



The Research Bureau

BREAKING DOWN THE BUDGET

City of Worcester for Fiscal Year 2025

REPORT 24-13

September 2024





EXECUTIVE SUMMARY

EACH YEAR on July 1, Massachusetts cities and towns must implement a balanced budget. Worcester’s FY25 budget, *Empowering Progress: Investing in Equity, Talent, and Culture*, took effect on July 1, 2024. Municipal budgets must cover fixed costs and allocate funds to various public services and initiatives. Budgets reflect a city’s priorities by

outlining how resources will be distributed. The Worcester Regional Research Bureau independently reviews the budget to enhance transparency and help residents assess how well the budget meets their needs. This report provides an overview of the City’s budget process, detailing revenues, expenses, and key changes from FY24 to FY25.

PAGE 3-4 | WHO IS IN CHARGE OF THE BUDGET? HOW IS IT APPROVED?

- The City Council (11 members) and the City Manager oversee city operations. The Mayor chairs the City Council and School Committee. The Worcester Public Schools are managed by a 9-member School Committee and the Superintendent.
- The City Manager submits the budget to the City Council within 170 days of their first meeting. The Council must vote on it within 45 days or it automatically takes effect.
- The City Council can only reduce spending, while the City Manager has the power to increase or reallocate funds.

PAGE 5 | REVENUE: WHERE DOES THE CITY’S MONEY COME FROM?

- The City’s budget is approximately \$893 million, a **3.0% increase** from FY24’s \$867 million.
- Revenues come from local property taxes and receipts, state and federal aid, and other smaller revenue streams.

PAGES 6-7 | HOW ARE PROPERTY TAXES ASSESSED?

- **The City has a dual tax rate: \$13.75 per \$1,000 for residential properties and \$30.04 per \$1,000 for commercial/industrial/personal properties in FY24.**
- Worcester has seven active **PILOT (Payment in Lieu of Taxes)** agreements, expected to generate about **\$1.7 million in FY 2024.**

PAGE 8 | EXPENDITURES: WHERE DOES THE CITY’S MONEY GO?

- \$533 million (60%) to education, \$195 million (22%) to city services, and \$165 million (18%) to fixed costs.
- Spending changes from FY24: Education up 5.3%, city services up 4.4%, and fixed costs down 5.4%.

PAGES 9-10 | HOW DOES THE CITY FUND CAPITAL PROJECTS? IS THERE A PLAN?

- Worcester funds long-term projects like equipment and infrastructure through tax-exempt municipal bonds. **Notable expenditures include \$41.25 million for school projects, \$1 million for traffic signal upgrades, \$1.5 million for energy audits and HVAC, and \$825,000 for police equipment.**
- The Financial Integrity Plan establishes budgetary guidelines, links debt to debt service coverage, and improves financial transparency.

PAGES 10-11 | POINTS OF INTEREST AND IMPACTS FROM THE STATE

- The school district faced a \$22 million shortfall due to inflation, resulting in cutting 355 positions.
- The budget streamlined marketing, HR, and procurement functions within city government.
- The Executive Office of Diversity, Equity, and Inclusion’s budget increased to \$850,479, but no new staff were hired in FY24, and the Chief Equity Officer position is still open.
- Local receipts will rise by 7.2%, driven by a 92.3% increase in investment income. However, Medicaid reimbursements for special education services will drop by 45.5%.
- The state’s FY25 budget includes \$51 million in unrestricted aid for Worcester (a 3% increase), and raises child care subsidy eligibility to 85% of median income, likely benefiting Worcester families.

PAGE 12 | CONCLUSION

- Summarizes the key revenues, expenditures, and insights from the City’s FY25 budget.
- Understanding the budget is essential for fostering informed discussions on Worcester’s financial priorities.



EACH YEAR

on July 1, Massachusetts cities and towns must implement a new budget. The City of Worcester’s Fiscal Year 2025 (FY25) budget, entitled [Empowering Progress: Investing in Equity, Talent, and Culture](#), took effect on July 1, 2024. Municipal budgets must balance—expenditures cannot exceed revenues. The budget process requires that municipalities confront the challenge of fixed costs, like debt service and pensions, while deciding among priorities like education, police and fire departments, economic initiatives, and other services.

Municipal budgets can reflect a city's priorities and values, offering insight into the vision and the decisions of its leadership. They go beyond mere financial statements to reveal how resources are allocated to address immediate needs and pursue long-term goals. The Worcester Regional Research Bureau provides an independent review of the budget to enhance transparency and provide residents with a resource for accountability. This approach aims to provide a clear understanding of the budget changes from the prior fiscal year so that residents can evaluate how well it aligns with their diverse wants and needs.

WHO’S IN CHARGE OF THE BUDGET?

The City of Worcester operates under a Council-Manager form of government with a popularly elected Mayor, known as a modified Plan E form of government. The Worcester Public Schools (WPS) system is a quasi-independent department of the City.

The City Council is the City’s legislative body while the City Manager serves as chief executive officer. The City Council is made up of 11 members—six elected citywide (or at-large) and five elected from districts. The Mayor is the candidate who receives the most votes in the mayoral election and wins an at-large City Council seat. All at-large candidates are automatically entered into the mayoral race, and have the option of withdrawing their name from consideration for Mayor. In addition to their role as City Councilor, the Mayor serves as the ceremonial head of the government and chairs both the City Council and School Committee. The City Council hires the City Manager and can remove them by majority vote. The City Manager hires all City employees (except the City Clerk, City Auditor, and WPS employees), oversees City operations, and presents the City Council with an annual budget that must be approved by June 30 of each year.

The City Council has the authority to reduce applicable line items in the City Manager’s proposed budget, but not increase such items. The approved budget must be balanced.

The Worcester School Committee is the WPS’s legislative body while the Superintendent of Schools serves as chief executive officer. As of 2024, the School Committee consists of nine members, two at-large members and six district committee members with the Mayor serving as its Chair. The School Committee approves the district budget, and has authority to transfer within line item accounts, so long as the overall amount remains within the City’s appropriation. Additionally, the School Committee may hire or remove by majority vote the Superintendent and may establish and appoint the following key positions by recommendation of the Superintendent: Assistant or Associate Superintendent, School Business Administrator, Administrator of Special Education, School Physician, Registered Nurses, and Legal Counsel.

For more on the City’s form of government, read the Bureau’s brief, [Understanding the Charter](#), from October, 2023.



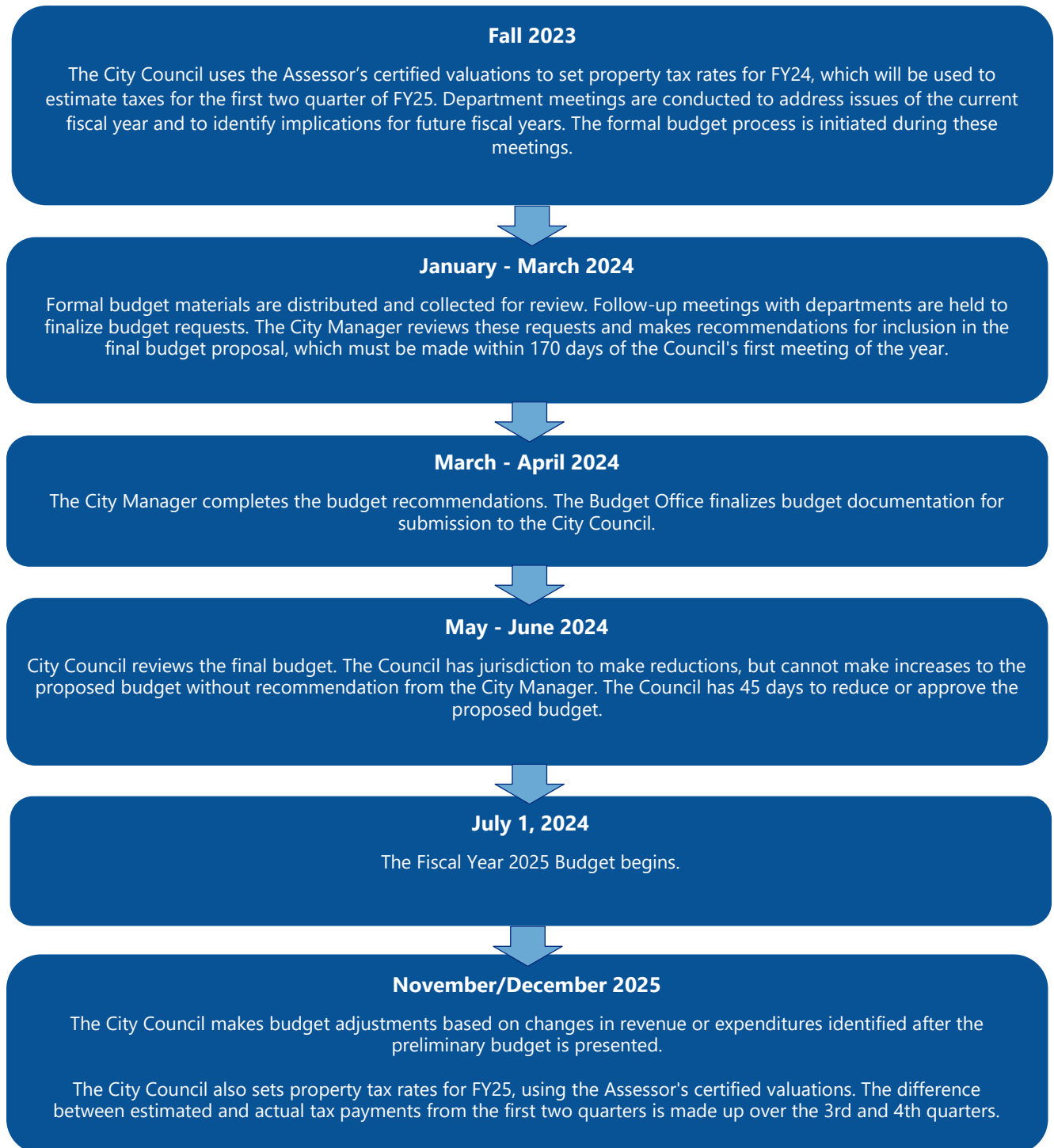
The financial information in this report is drawn from the City of Worcester FY25 annual budget and capital budget and the Worcester Public Schools FY25 budget.



HOW IS THE BUDGET APPROVED?

Under the City Charter and State law, the City Manager must submit a budget to the City Council within 170 days of the Council's first meeting in the new calendar year. The Council must act on the budget within 45 days of receiving it and approve it by June 30. If it is not voted on, the City Manager's budget automatically goes into effect.

The Council is limited in its authority over the budget. While it can make general reductions in the budget, it cannot increase it without the recommendation of the City Manager. Thus, City Council is not able to move funding from one priority to another; it can only reduce general funding and request that the City Manager consider alternative priorities. Since the City's budget must be balanced, the budget process requires the City Manager and City Council to set priorities as they decide how to spend the City's limited resources.





REVENUE: WHERE DOES THE CITY'S MONEY COME FROM?

The City of Worcester's budget, approximately \$893 million for FY25, is financed by a combination of locally raised funds, funds provided by the State and Federal governments, as well as public and private grants. It

represents a 3.0% increase from the final FY24 budget of \$867 million.

Around 50% of Worcester's revenues are generated locally, from property tax and local receipts. The remaining 50% of revenues are primarily state aid programs. These are largely dedicated to public education, primarily through the Chapter 70 School Finance Program.

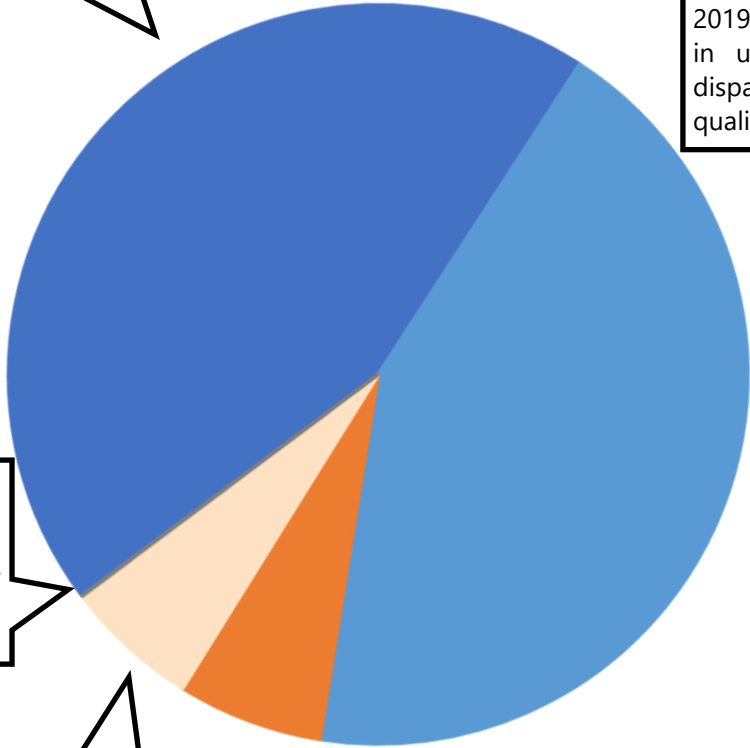
Property Tax: 44.4% / \$396 million
The aggregate revenue raised from the annual tax assessment on the value of real estate (*land and buildings*) and personal property (*equipment and machinery*) in the city.

State Aid (Education): 43.4% / \$387 million
State funds for Worcester Public Schools and charter schools are primarily determined by the "foundation budget" formula, which produces a Chapter 70 grant. The Student Opportunity Act of 2019 increases funding for districts in underserved areas to reduce disparities and improve educational quality through FY28.

Other Available Funds: 0.02% / \$180 thousand
These are revenues transferred in from various reserve accounts.

Local Receipts: 6.3% / \$57 million
Local property taxes, motor vehicle excise taxes, licenses and permits, hotels and meals taxes, and other fee-based income sources.

State Aid (General): 5.9% / \$53 million
Unrestricted state aid as well as specific aid for expenses such as school building reimbursements and veterans benefits.





HOW ARE PROPERTY TAXES ASSESSED?

Property taxes, the largest source of local revenue, are based on the value of land, buildings, and personal property. The property tax assessment process follows a regular year-long quarterly billing cycle.

Property values are determined by the City Assessor’s Office under the supervision of the Massachusetts Department of Revenue. Every five years, the Assessor conducts a reassessment of all properties in the city by sampling. Once every ten years, all properties in the city are reassessed by physical inspection. Property tax is assessed on the full and fair cash value of a property. Certain property classes such as commercial/income properties are assessed by the cost approach (the cost to replace the property) or the income capitalization approach (annual net operating income divided by the capitalization rate). A property owner can seek an abatement of property tax liability on the basis of 1) overvaluation; 2) disproportional assessment; 3) improper classification; or 4) statutory exemption.

The City Council sets the tax rate each fall. Unlike most of Greater Worcester (as seen in the table above), Worcester currently has a dual tax rate, taxing residential property and commercial/industrial/personal (CIP) property at different levels. In FY24, the residential rate decreased to \$13.75 per \$1,000 of property value, while the CIP rate decreased to \$30.04 per \$1,000. compared to FY23.

In 1980, Massachusetts voters adopted an initiative limiting tax levy increases each year to 2.5% over the previous year, plus the value of new construction. “Proposition 2½” also limited the total tax levy of a community in any given year to 2.5% of the total taxable assessed value of the community. Since the City of Worcester has not collected the maximum levy allowed by law each year, it has an unused tax levy capacity of approximately \$23.7 million in FY25. Under the law, the City has the authority to increase taxes to capture this additional amount without seeking a voter-approved override.

FY24	Commercial/ Industrial	Residential
Worcester	\$30.04	\$13.75
Auburn	\$16.81	\$14.93
Paxton	\$16.07	
Westborough	\$16.41	
West Boylston	\$14.78	
Holden	\$14.15	
Grafton	\$14.31	
Northborough	\$14.28	
Boylston	\$13.81	
Millbury	\$13.23	
Leicester	\$12.55	
Shrewsbury	\$12.38	

Source: [Massachusetts Division of Local Services: City and Town Tax Rates](#)

The City of Worcester relies heavily on the local property tax as a source of revenue. The table below shows the estimated and assessed values of taxable and tax-exempt properties in Worcester. The total value of taxable and tax-exempt property in Worcester was \$29.5 million. Taxable properties comprised \$22.3 million (72.4%), with residential properties making up the largest portion, while tax-exempt properties totaled \$7.2 million (24.6%).

Since nearly one fourth of Worcester’s land area and property value are exempt from local taxes, this places the burden on taxable properties to generate sufficient revenue for municipal operations. To help address this gap, Payment in Lieu of Taxes (PILOT) agreements are voluntary arrangements between the City and tax-exempt organizations, such as educational, medical, and cultural institutions. PILOTs compensate municipalities for essential services, such as fire protection, trash collection, snow removal, and other public services that these organizations benefit from but do not pay for through property taxes. Many cities encourage these agreements to offset the financial impact of having a significant portion of tax-exempt property, particularly in areas with large non-profit institutions.

Assessed and Estimated Actual Value of Taxable and Tax-Exempt Property, FY24		
Tax Status	Value	Percent of Total
Taxable Property Values	\$22.3 billion	72.4%
of which Residential Property	\$17.6 billion	59.6%
of which Commercial/Industrial Property	\$3.6 billion	12.1%
of which Personal Property	\$1.1 billion	3.8%
Tax-Exempt Property Values	\$7.2 billion	24.6%
Total Taxable and Tax-Exempt Property Value	\$29.5 billion	100%

Source: [Massachusetts Division of Local Services, Tax Exempt Properties](#) and the [City of Worcester’s Assessing Department’s FY24 Property Assessment by Class](#) (page 43 of pdf download)



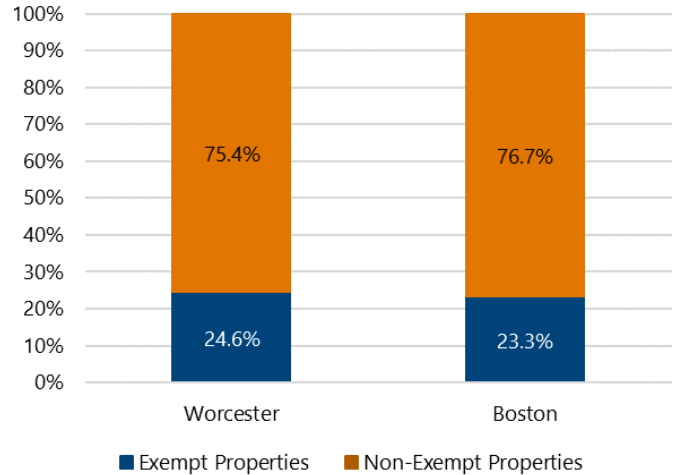
As of April 2, 2024, Worcester has seven active PILOT agreements, collectively generating \$1.7 million in revenue. Of this, nearly 90% comes from agreements with educational institutions: Worcester Polytechnic Institute, Clark University, the Massachusetts College of Pharmaceutical and Health Sciences, and the College of the Holy Cross. The table below shows further details on each PILOT agreement, including their duration, amount, and purpose.

In Boston, the City's PILOT Task Force encourages tax-exempt institutions with property over \$15 million to make voluntary contributions. In FY 2023, 45 institutions participated, contributing \$97.9 million. This includes \$62.1 million in community benefit credits and \$35.7 million in cash contributions. Educational institutions provided about 48% of the total, with Boston University, Harvard University, and Northeastern University comprising 80% of educational contributions and 29% of the City's entire PILOT contribution. Overall, Boston received 76% of its requested amounts in FY23 ([City of Boston, 2023](#)).

Chart 1 shows the reliance of each city on non-profit organizations by comparing the share of value of tax-exempt properties. This fairly compares Boston and Worcester, despite their differences in size and the absolute values of properties. The Bureau also calculated the total value of PILOT contributions as a percentage of the total value of exempt properties in both cities for FY24. Since Boston has not yet released its FY24 PILOT

report, its FY24 figures are estimated based on the same contributions as FY23, adjusted for a 2.9% inflation rate according to the Bureau of Labor Statistics' [Consumer Price Index for All Urban Consumers \(CPI-U\)](#).

Chart 1: Share of Tax-Exempt vs. Non-Tax-Exempt Property Values



Source: [Massachusetts Division of Local Services, Tax Exempt Properties](#)

City	PILOT Contribution as a Share of Total Exempt Property Value
Worcester	0.02%
Boston	0.15%

While Worcester has a greater share of non-profit property value than Boston, Worcester gets 0.13% less of that property value back through PILOTs than Boston.

PILOT	Trigger	Initiated	Expires	Criteria	Purpose	FY24 Anticipated
Massachusetts College of Pharmacy and Health Sciences	Campus Expansion	FY09	2036	Initial Contribution and 20% of Tax of New Acquisitions	Worcester Public Library	\$262,432.91
WPI	Campus Expansion	FY09	FY34	Initial Contribution and Up to 50% Tax for New Commercial or Industrial Properties and 100% for New Residential Properties	Institute Park and Worcester Public Library	\$795,713.47
Clark University	Campus Expansion	FY11	2031	" "	University Park and Worcester Public Library	\$350,138.62
College of the Holy Cross	General Support	FY2012	2028	\$80,000	Worcester Public Library (Bookmobile Libby)	\$80,000 and \$40,000 for Recreation Worcester
UMass Memorial Health	378 Plantation Street Expansion	FY22	FY27	\$150,000 + \$1,000,000	Health Equity Fund/Group	Not Available
Christopher House	New Construction	1994	2024	\$75,000 less than actually tax paid	General Fund	Not Available
New Garden Park	Saint-Gobain Acquisition	FY23	FY25	Reduction of actual taxes over three years	General Fund	\$180,338.49
Total						\$1,708,632.49

Source: [City Manager's PILOT Update to the City Council](#)



EXPENDITURES: WHERE DOES THE CITY'S MONEY GO?

The City organizes expenditures into three categories. Education, which encompasses money sent to the Worcester Public Schools, charter school tuition, and school choice tuition (out of district and Special Education), makes up \$533 million or 60% of the budget. Second is City Services, which is \$195 million, or 22% of

expenditures in FY25. This category includes most public-facing departments such as Fire, Police, Public Works, and Health and Human Services. It also includes salaries of elected and appointed officials in City government such as the city councilors, the Mayor, City Clerk, and the City Manager. Last is Fixed Costs, which the City defines as financial obligations like health care, pensions, debt service, as well as some services like snow removal and street lights, which is \$165 million or 18%.

Expenditure Summary	FY25 Budget	Change from Adopted FY24	Manager's Categorization
Worcester Public Schools	\$485,710,712	5.2%	Education
Police	\$60,477,684	9.0%	City Service
Fire	\$44,091,481	-1.9%	City Service
Charter Schools	\$47,250,108	7.3%	Education
Debt Service	\$47,214,226	11.5%	Fixed Cost
Pensions	\$38,764,693	2.8%	Fixed Cost
Health Insurance	\$32,855,439	3.3%	Fixed Cost
Public Works and Parks	\$23,749,616	0.7%	City Service
Financial Integrity Plan Funds*	\$19,931,828	-34.8%	Fixed Cost
Pension Bond Debt Service	\$10,140,583	-2.2%	Fixed Cost
Innovation and Technology	\$10,000,568	-1.4%	City Service
Public Library	\$6,799,588	2.6%	City Service
Snow Removal	\$5,500,000	-8.3%	Fixed Cost
Health and Human Services	\$5,111,290	-4.6%	City Service
Inspectional Services	\$4,981,033	0.9%	City Service
Intergovernmental Charges	\$5,225,191	11.1%	Fixed Cost
Contingency	\$6,677,731	59.5%	City Service
Law/Insurance/Court	\$4,052,120	-3.8%	City Service
Transportation and Mobility	\$3,570,585	2.0%	City Service
Emergency Communications	\$3,389,291	-10.1%	City Service
Finance	\$3,708,900	13.8%	City Service
Public Facilities	\$3,476,069	-1.0%	City Service
Economic Development	\$3,292,428	24.6%	City Service
Human Resources	\$2,580,730	17.4%	City Service
Streetlights	\$1,495,490	0.0%	Fixed Cost
City Manager's Office	\$1,796,207	33.7%	City Service
Worker's Compensation	\$1,336,673	0.1%	Fixed Cost
Injured on Duty	\$1,333,767	0.2%	Fixed Cost
Assessing	\$1,194,136	2.1%	City Service
Elections	\$1,042,037	-15.7%	City Service
City Clerk	\$1,051,265	-0.6%	City Service
OPEB Trust Deposit	\$1,071,795	-83.9%	Fixed Cost
Diversity, Equity, and Inclusion	\$850,479	14.2%	City Service
Auditing	\$834,363	13.3%	City Service
Union Station	\$678,305	-15.6%	City Service
Sustainability & Resilience	\$587,945	11.5%	City Service
City Council	\$642,009	27.9%	City Service
Workforce	\$200,000	0.0%	City Service
Mayor	\$186,734	5.4%	City Service
Unemployment	\$119,840	0.0%	Fixed Cost
Total Education	\$532,960,820	5.3%	
Total City Services	\$195,022,594	4.4%	
Total Fixed Costs	\$165,019,525	-5.4%	

Debt service reflects the City's plan to repay borrowed funds for investments in new schools, parks, streets, and sidewalks. Portions of the capital budget, representing new investments made each fiscal year, are factored into next fiscal year's debt service.

Aside from one-time funds established in FY24, there will be decreases to certain funds that are regularly included in the plan. The Capital Campaign Stabilization Fund was reduced by 60%, the OPEB Reserve Fund by 84%, but the New High School Fund increased by nearly 25%.

This year, spending on snow removal has been reduced by \$500,000 compared to the prior year.

Contingency for this fiscal year includes a \$250,000 allocation for a neighborhood advocates program, \$4 million for cost-of-living adjustments (COLAs) for union employees awaiting new contracts, and \$2.5 million for prior-year retroactive payments upon the execution of those contracts.

The City Manager's Office added a Chief of Staff and a Director of Marketing and Public Relations. It also received the Senior Web Support Specialist and Web Specialist positions from the Department of Innovation and Technology. The office also received a Senior Staff Assistant from the Division of Public Health, while eliminating the Coordinator of Communications, Partnerships, and Chronic Disease position.

City Council added a Chief of Staff and two aides.

In FY25, Worcester Public Schools will receive increase of \$23.8M from FY24. Funding for Charter Schools, School Choice, and Special Education will rise by \$3.2M to a total of \$47.3M. State Aid for Education has increased by \$19.8M, while the City's required local contribution is \$7.2M more in FY25 than in FY24.



HOW DOES THE CITY FUND CAPITAL PROJECTS?

In addition to its operating budget, the City of Worcester approves an annual capital budget to fund lasting items such as equipment purchases (police cars, snow plows), infrastructure improvements (roads, sidewalks, parks), technology upgrades, and major building maintenance. For the capital budget, the City issues debt and finances these purchases over the lifespan of the item using tax levy funds, enterprise accounts and grants from Federal and State government. The debt is issued as a municipal bond and is often exempt from Federal and State taxes. Under the Financial Integrity Plan, the City caps how much borrowing it can do in any one year based on prior year borrowings and debt service (based on capacity to support debt, with no more than 10% of the budget on debt service).

Also included in the capital budget is borrowing for the City’s enterprise funds. Enterprise accounts are funded by fees paid for those services, not by the tax levy. Worcester’s credit ratings, which determine interest rates on municipal bonds, were Aa3 from Moody’s Investors Service, AA– from Standard and Poor’s and AA by Fitch Ratings as of the latest Annual Comprehensive Financial Report. The City has maintained these credit ratings since FY17, when Fitch raised its rating from AA– to AA. Previously, the City underwent upgrades from Moody’s and Standard and Poor’s in FY13 and FY14, respectively.

Capital expenditures may be higher than borrowing in a given year because of remaining authorizations from the prior fiscal year. The cost of a piece of equipment, facility improvement, or infrastructure project can be spread over multiple fiscal years—the City provides debt service obligations for five years in the future in the capital budget. Thus, the scope of investment in a department or project may not be fully reflected in just one year’s capital budget. Notable capital expenses this fiscal year include:

- ▶ \$41.25 million for the new Doherty High School and a roof replacement at Worcester Arts Magnet School, both MSBA projects.

Funding Source	FY24 Borrowing	FY25 Borrowing	% Change
WPS - MSBA	\$48,477,642	\$41,250,000	-14.9%
Tax Levy	\$45,656,742	\$41,755,302	-8.6%
Sewer Enterprise	\$21,485,000	21,266,000	-1.0%
Water Enterprise	\$22,675,000	\$19,655,000	-13.3%
Off Street Parking	\$3,010,000	\$1,200,000	-60.1%
DCU	\$12,750,000	\$9,606,708	-24.6%
Energy Services Company	\$5,876,000	\$1,200,000	-79.6%
Golf Enterprise	\$150,000	\$75,000	-50.0%
Total	\$160,080,384	\$136,008,010	-15.0%

Expenditure	FY24	FY25	% Change
DPF MSBA	\$48,477,642	\$41,250,000	-14.9%
DPW Sewer	\$21,485,000	\$21,266,000	-1.0%
DPW Water	\$22,675,000	\$19,655,000	-13.3%
DPW	\$16,435,000	\$13,700,000	-16.6%
DPF DCU	\$12,750,000	\$9,606,708	-24.7%
DPW Parks	\$10,358,475	\$9,575,000	-7.6%
Public Schools	\$5,410,703	\$4,000,000	-26.07%
Emergency Communication	-	\$3,919,650	-
DPF	\$3,000,635	\$3,715,000	23.8%
DPF City Hall	-	\$1,650,000	-
Innovation and Technology	\$606,000	\$1,610,652	165.8%
Sustainability & Resilience	\$5,961,000	\$1,500,000	-74.8%
Off Street	\$2,950,000	\$1,200,000	-59.32%
Transportation and Mobility	-	\$1,000,000	-
Economic Development	-	\$1,000,000	-
Police	\$1,119,540	\$825,000	-26.3%
Fire	\$5,258,418	\$460,000	-91.3%
DPW Golf	\$150,000	\$75,000	-50.0%
Emergency Management	\$1,759,175	-	-
Inspectional Services	\$140,023	-	-
Public Facilities Union Station	\$1,543,773	-	-
Total	\$160,080,384	\$136,008,010	-15.04%

Source: City of Worcester, FY25 and FY25 Capital Budgets

- ▶ Renovations at City Hall, including the Law Department, fire alarm, and roof and stairs.
- ▶ \$1 million to replace the City's traffic and pedestrian signal system and design costs for Vision Zero, the City’s plan to stop fatalities and serious injuries from automobile collisions.
- ▶ \$1.5 million for an energy use audit in City buildings and HVAC upgrades to the Frances Perkins Library.
- ▶ \$825,000 for the Police Department’s car accident mapping system, 14 new marked vehicles, new radar units, and repairs to headquarters.



IS THERE A PLAN?

The City of Worcester adheres to what is called a Financial Integrity Plan, previously known as the Five Point Plan and then the Seven Point Plan. It lays out several budgetary guidelines:

- ▶ Creation of a high school construction stabilization account for two high school replacement projects (South High School and Doherty High School)
- ▶ Increase of general fund reserve level target to 10% of general fund revenues (from 5%)

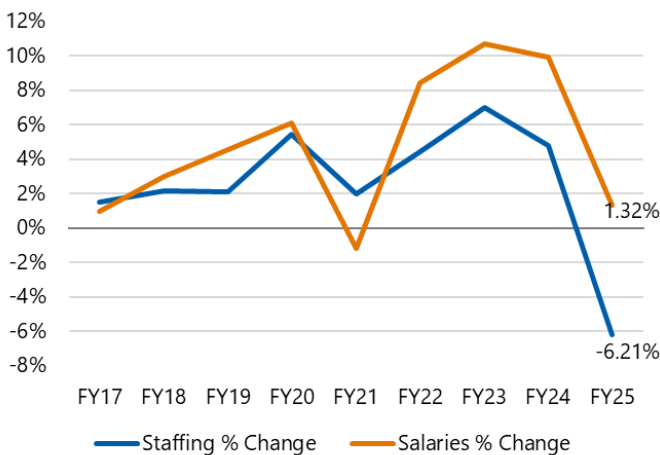
- ▶ Connection of the City’s annual tax levy supported debt to debt service coverage (8 - 10% of the operating budget), as opposed to a fixed amount
- ▶ Establishment of an Other Post Employment Benefits (OPEB) Trust Fund and Commission
- ▶ Memorialization of budgetary assumptions and methodology
- ▶ Enhancement of financial reporting and transparency
- ▶ Addition of any “new growth” above the budget estimate to unused tax levy capacity at the time of the tax rate recap (sometimes called “tax relief”)

POINTS OF INTEREST

Worcester Public Schools faced a \$22 million budget gap due to insufficient funding to maintain the same level of services as the prior fiscal year. To keep services unchanged in fiscal year 2025, WPS needed an additional \$32.8 million. The City’s budget added \$23.8 million, but \$13.1 million of that is already accounted for because WPS used Elementary and Secondary School Emergency Relief (ESSER) funds to pay for the Student Opportunity Act, which focuses on literacy and student wellness. This means the real increase is only \$10.7 million, leaving WPS with a \$22 million shortfall. The shortfall was addressed by cutting 355 positions from the budget. Chart 1 illustrates that FY25 marks the first time in the past ten budgets where the percentage change in staff has been negative. Meanwhile, the sum of WPS salaries continued to increase, but only by 1.3% compared to the last fiscal year—the second lowest increase over the same time period.

The fiscal year’s budget also focused on **centralization** of several positions, which the City Manager argues will enhance efficiency. Marketing and public relations, previously managed across departments, will now be centralized in the City Manager’s Office with a new team and a director position, incorporating roles transferred from Innovation & Technology and Public Health. The human resources business partners from the Department of Public Works and Parks (DPW&P) and the Police Department, will be consolidated under the Human Resources Department. DPW&P’s Risk Management position is also shifting to Human Resources. A new position, the Leave Management Specialist, will work with supervisors to manage paid leave and address operational concerns. Procurement will be centralized under Administration & Finance to standardize processes and ensure value. The grants acquisition process will be streamlined by refunding a dedicated position in the Budget Office.

Chart 2: Percentage Changes in WPS Staffing and Salaries (FY17 to FY25)



Source: [WPS Budgets, FY17-25](#)

In FY25, the budget for the **Executive Office of Diversity, Equity, and Inclusion (EODEI)** increased from \$744,423 to \$850,479 due to a 3% Cost of Living Adjustment (COLAs), and a 1.5% Market Adjustment for non-represented employees. The City’s goal is to hire highly qualified individuals from underrepresented demographics, but no new staff were hired in FY24 in the EODEI. The City is conducting a national search for the Chief Equity Officer position. The position is currently [open and unfilled](#).

Local receipts are revenues generated from locally imposed taxes, fees, and charges. They do not include state aid, property taxes, or federal funds. Overall, local receipts is expected to increase by 7.2% from FY24 to FY25. The largest contributions to local receipts are from motor vehicle excise taxes, which are expected to generate \$16.5 million in revenue in FY25. However, the



most significant increase in local receipts comes from investment income, increased by \$2.4 million (92.3%) from FY24. This increase is due to the City’s practice of investing temporarily idle cash and earning interest on these funds. With current market conditions favoring higher interest rates, the anticipated revenue from investment income is \$5 million. The most significant decrease in revenue nominally and as a percentage is federal reimbursements

from Medicaid for health services provided to special education students. Worcester Public Schools, as a Medicaid Eligible Provider, can claim these costs, including administrative expenses. For Fiscal Year 2025, the estimated revenue is \$1.5 million, a 45.5% decrease from FY24.

IMPACTS FROM THE STATE

Every year, the Commonwealth of Massachusetts should have a budget in place before the start of the Fiscal Year on July 1. This year, as last year, the General Court did not pass a budget on time. The Governor’s initial budget was filed on January 24, 2024, the Massachusetts’ House passed a budget on March 22, 2024, and the Senate passed its budget on June 24, 2024. On July 18, the Budget Conference Committee— a collection of House and Senate negotiators, agreed on a \$58 billion budget deal. Governor Healey signed the budget on July 29, 2024. The Commonwealth’s FY25 budget is about \$1.7 billion (3.1%) more than FY24.

The nearly \$58 billion state budget is based on an anticipated revenue foundation of \$40.2 billion, along with an additional \$1.3 billion from the Fair Share Amendment. The amendment requires that the revenue generated from the 4% tax on household income exceeding \$1 million be spent on education or transportation.

The FY25 state budget outlines several significant points of interest for Worcester:

- ▶ \$6.9 billion in Chapter 70 education aid will be allocated to Massachusetts school districts, a 4.7% increase from FY24. According to the Massachusetts Department of Revenue’s cherry sheet estimates, WPS and charter schools will receive \$377.4 million in FY25—about \$337,000 more than the City budgeted. Anticipated charter school reimbursements are \$10.2 million this fiscal year, approximately \$164,000 above the City’s budgeted amount. For more on the WPS budget, refer to the Bureau’s report, [Paying for a Public Education FY25](#).
- ▶ \$1.3 billion in unrestricted government aid to cities and towns across the state. Worcester will receive \$51 million in FY25, a 3% increase from FY24.
- ▶ \$160 million in operating funds to Regional Transit Authorities (RTAs), marking a \$10 million (6.7%) boost

- from FY24. This increase follows a substantial 55% funding increase from FY23 to FY24.
- ▶ The five largest line items from the Fair Share Amendment are as follows: \$250 million will be transferred to the Commonwealth Transportation Fund for future investments in Massachusetts’ transportation infrastructure, including road and bridge improvements and transit systems. \$175 million will be granted to childcare providers, \$170 million will fund universal free school meals, and \$110 million will support Regional Transit Authorities (RTAs). Additionally, \$117.5 million of the Fair Share Amendment’s anticipated revenue will be used to cover universal tuition for the 15 community colleges in Massachusetts, including Quinsigamond Community College, which has campuses in Worcester and Southbridge.
- ▶ The Massachusetts State Lottery is to begin online and debit card lottery sales to raise an expected \$100 million in revenue for the state this fiscal year. This revenue will support the Commonwealth Cares for Children (C3) grant program for early childhood education and care.
- ▶ The budget has revised child care subsidy eligibility, raising the income limit from 50% to 85% of the state’s median income. The table below details the old and new income limits by family size and compares them to Worcester’s median income. This change is expected to benefit more families in Worcester, where median incomes are often lower, by expanding access to child care assistance.

Household	50% SMI	85% SMI	Worcester Median Income
2	\$49,467	\$84,094	\$71,223
3	\$61,106	\$103,880	\$83,365
4	\$72,746	\$123,667	\$77,024
5	\$84,385	\$143,455	\$153,635
6	\$96,024	\$163,241	\$110,157

Sources: [Department of Early Education’s Income Eligibility Table](#) and [ACS 2022 1-Year Estimates for Median Household Income \(B19019\)](#)



CONCLUSION

The City of Worcester's FY25 budget totals approximately \$893 million. It allocates \$533 million to education (a 5.3% increase), \$195 million to city services (a 4.4% increase), and \$165 million to fixed costs (a 5.4% decrease). Significant capital projects include \$41.25 million for school improvements and \$1.5 million for energy audits and HVAC upgrades. The budget also incorporates centralization efforts to streamline operations. Additionally, Worcester will benefit from \$51 million in unrestricted state aid (a 3% increase from FY24) and increased child care subsidy eligibility, now set at 85% of median income, which could allow more families to receive child car benefits.

Although the FY25 budget has been approved, the preparation for FY26 begins in the fall. The start of each new budget process presents a vital opportunity for

community stakeholders, advocacy organizations, and residents to engage and influence the direction of Worcester's financial planning. Breaking Down the Budget, serves as an essential tool for understanding Worcester's budgetary nuances and expenditure priorities. By utilizing this resource, individuals can participate effectively in discussions, advocate for their needs, and contribute to shaping a budget that reflects the city's diverse needs and aspirations.

It is crucial to stay informed about the budget timeline, key decision points, and opportunities to provide feedback. Engaging in the process ensures that the City Council and City Manager have comprehensive input to make well-informed decisions. For further details, the City's [Budget Central](#) page offers access to past operating and capital budgets dating back to FY09 and FY11, respectively.

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