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Many Large U.S. Cities Are In Deep Financial Trouble. Here's Why.

Municipal governments across the United States are looking to rein in spending as pandemic-era stimulus dries up and inflation lingers for longer than expected.

"Clearly there are significant capital needs across the U.S.," said Michael Rinaldi, senior director at Fitch Ratings' public finance group. The group issued a AA investment grade general obligation bond rating for New York City in March 2024.

The financial challenges within cities appear to be mounting despite high municipal credit ratings and robust demand for urban commodities like housing. For example, New York City had a total public debt of $177.6 billion at the end of fiscal year 2022, according to researchers at Truth in Accounting, a nonprofit that partners with the University of Denver to promote transparency in public accounting. That translates into a per capita taxpayer burden of $61,200, according to the group's analysis.

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