

Measuring the Fiscal Health of U.S. Cities

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The fiscal health of cities has important implications for their ability to meet the needs of residents. This paper assesses fiscal health by examining the gap between cities' capacity to raise revenue at reasonable rates of taxation and the cost to deliver a standard bundle of public services. It considers the revenues and spending of all governments that provide public services within cities – municipal governments, school districts, counties, and special districts – allowing for a comparison of municipal finances across cities with different governance structures.

Read the full report: <https://uoft.me/IMFG-USCities>

Key Findings and Policy Implications:

A substantial number of U.S. cities illustrated weak fiscal health in 2014 and fiscal disparities between relatively healthy and relatively unhealthy cities increased between 2000 and 2014.

Most of the large changes in fiscal health can be explained by changes in cities' own-source revenue-raising capacity or changes in state aid, rather than expenditure needs.

Although intergovernmental transfers play an important role in reducing fiscal gaps, they were not sufficiently equalizing to reduce disparities between cities.

Given the importance of good-quality public services for low-income residents, fiscally equalizing grant allocations could and should play an important role in reinforcing and strengthening the U.S. social safety net.

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