



National League of Cities

City Fiscal Outlook

Fiscal Challenges Facing Cities:
Implications for Economic Recovery

Brookings – NLC Event

November 19, 2009

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National League of Cities



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City Fiscal Conditions in 2009

- The nation's city finance officers report that city fiscal conditions weakened in 2009 due to:
 - Declining housing values
 - Slowed consumer spending
 - Rising unemployment/falling wages
 - Restrictive credit markets

RESEARCH BRIEF
on America's Cities
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City Fiscal Conditions in 2009
SEPTEMBER 2009

Facing a national economic recession driven by declining housing values, restrictive credit markets, slowed consumer spending and rising unemployment, the nation's city finance officers report that the fiscal conditions of the nation's cities continue to weaken in 2009.¹ Among the findings of the National League of Cities' latest national survey of city finance officers are:

- Nearly nine in 10 (90 percent) city finance officers report that their cities are less able to meet fiscal needs in 2009 than in the previous year.
- Fiscal conditions for 2009 are such that city expenditures growth (4.3 percent) outpaces city revenue growth (3.4 percent).
- As finance officers look to the close of 2009, they predict that revenues will decline in inflation-adjusted terms (-0.4 percent), while spending will increase by 3.5 percent.
- Property tax revenues increased by 6.2 percent in 2008, reflecting rising housing values in previous years, but are predicted to drop to 1.6 percent growth by the close of 2009.
- City sales tax revenues (+3.2 percent) and income tax revenues (+3.5 percent) are predicted to decline through the end of 2009.
- Spending pressures stem from declining local economic health, rising costs of providing services, public safety and self-protection costs and long-term related costs for health care, pensions and wages.
- To cover budget shortfalls and balance annual budgets, cities are increasing living levies and laying off personnel, as well as delaying or canceling planned infrastructure projects, and.
- Ending balances, or "overruns," while still at high levels, decreased as cities used these balances to weather the effects of the downturn.

MEETING FISCAL NEEDS

In 2009, nearly nine in 10 (90 percent) city finance officers report that their cities are less able to meet fiscal needs than in 2008. City finance officers' assessment of their cities' fiscal conditions in 2009 has decreased significantly from their 2008 assessment, when 64 percent of city finance officers said their cities were less able to meet fiscal needs than in 2007. Questions about the ability to meet city fiscal needs is at its highest level in the history of NLC's 21-year survey. Finance officers in cities that rely upon property taxes and sales taxes — the two most common local tax sources — are equally likely to say that their cities are less

Figure 3: % of Cities "Better Able, Less Able" to Meet Fiscal Needs in FY 2009

1. The following specific data are for the period of survey for which data are available. For an overall view of the department's fiscal condition, see the City Fiscal Conditions Survey in a national and self-survey of finance officers in 112 cities conducted in the spring summer of last year. This is the 21st edition of the survey, which began in 1989.

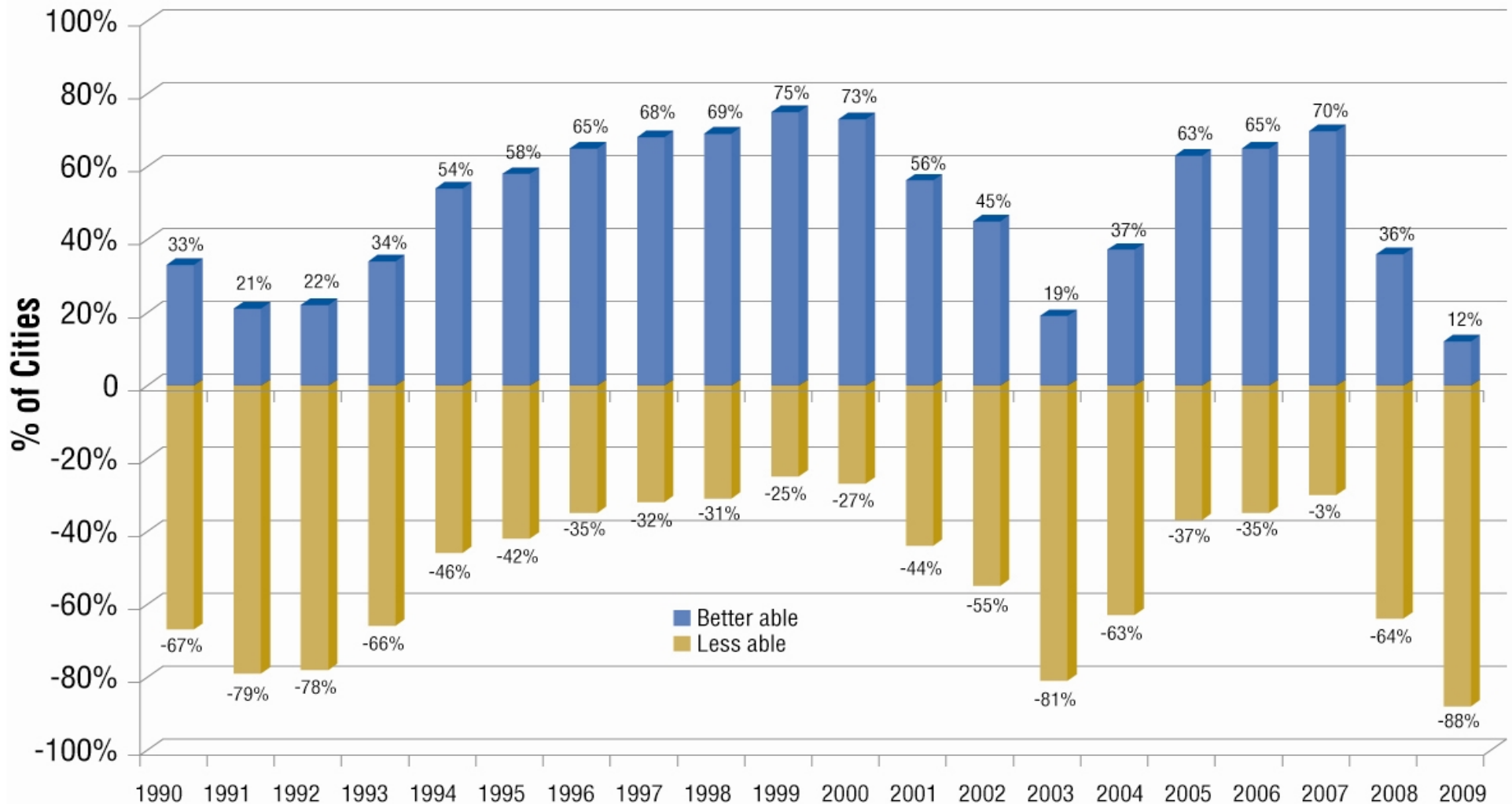
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Meeting Fiscal Needs

Figure 1: % of Cities "Better Able/Less Able" to Meet Financial Needs in FY 2009

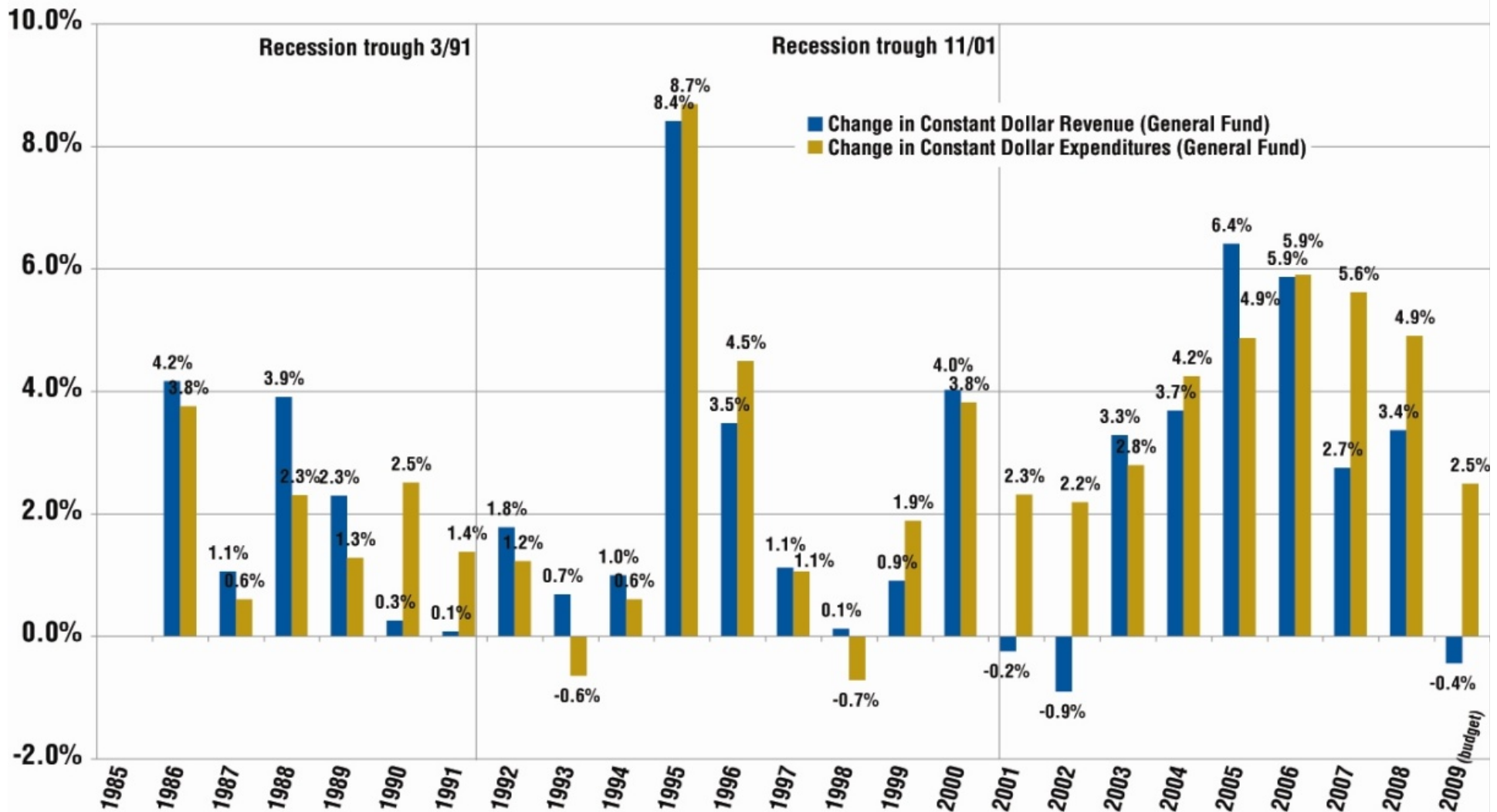




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Revenue and Spending Trends

Figure 2: Year-to-Year Change in General Fund Revenues and Expenditures (Constant Dollars)

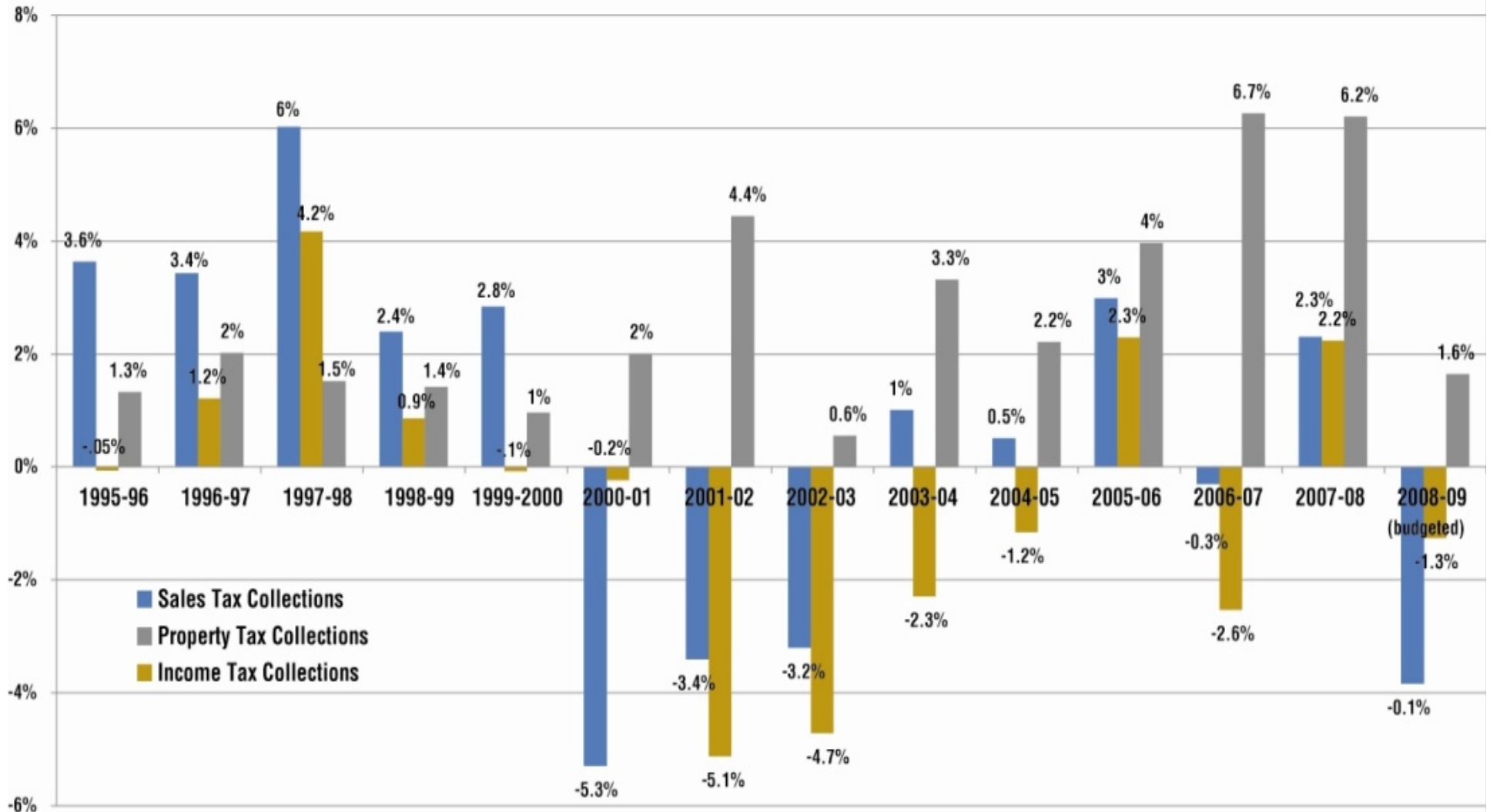




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Tax Revenues

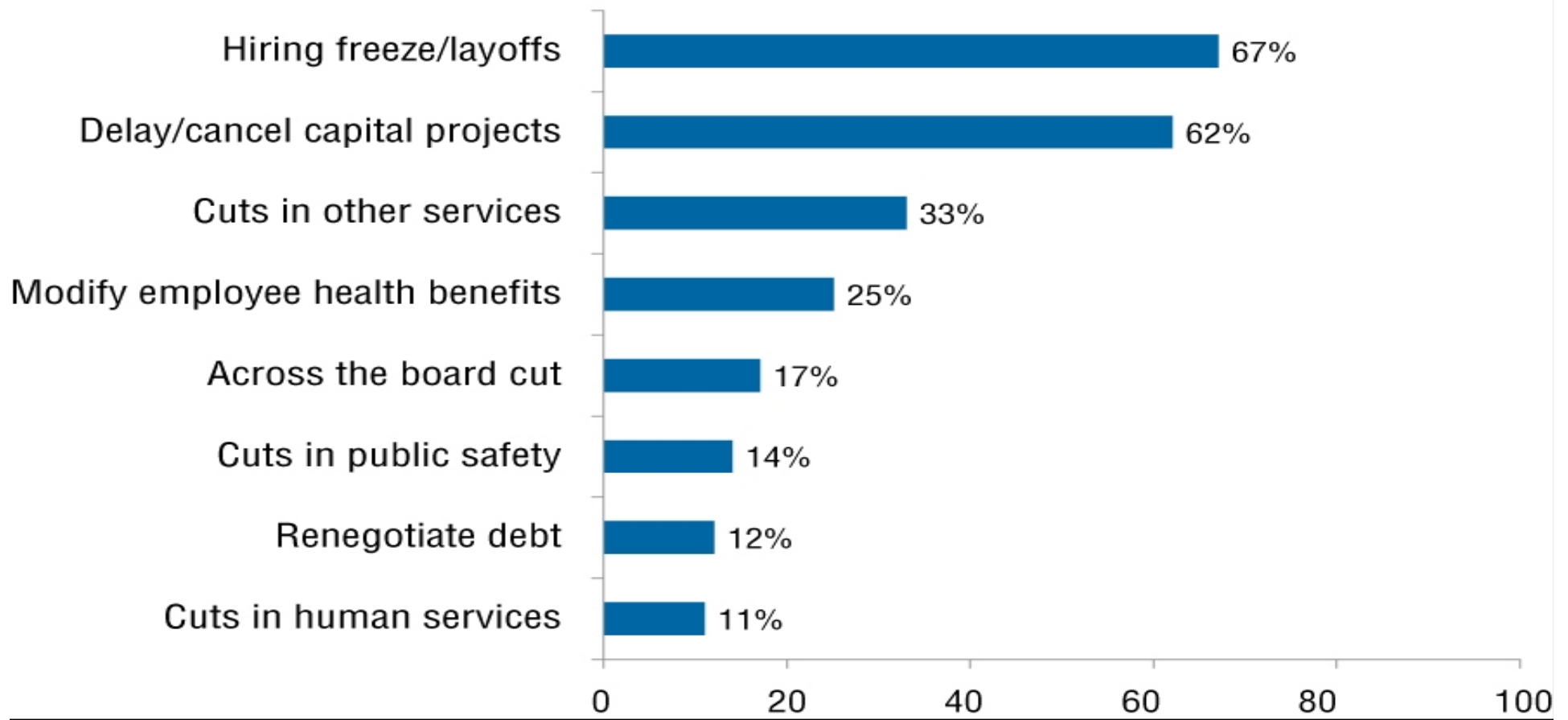
Figure 4: Year-to-Year Change in General Fund Tax Receipts (Constant Dollars)





Spending Cuts & Responses to Shortfalls

Figure 8: City Spending Cuts in 2009





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For More Information

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