



The Research Bureau

Worcester City Council Tax Classification Hearing

December 1, 2009

Testimony submitted by:

Roberta R. Schaefer, Ph.D.

President & CEO

The Research Bureau

Madame Mayor and Members of the Worcester City Council:

I want to take this opportunity to commend the members of the Worcester City Council for all the tough decisions that you have taken during these very troubled times. You have stuck to the five-year financial plan which has enabled the City to maintain its stable low A bond rating while other cities are on the verge of bankruptcy. You have supported difficult changes in municipal employee health insurance premiums and plan designs, which have saved the City close to \$100 million that has gone back into municipal services. You have encouraged and supported innovative partnerships with UMass Memorial Health Care for providing youth and public health services, and with the colleges for contributions to projects that are in the interest of both the City and those institutions. WPI's commitment to refurbishing Institute Park is an obvious case in point as is the MCPHS's commitment to the library and the more general revitalization of downtown. You have been forward thinking in establishing the *Buy Worcester Now* program to stem the foreclosure crisis. You will turn Worcester Regional Airport over to MassPort before June 30, 2010. Those who ran against you in the recent election on the ground that you and the City Manager were headed in the wrong direction were defeated.

Please continue on this solid and sensible course of reform and carry it further. Worcester is poised for growth when the economy turns around – which it will – except for the dual tax rate. Property-tax classification has been a problem for 25 years. Adopting the lowest residential tax rate is not working for homeowners and it's not working for businesses. When residential values increase, the homeowner's taxes increase (they have doubled since 1992) and when values go down, their taxes remain about the same. As the business base has shrunk over the years, more and more of the tax burden falls on homeowners. The current policy has not made the City more affordable and it has been a hindrance in attracting businesses. You are all too intelligent to think that being faced with a tax bill that is three times higher in our community than another (as in Worcester vs. Shrewsbury) doesn't affect your location or expansion decisions.

After last year's tax classification hearing, a group called Worcester Citizens for Business was founded. It consists primarily of Worcester residents who own both businesses and homes. They are getting hit at both ends; they are telling you that the current system is not working for them or for the welfare of the community. It is time to try something different. Bring in the best minds from the public and private sectors – accountants, tax attorneys, experts at the Department of Revenue and the Executive Office of Administration and Finance – and develop a plan for phasing in a single tax rate.

As I said at the beginning, this Council has made some very difficult decisions over the past few years. We are sure you are up to this challenge as well. Please don't disappoint us.

Thank you.

Worcester Regional Research Bureau, Inc.
319 Main Street
Worcester, MA 01608
508-799-7169
www.wrrb.org