

## State of America's Cities Survey on Jobs and the Economy

Despite upticks in some measures of national economic recovery, new data from NLC indicate that declining fiscal and economic conditions persist in America's cities.<sup>1</sup> Consistent with previous findings that local economic recovery is lagging and may in fact drag national economic recovery, the 2010 *State of America's Cities* survey of local elected officials finds:<sup>2</sup>

- Three in four (75%) city officials report that overall economic and fiscal conditions have worsened over the past year.
- Eighty-four percent of city officials report that unemployment has worsened over the past year and nearly nine in 10 say it is either a major (41%) or moderate (47%) problem for their community.
- More than six in 10 (63%) city officials report that poverty has worsened over the past year; representing the largest percentage of city officials reporting worsened poverty conditions since the question was first asked in NLC's 1992 survey.
- To deal with the fiscal implications of these and other economic conditions, seven in ten city officials report making cuts to personnel (71%) and delaying or cancelling capital projects (68%).
- One in two (52%) city officials report that service levels will continue to decrease next year if city tax rates and fees are not increased.

### LOCAL ECONOMIC CONDITIONS

When asked how overall economic and fiscal conditions have changed in their community over the past year, three in four city officials (75%) report that they have worsened (see Figure 1). From employment to the stability of the housing market, signs of growth that may be making their way into the national picture are not yet evident in many local economies across the country.

Unemployment continues to be a major challenge for cities. Eighty-four percent of city officials report that unemployment has worsened over the past year, and nearly nine in 10 say it is either a major (41%) or moderate (47%) problem for their community. As the severity of unemployment takes hold, families continue to struggle to make ends meet and to pay for basic services. Sixty-five percent of city officials report an increase in the need for survival services, including food, shelter, heating and healthcare, for the people in their city over the past year.

The entrenched economic crisis can also be seen in the sizeable increase in the percent of city officials reporting poverty as a challenge for their community. More than six in 10 (63%) city officials report that poverty has worsened over the past year

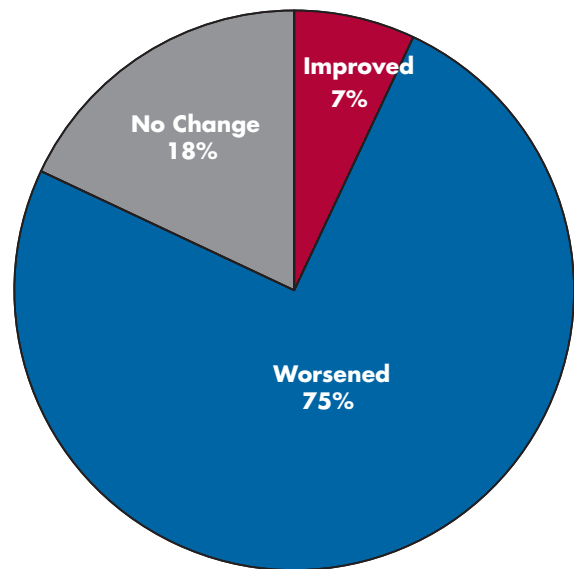


FIGURE 1. HOW HAVE OVERALL ECONOMIC AND FISCAL CONDITIONS CHANGED OVER THE PAST YEAR?

<sup>1</sup> The use of "cities" or "city" in this report refers to municipal corporations.

<sup>2</sup> Christopher W. Hoene, *City Budget Shortfalls and Responses: Projections for 2010-2012*, National League of Cities, December 2009.

(see Figure 2). This represents the largest percentage of city officials reporting worsened poverty conditions since the question was first asked in NLC's 1992 survey.<sup>3</sup> Eight in 10 city officials say that poverty is either a major (31%) or moderate (51%) problem for their community.

Nearly one in two (46%) city officials report that housing conditions have worsened, with 65 percent saying it's either a major (19%) or moderate (46%) problem. In addition to the myriad social impacts related to lack of affordability and availability of housing choices, the foreclosure crisis and general collapse of the housing market since 2008 will most dramatically affect city budgets over the next few years.<sup>4</sup>

The impact of the housing market on residential property taxes is just one part of the economic downturn's effect on city budgets. The health of local commercial property markets is also a growing concern for cities. More than two in three (67%) city officials report that the commercial property market has worsened over the past year. More than eight in 10 city officials report that the commercial property market is currently either a major (31%) or moderate (51%) problem for their city (see Figure 3). As a significant generator of local property tax revenues, the decline in the commercial property market will contribute to an even slower economic and fiscal recovery for cities.

Another local concern is the effect of the downturn on small businesses and entrepreneurship. More than six in 10 (61%) city officials report that small business development and entrepreneurship worsened over the past year. Given the importance of these businesses to the stability and growth of local economies, it is no surprise that seven in 10 report that the worsened condition of small businesses and entrepreneurs is either a major (18%) or moderate (52%) problem for their community. More than half (53%) of city officials report that business retention and expansion worsened over the past year; 75% say it's either a major (23%) or moderate (52%) problem.

## LOCAL RESPONSES

Cities across the country continue to engage in the difficult task of balancing their budgets. Many cities are implementing spending cuts that affect local employment, including personnel cuts (71%), and delaying and cancelling capital projects (68%) (see Figure 4).

In addition to these severe, yet more predictable cuts, the survey reveals that many cities have also taken more unprecedented measures, such as cuts to public safety (22%), reductions in healthcare benefits (24%) and revisions to union contracts (22%) (see Figure 5).

Spending cuts, like those made to public safety, have not only immediate employment impacts, but also impacts on activities essential to the quality of life and safety, like crime prevention and fire response times. Personnel cuts can also delay cities' responses during an economic recovery, as hiring and training personnel can take considerable time.

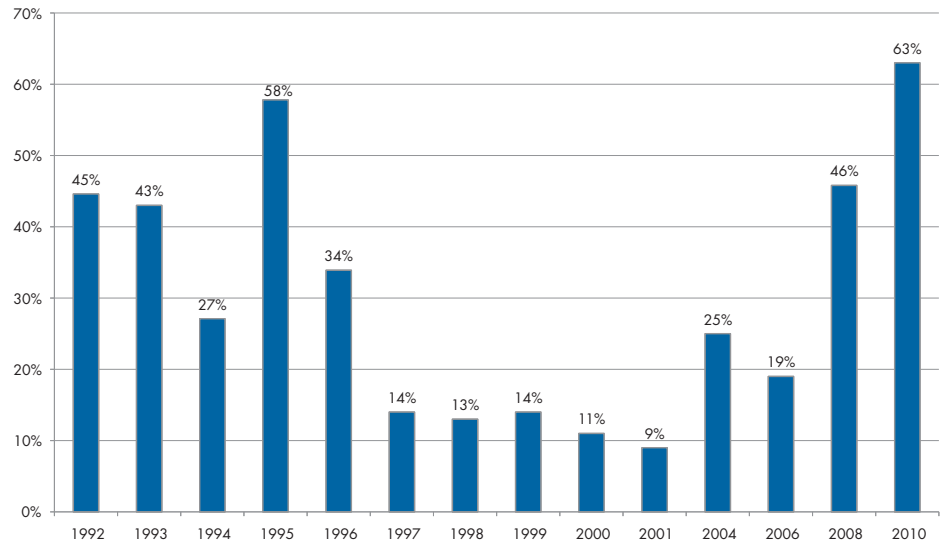


FIGURE 2. HOW HAS POVERTY CHANGED OVER THE PAST YEAR? (PERCENT REPORTING WORSENERD VS. IMPROVED OR NO CHANGE, 1992-2010)

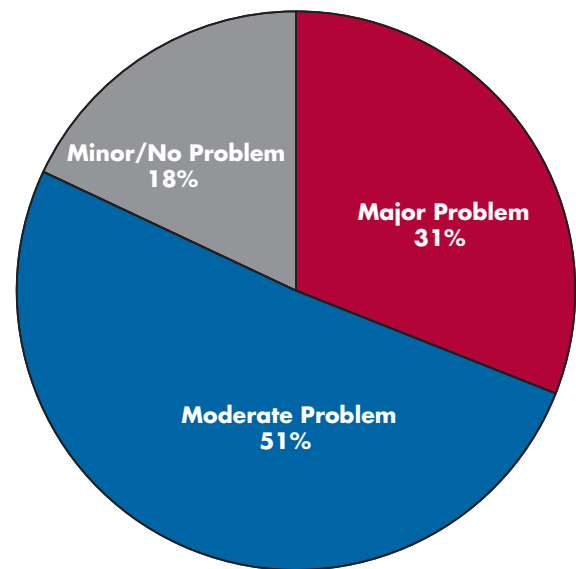


FIGURE 3. WHAT IS THE CURRENT STATUS OF YOUR COMMERCIAL PROPERTY MARKET?

<sup>3</sup> The *State of America's Cities* survey was not conducted in 2002 or 2003 due to targeted survey research on homeland security needs in cities. Starting in 2004, this question is asked on the survey every other year.

<sup>4</sup> Christopher W. Hoene, *City Budget Shortfalls and Responses: Projections for 2010-2012*, National League of Cities, December 2009.

FIGURE 4. WHAT TYPES OF SPENDING CUTS HAS YOUR CITY IMPLEMENTED DURING THE PAST YEAR?

Personnel cuts (hiring freezes, layoffs, furloughs)	71%
Delay/cancellation of capital projects	68%
Cuts in other services	46%
Across the board cuts	35%
Cuts in human services	27%
Renegotiate debt	29%
Cuts in public safety	22%

## LOOKING AHEAD

Unfortunately for cities, the fiscal difficulties they are facing appear likely to continue beyond the current year. One in two (52%) city officials report that service levels will continue to decrease next year if city tax rates and fees are not increased.

Confronted with difficult economic and fiscal decisions, city officials are split in their views about the future direction of the country. Fifty-three percent are very (27%) or mildly (26%) pessimistic about the direction of the country. Nearly half are also either very (6%) or mildly (40%) optimistic about the general direction the country is heading.

Despite a broad range of sentiments about the future of the country, local officials agree that the state of America's cities continues to worsen, threatening long term national economic recovery. City budget shortfalls will become more severe over the next two years as tax collections catch up with economic conditions. These will inevitably result in new rounds of layoffs, service cuts, and cancelled projects and contracts. With local and state sectors comprising about one-eighth of GDP, and cities making up a significant portion of this sector, the services and employment offered by local governments are critical to the health of local and regional economies that drive national economic performance.<sup>5</sup>

FIGURE 5. WHAT SPECIFIC PERSONNEL SPENDING CUTS HAS YOUR CITY MADE?

Hiring freezes/suspended positions	69%
Eliminate/drastically reduce travel budget	54%
Salary/pay reductions/freezes	51%
Eliminate/drastically reduce professional development budget	41%
Early retirements	32%
Layoffs	25%
Reduce health care benefits/packages	24%
Revise union contracts to reduce pay/benefits	22%
Furloughs/furlough days	19%
Reduce pension benefits/packages	11%
Other	4%

<sup>5</sup> Christopher W. Hoene, *City Budget Shortfalls and Responses: Projections for 2010-2012*, National League of Cities, December 2009; Mark Muro and Christopher W. Hoene, *Fiscal Challenges Facing Cities: Implications for Recovery*, National League of Cities and Brookings Institution, November 2009.

## DATA AND METHODOLOGY

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The National League of Cities *State of America's Cities* is an annual survey of municipal officials that has been conducted for nearly 25 years. For this year's survey, a random sample of 1,621 local officials from different cities across the country was drawn from the NLC database of municipal officials. The survey was emailed to all of the officials in the sample in late February 2010 and responses were collected in March and April. A total of 349 valid responses were received and tabulated, resulting in a 22 percent response rate. With this response rate, it can be expected with a 95 percent degree of confidence (i.e., in 95 out of 100 random sample surveys) that the answers to the survey questions from another random sample of municipal officials would be within 4.65 percentage points (+/- 4.65%) of the results of this survey.

## ABOUT THE AUTHOR

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Christiana McFarland is research director and program director, finance and economic development, at the National League of Cities. The author would like to thank Caitlin Geary, program intern, and William McGahan, program associate, for assistance in the conduct of the survey. The author would also like to thank Lara Malakoff, senior program associate for outreach, for her editorial assistance, and Alexander Clarke, manager of creative design and production, who designed and managed the production of the brief. The author is particularly thankful to the 349 respondents to this year's survey. The commitment of these local officials to the project is greatly appreciated.

## ABOUT THE NATIONAL LEAGUE OF CITIES

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The National League of Cities is the nation's oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. NLC is a resource and advocate for more than 1,600 member cities and the 49 state municipal leagues, representing 19,000 cities and towns and more than 218 million Americans.

Through its Center for Research and Innovation, NLC provides research and analysis on key topics and trends important to cities, creative solutions to improve quality of life in communities, inspiration and ideas for local officials to use in tackling tough issues and opportunities for city leaders to connect with peers, share experiences and learn about innovative approaches in cities.