

With 9.3% of the State's Population and 0.6% of its land area, Boston generates:

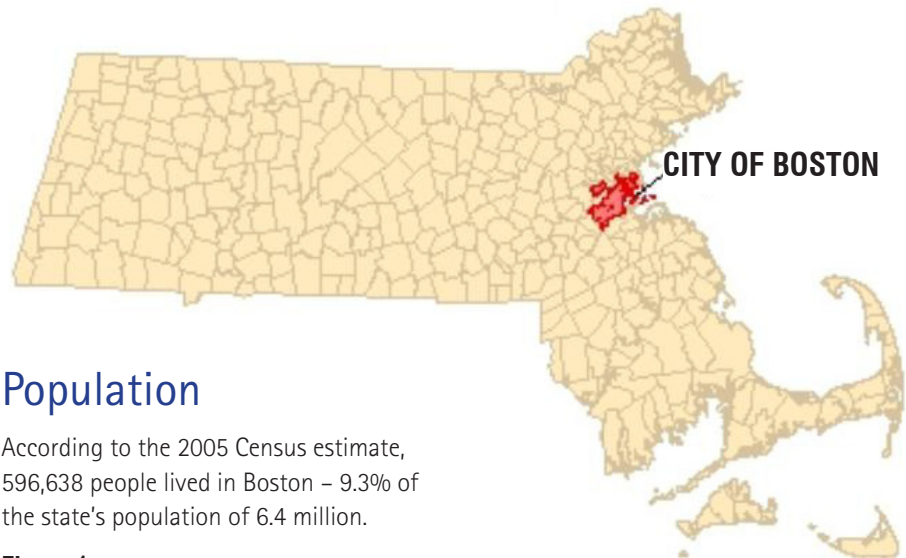
- 15.6% of State Jobs
- 19.3% of State Tax Revenue
- 30%+ of State Visitor Revenue

Boston is not only the capital of Massachusetts, but the economic engine and the social, cultural and service center of the state.

More than 180,000 Boston residents work in the city, as do more than 300,000 residents of other Massachusetts cities and towns. The income tax revenue generated by those jobs – as well as the revenue generated by meals, services, excise, and hotel taxes – totals more than \$3.5 billion. The combination of economic activity in Boston – from the private, public, and non-profit sectors – totals more than \$73 billion – nearly a quarter of the Massachusetts gross state product.

Boston does more than generate wealth for the Commonwealth of Massachusetts, however. The city welcomes and accommodates a large percentage of the visitors to the state, and provides housing and shelter for a large percentage of the state's poor and working families. Boston's skyscrapers may be the most visible sign of its position as the capital and most important city in Massachusetts, but it is through the less visible role it places in generating wealth and distributing services that truly makes the city the Hub of Massachusetts.

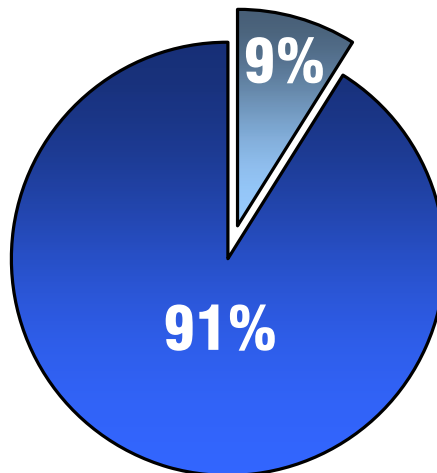
Boston Gives More Than It Gets From the Rest of Massachusetts



Population

According to the 2005 Census estimate, 596,638 people lived in Boston – 9.3% of the state's population of 6.4 million.

Figure 1
Boston's Share of the State's Population



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

Although the city's population has grown since 2000 and in each of the preceding two decades, its percentage of the state's population has declined from 9.8% in 1980 to 9.3% in the latest census.

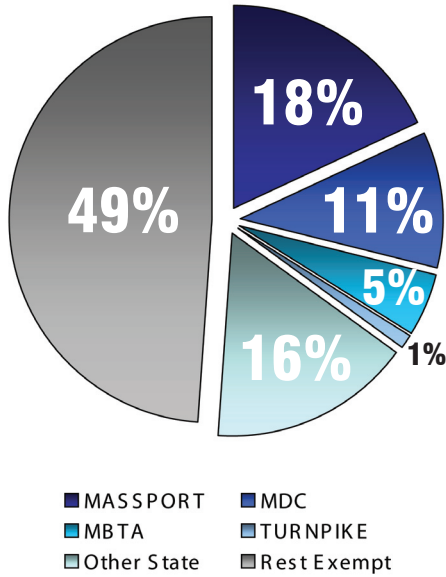
While its share of the state's population has declined during that period, Boston's share of the 20-34 age group has increased. This population, which plays a dominant role in today's information and technology-based economy, increased from 12.7% in 1980 to 14.6% in 2000.

Land Area

Boston is the second smallest major city in the United States (behind San Francisco) in terms of land area. Although the city has grown through landmaking and annexation from the 783-acre Shawmut Peninsula settled by the Puritans in 1630, Boston today is made up of only 48.4 square miles, just 0.6% of the 7,824 square miles that make up the Commonwealth of Massachusetts.

Boston's small land area puts the city at a disadvantage, since the largest share of municipal revenues is derived from the property tax.

Figure 2
Tax-Exempt Land in Boston



Source: City of Boston Assessing Department, BRA Research Division Analysis

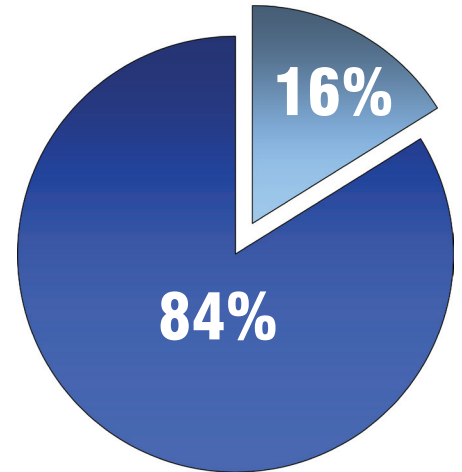
Boston is further disadvantaged because, as the state and regional capital and a center of higher education and health care, more than 50% of the land in the city is tax-exempt. The state and various state agencies own more than half of that property.

Workers

Boston creates almost 642,000 (15.6%) of the state's 4.1 million jobs.

Just over one-third of those jobs are held by Boston residents. Of the 278,463 Boston residents who worked in the year 2000, 184,954 – or 66.4% of the city's resident workforce – worked in Boston. Figure 5 shows that the city of Quincy had the second highest number of residents working in Boston (16,000+ workers or 35% of its workforce), followed by the town of Brookline, and the cities of Cambridge, Newton, and Somerville. Most area towns rely on Boston for between one-fourth and one-half of their residents' jobs.

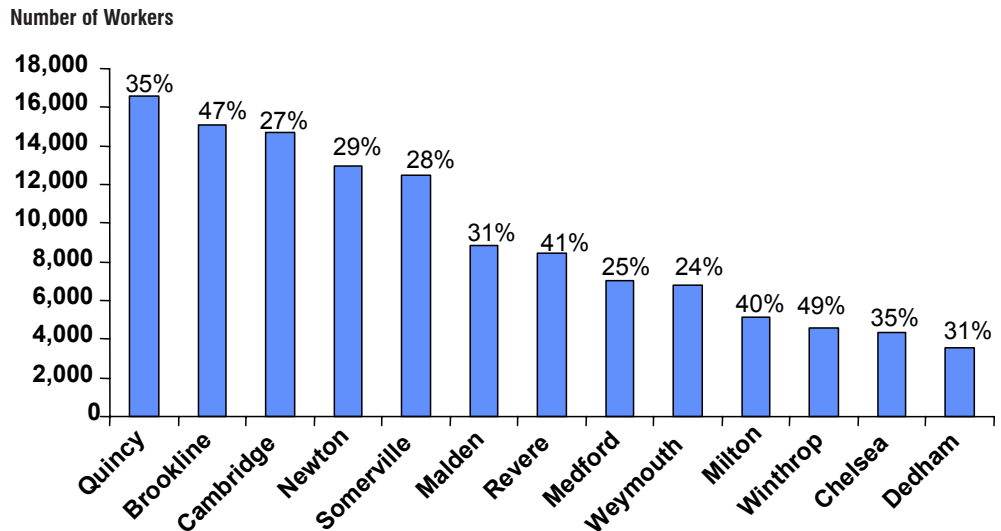
Figure 3
Boston's Share of the State's Jobs



Source: U.S. Bureau of Economic Analysis, BRA Research Division Analysis



Figure 4
Residents of Other Communities Working in Boston



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

Tax Revenue

Table 1 contains a breakdown of the state's tax revenue and the amount and percentage of that tax revenue generated by Boston. It shows that Boston generates 23.5% of the state's income, corporate excise, and business tax revenue, almost 41% of the state's hotel tax revenue, and 19.3% of the state's total tax revenue.

Some of the hotel taxes that the state collects in Boston go into the state's general fund, and the rest are used to pay for the new Boston Convention and Exhibition Center. Almost all of the financing for the construction and operation of the convention center comes from hotel and other tourism taxes collected in Boston.

Table 1
FY 2006 State Tax Revenue

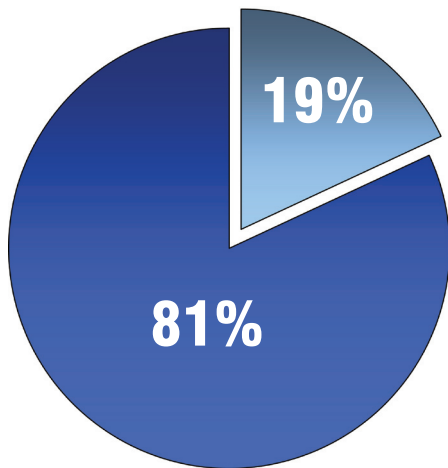
Mass. FY2006 Revenues: (\$1,000s)	State	Boston \$	Boston %
Income Tax	\$10,483,437	\$2,460,853	23.5%
Sales Tax	\$4,004,358	\$363,819	9.1%
<i>Meals</i>	\$584,149	\$109,063	18.7%
<i>Autos</i>	\$555,462	\$26,528	4.8%
<i>Goods</i>	\$2,644,101	\$193,658	7.3%
<i>Services</i>	\$220,646	\$34,569	15.7%
Corporate Excise	\$1,390,684	\$326,445	23.5%
Business Excises	\$865,108	\$203,073	23.5%
Other Excises (except Hotel)	\$1,483,324	\$137,502	9.3%
Hotel Tax	\$144,808	\$59,209	40.9%
TOTAL	\$18,371,719	\$3,550,900	19.3%

Source: BRA Research Division Analysis



Massachusetts State House

Figure 5
Boston's Share of Tax Revenue



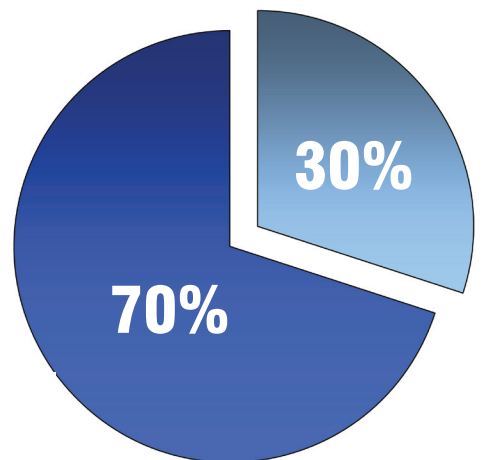
Source: BRA Research Division Analysis

Visitors

Boston is also a destination city and a magnet for both domestic and international travelers. The visitor industry is important to the state's economy, creating jobs and generating tax revenue – most of which flows directly to the state, not the municipalities which are responsible for providing most visitor services.

In 2003, the last year for which statistics are available, the Commonwealth of Massachusetts attracted more than 27 million visitors who generated over \$476 million in state tax receipts. More than 30% of that revenue – nearly \$143 million – was generated by the city of Boston.

Figure 6
Boston's Share of State's Tax Revenues from Visitors



Source: Massachusetts Office of Travel and Tourism (2005). The Economic Impact of Travel on Massachusetts Counties 2003.

Affordable Housing

Boston also serves those less fortunate. Under Massachusetts General Law Chapter 40B, the state's so-called "Anti-snob Zoning" law, municipalities are asked to attempt to set aside 10% of their housing stock as affordable. Boston far exceeds that goal, with more than 20% of its housing stock meeting that definition. As Table 2 shows, Boston, which contains just under 10% of the 2.5 million housing units in Massachusetts, provides more than 22% of the state's housing units defined as "affordable."

Homelessness

Homelessness is a growing problem across Massachusetts, and Boston has long been a leader among American cities in providing shelter and services to the homeless. According to a study of Boston's homeless population by the McCormack Institute at the University of Massachusetts/Boston, 47% of the homeless individuals and 25% of the homeless families in Boston come from outside the city.

Local Aid

Local aid is the money that the state government sends back to cities and towns from its income and sales tax collections to help them pay for municipal services. Since local governments are almost entirely dependent on property taxes to raise their own revenues, and this source of revenue is capped by Proposition 2 1/2, cities and towns must rely on local aid to maintain services in the face of rising costs.

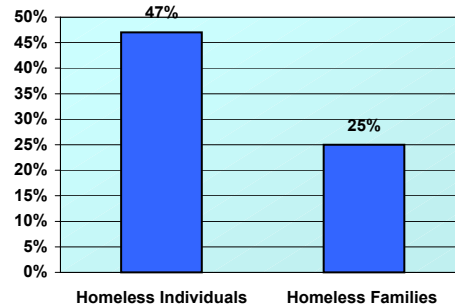
Although total local aid throughout the state has grown by 87% since 1990 and Boston continues to produce nearly one-fifth of state government tax revenues, the city's share of local aid has declined from 15.4% in 1990 to 10.9% this year. Adjusted for inflation, total local aid has grown by 8.3%, but Boston's local aid has decreased by 23.6%. This has caused Boston to grow even more over-reliant on the property tax to fund the city's operation. In 1990, local aid was 34.3% of Boston's total revenues (excluding receipts from the Health and Hospitals Department, which was taken off

Table 2
Boston's Share of State's Affordable Housing

2004 Housing Stock	Total Units	40B Units	40B %
Massachusetts	2,526,963	228,657	9.0%
Boston	250,367	50,797	20.3%
Boston's Share	9.90%	22.20%	

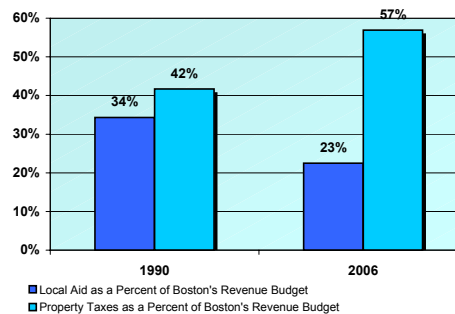
Source: Massachusetts Department of Housing and Community Development

Figure 8
Share of Homeless in Boston Coming from Outside the City



Source: BRA Research Division Analysis

Figure 9
Local Aid and Property Taxes as a Share of Boston's Revenue Budget



Source: City of Boston Budget Office

budget in 1997) and property tax revenues were 41.7%. This year, local aid has been reduced to 22.5% of the city's revenues and reliance on the property tax has increased to 56.9%.

Conclusion

While the City of Boston contains a relatively small share of the state's population and an extremely small portion of its land area, Boston generates far more than its share of jobs and state revenue and provides far more of the services that residents of other Massachusetts cities and towns, and visitors to the state depend on.

Clearly, Boston is much more of a giver than a taker with regard to the rest of the state. It seems only fair that the city should either be allowed to recover a greater share of the wealth it generates as revenue, or else receive a greater share of local aid in return for the taxes it generates for the Commonwealth of Massachusetts.



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