The Economies of Massachusetts Municipalities Grew by 4.2% in Fiscal Year 2018, the Highest Rate of Increase Since 2008.

Assessed value of residential properties in Massachusetts grew by 5.7 percent.

Boston, MA, March 8, 2019 – The revenues and expenditures of Massachusetts municipalities reached $28.4 billion in fiscal year (FY) 2018, a 4.2 percent increase from FY 2017, the highest rate of growth since FY2008, according to a report released today by the Massachusetts Taxpayers Foundation (MTF).

MTF’s Municipal Financial Data report, produced this year for the 48th year in a row, is a compilation of basic financial information for Massachusetts’ 351 cities and towns. In addition to comparing communities’ expenditures, revenues, tax rates, debt, and other characteristics, the report also includes statewide totals for key municipal financial statistics over the last ten years.

“This report provides a very important view of our Commonwealth’s economic health at the local level,” said MTF President Eileen McAneny. “Our cities and towns are the spark plugs of our state’s economy and it’s good to see a continuation of the stronger growth they’ve experienced in recent years.”

FY 2018 marked the third time in the last five years that growth has exceeded 4 percent. However, this rate of growth is still below the prior period of economic growth in the mid 2000’s when municipal resources averaged growth of more than 5 percent.

Some of the other key findings in this report include:
Revenues grew by $1.1 billion in FY 2018, which is $130 million more than the growth in FY 2017.

As in recent years, revenue growth was concentrated in property taxes (+4.5%) and local assessments (+5.1%). This is only the second time in the last decade that local assessments have grown at a faster rate than property taxes.

Since FY 2009, property taxes have increased as a share of total municipal revenues in nine out of ten years. Property tax revenues have grown by four percent or more each year since FY 2014, in spite of the fact that municipal excess capacity (defined as the amount that a municipality can raise property taxes without an override) has steadily increased and property tax revenue from local overrides has declined.

Between FY 2017 and FY 2018, the assessed value of residential properties in Massachusetts grew by 5.7 percent.

Statewide trends in building excess capacity are strong, but these trends mask wide variance at the local level. More than 150 communities have excess capacities of 0.5 percent or less of their total tax levy, while excess capacity in 82 cities and towns is less than .005 percent of their tax levy.

The number of Proposition 2 ½ overrides have declined significantly in recent years. Twenty proposition 2 ½ override votes occurred in FY 2018, down from 26 in FY 2017.

“These are encouraging signs for our state’s economy, but we still need to keep a watchful eye on indications of a slowing economy, a softening housing market that could impact assessment values or a slowdown in tax revenue growth at the state and municipal level,” said McAnneny.

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Founded in 1932, the Massachusetts Taxpayers Foundation is a non-partisan, non-profit research organization that serves as the independent source of information for the Commonwealth’s decision-makers.

Our mission is to provide accurate, unbiased research with balanced, thoughtful recommendations that strengthen the state’s finances and economy in order to foster the long-term well-being of the Commonwealth.