



A CENTURY OF STRENGTHENING CITIES

CITY FISCAL CONDITIONS

2025





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The National League of Cities (NLC) is the voice of America's cities, towns and villages, representing more than 200 million people. NLC works to strengthen local leadership, influence federal policy and drive innovative solutions.

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Foreword

Now in its 40th edition, the City Fiscal Conditions 2025 report offers a timely and comprehensive look at the evolving financial health of municipalities across the United States. This year's findings reflect a shift from pandemic-era recovery toward a more measured phase of fiscal recalibration. Cities are still navigating the after effects of COVID-19, but the landscape is now shaped more by inflationary pressures, policy changes and the winding down of extraordinary federal aid.

The data presented in this report highlight the resilience and responsiveness of local governments in the face of emerging challenges. While the American Rescue Plan Act (ARPA) played a critical role in stabilizing municipal budgets through FY2024, its upcoming conclusion in 2026 has prompted cities to reassess spending priorities. Growth in general fund programs has slowed, and cities entered FY2025 with a more cautious outlook. This is reflected in the survey findings of this report, where 45 percent of finance officers report optimism to meet their jurisdiction's financial needs in FY2026 as compared to the prior year—a notable drop from 64 percent in last year's survey.

As it has historically done, this year's report continues to track the performance of the three major general fund revenue sources – property, sales and income taxes. Property and income taxes saw strong growth in 2024, while sales taxes remained flat, signaling a

return to more typical consumer spending patterns. These trends offer insight into the shifting economic foundations of municipal finance and the need for cities to remain agile in their forecasting and planning.

We also revisit the expenditure breakdown introduced in last year's report, which continues to show public safety as the dominant area of spending – accounting for over half of general fund budgets in many cities. Meanwhile, investments in recreation and culture remain steady at around 10 percent, underscoring cities' commitment to community well-being even amid fiscal constraints.

New this year is a discussion of finance officer outlooks pertaining to the future tax treatment of municipal bonds and assessing the potential impacts of tariffs on procurement and infrastructure costs. Our cities, towns and villages continue to monitor any potential impacts on their budgets and plan to navigate solutions if and when need arises.

We hope this report serves as a valuable resource for policymakers, city officials and researchers seeking to understand the fiscal realities facing municipalities today – and the strategies they are using to meet them head-on.



CLARENCE E. ANTHONY
CEO AND EXECUTIVE DIRECTOR
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Introduction

The current iteration of the City Fiscal Conditions report captures a turning point in municipal finance across the United States. While cities entered FY2025 with relative stability, the data show signs of tightening budgets and growing concern over external pressures that could reshape local fiscal landscapes. The post-COVID rebound – marked by strong property and sales tax growth, healthy reserves and transformative federal aid through ARPA and the Infrastructure Investment and Jobs Act (IIJA) – has begun to taper.¹ Cities are now navigating a more complex environment, one shaped by policy uncertainty and shifting economic conditions.

General fund expenditures rose significantly in FY2024, supported by responsible fiscal management during the pandemic and the strategic use of federal aid. However, that growth has flattened in FY2025 as cities face new constraints. The impending expiration of ARPA funds, slower revenue growth and rising costs – from wages to procurement – have prompted more calculated budgeting.² Sales tax revenues, once surging due to strong consumer spending in 2021-23, have remained flat, reflecting a return to pre-pandemic norms.³

This year's survey also reveals a dip in fiscal confidence: 52 percent of finance officers report better able to meet their fiscal needs in FY2025 compared to FY2024, however, fewer (45 percent) feel optimistic about

FY2026. Some respondents noted tariffs⁴ and the future tax treatment of municipal bonds as potential pressures, though impacts were not realized at the time of the survey.

Despite these pressures, cities continue to adapt. Many are exploring alternative financing, adjusting spending priorities and seeking domestic supply options. Public safety remains the largest general fund expenditure, accounting for over half of municipal budgets nationwide. Meanwhile, investments in recreation and culture – roughly 10 percent of spending – reflect a continued commitment to community quality of life.

Taken together, this year's findings suggest a shift from recovery to resilience. Perhaps municipalities are not currently benefiting from the same level of federal support as they did a few years ago, but they are not standing still. They are recalibrating, planning and preparing to meet fiscal challenges with pragmatism and purpose.

Revenue and Spending Trends

The 2025 analysis adds to 40 years of data on City Fiscal Conditions audited fiscal data for cities' Fiscal Year (FY) 2024 revenues and expenditures, and budgeted FY2025 revenues and expenditures.* We also examined year-over-year growth of general fund expenditures and revenues, adjusted for inflation (in 2017 constant dollars)."

Compared to FY2023, constant dollar FY2024 average general fund spending shows a significant 7.5 percent increase. While FY2025 spending levels are still increasing by an additional 0.7 percent over FY2024 figures, the increase is much smaller than between 2023 and 2024, as **many city governments are reigning in their expenditure levels as federal pandemic relief funds phase out and revenue growth plateaus following earlier post-pandemic rebounds.**""

This analysis paints a picture of broader fiscal trends observed across the United States post-COVID. In 2024, cities indeed saw a significant increase in general fund expenditures, attributed to a combination of factors. The calculated fiscal management during the peak COVID years saw limited spending and increasing reserves, allowing cities to be better prepared for inflationary pressures and to expand public services as the economy recovered.⁵ Additionally, federal aid through ARPA and IIJA played a crucial role in supporting city budgets, enabling them to balance their 2024 budgets and invest in general fund programs.

In 2025, the pace of general fund spending growth has slowed as cities confront emerging fiscal headwinds. Some respondents cited tariffs and possible changes to the municipal bond tax exemption as considerations, though impacts

* Specifically, FY2024 is the fiscal year for which finance officers have completed the year-end close (and therefore have verified the final numbers). FY2025 is the fiscal year that ended by June 30, 2025 for most cities and will end by December 31, 2025 for others and thus is budgeted but not finalized.

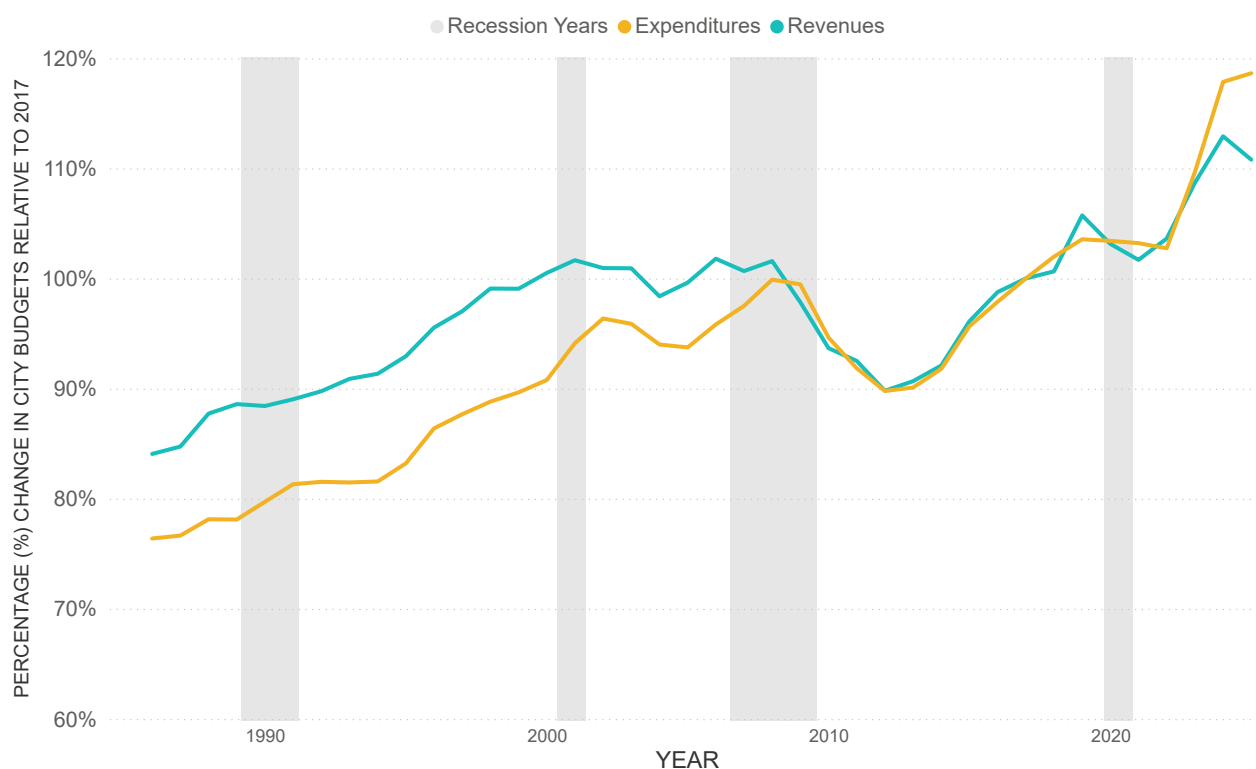
" To adjust our findings for inflation, we utilized the **price index (in 2017 constant dollars) for government consumption expenditures and gross investment** published quarterly by the Federal Reserve Bank of St. Louis (and only available in 2017 as the reference year) found at the link below: <https://fred.stlouisfed.org/release/tables?rid=53&eid=16356>.

"" Average city general fund spending increased by \$27.2 million in 2024 (over FY2023) and rose by an additional \$7.3 million in 2025 (over FY2024).

were not realized at the time of the survey. * Constant-dollar general fund revenues increased by 3.9 percent in FY2024 compared to FY2023, while cities anticipate a year-over-year decline of 1.9 percent for FY2025. This is mainly because both property and income tax revenues are expected to stabilize after a period of strong growth that occurred when the economy rebounded after the fiscal shock of the COVID-19 pandemic.⁶

In 2023, many cities experienced a significant increase in general fund revenue, attributed to the healthy employment rates and a robust housing market, which respectively boosted income and property tax collections.** This surge was part of the fiscal recovery partially facilitated by federal support through legislation like ARPA.⁷ However, as we move into 2025, a slight decline in general fund revenue is anticipated, due to the expiration/reductions of a variety

FIGURE 1
From Recovery to Restraint: Cities Post-COVID Budgetary Constraints
 PERCENTAGE (%) CHANGE IN EXPENDITURES AND REVENUES YEAR TO YEAR (1986-2025)



Source: Annual Comprehensive Financial Report (ACFR) and Budget documents.

Figure Note: All dollar figures are adjusted for inflation with 2017 as base year. Lines represent variation from the base year. Refer to Appendix A to learn about the methodology used for calculating the annual changes for each category (n=213 for 2025).

* Nearly half of surveyed municipalities reported adverse impacts of tariffs on their ability to source supplies for public works and services (see Figure 6)

** Based on a thorough review of Management Discussion & Analysis (MD&A) section of 213 Annual Comprehensive Financial Reports (ACFR) and budget documents for FY2023, FY2024 and FY2025.

of federal funds and the normalization of the post-pandemic economy. Additionally, as is the case in other parts of the economy, jurisdictions continue to experience increases in procurement costs for goods and materials, prompting municipalities to

seek alternative ways of raising revenues and managing expenditures, where possible. These fluctuations underscore the challenges cities face in maintaining sustainable revenue streams amid shifting economic conditions.



CITY SPOTLIGHT:

Dearborn, MI

In some cases, cities experienced noteworthy revenue declines attributable to a combination of factors. For instance, Dearborn, MI, witnessed a remarkable 23-percent decrease in revenue. This sharp decline can be largely attributed to the more than \$45-million decrease in federal grants.⁸



Tax Sources

For over 30 years, the annual City Fiscal Conditions report has tracked three principal general fund revenue sources: property, sales and income taxes. It is worth noting that these three sources of revenue respond differently to varying macroeconomic situations. The two revenue sources that respond immediately to changes in the underlying economy – sales tax and income tax – generally follow the business cycle and are considered elastic. As the economy slows, retail sales tax receipts and income tax revenues decline at the same time; as the economy grows, sales and income taxes tend to increase.

Property tax receipts, however, lag the underlying economy's changes due to assessment practices⁹ as well as to the fact that property does not change hands frequently, requiring assessors to estimate the value of real estate property. Consequently, property tax receipts today tend to reflect the value of property from one, two or three years in the past.

As Figure 2 demonstrates, the year-over-year changes in each of the three major sources of revenue – property, sales and income taxes – reflect the changing elements of the underlying economic bases of the cities. Both property and income tax receipts increased in 2024, rather substantially, over the previous fiscal year mainly because of the healthy and strong housing and job markets, respectively.¹⁰

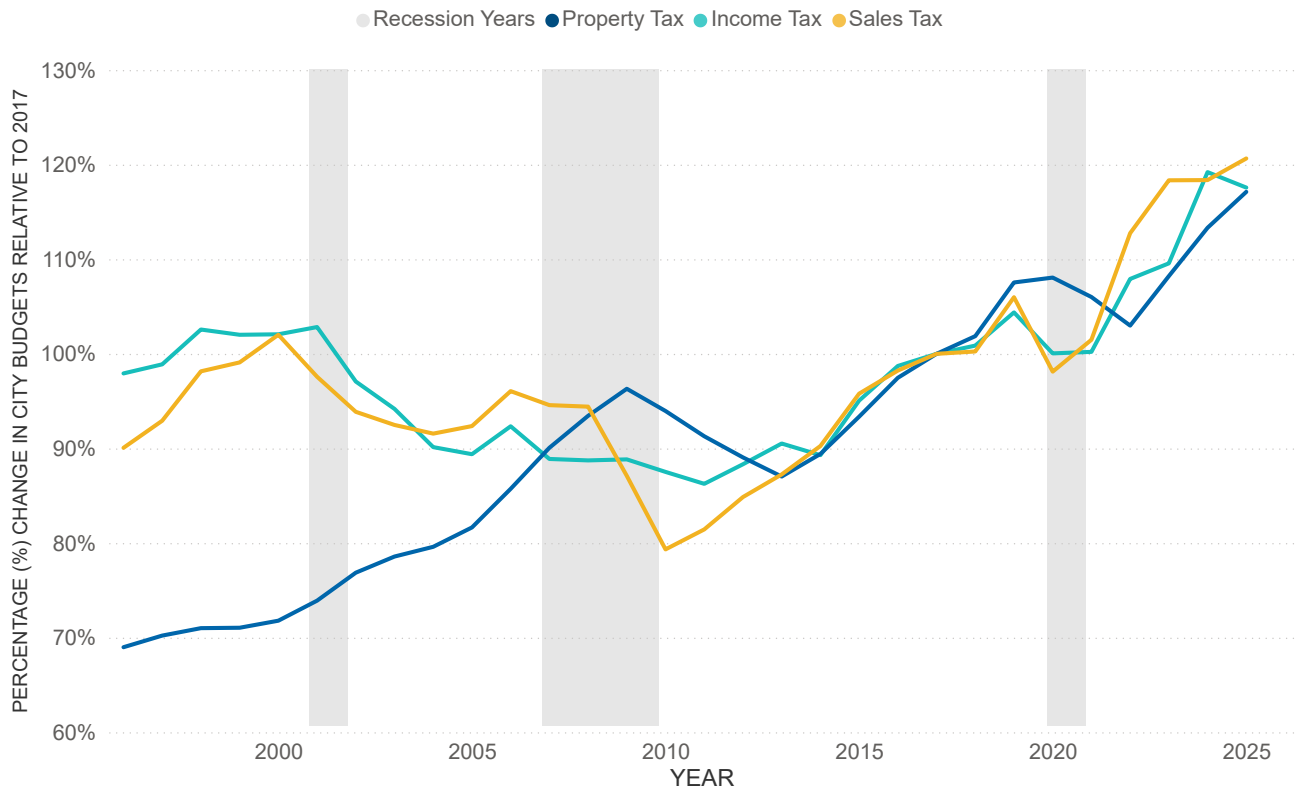
Unlike property and income taxes, which saw sharp growth in 2024, sales tax revenues stayed mostly flat. This is a shift from the tax revenue boom cities experienced following the reopening of the economy after the COVID-19 pandemic, when strong consumer spending drove sales tax collections higher. Now, spending habits have largely returned to normal, with slower growth in discretionary purchases.

The analysis of city budgetary data from 213 US cities indicates an anticipated 3.4-percent increase in property tax

FIGURE 2

Strong Housing and Job Markets Boosted City Budget Revenues in 2025

PERCENTAGE (%) CHANGE IN TAX REVENUES FROM YEAR TO YEAR (1996-2025)



Source: Annual Comprehensive Financial Report (ACFR) and Budget documents.

Figure Note: All dollar figures are adjusted for inflation with 2017 as base year. Lines represent variation from the base year. Refer to Appendix A to learn about the methodology used for calculating the annual changes for each category (n=213 for 2025).

collections for 2025, likely driven by the sustained expansion of the housing market.* Conversely, sales tax revenues are not projected to rise substantially, which may be

attributed to a normalization of the economy following several years of robust growth as the economy reopened post-COVID.

* The dataset presented in this report encompasses a comprehensive analysis of municipal property tax revenues without differentiating between commercial and residential sources. It is important to note that while this aggregate approach provides a broad overview of the fiscal landscape, it does not account for distinct trajectories of commercial and residential property values. Recent trends indicate a decline in commercial office values, which, considering their significant contribution to municipal budgets, could forecast potential fiscal challenges for cities. Read more at [Plunging office real estate values alarm Washington - POLITICO](#)

Major Areas of General Fund Spending

Examining the general fund expenditure breakdown offers a clearer picture of how governments allocate their annual budgets. Notably, the data reveal public safety (a major spending category encompassing police and fire department expenditures) to be the predominant area of spending from 2023 to 2025 period, absorbing over half of total general fund budgets.* This substantial investment underscores the priority given to safety and maintaining order within municipalities.

Public safety has historically been a significant portion of municipal budgets, with a marked increase in expenditures during the 1960s. This trend has persisted since 1980 and to this day, reflecting the growing emphasis on policing within public safety spending.¹¹ The continuous growth

in this area underscores the prioritization in municipal financial planning of law enforcement and related activities.

In contrast, public recreation and culture make up approximately 10 percent of the budget, reflecting the ongoing commitment to enriching community life. Moreover, the survey results indicate that, on average, municipalities designate about 7 percent of their total general fund budget to capital outlay. It's important to note that this figure solely encompasses maintenance costs funded by the general fund, excluding the broader spectrum of total municipal capital expenditure.¹²

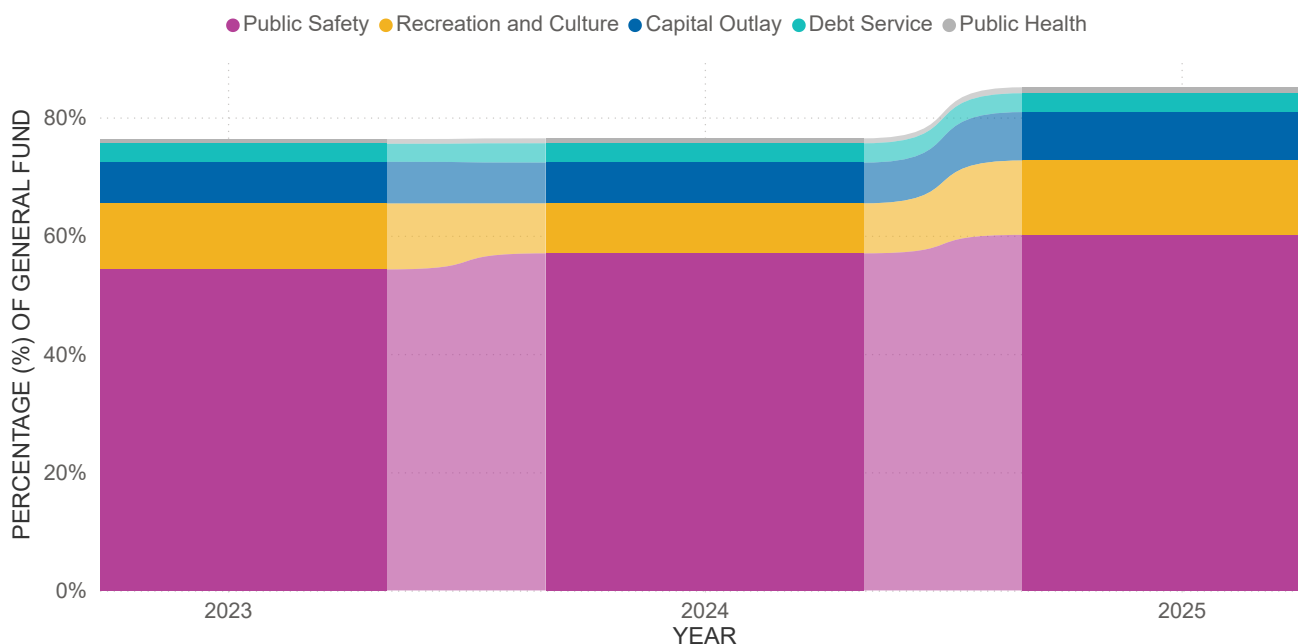
Finally, among the common functions performed by all municipalities nationwide (listed in Figure 3), debt services

* It is worth noting that municipalities typically do not operate education and K-12 programs out of their general funds which could be a very large sum when compared to other categories discussed here.

** To learn more about the state of American municipal infrastructure, read NLC's *Municipal Infrastructure Conditions 2025 report*.

FIGURE 3 Public Safety is the Largest Area of General Fund Spending for 2023-25 Period

MAJOR CATEGORIES OF AVERAGE ANNUAL SPENDING AS A PERCENTAGE (%) OF GENERAL FUND, BY FISCAL YEAR (2023-2025)



Source: City Fiscal Conditions 2025 Survey.

Figure Note: These 5 categories represent approximately 80 percent of expenses from general fund revenue (n= 118 for FY2023, n=119 for FY2024, n=118 for FY2025). All other categories represent less than 1 percent of total expenses respectively (see Appendix C Table 3).

and public health account for 3 percent and 1 percent, respectively, of total general fund spending.* The consistency of these spending patterns across fiscal years 2023, 2024 and 2025 suggests a stable financial strategy

among governments. Such steadiness in allocation trends provides a reliable framework for future fiscal planning and policymaking.

* Most of the total public health spending is done at the county level and municipalities only operate a small portion of the total public health spending.

Perspectives On Ability To Meet Fiscal Needs

Following a solid FY2024, in which average city tax collections rose modestly over FY2023, 52 percent of surveyed finance officers report being *better able* to meet their financial needs in FY2025 than in FY2024 (refer to Appendix A for a discussion on the survey collection and analysis). This represents a 12-point drop from the 64 percent who expressed optimism in last year's survey (FY2024) despite the rise in tax collections.

Fiscal optimism drops further (as shown in Figure 4), with **only 45 percent of surveyed finance officers anticipating being better able to meet their FY2026 needs than in FY2025**. Respondents identified tariffs and the future of the municipal bond tax exemption as emerging considerations in their budgeting assumptions.

The survey also shows that the value of city taxes, health of the local economy and population growth are among the most positive factors affecting city budgets (see Figure 5). On the other hand, survey respondents mentioned infrastructure needs, prices and inflation, employee wages and salaries and public safety needs among factors with the most negative impacts on city budgets.

The increasing costs associated with infrastructure maintenance and expansion, coupled with the need to provide competitive wages to attract and retain skilled employees, are straining city budgets.¹² Public safety demands, which include funding for law enforcement, emergency services and disaster preparedness, continue to be essential services that require regular municipal spending (evident in Figure 3), making it imperative for city officials to prioritize and make difficult budgetary decisions in the times of need.¹³

These factors, among other macroeconomic factors, have created a complex financial landscape for municipalities. Tariff impacts on procurement and the municipal bond tax exemption issue remain on watch for our cities, towns and villages, but are not major drivers of fiscal change as of the writing of this report.

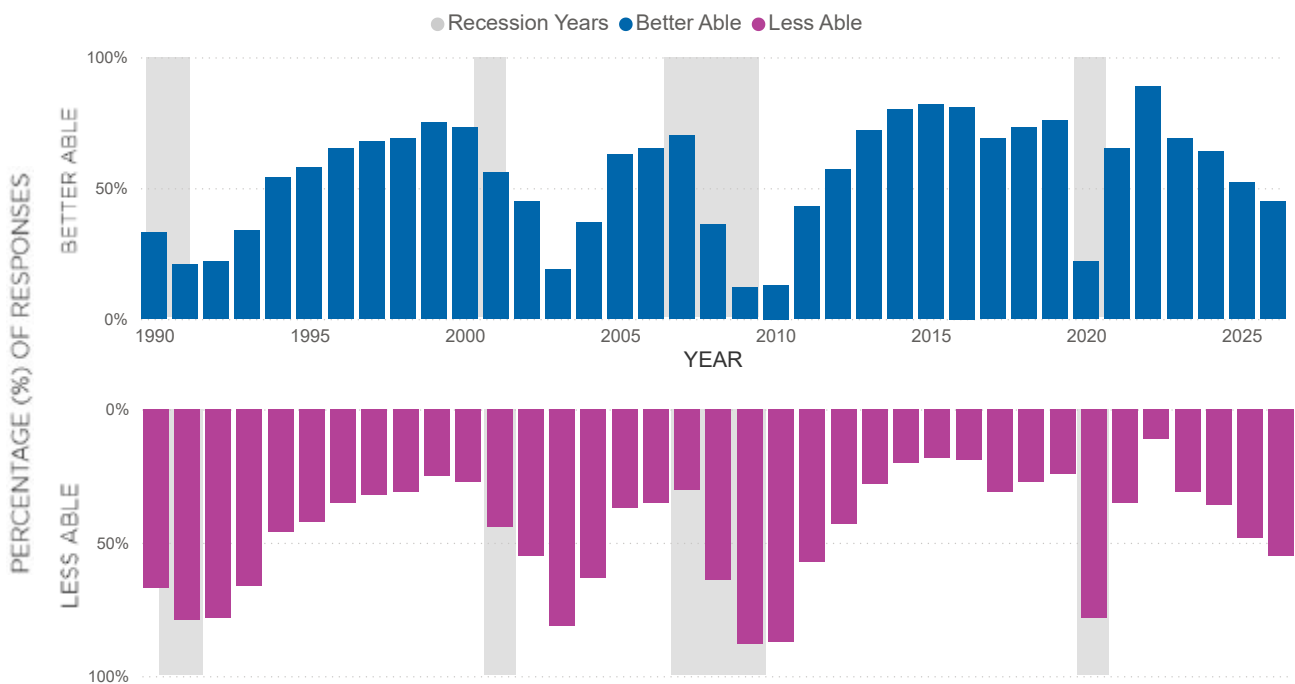


52 percent of surveyed finance officers report being better able to meet financial needs in FY2025 – 12 point drop from 2024 survey.



FIGURE 4
Cities Brace for Tighter Budgets in 2026

PERCENTAGE (%) OF CITIES INDICATING BETTER/LESS ABLE TO BALANCE FUTURE YEAR'S BUDGET COMPARED TO LAST YEAR

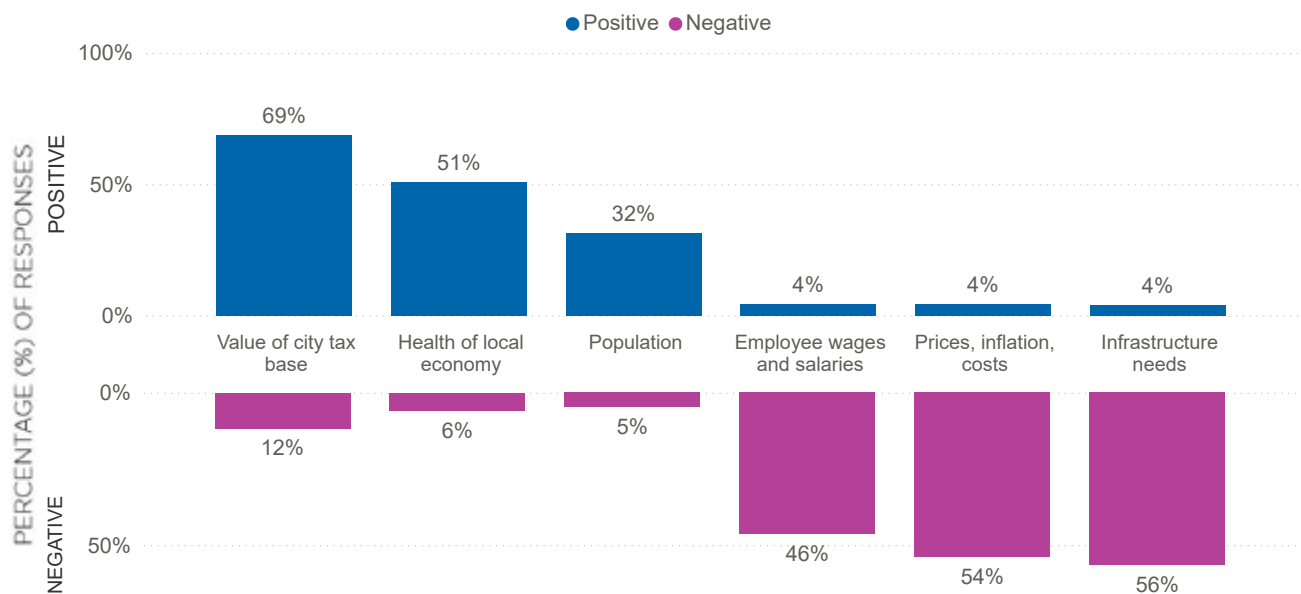


Source: City Fiscal Conditions 2025 Survey.

Figure Note: Percentages are calculated as the proportion of all total responses to the question (n=257 for CFC 2025 survey). The sample size depends on the number of cities that responded to the City Fiscal Conditions survey for each of the analyzed years (see Appendix C Table 4)

FIGURE 5
Value of City Taxes and Healthy Economy Have the Strongest Positive Impact on FY2025 City Budgets

PERCENTAGE (%) OF CITIES INDICATING A POSITIVE/NEGATIVE EFFECT ON FY2025 BUDGETS



Source: City Fiscal Conditions 2025 Survey.

Figure Note: Groupings may not add to 100 percent because not all categories were selected as either a positive, or a negative, factor by all responding governments. Percentages are calculated as the proportion of all total responses to the question (n=239); respondents were able to select multiple options, so the total count column is greater than the total number of respondents. Categories shown represent the top 3 most positive and negative impacts, see Appendix C Table 5 for other categories.





Looking beyond 2024:

Tariffs, Municipal Bond Tax Exemption Status and City Budgets

While most fiscal pressures facing cities in FY2025 stem from local economic conditions, a few external policy factors remain on the radar. Some finance officers noted tariffs and potential changes to the municipal bond tax exemption as emerging considerations.

Survey responses suggest that tariffs are on the radar for some city finance officers, though their reported effects vary. About 43 percent indicated that tariffs have, in their view, influenced their ability to procure

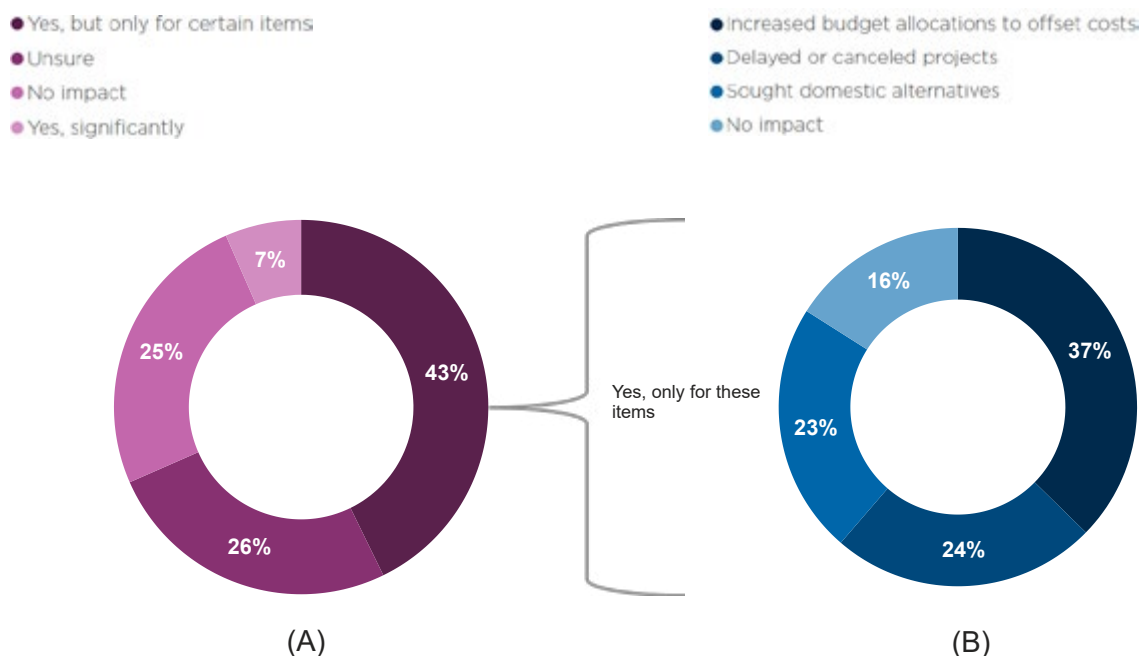
certain goods, with 6.6 percent describing the impact as significant. These observations reflect perceptions at the time of the survey and do not necessarily predict future conditions. Some respondents noted that higher costs or sourcing challenges and assumptions had led them to adjust budgets – roughly one-third reported increasing allocations to cover these expenses, while nearly one-quarter said they had postponed or scaled back certain projects.



FIGURE 6

Tariff Policies Putting Downward Pressure on Local Budgets

PERCENTAGE (%) OF CITIES INDICATING (A) HOW TARIFFS AFFECTED BUDGETS AND (B) HOW THEY INTEND TO RESPOND TO TARIFF POLICY CHANGES



Source: City Fiscal Conditions 2025 Survey.

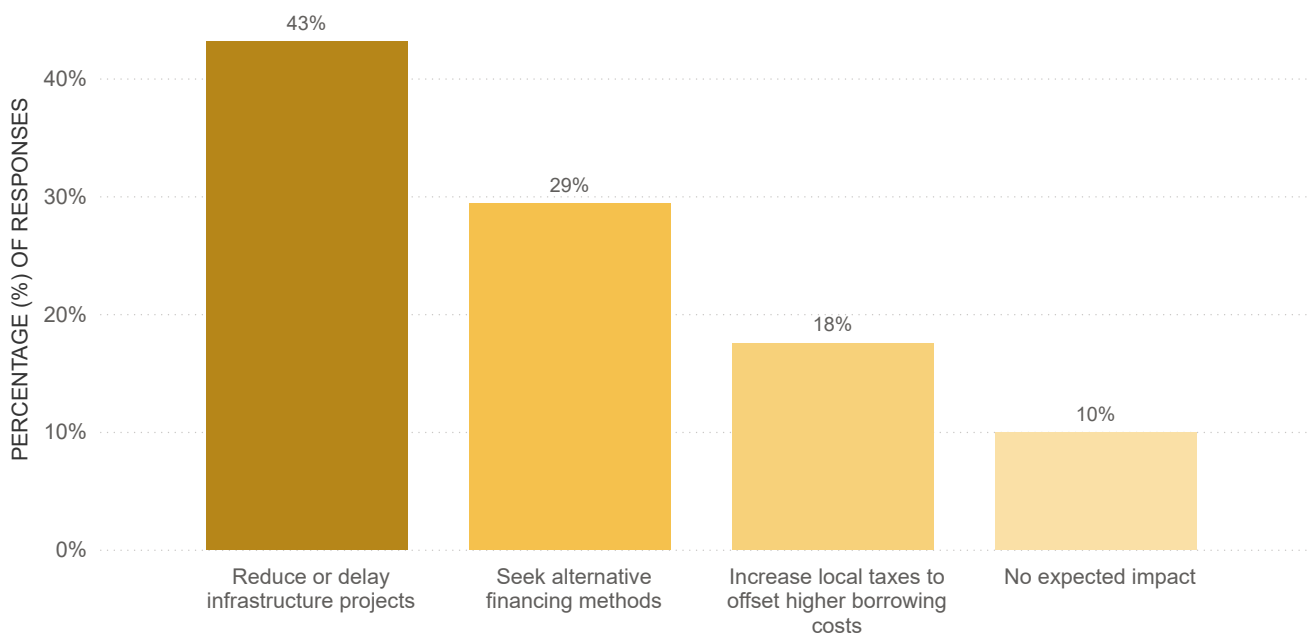
Figure Note: Percentages are calculated as the proportion of all total responses to the question (n=152); respondents were able to select only one option. Figure (B) breaks down the sub-categories that make up 43% of the total represented in Figure (A).



FIGURE 7

Elimination of Municipal Bond Tax Exemption Could Lead to Reduction or Delay in Infrastructure Projects

PERCENTAGE (%) OF CITIES INDICATING HOW THEY WOULD RESPOND IF THE TAX EXEMPT STATUS OF MUNICIPAL BONDS WERE TO BE ELIMINATED BY THE FEDERAL GOVERNMENT



Source: City Fiscal Conditions 2025 Survey.

Figure Note: Percentages are calculated as a proportion of all total responses to the questions (n=211); respondents were able to select multiple options, so the total of the count column is greater than the total number of respondents.



Survey feedback indicates that the municipal bond tax exemption remains an area many city officials are watching, with a majority expressing concern about the potential implications should it change (Figure 7).^{*} Earlier survey data suggested that cities have been relying more on debt financing to address aging infrastructure needs, so any shift affecting the affordability of that debt was viewed by respondents as a factor worth monitoring.¹⁴

With these potential pressures in view, many respondents described ways their cities are adapting. Some reported exploring domestic alternatives to goods affected by tariffs, others noted budget adjustments to

manage possible cost changes, and many indicated they are monitoring federal policy developments. Overall, the sentiment conveyed is one of measured responsiveness – local leaders are taking practical steps, exploring creative options and positioning their communities to navigate whatever fiscal conditions may emerge.

^{*} When asked how concerned they are about the potential removal of the municipal bond tax exemption, 42 percent and 36 percent said either *very* or *somewhat* concerned, respectively. Seven percent mentioned *not concerned* while the remaining 15 percent were *unsure*.

Appendices

Appendix A: Methodology

The NLC City Fiscal Conditions survey is a national survey of finance officers in US cities conducted annually in June and July. Surveys are emailed to NLC member city finance officers from cities with various population sizes and regions (total of 2,668 officers in 2025). Officers are asked to give their assessments of their respective cities’ fiscal conditions and given approximately eight weeks to respond. The survey also requests budget and finance

data from all but 213 of the nation’s large cities; data for 213 cities (39% of the entire sample) come from Annual Comprehensive Financial Reports (ACFRs) and budget documents collected directly from online city budget documents.¹⁵ Data for the other 335 cities come only from the survey. Details about geographic region and population size composition of the sample are shown in Table A below.*

TABLE A: Sample by geographic region and population

	Percentage of Sample (%)					Total
	<10,000	10,000-49,999	50,000-99,999	100,000-299,999	300,000+	
Northeast (%)	3	2	0	1	1	7
Midwest (%)	25	7	1	2	0	35
South (%)	16	9	2	4	2	33
West (%)	7	6	4	5	3	25
Total	51	24	7	12	6	100

Source: NLC analysis of data from the City Fiscal Conditions Survey 2025 and budgetary available documents (n=548). Regions are based on NLC service regions (<https://www.nlc.org/membership/>). Populations are based on US Census 2020 data.

Notes: Totals may not add up to 100 percent, due to rounding of the numbers.

Analytical Approach: To calculate the

* The study encompasses budgetary data from 213 cities and survey data from 375 cities. The combined sample size is 545, which includes an overlap of 43 cities present in both datasets. This overlap has been accounted for in the total sample count to maintain the integrity of the study’s statistical analysis.

change (in the dollar value of Property, Sales and Income tax as well as Total General Fund Revenues and Expenditures) for each year (for Figures 1 and 2), the following formula was used:

where $i \in \{\text{property, sales and income taxes, Revenues and Expenditures}\}$

$$\frac{(X_{it} - X_{i(t-1)})}{X_{it}}$$

and $t \in \{2022, 2023, 2024\}$

Much of the statistical data presented here must also be understood within the context of cross-state variations in tax authority, functional responsibilities and accounting systems. The number and scope of governmental functions influence both revenues and expenditures. For example, many Northeastern cities are responsible for funding not only general government functions but also public education. Additionally, some cities are required by their states to assume more social welfare responsibilities or traditional county functions.¹⁶ Cities also vary according to their revenue-generating authority. Certain states – notably Kentucky, Michigan, Ohio and Pennsylvania – allow their cities to tax earnings and wages.

Meanwhile, several cities – such as those in Colorado, Louisiana, New Mexico and Oklahoma – depend heavily on sales tax revenues. Moreover, state laws vary in how they require cities to account for funds.

When we report on fiscal data such as general fund revenues and expenditures, we are referring to all responding cities' aggregated fiscal data. Therefore, the data is influenced by relatively larger cities that have more substantial budgets and that deliver services to a preponderance of the nation's residents.¹⁷ When we report on non-fiscal data – such as finance officers' assessments of their cities' ability to meet fiscal needs, or factors they perceive as affecting their budgets – we refer to the percentage of officers responding in a particular way. Each city's response to these questions is weighed equally, regardless of population size, as our analysis is at the city level, not the population level.

Appendix B: The Lag between Economic and City Fiscal Conditions

In economic terms, “lag” refers to the amount of time between economic conditions changing and those conditions having an impact on city revenue collections. In general, cities experience the impacts of changing economic conditions quite early. However, because most fiscal reporting occurs on an annual basis, those impacts are generally not evident until some point after they begin.

How Long Is the Lag?

The lag can last anywhere from 18 months to several years and is largely related to the timing of property tax collections. Because property tax bills are calculated based on property assessments from a previous year, dips in real estate prices rarely occur simultaneously with economic downturns. Sales and income tax collections also exhibit lags due to various collection and administrative issues, but such lags typically do not last for more than a few months.

For example, Figure 1 shows year-to-year changes in city general fund revenues and expenditures. It includes markers for the official US recessions from 1990, 2001, 2007 and 2020 with low points, or “troughs,”

occurring in March 1991, November 2001, June 2009 and April 2020, respectively. When we overlay data from NLC’s annual surveys,¹⁸ we find that the low points for city revenues and expenditures lag about two years behind the onset of recessions. For instance, the low point for the 1990 recession occurred in 1993, approximately two and a half years after the trough (the recession took place between July 1990 and March 1991). Additionally, during the 2001 recession, the low point for city revenues occurred in 2003, approximately 18 months after the trough (that recession lasted from March to November 2001).

It should be noted, however, that because the annual NLC City Fiscal Conditions survey is conducted at slightly different times each year, there is some degree of error in the length of these lags. For instance, had the survey been conducted in November 1992 rather than in April 1993, we might have seen the effects of changing economic conditions earlier. Nevertheless, the evidence suggests that it takes 18-24 months for the effects of changing economic conditions to become evident in city budgets.

Appendix C: Data Tables

FIGURE 1

From recovery to restraint: cities post-COVID budgetary constraints.

PERCENTAGE (%) CHANGE IN EXPENDITURES AND REVENUES YEAR TO YEAR (1986-2025)

Year	Revenues	Expenditures
1986	6.8	6.4
1987	0.8	0.4
1988	3.5	1.9
1989	1.0	0.0
1990	-0.2	2.1
1991	0.7	2.0
1992	0.8	0.3
1993	1.3	-0.1
1994	0.5	0.1
1995	1.7	2.0
1996	2.8	3.8
1997	1.6	1.5
1998	2.1	1.3
1999	0.0	1.0
2000	1.5	1.3
2001	1.2	3.7
2002	-0.7	2.4
2003	0.0	-0.5
2004	-2.5	-2.0
2005	1.3	-0.3
2006	2.2	2.2
2007	-1.1	1.8
2008	0.9	2.5
2009	-3.7	-0.4
2010	-4.3	-4.9
2011	-1.2	-2.9
2012	-2.9	-2.3
2013	1.0	0.4
2014	1.6	1.9
2015	4.4	4.2
2016	2.8	2.3
2017	1.3	2.2
2018	0.7	2.0
2019	5.1	1.6
2020	-2.5	-0.1
2021	-1.4	-0.2
2022	1.9	-0.5
2023	4.9	6.7
2024	3.9	7.5
2025 (Estimate)	-1.9	0.7

Source: Annual Comprehensive Financial Report (ACFR) and budget documents.

Notes: All dollar figures are adjusted for inflation with 2017 as base year. Refer to Appendix A to learn about the methodology used for calculating the annual changes for each category (n=213 for 2025).

FIGURE 2

Strong housing and job markets boosted city budget revenues in 2025.

PERCENTAGE (%) CHANGE IN TAX REVENUES FROM YEAR TO YEAR (1996-2025)

Year	Sales	Income	Property
1996	3.4	-0.3	1.1
1997	3.2	1.0	1.8
1998	5.6	3.7	1.1
1999	1.0	-0.5	0.0
2000	3.0	0.0	1.1
2001	-4.4	0.8	3.0
2002	-3.8	-5.6	4.0
2003	-1.5	-3.0	2.2
2004	-1.0	-4.3	1.3
2005	0.9	-0.8	2.6
2006	4.0	3.3	5.0
2007	-1.5	-3.8	5.1
2008	-0.2	-0.2	3.8
2009	-7.8	0.1	3.1
2010	-8.9	-1.5	-2.4
2011	2.7	-1.4	-2.8
2012	4.2	2.4	-2.5
2013	2.8	2.5	-2.3
2014	3.4	-1.4	2.7
2015	6.1	6.5	4.4
2016	2.6	3.9	4.4
2017	1.8	1.3	2.6
2018	0.3	0.9	1.9
2019	5.7	3.5	5.6
2020	-7.4	-4.2	0.5
2021	3.4	0.2	-1.9
2022	11.1	7.7	-2.9
2023	5.0	1.5	5.1
2024	0.0	8.8	4.7
2025 (Estimate)	1.9	-1.7	3.4

Source: Annual Comprehensive Financial Report (ACFR) and budget documents.

Notes: All dollar figures are adjusted for inflation with 2017 as base year. Refer to Appendix A to learn about the methodology used for calculating the annual changes for each category (n=213 for 2025).

Appendix C: Data Tables (continued)

FIGURE 3
Public safety is the largest area of general fund spending for 2023-25 period.

MAJOR CATEGORIES OF AVERAGE ANNUAL SPENDING AS A PERCENTAGE (%) OF GENERAL FUND, BY FISCAL YEAR (2023-2025)

	Percentage (%) of General Fund Spending				
	Public Safety	Public Rec & Culture	Capital Outlay	Debt Service	Public Health
2023 (n=118)	54	11	7	3	1
2024 (n=119)	57	8	7	3	1
2025 (n=118)	60	13	8	3	1

Source: City Fiscal Conditions 2025 Survey. Sample size for each reference year noted with n= next to the year
Notes: These 5 categories represent approximately 80 percent of expenses from general fund revenue (n= 118 for FY2023, n=119 for FY2024, n=118 for FY2025). All other categories represent less than 1 percent of total expenses respectively.

Appendix C: Data Tables (continued)

FIGURE 4

Cities brace for tighter budgets in 2026.

PERCENTAGE (%) OF CITIES INDICATING BETTER/LESS ABLE TO BALANCE FUTURE YEAR'S BUDGET COMPARED TO LAST YEAR

	Percentage (%) of Responses	
	Better Able	Less Able
1990	33	67
1991	21	79
1992	22	78
1993	34	66
1994	54	46
1995	58	42
1996	65	35
1997	68	32
1998	69	31
1999	75	25
2000	73	27
2001	56	44
2002	45	55
2003	19	81
2004	37	63
2005	63	37
2006	65	35
2007	70	30
2008	36	64
2009	12	88
2010	13	87
2011	43	57
2012	57	43
2013	72	28
2014	80	20
2015	82	18
2016	81	19
2017	69	31
2018	73	27
2019	76	24
2020	22	78
2021	65	35
2022	89	11
2023	69	31
2024	64	36
2025	52	48
2026	45	55

Source: City Fiscal Conditions 2025 Survey.

Notes: Percentages are calculated as the proportion of all total responses to the question (n=257 for CFC 2025 survey). The sample size depends on the number of cities that responded to the City Fiscal Conditions survey for each of the analyzed years

Appendix C: Data Tables (continued)

FIGURE 5

Value of city taxes and healthy local economy have the strongest most positive impact on FY 2025 City Budgets.

PERCENTAGE (%) OF CITIES INDICATING A POSITIVE/NEGATIVE EFFECT ON BUDGETS FOR FY2025

	Percentage (%) of Responses	
	Positive Impact	Negative Impact
Value of city tax base	68	12
Amount of federal aid to city	17	6
Amount of state aid to city	25	10
Federal mandates/requirements	1	6
State mandates/requirements	0	13
Public safety needs	6	24
Infrastructure needs	4	56
Human/social service needs	2	6
Cost of employee/retiree pensions	2	13
Cost of employee/retiree health benefits	6	19
Employee wages and salaries	4	46
Prices, inflation, costs	4	54
Population (number of people in city)	32	5
Health of local economy	50	5
Oil prices	8	3

Source: City Fiscal Conditions 2025 Survey.

Notes: Groupings may not add to 100 percent because not all categories were selected as either a positive, or a negative, factor by all responding governments. Percentages are calculated as the proportion of all total responses to the question (n=239); respondents were able to select multiple options, so the total count column is greater than the total number of respondents. Categories shown represent the top 3 most positive and negative impacts

Appendix C: Data Tables (continued)

FIGURE 6

Tariff policies putting downward pressure on local budgets.

PERCENTAGE (%) OF CITIES INDICATING (A) HOW TARIFFS AFFECTED BUDGETS AND (B) HOW THEY INTEND TO RESPOND TO TARIFF POLICY CHANGES

	Percentage (%)
Yes, significantly	7
Yes, but only for certain items	43
No impact	25
Unsure	26
	Percentage (%)
Sought domestic alternatives	23
Delayed or canceled projects	24
Increased budget allocations to offset costs	37
No impact	16

Source: City Fiscal Conditions 2025 Survey.

Notes: Percentages are calculated as the proportion of all total responses to the question (n=152); respondents were able to select only one option. Figure (B) breaks down the subcategories that make up 43% of the total represented in Figure (A)

FIGURE 7: Elimination of municipal bond tax exemption status could lead to reduction or delay in infrastructure projects.

PERCENTAGE (%) OF CITIES INDICATING HOW THEY WOULD RESPOND IF THE TAX-EXEMPT STATUS OF MUNICIPAL BONDS WERE TO BE ELIMINATED BY THE FEDERAL GOVERNMENT

	Percentage (%)
Increase local taxes to offset higher borrowing costs	18
Reduce or delay infrastructure projects	43
Seek alternative financing methods	29
No expected impact	10

Source: City Fiscal Conditions 2025 Survey.

Notes: Percentages are calculated as the proportion of all total responses to the question (n=211); respondents were able to select multiple options, so the total of the count column is greater than the total number of respondents.



Endnotes

- 1 Baker-Smith, C., Hain, P., & Crespi, M. (2024, March 8). Investing in programs that support community stability with ARPA funds. National League of Cities. <https://www.nlc.org/article/2024/03/08/investing-in-programs-that-support-community-stability-with-arpa-funds/>
- 2 Tanksali, H. U., & Omeyr, F. (2025, June 30). Small cities, bigger paychecks: Employee wage and salary growth reshaping local budgets. National League of Cities. <https://www.nlc.org/article/2025/06/30/small-cities-bigger-paychecks-employee-wage-and-salary-growth-reshaping-local-budgets/>
- 3 National League of Cities. (2023). City fiscal conditions 2023. Retrieved from [City Fiscal Conditions 2023 - National League of Cities](https://www.nlc.org/article/2023/03/08/city-fiscal-conditions-2023)
- 4 National League of Cities. (2025, April 30). How tariffs could impact local government budgets [Fact sheet]. <https://www.nlc.org/resource/how-tariffs-could-impact-local-government-budgets/>
- 5 National League of Cities. (2024). City fiscal conditions 2024. Retrieved from [City Fiscal Conditions 2024 - National League of Cities](https://www.nlc.org/article/2024/03/08/city-fiscal-conditions-2024)
- 6 National Bureau of Economic Research. (2023). The COVID-19 Pandemic and Challenges Facing State and Local Governments. Retrieved from <https://www.nber.org/reporter/2023number2/covid-19-pandemic-and-challenges-facing-state-and-local-governments>
- 7 National League of Cities. (2022, February 3). Local Government ARPA Investment Tracker. <https://www.nlc.org/resource/local-government-arpa-investment-tracker/>
- 8 City of Dearborn. (2023). Management Discussion & Analysis section. In Annual Comprehensive Financial Report. Dearborn, MI.
- 9 Refer to Appendix B for a detailed discussion on lag between economic and city fiscal conditions
- 10 U.S. Department of Labor, Bureau of Labor Statistics. (2024). *Monthly Jobs Report*. Retrieved from <https://www.commerce.gov/news/blog/2023/02/news-unemployment-its-lowest-level-54-years>
- 11 Liebhaber, L. (2023, May 31). *How spending on public safety and policing has changed over the last 40 years*. Stacker. <https://stacker.com/stories/government/how-spending-public-safety-and-policing-has-changed-over-last-40-years>
- 12 Johnson, M., & Lee, S. (2024). Infrastructure and employee compensation: Challenges for urban economies. *Urban Economic Review*, 76(4), 45-60.
- 13 Davis, B. (2024). Funding public safety in the modern city. *Public Administration Quarterly*, 140(1), 112-134.
- 14 Griffin, B. (2025, August 5). *Restore advance refunding: A smart, bipartisan fix for local infrastructure*. National League of Cities. <https://www.nlc.org/article/2025/08/05/restore-advance-refunding-a-smart-bipartisan-fix-for-local-infrastructure/>
- 15 Fiscal data for the larger 213 cities in the sample are collected manually (and double checked) to ensure the accuracy of the data. This is mainly because the estimated average in the analysis reflects weighted averages, and therefore any inaccuracies in the data entered for these larger 213 cities could significantly impact the estimated figures.
- 16 Analysis based on the examination of 213 ACFRs and city budget documents over a time frame of 29 years (1996-2024)
- 17 This is largely because the unit of analysis in City Fiscal Conditions analysis is “city budgets” and not “per capita dollars.”
- 18 Including both the data collected through annual survey of governments as well as the data collected from publicly available data from ACFRs and budget documents.



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