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US Cities Are Preparing for an Impending Recession, Survey Shows.

- **Governments are grappling with supply-chain issues, inflation**
- **Cities anticipate a decline in their sales and income tax**

Optimism among US city finance officers is waning as they expect to contend with a drop in tax revenue and a looming recession, according to a new survey by the National League of Cities.

Nearly a third of the city officials from 395 cities surveyed for the 2022 City Fiscal Conditions report said they are less able to meet their financial needs in fiscal year 2023 as the economy slows. Just 11% felt that way about fiscal year 2022, as federal funds set aside for pandemic relief helped buoy their finances.

Concerns about an impending recession have forced many municipalities to budget conservatively, the report said. Cities have already been grappling with supply-chain issues, which have impacted their cost of operations and made infrastructure projects challenging. These disruptions pushed prices higher, threatening to eat into tax revenues that local governments gained as the economy rebounded in 2021.

Cities expect a 2.5% year-over-year decline in sales-tax receipts for the fiscal year 2022, with nearly no income tax revenue growth over the period, the report said. They're also budgeting a more than 4% year-over-year drop in property taxes in 2022, as the Federal Reserve's aggressive policy-tightening regime lead to a housing-market slowdown.

"While the fiscal impacts of abnormally high inflation rates remain to be seen, America's cities are bracing for stagflation and possible economic downturn," Clarence Anthony, the league's chief executive officer, said in the report.

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