

April 2017

## Five-Year Trends Key to FY18 Budget Choices

*Salary and mandatory expenses are driving city costs*

Analysis of the City of Boston’s operational spending over the past five years from FY12 to FY17 has identified a few budget facts and trends that will help put the FY18 budget choices in perspective. Over these five years, total operational spending has increased by 24%. Spending by the Departments of School, Police and Fire represents over 75% of all departmental expenses in FY17 and has grown at a faster pace than the aggregate of all other departments. Also, the share of the combined General Fund budget devoted to pensions, state assessments and debt service has increased noticeably as a percent of the total budget since FY12. The Mayor will officially submit his recommended FY18 budget to the City Council on April 12.

### Departmental Spending

The three big departments of School, Police and Fire account for 76% of total departmental spending in FY17 and their aggregate spending increased by \$294.8M or 24.3% over the last five years, while spending by all other departments increased by \$67.2M or 16.5%. Total salary costs increased by 22% since FY12.

#### Departmental Spending

\$000 in millions				
Account	FY12	FY17	Variance	%
School *	\$744.7	\$932.2	\$187.5	25.2%
Police	283.0	356.3	73.3	25.9%
Fire	186.9	221.0	34.0	18.2%
Other Dept.	407.4	474.6	67.2	16.5%

\* Does not include health insurance to be comparable with other departmental budgets.

### Mandatory Spending

The increase in the mandatory expenses of pensions, state assessments and debt service has put more

pressure on departmental spending as the cost of these three accounts has increased by 50.6% over the past five years and its share of total spending has increased from 17% in FY12 to 21% in FY17. The growth in state assessments is mainly due to the increase in charter school tuition assessments, which increased by \$82.7M since FY12.

### Mandatory Spending

\$000 in millions				
Account	FY12	FY17	Variance	%
Pensions	\$126.4	\$199.3	\$72.9	57.7%
Assessments	156.6	245.8	89.2	56.9%
Debt Service	130.6	178.0	47.4	36.3%
Total	\$413.6	\$623.0	\$209.4	50.6%

### Employee Growth

Over the last four years from January 2012 to January 2016, the number of city-funded employees (FTEs) increased by 784 or 4.8%. The bulk of the increase was in the School Department, which accounted for 694 of the increase.

### State Aid

State aid, especially state education aid, has not kept pace with spending. Chapter 70 education aid, the largest state aid account, increased by 5.2% over the past five years while School Department spending (including health insurance) increased by 24.1%. Unrestricted General Government Aid (formerly Lottery and Additional Assistance) grew by 13.7%.

### Chapter 70 & UGGA State Aid

\$000 in millions				
Account	FY12	FY17	Variance	%
Ch. 70	\$205.4	\$216.1	\$10.7	5.2%
UGGA	160.2	182.2	22.0	13.7%
Total	\$365.6	\$398.3	\$32.7	8.9%