



The Research Bureau

# Breaking Down the Budget

City of Worcester and Worcester Public Schools for Fiscal Year 2023

Report 22-03

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Research in the Public Interest

Worcester Regional Research Bureau, Inc.

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**EACH YEAR** on July 1, Massachusetts cities and towns must implement a new budget. The City of Worcester’s Fiscal Year 2023 (FY23) budget takes effect on July 1, 2022. Municipal budgets must balance—expenditures cannot exceed revenues. The budget process forces municipalities to confront the challenge of fixed costs, like debt service and pensions, while deciding among priorities like education, public safety, economic development, and public services.

### 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. The School Committee consists of the Mayor and six elected at-large members. Per a lawsuit and corresponding Consent Decree, for the 2023 election cycle, the Worcester School Committee will be elected from six districts, with two majority-minority districts, and two at-large seats. 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 position of Assistant or Associate Superintendents. The Committee approves or disapproves those hirings, and upon the request of the Superintendent, provides an explanation of any disapproval.



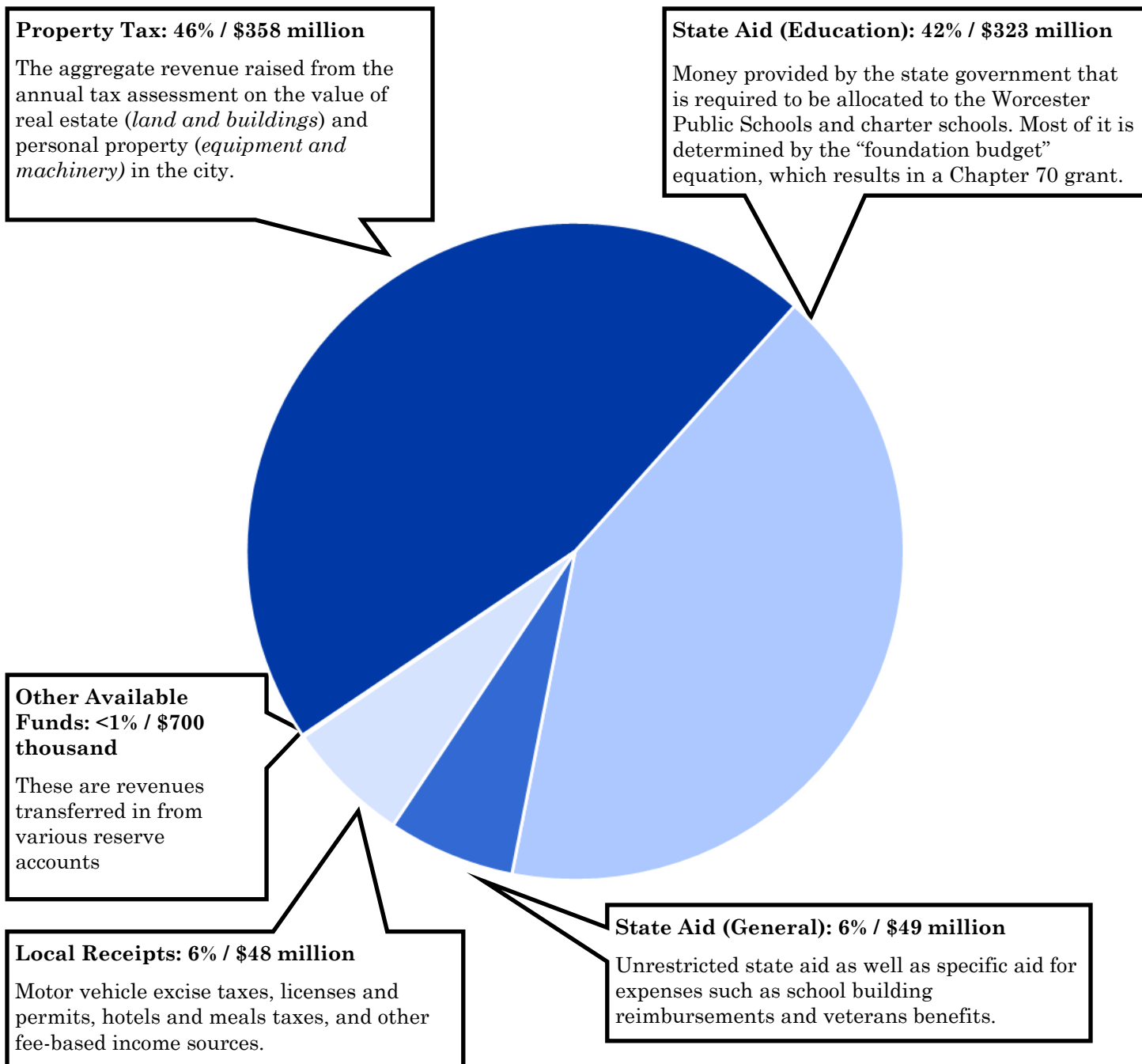
*The financial information in this report is drawn from the City of Worcester FY23 annual budget and capital budget and the Worcester Public Schools FY23 budget.*



## Where does the City's money come from?

The City of Worcester's budget, approximately \$778.1 million for FY23, is financed by a combination of locally raised funds, funds provided by the State and Federal governments, as well as public and private grants.

Around 52 percent of Worcester's revenues are generated locally, from property tax and local receipts. The remaining 48 percent of revenues are primarily state aid programs. These are largely dedicated to public education, primarily through the Chapter 70 School Finance Program.



## 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 the Greater Worcester Community (as seen in the table below), Worcester currently has a dual tax rate, taxing residential property and commercial/industrial/personal (CIP) property at different levels. In FY22, the residential rate decreased to \$15.21 per \$1,000 of property value, while the CIP rate decreased to \$33.33 per \$1,000.

The City of Worcester relies heavily on the local property tax as a source of revenue, however, a significant portion of Worcester’s land area and property value are exempt from local taxes. As a

FY22	Commercial/ Industrial	Residential
Worcester	\$33.33	\$15.21
Auburn	\$20.54	\$16.82
Paxton	\$18.98	
Westborough	\$18.49	
West Boylston	\$17.68	
Holden	\$16.56	
Grafton	\$16.88	
Northborough	\$16.49	
Boylston	\$15.84	
Millbury	\$15.00	
Leicester	\$13.99	
Shrewsbury	\$14.11	

Source: Massachusetts Department of Revenue

result, the remaining taxable properties must generate sufficient revenue to maintain the general operations of government. While not-for-profits contribute significantly to Worcester through jobs, educational, and cultural benefits, some larger tax-exempt institutions are also voluntarily providing additional resources to the city through payments in lieu of taxes, also known as PILOTs.

In 1980, Massachusetts voters adopted an initiative limiting tax levy increases each year to 2.5 percent 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 percent 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 \$20.6 million. Under the law, the City has the authority to increase taxes to capture this additional amount without seeking a voter-approved override.

Financial Agreements Between City & Non-Profits	Year of Execution	Contributions to Municipality	Duration/Termination	FY22 Contributions
Christopher House	1994	\$75,000 Annual Contribution Minus Any Real Estate Taxes Payable on Assisted Living Facility	30 Years	Full Taxation
Medical Center at Saint Vincent Hospital	2005	\$1,250,000 Annual Contribution Minus Any Real Estate Taxes	2014*	Full Taxation
MCPHS University	2008	\$50,000 Initial Payment Plus Annual Payments of 20% of Initial Real Estate Tax Assessed Prior to Acquisition on Certain Properties, Increasing 2.5% Annually. Contributions Used for Public Library	25 Years (expires FY36)	\$248,000; \$1.9 million from FY12-21
Worcester Polytechnic Institute	2009 / Amended 2014	\$157,403 Initial Payment and 100% of the Real Estate Tax Assessed of Certain Properties Converted to Tax-Exempt Status, Increasing by 2.5% Annually. Dedicated to Public Library and Institute Park	25 Years (Expires FY34)	\$739,000; \$5.7 million from FY12-21
Clark University	2010	\$150,000 Initial Payment and 100% of Real Estate Tax of Certain Properties, Increasing 2.5% Annually	20 Years (Expires FY31)	\$2.9 million from FY12-21
University of Massachusetts Chan Medical School	2011	100% of Real Estate Tax on Certain Properties, Increasing 2.5% Annually for Five Years	5 Years	Expired
College of the Holy Cross	2012	\$80,000 Annual Payment Dedicated to Worcester Public Library mobile libraries/bookmobiles	5 Years + 5 Years	\$80,000**
University of Massachusetts Chan Medical School	2013	\$1,575,000 Over Five Year Period to Support Worcester Public Library Foundation and to Skyline Drive Fund to support Health and Biomedical Science Initiatives	2018	Expired
UMass Health Care, Inc.	2022	\$150,000 Contribution to Offset Real Estate Tax after Acquisition of 378 Plantation St., which will be fully tax exempt in FY23. Additional One Time Contribution of \$1 million to establish Worcester Health Equity Fund	2022	\$1,150,000***

\*Saint Vincent Hospital is now a subsidiary of Tenet Healthcare and is no longer tax exempt

\*\* Holy Cross made a contribution of \$80,000 in FY22, despite the contract ending in FY21

\*\*\* One Time Contribution of \$1 million to establish Health Equity Fund, amounts must be disbursed over five years from Fund

Source: Worcester City Auditor

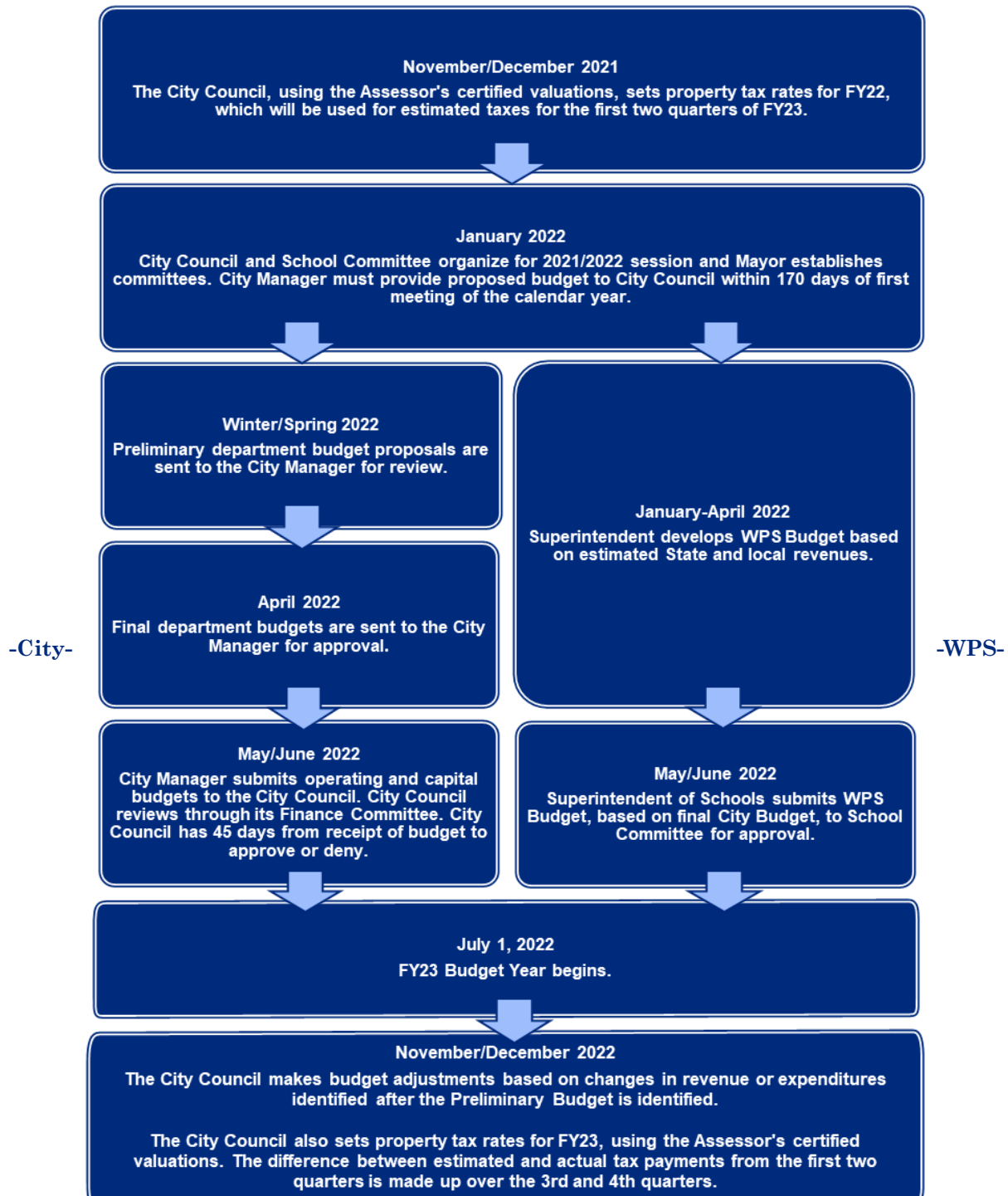


## How is the budget approved?

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 (*targeting specific departments but not specific*

*programs*), it cannot target individual line items and it cannot increase the budget 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.



## Where does the City's money go?

The City of Worcester sorts its expenditures into three categories. Education, which encompasses money sent to the Worcester Public Schools for their budget and charter school payments, makes up \$448.6 million or

58 percent of the budget. City Services, which includes most public-facing departments like public safety and public works, is \$179.3 million, or 23 percent. Fixed Costs, which the City defines as financial obligations like health care as well as some City services like snow removal, is \$150 million or 19 percent.

Expenditure Summary	FY23 Budget	Change from Adopted FY22	Manager's Categorization
Worcester Public Schools	\$417,802,152	7.6%	Education
Police	\$55,189,137	4.6%	City Services
Fire	\$45,535,675	7.3%	City Services
Debt Service	\$40,882,510	10.9%	Fixed Cost
Pensions	\$36,108,457	7.7%	Fixed Cost
Charter Schools	\$30,861,495	-12.4%	Education
Health Insurance	\$30,325,822	5.6%	Fixed Cost
Public Works and Parks	\$22,008,496	-27.0%	City Services
Five Point Plan Funds*	\$16,983,939	-40.0%	Fixed Cost
Pension Bond Debt Service	\$10,575,565	2.4%	Fixed Cost
Technical Services	\$6,404,947	5.6%	City Services
Public Library	\$6,391,310	1.2%	City Services
Snow Removal	\$6,000,000	0.0%	Fixed Cost
Health and Human Services	\$5,596,443	-3.3%	City Services
Contingency	\$4,910,000	-43.0%	City Services
Inspectional Services	\$4,609,431	10.9%	City Services
Intergovernmental Charges	\$4,463,987	6.9%	Fixed Cost
Law/Insurance/Court	\$4,280,874	-22.4%	City Services
Emergency Communications	\$3,465,861	-7.4%	City Services
Transportation and Mobility	\$3,244,214	NA	City Services
Finance	\$3,033,723	2.0%	City Services
Public Facilities	\$2,939,897	24.6%	City Services
Economic Development	\$2,086,354	-6.1%	City Services
Human Resources	\$1,961,226	26.2%	City Services
City Manager's Office	\$1,627,189	-1.8%	City Services
Streetlights	\$1,495,490	0.0%	Fixed Cost
Assessing	\$1,210,234	10.9%	City Services
Worker's Compensation	\$1,197,000	-4.0%	Fixed Cost
Injured on Duty	\$1,001,936	0.0%	Fixed Cost
OPEB Trust Deposit	\$885,781	-86.6%	Fixed Cost
City Clerk	\$870,027	16.0%	City Services
Elections	\$852,909	1.2%	City Services
Auditing	\$671,696	6.2%	City Services
Union Station	\$528,305	31.0%	City Services
Sustainability	\$520,003	9.8%	City Services
City Council	\$491,126	8.2%	City Services
Diversity	\$445,604	-7.9%	City Services
Workforce	\$200,000	0.0%	City Services
Mayor	\$173,410	12.8%	City Services
Unemployment	\$119,840	18.7%	Fixed Cost
Enterprise (Golf)	\$100,000	0.0%	City Services
DCU Center	\$0	0.0%	City Services
Energy/Asset Management	\$0	0.0%	City Services
<b>Total Education</b>	<b>\$448,663,647</b>	<b>5.9%</b>	
<b>Total City Services</b>	<b>\$179,348,091</b>	<b>-1.4%</b>	
<b>Total Fixed Costs</b>	<b>\$150,040,327</b>	<b>-5.3%</b>	

Because most of the WPS budget comes from state resources, the City has no authority to reduce anything except their voluntary contribution. This money is sent to the School Committee to craft the WPS budget.

While other cities count things like snow removal and streetlights as "city services," Worcester groups them with "fixed costs" like pensions and insurance.

The Department of Transportation and Mobility is a new City department for FY23, comprised of 21 existing and 3 new positions. The department is responsible for a variety of city transportation and road needs.

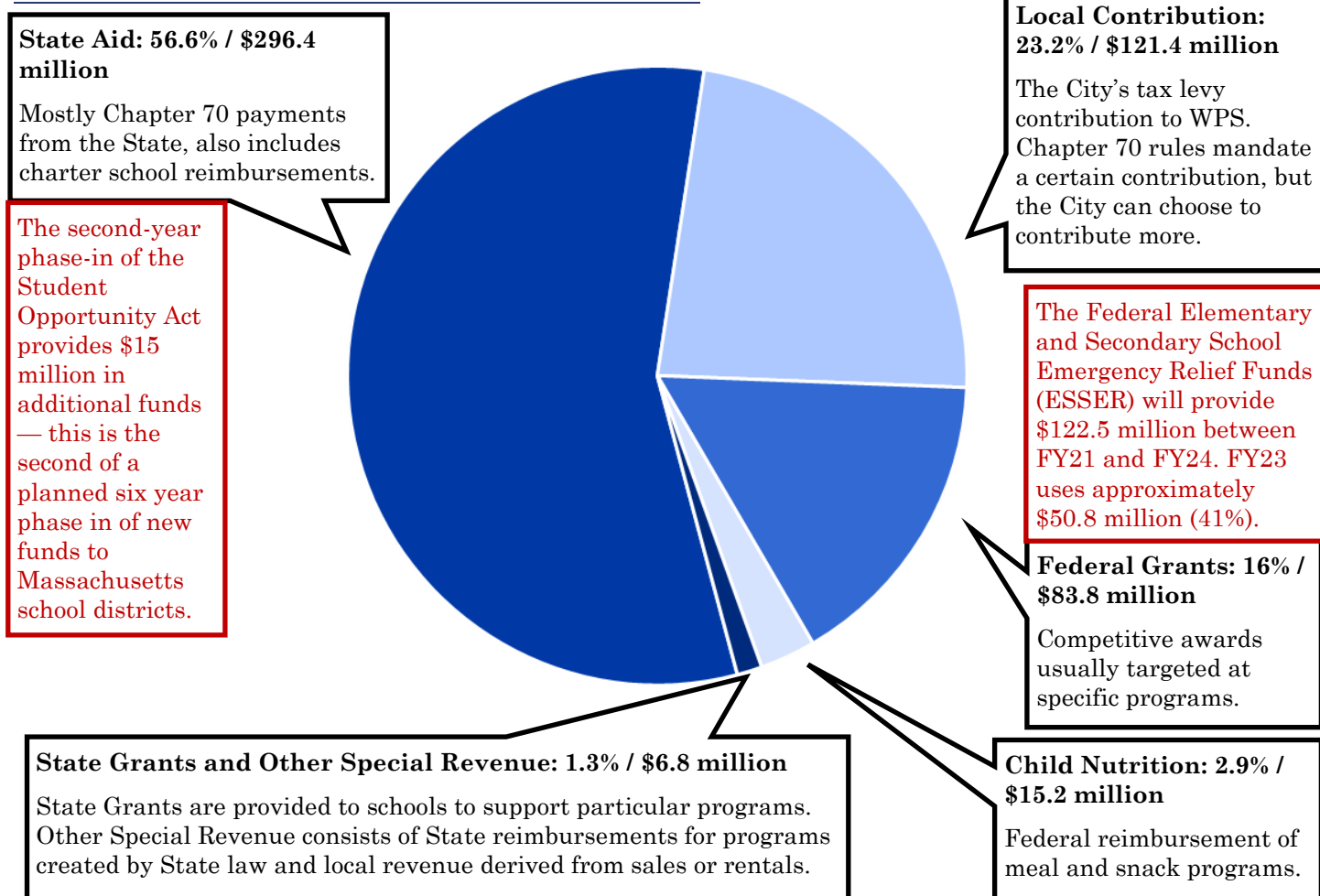
Multiple positions were moved here from Public Works, in addition to salary increases

When the city's "Free Cash" is certified in the fall, it will move 30% of that amount into the OPEB Trust, per the Long Term Financial Plan. This accounts for the decrease seen here

The DCU Center's debt service costs are sometimes covered by convention center and arena revenue and special district income, so no tax levy money is allocated in FY23.



## How is the Worcester Public Schools funded?



Chapter 70 of the Massachusetts General Laws aims to ensure adequate funding for all school districts in Massachusetts. The Chapter 70 funding formula, known as the foundation budget, establishes a baseline for public education funding for each school district and outlines minimum local contributions and state aid. The formula is complex and considers individual school district variables such as student enrollment, student demographics and community statistics.

Chapter 70 only outlines the minimum requirements for school funding. School districts can increase their local contributions beyond the foundation budget as local funding allows. In FY23, the City of Worcester’s required contribution increased by \$5.4 million. WPS estimates the actual FY23 City contribution is \$334,300 above the state-mandated minimum for net school spending.

Expenditures	FY23 Budget	Percent change from FY22 Adopted
Instruction	\$281,820,001	4.2%
Other School Services	\$59,442,152	-7.6%
Fixed Charges	\$99,448,001	3.7%
Operations and Maintenance	\$24,152,154	30.4%
Tuition Programs	\$23,766,148	2.8%
Administration	\$6,299,164	19.1%
Community Services	\$891,812	23.2%
Fixed Assets	\$27,843,284	2099.9%
Debt Service	\$0	0.0%
Total	\$523,662,716	9.2%

Other School Services includes non-instructional operations like transportation, student activities and security.

Fixed Charges include retirement expenses, insurance and other recurring costs.

Payments to private schools or other public school districts for “services provided to students residing in the sending city or town.”

Fixed Assets include acquisition of land or existing buildings, improvement of grounds, construction of buildings, additions to or remodeling of buildings, etc.

Fixed Asset increase is due to district school bus acquisition and for ventilation system improvements using ESSER grant funds.



## 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 percent 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 Comprehensive Annual Financial Report.

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. For this reason, the scope of investment in a department or project may not be fully reflected in just one year’s capital budget.

Funding Source	FY23
Tax Levy - MSBA	\$60,791,600
Tax Levy	\$39,731,331
Sewer Enterprise	\$17,750,000
Water Enterprise	\$15,125,000
Off Street Parking	\$8,290,000
DCU	\$6,343,919
Energy Services Company	\$2,000,000
Total	\$150,031,850

Expenditure	FY23
Public Schools - MSBA	\$60,791,600
DPW Sewer	\$17,750,000
DPW Water	\$15,125,000
DPW	\$14,100,000
Public Facilities	\$8,335,000
DPW Off Street	\$8,290,000
DPW Parks	\$8,255,500
Public Facilities DCU	\$6,343,919
Public Schools	\$4,000,000
Technical Services	\$2,667,210
Sustainability & Resilience	\$2,530,000
Public Facilities Union Station	\$850,000
Police	\$532,500
Inspectional Services	\$314,308
Fire	\$146,813
Emergency Management	\$0
Total	\$150,031,850

## 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 percent of general fund revenues (*from 5 percent*)
- Connection of the City’s annual tax levy supported debt to debt service coverage (*8 to 10 percent 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

The new **Department of Transportation and Mobility** plans, coordinates, designs, operates, and implements transportation improvements that provide safe and convenient mobility and access options and public spaces for people to gather, engage, and interact. The Department will have jurisdiction over the City's Complete Streets program, parking operations, traffic calming, and regional transit, and led by Commissioner Stephen Rolle who was previously serving as Assistant Chief Development Officer for Planning and Regulatory Services.

The **Ballpark District Improvement Financing Reserve Fund** is the vehicle for capturing tax revenues associated with the Polar Park project, towards the costs of the bonds used for the public portion of the construction expenses. In FY2023, the City is budgeting for a \$305,518 deposit, based on FY22 revenues from incremental property tax revenues and the relevant Meals and Use taxes, a 0.75% tax on meals inside the stadium and ballpark district. This is the first such annual contribution, with the ballpark in its second season of operation, and with the City Council voting to transfer from the Worcester Redevelopment Authority to the City of Worcester. The "care, custody, and control" of Polar Park is with the [Worcester Ballpark Commission](#), which oversees both the team and City programs at the facility.

Local governments are required to report on **Other Post-Employment Benefits (OPEB)** liabilities, or the future costs of benefits committed to municipal employees upon their retirement. The state's Public Employee Retirement Administration Commission utilized 2020 data in compiling a breakdown of OPEB liabilities statewide that showed Worcester with the third highest liability, exceeded by Springfield as the second highest and Boston as the top, with \$3 Billion in such liabilities. As of June 1, 2021, Worcester had a total OPEB liability of \$1,533,889,120, with \$25,774,748 in its OPEB Trust Fund, for a net liability of \$1,508,114,372. The City FY23 budget includes a contribution of \$885,781, a 10% increase as called for by the City's Financial Integrity Plan. As part of the plan, when the City calculates "free cash" in the fall, 30% is contributed towards OPEB liabilities, which last year led to an additional deposit of \$5,809,173.

The City is creating a **Rental Registry** in the Inspectional Services Department to identify and assess rental units in the city, while developing a database of such properties and their owners/managers. This new program will be funded by modest

fees and staffed by five new inspectors, who will be responsible for inspecting rental units on a five year cycle. Such inspections will be prioritized for high risk buildings in ARPA identified census tracts.

The Worcester Public Schools is undertaking **full district-operated student transportation**, with an estimated \$3.5 million in savings while transporting an estimated 11,400 students on a daily basis. To do so, the Schools are utilizing \$16 million in federal ESSER funds to purchase 165 school buses, while also allocating \$14.7 million for 100 drivers of standard buses, 63 drivers of small buses, 63 bus monitors, 4 bus mechanics, and 12 support staff.

The **Massachusetts School Building Authority** is a quasi-independent government authority that reimburses cities, towns, and regional school districts for school construction costs at varying percentages. The Worcester Public Schools FY23 budget includes renovation plans (roof replacement, ventilation systems upgrades, boiler replacement, bathroom renovations, etc.) for the next five years with an estimated total project expense of \$56,279,528. It is estimated that the MSBA share will be \$20 million through the Accelerated Repair Projects Program, the City share will be \$17.5 million, and ESSER will be used for the remaining costs, approximately \$18.8 million. In addition to the Accelerated Repair Projects Program, cities are able to submit major renovation projects to MSBA for consideration. There are two projects submitted in FY23, Doherty Memorial High School and Burncoat Senior High School. Doherty is in the final phase, construction. Through this process, estimates are provided to MSBA to determine reimbursement levels. Doherty Memorial High School's original estimated cost was \$293 million, however, overall cost increased 30% with material costs increasing 10%-90% over four months. Overall project costs were offset by reducing overall expenses combined with an additional loan of \$23 million. Burncoat Senior High School was denied in February by the MSBA because Burncoat Senior High School and Burncoat Middle School are considered "integrated facilities." A Statement of Interest was resubmitted to MSBA to include both properties, it is estimated that the project will cost \$500 million with approximately 50% covered by the City.

## Federal Relief Funds

The federal American Rescue Plan Act of 2021 (ARPA) is a \$1.9 trillion package that provides municipal governments with resources to cover increased expenditures, replenish lost revenue, and mitigate economic harm from the COVID-19 pandemic.

In Worcester’s case, the City is receiving approximately \$146.6 million directly from the federal government. The direct funding is coming in two installments, with the first in June 2021 and the remainder coming a year later. Under federal guidelines, the funds will cover costs incurred between March 3, 2021 and Dec. 31, 2024, and are specifically prohibited from being used to offset state tax reductions, contribute to public pension funds, support debt service, issue legal settlements, or replenish reserves. The four areas of eligibility are Public Health and Economic Recovery, Revenue Replacement, Premium Pay, and Water/ Sewer/ Broadband.

In December 2021, the City Manager submitted a preliminary plan for these funds to the City Council for its consideration. This plan takes into account ARPA community input sessions that occurred throughout the fall. The City Manager proposed several ad-hoc committees to provide insight and oversight of ARPA funding applications, stressing the importance of equity in guiding membership and decision-making. These committees are responsible for allocating nearly \$50 million in community-based initiatives. In addition, the City Manager proposed the following allocations, illustrated in the City’s online dashboard, found at <https://www.worcesterma.gov/arpa>:

- \$52.7 million for community-based initiatives, such as the Affordable Housing Trust Fund, Worcester Housing Authority, food security, creative economy, mental health, and job training initiatives. This is a significant increase from the City Manager’s initial proposal of \$10 million.
- \$37.9 million for public assets and infrastructure, such as upgrading HVAC systems, park improvements, upgrades to water and sewer and related street and sidewalk work, and Green Worcester Plan implementation.
- \$18.9 million for technology needs, such as improved remote operations, of which \$5.96 million is for technology improvements addressing the digital divide.
- \$15.8 million for revenue recovery, to offset lost

revenues from the pandemic, including permit fees and hotels/meals taxes.

- \$10.3 million as unbudgeted allocation, to meet future community needs as they arise during the grant period.
- \$5.1 million for public health related initiatives, such as mental health services, virtual programming at the Senior Center, and broadening access to the Worcester Public Library
- \$3.3 million in administrative overhead related to ARPA spending.
- \$2.5 million in premium pay for municipal employees that reported to work during the pandemic.

Beyond the City deliberations on the potential uses of federal funding, the state has also passed legislation to release part of its share of Federal COVID-19 funds. In December 2021, Governor Baker signed a \$4 billion COVID-19 relief bill, including:

- \$1.13 billion for workforce development and job training
- \$948 million for health care, including addiction treatment and fiscally stressed hospital systems in disproportionately impacted communities
- \$595 million for homeownership and housing construction
- \$410 million for water and sewer infrastructure
- \$305 million for education, including money for HVAC upgrades and capital grants to vocational high schools
- \$210 million in economic development, including funds for cultural and tourism facilities, and funds for small businesses—especially underserved markets, and minority, women, and veteran owned businesses
- \$50 million for a Broadband Innovation Fund to close the digital divide by facilitating equitable broadband service adoption in unserved and underserved communities.

In April 2022, Governor Baker proposed a \$3.5 billion FORWARD Act, composed primarily of the remaining state COVID-19 funds to invest in downtowns, infrastructure, and provide resources to workers across the Commonwealth. The Legislature’s formal sessions concluded at the end of July without action on this legislation and the remaining ARPA funds.



## Impacts from the State

On July 28, 2022, Governor Baker signed the \$52.7 billion FY23 state budget into law as [Chapter 126 of the Acts of 2022](#).

In this budget, Charter School tuition assessments were larger than previously expected. This will decrease the FY23 General Fund Budget of WPS by \$945,067, from \$417,802,152 to \$416,875,085. The WPS Administration has expressed appreciation to Acting City Manager Eric Batista and the City Administration for working with them to find ways to address this shortfall. Otherwise, WPS plans to offset this reduction by using ESSER funds to ensure no impacts on programs, positions, or services.

The final FY23 state budget is based on a forecast of \$39.57 billion in state tax revenue, which is an increase of \$2.66 billion from the consensus tax projection in January. In addition to funding state government, the budget includes almost \$1.5 Billion in a deposit to the state's Stabilization Fund, to bring it to a historic high of \$8.4 Billion. Some of the budget's most notable impacts on Worcester include:

- Increasing local aid to municipalities by \$63.1 million over last year, for a statewide total of \$1.231 Billion, which is expected to result in \$48,139,680 for the City of Worcester
- Providing \$5.998 billion in Chapter 70 Educational Aid statewide, including a doubling of the minimum aid per pupil from \$30 to \$60, which is expected to result in \$316,240,166 for the Worcester Public Schools
- Continuing to fund the Student Opportunity Act, for increased state assistance to urban schools such as Worcester's, and is planned to be fully funded in FY2027
- Increasing the special education circuit breaker reimbursement for communities by \$67.7 million
- Increasing charter school reimbursement for communities by \$89.2 million
- Providing \$96.5 million for Regional RTA's
- Appropriating \$175 million for a new trust fund supporting high quality early education, and \$250 million in grants to help stabilize providers, and \$60 million for provider rate increases
- Investing an historic \$150 million in the

Residential Assistance for Families in Transition program, \$59.4 million for HomeBASE Household Assistance, \$110 million for homeless shelters, and \$154.3 million for the Massachusetts Regional Voucher Program

- Providing \$15 million to local health departments to support municipal capacities

In closing out the FY22 state budget year, Massachusetts collected \$41.1 billion in revenue, which marked a 20% increase from the prior year, and \$3.4 billion higher than forecasted.

These historic revenue collections are leading to the triggering of an estimated \$2.941 billion in rebates for eligible state taxpayers. Under the terms of Chapter 62F, established by a successful state ballot question in 1986, if state revenues grow by more than the growth in total wages and salaries, than the excess must be returned to state taxpayers. While the final calculation depends on an analysis by the State Auditor by September 20th, estimates are that 3.7 million Massachusetts income tax payers could benefit.

The only other time this state law was triggered was in Fiscal Year 1987, which resulted in \$29.22 million in credits being offered to taxpayers via a line on income tax returns the following year. According to reports, only \$16.8 million in credits were actually received that year, with \$12.4 million unclaimed. Instead of state taxpayers receiving a credit on their returns in 2023, the Baker-Polito Administration has referred to their intention of offering tax refunds later this calendar year.

While the implementation of 62F depends on the State Auditor's report, the Governor has filed a supplemental budget noting that the state's final FY22 surplus stands at \$2.3 billion, with \$2.941 billion eligible to be returned to taxpayers.

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