

# CITIES ARE ESSENTIAL

## MYTHS & TRUTHS ABOUT PROVIDING FEDERAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

AMERICA'S CITIES, TOWNS AND VILLAGES ARE FACING STRAPPED BUDGETS AS THEY USED VITAL RESOURCES TO RESPOND TO COVID-19. CITIES ARE THE ENGINE OF THE AMERICAN ECONOMY, AND IF WE WANT TO RECOVER AND REOPEN AS A NATION, WE NEED TO GET THE ENGINE RUNNING.

The **Cities Are Essential** campaign is calling for direct federal aid for local governments.

This campaign challenges common myths about local financial mismanagement and emphasizes the importance of direct federal support.

### MYTH

According to the U.S. Treasury, funding for state and local governments under the CARES Act is sitting untouched in the Coronavirus Relief Fund (CRF).

### TRUTH

75 percent of Coronavirus Relief Funds have already been allocated by the states and are no longer available to address existing unmet needs. Of that amount, only 10 percent has been shared by the states with local governments, leaving small communities behind.

### FACTS

The recent Treasury OIG report focused on a single budget category through June, costs-incurred. Recent reports from the [National Association of State Budget Officers](#) provide additional figures for another budget category, funds-allocated. Taken together, the two reports are red flags that show the opposite of funding availability under the CARES Act. Rather, with less than 25 percent of unallocated funds remaining, any funds still available for small and rural communities is quickly running out.

### MYTH

Budget revenue shortfalls for local governments are less dire than the early warnings suggested.

### TRUTH

Nearly 90 percent of cities will be less able in FY 2021 than in FY 2020 to meet the fiscal needs of their communities.

### FACTS

On average, cities anticipate a 13 percent decline in FY 2021 general fund revenues over FY 2020. Looking beyond 2020, cities continue to face economic and fiscal uncertainty while trying to keep their communities safe from the public health crisis. As states face their own fiscal challenges and the federal government provides only minimal fiscal relief to cities, cities are once again in a position to largely go it alone.

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## MYTH

Providing aid to schools to safely reopen is the same as providing aid to cities.

## TRUTH

Most cities do not manage their own school districts.

## FACTS

The \$105 billion the Senate majority plan reportedly allocates for schools will not go to municipal governments. School boards are a separate local authority from municipal governments. Although local governments support schools and school boards in a variety of ways, education is only one of many line items in municipal budgets. By contrast, education is the only item in a school boards budget.

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## MYTH

Providing states with more flexibility for how they can allocate funds from the Coronavirus Relief Fund (CRF) to cities will help alleviate the fiscal pain on cities.

## TRUTH

Providing flexibility will be insufficient to meeting the needs of cities who are facing tremendous economic challenges.

## FACTS

Cities are expected to lose \$360 billion in revenue during the next three years. Additional flexibility for the CRF money will not guarantee that smaller communities see any funds, and it is not adequate to stabilize local budgets through this crisis.

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## MYTH

American taxpayers should not pay to help cities and local governments.

## TRUTH

The vast majority of Americans support helping localities.

## FACTS

According to a [survey](#) of over 2,000 American adults conducted by NLC and Morning Consult, 86 percent of Americans support the federal government providing relief directly to cities, towns, and villages to address COVID-19 challenges, with only 5% opposing. This support is bipartisan – 90% of Republicans and 90% of Democrats support the federal government providing direct relief to municipalities.

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## MYTH

Cities led by Democrats are poorly run and proposals to send funds to bail out these states and cities are 'blue state bailouts.' Cities that are led by Republicans are not looking for bailouts.

## TRUTH

The financial and fiscal impacts of the Coronavirus are hitting cities across the country equally, regardless of the political affiliation of the elected officials in that city.

## FACTS

The vast [majority](#) of elected officials in cities, towns and villages across the country, including those in the largest 30 cities, are elected on a non-partisan basis. Political parties are irrelevant to providing services to residents and businesses. [Survey data](#) by NLC and the U.S. Conference of Mayors shows that regardless of whether a city, town or village is in a Congressional House district represented by a Republican or Democrat member of Congress, communities of all sizes across America are feeling the impacts of this pandemic.

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## MYTH

Cities can just raise taxes or other revenue streams to fund their budget shortfalls instead of seeking federal assistance.

## TRUTH

Cities do not have complete authority over their revenue raising abilities, either legally or politically.

## FACTS

States dictate whether and by how much cities can raise taxes, and over the past 30 years, this local authority has become increasingly restricted. In response to COVID-19, cities are turning to their last resort option, which is to severely cut services at a time when the community needs them most, layoff and furlough employees, and pull back on capital projects, further impacting local employment, business contracts and overall investment in the economy.