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Cities Brace for Budget Strains.

Cities nationwide are tightening their budgets as revenue growth slows and federal COVID-era aid phases out, according to the latest National League of Cities (NLC) fiscal survey. After enjoying several years of stabilization supported by pandemic relief, many municipal finance leaders now report rising expenses and greater uncertainty heading into 2026.

Spending increased 7.5% in FY 2024, but that pace plummeted to 0.7% in FY 2025, NLC found. At the same time, revenue growth, which rose 3.9% in 2024, is now expected to drop 1.9% in 2025, forcing many cities to consider cuts, hiring freezes or delayed capital projects.

The decline in confidence is stark: 52% of finance officers said they could meet their city’s financial needs in FY 2025, down from 64% just one year earlier. Optimism falls further looking ahead to 2026, where only 45% feel confident.

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