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Date: 10 November 2026
Subject: **Alternative revenue sources from other U.S. cities**

Providence, RI relies heavily on property taxes to fund city services, reflecting a wider trend throughout New England that places the region in a tenuous position. This memo compares Providence's revenue structure with those of four cities outside New England with more reliance on sales taxes, income taxes, or other revenue sources. Examining these comparisons can provide an entry point for understanding how cities approach funding municipal services differently and context for evaluating Providence's reliance on property taxes and state aid.

Comparing Selected Municipal Revenue Structures Outside New England

This table compares four cities of a comparable population size outside New England with Providence, focusing on each city's largest revenue source and the share of revenue attributed to property taxes or the closest equivalent reported category.

City	Population (approx.)	Largest revenue source (2024)	Other major revenue source categories (2024)	Property tax share (2024)
Dayton, OH	137,000	Income tax (72.39%)	Uncategorized revenues (6.84%); waste collection fees (5.22%); other service charges (4.44%)	3.67%
St. Louis, MO	282,000	Earnings tax (38.19%)	Non-tax revenue, including licenses, franchise fees, departmental receipts, and transfers (27.08%); general sales taxes (11.07%); payroll tax (8.01%)	13.51%
Fort Collins, CO	170,000	Sales tax (57.37%)	Use tax (6.97%); intergovernmental revenue (8.5%); charges for services (5.8%)	14.64%
Round Rock, TX	120,000	Sales tax (41.86%)	Contracts & other (8.22%); other taxes & franchise fees (5.47%); administrative support fees (4.38%)	34.26%
Providence, RI	191,000	Property taxes (62.46%)	State revenue (20.42%); transfers from funds (4.75%); departmental revenue (3.67%)	62.46%

Note: Dayton category listed as "Other Revenues" in the 2025 Proposed City Budget Book FY2024 Actuals summary is marked here as "uncategorized revenues" for clarity. Additionally, the amount listed as simply "Tax Revenues" in the Providence FY2025 Proposed City Budget Book budget summary is categorized as "Property Taxes" in that budget book's Revenue Sources guide, so it is also reported as "Property Taxes" here.

Several alternatives to Providence's current revenue structure can be identified from this comparison. Dayton and St. Louis rely substantially on income or earning-based taxation. In Dayton, income taxes generated $165.18 million for the city, or 72.39% of FY2024 revenues, while property taxes made up just 3.67% of the revenue. Dayton's income tax stands out as possibly unusually high, but comparisons with surrounding towns demonstrate that it is not uncommon in the area to draw a heavy portion of city revenue from income tax: neighboring suburb Kettering's income tax and property tax respectively made up 55.9% and 10.0% of the total general fund revenue in FY2024, while in nearby Fairborn, the proposed FY2024 municipal income tax and property tax made up 57.84% and 6.09% of the total general fund revenue, respectively[1]. In St. Louis, earnings taxes contributed $219 million (38.19% of general revenue), and payroll taxes contributed another 8.01%. Real and personal property taxes together represented 13.51%.

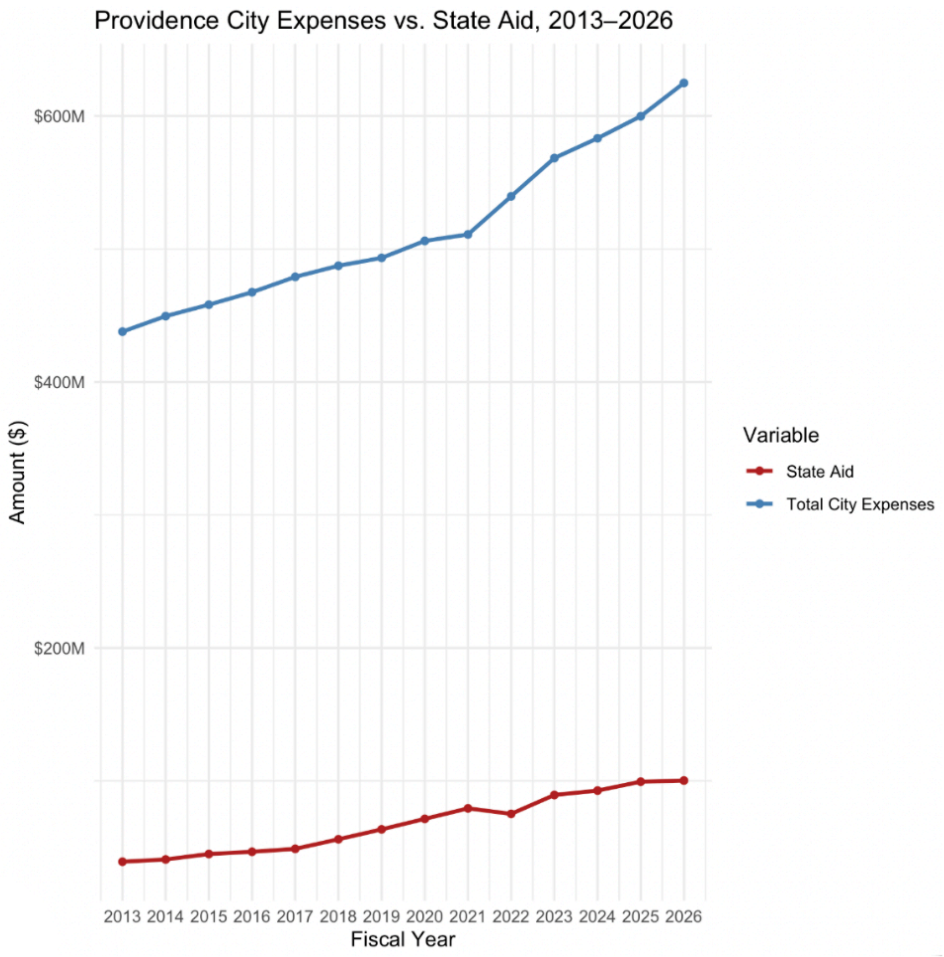
Fort Collins and Round Rock demonstrate the use of sales taxation. Fort Collins collected 57.37% of its FY2024 revenue total from sales taxes, compared with 14.64% from property taxes. Intergovernmental revenue also contributed another 8.5%. Round Rock showed a similar pattern, with sales taxes accounting for 41.86% of FY2024 actual revenues and property taxes accounting for 34.26%.

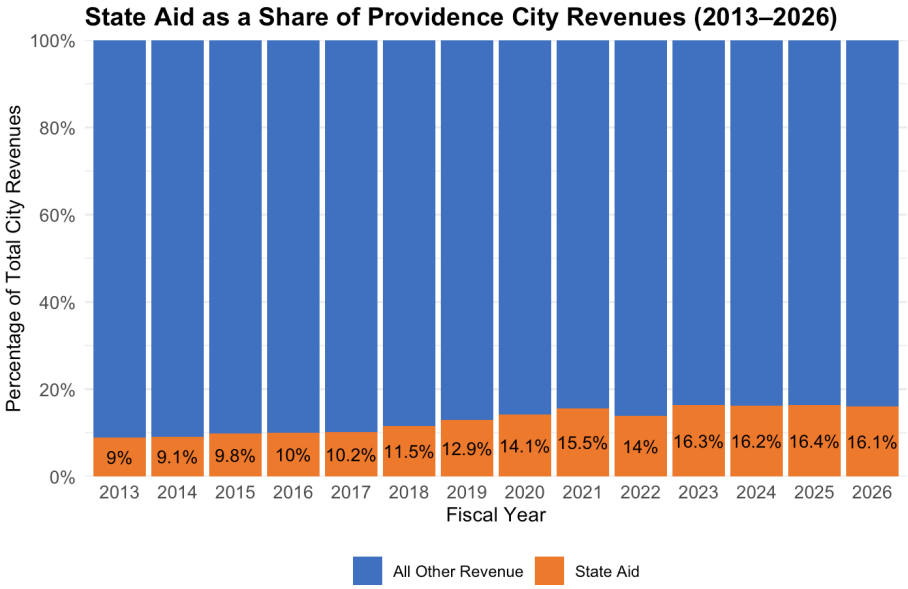
These cities show possibilities for cities drawing on different combinations of taxes and fees, rather than depending on property taxes. Of course, each approach is a compromise: while income and sales taxes allow the revenue sources to diversify and allows less reliance on property owners and the consistency of state aid, income taxes will fluctuate with earnings and employment in the area, and sales taxes can also make revenue vulnerable to changes in spending by consumers. Diversifying revenue sources give cities more options for funding municipal services, but the benefits of this diversity will likely depend on the stability of each individual revenue source and local policy dictating a city's legal ability to collect it.

Implications for Providence

Providence's FY2024 budget reported $364.28 million in tax revenues, or 62.46% of its $538.21 million of total revenues. State revenue contributed 20.42%, and transfers from other funds made up 4.75%. Compared with the four case study cities, Providence relies much more heavily on this tax revenue category. The graphs below provides additional context.

[1] The actual revenue counts for Fairborn FY2025 Budget Book was unavailable, so the proposed amounts from the FY2024 Budget Book are used here instead. Actual revenue counts for FY2021-2023 show consistent similar percentages to those proposed for FY2024.


Providence City Expenses vs. State Aid, 2013–2026
$600M
$400M
$200M
Amount ($)
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026
Fiscal Year
Variable
State Aid
Total City Expenses


State Aid as a Share of Providence City Revenues (2013–2026)
100%
80%
60%
40%
20%
0%
Percentage of Total City Revenues
9%
9.1%
9.8%
10%
10.2%
11.5%
12.9%
14.1%
15.5%
14%
16.3%
16.2%
16.4%
16.1%
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026
Fiscal Year
All Other Revenue
State Aid

City expenses have increased substantially over this period, while state aid, though growing, has remained much smaller than total expenses. As city expenses grow and state aid continues to plateau, Providence must consider whether it should work to expand its own-source revenue to gain more flexibility in spending ability. However, any moves in this direction will have to have the approval of the General Assembly.

Providence Revenue in a National Context

Reviewed on a national scale, Providence relies more heavily on property taxes and state aid than the average or median U.S. city. Comparing Providence with national averages and medians allows an expanded perspective on how the city finances public services and how its revenue structure differs from those of other municipalities.

This analysis compares revenues across cities in 2023, using the Fiscally Standardized Cities database from the Lincoln Institute of Land Policy. The database standardizes local government finances across U.S. cities sourced from the Census of Government Finance and the Annual Surveys of State and Local Government Finance by incorporating estimated shares collected by often overlapping county governments, school districts, and special districts. This approach is intended to account for differences in how municipalities organize and finance public services, making national-scale cross-city comparison more straightforward than relying on individual municipal budget reports alone.

Importantly, however, these standardized figures should not be interpreted as an objective or definitive accounting of municipal revenue. Governmental structures vary considerably across states, including how taxation, revenues, and responsibility for public services are distributed among municipal governments, counties, school districts, and other entities; the same types of revenues and expenditures may be recorded under different categories depending on the state or municipality, requiring standardization methodologies to make assumptions about how they should be classified and allocated for comparison. The FiSC figures therefore reflect the particular standardization choices of the Lincoln Institute rather than an objective measure of municipal finances. The larger revenue source patterns identified here are consistent with those identified by standardization measures from the Government Finance Officers Association (GFOA), suggesting that these trends are reinforced across methodologies.

Variable	Average for All Cities (FiSC)	Median for All Cities (FiSC)	RI: Providence (FiSC)
Property Tax% of General Revenue	22.97%	23.68%	32.65%
Property Tax % of Tax Revenue	64.57%	65.65%	95.63%
Sales Tax % of Tax Revenue	16.09%	10.28%	0
Income Tax% of Tax Revenue	6.76%	0	0
State Aid% General Revenue	33.01%	33.047%	40.97%

As reported in the table, property taxes make up 32.65% of Providence's general revenue, compared with a national average of 22.97% and a median of 23.68%. That difference is intensified when comparing property taxes as a share of tax revenue, where property taxes make

up 95.63% of Providence's tax revenue, compared to an average 64.57% and a median of 65.65% across FiSC cities. These figures suggest that Providence relies particularly heavily on property taxes within its local tax structure, while it may be more typical for cities throughout the country to have a more diversified share of tax revenue from other revenue sources.

This difference can also be seen in the comparison of sales taxes. General sales taxes account for an average of 16.09% of tax revenue and a median of 10.28% among FiSC cities, while Providence reports no general sales tax revenue in this category. Income taxes account for an average of 6.76% of tax revenue nationally in FiSC cities, although the median is zero, pointing to at least half of the cities in the sample reporting no revenue in this category. Similarly, Providence reports no income-tax revenue. Providence also receives a comparatively large share of its general revenue through state aid. State aid accounts for 40.97% of Providence's general revenue, compared with a national average of 33.01% and a median of 33.05%.

These findings seem to demonstrate a strong reliance on property taxes and state aid for Providence compared to other U.S. cities. The city's lack of locally reported general sales tax and income tax revenue also distinguishes its taxation structure from other cities or municipalities. These trends likely reflect differences in local or state policy and how responsibility for finances are distributed across governmental departments.

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