The Research Bureau

BREAKING DOWN THE BUDGET

City of Worcester for Fiscal Year 2027

REPORT 26-10

August 2026

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.

Each year on July 1, Massachusetts cities and towns must implement a new budget. The City of Worcester's Fiscal Year 2027 (FY27) budget, entitled Funding the Future: Smart Spending, Stronger Outcomes, took effect on July 1, 2026. Municipal budgets must be balanced. 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 such as education, police and fire departments and other services.

Municipal budgets reflect a city's priorities and values, offering insights 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 give 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 municipal department funded by the City and is governed by the elected School Committee.

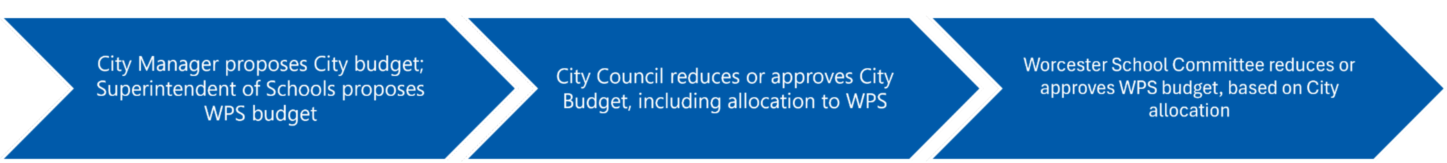
The City Council is the City's legislative body while the City Manager serves as chief executive officer. The City Council is made up of 11 members—six elected citywide (or at large) and five elected from districts. The Mayor is the candidate who receives the most votes in the mayoral election and wins 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 30th of each year.

The City Council has the authority to reduce certain 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 2025, 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. Transfers within City appropriated accounts are permitted so long as the overall amount remains within the City's appropriation. The total WPS budget also includes Chapter 70 aid and federal grants that the School Committee accepts but does not directly appropriate.

Additionally, the School Committee may hire or remove by majority vote the Superintendent and may establish and appoint the following key positions upon recommendation of the Superintendent: Assistant or Associate Superintendent, School Business Administrator, Administrator of Special Education, School Physician, Registered Nurses, and Legal Counsel.

Figure 1: Comparison of City and WPS Budget Processes



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 30th. If there is no vote, 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. For FY27, the City Council approved the budget as submitted, making no cuts.

Figure 2: City of Worcester Budget Process

Fall 2025

The City Council uses the Assessor's certified valuations to set property tax rates for FY26, which will be used to estimate taxes for the first two quarters of FY27. Department meetings are conducted to address issues of the current fiscal year.

January - March 2026

Formal budget materials are distributed and collected for review. Follow-up meetings with departments are held to finalize budget requests. The City Manager reviews these requests and makes recommendations for inclusion in the final budget proposal, which must be made within 170 days of the Council's first meeting of the year.

March - April 2026

The City Manager completes the budget recommendations. The Budget Office finalizes budget documentation for submission to the City Council.

May - June 2026

The Council may make reductions, but cannot make increases. The Council has 45 days to reduce or approve the proposed budget.

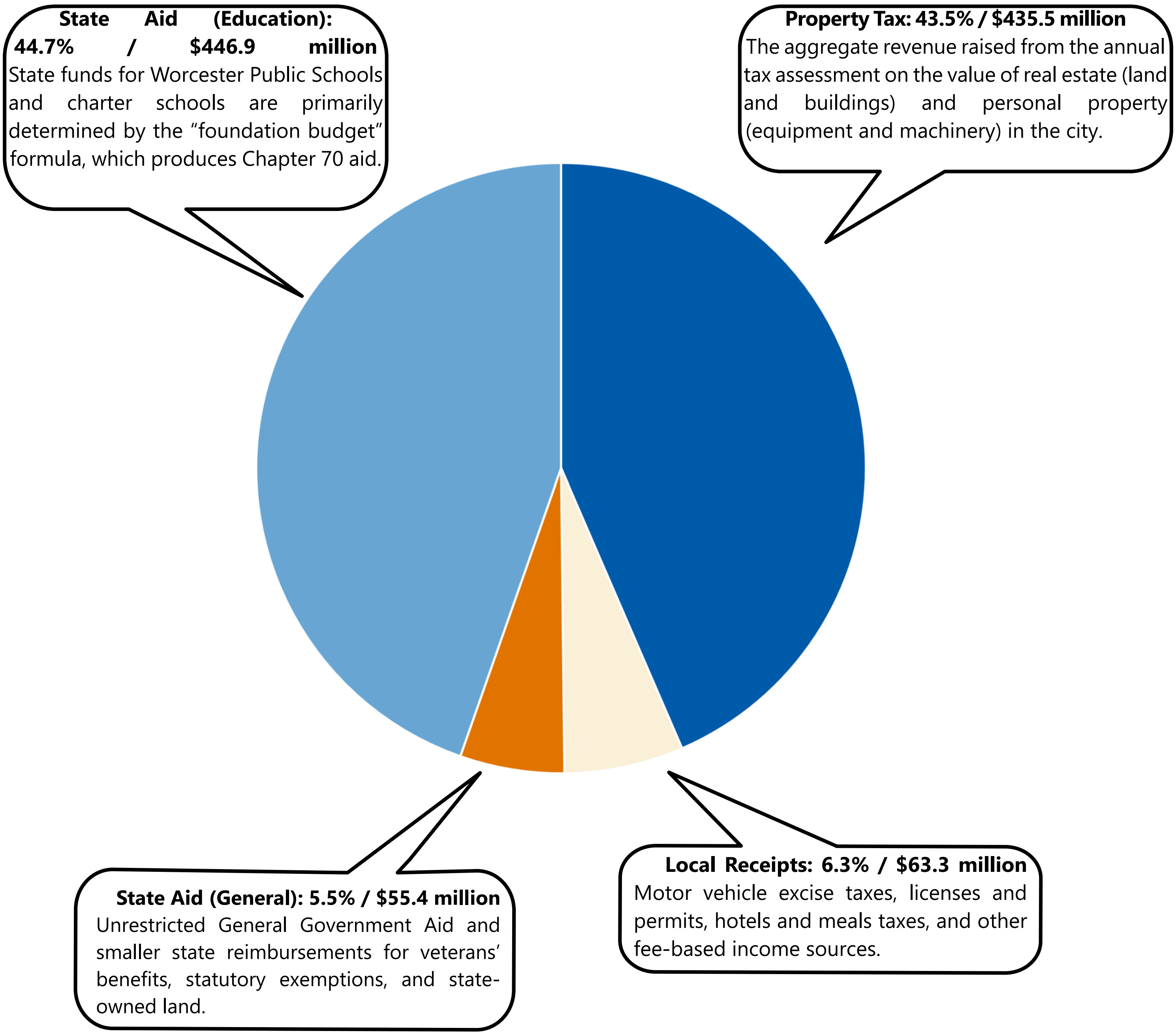
November/December 2026

The City Council makes budget adjustments based on changes in revenue or expenditures identified after the preliminary budget is presented. The City Council also sets property tax rates for FY27, using the Assessor's certified valuations. The difference between estimated and actual tax payments from the first two quarters is made up over the 3rd and 4th quarters.

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

As Figure 3 shows below, the City of Worcester's budget, approximately $1 billion for FY27, is financed by a combination of locally raised funds and state aid. It represents a 4.7% increase from the final FY26 budget of $957.5 million. Around 50% of Worcester's revenues are generated locally from property taxes and local receipts. The remaining 50% comes primarily from state aid programs. These are largely dedicated to public education, primarily through the Chapter 70 School Finance Program.

Figure 3: City of Worcester FY27 Revenues



The financial information in this report is drawn from the City of Worcester FY27 annual budget and capital budget and the Worcester Public Schools FY27 budget.

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 (DOR). Property values are updated annually. The DOR reviews the City's assessment methods on a five-year certification cycle. The City conducts cyclical visual inspections of all taxable and tax-exempt properties over a nine-year period to verify property characteristics and maintain accurate assessment records. All properties are assessed at their full and fair cash value. Certain property classes such as commercial and income-producing 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. Figure 4 shows that unlike most of its neighbors, the City of Worcester currently has a dual tax rate, taxing residential property and commercial/industrial/personal (CIP) property at different rates. **In FY26, the residential rate increased to $13.28 per $1,000 of property value, while the CIP rate increased to $29.06 per $1,000.**

In 1980, Massachusetts voters adopted an initiative limiting property tax revenue growth. Proposition 2½ sets an upper ceiling of 2.5% of the total taxable assessed value of the community, above which it can never tax more. No communities tax up to that ceiling, but rather a lower levy limit that grows automatically at 2.5% each year, plus the value of new construction. Communities can vote to raise the lower levy limit. For more than twenty years, Worcester has taxed property owners below that lower levy limit, and Worcester has not asked voters to raise that limit since the 1990s. For more on Proposition 2½, read Casting Ballots on Taxes.

Figure 4: Tax Rates Across Greater Worcester

FY26	Commercial/Industrial	Residential
Worcester	$29.06	$13.28
Auburn	$15.83	$14.24
Paxton	$15.17	
Westborough	$15.93	
West Boylston	$14.53	
Holden	$13.48	
Grafton	$13.69	
Northborough	$14.82	
Boylston	$13.58	
Millbury	$12.87	
Leicester	$11.09	
Shrewsbury	$11.50	

Source: Massachusetts Division of Local Services: City and Town Tax Rates

The City has an unused tax levy capacity of approximately $25.8 million in FY26 according to the Massachusetts Department of Revenue's Division of Local Services (DLS). Figure 5 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 $33.7 billion.** Taxable properties comprised $25.3 billion (75%), with residential properties making up the largest portion. Tax-exempt properties totaled $8.4 billion (25%). This means funding essential public services like fire protection, snow removal, trash collection and road maintenance falls on homeowners and businesses that do pay taxes rather than tax-exempt properties.

Figure 5: Assessed and Estimated Value of Taxable and Tax-Exempt Property, FY26

Tax Status	Value	Percent of Total
Taxable Property Values	$25.3 billion	75%
of which Residential Property	$20 billion	78.9%
of which Commercial/Industrial Property	$3.9 billion	15.2%
of which Personal Property	$1.5 billion	5.9%
Tax-Exempt Property Values	$8.4 billion	25%
Total Taxable & Tax-Exempt Property Value	$33.8 billion	100%

Source: Massachusetts Division of Local Services, Tax-Exempt Properties and Assessed Values by Class

EXPENDITURES: WHERE DOES THE CITY'S MONEY GO?

The City organizes expenditures into three categories. Education, which includes funding for Worcester Public Schools as well as payments for charter-school tuition, school choice and specialized education placements and services for students whose needs cannot be met within the district, accounts for $612.4 million, or 61.2% of the FY27 budget. City Services total $216.2 million, or 21.6% of FY27 expenditures. 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. Finally, fixed costs, which are financial obligations like health care, pensions, debt service, as well as some services like snow removal and streetlights, which is $172 million or 17.2%.

Figure 6: City of Worcester Expenditures	FY27	Change from Adopted FY26	Manager's Categorization
Worcester Public Schools	$557,429,649	6.02%	Education
Police	$62,192,427	-1.86%	City Service
Charter Schools, School Choice, & Special Education	$54,944,646	6.05%	Education
Fire	$54,207,453	9.90%	City Service
Debt Service	$44,737,099	-0.10%	Fixed Costs
Pensions	$39,870,758	6.28%	Fixed Costs
Health Insurance	$37,928,136	7.96%	Fixed Costs
Financial Integrity Plan Funds	$24,188,317	0.76%	Fixed Costs
Public Works	$17,262,931	2.29%	City Service
Innovation & Technology	$12,164,627	-0.66%	City Service
Pension Bond Debt Service	$10,005,363	5.83%	Fixed Costs
Contingency	$3,284,962	-34.62%	City Service
Parks	$9,248,582	2.56%	City Service
Public Library	$7,244,572	3.66%	City Service
Inspectional Services	$5,665,530	-0.04%	City Service
Snow Removal	$5,500,000	0.00%	Fixed Costs
Health and Human Services	$5,600,904	5.84%	City Service
Intergovernmental Charges	$5,223,011	3.17%	Fixed Costs
Public Facilities	$6,678,015	42.80%	City Service
Emergency Communications	$4,402,013	1.22%	City Service
Law/Insurance/Court	$3,428,489	-20.29%	City Service
Finance	$3,921,537	-2.06%	City Service
Transportation & Mobility	$3,792,753	-3.75%	City Service
Economic Development	$3,369,874	-5.59%	City Service
OPEB Trust Deposit	$1,296,873	-58.09%	Fixed Costs
Human Resources	$3,086,458	6.33%	City Service
City Manager's Office	$1,908,043	1.74%	City Service
Streetlights	$1,620,490	0.00%	Fixed Costs
Worker's Compensation	$1,036,673	-16.17%	Fixed Costs
Assessing	$1,221,984	0.97%	City Service
Elections	$1,161,572	2.03%	City Service
City Clerk	$1,157,580	3.06%	City Service
Injured on Duty	$882,556	-16.55%	Fixed Costs
Diversity, Equity, & Inclusion	$950,588	-1.58%	City Service
Sustainability & Resilience	$1,543,581	148.22%	City Service
Auditing	$956,307	-7.13%	City Service
Union Station	$765,000	12.78%	City Service
City Council	$628,964	-2.70%	City Service
Unemployment	$200,000	0.00%	Fixed Costs
Workforce	$200,000	0.00%	City Service
Mayor	$199,100	4.54%	City Service
Total Education	**$612,374,295**	6.02%	
Total City Services	**$216,243,846**	2.37%	
Total Fixed Costs	**$172,489,276**	2.27%	

Source: City of Worcester, FY27 Budget

The Fire Department budget increased to $54.2M. This increase is driven mostly by the expiration of the federal SAFER grant, which shifts firefighter staffing costs previously supported by grant funding onto the City's tax levy.

The Contingency Fund drops to $3.2M, down $1.7M from FY26. The FY27 appropriation includes $3M for unsettled union negotiations and a $250K buffer for unanticipated needs.

Spending on Public Facilities rose to $6.7M. Much of this increase reflects the transfer of building staff, utilities, overtime, and maintenance expenses from Police and Fire into a centralized facilities budget.

This 58% decrease does not represent a reduced commitment to OPEB funding. It shows a comparison between FY27's initial $1.3M deposit and FY26's final $3.1M appropriation that included midyear additions.

Sustainability & Resilience shows one of the largest percentage increases, rising to $1.5M in FY27. This increase signifies employee compensation changes, a position regrade, the removal of Carbon Mitigation Revolving Fund credits based on state guidance and added maintenance costs tied to solar monitoring and WooBins rubbish removal.

Education remains Worcester's largest expenditure, increasing by $34.8M to $612.4M in FY27. The growth reflects increased state education aid under the Student Opportunity Act and a $7.9M increase in the City's required local contribution.

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, snowplows), infrastructure improvements (roads, sidewalks, parks), technology upgrades, and major building maintenance. The City generally finances capital assets by issuing municipal bonds. Interest on qualifying municipal bonds is generally exempt from federal income tax and may also be exempt from state and local taxes, depending on the bond and the investor's residence.

Worcester's Capital Investment Plan recommends **$159.4 million in FY27 borrowing for capital projects**. When grant and other outside funding are included, the plan represents **$172.8 million in total FY27 project investment**. The City also recommends **$43.5 million in new loan authorization** to continue projects already in the pipeline. This new authorization reflects a focus on completing previously approved projects while still advancing major infrastructure, facility, equipment, and school investments.

The Capital Investment Plan allocates $12.3 million for equipment, of which $10.8 million is supported by the tax levy. These funds will support technology, school, and emergency response needs across multiple departments:

- $5.9M for DPW fleet and equipment.
- $2.8M for Fire vehicles and equipment replacements.
- $1.25M for Water and Sewer equipment.
- $1M for marked and unmarked Police vehicles.

For facility improvements, the City allocates $66.3 million of which $54.3 million is tax levy supported. The largest single facility investment is **$25 million** for construction of the new South Division Fire Station. Other major facility projects include:

- $4.5M for general school building rehabilitation, including $3.5M in tax levy borrowing and $1M in Community Development Block Grant funding.
- $4M for DCU Center renovations.
- $3M for Sewer facility upgrades.

The plan directs $83.6 million toward infrastructure, including $38.4 million in tax levy borrowing, $34.6 million in self-supported enterprise borrowing and $10.6 million in grants. Key allocations include:

- $7.3M for the Department of Transportation and Mobility for street design and traffic signals.
- $15M for sewer system upgrades (interceptor rehabilitation and flow analysis).

Worcester Public Schools will receive a total of $24.5 million in FY27 capital investments:

- $4.5M for general school building rehabilitation, including $3.5M in tax levy borrowing and $1M in federal Community Development Block Grant funding which supplements City borrowing for general building repairs and improvements.
- $500K for school capital equipment.
- $19.5M (MSBA-supported) for completion of Doherty High School, a Burncoat High School and Middle School replacement feasibility study and replacement of the roof, windows, and doors at Rice Square Elementary School.

Figure 7: The City of Worcester's FY27 Capital Budget: Allocation by Category and Funding Source

Category	FY27 Tax Levy Borrowing	FY27 Self-Supported Borrowing	Other Funding (Grants, etc.)	FY27 Total Project Investment
Equipment	$10,361,868	$1,260,522	$203,255	$11,825,645
WPS Equipment	$500,000	-	-	$500,000
Facility Improvements	$6,300,161	$9,400,000	$1,600,000	$17,300,161
WPS Facility Improvement	$3,500,000	-	$1,000,000	$4,500,000
WPS - MSBA Facility Improvement	$19,500,000	-	-	$19,500,000
Infrastructure	$38,410,888	$34,621,395	$10,600,000	$83,632,283
South Division Fire Station	$25,000,000	-	-	$25,000,000
Town of Holden Court Judgment	-	$10,500,000	-	$10,500,000
Grand Total	**$103,572,917**	**$55,781,917**	**$13,403,255**	**$172,758,089**

Source: City of Worcester, FY27 Capital Budget

These capital investments are reinforced by grants and other outside funding, which total $13.4M in FY27:

- Community Development Block Grant (CDBG) funds – $1.0M: Worcester Public Schools building rehabilitation.
- Infrastructure grants and other outside funding – $10.6M: transportation and infrastructure projects.
- $1.6M for facility-related projects and improvements.
- Equipment grants and other outside funding – $203K: library equipment-related needs.

THE CITY'S FINANCIAL INTEGRITY PLAN

Worcester's borrowing capacity is shaped by two primary controls: the Financial Integrity Plan and state law. Under Massachusetts General Laws (Chapter 44, Section 10), municipalities are subject to a **bond cap (or debt limit)** equal to 5% of their equalized property valuation. Worcester must operate within this limit unless it seeks state approval. Importantly, not all debt counts toward the cap—some is considered "within" the limit while other obligations are "outside" it.

The Financial Integrity Plan establishes a local goal that debt service should remain between 8% and 10% of the City's annual operating budget. In practice, this calculation is more complex. Some debt is supported by enterprise accounts, some by reserves, and some by the general operating budget. **At present, Worcester's debt service equals approximately 11.4% when including all debt regardless of funding source, but 5.5% when considering tax levy-supported debt, inclusive of Pension Obligation Bonds.**

The Financial Integrity Plan also lays out several budgetary guidelines:

- Creation of a school construction stabilization account including high school replacement projects, South High Community School, Doherty High School, and Burncoat High and Middle School.
- Increase of the General Fund reserve major public investments target from 5% to 10% of General Fund revenues.
- Connection of the City's annual tax levy-supported debt to debt service coverage, generally 8% to 10% of the operating budget, as opposed to a fixed amount.
- Establishment of an Other Post-Employment Benefits (OPEB) Trust Fund and Commission.
- Enhancement of financial reporting and transparency.
- Addition of any Proposition 2½ new growth above the budget estimate to unused levy capacity at the time of the tax rate recap.

The FY27 budget reports that Worcester's General Fund reserve is **$90.4M**, or **9%** of the FY27 General Fund budget, as of June 30, 2025. This remains **below** the City's 10% reserve target but reflects the continued role of reserves in the City's long-term financial planning.

The City's FY25–FY29 Strategic Plan outlines a series of initiatives aimed at maintaining and improving its bond rating through sound management practices. A central component of this effort is updating the current Financial Integrity Plan to ensure that fiscal decisions remain responsive to evolving challenges and community needs. A Capital Review Committee has been established to assess both the City's capital project demands and its borrowing capacity, allowing for more strategic management of annual debt and long-term liabilities. The plan also calls for the creation of a formal review process to identify and rescind inactive loan authorizations, ensuring borrowing remains aligned with actual priorities. To improve departmental management and accountability, the City will develop measurable performance indicators based on quantifiable inputs and outcomes. Additionally, the City aims to minimize financial risk by enhancing real-time analysis of revenues, spending, and program outcomes to better support decision-making and drive operational improvements.

When Worcester needs to fund major public investments such as school construction, street repairs, or replacing police cruisers, it often turns to issuing municipal bonds. These debts are owed to investors who purchase the bonds, including mutual funds, banks, insurance companies and pension funds and are repaid over time with interest. Because interest on many municipal bonds is tax-exempt, the bonds may be attractive to investors.

There are two main kinds of bonds:

- **General Obligation Bonds**, which are backed by the City's full taxing power and repaid through property taxes. These are considered safer for investors and generally carry lower borrowing costs, but they count against the City's overall debt cap and rely on taxpayers.

- **Revenue Bonds**, which are repaid through fees from specific services, like water or sewer charges (through "enterprise funds"). These do not burden the general tax base, but they are considered riskier and often come with higher interest rates because repayment depends on how much revenue the project brings in.

The City pays back this debt over time through its debt service budget, which is capped at no more than 10% of the total operating budget under Worcester's Financial Integrity Plan. This cap is meant to ensure that borrowing does not threaten the City's ability to fund services and operations each year.

Worcester holds strong investment-grade bond ratings (Aa3/AA–/AA), which means it is considered a low-risk borrower and can issue bonds at lower interest rates and with lower fees. These ratings are based on factors like the City's tax base, reserves, and debt levels. Municipal bonds rated Baa3/BBB– or higher are classified as investment-grade. Bonds rated below that threshold are known as "junk" or high-yield bonds offering higher returns to compensate investors for greater risk, but also carrying higher borrowing costs.

Worcester has held its current combination of bond ratings since 2016. In 2013, Moody's upgraded Worcester from A1 to Aa3. S&P Global raised the City's rating from A+ to AA– in 2014. Fitch upgraded it from AA– to AA in 2016. The lowest documented bond rating Worcester has received was Moody's Baa1 rating, which the City held from 1986 through 2001. A poor bond rating can lead to higher borrowing costs and less financial flexibility, which can reduce funding for public services and delay infrastructure projects.

This rating distinction matters. Disadvantaged communities, those with lower property values, weaker tax bases, and higher service demands, are more likely to receive lower credit ratings, not because of poor financial management, but due to structural and historical disadvantages. As a result, they must often pay more to finance the same kinds of projects, making it harder to invest in essential infrastructure. Worcester's high rating, in contrast, both saves taxpayers money and expands the City's borrowing capacity.

A strong credit rating also enhances flexibility. It allows Worcester to borrow quickly when needed, and serves a symbolic function reassuring investors, state agencies, and bond markets that the City is fiscally responsible. These reputational benefits can strengthen the City's overall financial position. However, strong credit ratings can involve trade-offs. Many rating agencies emphasize debt load, pensions, and short-term budget performance, while also giving less weight to other issues that may discourage major investments. Understanding these trade-offs helps explain why some cities struggle to finance essential public infrastructure.

POINTS OF INTEREST

The adopted FY27 budget for the City of Worcester totals approximately **$1.001 billion**. This budget exhibits both continued growth in education funding and rising costs for fixed obligations, personnel, infrastructure, and municipal operations.

The largest share, **$612.4 million**, is allocated to education which is an increase of **$34.8 million from FY26**. This includes **$557.4 million** for Worcester Public Schools and **$54.9 million** for charter schools, school choice, and special education assessments. This growth is driven by continued Student Opportunity Act funding, increased Chapter 70 and charter reimbursement aid, and a higher local contribution from the City. FY27 is the sixth and final year of the Student Opportunity Act phase-in.

Public safety spending totals **$126.5 million**, an increase of **$3.8 million** from FY26. This includes:

- Fire Department costs previously supported by the federal SAFER grant.

- Building-management functions for Police and Fire shifting to the Department of Public Facilities.

- Additional inspectional capacity for electrical and plumbing permitting.

The budget proposes **no new net positions** in FY27, with funding instead reallocated from previously unfilled positions. The budget also provides a **2% COLA** for unrepresented employees and sets aside funding in Contingency for unsettled union contracts.

Other departmental highlights include:

- **Economic Development:** an additional position in the Business Development Division to support small businesses.
- **Worcester Public Library:** additional security personnel and the creation of a Library Safety Manager position.
- **Human Resources:** creation of a Payroll Division and continued support for Workday system implementation.
- **Public Works and Transportation:** expanded Millbury Street Drop-Off Center hours, added streets and sanitation supervision, and funding for line painting and speed humps.

The City is also budgeting for a **$3.3 million contingency fund** which is down from **$5 million in FY26**. The FY27 contingency includes approximately **$3 million** for union negotiations and **$250,000** for other unanticipated costs. The capital budget is larger than FY26's with **$172.8 million in total FY27 project investment** of which **$159.4 million is in borrowing**. Major capital allocations include **$83.6 million** for infrastructure which includes **$26.7 million** in public works infrastructure, **$7.3 million** in street and transportation work, **$15 million** in park work, **$15.1 million** in sewer upgrades, **$18.5 million** for water infrastructure and **$1 million** for golf course improvements.

Finally, 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 showed Worcester had the second-highest liability, exceeded only by Boston, which has $2.5 billion in liabilities. According to the Annual Comprehensive Financial Report for June 2025, Worcester had a total OPEB liability of $1,147,192,000 (a 4.9% decrease from the prior year), with $61,335,147 in its OPEB Trust Fund (a 29.4% increase), for a net liability of $1,085,857,054.

The City's FY27 budget contributes $1,296,873 to the OPEB Trust Fund, a 10% increase over the original FY26 appropriation of $1,178,975, 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 toward OPEB liabilities. As of March 31, 2026, this brought OPEB Trust Fund transfers to nearly $9.6 million.

Overall, the FY27 budget reflects a cautious approach paired with a larger capital program. There is growth in education and other core services. New hiring remains limited and major investments are targeted toward long-term obligations such as schools, streets, parks, and public infrastructure.

THE STATE BUDGET: OVERVIEW AND LOCAL EFFECTS

Governor Maura Healey signed the state's $63.4 billion FY27 budget, which increases spending by roughly 4% over FY26. This budget does not include any new taxes or fees. It continues investments in education, transportation, housing and health care. Additionally, $51 million has been added to the state's rainy-day fund.

In education, the FY27 budget funds Chapter 70 aid at $7.66 billion, which is an increase of about $297 million over FY26. The budget also completes the sixth and final year of the Student Opportunity Act implementation. Worcester's FY27 budget anticipates $437.8 million in Chapter 70 aid for Worcester Public Schools which is $30 million more than FY26.

The state budget also funds the Special Education Circuit Breaker at $654.6 million, with additional Fair Share supplemental funding bringing total support to $806.6 million. This program provides financial assistance to public school districts to offset the cost of delivering high-cost special education services to students. The budget restores the Foundation Budget Review Commission to examine the K-12 funding formula and assess how the state can address rising costs in special education, student transportation and educator health care statewide.

In terms of housing and human services, the state budget contains $278.3 million for the Massachusetts Rental Voucher Program, $259.9 million for emergency housing assistance services, $114.1 million for statewide homelessness assistance programs and $10.6 million for permanent supportive housing. These investments are important for supporting local housing affordability initiatives for Worcester residents.

The FY27 budget includes $2.7 billion in Fair Share surtax revenues to help pay for public transportation and education across the state. For example, $184.8 million will go to Regional Transit Authorities. The Worcester Regional Transit Authority (WRTA) will receive $21.7 million in state funding. The MBTA will receive $465.2 million and $220.2 million will go toward MassDOT service investments. In education, $1.73 billion will go toward funding services and programs such as the Commonwealth Cares for Children program, Student Opportunity Act, child care financial assistance, and universal free school meals.

The FY27 budget also extends the ConnectorCare expansion pilot through 2027. This program subsidizes health insurance coverage for residents who otherwise may struggle to access it. Since 2024, the pilot has helped more than 115,000 Massachusetts residents access lower premiums, no deductibles and reduced co-pays. The budget also continues broader health-related protections and services. Federal policy changes remain a major source of uncertainty. The One Big Beautiful Bill Act included changes affecting Medicaid, Health Connector coverage, SNAP and other safety-net programs. Massachusetts estimates that up to 300,000 residents could lose health insurance coverage because of these federal changes. For Worcester, the FY27 state budget provides important near-term stability, but continued federal uncertainty could increase pressure on residents, schools and local resources.

Lastly, Worcester will receive approximately $53.1 million in Unrestricted General Government Aid (UGGA) in FY27. That is an increase of nearly 2.6% from the previous year. Statewide, UGGA increased from $1.323 billion in FY26 to $1.363 billion in FY27, reflecting an increase of almost $40 million or 3%.

CONCLUSION

Worcester's FY27 budget reflects an effort to balance fiscal prudence with the City's long-term financial priorities. With a total operating budget of approximately **$1.001 billion**, the City has crossed the billion-dollar threshold for the first time and has increased investments in education, public safety and infrastructure. Overall, this budget prioritizes core services, limits new hiring, supports compensation adjustments for municipal employees and uses contingency funding to prepare for unsettled labor contracts.

Like other cities across Massachusetts, Worcester **relies heavily on property taxes and state aid to fund core public services.** This reliance leaves municipalities with limited options for raising additional revenue and in directing resources toward neighborhoods with the greatest needs. The City also faces rising health insurance and pension costs, growing infrastructure needs, and a substantial tax-exempt property base. These tax-exempt institutions contribute to the City's vitality and economy, so their presence also underscores the importance of continued dialogue and collaboration with municipal government. Worcester also benefits from **strong credit ratings and disciplined financial management.**

As state aid continues to shape the education budget and federal policy changes create uncertainty around Medicaid, SNAP, housing, and other safety-net programs, Worcester's ability to sustain these services will depend on careful planning, transparent decision-making and sustained community engagement. **The FY27 budget features a continuation of its financial obligations and lays the groundwork for larger decisions about education funding, infrastructure and long-term municipal capacity**. As always, the Worcester Regional Research Bureau will continue to monitor and report on how the City's budget aligns with residents' needs, institutional responsibilities, and long-term fiscal health.

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If you enjoyed this report, or are interested in the topic, use the QR code or click the link to read *Paying for a Public Education*, our companion piece on the Worcester Public Schools.