influences and trends 2
Revenue and growth shape municipal responsibilities.
Idaho’s capital city anchors a five-county fast-growing metropolitan corridor with a 2011 population of more than 616,000. Pictured: Boise’s Adelmann Block. Next: The Tempe Center for the Arts.
For the past three decades, cities in the Urban West have been at the convergence of three major trends: (1) changes in the role of cities in our intergovernmental system; (2) revenue limitations imposed on cities by their voters; and until recently (3) rapid population growth. Taken together, these three trends present cities with an enormously challenging set of tasks: how to cope with more citizens demanding more services at a time when federal funding to cities has declined; how to raise revenue after voters have elected to place restrictions on the property tax; and how to fund services after state governments have balanced their own budget books by diminishing state-shared revenues to cities.

In order to understand how our Urban West cities have coped with these trends we will, first of all, take a brief tour of federalism in the United States as it relates to cities. This will put our cities in an intergovernmental context, which we believe is a key to understanding the powers and limits of cities in the Urban West. Second, we will trace the development of the
Periods of Federalism

- Dual or "Layer Cake," 1789-1932
  "There is a clear and definite division of tasks and powers between the several states and the national government."¹ Each was viewed as being sovereign in their spheres. The national government received delegated powers and the balance was reserved to the states.

- Cooperative or "Marble Cake," 1933-1980
  This period marked an era of increased cooperation and intermingling of functions and financing among the national, state, and local governments. Franklin Roosevelt's New Deal and Lyndon Johnson's Great Society were major influences during this period.

- New, 1981-2001
  New federalism refers to a period of time "during which a conscientious attempt was made to return public policy functions to the states whenever possible."² Some scholars of federalism include the Nixon Administration in the New Federalism era (1968-1973).

- Federalism since 2001
  Major developments have reversed the trend in devolving or delegating power to the states and have led to a resurgent national government. Responses to the terrorist attacks of September 2001 led to an expansion of federal efforts in national security, and national government responses to the recent recession have greatly increased its scope and impact on state and local governments.

President Franklin Delano Roosevelt made sweeping changes to federalism that strengthened Congressional ties to cities, bypassing the states.
property tax revolt in the West and describe how these movements have limited Urban West cities’ abilities to rely on this traditional form of tax revenue.

Finally, we will take a closer look at the population growth—and how cities may have managed that growth—in the western states and in the Urban West cities and their Metropolitan Statistical Areas (MSAs). These three trends make facing the “new normal” of the post-2008 recession economy even more daunting for cities.

**Intergovernmental Context**

The first major trend affecting cities is the changing role of cities in our intergovernmental system. Cities are not mentioned in the U.S. Constitution and until the turn of the 20th century, rarely did they have direct contact with the federal government at all. Today, however, cities are directly connected to a federal government that provides monetary aid and imposes regulatory mandates that affect cities’ day-to-day functioning. Cities have joined together in public interest lobbying groups such as the National League of Cities and their own state municipal leagues to deal with and benefit from this evolving relationship with the federal government. Many cities even hire their own lobbyists to represent their interests to the Congress and federal agencies. A summary of history will trace the evolution of this city-federal relationship. The sidebar (opposite page) displays a historical snapshot of our intergovernmental system using common terms to describe the periods of federalism.

Cities have been considered “creatures of their states” by courts throughout American history. This fact, coupled with an early judicial view of the U.S. Constitution that held that the federal judiciary would only rule on actions of the federal government and not the states, reinforced the lack of direct contact between cities and the federal government.

However, beginning in the 1930s and escalating in the 1960s and 1970s, the federal government created many grant-in-aid programs that directly benefited cities (and their citizens).
Most federal aid programs began in the period of Cooperative Federalism (1933-1980). Examples of major intergovernmental aid include federal gas tax revenues, which paid for interstate and state highways, grants to build rural hospitals, public housing, and road and bridge construction. Most major grant programs were categorical grants, block grants, or general revenue sharing. They are described briefly in the list at left.

Many categorical grants were created as part of the Lyndon Johnson Administration’s Great Society/War on Poverty programs in the 1960s. A substantial amount of money was transferred from the federal government to the nation’s cities during this time. Intergovernmental transfers between the federal government to all cities rose 370 percent between 1965 and 1974. In 1978, the high-water mark of federal aid to cities, federal aid comprised 26 percent of cities’ own source revenue.6

Federal funding to cities declined rapidly during the period known as New Federalism (1981-2001). A report from the U.S. Conference of Mayors documents that from Fiscal 1981 to the proposed Fiscal Year 1991, federal funding declined by 70 percent for clean water construction, 59 percent for employment and training, 54 percent for mass transit, 53 percent for community development block grants, and 100 percent for urban development action grants.7 The mechanisms of fiscal federalism changed during this period as well. Many categorical grants were consolidated into block grants, thus giving state governments more discretion over the use of the money. General revenue sharing from the federal government to the states and local governments also ended during this period (1986). While federal funding to cities decreased during New Federalism, state funding to cities increased. In fact, according to a publication of the National League of Cities,8 state assistance to local governments during FY 1986 exceeded federal assistance by more than 600 percent—$204 billion in federal aid compared to $126.8 billion in state aid.

By 2002, federal aid was only 4 percent of cities’ own source revenues compared to 26 percent in 1978.9 There has been, however, a rapid increase
in federal funding to states and localities over the past 10 years. The first increase was related to grants for improvements in homeland security in response to the terrorist attacks of 2001. The second increase was seen in the unprecedented series of federal stimulus bills passed in 2009 during the economic meltdown that transferred $787 billion from the federal government to the states and localities. The federal government has also extended its relationship directly with cities by devolving or delegating certain responsibilities to the states and localities and through the imposition of mandates and regulations impacting cities. During New Federalism, major federal statutes shifted power from the federal government to the states. One was Welfare Reform (1994), which ended Aid to Families with Dependent Children (AFDC) as a federal entitlement and changed it to a block grant largely controlled by states, and the Unfunded Mandates Reform Act of 1995, which prevents (in part) the federal government from creating mandates for states without adequate funding. Several major pieces of federal legislation since 2001 have
expanded the role of the federal government, including the federal education reform legislation titled the No Child Left Behind Act of 2002. This act greatly expanded the role of the federal government in a service area previously left to local school districts and the states. Legislation such as the Help America Vote Act and the REALID Act of 2005 have placed significant federal requirements on the states and localities in charge of voting and the issuance of drivers licenses and identification. Other major developments have reversed the trend in devolving power to the states and have led to a resurgent national government. Responses to the terrorist attacks of September 2001 led to an expansion of federal efforts in national security. The reorganization of many existing federal agencies and the creation of a new federal entity in the Transportation Security Administration led to the formation of the largest domestic federal agency, the Department of Homeland Security. Actions of the federal government continue to have important impacts on cities. A recent U.S. Supreme Court decision may throw into question the status of city attempts to regulate guns (McDonald v. Chicago, 2010), and new EPA requirements for the reduction of phosphorus in municipal water.
may pass large water system improvement costs on to cities. Conversely, in 2005, the U.S. Supreme Court ruled in favor of municipal eminent domain powers in the *Kelo v. City of New London* case, thus providing cities protection for an important redevelopment tool.

City-state relations are another major area of intergovernmental relations. The powers and authorities given to cities are determined in large part by their state's constitution and statutes. There is a great deal of variation from state to state in what kind of powers and authorities states grant to their cities. Two overall trends can be discerned and summarized. First, there has been an increase in the investigation and use of changes to the form of government in our Urban West cities. Some cities have taken advantage of home rule authority to design new or modified forms of government. Secondly, states have become an increasingly important part of city funding as cities have tried to find a way to escape the limitations imposed on local property taxes. Increased reliance on state revenues has proven to be a double-edged sword for some cities, however, as their states have cut the revenues shared with cities in attempts to balance state budgets hurt severely by the 2008 recession. Managing the relationship with the state government has become an increasingly important part of the city's role in our intergovernmental system.
There are other governmental units that cities interact with on a regular basis as well. Each city is located in a county, and some, like Salem, Oregon, are actually in two counties. Relationships between cities and counties often focus on service provision and planning and zoning decisions. In many states, cities are required to cooperate with counties on planning and zoning tasks. In other instances, cities and counties work together on funding major capital expenses such as solid waste disposal or water treatment plants. Neighboring cities are also a part of the intergovernmental landscape, as well as school districts and other local taxing districts. Federal land agencies and tribal governments are additions to the mix. In other words, the intergovernmental context for cities is complex and constantly evolving.

Property Tax Revolt and Local Tax Limitations

Property tax limitations are the second major trend affecting cities. Most tax policy changes have occurred through the direct action of citizens imposing limits on city governments. Western states are distinctive in their use of direct democratic mechanisms such as the initiative process adopted during the Progressive Era and embedded in most western states’ constitutions. While some of the tax limitation measures considered by voters in recent years were aimed at state spending, many more were directly related to cities, especially at local property taxes.

Each of the states examined in this chapter grants their citizens lawmakers authority through the initiative process. Some states allow initiatives that make changes to the state constitution, while others, such as Washington, Utah, and Idaho, allow only statutory initiatives. States differ in the number of signatures required to get an initiative on the ballot and in the geographic distribution re-
quirements for those signatures. The map (opposite page) summarizes whether or not each state allows changes to the state constitution or statutory changes via the initiative process.

- **Initiatives and Tax Limitations**

  A review of state actions in regard to taxes and local government budgeting makes it clear that citizens are not happy with taxes, especially property taxes. In the last 30 years, voters have considered multiple initiatives addressing the taxing authorities of their local governments. In most cases, they have approved these additional limitations on the taxation authorities of cities, counties, and other units of local government. A few states have had voter initiatives aimed at slowing or capping state spending. Discontent over taxes is also evident in the actions of state legislatures, which in several states have enacted limitations on property taxes or other important local governmental revenue sources. Yet in other cases, state legislatures have extended local government taxation authority in order to help replace lost property taxes. With the possible exception of 2001, it appears that a major tax or fiscal relationship change occurred every year since 1990 in at least one of the Urban West states.

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**Tax Limitations and Revenue Changes, 1990-2010**

**Arizona**

1992: Voters pass initiative Proposition 108, which requires a two-thirds vote of each chamber of the legislature to raise taxes.

1995: Property tax-based school financing systems declared invalid in Arizona.

1998: Voters pass Proposition 105, the “Voter Protection Act” constitutional amendment that prohibits the legislature from changing any initiative passed by the citizens except by a three-fourths vote, and then only to “further the purpose” of the original initiative. Spending required by voter-passed initiatives cannot be reduced by the legislature.

1999: Arizona organizes a grassroots opposition to reduce income taxes from 15.8 to 15 percent. They settle at 15.4 percent, costing Arizona $20 million per year in lost taxes.
2004: Arizona tries to adopt a taxpayer bill of rights based on the Colorado model.

2006: The legislature passes permanent reductions in income tax rates—5 percent reduction each year for the next two years.

2007: Property taxes are cut.

2007: The legislature passes a bill stating municipalities in high-growth counties that offer tax rebates to retail developers are penalized by losing state-shared revenue that is equivalent to the amount of the incentive given to developers.

2010: Voters approve a three-year, one-cent increase in the state sales tax. In the same election, Tempe voters approve a two-tenths of 1 percent increase in their local option sales tax.

California

1994: Several counties refuse to comply with a law transferring their property tax revenues to the state.

1996: Proposition 218 (The Right to Vote on Taxes constitutional amendment) requires either a supermajority or simple majority vote to approve most local taxes, assessments, and fees.

2003: Faced with a $38 billion deficit, California legislators take half of the municipal governments’ sales tax revenues to balance the budget and promise to pay it back later.

2005: California voters approve Proposition 1A, a measure that protects local governments from unfunded state mandates and from state raids on local government revenues.

2007: Several cities approve a one-half cent sales tax increase.

2010: Voters approve Proposition 25 that repeals the two-thirds requirement for passage of a state budget and replace it with a simple majority requirement.

2010: Voters approve Proposition 26 that requires a two-thirds voter approval for any new or increased rate in “regulatory fees.” Prior to the passage of Proposition 26, fee increases were adopted by city council vote. There are also exemptions to this proposition and it is not clear what the real impact may be on California cities.
2010: Voters approve Proposition 22 that limits the state’s ability to divert local fuel taxes, property taxes, and redevelopment funds for state budgeting purposes. For several years, balancing the state budget has hinged on diverting local government funds. The League of California Cities strongly supported this “Local Revenue Protection” measure.

**Colorado**

1992: Colorado voters add Taxpayer Bill of Rights (TABOR) to the constitution. TABOR caps annual growth in state revenues and expenditures to the rate of inflation and population increases. The limits can only be exceeded by voter approval.

1998: Provision of TABOR allows local government to “reduce or end its subsidy to any program delegated to it by the general assembly for administration.”

2002: Legislation allows counties and municipalities to form regional housing authorities with revenue-raising powers, including the power to impose impact fees, sales tax, and property taxes.

2005: Voters suspend TABOR limits for five years.

2010: Voters defeat three major controversial measures. Proposition 101 would have cut the state income tax by 25 percent and eliminated the sales tax on a portion of the value of cars. It also would have eliminated the sales tax on telecommunication services. Amendment 60 would have canceled TABOR overrides, imposed taxes on city enterprise funds, and cut school property tax levies in half. Amendment 61 would have required a vote on any public indebtedness (even lease-purchase or lease-back financing) and prohibited state government indebtedness.

**Idaho**

1991: The legislature repeals the 5 percent property tax limitation and replaces it with a “Truth in Taxation” Act, which requires significant advertisement of property budget or tax increases.

1991: The legislature increases gas tax by three cents per gallon and modifies the statewide distribution formula to benefit cities and other local governments.

1992: Idaho voters reject 1 percent property tax limitation measure (somewhat comparable to California’s Proposition 13).
1995: "Truth in Taxation" is repealed and replaced by a 3 percent cap, plus levies for new construction and annexation, and levies foregone in previous years.

1996: Idaho voters reject 1 percent property tax limitation measure.

1996: The gas tax is increased by four cents along with vehicle registration fees. Half of the new revenues are allocated to cities and other local highway jurisdictions.

2006: The legislature substantially increases the Homeowner’s Exemption and ties future increases to the Idaho Housing Price Index. In one of the most significant changes to the property tax system in Idaho’s history, the schools’ maintenance and operations levies are repealed and substantially replaced with a one-cent increase in the state sales tax.

2010: Voters approve three constitutional amendments that allow hospital districts, airports, and municipal electric utilities to sell revenue bonds without a vote of the people, thereby reversing a recent Idaho Supreme Court case limiting the use of revenue bonds without voter approval. (See: Frazier v. Boise, 2006.)

**Nevada**

2005: The legislature passes property tax abatement and limits property tax increases on a primary residence to 3 percent and to 8 percent on commercial and industrial properties.

2010: Washoe County (Reno) voters approve two advisory ballot questions: (1) Should the legislature be required to obtain the consent of local governments before diverting local government revenues to the state budget? (2) Should the City of Reno and Washoe County “pursue a consolidation of the two governments if such consolidation would reduce costs and/or improve services?”

**Oregon**

1990: Voters pass Measure No. 5, a landmark initiative that shifts education funding from property taxes to the state over a five-year phase-in period. Measure 5 severely restricts the property tax amount that can be raised by cities, counties, and special districts. (Cities were forced to make cutbacks in services.)

1996: Measure 47 limits property taxes (similar to California’s Proposition 13).
1997: Measure 50 is a revised version of the confusing Measure 47. “Assessed values would be calculated for 1997-98 on the basis of the 1995-96 real market less 10 percent, ensuring all property owners a savings of at least 10 percent. Increases were also limited to 3 percent annually ... local governments were given the option of passing option levies up to the amount that would have been raised under Measure 5. Essentially, a local government could create a levy that raises the amount of revenue lost due to the property tax assessment lag from Measure 50, effectively raising the tax rate more than 1.5 percent. These local option levies cannot be permanent and may not exceed 5 years for operating levies and 10 years for capital levies. Also, unless they are placed on general election ballots in even years, local property tax increases and bond measures require a ‘double majority’—a majority of eligible voters must turn out, and a majority must approve the levy.” (Oregon Politics and Government, pp. 214-215.)

2000: Measure 7 requires cities to compensate property owners when policies reduce property values. (It was later ruled unconstitutional by the Oregon Supreme Court because it amended more than one section of the constitution.)

2002: The Oregon legislature passes property tax exemptions that are expected to result in an estimated revenue loss of $3.5 million over two years.

2004: Measure 37 requires state and local governments to compensate property owners when policies reduce property values. This is a statutory initiative designed to replace the court-overturned Measure 7.

2007: A new trend called “Hometown Matters” is legislation where municipalities adopt new taxes in order to become less reliant on property taxes. (Voters in Oregon rejected a cap for state spending and rejected an income tax cut that would have reduced state revenues by $400 million a year.)

Utah

1995: The Impact Fees Act authorizes local government to impose impact fees for water, wastewater, storm water, public power, public safety (police and fire building and qualifying fire trucks), roads, parks, and endangered species habitat.

1996: Municipal Energy and Use Tax Act is a tax on energy sales not to exceed 6 percent of the energy product.
1998: Expanding homestead exemptions provides property tax relief.
1998: The legislature authorizes return of 1/64 of a cent of sales tax to localities.
1998: The legislature raises motor fuels tax by five cents per gallon.

**Washington**

1993: Initiative 601 limits state spending to population and inflation growth, and excess revenues have to be placed in reserve fund. (Initiative has had major impact on state budget and, as reserve funds grew, tax cuts were imposed.)

1997: Referendum 47 places limits on growth in property taxes.
1998: Referendum 48 reduces auto license plate renewals.
1999: Initiative 695 repeals the motor vehicle excise tax and sets state imposed license fees at $30. Initiatives 728 and 732 mandate state dedication of money to reduce class sizes in all schools and teachers are to receive pay raises annually (legislature can suspend during severe budget crisis).

2001: Initiative 747 imposes a 1 percent cap on annual property tax increases. Initiative 776 provides that all local-imposed auto license plate renewals (“tab fees”) be set at $30. This has the effect of repealing voter-approved excise taxes in four counties. The Initiative survived judicial review and the motor vehicle excise tax for light rail continues to be imposed due to issued bond debt requirements.

2003: The legislature gives municipalities and counties the authority to go to the voters for permission to boost property and sales taxes.
2006: The legislature creates a program to provide fiscal assistance to struggling municipalities and counties.
2007: The Washington Supreme Court upholds a lower court decision that deemed Initiative 747 unconstitutional. Initiative 747 was approved in 2001, and limited the annual growth in property tax by 1 percent.
2007: The legislature passes a law that allows city or county governments to create local transportation benefit districts and impose a local vehicle registration fee to fund local transportation projects.
2010: Voters reject Initiative 1098 that would have established an income tax on individuals earning more than $200,000 per year.
Initiative and Tax Limitation Sources

This listing of initiatives contains items assembled from several sources. First, an analysis was made of the International City/County Management Association’s (ICMA) *The Municipal Year Book* for each year of the 1990-2009 time period, with special attention to the “State-Local Relations” chapter. This composite listing was then sent to each of the 8 state municipal leagues that included our 10 focus cities for review and comment. Statistical information on city revenue sources was derived from U.S. Census of Government Figures and National League of Cities data as cited in the text. Other publications referenced include: *Making Sense of Dollars* (Utah League of Cities and Towns); *City Budgeting Manual* (Association of Idaho Cities); David R. Doerr’s book, *California’s Tax Machine*; and Brent Steele, et al.’s book, *Oregon’s Government and Politics.*

Attempts have been made to assemble the most accurate listing of tax limitation measures; however, some measures or statutes may have been excluded that some would consider essential to such a list because they did not appear in the sources noted or were not suggested by municipal league officials.
• Tax Limitations

Several types of property tax limitations are used in the eight western states. The passage of Proposition 13 in California in 1978 is considered by many scholars to be the beginning of what came to be known as the "property tax revolt." Proposition 13 is both a property tax assessment limit and a property tax rate limit. As a property tax assessment limit, Proposition 13 imposed a 2 percent maximum on annual assessment increases with the 1975-76 valuations as the base. Only upon change of ownership could properties be revalued. Voters in Oregon have approved assessment limits on increases in the assessed value of property, which protect property owners from higher tax burdens in areas with rapid increases in property values.

Rate limits such as Proposition 13 require that the tax rate not exceed 1 percent of the assessed value. In 2001, Washington voters imposed a 1 percent cap on annual property tax increases. In 2007, the Washington Supreme Court declared this assessment limit (Initiative 747) unconstitutional. During the 1990s, Idaho voters twice defeated 1 percent initiatives that would have limited property taxes in Idaho to 1 percent of the assessed value of property.

Other property tax limitation initiatives are revenue limits. For example, Measure 5 in Oregon limited the total amount of property tax revenue growth in jurisdictions. Idaho has operated under a 3 percent property tax limitation imposed by the 1995 Legislature. Nevada's legislature adopted a 3 percent revenue limit on residential property and an 8 percent limit on commercial and industrial property in 2005.

The Taxpayer's Bill of Rights or TABOR is another example of a significant tax limitation. A TABOR amendment to the Colorado Constitution passed via the initiative process in 1992. TABOR "restricts revenue or expendi-
ture growth to the sum of inflation plus population change; and it requires voter approval to override the revenue or spending limits." In 2005, Colorado voters suspended the TABOR limitations for five years. The Taxpayers' Bill of Rights approach has been defeated since then in Washington and Arizona.

Another category of tax limitation is truth in taxation. Truth in taxation is law in Utah and was effective in Idaho from 1991 until its repeal in 1995. Utah's "Truth in Taxation" was passed in 1985 as a compromise to direct tax limitation. Prior to 1985, property tax revenue increases were limited to 106 percent of taxes collected in the previous year. The limit was activated only when an entity's tax base was increased as a result of factoring or reappraisal ordered by the Tax Commission. The limit could only be exceeded with voter approval. "Truth in Taxation" laws replaced the 106 percent limit.

The "Truth in Taxation" law imposes specific public notice and public hearing requirements that are triggered when a taxing entity proposes to increase its property tax revenues (not rates) above those collected in the previous year. (Tax revenues generated by "new growth" in an entity's tax base are exempt from the disclosure requirements.) Public hearings are required to allow elected officials to explain the reasons for the proposed increase and to allow citizens to comment on any proposed increase.14

Several initiatives and legislative actions are also tied to achieving property tax relief. Both Idaho and Oregon have shifted portions of the costs of K-12 education off the property tax and onto state general revenue funds. These actions are intended in part to provide property tax relief as well to equalize spending across school districts. Another mechanism to provide property
tax relief is the homeowner’s exemption. Idaho uses this property tax relief method that exempts a portion of the assessed value of owner-occupied residential property from the property tax. Most states utilize a form of property tax relief for targeted populations such as low-income elderly property...
owners. Devices such as circuit breakers limit the total taxes due on a single piece of property. In the state of Washington, the voters have used the initiative process to repeal particular taxes such as the motor vehicle license fees. Washington voters have also approved initiatives to cap particular taxes such as automobile license fees.

The last two decades have been very active ones for those who pursue tax limitations. Limitations on the property tax have been particularly successful by utilizing the initiative process. The success of these property tax-cutting initiatives validates long-standing survey research that identifies voters’ deep-seated concern with this tax.

Western state citizens continue to have significant concerns with the overall burden and types of taxes imposed on them by their governments. Much of this activity was made possible by the widespread use of the initiative process; however, a significant number of tax limitations and relief measures impacting local governments came directly from state legislatures. The result is often a very complex set of regulations and limitations on the property tax.
Growth in the Urban West

Growth is the third major trend affecting cities. Many Urban West cities have been shaped by the explosive growth of the entire region over the last decades. The graph displays the population growth in our 10 focus cities from 1970-2007. Clearly, some cities have experienced tremendous growth, such as Modesto and Reno (209 percent and 195 percent respectively). Others have had nearly no change in population (Pueblo 4 percent and Salt Lake City 3 percent).

It would be misleading, however, to look only at the population change within a city's limits. The graph opposite displays the population growth in the Metropolitan Statistical Area (MSA) for each of our focus cities. Broadening the view of the city to include its surrounding communities reveals that all of our focus city MSAs have had significant growth between 1990-2007, ranging from 21 percent in Eugene-Springfield to 87 percent in Tempe, which edged out the Boise MSA growth rate by only 3 percent. It may be useful to note that a city's ability to grow in population is linked to its ability to annex new territory into its city limits. Some of our focus cities, for example, Tacoma, Salt Lake City, and Spokane, have been "hemmed in" by the existence or creation of new municipalities, thus impeding the expansion of the city. Others, such as Boise and Reno, have greatly expanded their city's jurisdiction through their powers of annexation. Other important intergovernmental contexts also can shape a city's growth, such as the presence and extensiveness of any state level growth management statutes, which might dictate the area of a city's expansion.

More people mean more cars, more traffic, or more demand for public transit. Costly infrastructure may need to be built to provide services to the new residents and working commuters. Roads, police and fire stations, parks,
water and sewage treatment, and landfills are issues faced by cities and shaped by population increases. Cities must find a way to balance the costs of growth among newcomers and existing residents. They must find ways to pay for infrastructure within the limits set on their revenue and taxation powers by their states and their citizens while trying to preserve the quality of life that attracts new residents and businesses.

Urban West cities are impacted by three major trends: intergovernmental limits, limits on taxation authority (especially the property tax), and a high rate of growth when viewed over the last three decades. Each of these trends places significant challenges on cities at the very time that they are being asked to respond to new demands. These demands come from new citizens requiring extended services such as roads, parks, and schools. The demands come from existing neighborhoods arguing for better street repair or protection of their 'quality of life.' The pressures also come from citizens seeking relief from escalating property taxes, leading to that difficult paradox that cities face—having less revenue at precisely the time that they need it the most.

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**Population Change in Metropolitan Statistical Areas (MSA), 1990-2007**

![Population Change Chart]

*Source: U.S. Census*