



December 14, 2022

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

Dear Governor Newsom,

In the spirit of a strong state and local government partnership that benefits all Californians, the League of California Cities respectfully calls on the state to take action to bolster local government efforts to support our most vulnerable residents and ensure California's economic strength.

City officials are on the front lines delivering essential services to more than 80% of the state's residents. They rely on collaborative partnerships to meet the challenges facing our communities and the state. Every day, local leaders connect individuals experiencing homelessness with wraparound services, deliver permanent supportive housing, and jumpstart the construction of housing in their communities. Our residents depend on these core services, which cannot be successfully delivered without fiscal sustainability.

In the face of a looming economic recession, a period of elevated inflation, and rising costs, Cal Cities calls on the state to create a permanent funding stream of \$3 billion annually to help cities keep Californians in their homes and prevent more Californians from having to live on the street, under bridges, or in their cars. Cal Cities also calls on the state to honor funding commitments to local governments made in the 2022 Budget that support essential local programs and to finally pay down its growing unfunded mandate debt of \$1 billion to local governments so they can continue to deliver on a wide range of state-required programs.

Find a permanent home in the budget for homelessness and affordable housing

Every community is impacted by the state's affordable housing and homelessness challenges. Real solutions will require a genuine partnership between all levels of government, as well as a state investment that matches the scale of these crises. While cities appreciate the funding included in previous state budgets, one-time funding with limited access inhibits cities' long-term planning efforts and stifles more ambitious goals.

An ongoing, sustainable \$3 billion investment from the state can spur much-needed housing production, ensure that thousands more Californians experiencing homelessness get the support they need, and more importantly, prevent thousands more from losing their homes. This funding will further our state-local partnership to advance practical, data-driven, and effective strategies that jumpstart construction, support residents experiencing homelessness, and meet our shared goals.



Tougher fiscal times can exacerbate the challenges our communities face by contributing to a downturn in the production of affordable housing, an increase in the struggle for resources for unhoused residents, and ever-increasing economic inequity. In the face of another potential recession, we cannot afford for these gaps to widen.

Safeguard local revenues and support local governments' fiscal sustainability

Despite the state's economic uncertainty, Cal Cities strongly opposes any action that would reduce or eliminate funding for local governments as a short-term solution to balance the 2023-24 state budget. Diverting funding would only compound cities' financial challenges and jeopardize the delivery of critical resources to our most vulnerable residents. Cal Cities urges the state to honor funding commitments made in the 2022 Budget Act that support local governments' financial sustainability, including funding for organic waste recycling, disaster preparedness, homelessness, housing production, and broadband access.

Cities are also still waiting for the state to reimburse the nearly \$1 billion it owes to cities, counties, and special districts for state-mandated programs. Local governments have diligently carried out crucial, unfunded programs for many years, and failing to pay for these costs will only create greater financial instability and threaten the ability of local governments to fund essential services to communities.

Cal Cities will be seeking additional resources for cities throughout the budget development process. We look forward to engaging with you to realize an even stronger partnership for the benefit of all Californians.

Sincerely,

A handwritten signature in black ink that reads "Carolyn M. Coleman".

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

Cc: 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