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U.S. City Revenue Lags Inflation for First Time in Seven Years.

- **Collections to decline by inflation-adjusted 1%, report says**
- **Two thirds of large cities foresee recession as soon as 2020**

U.S. cities' revenues are failing to keep pace with inflation for the first time in seven years, signaling an increase in the financial pressure on local governments despite the nation's record-long economic expansion, according to a survey released by the National League of Cities.

On average, municipal finance officers estimate general-fund revenues will decline by 1% when adjusted for inflation, the survey found. At the same time, officials have grown more cautious about the economic outlook, with almost two-thirds of those from large cities now forecasting a recession as soon as next year.

"Fiscal trends are beginning to align with some of the negative economic trends that we've seen in past downturns," Christiana McFarland, the director of research for the National League of Cities, said during a televised discussion on the report.

The findings come amid rising global geopolitical tensions that are frightening investors and dampening business confidence. U.S. manufacturing reached its lowest since the last recession in September and the pace of home sales has slowed.

Yet, cities are still largely benefiting from the more-than decade long economic expansion, even if their revenue isn't keeping up with inflation. Three out of four finance officers said they are confident their cities are able to meet their financial obligations, roughly the same as last year, according to data from 554 cities.

The local governments are poised to spend 2.3% more in 2019 than they did the previous year, as the cost of goods and services, including health care, rises.

"The purchasing power of the public sector is weakening in relation to other parts of the economy, and having a large impact on city budgets," the report said.

Property-tax collections, typically the biggest source of municipal revenues, are expected to increase by 2% in 2019, about the same pace as a year earlier. Sales taxes, which are more sensitive to economic swings, are anticipated to grow 0.3% after a jump of 1.9% in 2018.

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By Maria Elena Vizcaino

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