

# **How Cities Across the Nation are Responding to the Great Recession**

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National League of Cities (NLC)

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## A little propaganda....

*“The nation’s largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership, and governance.”*

- Advocacy
- Engagement
- Research
- Education and Training
- Member Services

*“Helping City Leaders Build Better Communities”*

# A little more propaganda...

- **LEARN** about cities
  - **INNOVATE** through best practices
  - **SHARE** practices with networks of city leaders
  - **LEAD** by taking action
- **Programs**
    - Finance
    - Economic Development
    - Sustainability
    - Community Development
    - Infrastructure
    - Immigration

*“An Action Tank for Cities”*

- Variation and state fiscal structures
- *City Fiscal Conditions* (NLC's research findings)
- Prospects for 2012...and beyond?
- Sources of economic development and growth

# ***Fiscal Policy Space (FPS)***

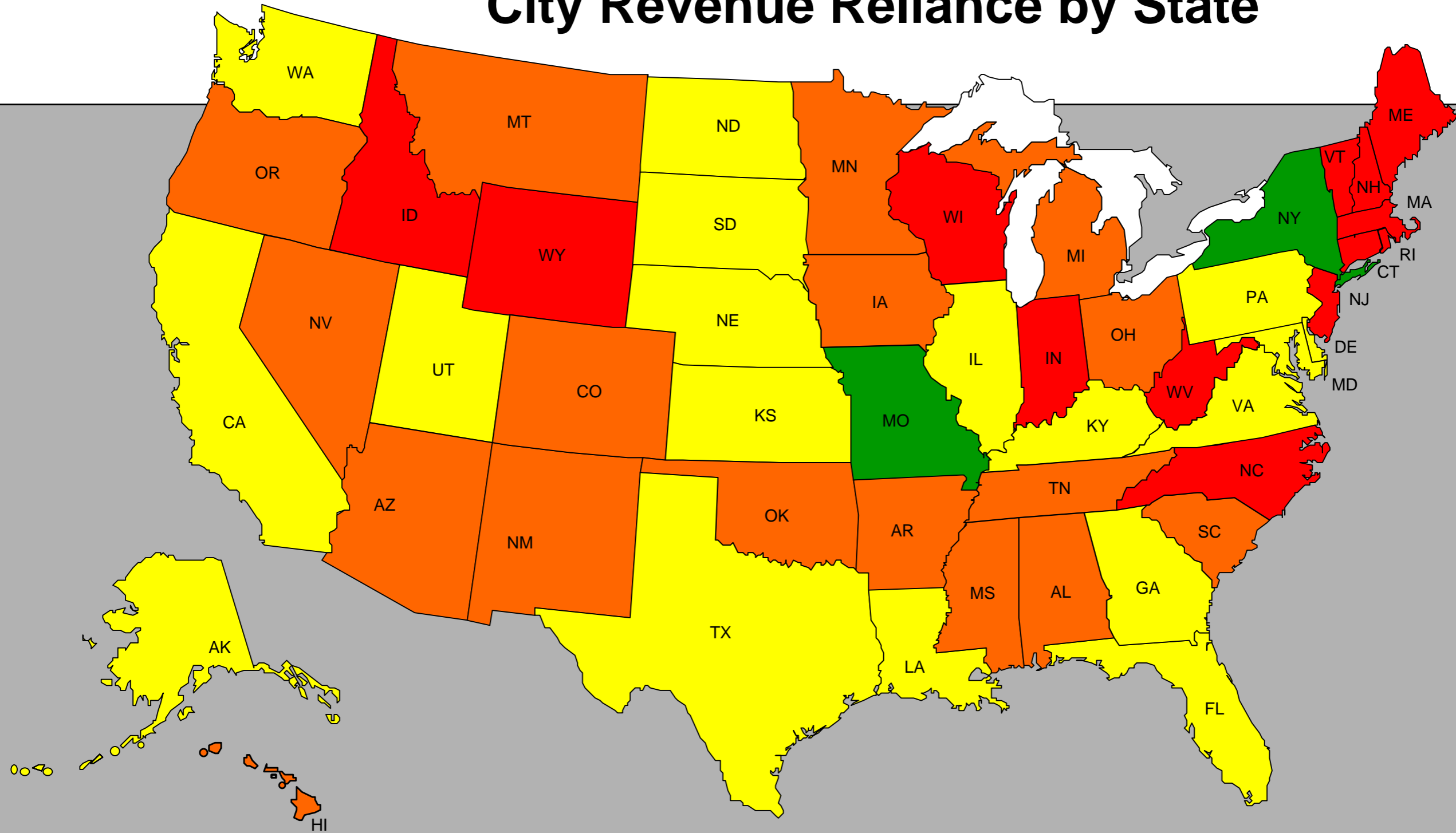
- City policy makers operate within a confined decision environment. The key attributes of this decision environment collectively mold the “space” within which fiscal policy is addressed.
  - Intergovernmental context (state structures)
  - Underlying local/regional economic base
  - Local legal/regulatory context
  - Preferences of citizens for services
  - Local political culture (informal rules)

# U.S. Local Governments

Type	Number
<i>Counties</i>	<b>3,034</b>
<i>Municipalities (city, town, village)</i>	<b>19,429</b>
<i>Townships</i>	<b>16,504</b>
<i>School Districts</i>	<b>13,506</b>
<i>Special Purpose Districts (utility, fire, library)</i>	<b>35,052</b>
<b>Total</b>	<b>87,576</b>

Source: U.S. Census of Governments, U.S. Department of Commerce, 2007.

# City Revenue Reliance by State



Three tax sources

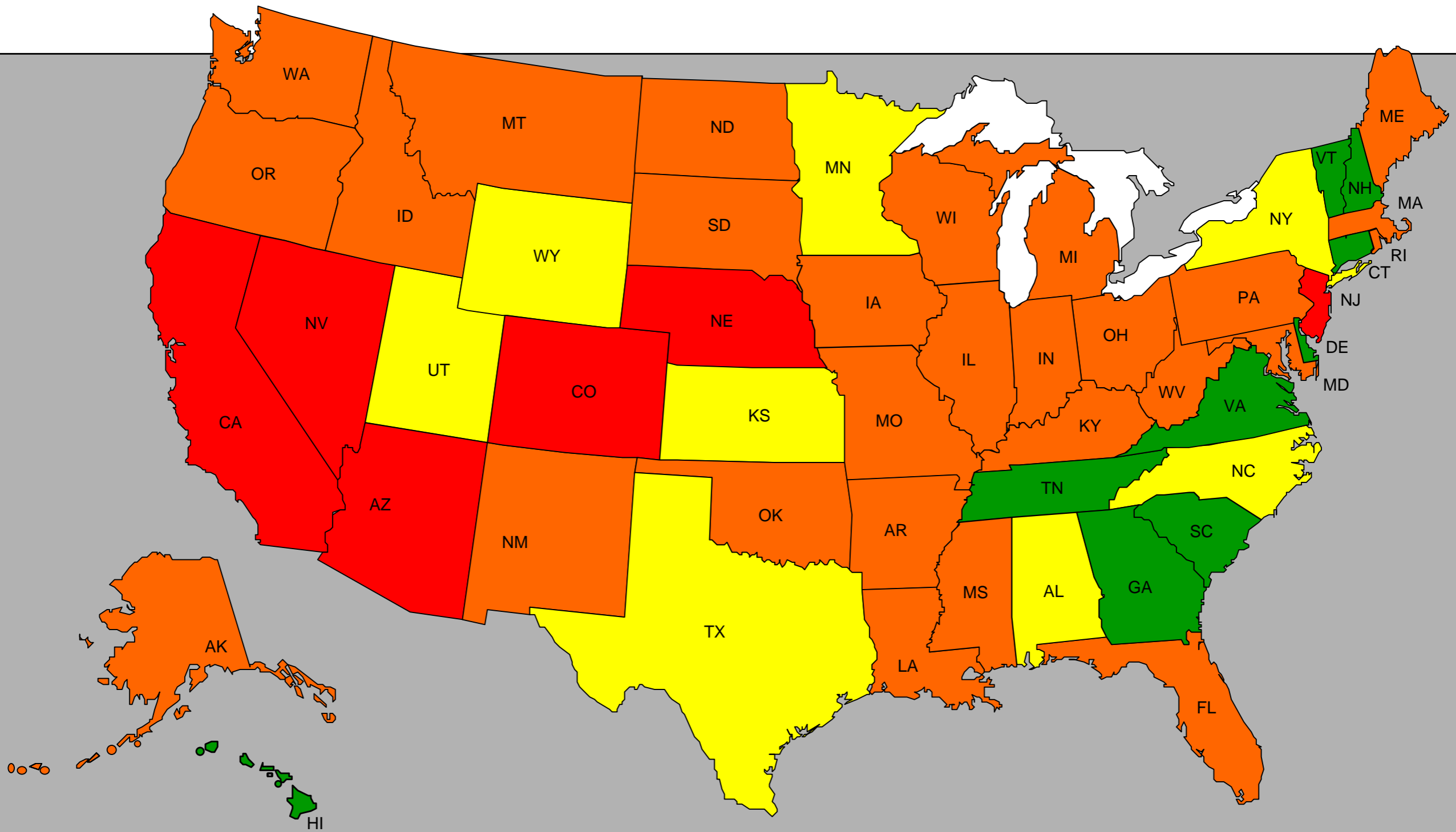
Two tax sources

One source + low 2<sup>nd</sup> source

One tax source



# Tax & Expenditure Limits (TELS)



No TELS

Non-binding property tax limit

Binding property tax limit

Binding property tax limit + general rev/exp limit

- Annual Survey of City Finance Officers
  - Conducted annually since 1985
  - Sent to 1,100 cities
    - All cities > 50,000
    - Random sample < 50,000
    - 272 responses in 2011
  - Combination of financial data, fiscal actions, and CFOs perceptions
  - Muni sector vs. Avg. City
  - Like the AWC Fiscal Survey

NATIONAL LEAGUE of CITIES | Research Brief on America's Cities

By Christopher W. Moore & Michael A. Pagano | SEPTEMBER 2011

## City Fiscal Conditions in 2011

The nation's city finance officers report that the fiscal condition of cities continues to weaken in 2011 as cities confront the persistent effects of the economic downturn.<sup>1</sup> Local and regional economies, characterized by struggling housing markets, slow consumer spending and high levels of unemployment, are driving declines in city revenues. In response, cities are continuing to cut personnel, infrastructure investments and key services. Findings from the National League of Cities' latest annual survey of city finance officers include:

- As finance officers look to the close of 2011, they project declining revenues, with corresponding spending cutbacks in response to the economic downturn.
- The pace of decline in property tax revenues quickened in 2011, reflecting the inevitable and lagged impact of real estate market declines in recent years.
- Ending balances, or "reserves," while still at high levels, decreased for the third year in a row as cities used these balances to weather the effects of the downturn.
- Fiscal pressures on cities include declining local economic health, infrastructure costs, employee-related costs for health care, pensions and wages and cuts in state aid, and.
- Confronted with these pressures and conditions, cities are making personnel cuts, delaying or cancelling infrastructure projects and cutting local services — cuts that have implications for jobs and national economic recovery.

### MEETING FISCAL NEEDS — A "NEW NORMAL?"

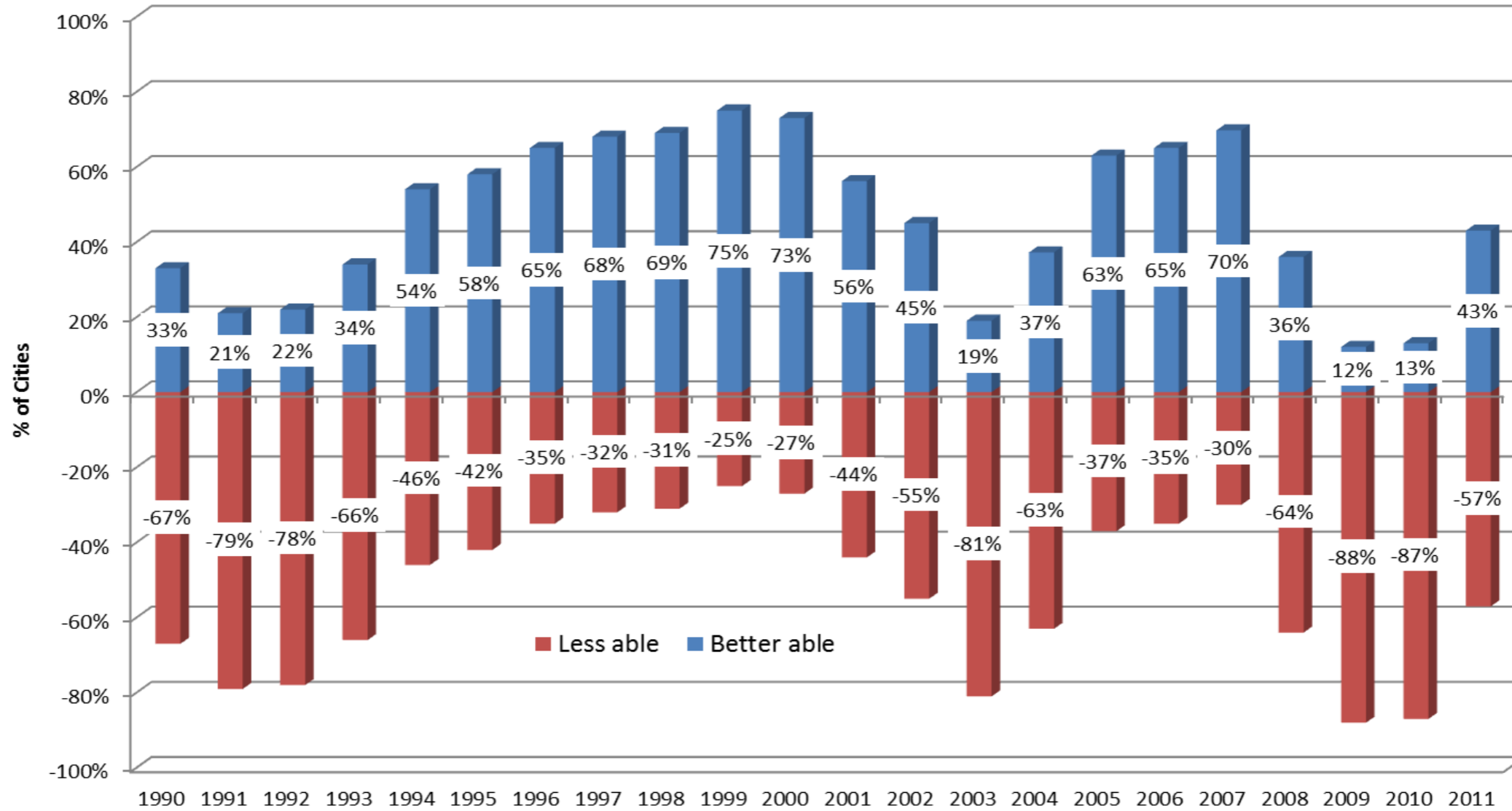
Since 2008, nearly all reflections on the economy and on government fiscal position mention the Great Depression of the 1930s that began with the stock market crash on Black Tuesday, October 29, 1929. "Not since the Great Depression..." is an oft-used phrase to many descriptions of the current period. A similar refrain is heard when policy analysts and citizens discuss cities. In reality, however, the Great Recession that began with the bursting of the housing bubble in 2007 and the sharp drop in stock markets in 2008 did not begin to wreak havoc on cities' revenue profiles until later. For cities, the collective impact of property values continuing at levels far below their 2007 peaks, consumer spending slowing, consumer confidence eroding and markets possibly entering a double-dip recession is the worst since the Great Depression. Yet, America's cities are not looking to the past as a guidepost for the future. Instead, lower property values and declining sales may portend something entirely new, a "new normal."

1. Christopher W. Moore & Michael A. Pagano, "The City Fiscal Conditions Survey: A National Mail and Online Survey of Finance Officers in 575 Cities," conducted in the spring-summer of 2011. This is the 20<sup>th</sup> edition of the survey, which began in 1990.

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# Meeting Fiscal Needs

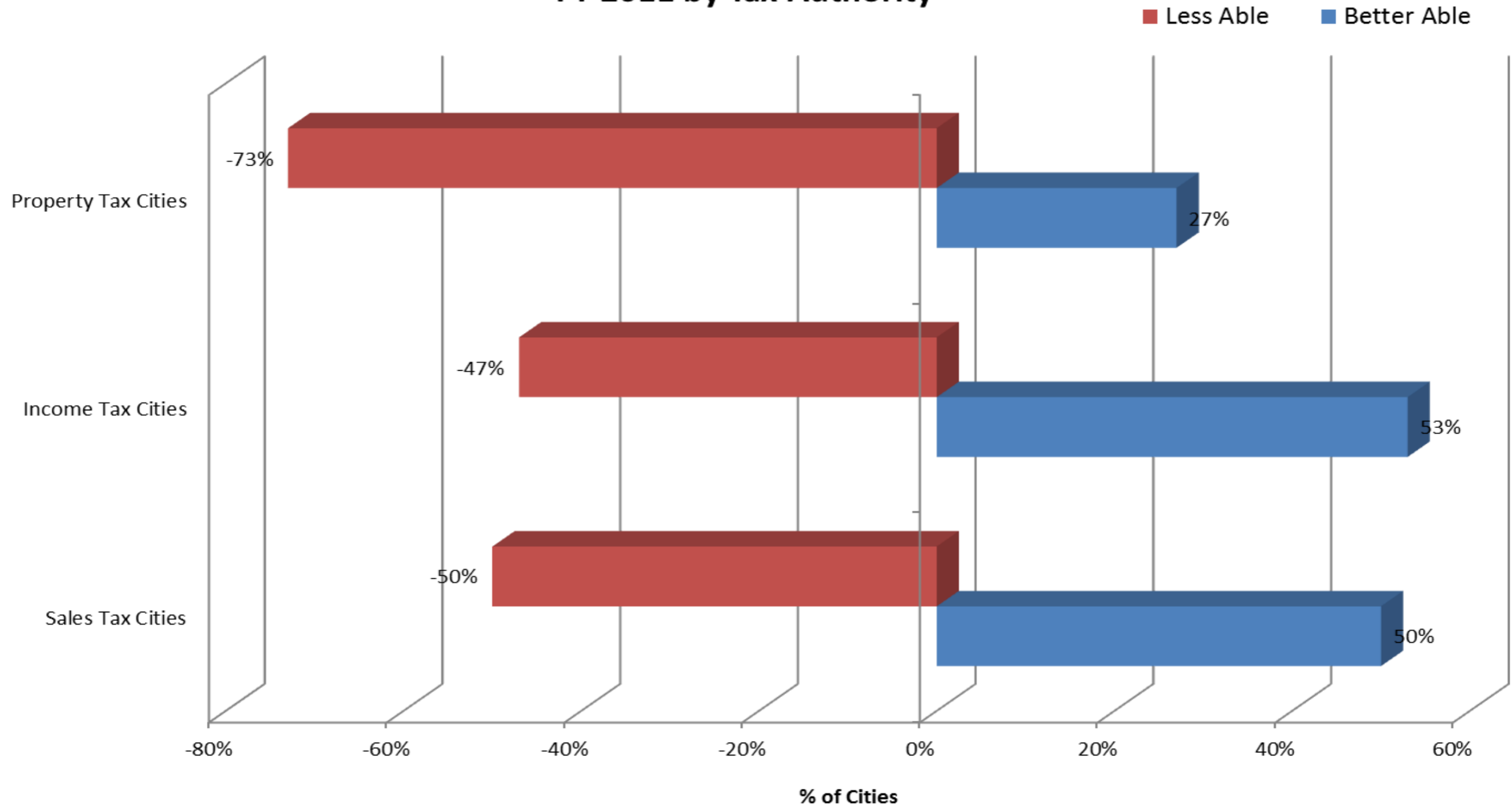
Figure 1: % of Cities "Better Able/Less Able" to Meet Financial Needs in FY 2011



AWC Survey: 77% of Cities Less Able

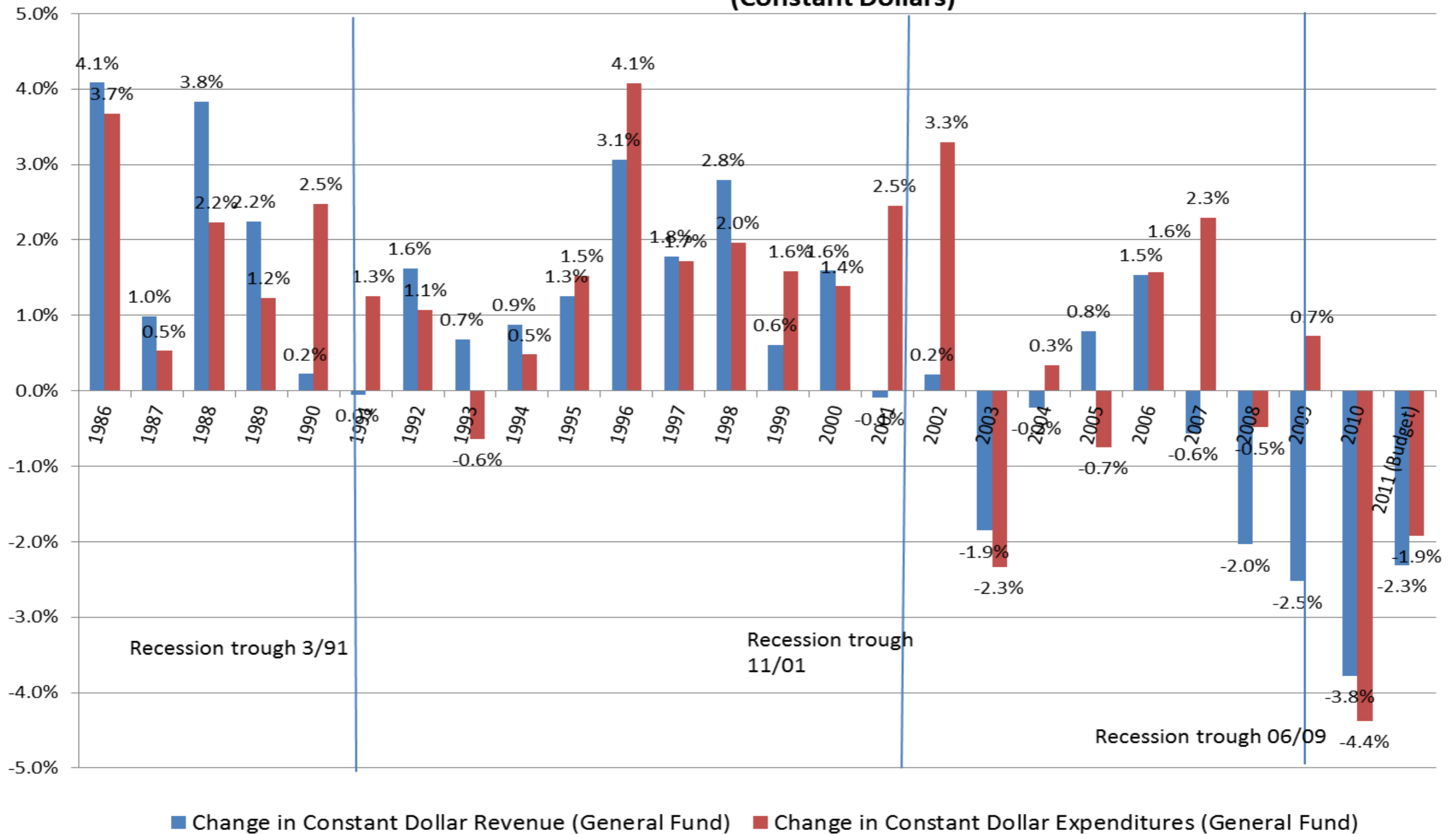
# Meet Needs - by Tax

Figure 1A: % of Cities "Better Able/Less Able" to Meet Financial Needs in FY 2011 by Tax Authority



# Revenue & Spending

**Figure 2: Year-to-Year Change in General Fund Revenues and Expenditures (Constant Dollars)**



**Figure 3: Year-to-Year Change in General Fund Tax Receipts  
(Constant Dollars)**

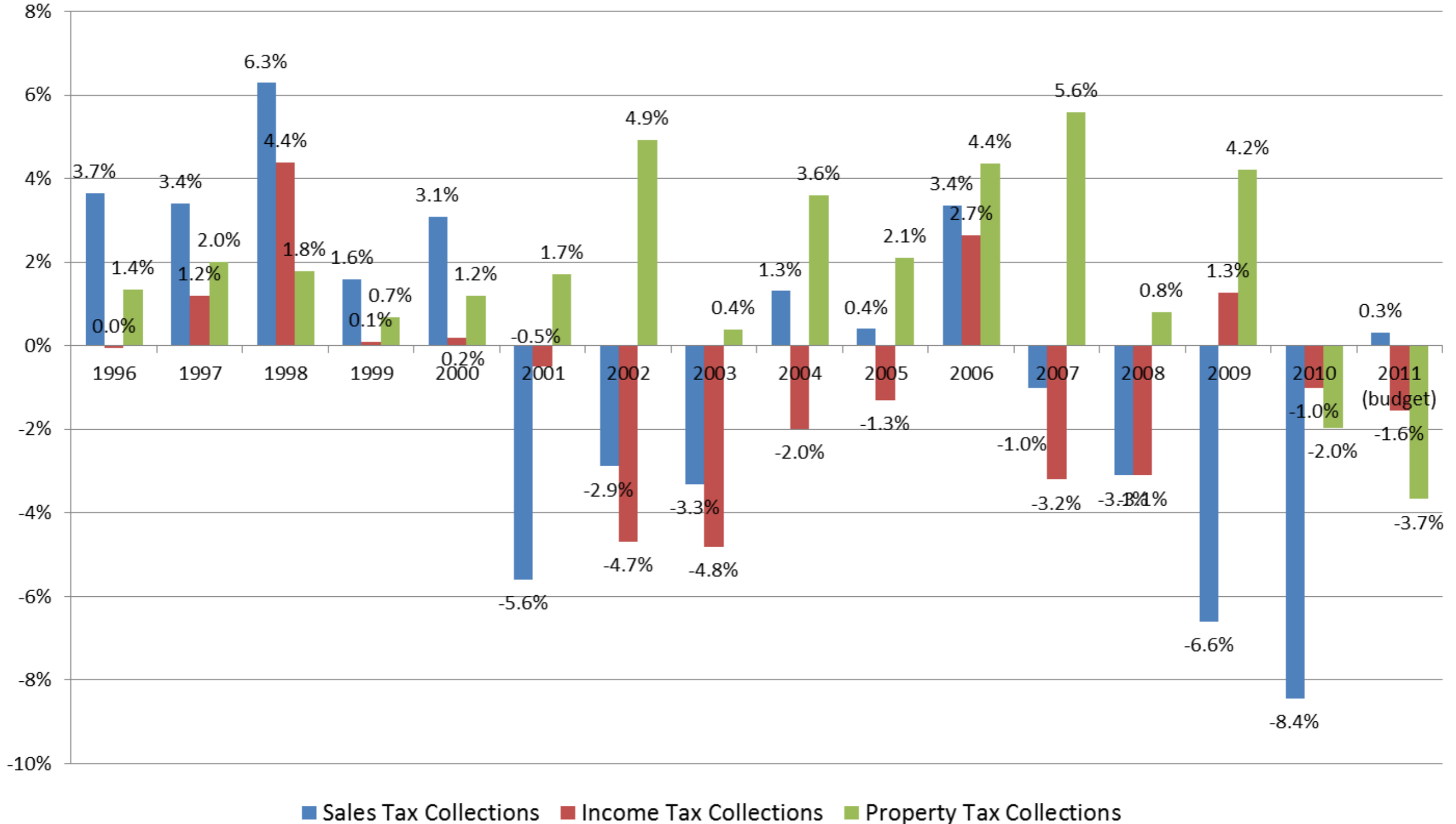
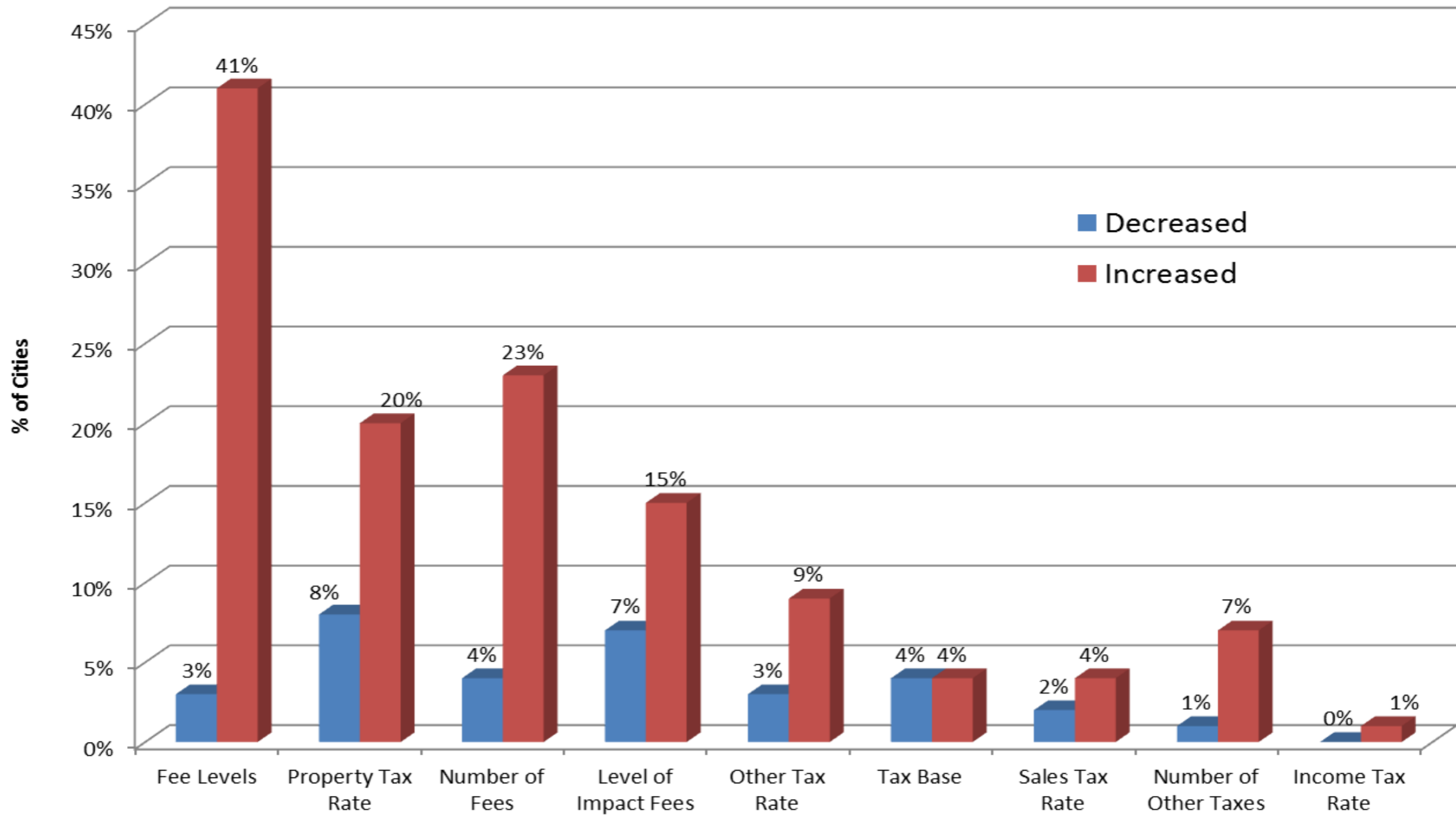
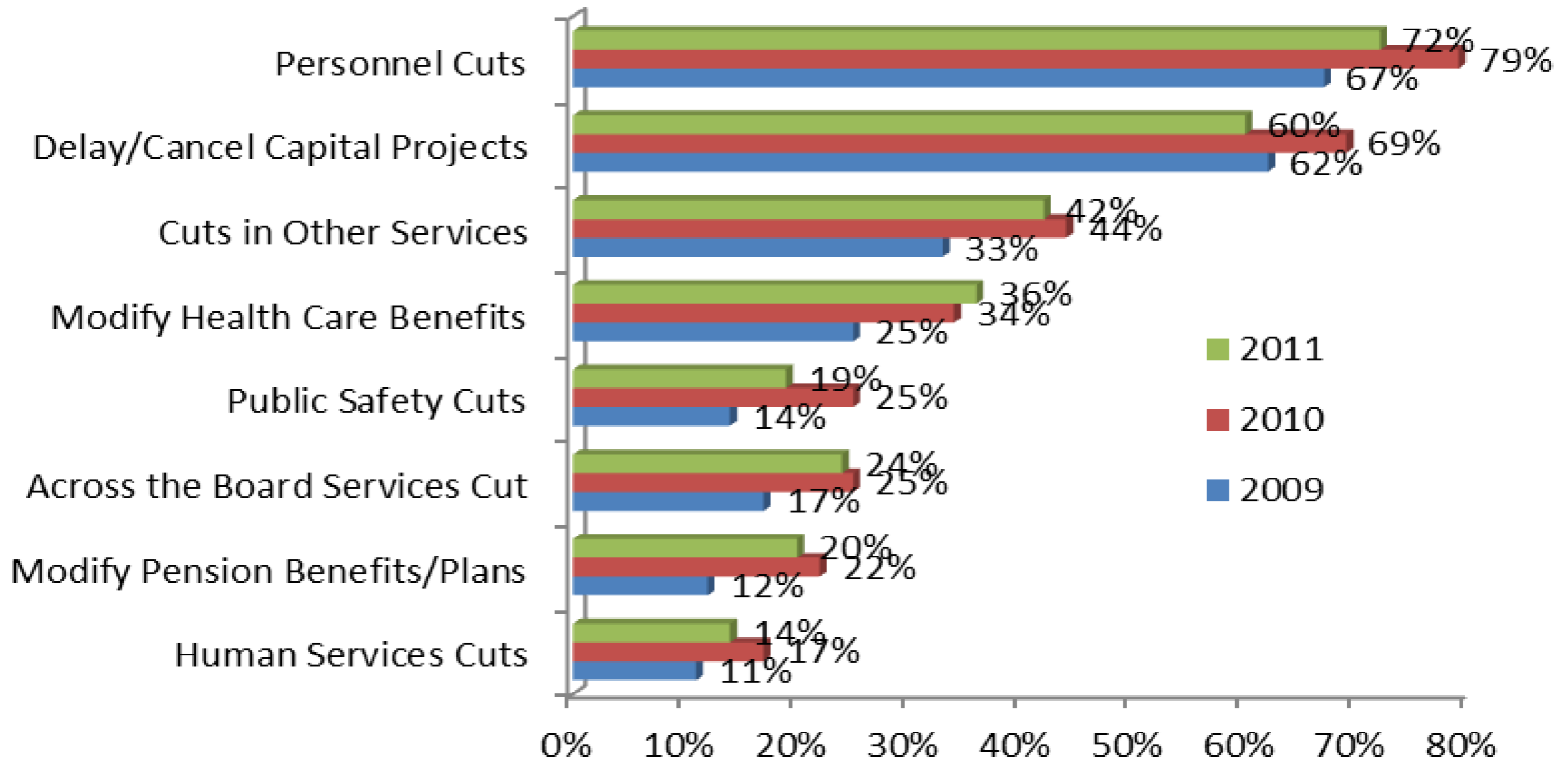


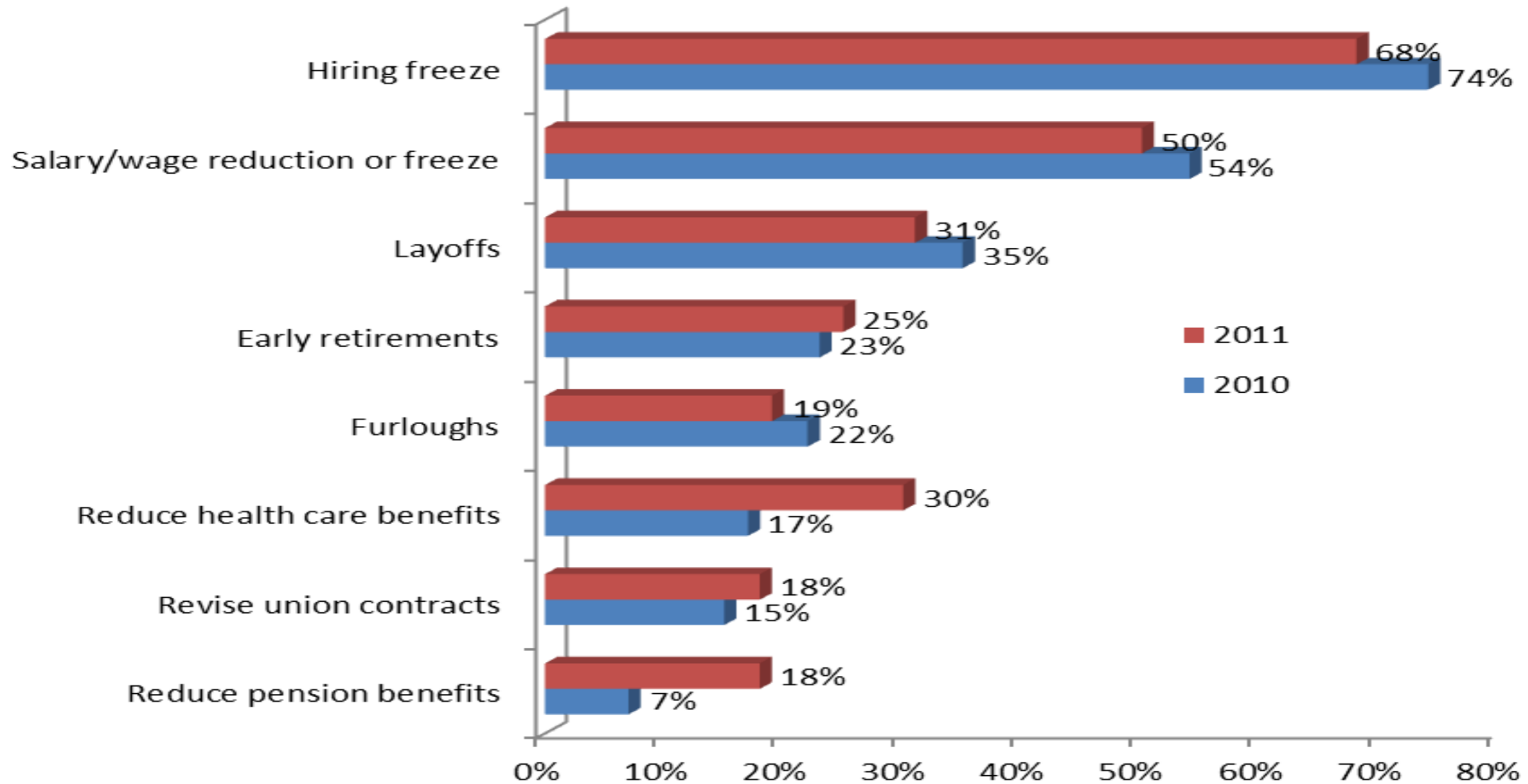
Figure 6: City Revenue Actions in 2011



**Figure 7: City Spending Cuts in 2009 - 2011**

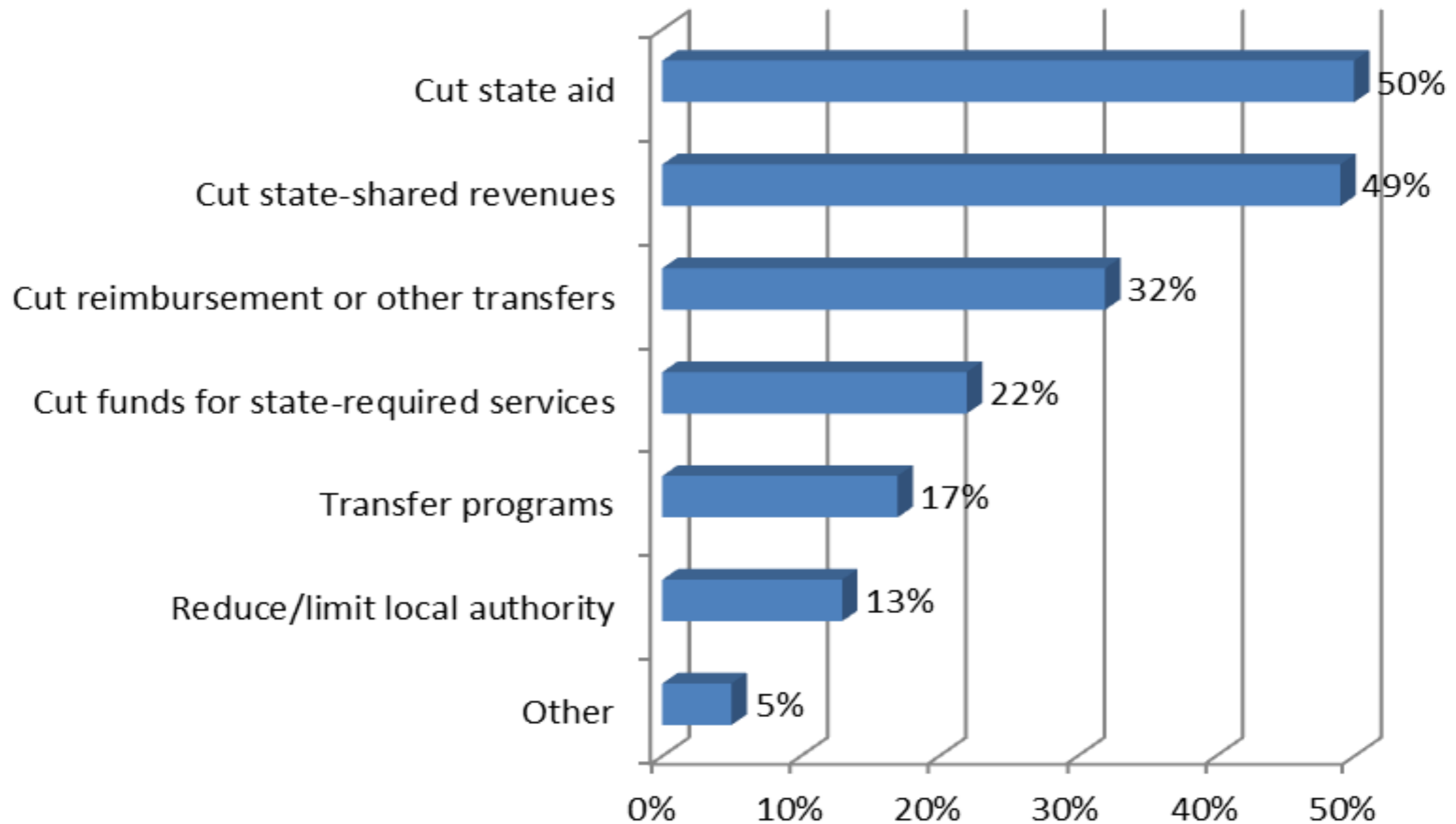


**Figure 8: City Personnel-Related Cuts 2010 & 2011**



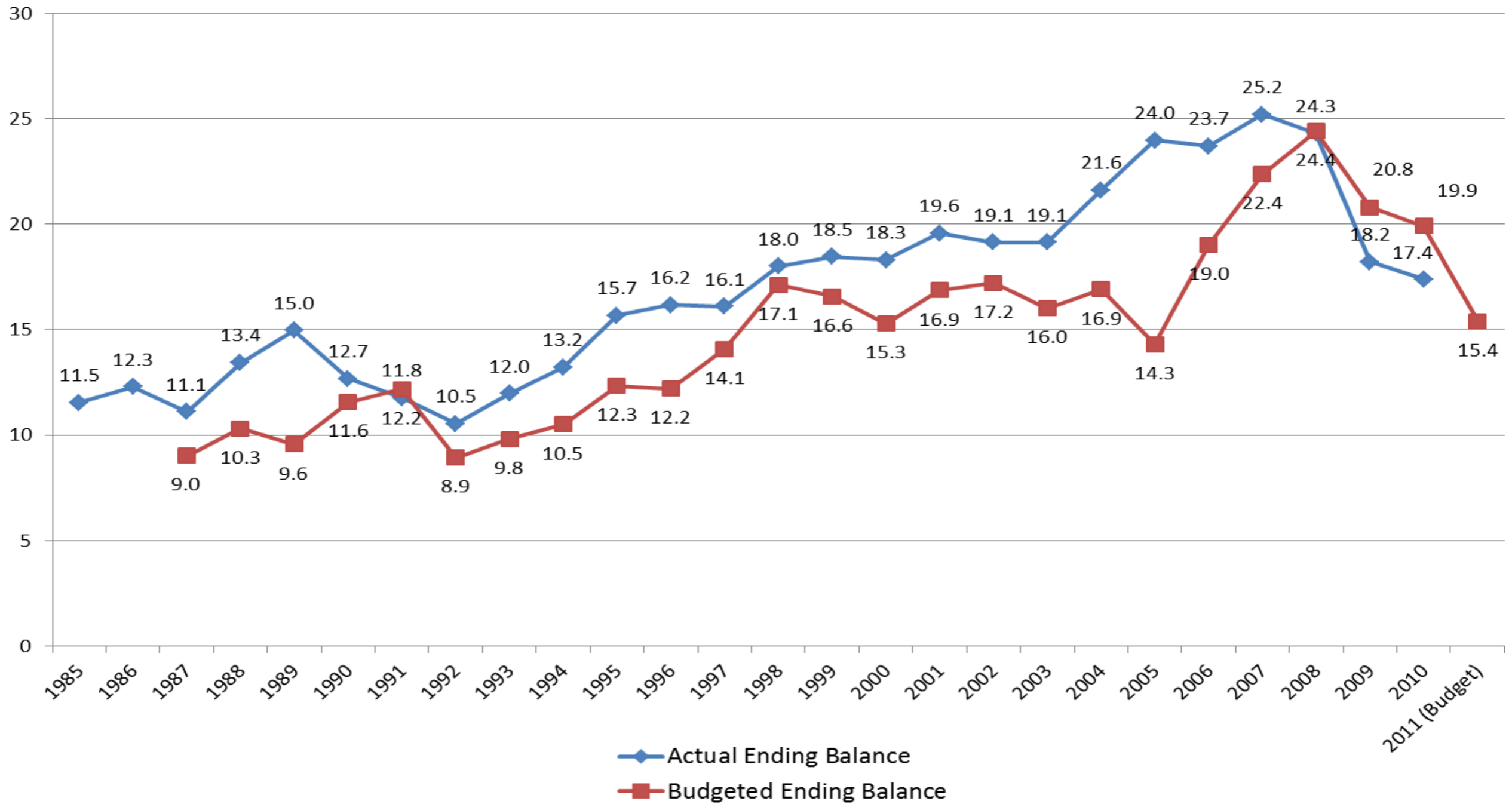
BLS: 550,000 local jobs lost since peak of 2008.

## Figure 9: State Actions Since FY 2009



# Ending Balances

**Figure 10: Ending Balances as a Percentage of Expenditures (General Fund)**



- Real estate markets will continue to struggle through 2012 and 2013;
- Consumer spending, unemployment, and wages will also be slow to recover;
- Large state shortfalls will mean more state cuts;
- Pension and health care costs management will squeeze out other services;
- Personnel cuts will continue in 2012; and,
- Ending balances will continue to decline.

# That's depressing...



# “Opportunities in a crisis”

- Shared services – interlocal agreements – regionalization and cost-sharing
- Participatory budgeting and citizen engagement to reset/reevaluate priorities
- Redefinition of “core services”
- Outsourcing, privatization and “managed competition”
- Improved fiscal management

# Sources of Economic Growth

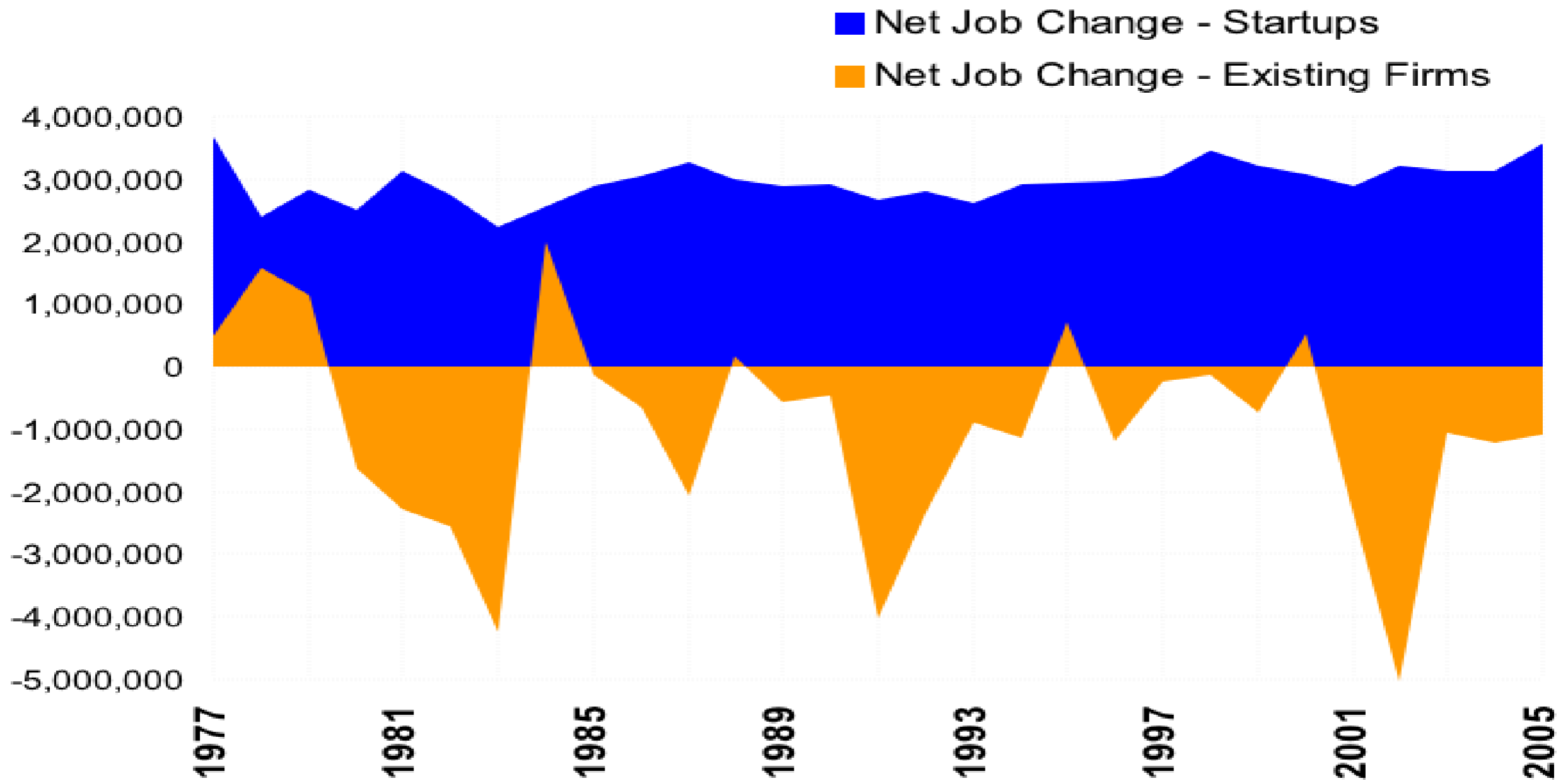
- Talented, competitive, and adaptive workforce (education, skills, human capital)
- Small business development and entrepreneurship
- Global trade and foreign direct investment
- Immigrants
- Economic development planning that is coordinated, sustained, and “fad-free”
  - Coordinated up and down the intergovernmental system
  - Coordinated regionally, across jurisdictions
  - Coordinated across sectors – public, private, nonprofit

- Recession encourages start ups and entrepreneurs-multiplier effect on job creation
- Represent 99.7% of all employer firms; 64% of net new jobs over past 15 years
- Make up 97.3% exporters
- 40% of high tech workers; produce 13 times more patents per employee
- 40% of small businesses started by immigrants

# Small Business Definitions

- Business with less than 500 employees; SBA determines small business within industry sectors by size and receipts
- Stage-based definitions
  - -businesses in same developmental stage experience similar challenges
  - -businesses at each stage have different internal and external needs

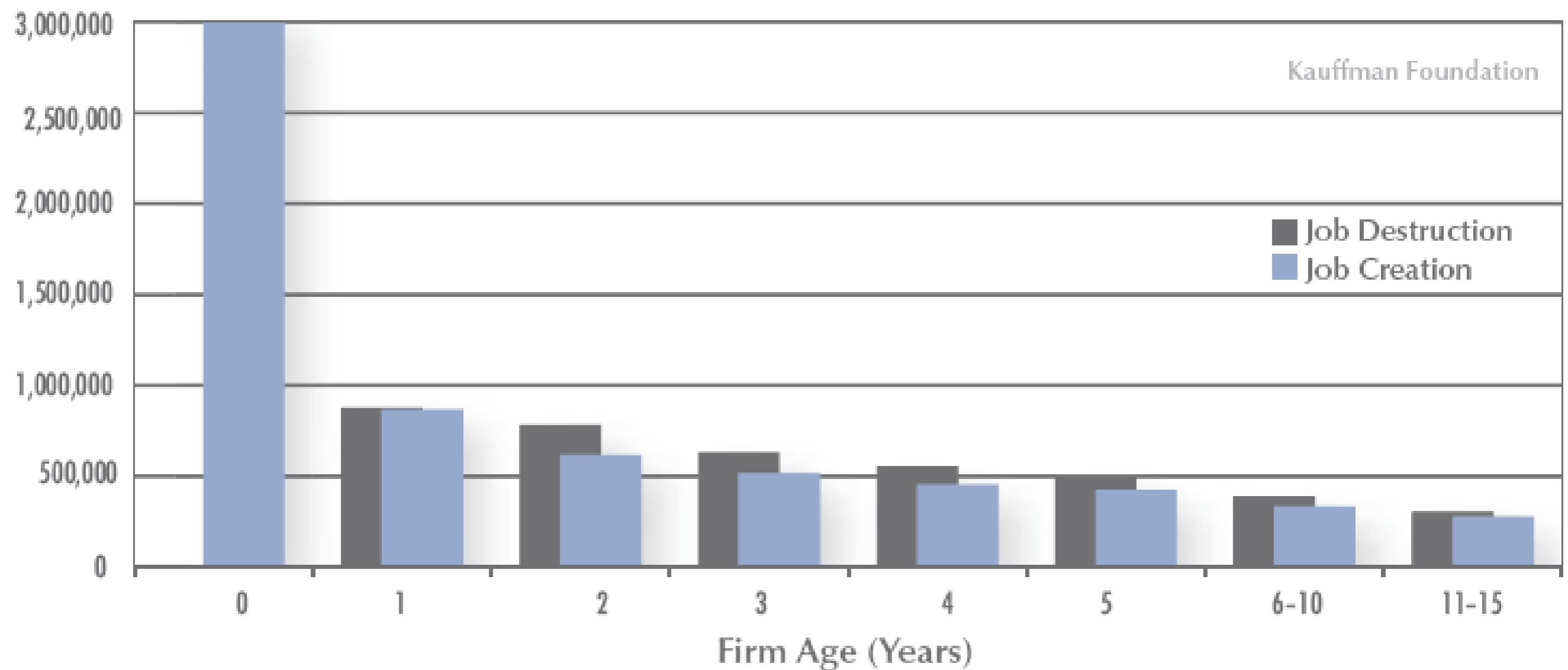
## Startups drive job growth



Source: Business Dynamics Statistics, Tim Kane

# The Importance of "Startups"

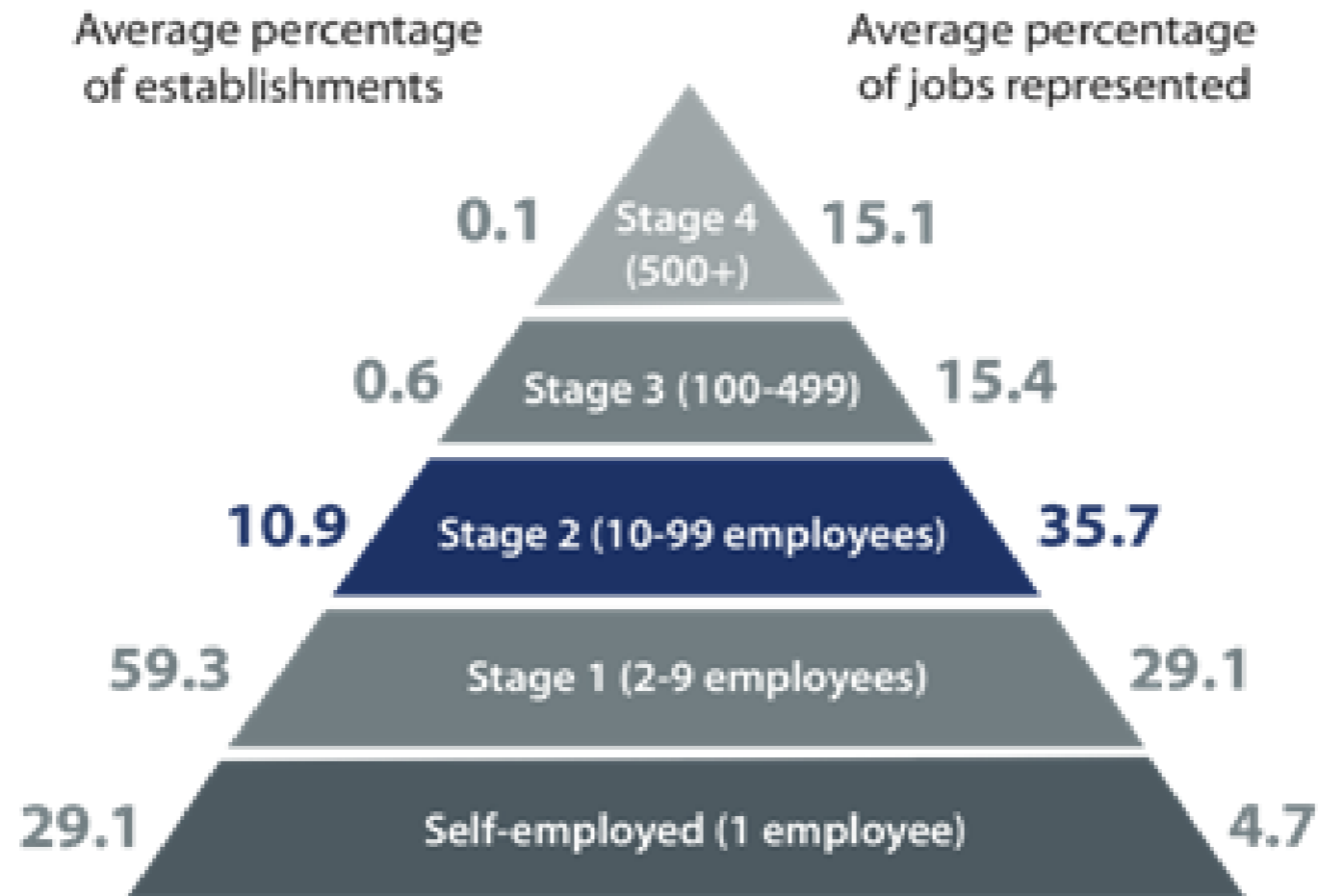
Job Creation and Loss by Firm Age  
(Average per year, by year-group, 1992–2006)



Source: Business Dynamics Statistics, Tim Kane

## Getting to know your “RESIDENT” companies.

### United States 1993-2008

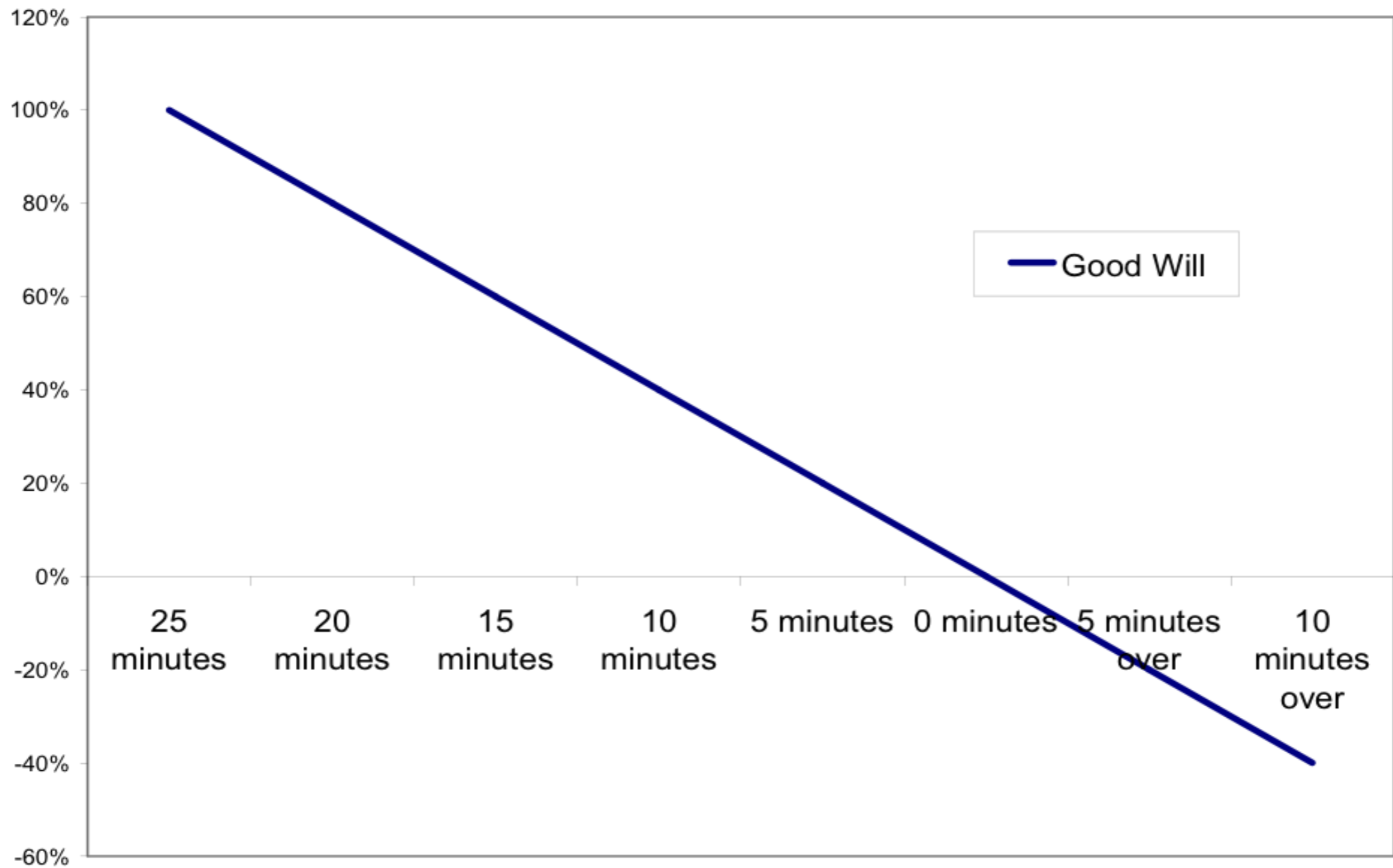


- **Traditional Local Government Policies**
  - Small Business Development Center (SBDC), one-stop shop
  - Marketing (“buy local”)
  - Regulatory (permits, licenses, code enforcement)
  - Access to capital (Revolving loan funds)
  - Partnership-development (access to capital)
- **Research:** indicates regulatory streamlining and partnership-developing roles are key.

- Smokestack-chasing (handouts)
- High-tech parks ("Silicon ???")
- Clusters
- Development corporations
- "Creative Class" -- soft factors (quality of life, amenities)
- Branding
- Economic gardening (grow your own)

**Research:** not clear that any of these approaches has produced real outcomes...suggests not relying too heavily on one approach.

### Presentation Time and Audience Goodwill





Blog | [CitiesSpeak.org](http://CitiesSpeak.org)



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