

- Budget relief and vaccine distribution cannot come quickly enough for America’s cities and towns. **Congress cannot waiver** on the relief package now – **the American Rescue Plan Act of 2021 provides the aid that America’s 19,000 municipal governments urgently need to lift restrictions, ensure public health, and help residents return to the workforce.**
- All cities and towns, including small and rural, have stepped up over the past year to do their part in response to the COVID-19 emergency. As a result of revenue declines AND unbudgeted emergency expenditures, America’s 19,000 cities, towns, and villages face a collective **\$90B revenue shortfall.**
- Local governments are required to balance their budgets annually, regardless of revenue challenges. Without the state and local aid in the American Rescue Plan Act, which will finally reach all 19,000 municipal governments, local governments will have few alternatives to budget driven job cuts and reductions in services for households and small businesses. **The most efficient way to help local governments maintain operations and services, while also carrying out emergency measures, is to permit the use of federal aid for addressing revenue shortfalls.**
- This week, Moody’s Analytics released a report estimating **state** budget shortfalls are significantly lower than previously projected. Their model suggests **state and local** shortfalls of \$220 billion, or **\$61 billion net of aid to date**, through state fiscal year 2022. However, their analysis is misleading:
 - “Local government estimates are low, and based on out-of-date assumptions.”
 - Certain revenue sources that cities/counties depend on have been hit much harder than in a normal recession – hotel/restaurant charges, business licenses, parking fees, and sales taxes are still generally down.
 - Property taxes are holding up for now, partly due to low-interest rates, but generally lag in impact of recessions on property tax collections

and commercial property values are particularly likely to be lower well into the future.

- However, with sales tax collections falling, it is reasonable to assume localities will shift to greater dependence on property tax revenue, which will increase the tax burden on property owners.
- **NLC survey suggests that as of late November cities were looking at roughly 13% revenue decline on average and a roughly 9% cost increases.**

○ “It doesn’t include most costs.”

- They aren’t including any of the very significant costs states/locals face to help the many people and businesses that continue to struggle, and will need to recover, or the continued costs of fighting COVID.

- The relief package was carefully negotiated in the House using the CDBG formula, **appropriate guardrails**, and a **fair allocation of only \$65B for cities** that doesn’t leave parts of America behind.
- Local governments are not seeking a bailout, but we do need a lifeline to avoid options of last resort to balance our budgets - as required by law.