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Financial Imbalance: U.S. Cities Grappling with Imminent Fiscal Danger.

U.S. Current-Account Deficit Widens to \$450 Billion Amid Trade Imbalances and Energy Imports, Photo by Financial Content, is licensed under CC BY-SA 2.0

The fiscal health of America's most populated cities is under intense scrutiny, with a recent study shedding light on widespread financial vulnerabilities that could signal an imminent crisis for several key urban centers. Conducted by Truth in Accounting, the 'Financial State of the Cities 2023' report rigorously examined the tax surpluses and burdens of 75 major U.S. cities, painting a sobering picture of municipal finance. This comprehensive analysis, which defines a city's tax surplus as total tax revenues divided by residents and a tax burden as the amount needed to clear state debt per resident, revealed critical insights into the underlying economic pressures facing communities nationwide.

Alarmingly, the study found that 50 out of the 75 cities evaluated were unable to pay their bills, accumulating a staggering combined debt of \$267 billion. These municipalities, labeled 'sinkhole' cities, stand in stark contrast to 'sunshine' cities that manage to balance their books. A key concern highlighted by Truth in Accounting is the tendency of elected officials to exclude the true cost of government from current budgets, effectively deferring substantial financial obligations onto future generations of taxpayers. This practice contributes significantly to mounting debt, particularly stemming from underfunded pension obligations and retiree health benefits, which Sheila Weinberg, the group's founder and CEO, believes is a widespread national issue.

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