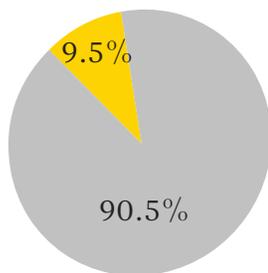




BOSTON CONTINUES TO GIVE MORE THAN IT GETS FROM THE REST OF MASSACHUSETTS

In 2006 the Boston Redevelopment Authority released a report called “Boston Gives More than it Gets from the Rest of Massachusetts”, which demonstrated that the City of Boston serves as the state’s economic engine, a key generator of jobs, Gross State Product, state tax revenues, tourism, and affordable housing¹. In spite of the importance of Boston’s contributions to the state economy, the benefits that the city receives from the state are disproportionately low, distributed at a level below its share of state population or revenue generation. Since that report, Boston has increased its share of state population, employment, Gross State Product and state tax revenues, but the city’s share of state aid has further declined.

Boston’s Share of the State Population



■ Boston
■ Rest of Massachusetts

Source: U.S. Census Bureau, BRA Research Division Analysis

POPULATION

Boston is one of the nation’s most densely populated cities; although the city occupies less than 1% of Massachusetts’ land area, 9.5% of the state’s population lived in Boston in 2008.

Since 2000, population growth in Boston has significantly outpaced growth in the rest of the state, increasing 3.4% from 589,141 in 2000 to just over 620,500 in 2008. In comparison, the population in the rest of the state grew less than 1%². Superior job growth, the increasing attractiveness of downtown living, and Boston’s exceptional commitment to housing development have all contributed to the city’s population growth.

Amongst other major cities, Boston’s population is particularly young and well-educated. In contrast to the nationwide trend of aging populations, Boston is home to a significant population of 20–34 year olds, an age group key to maintaining economic growth. In 2006–2008, approximately 30% of Boston’s population was 20–34 years old – the second highest percentage of that age group within the twenty-five largest U.S. cities– whereas the 20–34 age group made up less than 19% of the population in the remainder of the state³. Boston has also attracted a highly educated population, with 40.3% of the population holding bachelor’s degrees in comparison to 37.9% in the state as a whole and 27.5% nationwide⁴.

¹ Boston Redevelopment Authority Research Division (2006). Boston Gives More Than It Gets from the Rest of Massachusetts.

² U.S. Census Bureau

³ U.S. Census Bureau

⁴ Census Bureau Data, Brookings Institute (2007)

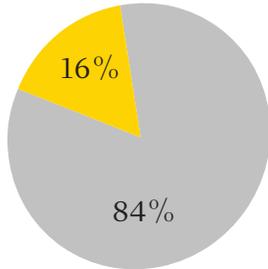
Share of Population with a Bachelor’s Degree. Living Cities Census Series: Census Plus.

EMPLOYMENT

Boston is home to an estimated 678,000 jobs, representing 16% of the total employment in Massachusetts⁵.

Boston job growth led Massachusetts out of the 2001 recession and has softened the current recession that began in December 2007. Between 2004 and 2007 total employment in Boston grew by 5.2% while the rest of the state grew jobs by just 2.7%⁶. With 15.7% of Massachusetts jobs in 2004, the city provided 26.4% of the state's job growth over the next three years. Recent data on payroll employment shows that from 2007 to 2008 Boston provided 57% of Massachusetts job growth, underlining the city's importance as the economic driver for the state⁷. Between 2007 and 2008, Boston employers added nearly 5,500 of the state's approximately 9,600 job expansion in payroll employment⁸.

Boston's Share of State Jobs

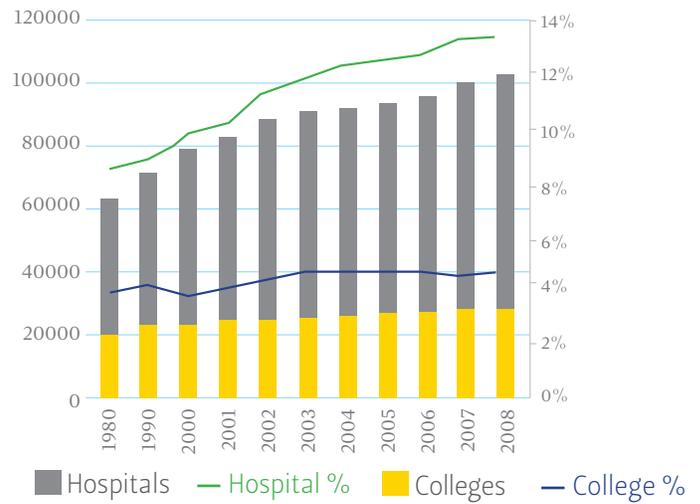


■ Boston
■ Rest of Massachusetts

Source: U.S. Bureau of Economic Analysis

Much of Boston's employment growth has occurred in the health and education sectors. With 34 colleges and universities and 21 hospitals, Boston has more than four times the national average concentration of private hospital and higher education employment. These sectors have been particularly important in stabilizing the state and local economies during times of recession. For example, while two recessions between 2001 and 2008 produced an overall job loss of 1.8% in Boston, employment in health and education increased by 24.1% or close to 20,000 jobs⁹.

Growth in Health and Education Sector

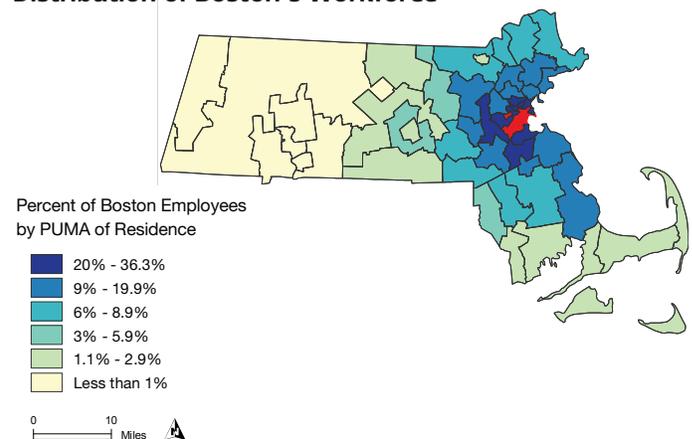


Source: Massachusetts Department of Workforce Development, U.S. Bureau of Economic Analysis

Many of Boston's jobs are held by workers that live outside of the city; in fact, Boston's job market is more than twice the size of Boston's resident workforce¹⁰. The U.S. Census Bureau's 2005-2007 American Community Survey (ACS) data indicate that 38% of Boston's workforce lives in Boston, 52% lives outside of the city but within the metropolitan area, and 9% lives outside of the metropolitan area.

As shown in the map below, a significant percentage of the workers living in the towns surrounding Boston work in the city. Although the ACS does not report in detail on individual towns, the data indicate that Brookline, Newton, Milton, Quincy, Chelsea, Revere and Winthrop collectively send more than one-third of their working residents to Boston to work.

Distribution of Boston's Workforce¹¹



BRA Research Division, Dec. 2009.

Source: U.S. Census, BRA, Digital Cartography & GIS

⁵ BRA Research Analysis: U.S. Bureau of Economic Analysis, 2007, and the Massachusetts Department of Workforce Development.

⁶ U.S. Bureau of Economic Analysis

⁷ Massachusetts Department of Workforce Development

⁸ About 77% of Massachusetts total employment consists of payroll jobs;

the rest include the self-employed, proprietors, family businesses, contractors, etc

⁹ Massachusetts Department of Workforce Development, U.S. Bureau of Economic Analysis.

¹⁰ Using data from the U.S. Bureau of Economic Analysis and the Massachusetts Department of Workforce Development, the BRA Research Division estimates that there are 678,462 jobs in Boston in 2008. According to the 2005-2007 ACS Public Use Microdata Sample, there are 332,007 resident workers in Boston.

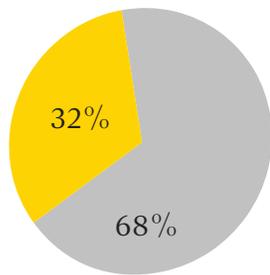
¹¹ These data come from the ACS, a yearly survey conducted by the U.S. Census Bureau. ACS is based on a sample of the population and is subject to sampling error. Currently, the smallest unit of geography available for analysis for the ACS is the Public Use Microdata Area (PUMA). There are 52 PUMAs in the Massachusetts. Five of these PUMAs make up the City of Boston, while the remaining PUMAs are shared by the numerous cities and towns across Massachusetts.

VISITORS

The wealth of historical and cultural attractions in Boston supports a thriving tourism industry, creating jobs and generating tax revenue – most of which flows directly to the state.

In 2007, visitors to Suffolk County, which includes the City of Boston, directly spent \$6.4 billion and generated 31.8% of the state tax revenue produced by tourism¹².

Suffolk County's Share of State's Tax Revenues from Visitors



■ Boston
■ Rest of Massachusetts
 Source: Massachusetts Department of Revenue

TAX REVENUE

Boston is the state's leading tax generator, producing 23.9% of the Gross State Product and 20% of the state tax revenue.

Fiscal Year 2008 Tax Revenues

	MA	Boston \$	Boston %
(\$1,000's)			
Income Tax	12,496,141	2,981,844	23.9
Sales Tax	4,098,361	379,798	9.3
Meals	641,699	119,808	18.7
Autos	501,563	23,954	4.8
Goods	2,720,177	199,230	7.3
Services	234,922	36,806	15.7
Corporate Excise	1,511,973	360,789	23.9
Business Excises	916,414	218,676	23.9
Other Excises (except Hotel)	1,693,242	159,261	9.4
Hotel Tax*	187,174	85,222	45.5
TOTAL	20,903,305	4,185,590	20.0

¹² Massachusetts Office of Travel and Tourism (2008).
The Economic Impact of Travel on Massachusetts Counties 2007.

One of Boston's most significant challenges in revenue generation is that the municipal budget is largely dependent on property taxes; property taxes make up 90% of the city's tax revenues and 59% of total general revenues. This a considerable issue in a city of only 48.4 square miles – the second smallest major city in the United States. Moreover, as the state and regional capital and a center of higher education and health care, 52% of the land is tax-exempt.^{13,14}

Approximately 27% of Boston's employment base is in tax-exempt industries, including colleges and universities, hospitals, and state and federal government. The distinction between tax-exempt and for-profit employment is important when considering state and municipal revenue streams. For-profit employment generates revenue both for the state through income taxes and for the city through property taxes, while the tax-exempt sector only produces income tax revenue for the state.

Since the tax-exempt sector does not generate property taxes, city revenues from this sector are confined to voluntary contributions to the city treasury by these institutions. These voluntary contributions are part of the Payments In Lieu Of Tax (PILOT) system, through which tax-exempt institutions make contributions to partially offset the costs they generate using city services. In Fiscal Year (FY) 2009 participating educational and medical institutions made \$14.5 million in PILOT payments, which represents 4.2% of the \$345 million that these institutions would pay if exempt property were taxable. Comparatively, the state collected \$293 million in income taxes from institutional payrolls. In addition, there are wide disparities among institutions, with some participants contributing more than 5% of potential taxes and others contributing less than 1%.¹⁵

¹³ Mayor's PILOT Task Force (2009). Interim Report, September 16, 2009.

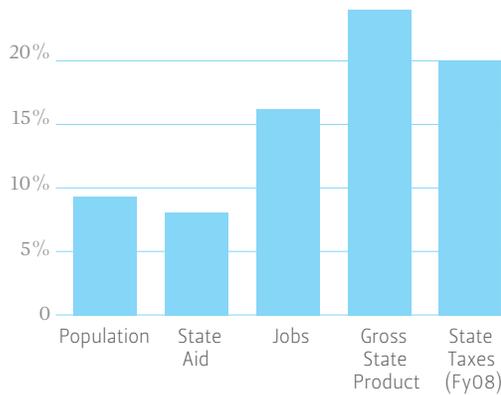
¹⁴ In 2009, the Commonwealth of Massachusetts provided the opportunity for cities and towns to diversify municipal tax bases by increasing meal and hotel taxes. Boston exercised this option in August 2009. The city estimates that the increase will produce \$32.2 million per year or 1.3% of city revenues.

¹⁵ Mayor's PILOT Task Force (2009). Interim Report, September 16, 2009.

STATE AID

The proportion of net state aid Boston receives amounts to less than its proportion of the state's population; while Boston is home to 9.5% of state residents, it receives only 8.4% of net state aid. Between FY2009 and FY2010, Boston's state aid decreased by \$94.3 million.¹⁶ Boston's total FY2010 budgeted net state aid (state aid revenues minus state assessments) remains below its FY2002 peak by \$161.7 million or 37.7% (nominal dollars). Adjusted for inflation this is a 49% cut in Boston's state aid.¹⁷

Boston's Share of Selected State Characteristics



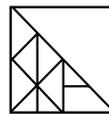
Source: U.S. Census Bureau, BRA Research Division Analysis; City of Boston Budget Office; U.S. Bureau of Economic Analysis; Massachusetts Department of Revenue

CONCLUSION

BOSTON GIVES MORE THAN IT GETS FROM THE REST OF MASSACHUSETTS.

As home to 16% of the state's jobs and generator of 24% of the Gross State Product, 20% of state tax revenue, and approximately 30% of state tourism revenue, Boston is key to Massachusetts' economic health. Nowhere is this seen more readily than in the comparison between the economic productivity of Boston's workforce and the rest of the state. On average, each Boston worker produce \$125,195 of the Gross State Product in comparison to \$76,012 productivity per worker in the rest of the state.

Unfortunately, the city's share of state aid is proportionately low in light of its economic contributions and population base, adding to existing challenges caused by Boston's limited municipal tax base and state policies that restrict the diversification of municipal revenue sources. Clearly, a more equitable distribution of state aid is both fair and necessary to support Boston's unique contributions to the state economy. Investments in Boston's future have the strategic benefit of expanding this productivity and prosperity.



Boston
Redevelopment
Authority

John F. Palmieri, *Director*

PREPARED BY:

Research Division, Alvaro Lima, *Director*
John Avault,
Mark Melnik
Sarah Rustan, *Intern*

For more information about Boston's economic impact on the State, contact:

John Avault
617.918.4412
John.Avault.BRA@cityofboston.gov



CITY OF BOSTON
Thomas M. Menino
Mayor

¹⁶ \$23 million was cut in the middle of FY 2009 and \$71.3 million was cut in the FY 2010 budget.

¹⁷ City of Boston Budget Office