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When Cities Pay Cash for Infrastructure, Who Really Pays?

A shift toward pay-as-you-go financing looks disciplined on a balance sheet. But decades of public finance research, along with GFOA guidance, say the choice is more complicated than simply cash vs. debt.

The National League of Cities' 2026 *Municipal Infrastructure Conditions Report* finds that municipalities are increasingly funding capital projects out of current revenue rather than borrowing — a shift the NLC attributes to "both fiscal caution and limited financing capacity." Property taxes, which account for roughly 60 percent of municipal tax revenue and are relied on by nearly 90 percent of cities, increasingly cover both operating costs and capital cash needs.

Nationally, that looks like a contradiction: Major municipal bond underwriters expect the aggregate market to set another record year, near $600 billion. But that masks a separate trend inside typical city budgets: governments leaning harder on cash than a few years ago, against a backdrop where the stakes keep rising. While the American Society of Civil Engineers' 2025 Report Card gave U.S. infrastructure its best grade ever, a C, that still reflects a widening $3.7 trillion investment gap.

The caution is understandable. Rates remain well above where they sat for most of the 2010s, and officials who lived through the post-pandemic spending surge are wary of committing future revenue while so much else — federal aid, tax conformity, reserve capacity — is in flux. I've written before about how that volatility is reshaping budget assumptions generally; avoiding new debt keeps options open.

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OPINION | Sept. 22, 2026 • Craig S. Maher

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