vehicle rental surcharge is a revenue-sharing arrangement with the State. Under this arrangement, all vehicle rental contracts originating in the City are subject to a \$10 surcharge. The City receives \$1 of this surcharge. Revenue from this source was \$1.4 million in FY24 and \$1.4 million in FY25. In FY26 and FY27, the City budgeted \$1.4 million and \$1.2 million, respectively, as the City monitors inflationary pressures.

#### *Fines*

The City issues fines for various code violations, most notably parking. Parking related fines account for more than 90% of all fines revenue. The remaining 10% is split between trash and moving violations. Fines revenue totaled \$60.3 million in FY24 and \$66.0 million in FY25. Fines revenue was budgeted at \$64.9 million in FY26 and is budgeted at \$63.5 million in FY27.

Since FY24, the City issued more than one million parking tickets per year. Total Parking Fine collections in those years totaled \$55.5 million and \$60.4 million respectively. The City maintains a high collection rate on issued tickets by implementing a variety of tactics including: nonrenewal of violator's registration and license by the Registry of Motor Vehicles until penalties are paid, increased ability to recover fine payments from rental agencies, and systematic collection of fines for company cars and leased vehicles. The City also contracts with a third-party vendor to collect delinquent fines from out of state vehicles and other hard-to-reach offenders.

In recent years, the Streets Department has made substantial gains in reducing enforcement officer vacancies. Despite decreased traffic volumes downtown, higher staffing levels and data driven enforcement will support increased revenue collections. In FY26, Parking Fine revenues are budgeted at \$58.7 million and in FY27 at \$59.2 million.

#### *Interest on Investments*

The City's level of investment income is a function of prevailing short-term interest rates and daily cash balances. Therefore, these revenues are highly sensitive to rate actions by the Federal Reserve ("Fed"). In FY23, the Fed increased rates to over 5%, a level not seen since 2007, causing Interest revenues to increase significantly, from \$4.4 million in FY22 to \$162.7 million in FY24. As interest rates have subsequently declined from their 2023 peaks, the City budgeted \$79.6 million in interest revenue in FY26 and is lowering that estimate significantly, to \$39.8 million in FY27 with the expectation of interest rate reductions continuing over the course of the year.

#### *Intergovernmental Revenues*

The intergovernmental revenues category is a new revenue group established with the integration of the Boston Planning and Development Agency (BPDA) as city department in FY25. This category includes transfers from current BPDA revenue streams and is anticipated to cover all planning-related expenditures that moved to the City. As the department was ramping up in FY25, the City received \$28.2 million. This amount is budgeted at \$46.1 million in FY26 and at the

same level in FY27. It is important to note that since the purpose of these revenues is to reimburse the City for pension funding obligations of BPDA staff, lower-than-budgeted revenues only occurs when there are lower-than-budgeted expenses.

#### *Payments in Lieu of Taxes*

Payments in lieu of taxes (PILOTs) are payments made by property-tax-exempt institutions located in the City, including hospitals, universities, and cultural institutions. These are voluntary contributions for municipal services such as police and fire protection, street cleaning, and snow removal.

Growth in PILOT revenue comes from new agreements, escalations that adjust the payments for inflation, and renegotiation or expansion of current agreements. The Massachusetts Port Authority (MassPort) currently provides about 40% of the total PILOT revenue the City receives annually, with miscellaneous institutional PILOTs making up the remaining 60%.

In April 2010, the City released a report suggesting a more standardized framework for PILOT agreements. Specifically, each agreement should represent, in cash or in-kind, 25% of the amount of tax that would be due if properties were not tax exempt. Under new guidelines, PILOT agreements would generate more revenue for the City while providing a more equitable suggested payment structure across paying institutions. New agreements under this framework were adopted in FY12, and that year included the first installment of a five-year phase-in period to the new amounts. FY17 was the first year after that phase-in period.

PILOTs, inclusive of MassPort, totaled \$57.6 million in FY24 and \$62.1 million in FY25. The FY26 budget included \$58.2 million in PILOTs revenue and the FY27 budget sets PILOTs revenue at \$59.7 million.

#### *Urban Redevelopment Chapter 121A*

Massachusetts General Law, Chapter 121A and 121B allows local governments to suspend the imposition of property taxes at their normal rates in order to encourage redevelopment. Chapter 121A revenues are based on two separate sections of the law as described below.

The Urban Redevelopment Corporation excise (Chapter 121A, Section 10) is collected in lieu of corporate income tax for which the Commonwealth acts as the collector and distributes the proceeds to municipalities. In most cases, the formula for the Chapter 121A Section 10 payment in-lieu-of-tax is \$10 per \$1,000 of the current cash value of property plus 5% of gross income. In FY24 and FY25, the City received Section 10 distributions of \$14.3 million and \$14.1 million, respectively. The City budgeted Chapter 121A section 10 revenues at \$14.8 million in FY26 and is budgeting \$13.1 million in FY27.

In addition to the Section 10 payments collected by the State, most 121A corporations have individual agreements with the City that result in additional payments that are negotiated and made directly to the City. These Section 6A agreements are often complex, with actual amounts owed dependent on the terms of each agreement. The City collected \$16.1 million Section 6A payments in FY24 and \$17.4 million in FY25. The City conservatively budgeted Section 6A

collections at \$13.4 million in FY26 and expects the same amount in FY27. Like Section 10 payments, Section 6A payments can be volatile due to early and scheduled agreement terminations. When Chapter 121A agreements expire, the 121A payments cease and the properties associated with the 121A contract transition to the property tax levy in the form of new growth.

Similar to 121A Section 10 payments, the City also collects revenue based on Massachusetts General Law, Chapter 121B, Section 16. This chapter allows for negotiated payment agreements in-lieu of Property Tax for qualifying parcels deemed blighted or substandard. Agreements also terminate after a set number of years and transition to the property tax levy in the form of new growth. The City collected \$13.6 million and \$14.1 million in FY24 and FY25 respectively for 121B Section 16 payments. In FY26, the City budgeted \$14.0 million and is budgeting \$11.4 million in FY27.

#### *Miscellaneous Department Revenue*

With local revenue generation authority heavily restricted in Massachusetts, the City strives to optimize and improve timely collection across its more than three dozen miscellaneous department revenue accounts.

The largest revenue source in this category is Street Occupancy permits and has historically represented roughly one fifth of the entire category's revenues. Street Occupancy Permit collections were \$22.8 million in FY24 and \$14.5 million in FY25. These revenues are influenced by the local construction industry and are conservatively budgeted. Street Occupancy Permits were budgeted at \$11.0 million in FY26 and are budgeted at \$6.8 million in FY27.

In FY24 and FY25, miscellaneous department revenues totaled \$93.4 million and \$84.5 million, respectively. Overall miscellaneous department revenue is budgeted at \$84.1 million in FY26 and \$78.7 million in FY27. Other large revenue accounts in this category include revenue from parking facilities, municipal Medicaid reimbursements, fire services reimbursements, and pension cost reimbursements.

#### *Licenses and Permits*

This category primarily consists of building permits revenue, from which the City received \$62.7 million and \$47.8 million in FY24 and FY25, respectively. Building permits revenue has decreased steadily since FY23, so the City has budgeted FY26 around the previous year actuals, at \$49.3 million and is conservatively budgeting FY27 at \$37.2 million.

The second largest Licenses and Permits revenue is the cable television license fee, from which the City received \$3.9 million in FY24 and \$5.2 million in FY25. The City is viewing FY25 as an outlier and believes a declining base of cable subscribers explains the decrease over time. Revenue from cable television was conservatively budgeted at \$3.6 million for both FY26 and FY27.

Alcoholic beverage licensing is the only other revenue source in this category that regularly exceeds \$4 million in annual revenue. This revenue source has been consistent, even during the pandemic. The City received \$4.7 million in collections in FY24 and \$4.6 million in FY25.

Alcoholic beverage licenses are budgeted at \$4.8 million in FY26 and \$5.2 million in FY27. In FY25, the state legislature approved 225 new liquor licenses in Boston. Licensing revenue is anticipated to increase as newly licensed establishments commence operations.

#### *Penalties and Interest*

Taxpayers are assessed both penalties and interest for late payments of property tax bills, motor vehicle excise bills, and other payments. The City collected \$14.4 million in such penalties and interest in FY24 and \$13.9 million in FY25, as tax title reforms passed by the state legislature in FY25 reduced the interest rate charged on delinquent property taxes. The City budgeted this revenue source at \$10.3 million in FY26 and is budgeting \$10.5 million in FY27.

#### *Available Funds*

Most of the City's General Fund budget is supported by the revenues that flow directly to the General Fund and are received at regular intervals, including property tax, excises, state aid, and the various other categories of revenues described above. Unlike General Fund revenues, available funds carry over from year-to-year rather than close to fund balance at the end of the year. Additionally, revenues are appropriated for specific purposes within the General Fund rather than used for any purpose.

The only two significant available funds that the City budgets each year are parking meter revenues to support the Transportation Department, and Cemetery Trust monies that are used to support the City's maintenance of its public cemeteries. Both special funds have fees collected during the course of the year. By transferring out less than what is collected over the years, the City typically builds up a balance in both funds. Trust fund balances, such as the Cemetery Trust, also benefit from the opportunity to invest in securities offering a higher return than short-term fixed-income investments.

The most recent allocation from the Parking Meter Fund to the General Fund was \$20 million in FY21. The City has budgeted transfers of \$30 million from the Parking Meter Fund and \$950,000 from the Cemetery Trust Fund to the General Fund in FY26, and \$46 million from the Parking Meter Fund and \$950,000 from the Cemetery Trust Fund in FY27.

See the "Financial Management" chapter of Volume I for more details on this revenue source.

## **Non-Recurring Revenue**

#### *Surplus Property*

The surplus property disposition fund contains proceeds from the sale of various City-owned land and buildings. The use of these funds is usually restricted to one-time expenditures. No General Fund appropriations were made in FY24 or FY25 and no appropriations are included in the FY26 or FY27 budgets from this revenue source.

#### *Budgetary Fund Balance*

Budgetary fund balance can be appropriated for use during the fiscal year after certification by the Department of Revenue. Budgetary fund balance is more commonly referred to as "Free

Cash” when used this way. This item is the portion of available reserves generated by annual operating surpluses that the City can responsibly appropriate for spending.

In FY21, \$40.0 million in Budgetary Fund balance was dedicated to supporting the appropriation for Other Post-Employment Benefits (OPEB), the liability associated with retiree health insurance costs. This same amount was budgeted but not taken in subsequent years. The sum of \$150 million was budgeted in FY25, \$40 million for OPEB and \$110 million for a one-time investment in the Housing Accelerator Program. The Housing Accelerator Program is a Mayoral led and City Council approved initiative aimed at promoting housing production by assisting approved housing projects unable to start construction due to financing constraints. In FY26, the City reverted back to funding \$40 million for OPEB, and is keeping that amount consistent for FY27.

See the “Financial Management” chapter section of Volume I for more details on this revenue source.

*American Rescue Plan Act*

In response to decreased local receipts following the onset of the COVID-19 pandemic, the City utilized \$95 million in federal aid to reduce the shortfall. These funds were part of the State and Local Fiscal Recovery Funds program provided by the 2021 American Rescue Plan Act (ARPA). The funds were split across two years, \$55 million in FY22 and \$40 million in FY23. As local revenues recovered, the City opted not to use ARPA funds for revenue replacement in FY25 and FY26. All remaining ARPA funds must be spent by December 31<sup>st</sup>, 2026 or returned to the US Treasury.

See the “Operating” chapter of Volume I (the External Funds subsection) for more details on the City’s programming of federal relief funding.

**Table 1: Revenue Detail**

	FY24 Actual	FY25 Actual	FY26 Budget	FY27 Budget
<b>Property Tax</b>	<b>3,188,943,148</b>	<b>3,358,375,212</b>	<b>3,521,321,497</b>	<b>3,649,354,534</b>
40116 Property Tax Overlay	-52,000,000	-33,000,000	-36,000,000	-38,000,000
Subtotal	3,136,943,148	3,325,375,212	3,485,321,497	3,611,354,534
<b>EXCISES</b>				
Motor Vehicle Excise	72,654,905	75,177,480	71,300,000	73,000,000
40129 Room Occupancy Excise	144,629,614	147,088,220	148,000,000	162,100,000
40130 Aircraft Fuel Excise	48,206,305	41,959,746	41,500,000	30,000,000
40140 Condominium Conversion Excise	387,500	481,500	500,000	430,000
40162 Short Term Rental	2,427,613	1,491,288	1,800,000	1,785,000
40601 Meals Excise Tax	40,632,300	41,341,922	42,800,000	42,800,000
40602 Marijuana Excise	3,615,227	2,941,746	3,660,000	3,786,200
40603 Community Host Agreements	0	0	0	0
41113 Vehicle Rental Surcharge	1,414,759	1,428,636	1,440,000	1,200,000

Boat Excise	627	31,700	10,000	8,800
Subtotal	313,968,849	311,942,238	311,010,000	315,110,000
<b>FINES</b>				
Total Parking Fines	55,492,119	60,440,930	58,700,000	59,160,000
45104 Code Enforcement - Trash	1,428,138	1,946,644	1,650,000	1,700,000
Other Fines	3,369,608	3,605,757	3,442,500	2,600,100
Subtotal	60,289,865	65,993,331	63,792,500	63,460,100
<b>Interest On Investments</b>				
47151 Interest On Investments	162,660,741	118,971,432	79,600,000	39,773,800
Subtotal	162,660,741	118,971,432	79,600,000	39,773,800
<b>Intergovernmental Revenues</b>				
49201 BPDA Transfer	0	28,245,042	46,115,964	46,085,995
Subtotal	0	28,245,042	46,115,964	46,085,995
<b>PILOTS</b>				
40167 PILOTS	34,135,678	38,022,130	33,500,000	35,000,000
40168 Other PILOTS	103,928	133,308	100,000	100,000
40169 Massport/DOT	23,352,615	23,933,168	24,600,000	24,600,000
Subtotal	57,592,222	62,088,606	58,200,000	59,700,000
<b>URBAN REDEVELOPMENT CHAPTER 121A</b>				
40230 121B Section 16	13,644,340	14,087,860	14,000,000	11,400,000
40231 121A Section 6A	16,130,274	17,412,581	13,400,000	13,400,000
40232 121C	1,212,990	0	0	0
41013 Chapter 121A Section 10	14,332,509	14,060,679	14,780,000	13,090,000
Subtotal	45,320,112	45,561,120	42,180,000	37,890,000
<b>MISC DEPARTMENT REVENUE</b>				
43105 Registry Division Fees	1,659,876	1,816,879	1,650,000	1,872,000
43109 Liens	436,500	457,200	450,000	450,000
43120 City Clerk Fees	636,277	561,271	545,000	614,000
43137 Municipal Medicaid Reimbursement	7,651,290	10,684,282	6,900,000	7,800,000
43138 Medicare Part D	669,938	0	0	0
43202 Police Services	913,978	957,871	750,000	750,000
43211 Fire Services	7,223,788	7,355,697	6,600,000	7,500,000
43301 Parking Facilities	7,465,697	8,418,832	7,000,000	4,690,000
43311 PWD - Street Occupancy.	22,796,201	14,460,794	11,000,000	6,800,000
43425 St. Furniture Prgm Fixed Fees	1,500,000	1,500,000	1,500,000	1,500,000
43426 St. Furniture Prgm Ad. Fees	1,104,432	1,242,363	1,250,000	1,250,000

44002 Tuition & Transportation	2,800,460	3,680,686	3,350,000	3,350,000
47119 Affirmative Recovery Unit	96,018	671,022	220,000	220,000
47130 Fringe Retirement	12,775,474	8,041,595	8,000,000	5,000,000
47131 Pensions & Annuities	8,409,407	8,862,717	8,800,000	10,400,000
47132 Indirect Costs Reimbursement	687,167	230,420	680,000	680,000
48000 Detail Admin Fee	3,734,184	6,529,244	5,895,000	6,020,000
Other Misc Department Revenue	12,811,530	8,984,231	19,556,056	19,835,556
Subtotal	93,372,218	84,455,104	84,146,056	78,731,556

**LICENSES & PERMITS**

40211 Building Permits	62,696,716	47,810,126	49,257,896	37,200,000
40213 Weights & Measures	247,255	261,475	250,000	230,000
40215 LTD - Street & Sidewlk Permits	1,804,165	1,924,504	1,500,000	1,500,000
40221 Health Inspections	1,782,046	1,826,229	1,750,000	1,750,000
40220 Boat Mooring Permits	0	0	0	0
40222 Alcoholic Beverage Lics.	4,748,622	4,561,080	4,750,000	4,750,000
40223 Marijuana License	93,687	99,450	75,000	75,000
40224 Entertainment Licenses	1,920,035	1,964,450	1,900,000	1,900,000
40227 Police - Firearm Permits	195,171	85,841	80,000	80,000
40229 Other Business Lic. & Permits	207,871	204,125	203,000	203,000
40235 Cable Television	3,855,331	5,178,773	3,600,000	3,600,000
46001 Dog License	230,901	276,320	230,000	230,000
Other Licenses & Permits	3,766,741	3,266,577	3,800,000	3,800,000
Subtotal	81,548,540	67,458,950	67,395,896	54,800,000

**PENALTIES & INTEREST**

40133 Pen & Int - Property Tax	4,120,504	4,412,415	3,730,000	3,730,000
40134 Pen & Int - MV Excise	2,921,451	3,661,346	3,030,000	3,230,000
40136 Pen & Int - Tax Title	7,326,914	5,867,812	3,500,000	3,500,000
Other Penalties & Interest	0	0	0	0
Subtotal	14,368,869	13,941,573	10,260,000	10,460,000

**AVAILABLE FUNDS**

42502 Approp. Cemetery Trust Fund	0	0	950,000	950,000
42503 Approp. Parking Meters	0	0	30,000,000	46,000,000
Subtotal	0	0	30,950,000	46,950,000

**STATE AID**

41015 State Owned Land	704,852	722,376	722,416	722,416
41104 Exemptions - Elderly	801,420	1,384,803	1,106,431	1,333,142
41114 Veterans Benefits	697,570	918,574	1,528,973	1,391,689

41118 Unrestricted General Government Aid	226,489,446	233,284,129	235,850,254	241,732,654
41119 Local Share Of Racing Taxes	717,536	530,229	0	0
41305 Charter Tuition Asses. Reimb.	42,866,506	37,279,694	39,515,752	43,384,411
41306 Chapter 70 Education Aid	230,700,785	236,667,161	245,309,561	249,507,686
Subtotal	502,978,115	510,786,966	524,033,387	538,071,998
<b>RECURRING REVENUE TOTAL</b>	<b>4,469,042,678</b>	<b>4,634,819,574</b>	<b>4,803,005,300</b>	<b>4,902,387,983</b>
<b>NON-RECURRING REVENUE</b>				
42501 Approp. Surplus Property Fund	0	0	0	0
42504 Approp. Fund Balance	0	110,000,000	40,000,000	40,000,000
42507 American Recovery Plan	0	0	0	0
<b>GRAND TOTAL</b>	<b>4,469,042,678</b>	<b>4,744,819,574</b>	<b>4,843,005,300</b>	<b>4,942,387,983</b>

