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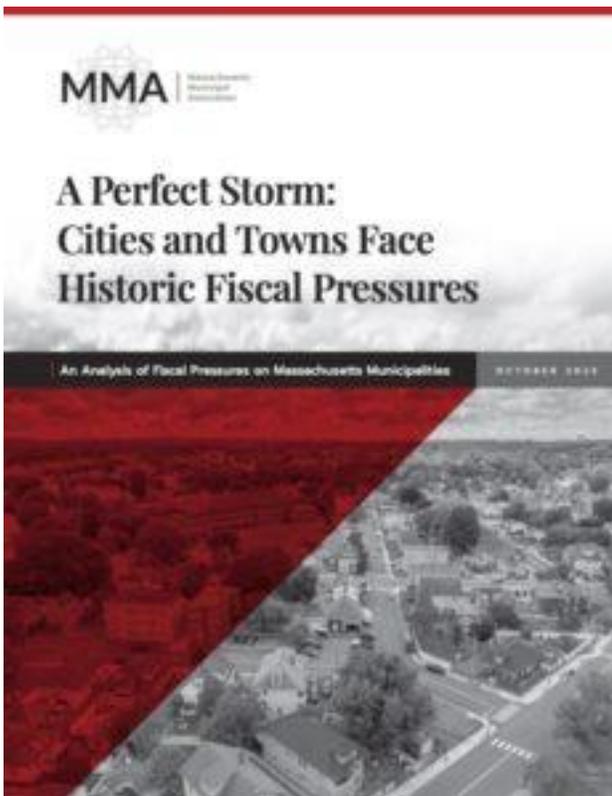
Massachusetts
Municipal
Association

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New report from MMA documents a fiscal crisis in cities, towns

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The MMA released a major report this morning that documents a convergence of forces that are putting dramatic pressure on city and town budgets and on the vital, quality-of-life services provided by municipalities.

The new report, developed in collaboration with the Center for State Policy Analysis at Tufts University, is intended to help stakeholders, state policy makers, the media and the public better understand the forces pushing many municipalities near a fiscal breaking point.

[A Perfect Storm: Cities and Towns Face Historic Fiscal Pressures](#) shows that:

- While state government spending has, when adjusted for inflation, increased by an average of 2.8% per year since 2010 to meet critical needs, constraints on local revenue sources, including Proposition 2½, have held Massachusetts city and town spending growth to just 0.6% per year.
- Annual spending growth for Massachusetts municipal governments also lags behind the U.S. average for cities and towns, which is 1%.
- Funding for Unrestricted General Government Aid — the Commonwealth’s primary source of local aid for municipal services — is 25% lower than it was in 2002, when adjusted for inflation.

“Municipalities have been frugal, and any cuts they’re forced to make are now cutting bone,” said MMA Executive Director Adam Chapdelaine. “Even with the most valiant efforts to operate efficiently, city and town leaders simply can’t overcome the larger trends that are forcing them to make drastic reductions, felt by local residents and local businesses.”

Municipalities have few options to fill fiscal gaps:

- Municipalities are barred by state law from collecting local income or sales taxes (outside of lodging and meals taxes), leaving property taxes as their dominant source of revenue.
- Proposition 2½ limits property tax revenue that a city or town can raise to no more than 2.5% over the previous year, irrespective of inflation.
- Nearly three out of four Massachusetts municipalities are at 95% to 99% percent of their levy limit — the amount of property taxes they can generate before needing to resort to a costly Proposition 2½ override campaign.
- A Proposition 2½ override campaign is a non-starter for the majority of Massachusetts cities and towns, for a host of reasons.
- Different municipalities are being affected in very different ways. Rural towns have been forced to curtail spending in key areas, like education, while gateway cities have boosted education spending, thanks to an infusion of targeted state aid, but are falling behind in virtually all other areas of local spending.

As a result of all these factors and more, the report points out, municipalities have been keeping budgets balanced by cutting or reducing essential services, which impacts schools, libraries, roads, and public safety, and can result in an overall shrinking of community vibrancy.

“Cities and towns across the Commonwealth are in such a difficult position today,” said Newton Mayor Ruthanne Fuller. “The cost of health care, energy, paving, construction and schools are contributing to cost increases that are outpacing revenue growth. We have to change tracks and find new paths to invest sufficiently in the places we love and call home.”

“The success of the Commonwealth is tied directly to the success of its cities and towns,” said Amesbury Mayor Kassandra Gove, who’s vice president of the MMA. “Massachusetts cannot thrive if municipalities are struggling to provide the fundamental services that residents need every single day. I hope this report promotes a better understanding of the challenges faced by communities and serious consideration of solutions.”

“When you talk about what makes a city or town a ‘community,’” said Adams Select Board Member Christine Hoyt, “it’s libraries and senior centers and the staff you can rely on to respond to a 911 call or fix a pothole. The big things and the little things all matter. We need to rally in support of the investments our residents deserve.”

In the coming weeks, the MMA will be discussing the report’s findings in detail with you, our members, as well as with other civic partners. Later this fall, the MMA plans to release a set of policy recommendations to put cities and towns back on a path toward long-term financial sustainability.

“This ‘Perfect Storm’ report is so valuable because it’s data-based and provides a solid analysis of how we got here,” said Amherst Town Manager Paul Bockelman. “Our residents rely on us for their most cherished and essential government services, but the fiscal health of cities and towns is at risk. We clearly need to have serious conversations about how we can adequately support municipal services.”

[Explore the report here](#) — and follow the MMA on mma.org, LinkedIn, Facebook and BlueSky as we share more on this topic in the weeks and months ahead.

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