

Bureau Update

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NEWS & NOTES

Shattuck Awards

Don't forget . . . the 18th annual *Henry L. Shattuck Public Service Awards* will be held on **October 7, 2003 at 6:30 P.M.** - John Hancock Hall. All are invited. For more info contact Diane Smith at 617-227-1900.

Election Results

13% voter turnout

In the September preliminary election, all 4 current At-Large Councilors finished in the top 8. This qualifies them to participate in the **final election run-off on November 4, 2003**. For detailed info on the preliminary election, go to the Research Bureau's website at www.bmrb.org

... BY ANY OTHER NAME ...

The Boston Tenant Coalition (BTC) has taken the lead in bringing back a home rule petition to re-institute rent regulations on selected rental housing units in Boston. The BTC plan, Community Stabilization: Tenant and Small Property Owners Protection Act, has been distributed to City Councilors but is not yet formally before the Council. The plan is expected to be introduced and assigned to the Government Operations Committee soon.

The proposed plan, which follows last year's home rule petition presented by the Mayor and voted down by the Council, has been revised to ease restrictions on rent increases contained in the original petition. The plan also adds new sections to assist certain small property owners whose units are threatened with financial difficulties including foreclosure, predatory lending and code violations resulting from insufficient operating income to make required repairs.

Specific changes to the rent increase regulations in the new petition include: 1) Elimination of "base rents"; 2) Elimination of the 15% cap on allowable rent increase when a unit turns over; 3) Units exempt from rent regulation are expanded to include six or fewer units owned by one person, if the owner occupies one of the units; 4) While owners are still restricted to one rent increase per year, they are allowed to set the increase at the higher of two benchmark percentages, not the lower, as previously proposed.

FY03 CITY SURPLUS

The Research Bureau's analysis that Boston would be able to manage through FY03 even with a local aid cut *after* the start of the fiscal year was affirmed by the City's year-end results. The FY03 financials show that Boston finished with a \$1.8M surplus on a budget of \$1.8B or 0.10%. Other revenue sources generated receipts over budget estimates, offsetting local aid cuts of \$23.5M and producing a revenue surplus of \$5.6M. On the expenditure side, even with disciplined spending control, overall spending exceeded the budget by \$3.8M, primarily due to the Fire Department and Snow Removal. Schools finished with a surplus of \$17,161 due to a strict spending

control plan and aggressive utilization of general and grant funds.

KEY REVENUES OVER BUDGET:

121A development +\$7.8M	Workers' Compensation +\$1.3M
Motor Vehicle Excise +\$7.6M	Prior Year Reimbursements +\$1.9M
Aircraft Fuel Excise +\$5.2M	Building permits +\$5.1M
Municipal Medicaid +\$3.6M	Massport PILOT payment +\$3.2M

However, the City collected \$2.3M less in parking fines than expected.

For the second consecutive year, the Fire Department ended the year with a deficit, partly due to overtime expenses because of

sick leave utilization by firefighters. The Fire Department's deficit in FY03 was \$6.8M, up from \$2.5M in FY02. Snow removal costs over budget totaled \$5.4M last year and Property Management incurred a deficit of \$195,681 due to Municipal Police overtime for coverage of Housing Authority properties.

The Administration made a timely effort to control spending to meet the fiscal reality, steps that carried over to FY04. A position control process and an early retirement offering helped reduce personnel costs, the largest component of city spending.

BID NEXT STEP

The plan to establish a Washington Street Business Improvement District (BID) took the next step when the Legislature's Joint Committee on Commerce and Labor held a hearing on September 15th on the bill (H.3815). The home rule petition authorizing the creation of the BID was approved by the Mayor and City Council in August 2002. Senator John Hart, Senate Chair of the Committee, plans to bring together the proponents and other parties in an effort to reach compromise on a few issues before the Committee approves the bill and sends it to the House and Senate for action.

Nuts 'N Bolts Of The BID

- Assessment on businesses in the district funds the BID.
- Budget of approximately \$3.6M.
- BID will enhance the area by providing additional street maintenance, litter removal, marketing, public information and social services.
- The City will agree in a Cooperation Agreement with the BID to provide the same level of public services it currently provides.
- Following state approval, creating the BID would require approval of 75% of the taxable property owners who voted in an election and who represented at least 51% of the taxable assessed value.

The assessment formula is structured so that the largest buildings occupying the most land would pay the highest amounts. For example, a 20,000 sq. ft. building on a 10,000 sq. ft. lot could pay as much as \$11,300 per year. If approved, the BID would operate for five years, after which a whole new approval process would be required to extend it further.

MVE TARGETED

An initiative petition effort is underway to repeal the state's 75-year-old motor vehicle excise tax in FY05. If successful, cities and towns would lose about \$600M. For Boston, based on FY04 numbers, that would mean \$38M. Registered vehicles and trailers are taxed at a rate of \$25 per \$1,000 of value.

The *Axe the Auto Tax Committee* must collect 65,825 certified signatures by November 24, 2003 to have the initiative forwarded to the state Legislature in January 2004 for its consideration. If the Legislature enacts the initiative and the Governor signs it by May 4, 2004, it would become law in FY05. Otherwise proponents would have to secure another 10,971 signatures by June 28, 2004 for a 2004 ballot initiative.

Proponents claim the excise is regressive and hurts working families and that cities and towns can do without this revenue. Opponents argue cities and towns cannot afford to lose revenue that comprises around 3-4% of local budgets after two consecutive years of local aid cuts.

NO TAX AMNESTY

Plain and simple, Boston doesn't need a tax amnesty program for overdue property taxes and motor vehicle excise payments as authorized by the state this year. Here's why....

- Procedures are already in place that provide sufficient incentives for tax payment and compensate the City for late payment.
- The City's FY04 budget is balanced and the City is not facing a cash flow problem for which new or additional revenues are needed to meet existing, authorized expenses.
- A tax amnesty program sends the wrong message to the responsible taxpayers who pay on time.
- The program would require additional administrative costs to be implemented.
- Boston's collection of its property taxes now represents approximately 98.6% of its gross levy.
- Delinquent real and personal property taxes are subject to a 14% annual interest charge that can go up to 16%.
- The Registry of Motor Vehicles will not renew a driver's license or vehicle registration until the overdue motor vehicle excise tax is paid.
- Boston faces a budget challenge due to local aid cuts, not a cash flow problem that might be helped by an amnesty plan.

SPENDING RANK

The latest ranking of state and local spending by *Governing Magazine* paints an interesting picture of Massachusetts as a high revenue and spending state on a per capita basis but less so on a percent of personal income basis. Data is available only on a statewide basis so that it is not possible to compare Boston with other comparable cities, a far more complicated task. Intrastate comparisons are difficult enough and not as precise with apple-to-apple comparisons as we would like but the general trends from the FY00 U.S. Census Bureau data are worth noting. Highlights of selected rankings from the 2003 *Governing Sourcebook* are listed below.

How Massachusetts (State & Local) Ranks

Category	Per Capita Rank	% Personal Income Rank
Personal Income Tax	2	5
Sales Tax	44	45
Corporate Income Tax	6	10
Property Tax	9	17
Fees, Charges, Interest	32	44 *
Total Spending	8	40
K-12 Education	10	49
State & Local Debt	3	1*
Fire Protection	3	8
Police Protection	8	24
Parks & Recreation	46	49

* Rank based on total revenue, not personal income.