



REVENUE AND TAXATION POLICY COMMITTEE

Friday, June 4, 2021

1:00 pm – 4:00 pm

Register for this meeting:

<https://zoom.us/meeting/register/tJcqce-przwoGd0u0qJ3- AjCxvIDe52UQJN>

Immediately after registering, you will receive a link and confirmation email to join the meeting.

AGENDA

- I. Welcome
- II. Public Comment
- III. General Briefing
- IV. Legislative Update Informational
- V. US Census Population Based Allocations (*Attachment A*) Action
- VI. *INVITED* Legislative Analyst's Office Briefing Informational
Speakers: Lourdes Morales, Principal Fiscal & Policy Analyst
Nick Schroeder, Principal Fiscal & Policy Analyst
 - [An Initial Look at Effects of the COVID-19 Pandemic on Local Government Fiscal Condition](#)
- VII. State Budget Update Informational
 - [Cal Cities: May Revise Update for Cities](#)
 - [Cal Cities 2021 Budget Request Letter](#)
 - [LAO: Initial Comments on the Governor's May Revision](#)
 - [LAO: The 2021-22 Budget: May Revenue Outlook](#)
- VIII. American Rescue Plan Update Informational
 - [How to Spend Coronavirus State & Local Recovery Funds](#)
 - [How to Use Coronavirus State & Local Fiscal Recovery Funds to Ease Budget Shortfalls](#)
 - [How to Use ARPA to Access Coronavirus State & Local Recovery Funds](#)
 - [How to Meet Reporting Requirements for Coronavirus State & Local Fiscal Recovery Funds](#)
 - [How States Can Allocate Coronavirus State & Local Fiscal Recovery Funds to Local Governments](#)
- IX. Adjourn

Next Meeting: Staff will notify committee members after July 24 if the policy committee will be meeting in September.

Brown Act Reminder: The League of California Cities' Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:

1. Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (*Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote*); or
2. A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.

A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at Cal Cities meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.

Revenue and Taxation Policy Committee
Legislative Agenda
June 4, 2021

Staff: Nick Romo, Legislative Representative, nromo@cacities.org

1. Staff Proposal: Mitigate Census Based Funding Impacts for City Populations Impacted by Naturals Disasters and Pandemic related Census Count Issues

Summary:

This proposal directs staff to analyze forthcoming 2021 US Census local government population figures and provide options for mitigating drastic revenue losses from state programs allocated in part by population (ex. local streets and roads funding) for cities that have experienced major population loss since the last effective census, such as those who have experienced natural disasters. Staff requests committee approval to explore and provide solutions for future consideration.

Description:

Revenue and Taxation Code Section 11005.3 provides a methodology for determining the populations of cities and counties for the purpose of allocating many state revenues among local agencies. As interpreted by the State Controller's Office (SCO), a city's population, for the purpose of allocation of revenues, is the population determined by the most recent US Census or a subsequent estimate prepared by Department of Finance (DOF), whichever is greater.

As a result, a city with a declining population, for example due to a significant natural disaster (ex. City of Paradise; 2018-2020), may retain a level of revenue allocation for a time, assisting it in its transition and recovery. However, because the statute refers to "the last federal decennial or special census," this revenue drop-off protection effectively ends with the next federal census. The next federal census is expected to be delivered and effective in late 2021, although there remains considerable uncertainty over its accuracy.

This proposal requests the committee provide staff with authority to explore amendments to the Revenue and Taxation Code to mitigate extraordinary changes to allocations tethered to Revenue and Taxation Code Section 11005.3.

Background

Every ten years, the United States Census provides new demographic statistics, including population estimates for cities, counties and states. Using this data as a basis, the Demographic Research Unit of the Department of Finance (DOF) annually prepares demographic updates including revised, city, county and state population estimates. DOF may also provide a revised estimate upon the request of a city or county, for example in the case of an annexation or new incorporation.

Revenue and Taxation Code Section 11005.3(d) provides that "actual population" means:

- The population determined by the last federal decennial or special census, or;
- A subsequent census validated by the Demographic Research Unit of the Department of Finance Section 2107.2 of the Streets and Highways Code.

At the time of this analysis, US Census information from the 2020 count is not yet available for local governments. These figures are expected to be rolled out through Fall of 2021.

Fiscal Impact:

These revenue allocations are generally pooled among cities (and among counties), the effect of any population adjustment is only on other cities (or on other counties in the case of a county adjustment).

Potentially significant impact to cities with population losses. Future staff proposals aim to provide positive impact to cities that have experienced extraordinary reductions while spreading minor and absorbable negative impacts amongst all other cities.

Existing Cal Cities Policy:

Equity

New revenues should continue to be distributed in an equitable manner, benefiting both the north and south and urban, suburban, and rural areas as well as being equally split between state and local projects.

Cal Cities supports disaster recovery legislation that includes mitigation for losses experienced by local governments. Cal Cities supports this aid being allocated to cities through a process that objectively accounts for the impacts that a disaster or emergency has had on a city's residents, infrastructure, economy, and revenues. In the event that aid is provided solely on a per-capita basis, Cal Cities supports that it be done equally per resident.

Unified Statewide Solution

For statewide revenues, all transportation stakeholders must stand united in the protection of new revenues. Any new statewide revenues should address the needs of the entire statewide transportation network, focused in areas where there is defensible and documented need.

Flexibility

Needs vary from region to region and city to city. New revenues and revenue authority should continue to provide the flexibility for the appropriate level of

Staff Recommendation:

Staff recommends the committee support directing staff to explore and provide solutions for future consideration particularly for cities that have experienced natural disasters and pandemic related census count issues.

Committee Recommendation:

Board Action: