



May 6, 2021

The Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Newsom:

On behalf of the 476 cities the League of California Cities represents, we respectfully request a budget commitment to cities of at least \$10 billion in the 2021-2022 State Budget to help cities recover from the pandemic, bolster investment towards meaningful solutions to homelessness, improve housing affordability, and advance critical infrastructure.

We are grateful for the \$500 million in local assistance that the State allocated to cities from its share of the CARES Act funds last summer to address a portion of cities' COVID-19 expenditures. We also appreciated the opportunity to meet with you during our February board meeting where you acknowledged that cities had not received the support they needed and pledged to review any additional city needs after the federal funding was determined to see how the State could provide support.

With the American Rescue Plan now law, and California cities anticipating approximately \$8 billion in direct fiscal relief, cities are already developing recovery plans and eagerly awaiting spending guidance and final allocation amounts from the U.S. Department of the Treasury. However, while the local relief included in the American Rescue Plan will help cities continue to fight the pandemic and begin to rebuild their local economies, fiscal gaps still persist for many cities, whose revenue losses and unplanned expenditures far exceed the anticipated relief.

We write to urge the State to seize the historic opportunity the state budget surplus presents to invest in the hearts of our communities, to ensure an equitable and comprehensive recovery, and address generational crises that were exacerbated by the pandemic. Taken together, the following recommendations will help cities, and all those they serve, recover towards a brighter future.

Provide Direct and Flexible Aid to Cities to Protect Core City Functions and Jobs

The contrast between the fiscal realities of the State and California cities could not be more disparate. While the healthy stock market has contributed to historic revenue windfalls for the State, a recent Cal Cities analysis, including local government projections and annual reports provided by the State Controller and the California Department of Tax and Fee Administration, shows that cities have lost more than \$5 billion in revenue since the start of the pandemic, which will grow to \$6 billion in the coming year. At the same time, cities have expended at least \$5 billion in unanticipated expenditures on emergency response, protecting residents, supporting vulnerable populations, and helping Main Street businesses stay afloat.

To be clear, the fiscal consequences of the pandemic have had real world impacts on the city services Californians depend on daily. Nine out of 10 cities are currently experiencing a revenue shortfall due to the pandemic, 7 out of 10 cities anticipate that this shortfall will continue into

next year, and 3 out of 4 cities will not, or are unsure if they can, balance their next budget without cutting services and staff. Since the beginning of the pandemic, local governments have lost more than 35,000 jobs, which also means reductions in local services our residents need most.

To prevent sustained cuts to good government jobs and jumpstart core services including the easing of municipal hiring freezes, we urge the State to appropriate **\$2 billion in direct and flexible state aid** to address local budget gaps left by the American Rescue Plan Coronavirus State and Local Fiscal Recovery Fund. Delivering direct and flexible aid will ensure that all cities can not only survive, but thrive in recovery.

Bolster Investments Towards Ending Homelessness and the Housing Crisis.

Addressing California's housing crisis is one of the most difficult challenges facing our state, with millions of Californians struggling to find housing that is affordable. The pandemic only exacerbated this crisis, as millions have fallen behind on their housing payments. While federal and state funding for emergency rental assistance, in addition to eviction moratorium and forbearance, have helped many remain housed over the course of the pandemic, work must continue to address the underlying housing affordability challenges.

In addition to urging recurring investments in the Infill Infrastructure Grant Program and expanding the state's Low Income Housing Tax Credit (LIHTS) program, we call on the State to invest **\$5 billion for evidence-based homelessness and housing solutions** to support cities in their efforts towards ending homelessness and increasing the construction of housing that is affordable to all Californians.

This significant investment will build upon the current momentum of delivering permanent supportive housing, wraparound services, and housing construction incentives already underway in our cities. These funds would be used to expand programs such as Homekey; Homeless Housing, Assistance and Prevention (HHAP); and Homeless Emergency Aid Program that deliver rapid rehousing, rental subsidies, and subsidies for new and existing housing and emergency shelters.

Invest In Critical Infrastructure

The rapid shift to online-only work, education, civic engagement, worship, healthcare, and socializing for California residents highlighted the crucial role of broadband access, and shined a floodlight on the serious gaps in access that remain throughout our state and have left communities and families struggling to stay connected.

The time to close the digital divide is now. With a strong State partnership, we can ensure that all Californians can access broadband at home today, and into the future, as we move further away from the pandemic. We urge an investment of at least **\$3 billion for broadband infrastructure** to support expansion and related infrastructure upgrades in unserved and underserved communities to help cities catalyze projects statewide. This will ensure an equitable recovery for Californians in rural, isolated communities, as well as urban and suburban ones.

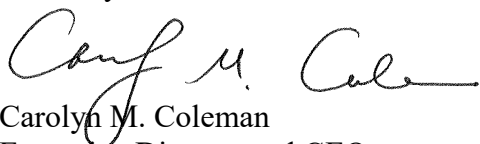
Partner with Cities on Waste Diversion

Local governments, pre-, during, and post-pandemic, continue to be the backbone for achieving California's solid waste management and recycling goals. CalRecycle's new SB 1383 regulations adopted last November require local governments to reduce landfill disposal of organic waste by 75 percent by 2025 and to increase edible food waste recovery by 20 percent. These new regulations are the most far-reaching solid waste management changes in decades, and CalRecycle estimates implementation will cost \$20 to \$40 billion over the next decade, including the addition of 50 to 100 new organic waste recycling facilities. The first compliance obligations for local governments begin in early 2022, and local governments are working to develop a comprehensive suite of local collection, enforcement, and funding programs.

As cities are only beginning to emerge from the pandemic, it will take years to stabilize local budgets and for cities to be in a position to make the significant investments on their own that are needed to implement the new regulations. To enable cities and the State stay on course to meet our ambitious goals to reduce landfill disposal, we call on the State to **appropriate \$225 million to help fund the mandates to divert organic waste from landfills**, including providing local governments additional implementation flexibility.

In closing, all levels of government have worked together to combat this pandemic, and the light at the end of the tunnel is growing brighter every day because of those efforts. As our work together shifts to recovery for all, let us continue that strong partnership by ensuring that no community is left behind. Thank you for considering our request for assistance to protect local government operations and jobs, and to help all of our cities emerge from this pandemic stronger than ever.

Sincerely,



Carolyn M. Coleman
Executive Director and CEO
League of California Cities