This profile captures key financial trends before, during, and after the Great Recession for Cincinnati, one of 30 cities examined by The Pew Charitable Trusts' American cities project. These profiles provide baselines for understanding the fiscal conditions of our cities and for ongoing research, analysis, and policy guidance.

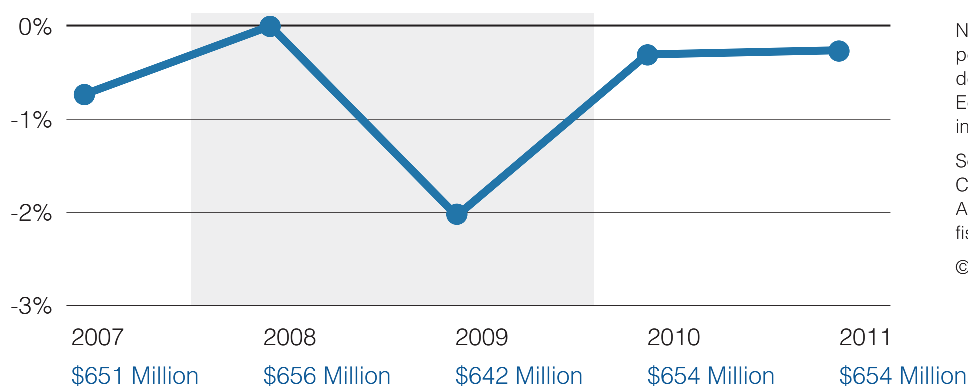
Cincinnati

Cincinnati cut spending and rebuilt its reserves even as revenue declined slightly

Cincinnati's revenue bounced back from the Great Recession in 2011, nearly reaching its pre-downturn peak, but financial challenges remain. The city's total revenue stayed flat through the recession and recovery relative to other cities—declining only 2 percent between the crest in 2008 and the 2009 low point. (See Figure 1.) Intergovernmental aid was a major driver of growth between 2009 and 2011. But even as revenue rebounded, Cincinnati cut its operating spending, particularly public works and transportation, allowing the city to replenish its reserves. Still, underfunded pension obligations pose a long-term challenge.[1]

FIGURE 1

Cincinnati Governmental Revenue, Percent Change From Pre-downturn Peak, 2007-11



Note: Shaded area indicates the period of the Great Recession as defined by the National Bureau of Economic Research. Amounts are in 2011 dollars.

Source: Pew calculations from Cincinnati's Comprehensive Annual Financial Reports for fiscal 2007-11.

Rising unemployment drove income taxes down before intergovernmental aid helped the city rebound

Cincinnati's revenue categories declined modestly during the Great Recession. Receipts from the 2.1 percent income tax imposed on all individuals who live or work in the city declined $17 million between 2008 and 2009, after adjusting for inflation, driving overall revenue losses.[2] During this period, unemployment ranged from a historic low of 4.7 percent in April 2008 to 10.7 percent in January 2010.[3]

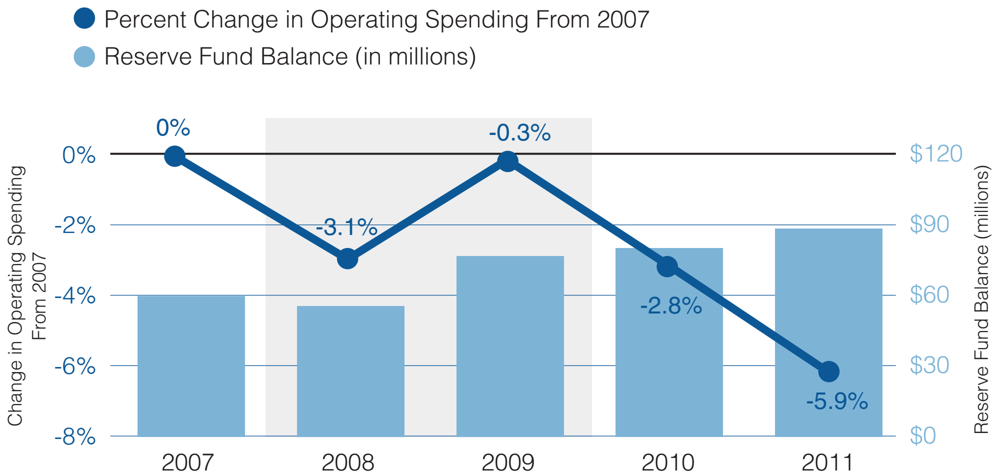
By 2011, improving employment—due in part to effects of the auto bailout—spurred a $4 million increase in Cincinnati's income tax receipts from 2009.[4] Aid from other governments, however, was a significant factor in the rebound, increasing $18 million between 2009 and 2011, a period that included an influx of funds from the American Recovery and Reinvestment Act.[5]

Spending reductions allowed reserves to grow

With revenue down, Cincinnati relied heavily on nearly across-the-board spending cuts between 2009 and 2011, enabling it to restore reserves. A $14 million cut to public works and transportation expenditures included less funding for transit and recycling, and, because of mild weather in 2011, for winter maintenance.[6] At the same time, spending on public safety, the largest category, did not keep up with inflation, resulting in a $9 million decline in real dollars. Cincinnati used the difference between growing revenue and shrinking spending to put money in its reserves, which grew $35 million between 2008 and 2011, reaching 26 percent of general fund revenue.[7] (See Figure 2.)

FIGURE 2

Change in Cincinnati Reserve Funds and Operating Spending, 2007-11



Note: Reserve funds are represented by the unreserved general fund balance as a percent of total general fund revenues. Shaded area indicates the period of the Great Recession as defined by the National Bureau of Economic Research.

Source: Pew calculations from Cincinnati's Comprehensive Annual Financial Reports for fiscal 2007-11.

Managing the future: City leaders continue to consider pension reform to better manage long-term obligations

Demand for services, investment decisions, and revenue performance driven by economic activity and demographic changes will shape Cincinnati's fiscal future. Long-term factors of financial health, which can be analyzed using the data available, are pensions and retiree health care obligations and reserve levels.

In addition to growing the reserve balance designed to guard against future downturns, Cincinnati improved its long-term outlook by setting aside more money for retiree health care obligations than the other 29 cities examined. With a funding level in excess of 100 percent in 2010, Cincinnati was one of only three cities studied with even half of these obligations funded. In that same year, the city implemented retiree health care changes that extended years-of-work requirements, increased employee contributions for medical coverage, and helped to control rising medical costs.[8]

One area of long-term concern is pensions. Cincinnati's pensions were 73 percent funded in 2010, down from 85 percent in 2007. With plan investments underperforming over the past several years and costs on the rise, city leaders, at press time, were considering changes similar to those implemented in retiree health care, especially cost-of-living increases.[9]

See Pew's 30-city interactive at pewstates.org/City-Fiscal-Conditions-Interactive for complete data.

Endnotes

1 See the full study methodology at pewstates.org/City-Fiscal-Methodology for a detailed explanation of the terms used in this profile and view the underlying data at pewstates.org/City-Fiscal-Conditions-Interactive.

2 Tax Foundation, "Local Income Tax Rates by Jurisdiction, 2011" (2011), http://taxfoundation.org/article/local-income-tax-rates-jurisdiction-2011.

3 Pew analysis of U.S. Bureau of Labor Statistics, "Unemployment Rate—Not Seasonally Adjusted" (2013), http://www.bls.gov/lau.

4 City of Cincinnati, *Comprehensive Annual Financial Report, for the Year Ended December 31, 2011* (2011), 24, http://www.cincinnati-oh.gov/finance/linkservid/50D130DB-D8A4-40EB-CE82B71DF1791E10/showMeta/0; and Matt Bai, "Did Barack Obama Save Ohio?" *New York Times Magazine* (Sept. 5, 2012), http://www.nytimes.com/2012/09/09/magazine/ohio-economy.html.

5 An accounting shift moved $28.6 million of tax-increment financing collections from property taxes into miscellaneous revenue in 2010; City of Cincinnati, *Comprehensive Annual Financial Report, for the Year Ended December 31, 2010* (2010), 26, http://www.cincinnati-oh.gov/finance/linkservid/E4EA28D0-F3BE-31C7-659813359BD772E7/showMeta/0.

6 City of Cincinnati, *Comprehensive Annual Financial Report, for the Year Ended December 31, 2011*, 27.

7 The 26 percent figure Pew cites includes both assigned and unassigned fund balances, a methodology that resulted in a one-time rise in reserves from fiscal 2008 to 2009. In its 2010 annual financial report, the city choses to highlight the unassigned balance only, which in 2010 was at 14 percent rather than 22 percent.

8 Barry Horstman, "City Retirees Misled, but Lose Anyway," *Cincinnati.com* (Nov. 7, 2012), http://news.cincinnati.com/article/AB/20121107/news01/311070145/City-retirees-misledlose-anyway.

9 Barry Horstman, "No Letup for Cincinnati's Distressed Pension Plan," *Cincinnati.com* (Jan. 2, 2013), http://news.cincinnati.com/article/20130101/NEWS010801/301010055. For more information on and analysis of the state of retirement funding in the 30 cities, see The Pew Charitable Trusts, American cities project, *Cities Squeezed by Pension and Retiree Health Care Shortfalls* (March 2013), http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/Pew_city_pensions_brief.pdf.