EXECUTIVE SUMMARY

The City of Worcester's adopted **FY27 budget,** Funding the Future: Smart Spending, Stronger Outcomes, totals approximately **$1 billion, a 4.7% increase from FY26**. *Breaking Down the Budget: An Examination of Worcester's FY27 City Budget* is the Bureau's latest analysis in its long-running series on municipal finance, outlining how the City funds services, allocates resources, and prepares for future challenges. The report begins with an overview of Worcester's budget process and governance structure. Under the City's Council–Manager system, the City Manager proposes the budget and the Council reviews it. The Council can reduce spending but cannot increase it, underscoring the City Manager's strong role in shaping fiscal priorities.

Revenues for FY27 are split between state aid and locally raised funds. The City's adopted FY27 operating budget totals $1.001 billion, crossing the billion-dollar threshold for the first time. Property taxes make up about 43% of revenues ($435.5M), while state education aid contributes another 45% ($446.9M). State aid for City operations adds $55.4M, and local receipts such as motor vehicle excise taxes, licenses and permits, hotel and meal taxes, trash fees, and other charges provide $63.3M. **The City's dual tax rate for FY26 was $13.28 per $1,000 of residential property and $29.06 per $1,000 of commercial/industrial property.**

Expenditures are divided across three main categories:

- Education: $612.4M (61.2% of budget), up $34.8M (a 6% increase) from the final FY26 budget, reflecting continued implementation of the Student Opportunity Act and rising required local contributions.
- City Services: $216.2M (21.6% of budget), up $5M (a 2.4% increase) from the final FY26 budget. This includes public safety, public works and parks, transportation, the public library, health and human services, economic development, finance, and other municipal operations.
- Fixed Costs: $172.5M (17.2% of budget), up $3.8M (a 2.3% increase) from the final FY26 budget. This category includes pensions, debt service, health insurance, snow removal, streetlights, intergovernmental charges, and Financial Integrity Plan deposits.

Notable FY27 investments include:

- Employee Compensation: A 2% cost-of-living adjustment (COLA) for non-collective bargaining positions. The City reports no new net positions in the adopted FY27 budget and reallocates funding from previously unfilled positions.
- Capital Projects: $172.8M overall, including $159.4M in FY27 borrowing and $13.4M in grants and other funding. Major projects include $25M for the new South Division Fire Station, $1.1 million in FY27 borrowing for HVAC and plumbing improvements at the Worcester Police Headquarters, along with $5M in new authorization for a future roof replacement, nearly $14M in parks borrowing, $48M for water and sewer infrastructure, $13M to complete the Doherty High School project, $1.5M for the Burncoat Feasibility Study, and $5M for the Worcester Public Schools rehabilitation and equipment.
- Contingency Fund: $3.3M (down from $5.0M in FY26). The fund is intended primarily for unsettled union negotiations with a smaller reserve for unanticipated needs.

Worcester's FY27 budget reflects its continued effort to balance near-term fiscal needs with long-term fiscal discipline. With an adopted operating budget of slightly over $1 billion, the City funds education, public safety, and fixed costs. This budget also combines fiscal operating restraint with a larger capital spending plan aimed at roads, public buildings, schools, and parks. Structural challenges remain, including reliance on property taxes and state aid for revenue while addressing rising health insurance and pension costs.

At the state level, Massachusetts enacted a **$63.4 billion FY27 budget,** increasing spending by about 4% over FY26. For Worcester, the most direct impacts are in education and unrestricted local aid. The budget provides Worcester with $437.8 million in Chapter 70 education aid and $53 million in Unrestricted General Government Aid. Statewide, the budget funds $7.66 billion in Chapter 70 aid and $1.36 billion in unrestricted local aid. The state earmarked $278.3 million for the Massachusetts Rental Voucher Program, $259.9 million for Emergency Assistance family shelters, and $137 million for free community college. Federal policy changes remain a major source of uncertainty, particularly for Medicaid, SNAP, and other services that could affect Worcester residents.