

Report

# Cities and Their Non-Tax Revenue Sources

**Roger L. Kemp\***

University of New Haven Golden Gate University, USA

**\*Corresponding author:** Roger L. Kemp, University of New Haven Golden Gate University, USA

**Received:** February 10, 2020; **Accepted:** February 19, 2020; **Published:** February 26, 2020

## Report

The two primary sources of non-tax revenues to cities are charges for services by the city and the funds that the city receives from higher levels of government (federal and state), like grants and other revenue sources. Some states return a portion of the sales tax, and most states return the hotel-motel room tax collected. Some states do these things, and others don't. Like where I live, for example, the State of CT keeps 100% of the sales tax and all of the hotel/motel room tax.

How often are user fees and charges adjusted? It should be every couple of years, but many cities do not adjust them this often. After all, employees belong to unions and they get a salary raise each year, so you would think that user fees and charges should be adjusted every year or two to keep up with the cost of providing a local government's services to their public.

Cities in different states have a different reliance on the property tax as their revenue source. When I was in CA it was 67% of the local government revenue pie. Now in CT property taxes are 98% of the municipal revenue pie. This forces higher property tax rates in many cities, depending up their reliance on the property tax as their primary revenue source.

There appears to be two types of federal grants to cities - block grants and categorical grants. Block grants are for general service areas, such as public works or public safety, and categorical grants are

for specific programs (e.g., more walking patrols, new technologies, new services, etc.). Fewer grant funds are now available from the federal government.

There is a trend for cities to use Enterprise Funds when its users pay for a service, and this service is treated like a "profit center." Sewer services, water services, transit services, golf courses, etc., are totally paid for by the user fees paid by the citizens that use these public services. People that do not use such services should not have to pay for them!!!

More and more local governments have financial policies, such as how often user fees and charges should be adjusted. There is a national trend for more and more cities to adopt new financial policies. Does your city have more financial policies now than it did a few years ago? Financial policies focus on debt service levels, fund reserve balances, and related financial matters.

More cities are doing Revenue Bonds for public projects, so the citizens that use the services provided by them pay for these improvements. Examples of Revenue Bond projects include sports stadiums, conference centers, sports arenas, public parking facilities, zoos, golf courses, and related public facilities. Does any city still due General Obligation Bonds for any of these capital projects?

Many cities are giving more and more discounts on their user fees and charges to selected citizens. These groups usually include senior citizens, veterans, handicapped citizens, young people, etc. Does your city grant such citizen discounts? Are any other groups of citizens included in your user fees and charges discount programs?

These local government financial topics are here to stay, and change slowly over time!