

OVERVIEW: FY26 RECOMMENDED ANNUAL OPERATING BUDGET

*Office of Budget Management
April 17, 2025*



City of Boston
Mayor's Office

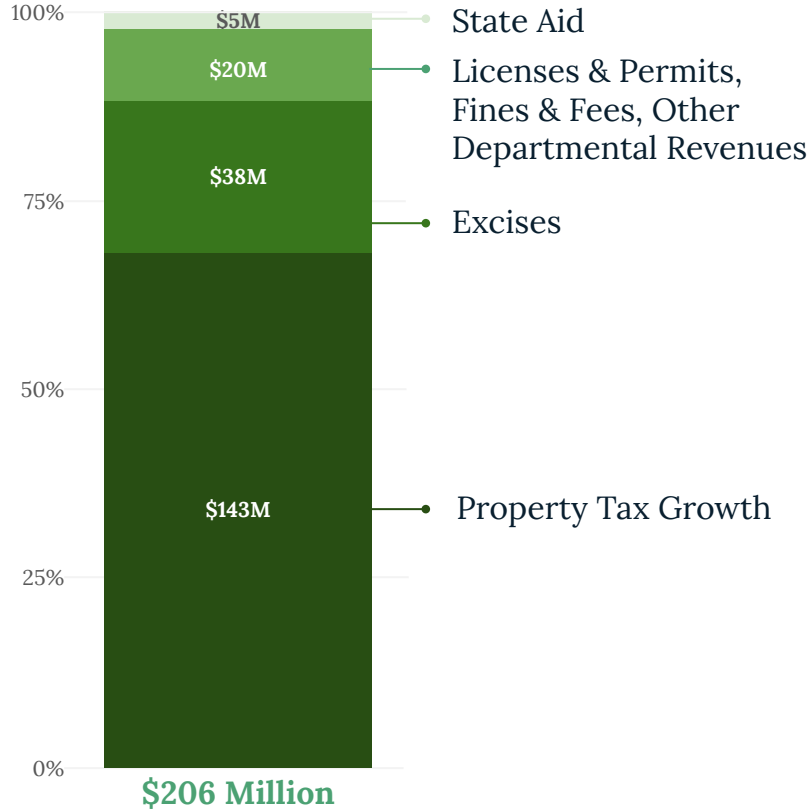


City of Boston
Budget

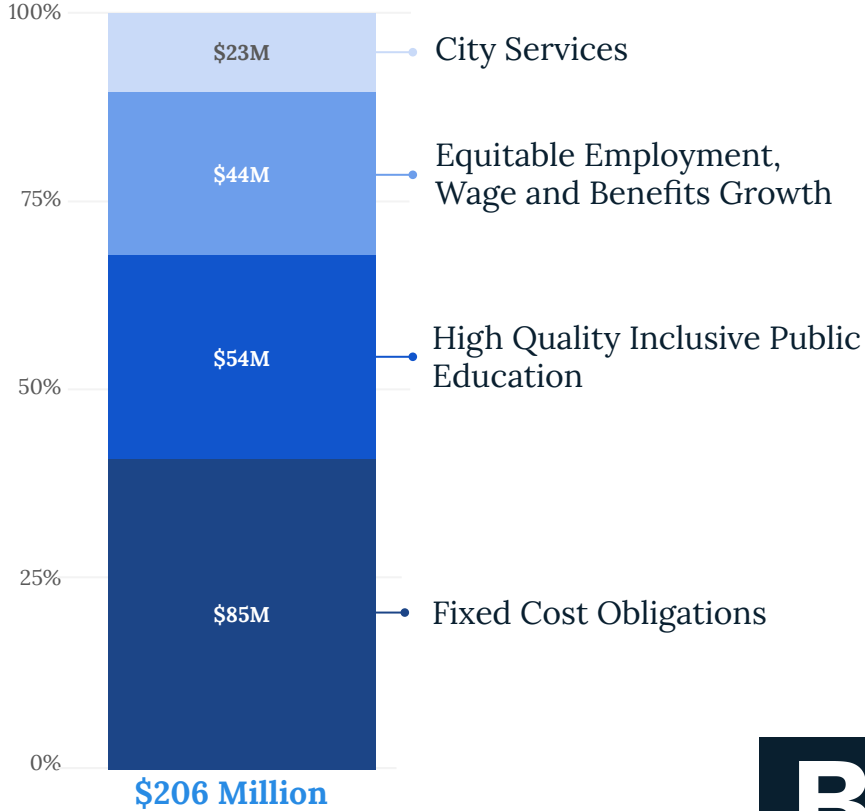
FY26 BUDGET OVERVIEW

- Fiscal Year (FY) 2026 Operating Budget totals \$4.8 billion
- Budget growth of \$206 million or 4.4%, adjusted for the FY25 Housing Accelerator Fund appropriation (*without adjustment, growth is \$96 million or 2%*)
 - **Growth driven by long-term obligations and non-discretionary costs** such as pensions, debt service, health insurance, and collective bargaining
 - City department budgets are growing 1.7%, reflecting cost escalation of maintaining service levels
- Prepares for uncertainty from federal policies and macroeconomic impacts with a **responsible approach to constraining growth**
 - No new headcount, increased salary savings, and reduction in long-term vacancies
 - Modest reductions in non-personnel items such as materials and supplies
- **Protects critical city services** for our residents and businesses, while continuing to fulfill the City's commitments as an employer, asset owner, and economic driver

REVENUE GROWTH



EXPENDITURE GROWTH



THE ECONOMY & FEDERAL POLICY CONTEXT

- The City maintains strong financial health due to **consistent and responsible budget management**
 - Reflected in AAA bond rating from Moody's and S&P for over a decade and annual balanced budgets
 - Operating budget is anchored by a reliable revenue source in property taxes, providing stability and resilience to short-term economic volatility
- **Closely monitoring federal resources**- while not part of the Operating Budget, over \$300 million in federal funding supports critical city services
- **Impacts on the broader economy** from tariffs and other federal policy changes, as well as continued inflationary pressures

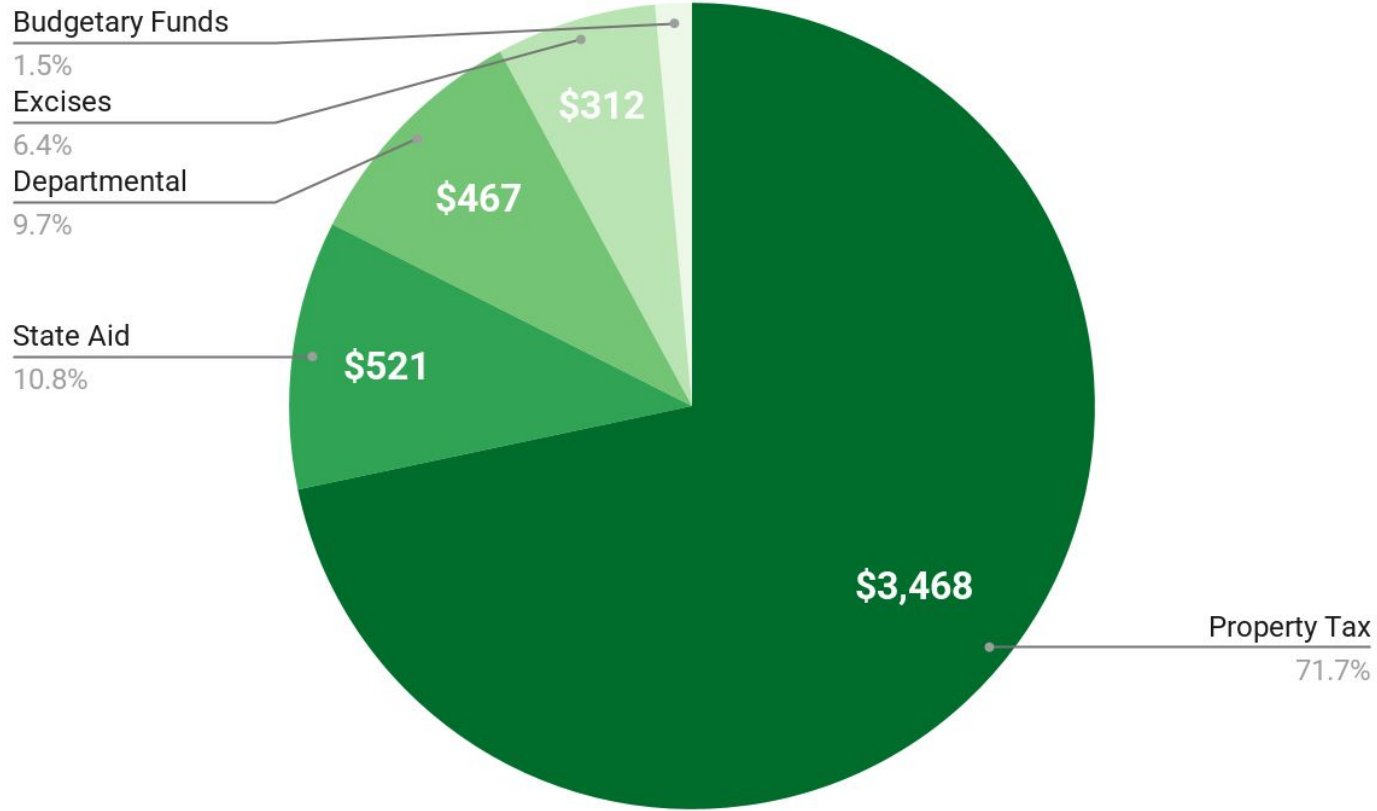
GENERAL FUND REVENUE

A blue-tinted photograph of a city ice skating rink at night. Many people are skating on the ice, which is surrounded by a low wooden fence. In the background, there are tall city buildings and trees decorated with string lights. The overall scene is festive and urban.

FY26 GENERAL FUND REVENUE - \$4.8B TOTAL

- City's operating budget is supported by stable revenue sources
- **Property tax** continues to be a dependable foundation for the City's revenue base
 - Property tax, inclusive of new growth, accounts for 7 out of 10 new dollars added to the FY26 revenue budget
- Budgeted increases in **excises** capture the strength and vitality of Boston's hospitality, tourism, and dining sectors
- **Other departmental** and **State revenues** are slated to grow in line with existing City department capacity and proposed State budget line items
- The City's revenues are **dependable, predictable, and economically sound** – given current levels of economic uncertainty, budgeted revenues are based on realistic revenue projections while considering potential risks

FY26 GENERAL FUND REVENUE - \$4.8B TOTAL

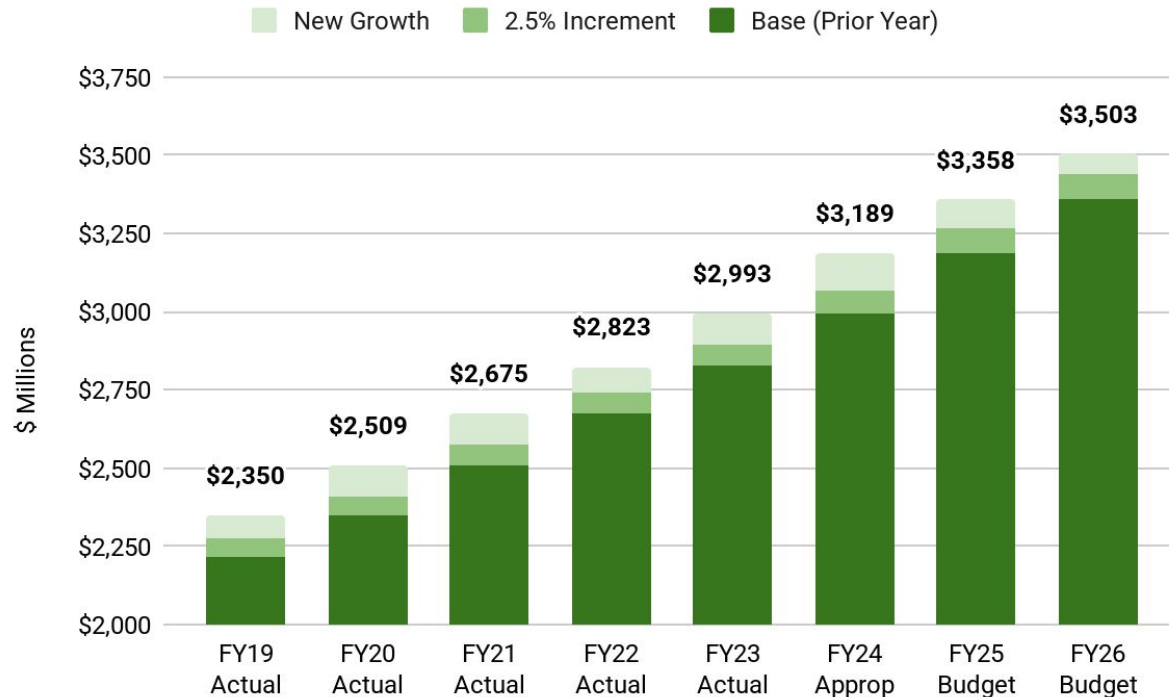


FY26 GENERAL FUND REVENUE - \$4.8B TOTAL

Type	FY25 (\$M)	FY26 (\$M)	Change (\$M)	Change (%)	% of Total Budget
Property Tax	\$3,325	\$3,468	\$143	4.3%	71.7%
State Revenues	\$516	\$521	\$5	0.9%	10.8%
Departmental Revenues (incl. interest on City funds)	\$447	\$467	\$20	4.4%	9.7%
Excises	\$273	\$312	\$38	14.1%	6.4%
Budgetary Funds	\$71	\$71	\$0	0.0%	1.5%
Revenue Total	\$4,632	\$4,838	\$206	4.4%	100.0%

GROSS PROPERTY TAX LEVY

Property tax revenue continues to experience stable, predictable growth, but is limited by Prop 2 ½ and impacted by new growth

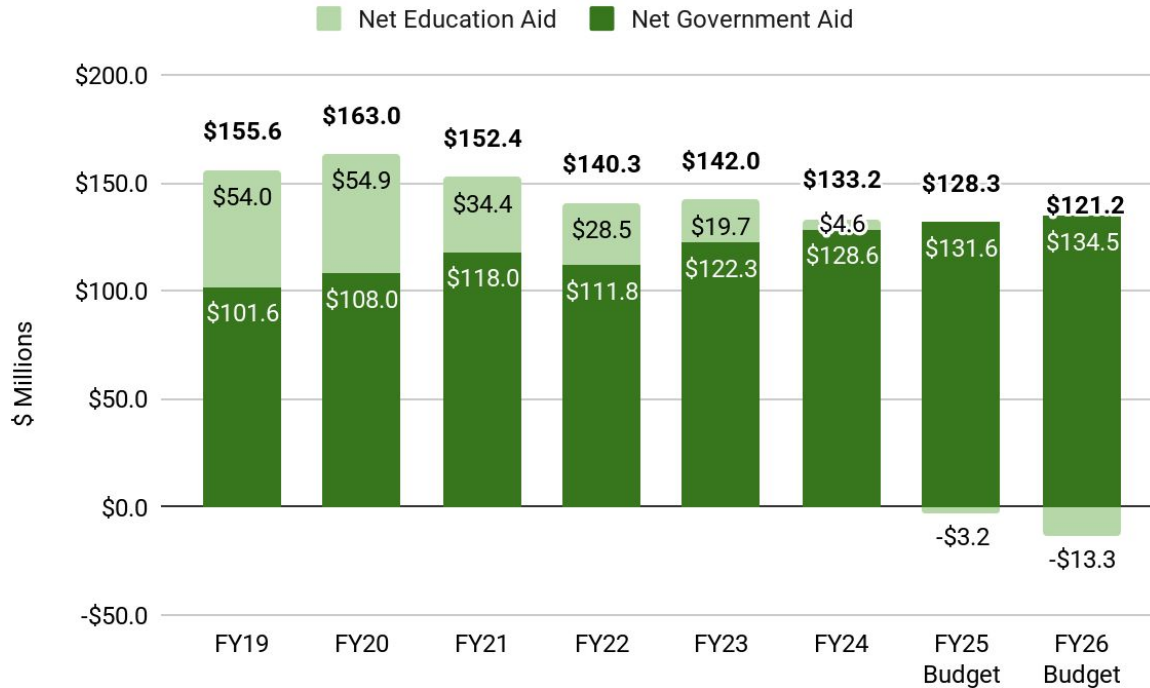


Property tax is **71.7%** of total revenue in FY26

\$139M growth over FY25, including \$60M in New Growth

NET STATE AID

As state education assessments grow, net education aid (aid revenue less assessments) continues to decline



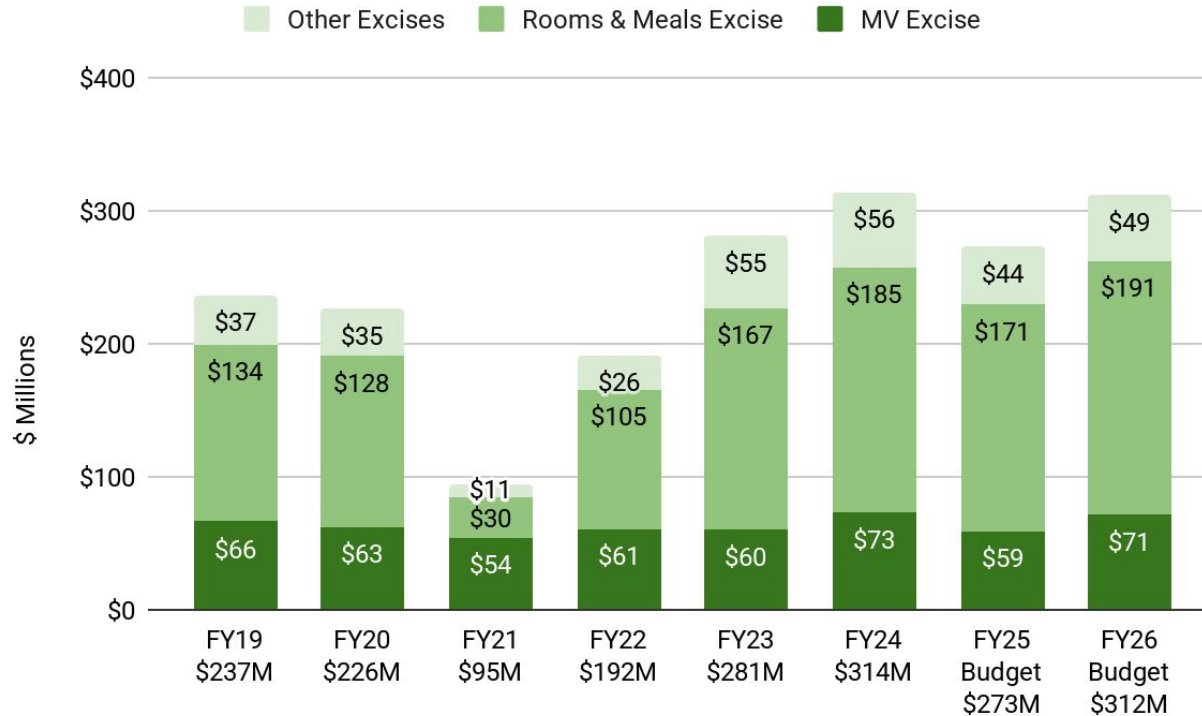
State aid is **10.8%** of total revenue in FY26

\$5M increase in aid revenue from FY25

-\$7M reduction in total net aid from FY25

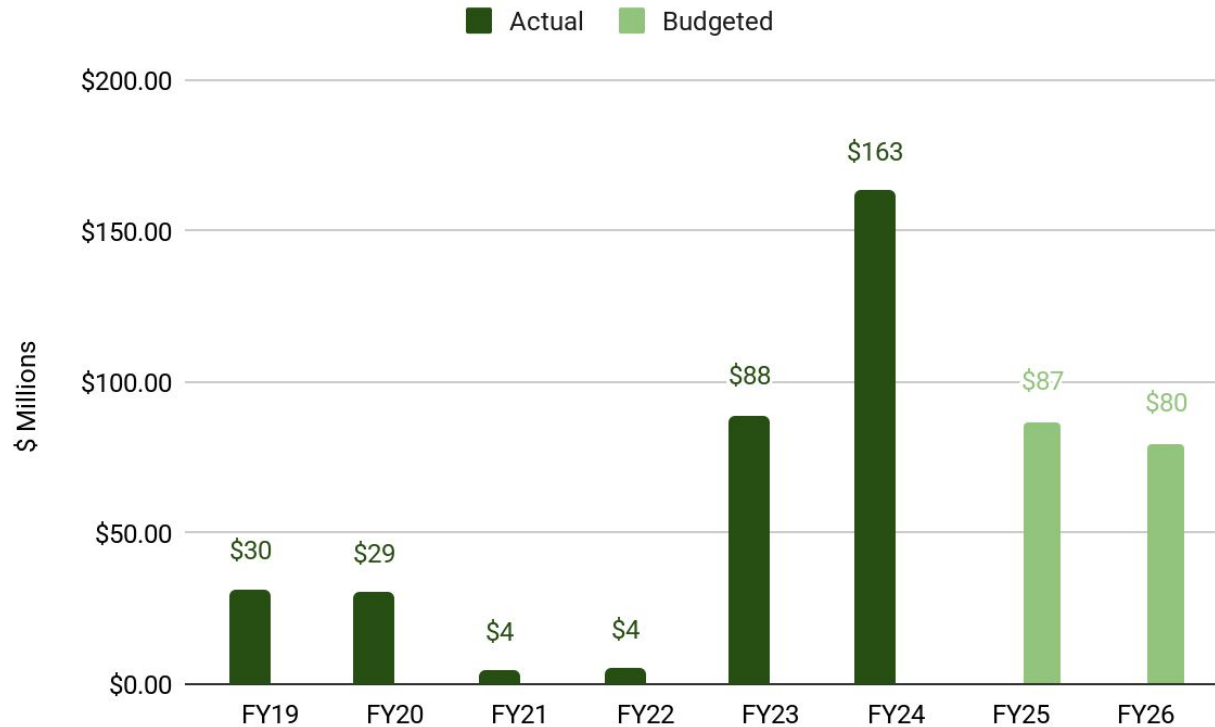
EXCISES

Excises, notably rooms & meals, fluctuate based on economic factors



INTEREST ON INVESTMENTS

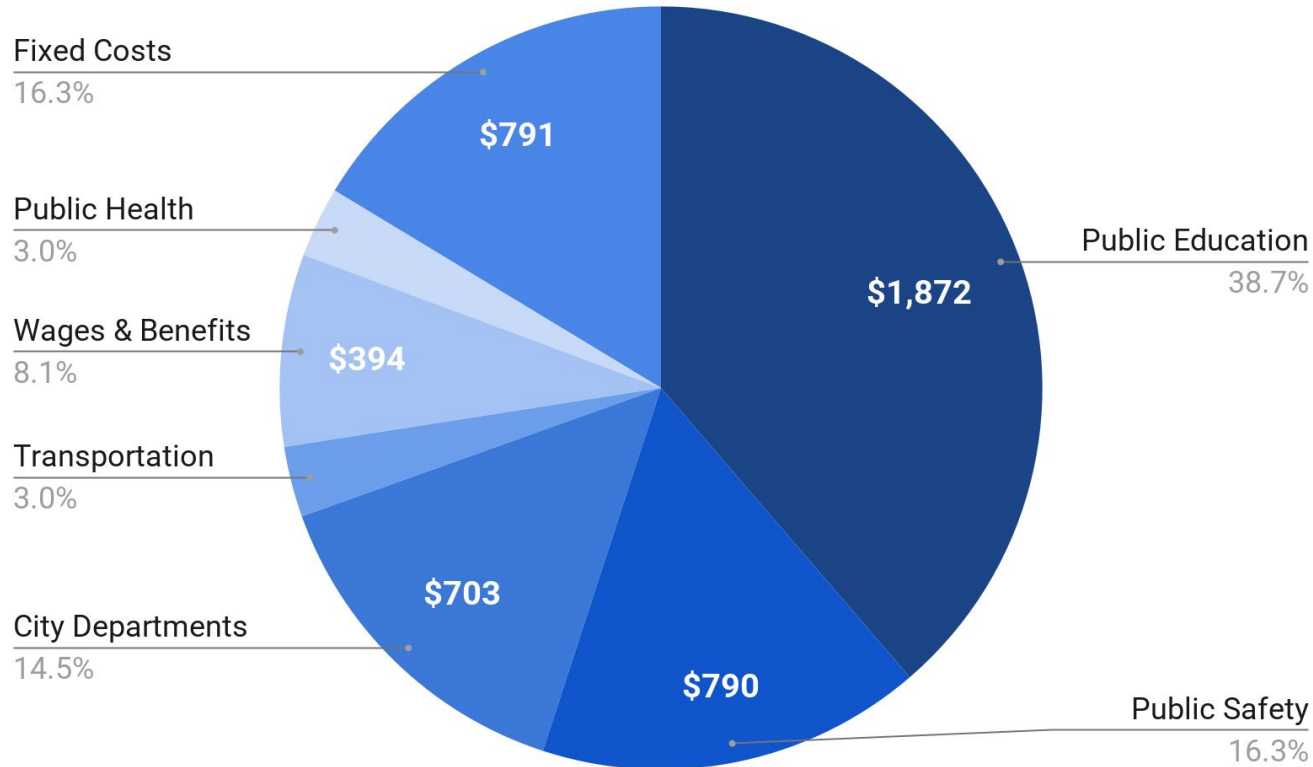
The City is preparing as interest revenue ramps down



EXPENDITURES



FY26 OPERATING BUDGET - \$4.8B TOTAL



APPROPRIATIONS

<i>Appropriation Categories</i>	<i>FY25 (\$M)</i>	<i>FY26 (\$M)</i>	<i>Change (\$M)</i>	<i>Change (%)</i>
City Departments	\$1,488	\$1,514	\$25	1.7%
Public Health	\$140	\$144	\$4	3.0%
Boston Public Schools	\$1,535	\$1,580	\$45	3.0%
Collective Bargaining	\$83	\$103	\$20	23.8%
OPEB	\$40	\$40	\$0	0.0%
Other Central Funds	\$257	\$274	\$18	7.0%
Appropriations Total	\$3,543	\$3,655	\$113	3.2%

FIXED COSTS

<i>Fixed Cost Categories</i>	<i>FY25 (\$M)</i>	<i>FY26 (\$M)</i>	<i>Change (\$M)</i>	<i>Change (%)</i>
Pensions	\$422	\$468	\$45	10.7%
Debt Service	\$276	\$310	\$34	12.2%
Charter School Tuition	\$283	\$292	\$9	3.1%
MBTA	\$97	\$100	\$3	3.1%
Other Assessments	\$10	\$13	\$2	23.8%
Fixed Costs Total	\$1,090	\$1,183	\$93	8.6%

PERSONNEL BUDGETS

- As a good budgeting practice, each year the City takes a look at salary savings and long-term vacancies (positions vacant and not posted for over a year)
- The FY26 Recommended Budget includes reductions and salary savings equivalent to 500 positions
 - Combination of reduction in long-term vacancies and updated hiring assumptions
 - Reflects a more realistic approach to hiring, while still giving departments flexibility to meet needs and deliver services
- No layoffs or hiring freezes assumed in this budget
- Over the last two years, we have increased salary savings by over \$9 million

OPERATING BUDGET HIGHLIGHTS

BASIC CITY SERVICES

Improved accountability in trash contracts:

- Modest growth in the Streets Cabinet of \$12.8 million or 6.6%
- Growth related to improved trash collection contracts that provide additional contracted labor and require more reliable trucks and technology

Efficient and modern constituent services:

- Innovation & Technology Cabinet will modestly grow in FY26 by \$4.1 million
- Driven by new 311 constituent relationship management technology and permitting and licensing systems to improve constituent experience

HEALTH & SAFETY

- **First responder capacity-building:**
 - BPD community teams in neighborhoods will collaborate with community stakeholders to improve quality of life, increase trust, and reduce violence, helping Boston remain the safest major city in the country
 - BPD will hire replacement classes in winter and spring of 2026 and recruit youth for a diverse cadet class, and Fire recruit class will include additional members of the first eligible cohort of cadets in its fall 2025 replacement class
- **Trauma response:** BPHC will utilize opioid settlement funds and its operating budget to continue tackling opioid overdoses
- **Senior services:** Age Strong will use state and operating budget funding to provide senior programming to reduce social isolation for older adults throughout our neighborhoods

EDUCATION

The Boston Public Schools operating budget will increase by \$45.5 million, including:

- \$10 million to expand **inclusive practices**, continuing the rollout to new grades
- Increased support for **multilingual learners and new arrivals** with a \$4 million investment
- An additional \$5 million investment in schools to **boost educational programming**, expanding programs to improve career-readiness and early college options

HOUSING AFFORDABILITY

- **Energy Saver Program:** New program to enable homeowners to upgrade their heating and cooling systems, making homes greener and reducing costs for residents
- **Co-Purchasing Pilot Program:** New program to support households in combining their purchasing power to promote co-ownership of multi-family homes, funded with existing operating funding
- **Acquisition Opportunity Program:** Supports mission-driven developers to make occupied multi-family private housing permanently affordable, funded with a variety of external resources outside of the operating budget
- **Housing Acquisition Fund:** Public-private revolving loan fund to advance affordable housing preservation, kickstarted by one-time seed funding from the FY25 operating budget and ARPA
- **Housing Accelerator Program:** \$110 million was appropriated in FY25 with the goal of providing funding to approved mixed-use housing projects

THANK YOU!