

*Research  
Report* on  
America's Cities



Local Budget and  
Tax Policy in the U.S.:  
Perceptions of City Officials



National League of Cities

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*Christopher Hoene*



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## Summary

This report presents an analysis of the ways in which city officials in the U.S. view current and future challenges confronting local budget and tax policy. The findings are based on a survey conducted from July to August 2004 by the National League of Cities.

The survey offers a perspective at a time when city officials are coping with significant fiscal challenges - a sluggish economy that has yet to recover from the recession of 2001, unprecedented federal budget deficits, ongoing structural deficits in many state budgets, and the latest round of tensions between federal, state and local governments over the allocation of revenues and service responsibilities. All of this is occurring against a backdrop of a system of public finance that is increasingly challenged by longer-term economic shifts, declining intergovernmental revenues, demographic changes, and political opposition to taxes. As local, state, and federal policymakers contemplate the future of public finance, the opinions expressed in this survey should prove helpful in identifying local issues and perceived needs. Some of the highlights are presented below.

- A majority of city officials approve of the handling of budget and tax issues by their city governments. Majorities of city officials disapprove of the handling of budget and tax issues by their governors and state legislatures and by President Bush and the U.S. Congress.
- Nearly all city officials say that they think the federal deficit is a problem for cities.
- If cuts in services are needed in the future, city officials say they are most likely to cut general government (administration and personnel) or culture and leisure (parks and recreation, libraries) and least likely to cut public safety (police, fire, emergency medical) services. One in three city officials favor across-the-board cuts. If additional revenues are needed, most city officials say they would prefer to generate those revenues through user fees.
- Among a number of trends that are affecting fiscal policy, city officials say that intergovernmental challenges (unfunded mandates and cuts in aid) and political challenges (public pressure to limit taxes and lack of public trust in government) are of greatest concern.
- City officials say the most important criteria they use in making fiscal policy are ensuring adequate revenues to meet needs, taxpayer equity, accountability, and maintaining local authority. Assessing current

revenue sources, city officials rate local property taxes the highest in meeting these criteria.

- Most city officials say that the system of public finance in which they are operating is in need of at least minor changes. The top three options for reform favored by city officials are a return to some form of federal revenue sharing, state authorization of local tax authority, and taxing goods sold over the Internet.
- Special interests groups and state legislatures are identified by city officials as the groups most likely to oppose reforming the system of public finance. Voters and residents, neighborhood/civic groups, and the business community are identified as those most likely to support fiscal reforms.

## Introduction

More than three years after the economic recession in 2001, local governments nationwide continue to confront significant challenges and new realities in budget and tax policy. Among the challenges are sluggish economic growth that translates into slow growth in revenues, large federal budget deficits and international pressures that result in unstable federal assistance for local and state government, ongoing structural deficits in many state budgets, state-local tensions over state support for localities, and added responsibilities that require additional resources, such as local homeland security needs. These challenges combine to confront city governments with a *fiscal recession*,<sup>1</sup> even after the *economic recession* has passed. This fiscal recession is occurring against the backdrop of a constrained system of public finance, the legacy of longer-term economic, intergovernmental, demographic and political changes.<sup>2</sup>

To gauge the preparedness of city governments, the National League of Cities sent a survey to a random sample of 1,310 city officials. A total of 414 questionnaires were returned for a 32 percent response rate. The responses from city officials were analyzed and compared across cities of various population sizes, regions of the country, location within a region or metropolitan area, differences in city tax structure, whether or not cities have fiscal authority for local schools, and whether or not cities are constrained by tax and spending limits. The survey was looking for answers to the following questions:

- What are the specific perceptions of city officials regarding current local, state, and federal fiscal conditions? How do city officials view budget and tax policy?
- What are the specific tax and spending pressures that are confronting cities today? How will city officials approach difficult revenue and expenditure decisions in the future?
- What do city officials consider to be key principles and criteria for making budget and tax decisions? How do city officials view current revenue sources in terms of these principles and criteria?
- To what extent are reforms needed to make the system of public finance more viable in the future? What are city officials' perceptions of various options for reform? Which individuals and groups are likely to support or oppose such reforms?

<sup>1</sup> Michael A. Pagano, *City Fiscal Conditions in 2004*, National League of Cities, 2004.

<sup>2</sup> *Toward a System of Public Finance for the 21<sup>st</sup> Century*, National League of Cities, 2000.

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# Fiscal Conditions

## City Fiscal Conditions

Despite the economic and fiscal difficulties of the past several years, a majority of city officials say that their city's fiscal conditions today are in at least fair shape. Three in five (61%) city officials nationwide report excellent (21%) or good (40%) fiscal conditions. One in four (27%) report fair conditions, while relatively few city officials say that their city's fiscal conditions are poor (12%).

City officials in all regions of the country were more likely to report excellent or good fiscal conditions than fair or poor conditions. However, city officials in the West (10%) and Midwest (19%) were less likely to report excellent conditions and more likely to report poor conditions (16% and 15%, respectively) than city officials in other regions.

Differences are also apparent by city location. City officials in central cities (14%) and rural cities (15%) were less likely to report excellent fiscal conditions than city officials in suburban cities (28%). Central city officials were more likely to report poor conditions (21%) than suburban (10%) or rural (8%) city officials.

City officials in cities with 100,000 or more in population were less likely to report excellent fiscal conditions (9%) than cities under 10,000 (17%), cities with populations between 10,000 and 49,999 (25%) and cities with populations between 50,000 and 99,999 (19%).

Whether or not their cities are constrained by tax and spending limits also appears to be a factor. City officials in cities with tax and spending limits

	All Cities	Region			
		Northeast	Midwest	South	West
Excellent	21%	25%	19%	27%	10%
Good	40	40	40	39	41
Fair	27	24	26	28	31
Poor	12	11	15	6	16

"How would you rate fiscal conditions in your city today?"

	Location			Population			
	Central City	Suburb	Rural	<10,000	10,000-49,999	50,000-99,999	>100,000
Excellent	14%	28%	15%	17%	25%	19%	9%
Good	32	39	48	46	38	38	39
Fair	33	23	29	30	23	29	39
Poor	21	10	8	7	14	14	13

were three times as likely to report poor fiscal conditions (18%) as city officials in cities without limits (6%), and less likely to report excellent conditions (14% with limit, 29% without).

Few differences are evident by tax structure or schools authority.

### Approval of Government Budget and Tax Policies

City officials give themselves and their colleagues high marks for their handling of local budget and tax issues. A large majority of city officials (87%) say that they approve of the way that their city governments have handled budget and tax issues. Stark differences exist between city officials' views of their own handling of budget and tax issues and that of state and federal officials. One in three (35%) city officials say that they approve of their governor's handling of budget and tax issues, and less than one in five (18%) approve of the job done by their state legislatures. Similarly, city officials are more likely to be critical of the federal government's budget and tax policies. One in three (30%) city officials say that they approve of President Bush's handling of budget and tax issues. Less than one in six city officials (15%) say they approve of the handling of budget and tax issues by the U.S. Congress.

City officials in the largest cities (100,000 or more in population) are less likely to give their cities high marks for handling budget and tax issues (74%) than city officials from other sizes of cities (90% for cities 50,000-99,999; 88% for cities 10,000-49,999; 85% for cities under 10,000). City officials in the largest cities are more likely to say that they approve of their governor's (48%) handling of budget and tax issues than city officials in smaller cities (34% under 10,000, 37% between 10,000-49,999, and 26% between 50,000-99,999). In contrast, city officials in the largest cities are less likely to approve of President Bush's handling of budget and tax issues (14%) than city officials in smaller cities (34% under 10,000, 29% between 10,000-49,999, 31% between 50,000-99,999).

City officials' approval of their handling of budget and tax issues is highest in the West (93%), although the numbers are high for all other regions as well (88% Midwest, 83% South, and 80% Northeast). City officials in the West are also more likely to approve (42%) of their governors' handling of budget and tax issues.

Few differences are evident by location, tax structure, schools authority, or whether or not cities are constrained by tax and spending limits.

	All Cities	Population			
		<10,000	10,000-49,999	50,000-99,999	>100,000
<b>Your city government</b>	87%	85%	88%	90%	74%
<b>Governor</b>	35	34	37	26	48
<b>State Legislature</b>	18	20	16	10	30
<b>President Bush</b>	30	34	29	31	14
<b>U.S. Congress</b>	15	15	15	8	23

	Region			
	Northeast	Midwest	South	West
<b>Your city government</b>	80%	88%	83%	93%
<b>Governor</b>	33	30	37	42
<b>State Legislature</b>	13	16	23	14
<b>President Bush</b>	24	29	37	26
<b>U.S. Congress</b>	13	18	13	12

**“Do you approve or disapprove of the way that governments are handling budget and tax issues?”**  
 (% responding “approve”)

## Coping with the Federal Deficit

Since the economic recession of 2001, the federal government has run significant annual deficits. The Congressional Budget Office projected that the federal deficit for 2004 would be \$477 billion, and would continue to be above \$400 billion in 2005 (not counting expenditures for the war in Iraq or the costs of the President’s social security plan). The size of the federal budget deficit and city dependence upon the federal government for funding for a variety of city programs is of considerable concern to city officials.

Nearly all (84%) city officials say that the federal deficit is a big problem (47%) or somewhat of a problem (37%) for cities. City officials from cities with 100,000 or more in population (52%) and between 50,000 and 99,999 in population (55%) are more likely to say that the federal deficit is a big problem than cities with populations less than 10,000 (46%) and between 10,000 and 49,999 (45%). City officials in the West are the most likely to say that the federal deficit is at least somewhat of a problem (93%), compared to city officials in other regions (85% Northeast, 82% Midwest, 77% South). City officials in cities that have fiscal responsibility for schools are more likely to say that the federal deficit is a big problem for cities (57%) than cities that do not have fiscal responsibility for schools (46%).

No appreciable differences are evident by location, tax structure, or when accounting for tax and spending limits.

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	All Cities	Population			
		<10,000	10,000-49,999	50,000-99,999	>100,000
<b>Big Problem</b>	47%	46%	45%	55%	52%
<b>Somewhat of a problem</b>	37	39	35	36	35
<b>Not a problem</b>	11	11	14	6	0
<b>Don't know</b>	5	4	6	3	13

	Schools*		Region			
	Yes	No	Northeast	Midwest	South	West
<b>Big Problem</b>	57%	46%	50%	45%	44%	52%
<b>Somewhat of a problem</b>	32	37	35	37	33	41
<b>Not a problem</b>	8	12	9	13	15	5
<b>Don't know</b>	3	5	6	5	8	2

“...How much do you think the federal deficit is a problem for cities?”

*\*Refers to cities with fiscal authority/responsibility for local schools.*

# Spending and Revenue Pressures

## Spending Pressures

In the wake of the 2001 recession, cities confronted a variety of spending and revenue pressures as revenue collections slowed and spending needs increased. At the same time, city officials say that their cities are confronting increased responsibilities and commitments. Looking at the past five years, four in five city officials (83%) say that their city's range of responsibilities has increased. Over the next five years, four in five city officials (85%) also expect their commitments to further increase.

Despite city officials' perceptions of increasing commitments and responsibilities, one popular public perception is that governments in general (federal, state, and local) could spend less public money and maintain services. When asked if they think their city could spend less and still maintain the same level of services, a slim majority of city officials (52%) say yes, compared to 46 percent that say no.

No appreciable differences are found with respect to these questions by city size, region, location, tax structure, or when accounting for authority for schools or tax limits.

If future cuts in spending are needed, city officials are most likely to say they would prefer to cut in the areas of general government (such as staff and administration; 63%) or culture and leisure services (such as parks and recreation; 51%). One in three (33%) city officials say they would prefer to make across the board cuts to all services. Public safety is the area least likely to be cut if future spending reductions are needed, cited by less than one in five (18%) city officials.

City officials in the West are more likely than city officials in other regions to say they would make cuts in general administration (72%), culture and leisure (70%), social services (56%), and streets and roads (47%). City officials in the West are also less likely to be willing to make across-the-board cuts (23%) than their counterparts in the Northeast (36%), Midwest (35%), and South (30%).

City officials in sales tax-reliant cities are more likely than city officials in property tax-reliant cities to say they would make cuts in general administration (69% to 60%), culture and leisure (62% to 46%), social services (51% to 36%), and streets and roads (36% to 23%).

City officials in cities over 100,000 in population were less willing to make cuts to social services, streets and roads, and public safety than city officials in other sizes of cities.

	All Cities
Increased in Past 5 years	83%
Increase in Next 5 years	85

**“How has the range of your city’s responsibilities and commitments changed over the past 5 years? How do you think those responsibilities and commitments will change over the next 5 years?”**

	All Cities
Yes	52%
No	46
Don't know	2

**“Do you think that your city government could spend less and still provide the same level of services?”**

No appreciable differences were evident when accounting for tax limits or responsibility for schools.

	All Cities	Region				Tax Structure	
		NE	MW	South	West	Property tax	Sales tax
Gen. Government	63%	51%	63%	61%	72%	60%	69%
Culture & Leisure	51	40	47	45	70	46	62
Social services	42	36	38	38	56	36	51
Across-the-board	33	36	37	33	23	32	30
Streets, Roads	30	22	29	23	47	23	36
Public Safety	18	12	19	12	26	14	19

"If your city is faced with making future cuts in spending, would you make cuts in the following areas?" (% saying "yes")

Note: See Appendix A for a more detailed description of each category of expenditures.

	Population			
	<10,000	10,000-49,999	50,000-99,999	>100,000
Gen. Government	55%	69%	62%	57%
Culture & Leisure	49	54	52	44
Social services	41	43	46	23
Across-the-board	34	36	18	33
Streets, Roads	28	33	29	18
Public Safety	13	21	19	9

## Revenue Pressures

Cities are also facing revenue pressures from the sluggish economy and resulting slow growth or declines in tax revenues, and from state and federal actions as those levels of government cope with budget pressures. In the future, if cities need to generate additional revenues to cover service needs, a large majority of city officials (77%) say that they would prefer to raise or impose new user fees. Less than two in five city officials say they would prefer other methods, including the property tax (37%), sales tax (33%), income tax (15%) or other taxes (35%).

Regionally, city officials in the more property tax-dependent Northeast (53%) are more likely to say they would raise property tax rates than city officials in the Midwest (31%), South (35%) and West (37%). Northeastern city officials (15%) are less likely to say they would raise sales tax rates than city officials in the Midwest (33%), South (34%), and West (43%). City officials in the West are more likely to say they would raise revenues from other taxes (48%) or from user fees (85%) than city officials in other regions. City officials in the Midwest, where income tax authority is more common, are more likely to say they would raise income tax rates (20%).

	All Cities	Region				Tax Structure	
		NE	MW	South	West	Property tax	Sales tax
Property tax	37%	53%	31%	35%	37%	39%	31%
Sales tax	33	15	33	34	43	29	41
Income tax	15	13	20	6	14	13	9
Other tax(es)	35	36	30	32	48	33	38
User fees	77	75	75	74	85	78	74

Not surprisingly, property tax-dependent cities (39%) are more likely to say they would raise property tax rates than sales tax-dependent cities (31%), while sales tax-dependent cities (41%) are more likely to say they would raise sales tax rates than property tax-dependent cities (29%).

Other factors appear to be less relevant in comparing city officials' preferences for raising revenues. City officials in the largest cities (over 100,000 in population) are more likely to use sales taxes (48% compared to no higher than 39% for all other city sizes). Rural city officials are more likely to say they would raise revenues from sales taxes (45% compared to 30% for central cities, 26% for suburban cities). City officials from cities with authority for local schools are more likely to say they would use property taxes (45%) than city officials without authority for local schools (36%).

**"If your city needs to generate additional revenue in the future, would you be willing to raise tax and/or fee rates, or impose new taxes and/or fees to generate those revenues?" (% saying "yes")**

*\* Note: Not all cities are able to use each of these local options. Authority to levy local taxes and fees is granted by state governments and not all of the listed options are available in all states.*

*Note: See Appendix A for a more detailed description of each category of revenues.*

## Dealing with Revenue and Expenditure Gaps

The spending and revenue pressures of the last several years have placed many cities in the situation of dealing with gaps in expenditures and revenues. Because cities are required by law in most states to balance their budgets, these gaps must be covered through tax and fee rate increases, spending cuts, borrowing, or some combination of these policies. Three in five city officials (63%) say that when faced with spending-revenue gaps they prefer to use a mix of spending cuts, tax increases, and fee increases. Far fewer say that they prefer to mostly use spending cuts (29%), tax increases (1%), fee increases (1%), or borrowing money alone to cover gaps (1%). The responses of city officials are consistent across region, population size, location, tax structure, and when accounting for tax and spending limits or fiscal authority for schools.

A majority of city officials (78%) say they would consider raising taxes to maintain funding for public safety and streets, roads, and transportation (61%). One-third or less would be willing to raise taxes to maintain funding for culture and leisure activities (28%), social services (30%), or general government (25%). City officials in larger cities, with 100,000 or more (46%)

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and 50,000-99,999 in population (51%), are less likely to say they would be willing to raise taxes to maintain funding for streets, roads, and transportation than officials in cities with less than 10,000 in population (60%) and 10,000-49,999 in population (66%). City officials in the Northeast are more likely than city officials in other regions to say they would be willing to raise taxes for social services (38%), culture and leisure (39%), and general government (37%). Few appreciable differences are evident by location, tax structure, or when accounting for tax and spending limits and fiscal authority for schools.

“How would you prefer to deal with situations when expenditures exceed revenues in your city?”

	All Cities
<b>Mix of spending cuts, tax increases, and fee increases</b>	63%
<b>Mostly through spending cuts</b>	29
<b>Mostly through tax increases</b>	1
<b>Mostly through fee increases</b>	1
<b>Borrow money</b>	1
<b>Other</b>	5

	All Cities	Population				Region			
		<10,000	10,000-49,999	50,000-99,999	>100,000	NE	MW	South	West
<b>Public safety</b>	78%	72%	81%	79%	78%	73%	78%	81%	76%
<b>Streets/roads</b>	61	60	66	51	46	64	63	56	61
<b>Social services</b>	30	27	33	25	32	38	24	32	30
<b>Culture/leisure</b>	28	26	33	17	24	39	25	27	30
<b>General govt</b>	25	23	30	8	23	37	27	22	19

“Would you be willing to consider raising additional revenues via taxes in order to maintain current funding for the following local services in the future?”  
(% saying “yes”)

## Trends and Challenges

A number of trends and challenges are affecting the overall system of public finance in the U.S. Since 1998, the National League of Cities has convened groups of city officials, fiscal and economic experts, and stakeholders in discussions about the challenges facing the system of public finance. Led by NLC's CityFutures Panel on Public Finance, a standing committee of city officials, four sets of trends and challenges were identified: (a) shifts in the composition of the economy and the related effects for the tax system, (b) demographic changes, (c) changes in the intergovernmental system, and (d) political challenges that make addressing these trends more difficult. Details about these categories and the specific trends and challenges that are listed within each of the four categories can be found in *Toward a System of Public Finance for the 21st Century: A Framework for Public Discussion* (NLC, 2000). These categories were used to structure a set of survey questions about the trends and challenges facing city finances over the next five years.

City officials think that the largest fiscal challenges will come from changes in the intergovernmental system, including cuts in federal and/or state support for cities (88%) and federal and/or state mandates (88%). The mean (or average) percent response across the five intergovernmental challenges is 79 percent. City officials also feel that political challenges loom large on the horizon - the mean percent for the five political challenges is 66 percent. Three in four city officials think that public and voter pressure to limit taxation (75%) and public perceptions of waste in government (78%) pose significant challenges over the next five years. Economic challenges (mean score of 63%) and demographic changes (mean score of 57%) are also concerns for many city officials, particularly competition for economic growth among jurisdictions (76%), increasing mobility of business and capital (70%), and increases in the aging population in cities (72%).

Mean rankings across the four categories do not vary significantly by population size, region, tax structure, location, fiscal authority for schools, or whether cities are constrained by tax limits. However, some differences are evident by city size for specific trends and challenges. For example, city officials in cities over 100,000 in population are more likely to point to several economic and demographic challenges. City officials in these larger cities are more likely than city officials in smaller cities to say that the shift away from a manufacturing economy, pressure from industry groups, and the mobility of business and capital are problems. Similar results are found with respect to increases in school age and immigrant

populations and the changing composition of households. City officials in cities with populations between 50,000 and 99,999 are most likely to say that rapid growth and development, sometimes characterized as “sprawl,” is a problem.

Differences by region are also found for specific trends and challenges. On economic challenges, city officials in the South are more likely than city officials in other regions to say that the shift away from manufacturing is a problem. City officials in the South and Midwest are more likely to raise concerns about the mobility of business and capital than city officials in the Northeast and West. In terms of demographic challenges, city officials in the Northeast are more likely to point to the rising school-age population in their communities, while city officials in the South are more likely to say

“How large of a challenge do you consider each of the following trends and challenges for your city over the next five years?”  
(% responding “somewhat” or “large”)

	All Cities
<b>Economic Shifts</b>	
Increasing mobility of business, capital, & people	70%
Pressures from industry groups with special needs	43
Shift from manufacturing to services economy	61
Competition for economic growth among jurisdictions	76
<i>Average (mean) – Economic Shifts</i>	<i>63</i>
<b>Demographic Changes</b>	
Increase in aging population	72%
Increase in school-age population	51
Increase in immigrant populations	54
Changing composition of households	49
Rapid growth, development and ‘sprawl’	58
<i>Average (mean) – Demographic Changes</i>	<i>57</i>
<b>Changes in the Intergovernmental System</b>	
Federal and/or state unfunded mandates	88%
Federal and/or state preemption of local authority	77
Cuts/limits in state and/or federal support	88
Devolution of responsibility to local governments	71
Changes in federal and/or state tax systems	70
<i>Average (mean) – Intergovernmental Changes</i>	<i>79</i>
<b>Political Challenges</b>	
Public/voter pressure to limit taxation	75%
Special interest pressure to limit taxation	53
Public perception that government is wasteful	78
Lack of civic ties between government and people	58
Lack of public trust in government	66
<i>Average (mean) – Political Challenges</i>	<i>66</i>

that sprawl is a problem. City officials in the West are more likely to express concern about intergovernmental and political pressures, including federal and/or state preemption of local authority, public pressure to limit taxes, lack of strong civic ties and public trust.

City officials in cities that are more heavily reliant on local sales taxes are more likely to say that pressure from industry groups, special interest pressure to limit taxation, economic competition across jurisdictions, and sprawl are at least somewhat of a problem. Not surprisingly, city officials whose cities are constrained by tax or spending limits (which are often proposed by anti-tax special interests) are more likely to say that special interest pressures to limit taxation is a problem, and concern about increasing school-age populations is higher in cities with fiscal responsibility for schools.

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## Fiscal Principles and Current Revenues

### Public Finance Principles

When it comes to making fiscal policy decisions, city officials often base their decisions - explicitly or implicitly - on a number of criteria, or principles. These principles include equity and fairness issues, such as ensuring a fair distribution of tax burdens among taxpayers (taxpayer equity) or ensuring a fair distribution of revenues and responsibilities among levels of government (intergovernmental equity). Providing enough revenues to meet city needs (revenue adequacy) and maintaining local authority (self-directed governance) are also key criteria. Some criteria have to do with administrative issues, whether revenue sources are easy to administer and collect (ease of administration), and whether residents understand what the revenue source is and how it is used (accountability). Other principles relate to the broader system in which cities operate, such as how fiscal decisions impact the behavior of economic actors (economic effects) or other jurisdictions and levels of government.

In making decisions about their cities' finances, more than half of city officials say that taxpayer equity (68%), revenue adequacy (67%), accountability (60%), and self-directed governance (59%) are very important. More than three quarters of city officials say that all of the principles are either important or very important. City officials in the Northeast (66%) are more likely than city officials in the West (43%), Midwest (44%) and South (51%) to say that intergovernmental equity is very important. Southern city officials (60%) are more likely to consider economic effects as very important (36% West, 43% Northeast, 49% Midwest). No significant differences are found across size, tax structure, location, fiscal authority for schools, or cities with tax and spending limits.

While city officials rate revenue adequacy and self-directed governance as among the most important decision-making criteria they use in making fiscal decisions, they are not willing to trade local authority in return for additional revenues. When asked if they would be willing to forego local tax authority in return for expanded revenue capacity (for example, by swapping local tax authority for a greater share of state revenues), only one in three city officials (33%) say they would be willing to make such a swap. Fifty-four percent of city officials say they are unwilling to forego local tax authority. Only in cities over 100,000 in population (52% yes, 30% no) and in the Northeast (47% yes, 46% no) are city officials more likely to say they would be willing to forego local tax authority in return for expanded revenue capacity.

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“When making decisions about your city’s finances, how important are the following principles?”

	All Cities	
	Very Important	Important
<b>Taxpayer equity</b>	68%	27%
<b>Revenue adequacy</b>	67	29
<b>Accountability</b>	60	32
<b>Self-directed governance</b>	59	30
<b>Intergovernmental equity</b>	49	38
<b>Economic effects</b>	49	41
<b>Ease of administration</b>	39	47
<b>Responsibility to system</b>	32	44

## Assessments of Revenue Sources

Applying the public finance principles to specific revenue sources, city officials (39%) rate the property tax the highest overall, compared to the sales tax (30%), income tax (19%), and user fees (8%). In terms of which revenue source is most fair in distributing tax burdens, city officials select the local sales tax (33%). City officials also say that the sales tax (32%) has the least negative economic effects. However, city officials say that the property tax (48%) is the most effective at providing adequate revenues and most desirable in terms of local authority (43%). While user fees rate highly (28%), in terms of having the least negative effect on local economies, city officials say that user fees are the least effective at providing adequate revenues (6%) and the least desirable overall (8%).

City officials’ ratings of revenues sources vary dramatically by tax structure. Property tax-reliant cities (68%) are far more likely than sales tax-reliant cities (19%) to say that the property tax is most effective at providing adequate revenues, while sales tax-reliant cities (72%) are more likely than property tax-reliant cities (12%) to say that the sales tax is most effective at providing adequate revenues. Similarly, in terms of local authority, property tax-reliant cities favor the property tax by large margins over sales tax-reliant cities (59% to 22%), while sales tax-reliant cities favor the sales tax over property tax-reliant cities (58% to 15%). Not surprisingly, one in two (55%) property tax-reliant cities rate the property tax the highest overall, while two in three (66%) sales tax-reliant city officials rate the sales tax the highest overall.

Ratings of revenue sources also vary by region of the country, reflecting different levels of reliance and authority in those regions. City officials in the more property tax-reliant Northeastern cities are more likely to say that the property tax is more effective at providing revenues (65%), most desirable in terms of local authority (64%), and has the least negative

	All Cities	Region				Tax Structure	
		NE	MW	South	West	Property tax	Sales tax
<b>Most fair</b>							
Property tax	19%	15%	20%	19%	18%	24%	12%
Sales tax	33	15	30	51	28	29	47
Income tax	25	56	24	13	22	27	16
User fees	19	9	20	14	28	16	22
<b>Most effective – provides revenue</b>							
Property tax	48%	65%	49%	47%	36%	68%	19%
Sales tax	27	4	20	29	50	12	72
Income tax	12	20	20	6	4	8	2
User fees	6	4	5	10	6	3	3
<b>Least negative economic effects</b>							
Property tax	11%	2%	10%	12%	18%	11%	13%
Sales tax	32	23	36	36	26	30	40
Income tax	18	26	18	13	20	18	18
User fees	28	36	23	28	28	28	24
<b>Most desirable – local authority</b>							
Property tax	43%	64%	37%	41%	41%	59%	22%
Sales tax	26	2	22	29	44	15	58
Income tax	11	15	20	6	1	7	1
User fees	14	11	13	17	13	13	15
<b>Highest rated overall</b>							
Property tax	39%	42%	42%	40%	30%	55%	17%
Sales tax	30	8	24	32	50	18	66
Income tax	19	37	23	11	11	15	6
User fees	8	8	6	11	6	7	6

economic effects (2%). Not surprisingly, city officials in the property tax-reliant Northeast are less likely to say that the local sales tax is effective at providing revenues (4%), desirable in terms of local authority (2%), and the best revenue source overall (8%). City officials in the more sales tax-reliant West are more likely to say that the sales tax is more effective at providing adequate revenues (50%), more desirable in terms of local authority (44%), and the best local revenue source overall (50%). Relatively few cities are allowed to levy local income taxes and those cities are primarily located in the Northeast and Midwest, where city officials are more likely to rate the local income tax highest overall (37% Northeast, 23% Midwest, 11% South, 11% West).

Few differences are evident by size, location, authority for schools, or tax and spending limits in cities.

**“Which of the following revenue sources do you think is...?”**

*Note: Not all cities are able to use each of these local options. Authority to levy local taxes and fees is granted by state governments and not all of the listed options are available in all states.*

*Note: Numbers add to less than 100% in each category – the remaining %'s are for the numbers of respondents responding, “Don't know” to each question.*

*Research  
Report*

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## Options for Reform

### Need for Change?

Is the system of public finance in which cities operate in need of change? Three in four city officials (74%) say that the system is in need of major (22%) or minor (52%) changes. Only 16 percent of city officials say that no changes are needed.

While the percentage of city officials indicating some level of change is needed is similar across all regions, city officials in the West (44%) are more likely to say that major changes are needed than city officials in other regions (17% South, 23% Midwest, 32% Northeast). City officials in cities that are faced with tax and spending limits (36%) are also more likely to say that major changes are needed than city officials in cities that do not have these limits (20%). Having fiscal responsibility for local schools also appears to be related to city officials' assessment of the need for changes to the public finance system. Nine in ten (92%) city officials in these cities say that at least minor changes are needed, compared to three in four (77%) city officials in cities that do not have authority for local schools.

No appreciable differences are evident by size, location, or tax structure.

	All Cities	Region				Tax Limit*		Schools**	
		NE	MW	S	W	Yes	No	Yes	No
<b>Yes, major changes</b>	22%	32%	23%	17%	44%	36%	20%	32%	27%
<b>Yes, minor changes</b>	52	51	55	57	42	49	54	60	50
<b>No changes</b>	16	15	17	18	11	11	21	2	17
<b>Don't know</b>	10	2	5	8	3	4	5	6	6

### Specific Reform Options

City officials surveyed were presented with a variety of options for reform and asked to indicate whether they think each specific reform option is a good idea or a bad idea. Property tax-related reforms include strengthening the property tax by reducing or eliminating limits on local property tax rates and assessments, taxing commercial property at higher rates than residential properties, or shifting to a land value tax that would exclude the value of structures and improvements from the tax. Sales tax-related options include taxing goods sold over the Internet and extending the sales tax to services. City officials were also asked about utilizing a local commuter income tax that would tax incomes of nonresidents that commute into their cities. Other options presented to city officials

**“In general, does the system of public finance, which includes your city’s finances, need to be changed? If yes, are major or minor changes needed?”**

*\*Refers to cities that are constrained by a tax or spending limit.*

*\*\*Refers to cities with fiscal authority/responsibility for local schools.*

included reducing or eliminating tax exemptions, reducing super-majority vote requirements for increasing local taxes and fees, establishment of a federal program like the General Revenue Sharing program that existed from 1970-1986, and state authorization of the use of additional tax sources by local governments.

The most-favored reform option by city officials is re-instituting some form of federal revenue sharing, considered a good idea by four in five city officials (79%). Two in three city officials also say that state government authorization of other local tax sources (69%) and taxing goods sold over the Internet (66%) are good ideas. Slightly less than half of city officials favor reducing/eliminating tax exemptions (48%), strengthening local property taxes by reducing or eliminating limits (45%), and extending sales taxes to services (43%). Two in five city officials think taxing commercial property at higher rates than residential property (41%) and reducing super-majority vote requirements for tax increases (39%) are good ideas. Only one in three city officials say that using a local commuter income tax (33%) or imposing a local land value tax (30%) are good ideas.

City officials' views of options for reforms differ by region. City officials in the West are more likely than city officials in other regions to say that a variety of reform options are a good idea, including reducing super-majority voter requirements (69% West, 38% Midwest, 27% South, 20% Northeast), reducing or eliminating local tax exemptions and abatements (62% West, 44% South, 44% South, 40% Northeast), and taxing goods sold over the Internet (77% West, 66% South, 63% Midwest, 54% Northeast). City officials in the Northeast (54%) are more likely to favor taxing commercial property at higher rates than residential property than city officials in other regions (38% Midwest, 38% South, 42% West). Northeastern city officials (20%) are less likely to say that extending sales taxes to services is a good idea (51% West, 49% South, 42% Midwest).

Differences are also evident by tax structure. City officials in sales tax-reliant cities are more likely to say that taxing goods sold over the Internet (75% sales tax cities, 61% property tax cities), extending sales taxes to services (57% sales tax cities, 38% property tax cities), and reducing super-majority vote requirements (53% sales tax cities, 33% property tax cities) are good ideas.

Not surprisingly, city officials in cities constrained by tax and spending limits (53%) are more likely to say that strengthening local property taxes by reducing or eliminating limits is a good idea than city officials not constrained by limits (37%). Tax limit-constrained city officials (50%) also are more likely to favor reducing super-majority vote requirements (that are often components of tax limits) to raise taxes than city officials not constrained by limits (29%).

No differences were evident by location, with the exception of the possibility of imposing local commuter income taxes. City officials in central cities (44%) are more likely to favor this reform than city officials in suburban cities (32%) and rural cities (28%).

No differences are evident by size or schools authority.

	All Cities	Region				Tax Structure		Tax Limit*	
		NE	MW	S	W	Prop.	Sales	Yes	No
<b>Federal Revenue Sharing</b>	79%	83%	80%	77%	78%	79%	77%	78%	81%
<b>State authorize other tax sources</b>	69	65	68	70	73	66	69	71	69
<b>Tax goods sold over the Internet</b>	66	54	63	66	77	61	75	67	66
<b>Reduce/eliminate tax exemptions</b>	48	40	44	44	62	45	53	53	44
<b>Strengthen local property tax</b>	45	25	46	44	58	45	49	53	37
<b>Extend sales tax to services</b>	43	20	42	49	51	38	57	44	41
<b>Higher commercial property tax rates</b>	41	54	38	38	42	42	39	45	37
<b>Reduce super-majority vote requirement</b>	39	20	38	27	69	33	53	50	29
<b>Commuter income tax</b>	33	36	39	30	26	34	25	32	33
<b>Land value tax</b>	30	32	26	30	33	28	30	29	29

## Barriers to Reform

A number of barriers stand in the way of potential reform, including continued voter and special interest support for limits on taxes and spending (such as the variety of tax and expenditure limits on state ballots in 2005).

However, city officials themselves do not necessarily always view these limits negatively. When asked what they think about tax and spending limits, just over half of city officials (53%) say that they think the limits are sometimes a good idea (47%) or always a good idea (6%). Two in five city officials (40%) think tax and expenditure limits are sometimes a bad idea (24%) or always a bad idea (16%).

Tax and expenditure limits are often imposed via voter initiatives and referenda and direct democracy mechanisms (initiative, referendum, recall) are more common in states in the West. City officials in the West (56%) are more likely to say that tax and expenditure limits are a bad idea than city officials in the Northeast (20%), Midwest (37%), and South (40%).

City officials in cities with 100,000 or more in population (52%) are more likely to say that tax and expenditure limits are always or sometimes a bad idea than city officials in cities under 10,000 in population (32%), in cities between 10,000 and 49,999 in population (42%), and in cities with between 50,000 and 99,999 (45%).

## Reform Options: % Responding "Good idea"

*\*Refers to cities that are constrained by a tax or spending limit.*

Only small differences are evident when accounting for whether cities are constrained by tax and spending limits. City officials in cities constrained by tax limits (45%) are slightly more likely than city officials in cities without limits (36%) to say that tax and spending limits are a bad idea.

No significant differences are found by location, tax structure, or when accounting for schools authority.

“In general, what do you think about tax and spending limits (for example, a property tax restriction or annual limits on revenue and spending levels)?”

	All Cities	Region			
		Northeast	Midwest	South	West
<b>Always a bad idea</b>	16%	11%	13%	18%	22%
<b>Sometimes a bad idea</b>	24	9	24	22	34
<b>Sometimes a good idea</b>	47	54	49	46	41
<b>Always a good idea</b>	6	17	7	4	1
<b>Don't know</b>	7	9	7	10	2

### Sources of Opposition and Support

Despite concerns about voter attitudes toward government and tax policy, city officials say that voters and neighborhood groups are more likely to support fiscal reforms than they are to oppose the reforms. Six in ten city officials say that voters and residents are more likely to support (65%) than oppose (25%) fiscal reforms. Similar percentages say that neighborhood and civic groups are also likely to support fiscal reforms (63% support, 23% oppose). Other likely sources of support for fiscal reforms are city officials' colleagues in City Hall (74% support, 13% oppose) and the business community (63% support, 26% oppose). City officials point to one group - outside special interests - as being more likely to oppose (52%) than support (25%) fiscal reforms. City officials are more split on their views of whether state officials will support or oppose reforms. Forty-six percent of city officials say that their state legislature would oppose reforms, compared to 36 percent that predict state legislative support. Just under half (49%) of city officials say that their Governor would support reform, compared to 30 percent who predict Gubernatorial opposition.

City officials in the West are more likely to say that their governors are likely to support fiscal reforms and that their state legislatures are likely to oppose fiscal reforms. Six in ten city officials in the West (59%) say that their governors are likely to support fiscal reforms, compared to 37 percent in the Northeast, 43 percent in the Midwest, and 53 percent in the South. Sixty-three percent of city officials in the West say that their state legislatures are likely to oppose fiscal reforms, compared to less than half in the Northeast (46%), Midwest (42%), and South (38%). While city officials in all regions predict support from voters and neighborhood/civic groups,

city officials in the Northeast are most likely to say voters (76%) and neighborhood/civic groups (74%) would be supportive.

Few notable differences are evident by size, location, tax structure, authority for schools, or when accounting for tax and spending limits.

	All Cities	Region			
		Northeast	Midwest	South	West
<b>Business</b>					
Oppose	26%	27%	27%	19%	28%
Support	63	62	53	64	63
Don't know	11	11	20	17	9
<b>Neighborhoods</b>					
Oppose	23%	15%	23%	20%	28%
Support	63	74	62	62	62
Don't know	14	11	15	18	10
<b>Special interests</b>					
Oppose	52%	48%	52%	54%	51%
Support	25	29	23	26	26
Don't know	23	23	25	20	23
<b>Voters/residents</b>					
Oppose	25%	15%	27%	24%	26%
Support	65	76	63	62	66
Don't know	10	19	10	14	8
<b>Governor</b>					
Oppose	30%	39%	33%	21%	21%
Support	49	37	43	53	59
Don't know	21	24	24	26	20
<b>State legislature</b>					
Oppose	46%	46%	42%	38%	63%
Support	36	35	37	38	30
Don't know	18	19	21	24	7
<b>City Hall</b>					
Oppose	13%	11%	11%	14%	14%
Support	74	74	77	68	79
Don't know	13	15	12	18	7

“Do you think the following groups are more likely to support or oppose fiscal reforms?”

*Research  
Report*

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## Appendix A: Survey Methodology

The results presented here are from the *Future of Public Finance Survey* conducted by the National League of Cities. The findings in this report are based on a direct mail survey of city officials in the U.S. conducted from July to August 2004. Using established sampling techniques, the survey was sent to a random sample of 1,310 city officials. The number of usable responses was 414, for a response rate of 32 percent. The survey is not fully representative of the responses of city officials nationwide, although it does offer a good cross-section of responses from a large number of city officials. The preponderance of small cities in the national distribution of cities (97% of cities nationwide have populations less than 50,000) led to sampling techniques designed to ensure an adequate number of responses from larger cities for the sake of comparison.

Population size	% of Responses	Region	% of Responses
<10,000	31%	Northeast	14%
10,000 - 49,999	50	Midwest	36
50,000 - 99,999	13	South	28
>100,000	6	West	22

Throughout the report, we refer to cities of different population sizes— less than 10,000; 10,000-49,999; 50,000-99,999; and 100,000 or more. We also draw comparisons among U.S. Census-defined regions - Northeast, Midwest, South, and West - which include cities in the following states:

Northeast	Midwest	South	West
Connecticut	Illinois	Alabama	Alaska
Maine	Indiana	Arkansas	Arizona
Massachusetts	Iowa	Delaware	California
New Hampshire	Kansas	District of Columbia	Colorado
New Jersey	Michigan	Florida	Hawaii
New York	Minnesota	Georgia	Idaho
Pennsylvania	Missouri	Kentucky	Montana
Rhode Island	Nebraska	Louisiana	Nevada
Vermont	North Dakota	Maryland	New Mexico
Ohio	Mississippi	Oregon	
South Dakota	North Carolina	Utah	
Wisconsin	Oklahoma	Washington	
	South Carolina	Wyoming	
	Tennessee		
	Texas		
	Virginia		
	West Virginia		

We also contrast the responses of city officials from cities with different tax structures - cities whose largest revenue source is the property tax (59%) and cities whose largest revenue source is the sales tax (20%).

At various points in the paper we refer to categories of expenditures and revenues. Expenditure categories utilized include "public safety" (police, fire, and emergency services), "streets, roads, and transportation" (also includes planning functions), "social services" (including human services and community development), "culture and leisure activities" (parks and recreation, libraries), and "general government" (administration, personnel). Revenue categories utilized include the local property tax, local sales taxes, income taxes (most cities do not have access to local income taxes; levying local income taxes would require state authorization), other taxes (including utility user's taxes, business taxes, and tourist-related taxes for lodging, restaurants, and amusements), and user fees.

## Appendix B: Survey Questionnaire

### National League of Cities

#### Future of Public Finance Survey

[Note: Responses from 414 U.S. city officials from July-August 2004]

1. How would you characterize your city in terms of **location within your region**? (Circle one)  
23% Central city      46% Suburban      31% Rural/non-metropolitan
2. Does your municipality have **fiscal responsibility/authority** over local schools/school districts? (Circle one)  
9% Yes      87% No      4% Don't know
3. Which source of revenue makes up the **largest share** of your city budget? (Circle one)  
54% Property tax    23% Sales tax    7% Income tax    5% User fees/charges  
3% State revenues    0% Federal revenues    8% Other \_\_\_\_\_
4. Which source of revenue makes up the **second largest share** of your city budget? (Circle one)  
24% Property tax    19% Sales tax    5% Income tax    17% User fees/charges  
19% State revenues    1% Federal revenues    15% Other \_\_\_\_\_
5. How would you rate **fiscal conditions** in your city today? (Circle one per line)  
21% Excellent    40% Good    27% Fair    12% Poor    0% Don't know
6. Is your municipality currently constrained by a tax and/or spending limit (for example, a property tax restriction or annual limits on revenue and/or spending levels)? (Circle one)  
50% Yes      45% No      5% Don't know

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### SPENDING AND TAX PRESSURES

Over the past several years, many cities have experienced declining fiscal conditions. The following questions seek to gauge your views on how fiscal stress should be dealt with in your city.

7. How has the range of your city's responsibilities and commitments changed over the past 5 years? How do you think those responsibilities will change over the next five years? (Circle one per line)  
A. Past 5 years?    81% Increased    4% Decreased    12% No change    3% Don't know  
B. Next 5 years?    81% Increase    4% Decrease    8% No change    7% Don't know

8. How would you prefer to deal with situations when expenditures exceed revenues in your city? *(Circle one)*

- 29% Mostly through spending cuts
- 1% Mostly through tax increases
- 1% Mostly through fee increases
- 61% Mixture of spending cuts, tax increases, and fee increases
- 1% Borrow money to cover short-term shortfalls
- 5% Other \_\_\_\_\_
- 2% Don't know

9. If your city is faced with making future cuts in spending, would you make cuts in the following areas? *(Circle one per line)*

	Yes	No	Maybe	Don't know
A. Public safety (police, fire, EMS)	17%	56%	21%	6%
B. Streets, roads, transportation and/or planning	28%	30%	35%	7%
C. Social services (human and/or community development)	39%	21%	32%	8%
D. Culture and leisure activities (parks, libraries)	48%	12%	33%	7%
E. General government (administration, personnel)	59%	11%	23%	7%
F. Across the board cuts	30%	28%	30%	12%

10. If your city needs to generate additional revenues in the future, would you be willing to raise tax and/or fee rates, or impose new taxes and/or fees to generate those revenues? *(Circle one per line)*

	Yes	No	Maybe	NA
A. Property tax	35%	30%	24%	11%
B. Sales tax	33%	25%	17%	25%
C. Income tax	15%	37%	12%	36%
D. Other tax(es)	35%	15%	38%	12%
E. User fees	77%	5%	17%	1%

11. Would you be willing to consider raising additional revenues via taxes in order to maintain current funding for the following local services in the future? *(Circle one per line)*

	Yes	No	Don't Know	NA
A. Public safety (police, fire, EMS)	78%	14%	8%	0%
B. Streets, roads, transportation and/or planning	61%	25%	13%	1%
C. Social/human services and/or community development	0%	47%	19%	4%
D. Culture and leisure activities (parks, libraries)	28%	53%	17%	2%
E. General government (administration, personnel)	25%	58%	16%	1%

12. Do you think that your city government could spend less and still provide the same level of services? *(Circle one)*

- 6% Yes, a lot less    47% Yes, a little less    46% No, could not spend less    1% Don't know

13. Do you approve or disapprove of the way that governments are handling budget and tax issues? *(Circle one per line)*

A. Your city government	87% Approve	12% Disapprove	1% Don't know
B. Your governor	35% Approve	59% Disapprove	6% Don't know
C. Your state legislature	18% Approve	78% Disapprove	4% Don't know
D. President George W. Bush	30% Approve	61% Disapprove	9% Don't know
E. The U.S. Congress	15% Approve	74% Disapprove	11% Don't know

14. In general, what do you think about tax and spending limits (for example, a property tax restriction or annual limits on revenue and spending levels)? *(Circle one)*

- 16% Always a bad idea    24% Sometimes a bad idea    47% Sometimes a good idea
- 6% Always a good idea    7% Don't know

## PRINCIPLES OF PUBLIC FINANCE

15. When making decisions about your city's finances, how important are the following principles of public finance? (Circle one per line, on a scale from 1-Not important to 4-Very important)

	Not Important		Very Important	Don't know	
A. <b>Taxpayer equity:</b> a fair distribution of tax and revenue burdens	2%	3%	27%	68%	0%
B. <b>Intergovernmental equity:</b> fair distribution of revenues and responsibilities across levels of government and jurisdictions	3%	10%	38%	49%	0%
C. <b>Revenue Adequacy:</b> adequate revenues to meet service needs	1%	3%	29%	67%	0%
D. <b>Ease of Administration:</b> costs of revenue collection	3%	11%	47%	39%	0%
E. <b>Economic effects:</b> how budget and tax decisions impact the behavior of individuals and firms	1%	9%	41%	49%	0%
F. <b>Accountability:</b> the ability of residents to understand the system	1%	7%	32%	60%	0%
G. <b>Self-directed governance:</b> local authority and autonomy	2%	9%	30%	58%	1%
H. <b>Responsibility to the broader system:</b> the impact of budget decisions on other jurisdictions and levels of government	7%	17%	44%	32%	0%
I. Other _____	5%	14%	23%	58%	0%

16. Which of the following revenue sources do you think is **most fair** in terms of its ability to equitably distribute revenue and tax burdens? (Circle one)  
 19% Property tax 33% Sales tax 25% Income tax 19% User fees/charges 4% Don't know
17. Which of the following revenue sources do you think is the **most effective** at providing adequate revenues to meet needs in your city? (Circle one)  
 48% Property tax 27% Sales tax 12% Income tax 6% User fees/charges 7% Don't know
18. Which of the following revenue sources do you think has the **least negative** effect on economic behavior of individuals and firms in your city? (Circle one)  
 11% Property tax 32% Sales tax 18% Income tax 28% User fees/charges 11% Don't know
19. Which of the following revenue sources is **most desirable** to have in terms of local authority? (Circle one)  
 43% Property tax 26% Sales tax 11% Income tax 14% User fees/charges 6% Don't know
20. Taking this all into account (questions 29-33), which of the sources would you **rate the highest?** (Circle one)  
 39% Property tax 30% Sales tax 19% Income tax 8% User fees/charges 4% Don't know



## OPTIONS FOR REFORM

23. In general, does the system of public finance, which includes your city's finances, need to be changed? If yes, are major or minor changes needed? *(Circle one)*  
 27% Yes, major changes    52% Yes, minor changes    16% No, no changes    5% Don't know

Thinking about your city's finances, please indicate whether you think each of the following reform options is a good idea or a bad idea (regardless of whether you think each option is currently feasible).

24. Protecting and **strengthening the local property** tax by reducing or eliminating limits on property tax rates and assessments, and by minimizing impacts of future limits? *(Circle one)*  
 45% Good idea                      39% Bad idea                      16% Don't know
25. Under the property tax, **taxing commercial properties at higher rates** than residential properties? *(Circle one)*  
 41% Good idea                      47% Bad idea                      12% Don't know
26. Utilizing a **Land Value Tax**—a tax on the value of land, excluding the value of structures and improvements on the land. It is similar to the property tax, but shifts the reliance to the value of land, rather than the value of buildings, in order to provide incentives (decrease disincentives) to improving the value of buildings? *(Circle one)*  
 30% Good idea                      37% Bad idea                      33% Don't know
27. Taxing **all goods sold over the Internet**? *(Circle one)*  
 66% Good idea                      24% Bad idea                      10% Don't know
28. **Extending sales taxes to services** not currently taxed, such as legal and accounting services, auto repairs, haircuts, etc.? *(Circle one)*  
 43% Good idea                      46% Bad idea                      11% Don't know
29. Utilizing a **local commuter income tax**, taxing incomes of nonresidents that commute into your city and use city services? *(Circle one)*  
 33% Good idea                      49% Bad idea                      18% Don't know
30. Broadening local tax bases by **reducing and eliminating tax exemptions** and abatements? *(Circle one)*  
 48% Good idea                      36% Bad idea                      16% Don't know
31. **Reducing super-majority voter requirements** (more than 50%) for increases on local taxes and fees? *(Circle one)*  
 39% Good idea                      41% Bad idea                      20% Don't know
32. The Federal Government should re-instate some form of **General Revenue Sharing** Program—providing federal funds to cities that are available for general use, or targeted for infrastructure investment? *(Circle one)*  
 79% Good idea                      13% Bad idea                      8% Don't know
33. State governments should **authorize local governments to utilize other local tax sources** not already authorized to use (such as a local option sales or income tax, currently not available in many states)? *(Circle one)*  
 69% Good idea                      18% Bad idea                      13% Don't know

34. Would you be willing to **forego local tax revenue authority** in return for expanded revenue capacity (for example, by swapping local tax authority for a share/greater share of state revenues)? If yes, how much? *(Circle one)*

3% Yes, a lot    16% Yes, a fair amount    14% Yes, a little    54% No    13% Don't know

35. Do you think the following groups are more likely to **support** or **oppose** fiscal reforms? *(Circle one in each row)*

	<b>Strongly Oppose</b>	<b>Oppose</b>	<b>Support</b>	<b>Strongly Support</b>	<b>Don't Know</b>
A. Business community/Chamber of Commerce	8%	18%	46%	17%	11%
B. Neighborhood groups/Civic organizations	4%	19%	51%	12%	14%
C. Outside special interests	15%	37%	19%	7%	22%
D. Voters/residents	5%	20%	51%	14%	10%
E. Governor	8%	22%	38%	10%	22%
F. State legislature	14%	32%	30%	6%	18%
G. Colleagues in City Hall (Mayor and/or council)	2%	11%	53%	22%	12%
H. Other <i>(please list)</i> _____	9%	6%	9%	6%	70%

36. As you may know, the federal government expects to run a deficit of approximately \$500 billion dollars in 2005. How much do you think the federal deficit is a **problem for cities?**

47% Big problem    37% Somewhat of a problem    11% Not a problem    5% Don't know

## About the Author

**Christopher Hoene, Ph.D.**, is the Manager of Research for the National League of Cities. He manages and conducts NLC's research, including survey efforts and targeted research on public finance and federalism, demographic change and development, race relations, and democratic governance. As part of NLC's CityFutures Program, he oversees four committees of city officials that focus on addressing the challenges facing cities in targeted topic areas, including public finance, community and regional development, equity and opportunity, and democratic governance. Previously, he was a Policy Analyst with the Center on Budget and Policy Priorities in Washington, DC and a Dissertation Fellow at the Public Policy Institute of California. He holds an M.A. in public policy (1996) and Ph.D. in political science (2000) from Claremont Graduate University.

*Research  
Report*

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## **About the National League of Cities**

The National League of Cities (NLC) is the oldest and largest national organization representing municipal governments throughout the United States. NLC serves as a national resource and advocate on behalf of over 1,700 member cities and for 49 municipal leagues whose membership totals more than 18,000 cities and towns across the country. The mission of NLC is to strengthen and promote cities as centers of opportunity, leadership, and governance.

Through its Center for Research and Municipal Programs, NLC provides an applied think tank capacity by developing, conducting, and reporting research on programs and issues affecting cities and towns.



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