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Recession's Effects Intensify in Cities**10/06/10**

Cities' finances continue to weaken under the strain of the recession, resulting in cities being less able to meet their fiscal needs in 2011 and beyond. According to the National League of Cities' annual report on cities' fiscal conditions, financial officers report the largest spending cuts and loss of revenue in the 25-year history of the survey.

In the research brief, "City Fiscal Conditions in 2010", 87% of city finance officers report their cities are worse off financially than in 2009. City revenues - as generated in property, sales, and income taxes - will decline -3.2% in inflation-adjusted dollars according to finance officers. To compensate, city officials are cutting back spending, with expenditures declining by -2.3%. These are the largest cutbacks in spending in the history of the survey and the fourth year in a row that revenue declined.

Financial pressures are forcing cities to layoff workers (79%), delay or cancel capital infrastructure projects (69%), and modify health benefits (34%). There were also significant increases in the number of officers reporting across-the-board services cuts (25%) and public safety cuts (25%). Public safety is usually reduced only as a last resort option.

"This historic recession has forced city officials to make difficult decisions that impact the social and economic fabric of their communities," said Ronald O. Loveridge, mayor of Riverside, CA and president of NLC. He continued, "This recession is making city officials fundamentally rethink and repurpose the provision of services in their communities. Some are innovating and finding creative solutions but, regrettably, without the necessary resources, cities will continue to have a difficult time assisting their residents through these trying economic times."

The ongoing weakness in the housing market, along with poor retail sales, has reduced the available revenue by significant margins. The responses from the finance officers clearly illustrate that the effects of the economic crash are intensifying in cities. Because most tax revenue is collected at specific points during the year, and since it takes time for housing assessments to catch up to current values, cities will still be feeling the full effect of the downturn in 2011. The national economy's slow recovery to date also means the recession's effects will potentially linger in cities for several more years.

"These stark numbers continue the trend we've been seeing for the past several years: lower revenue and reduced services at a time when there is an increased demand for services," said co-author Christopher Hoene, director of the Center for Research and Innovation for the National League of Cities. He continued, "Unfortunately, because of the loss in revenue, cities will face even more difficult circumstances in the months, if not years, to come."

Cities have been forced to confront low consumer spending, unemployment, and cuts in state aid that have severely affected the types of services and the manner in which they are offered by cities. In response, many cities are revisiting the range of services provided and looking for new service-delivery models in order to balance budgets and minimize the impacts of cuts on residents.

"While certain segments of the economy may be under recovery, cities as a whole are not yet experiencing growth," said co-author Michael A. Pagano, dean of the College of Urban Planning and Public Affairs at the University of Illinois at Chicago. He continued, "As a consequence, cities are facing very serious financial hurdles right now in providing basic public services."

NLC conducts the survey each year in partnership with the University of Illinois at Chicago's College of Urban Planning and Public Affairs, a nationally recognized innovator in education, research, and engagement in support of the nation's cities and metropolitan areas. Michael A. Pagano, Dean of the College, has helped conduct the survey and author the report since 1991.

The National League of Cities is the nation's oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. NLC is a resource and advocate for 19,000 cities, towns and villages, representing more than 218 million Americans.

Through its Center for Research and Innovation, NLC develops, conducts and reports research on issues affecting cities and towns. The Center assists cities and their leaders to implement innovative practices by providing qualified information and technical assistance.

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