Written by David Kelly on February 19, 2024

A Majority of America’s Largest Cities Can’t Pay Their Bills


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An annual report on the fiscal health of 75 of America’s largest cities revealed on Thursday that 53 cities did not have enough money to pay all of their bills at the end of fiscal year 2022.

“This means that to claim their budgets were balanced — as is required by law in the 75 cities — elected officials have not included the actual costs of the government in their budget calculations and have pushed costs onto future taxpayers,” declared the 2024 Financial State of the Cities (FSOC) report by Truth in Accounting (TIA).

The report’s analysis of each city’s fiscal health, based on their latest annual comprehensive financial reports (ACFR), cuts through lengthy, cumbersome, and sometimes misleading documents. This supports TIA’s mission, which is to provide taxpayers and citizens easy-to-understand, truthful, and transparent financial information from their governments.

The eighth annual FSOC report found the “75 cities had $307.4 billion worth of assets available to pay bills; their debt, including unfunded retirement benefit promises, amounted to $595.3 billion. Pension debt totaled $175.9 billion, and other post-employment benefits (OPEB), mainly retiree health care, totaled $135.2 billion.” Total debt among all the 75 cities was reported to be $288 billion at the end of the 2022 fiscal year.

But how can there be so much debt when all 75 cities TIA analyzed have balanced budget requirements in place to avert future financial difficulties and enhance accountability?

According to TIA, a key objective of “balanced budget requirements is accountability; elected officials should be accountable for the tax dollars they spend. Former U.S. Treasury official Frank Cavanaugh said it best, ‘Politicians should not have the pleasure of spending (getting votes) without the pain of taxing (losing votes).’”

In order to have a balanced budget, spending should not exceed revenue. City balanced-budget requirements are designed to prevent elected officials from shifting the burden of paying for current-year services onto future-year taxpayers and avoid accumulating unsustainable debt.

TIA explained :

> Unfortunately, in the world of government accounting, things are often not as they appear. America’s largest cities have accumulated billions of dollars in debt by using accounting tricks like reporting borrowed money as income and delaying the payment of current bills until the start of the next fiscal year, so they aren’t included in the budget calculations.
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> The most common accounting trick cities use is hiding a large portion of employee compensation from the budgeting process. Employee compensation packages include

> benefits such as healthcare, life insurance, and pensions. Unfortunately, some elected officials have used portions of the money owed to pension and OPEB funds to keep taxes low and pay for politically popular programs. This is similar to charging earned benefits to a credit card without having the money to pay off the debt. Instead of funding promised benefits now, they have been charged to future taxpayers. Taxpayers and citizens deserve the truth about city finances so they can make educated decisions at the voting booth.

With the ranking of the 75 cities, TIA reported results of their 183-page comprehensive analysis showing a per-taxpayer burden or taxpayer surplus. Cities that lack the necessary funds to pay their bills were listed as "Sinkhole Cities," and those with enough money were listed as "Sunshine Cities."

Washington, D.C., topped the Sunshine City list with a $10,700 surplus per taxpayer "with its money available to pay bills increasing by $152 million." Even with a downturn in the investment markets, their city's Police Officers' and Firefighters' Retirement remained overfunded by $262 million.

The top five Sunshine Cities showing a per-taxpayer surplus included Irvine, California ($6,100), Plano, Texas ($5,100), Lincoln, Nebraska ($4,100), and Oklahoma City, Oklahoma ($2,900).

New York City wallowed in the depths of the report's Sinkhole City status, with a per taxpayer burden of -$61,800, attributing "much of its financial condition to COVID-19, which was mentioned 38 times in the city's financial report." The report added that the city's "unfunded pension liability increased due to unrealized losses of more than 8%, but New York City's financial problems stem mostly from unfunded retiree healthcare obligations."

The bottom five Sinkhole Cities listed with a per-taxpayer burden included Chicago (-$42,900), Honolulu (-$24,200), Philadelphia (-$20,400), and Portland (-$20,100).

The in-depth FSOC report also graded each city from A to F based on surplus or burden and offered fast facts of all 75 cities' financial breakdowns. TIA closed the report with numerous recommendations to taxpayers, elected officials, report preparers, and standard setters focused on improving reporting, transparency, and accountability on the financial health of the nation's cities.