

CITY FISCAL CONDITIONS 2025

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NLC NATIONAL
LEAGUE
OF CITIES

A CENTURY OF STRENGTHENING CITIES



CITY FISCAL CONDITIONS

2025

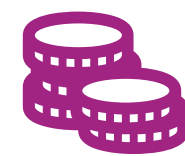
City Fiscal Conditions 2025 Contents



Revenue and Spending Trends



Tax Sources



Major Areas of General Fund Spending



Perspective on Ability to Meet Fiscal Needs

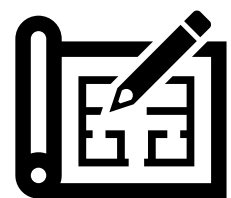


Looking Beyond 2025: Tariffs

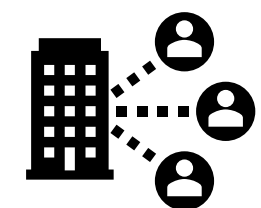
Methodology



City Fiscal Data on **213 municipalities** are manually collected from Annual Comprehensive Financial Report (ACFR) and Budget documents for **Fiscal Year 2023, 2024 and 2025**



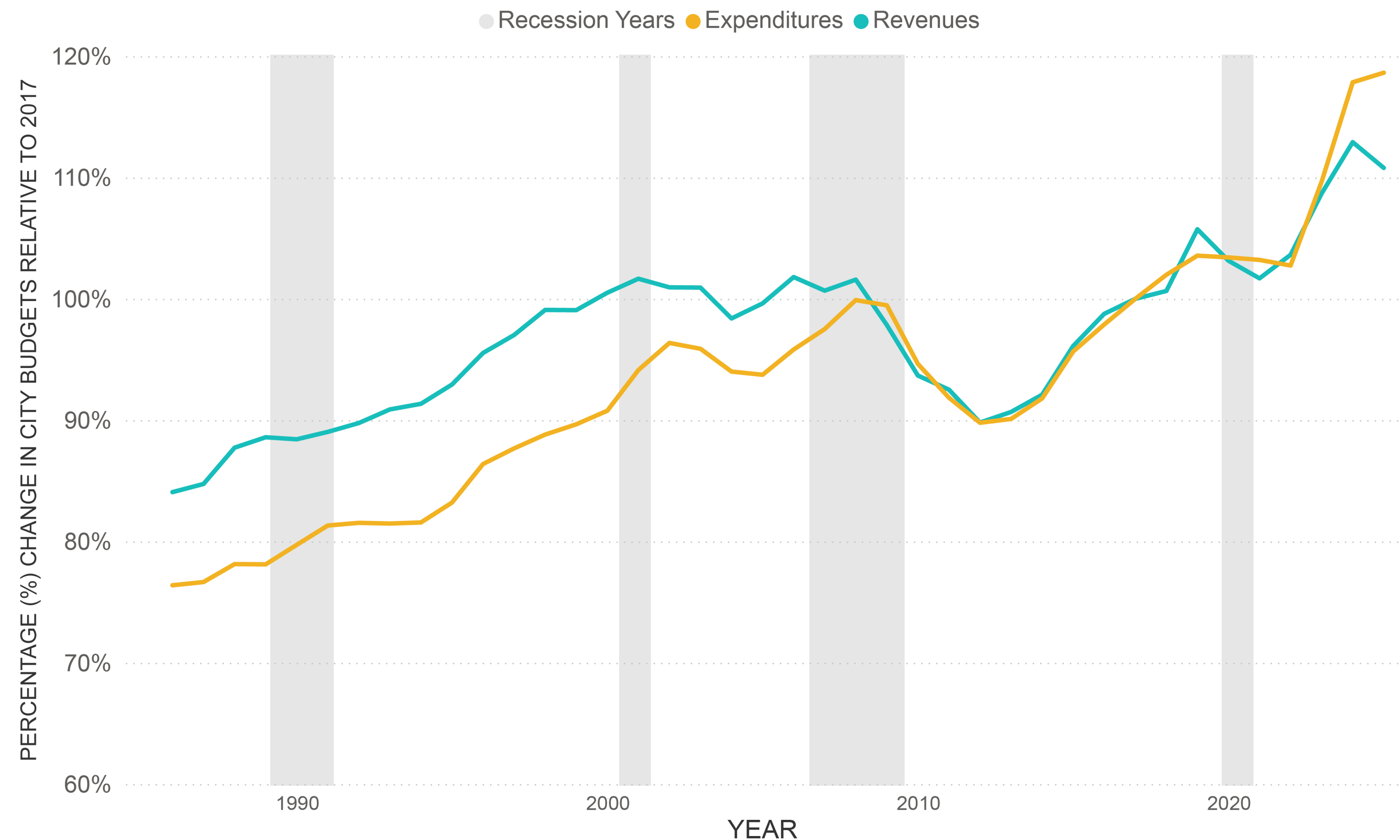
Survey data is collected from **335 municipalities**



Majority of the survey responses come from cities with a **population of < 10,000**

General Fund Revenues and Expenditures

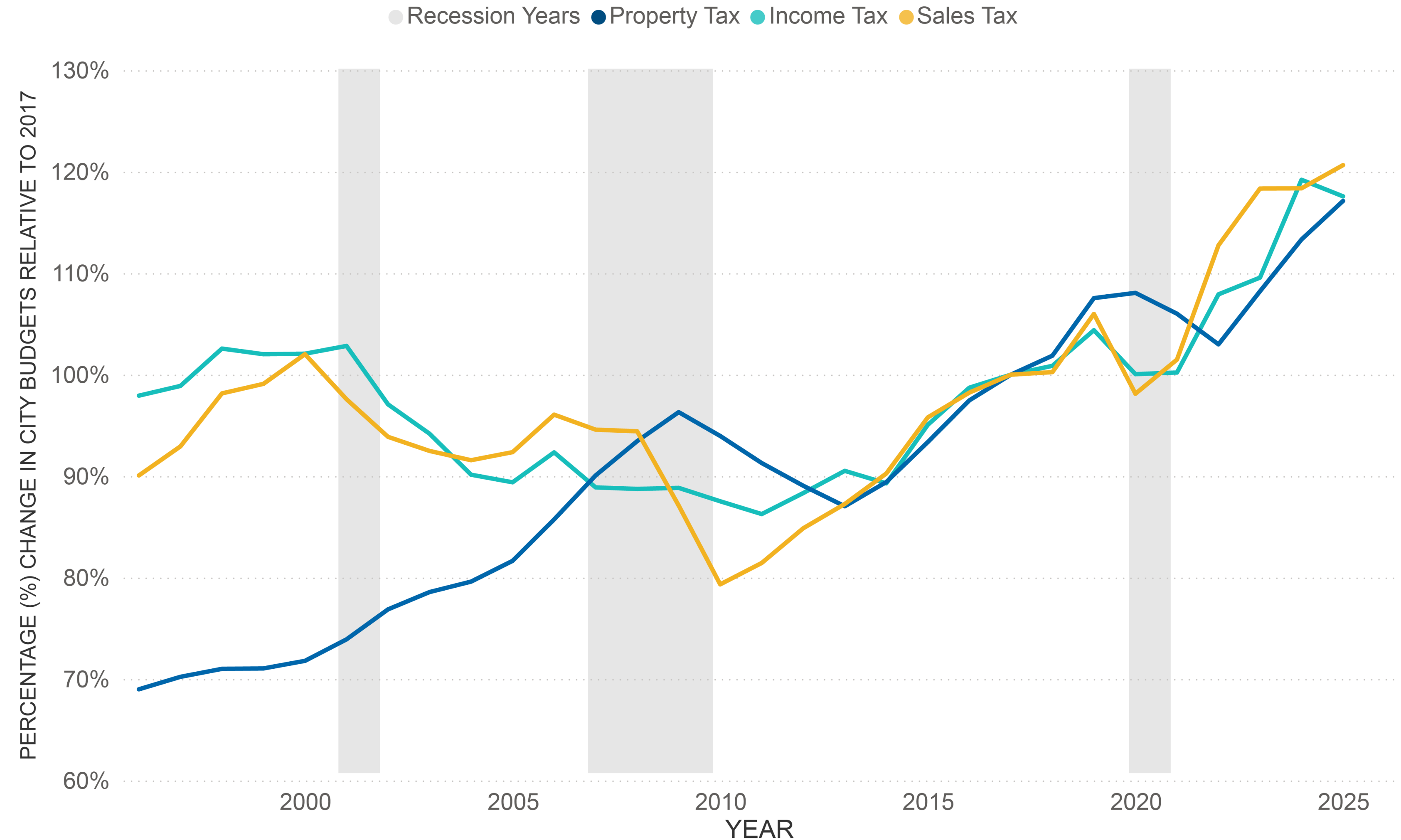
FIGURE 1
From Recovery to Restraint: Cities Post-COVID Budgetary Constraints
PERCENTAGE (%) CHANGE IN EXPENDITURES AND REVENUES YEAR TO YEAR (1986-2025)



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).

Tax Sources

FIGURE 2
Strong Housing and Job Markets Boosted City Budget Revenues in 2025
PERCENTAGE (%) CHANGE IN TAX REVENUES FROM YEAR TO YEAR (1996-2025)

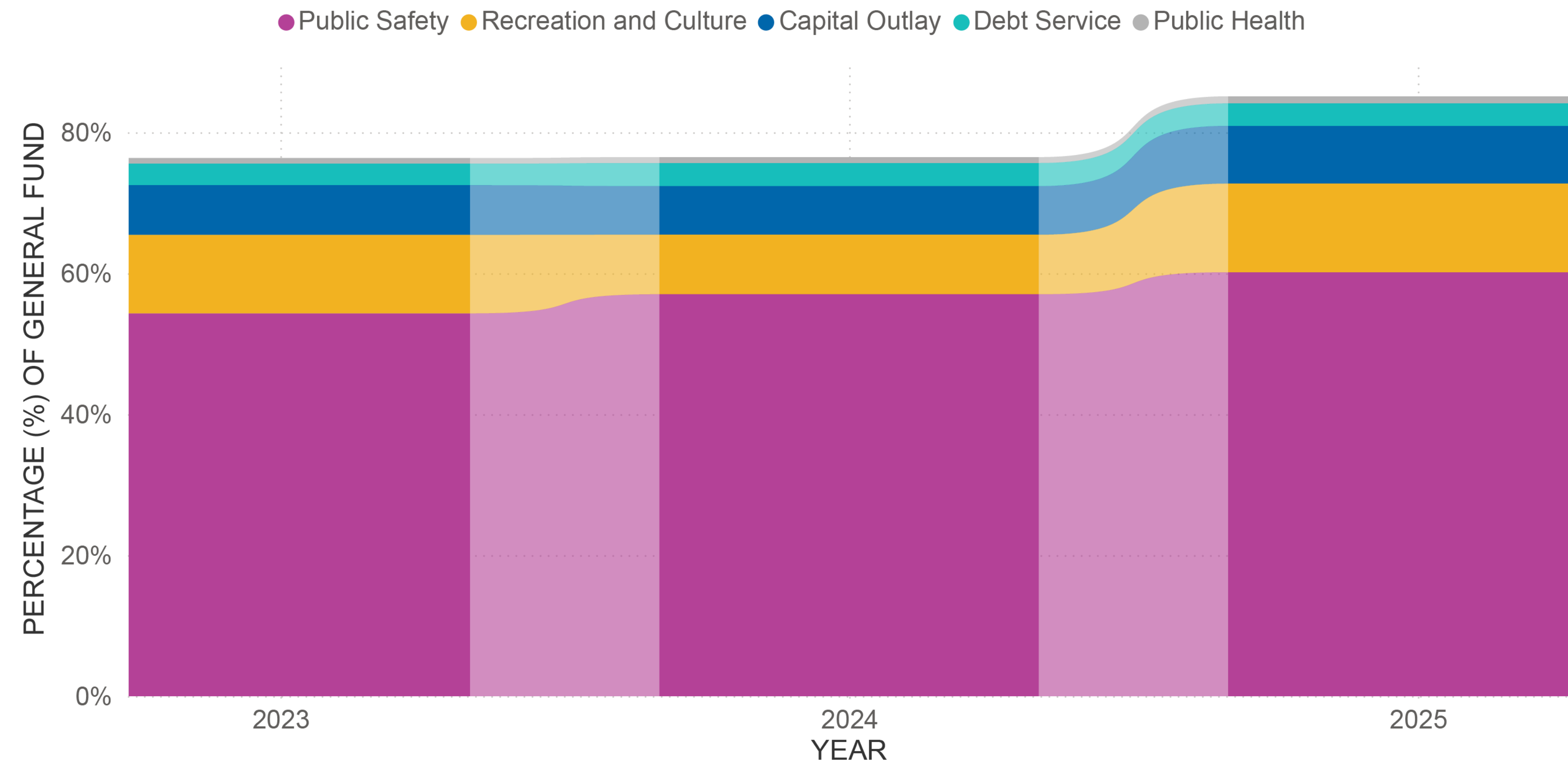


Source: Annual Comprehensive Financial Report (ACFR) and Budget documents.

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).

Public Safety is the Largest Category of General Fund Spending for the 2023-25 Period

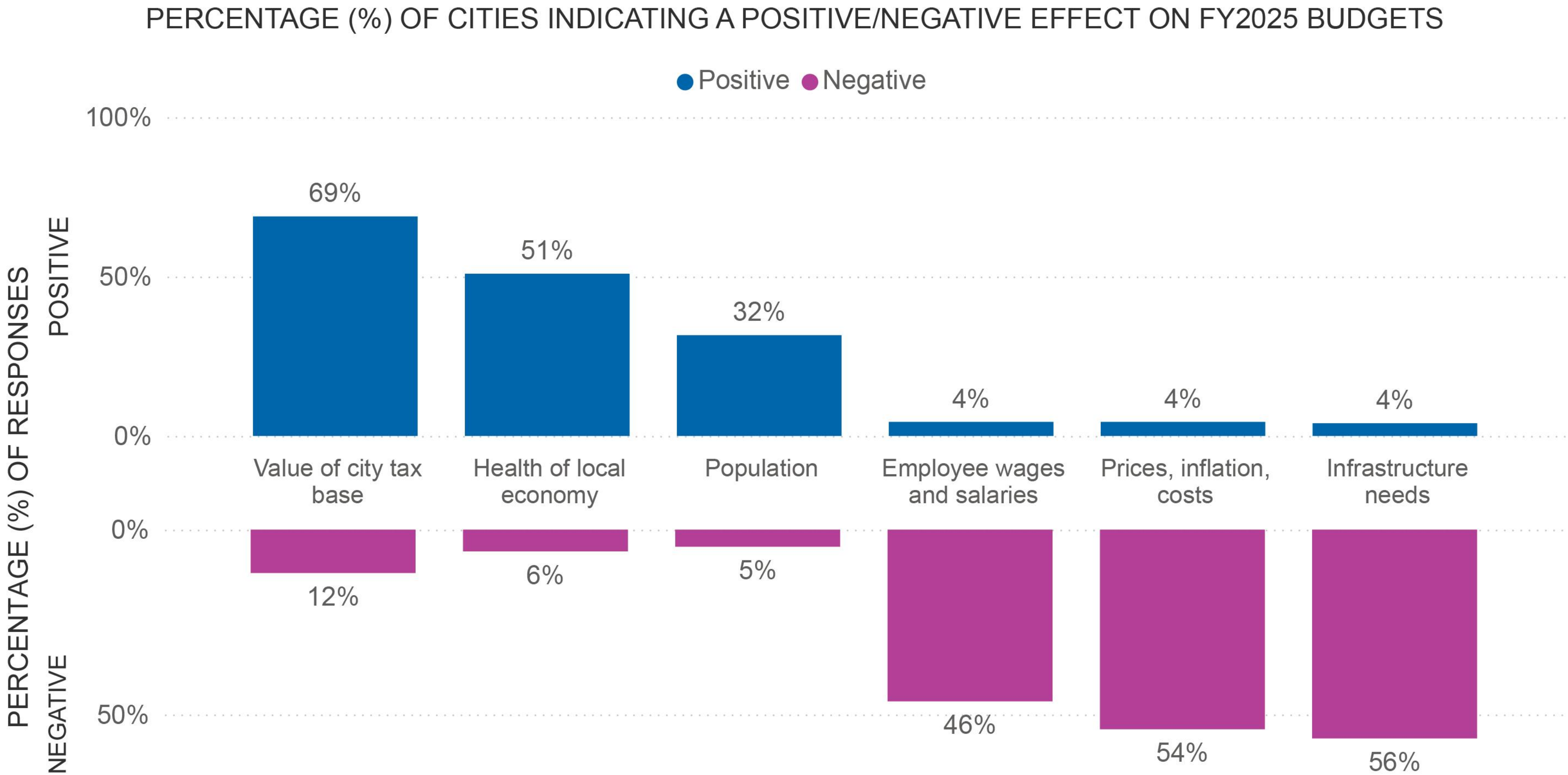
FIGURE 3
Public Safety is the Largest Area of General Fund Spending for 2023-25 Period
MAJOR CATEGORIES OF AVERAGE ANNUAL SPENDING AS A PERCENTAGE (%) OF GENERAL FUND, BY FISCAL YEAR (2023-2025)



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).

Items that had most Positive and Negative impacts on the FY2025 Budget

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



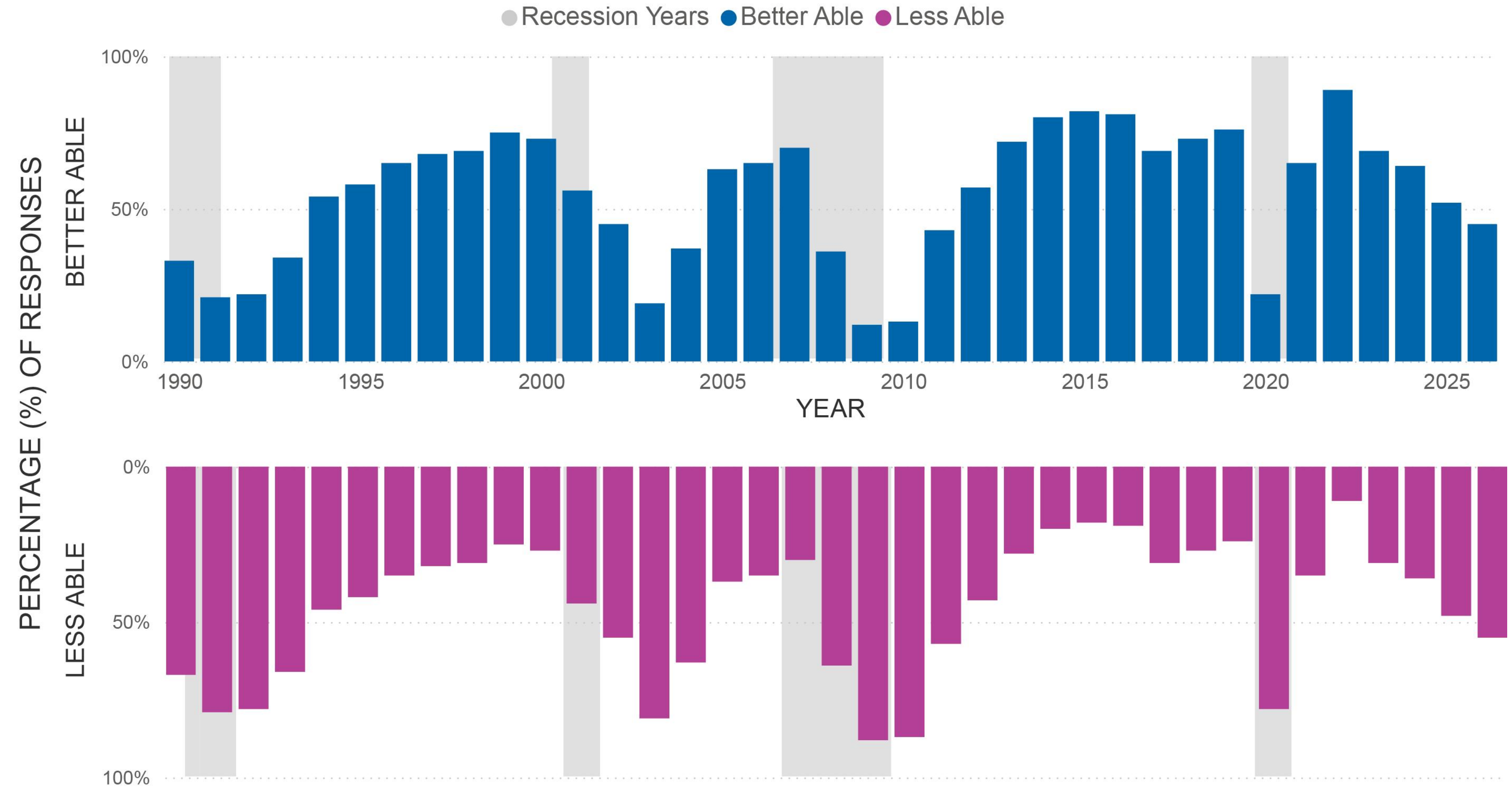
Source: City Fiscal Conditions 2025 Survey.
Figure Note: Groupings may not add to 100 percent because not all categories were selected as either a positive, or a negative, factor by all responding governments. Percentages are calculated as the proportion of all total responses to the question (n=239); 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.

Perspective or Ability to Meet Fiscal Needs

52% of the cities believe they will be able to meet their 2025 needs

Only 45% are optimistic about 2026

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



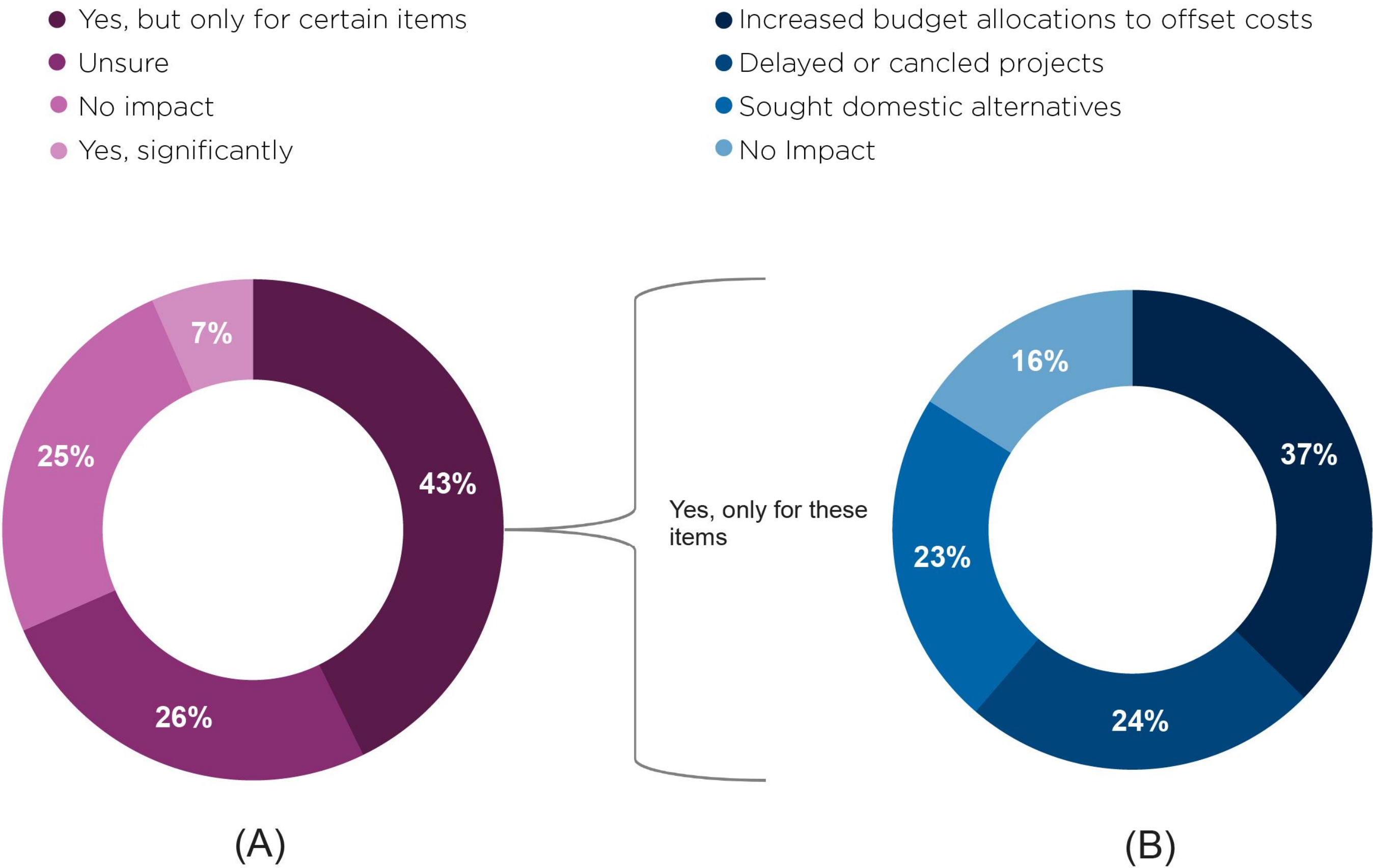
Source: City Fiscal Conditions 2025 Survey.
Figure Note: Percentages are calculated as the proportion of all total responses to the question (n=257 for CFC 2025 survey). The sample size depends on the number of cities that responded to the City Fiscal Conditions survey for each of the analyzed years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

Looking Beyond 2024: Tariff Impacts and Policy Changes

43% of the cities indicated that tariffs have, in their view, influenced their ability to procure certain goods

Out of 43%, majority of the cities responded, tariff policy changes increased their budget allocations to offset costs

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).



» Thank You «
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