

April 6, 2021

The Honorable Gavin Newsom
Governor, State of California
State Capitol, 1st floor
Sacramento, CA 95814

The Honorable Toni Atkins
Senate President pro Tempore
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker of the Assembly
State Capitol, Room 219
Sacramento, CA 95814

Re: COVID-19 Impacts – Fiscal Assistance for California’s Independent Special Districts

Dear Governor Newsom, Pro Tem Atkins, and Speaker Redon:

We, the undersigned organizations, strongly urge your Administration and the Legislature to extend special district local governments access to Coronavirus fiscal relief to help these vital units of local governments stabilize operations and impacts due to pandemic response.

California’s special districts have received no direct access to COVID-19 relief funding programs unlike other government entities: the state, schools, cities and counties.

Special districts provide vital services that many cities and counties cannot, such as fire protection, health and wellness programs, and core infrastructure, including access to reliable water, wastewater, and electricity. These special purpose local governments are struggling under the burden of an estimated \$1.92 billion collective unmet fiscal need since the March 2020 Emergency Proclamation and a projected \$2.43 billion anticipated unmet fiscal need by December of 2021.

1) California has both the authority and the resources to assist the state’s special districts.

- **Through the American Rescue Plan Act (ARPA), Congress has provided a flexible solution by explicitly empowering states with authority to transfer Coronavirus State Fiscal Recovery monies to special districts.** We respectfully urge you to use this authority to its fullest extent and distribute a portion of our State Fiscal Recovery funding to California’s special districts for the benefit of the millions of Californians they serve statewide.

California’s revenues are enough to share. The January 2021-2022 Budget Proposal reflected an unexpected revenue windfall of \$15 billion—with major additional revenues indicated in February and March, of which billions are reported to be discretionary. Further, between the Coronavirus Relief Fund (CRF) and the American Rescue Plan Act, Congress has approved a projected \$57.955 billion in relief funds to aid California and its local governments. Between these two funds, the State will have received a total \$36.14 Billion in discretionary dollars to address COVID-19 impacts, with cities and counties receiving the other \$21.8 billion in direct allocations from the federal government.

- **Dedicating a portion of these unanticipated one-time funds to address COVID-19 response impacts on special districts and the communities they serve is an appropriate use, consistent with the near \$1.8 billion California previously distributed to cities and counties from its CRF funds.** To date, Federal and State relief have appropriately focused on stabilizing individuals and families and on allocations to cities and counties directly involved in the pandemic response. These funds and programs have been and will continue to be essential, and we applaud your vigilance and recognition that more can be done. The time has come to also focus on special districts.
- **There is precedent that supports this request and your ability to grant it.** Last year, the States of Colorado and Oregon included special districts in distributions of Coronavirus Relief Fund monies to local governments. We encourage California to follow their examples of distributing essential funding to special districts.

2) Many special district funding streams have been dramatically compromised due to pandemic response operations and, for some districts, expenses have skyrocketed to pay for mandated health and safety protocols for their frontline workers and the public they serve. The pandemic’s fiscal toll on special districts and their communities is greater than previously expected, with many districts in the early months responsibly dipping into reserves to mitigate impacts. Reported revenue losses, unmet by federal or state relief programs, are most substantial among districts providing fire protection; healthcare and emergency services; community services and parks; ports, harbors, and transit; and utilities.

- **When special districts are excluded from relief, essential frontline workers and community residents are excluded from relief.** As of February 5, 2021, 42 percent of special districts reported reducing essential services, and 33 percent reported reducing workforce due to COVID-19 response impacts.
- **Universally experienced special district impacts include deferred/delayed/cancelled infrastructure projects, increased workers compensation/FMLA/unemployment/overtime costs, and unbudgeted expenditures necessary to safely maintain operations, as well as public and employee health and safety.** As public agencies, special districts were not eligible for COVID-19 relief programs, such as PPP, tax credits, and grants, provided to businesses and non-profits to address these impacts.
- **Other special district impacts vary depending on service type and primary revenue source.** Examples include a staggering amount of past due water, wastewater, and electric bills (utilities); unprecedented losses in operational revenues due to restricted activities, rentals, and charges; loss of lease and other business enterprise revenues; overwhelming increased operational expenses and notable revenue losses due to pivoted services.

3) Special districts would utilize funding allocated by the state to benefit their residents, stabilize services, and boost the local economy. They would do this through reimbursing expenditures related to pandemic response; assisting their residents with utility arrearages; restoring services following a year’s worth of losses; rehiring or boosting frontline workers with premium pay where appropriate; and investing in critical water, sewer, and broadband infrastructure – including many capital projects which have been delayed, deferred, or canceled due to the pandemic’s fiscal impacts.

In conclusion, we the undersigned implore you utilize the tools Congress has provided to transfer relief funds to special districts expeditiously, and to ensure these critical, essential service providers continue to provide uninterrupted services to our recovering communities.

Collectively,

CC: The Honorable Nancy Skinner, Chair, Senate Committee on Budget and Fiscal Review
The Honorable Jim Nielsen, Vice-Chair, Senate Committee on Budget and Fiscal Review
The Honorable Phil Ting, Chair, Assembly Committee on Budget
The Honorable Ving Fong, Vice-Chair, Assembly Committee on Budget
The Honorable Mike McGuire, Chair, Senate Governance and Finance Committee
The Honorable Cecilia Aguiar-Curry, Chair, Assembly Local Government Committee
Committee Members, Senate Committee on Budget and Fiscal Review
Committee Members, Chair of the Assembly Committee on Budget
Keely Bosler, Director, Department of Finance