

City Faces Financial Challenge in Fiscal 2014

Early projections indicate a \$28.4 million shortfall - BPS and salary raises are the biggest drivers

The City of Boston adopted a "[stabilizing](#)" operating budget this year (FY13) which benefitted from a one-time reduction in health insurance costs by \$26M. The City ended [FY12](#) with a \$12M surplus and was able to forgo budgeted revenues of \$47M. However, countering this positive news are early projections by the City that show an operating shortfall of approximately \$28M based on estimated revenues and expenditures for FY14. The Mayor will submit a balanced budget to the City Council on April 10, 2013, but this first look indicates that next year will be more fiscally challenging than the prior two years.

A total General Fund operating shortfall of \$28.5M is indicated because revenues were projected to increase by \$130.5M or 5.3%, but expenditures were projected to increase by \$159M or 6.4%. An estimated increase in School Department spending of \$63M or 7.4% is the largest single driver of increased spending next year. Spending for city departments other than School and Public Health, were projected to increase, in aggregate, by only \$16.6M or 1.6% as a consequence of increased spending for salary increases for contracts not yet settled and non-departmental expenses such as pensions, debt service and state assessments.

Why the FY14 BPS Budget Increase

In a November 7th report to the School Committee, the Superintendent outlined the [factors](#), that will increase BPS spending by \$63M in FY14. The largest single factor is the estimated cost of the new bus contract which is pegged at almost \$18M, followed by contract step increases for teachers and paraprofessionals at \$11M.

However, the Mayor has yet to indicate how much of the total increase would be covered by additional appropriations for FY14. In addition, the BPS report indicated that federal grants for educational support are expected to decrease by \$12.7M next year. This total includes \$7M to support Turnaround school reform which raises the issue of how to sustain this reform effort. Reduction of Title I funds will require the BPS to decide what services may need to be absorbed into the operating budget.

Fiscal 2014 Projected Budget *

figures in millions

Revenues	FY14 Projections	Variance Over FY13	Percent
Net Property Tax	\$1,699.5	\$65.3	4.0%
State Aid	403.5	2.0	0.5%
Excises	153.9	8.7	6.0%
Approp. Fund Bal.	40.0	40.0	
Other	300.6	14.5	5.1%
Total Revenues	\$2,597.5	\$130.5	5.3%
Expenditures			
City Departments	\$1,035.7	\$16.6	1.6%
School Department	921.0	63.2	7.4%
Public Health	67.1	0.9	1.4%
Coll. Barg. Reserve	63.2	33.1	110.0%
Total Departmental	\$2,087.0	\$11.0	0.6%
Total Non-Dept'l	\$538.9	\$45.2	9.2%
Total Expenditures	\$2,625.9	\$159.0	6.4%
Budget Shortfall		(\$28.5)	-1.1%

* City of Boston projections from FY13 adopted budget.