



January 2, 2024

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Dear Governor Newsom,

Without a doubt, the state faces a significant budget deficit in the coming year: a [\\$68 billion shortfall](#) caused in part by an economic downturn and an unprecedented decline in revenue.

Many cities are also experiencing similar fiscal stress and uncertainty. However, this has not relieved them of their responsibility to deliver essential services to residents. Every day, local leaders are connecting individuals experiencing homelessness with [wraparound services, delivering permanent supportive housing](#), and [jumpstarting affordable housing construction](#) in their communities. Our residents depend on these vital services, which cannot be successfully delivered without a strong intergovernmental partnership.

In the face of a continued economic downturn, Cal Cities calls on the state to not only honor funding commitments to cities made in the 2023-24 budget, but also, for the first time, **create a permanent, dedicated funding stream of \$3 billion annually** to help cities keep people in their homes and prevent more Californians from having to live on the street, under bridges, or in their cars.

Establish an ongoing funding source to address homelessness and construct more affordable housing

A lack of affordable housing and growing homelessness are statewide crises, affecting communities of all sizes. According to the latest U.S. Department of Housing and Urban Development Annual Homelessness Assessment Report, California's homeless population jumped by nearly 6% to an astonishing 181,399 from 2022 to 2023. Most alarming, over two-thirds of these individuals are unsheltered.

This crisis is likely to worsen during an economic downturn without a sustained state investment that matches the scale of the challenges we face. While cities appreciate the funding included in previous state budgets, one-time funding inhibits cities' long-term planning efforts and stifles more ambitious goals for housing. As we weather this economic downturn, we must also ensure that more Californians can find a home and that more don't find themselves living on the streets.

Combined with practical, data-driven, and effective strategies, a \$3 billion annual investment from the state will spur much-needed affordable housing production, ensure that thousands more homeless Californians get the support they need, and prevent thousands more from losing their homes.

Safeguard local revenues and help protect the economic engines of California

California's cities are the engines of the state's economy and the places that over 80% of Californians call home. We fully recognize the formidable task the state faces in crafting a budget this year and



appreciate your pledge to protect vital services and public safety. However, as the budget process moves forward, Cal Cities will oppose any efforts to reduce or eliminate funding for local services, as well as any attempt to tap into local revenue streams to balance the 2023-24 state budget. Diverting or reducing local funding would only compound cities' financial challenges, jeopardize the delivery of vital services that support our residents, and harm the major drivers of California's economy, cities.

Cal Cities looks forward to working with you and the Legislature to craft a budget that supports California's hometowns.

Sincerely,

A handwritten signature in black ink, appearing to read "Carolyn M. Coleman".

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

Cc: Assembly Speaker Robert Rivas
Assembly Republican Leader James Gallagher
Senate President pro Tempore Toni Atkins
Senate President pro Tempore Designee Mike McGuire
Senate Republican Leader Brian Jones
Members of the Senate Budget and Fiscal Review Committee
Members of the Assembly Budget Committee
Christy Bouma, Legislative Affairs Secretary, Office of the Governor
Ann Patterson, Cabinet Secretary, Office of the Governor
Joe Stephenshaw, Director, California Department of Finance
Gabriel Petek, Legislative Analyst, Legislative Analyst's Office