

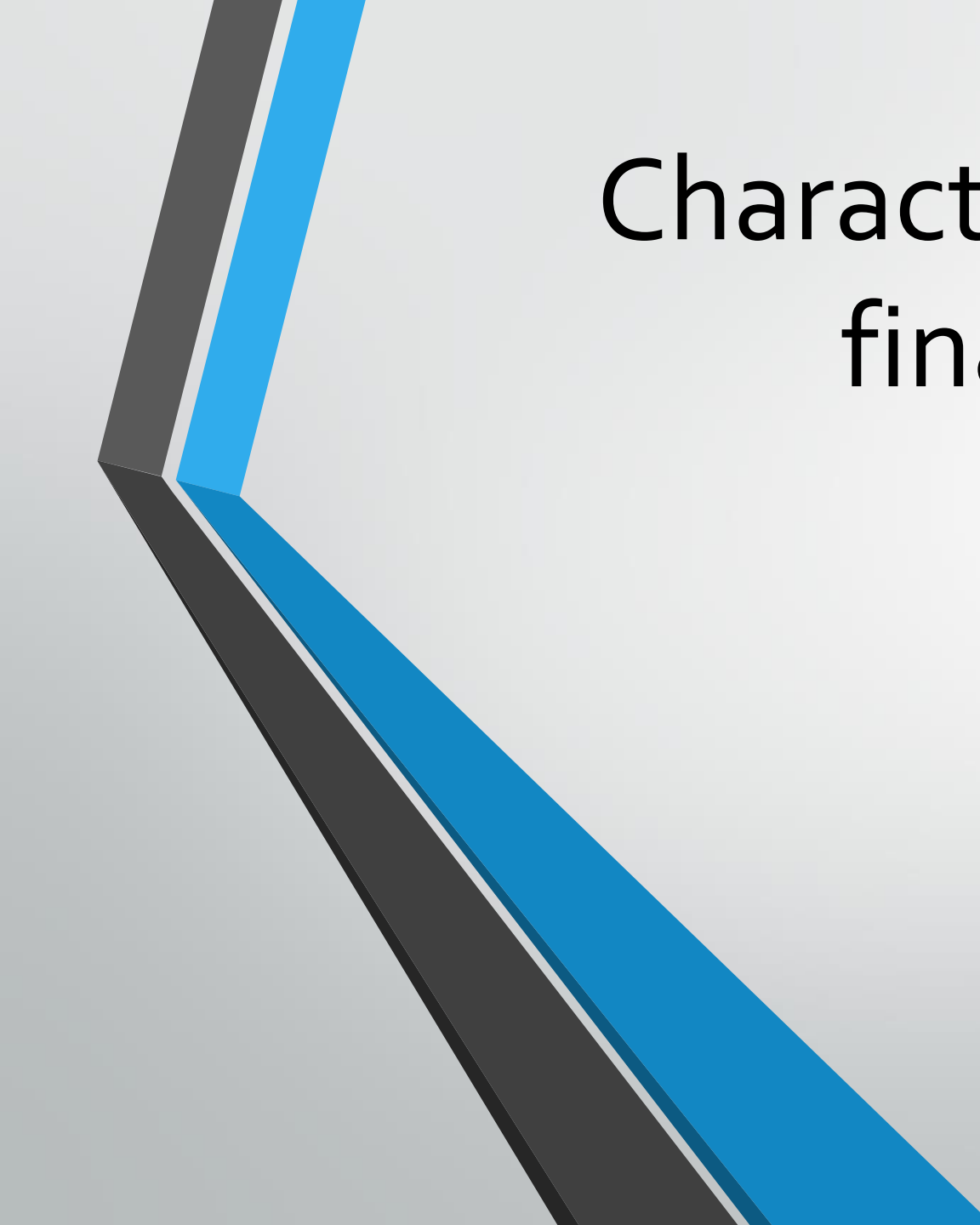
Financial situation of French cities

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Characteristics of the French financial system in 1982

Tax (tax) rate power
Freedom to borrow money
Transfers of (ov) many skills

Situation of local finances in France

- Expenditure by local authorities amounted to € 212 billion, for a total public expenditure of 1,292.3, or about 17%, from 8.6% of GDP to 11.1% of GDP.
- 3/4 of public investment is local public investment

First crisis of the 1990s

Case of over-indebtedness

Creation of mandatory budget ratios

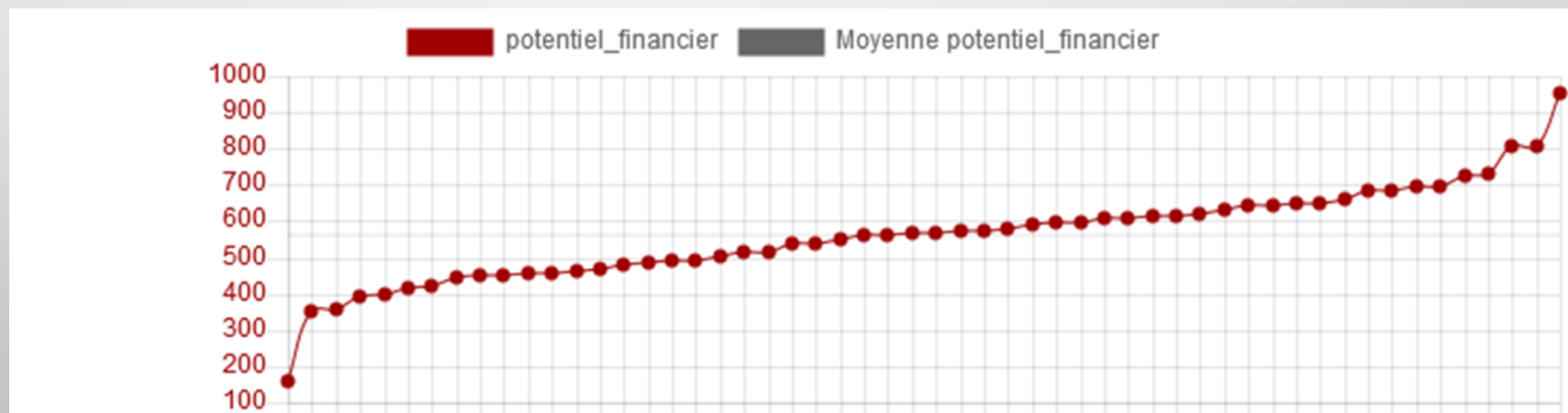
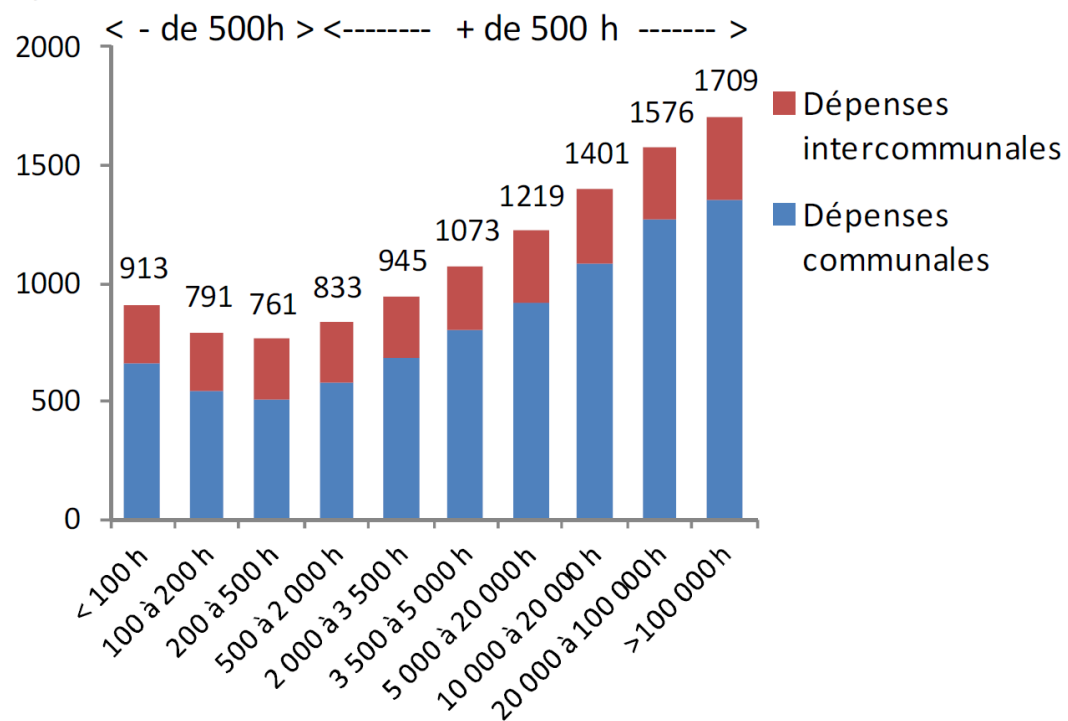
- Staff expenses/ hab
- Staff/ Operating Expenditures
- Outstanding debt/ hab
- Capital expenditure/ hab



The analysis of the financial ratios

- Comparison of ratios of the same demographic size
- The effect of urban concentration

€/hab DGF





2000

- Very good financial health
- Communities continued to spend on operations
- Creation of new local authorities



Early signs of future deterioration

- Transfers of costly powers from the State to the local authorities
- Rise of structured borrowing




The crisis of 2008

- Changes relationships between currencies
- Triggers massive public spending to stem systemic system collapse



Pressure from the European Union and the financial markets on the Member States

- Drastic decline in State allocations to local authorities
From 2014 to 2017, decrease of 3.5 billion euros per year
- Some toxic borrowings prove dangerous with an increase of interest rates



The consequences since 2012 concerning local cities

- Reduce of Local taxation
- Development of cooperation between cities
 - Development of disparities
- Degradation of the financial health of cities

Local taxation

- Decrease in rate power in 2010
- Communes retain a power of rate but transferred in many cases to intercommunalities
- New housing tax reform to come: no doubt a further reduction in rate power



Cooperation between cities

- All municipalities have joined a cooperation structure
- Loss of local authority competence to the public institution
- Larger weight of the State
- State allocations related to fiscal and financial integration

Development of disparities

- Implementation of equalization arrangements
- Weak constitutional recognition of equalization
- National arrangements
 - Ex: The equalisation fund of the intercommunal and communal resources of one billion euros
 - Measures of resource inequalities
 - Difficulties in measuring expenditure inequalities (fiscal effort and income)



Degradation of the financial health of municipalities

- Slower local public investment
- Rise in local government debt

Contractualization

- Cap at + 1.2% of actual operating expenditures
- An objective to improve the need for financing

Trajectoire de déficit et de dette des administrations publiques locales

