

EASING THE LOCAL GOVERNMENT SQUEEZE

States are not alone in feeling the fiscal squeeze. Two-thirds of city officials responding to the National League of Cities' annual survey of fiscal conditions reported that their city will be less able to address financial needs in fiscal year 2003 than 2002. This is the highest percentage of city officials predicting a worsening of conditions since the end of the last recession in 1993. A quarter of the states cut aid to localities in their FY2003 budgets, and additional cuts can be expected as state financial situations worsen.

With limited hope of relief from the state and federal levels, local governments will have to explore other ways to increase revenues. Many of the following strategies are drawn from AFSCME's *Digging For Dollars*, which is available at <http://www.afscme.org/wrkplace/digtc.pdf>. Additional information is also available from the Research and Collective Bargaining Services Department.

Increase Revenue Collection

- Invest in tax administration to improve enforcement and collection rates
- Discourage property tax delinquency with market interest rates and penalties
- Conduct annual audits of utility and other franchises

Broaden the Revenue Base

- Keep real property assessments current
- Seek non-profit and governmental Payments in Lieu of Taxes (See "Pilots Give Local Governments a Revenue Lift" at http://www.afscme.org/wrkplace/cbr202_1.htm).
- Reform tax-exemption policies
- Limit tax abatements (See Good Jobs First's - "Economic Development for the People: Making Corporations and Governments Accountable" at <http://www.goodjobsfirst.org/crp/oct01.htm>).
- Seek voluntary service contributions from properties with tax abatements

Increase or Establish New Sources of Revenue

Taxes

- Create local sales or income taxes
- Broaden the base of existing sales and income taxes
- Create or increase excise taxes (Utility; Vehicle – Wheel Taxes; Hotel/Motel; Eat-in Meal/Beverage; Amusement; Parking; Real Estate Transaction) or redirect existing taxes to the General Fund.

User Charges

- Conduct annual reviews of business-related fees, permits, and licenses to insure charges cover the cost of providing the related service, inspection, etc.
- Review Enterprise Funds (water, sewer, solid waste) to eliminate inappropriate General Fund subsidies
- Increase bridge tolls, parking meter and public parking charges
- Establish fire protection service charges for classes of property with extraordinary high fire protection costs – A few local governments have developed parcel-based fees for fire protection
- Use Development Impact Fees to support the construction of new public facilities associated with new housing and commercial development

Other

- Establish region-wide, cross-boundary Tax Sharing Arrangements
- Create Regional Compacts to support central city cultural and educational resources
- Refinance existing debt at lower rates and/or longer terms
- Sell or lease unused local property or other assets, lease it back if necessary

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