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## **FOR IMMEDIATE RELEASE**

### **Cities Seek State and Federal Assistance to Address COVID-19 Fiscal Impacts**

*New study shows 90 percent of cities to cut staff and/or decrease services without aid*

**Sacramento** – California cities face severe revenue shortfalls and increased emergency costs due to the impact of the COVID-19 pandemic. Nine out of 10 cities project that these shortfalls will lead to service cuts or furloughs and layoffs, and nearly 3 in 4 cities report they may take both actions.

These findings are part of a new League of California Cities analysis of several data sources, including local government projections and annual reports provided by the State Controller and the California Department of Tax and Fee Administration. California cities are projecting a nearly \$7 billion general revenue shortfall over the next two fiscal years, and the shortfall will grow by billions of dollars if COVID-19 stay-at-home orders extend into the summer months and beyond.

“In every city and every town in California, local leaders are working to protect the health and safety of residents and the financial viability of local businesses impacted by the coronavirus outbreak. As emergency costs continue to grow, city revenues to fund local services are plummeting,” said Mayor of the Town of Yountville and the League of California Cities President John F. Dunbar. “All of our cities are experiencing revenue shortfalls and increased expenses due to the COVID-19 pandemic. Now, more than ever, we need federal and state resources to help local governments manage the health and financial impacts our communities are experiencing throughout our state.”

Cities project that these shortfalls will impact core city services, including police, fire service, emergency management, and planning and housing, and a majority of the cities surveyed anticipate lay-offs or furloughs, which will further impact core city services for residents, as well as the employees. Police services will be adversely affected in 8 out of 10 cities, with a similar number of cities reporting projected cuts to parks and recreation services.

A decline in sales tax revenue is responsible for up to 57 percent of the shortfall; 27 percent is attributed to the decline in transient (hotel) occupancy tax (TOT) revenue; and additional losses are attributed to declines in revenues including business taxes and license fees, parking and admissions taxes and fees, and property transfer taxes.

Cities are incurring significant unbudgeted costs on critical services to prevent further spread of COVID-19. This includes disinfecting and sanitizing public facilities, purchasing personal protective equipment, increasing public safety costs, and financial support programs for residents and small businesses.

“Since the beginning of this crisis, cities have stepped up to protect and serve their communities, taking actions that have saved lives and served as a model for the country,” said

League of California Cities Executive Director Carolyn Coleman. “Now is the time for the state and the federal government to step up to ensure all cities can continue to protect their communities from this pandemic and lead the local recovery from its devastating economic impacts.”

Given current and projected revenue shortfalls and disrupted cash flow, all California cities, regardless of population, urgently need funding to continue to fight COVID-19 and protect residents through the summer months and beyond. In letters sent today to Gov. Gavin Newsom and legislators, the League asked the state to help California local governments and establish a fund, supported by any eligible funding sources, to help all California cities address the nearly \$7 billion dollar revenue shortfall due to the COVID-19 emergency and the recovery of our local economies.

The League also requested that the state set aside an allocation of the state’s CARES Act funding for cities with populations under 500,000 to help offset the unanticipated expenses related to COVID-19. Under the CARES Act, California is eligible to claim \$15.3 billion for state and local governments with populations over 500,000 to compensate for COVID-19-related expenses.

Only six of California’s 482 cities meet that threshold and are eligible for this direct assistance. However, all of California’s cities, regardless of population, are on the frontlines of this pandemic and incurring unanticipated and extraordinary expenses. By setting aside a portion of the state’s share, these cities would be able to preserve as much general fund revenue as possible to fund core services for our residents.

Throughout this pandemic, cities have been committed to helping residents stay safe and in their homes, delivering emergency services, and supporting their local businesses and community organizations. In order to continue supporting their communities, cities need financial assistance to ensure they can continue to respond to, and recover from, this global health crisis.

*Established in 1898, the League of California Cities is a nonprofit statewide association that advocates for cities with the state and federal governments and provides education and training services to elected and appointed city officials.*

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