

February 9, 2021

President Joseph R. Biden
President of the United States
1600 Pennsylvania Avenue NW
Washington, D.C. 20220

CC:

The Honorable Nancy Pelosi, Speaker, United States House of Representatives
The Honorable Kevin McCarthy, Minority Leader, United States House of Representatives
The Honorable Chuck Schumer, Majority Leader, United States Senate
The Honorable Mitch McConnell, Minority Leader, United States Senate

RE: Federal Support for Local Governments

Dear President Biden:

We would first like to congratulate you on your November election and your recent inauguration. We look forward to working closely together over the coming months and years.

Thank you for your work in crafting the American Rescue Plan that responds to the scale of this crisis. We greatly appreciate your effort and dedication to aiding our nation's rescue and recovery as we collectively work to overcome the public health, economic, and fiscal challenges posed by the pandemic and build back better. Notably, we welcome your early action to eliminate the local cost share for FEMA and National Guard expenses around the pandemic, which will greatly help our communities.

We jointly author this letter as the Chief Financial Officers and Finance Directors of some of America's largest municipalities. Throughout this pandemic and accompanying economic crisis, cities have taken an outsized leadership role in the design and implementation of measures and programs to aid our residents and maintain a strong economy. Yet even the strong leadership our cities have demonstrated has not been enough to avoid the pain. Further, the pandemic and economic crisis have disproportionately affected our most vulnerable residents. Local governments, which work with these populations most directly, are in great need of additional resources.

As you are aware, the crux of the challenge facing cities is that demand and need for core local government services has increased significantly over the last year. At the same time, cities have realized unprecedented levels of revenue loss due to the economic impact of the pandemic and measures required to maintain public health. Funds allocated to local governments from the Coronavirus Relief Fund helped to ease some of this burden and to address our most urgent needs in fighting this crisis. However, significant challenges remain.

The monumental and historic nature of this crisis requires significant and ongoing federal support for Covid relief. Federal support that stimulates economic growth and promotes job growth is of utmost importance. Given the long-term reality of the pandemic, flexible, sustained, and direct funding is paramount – particularly, funding for local governments.

Such federal support has been billed by some as a bailout for states' and local governments' fiscal mismanagement or poor planning. Nothing could be further from the truth. The stress placed on cities' operating budgets over the last year has been nearly entirely due to the economic fallout of the pandemic. These budget shortfalls are not just administrative procedures or abstract accounting – they have real and serious consequences. Historic levels of revenue losses without federal aid has forced many cities to contemplate – or enact – service cuts, lay-offs, hiring freezes, and furloughs. All of these measures have counter-stimulative effects and dig a deeper economic hole.

As the public officials tasked with the responsibility of appropriately allocating federal funding to address Covid's challenges and limit its toll on the core services we provide to our residents, we write to you to

request maximum flexibility for the use of federal funds. We would like to offer several recommendations as you work to develop existing and future program guidance.

Specifically, we urge the following actions to restore core services levels in the near term and save federal funds in the future through advanced refunding and long-term government innovation investments:

- **Direct and flexible funding to localities.** Our top priority is direct funding for municipalities with as flexible terms as possible. It is critical this funding flows directly to cities. We thank you for including \$350 billion for direct aid to states and municipalities in your proposal. To shore up our local finances, we cannot overemphasize the importance of direct funding that will allow for revenue loss as an eligible expense. In the absence of this support, cities with little financial flexibility will continue to be forced to take counter-stimulant measures such as layoffs or furloughs.
- **Municipal finances.** To shore up our finances for the long-term, we urge consideration of the following measures:
 - **Advance refunding:** We urge restoration of the ability for advanced refunding, which was eliminated in the Tax Cut and Jobs Act. This elimination significantly limited our cities' flexibility in generating savings from refinancing into a lower interest rate market. Restoring the ability to issue tax-exempt advance refunding would allow us to generate hundreds of millions of additional savings.
 - **Long-term markets.** We encourage the Administration to expand options for municipalities to access long-term markets. The Federal Reserve's Municipal Liquidity Facility offered assistance for municipalities in the short-term market. However, the terms were insufficient, leaving in place the need for long-term borrowing such as refinancing for savings and funding capital projects. We request consideration of lowering the rate, extending the term, allowing for taxable and tax-exempt bonds, and expanded eligible uses.
- **Funding Economic and Equitable Outcomes.** One of the most important ways the federal government should support municipalities is through stimulating local economies. We strongly support providing local governments additional flexible funding in the following areas, including a small amount for future-focused innovation funding: education support; public health management; resilient infrastructure needs; small business aid; direct assistance to individuals and families; food security; housing and homelessness assistance programs; and tourism and visitor industry aid. Federal funding in each of these areas will result in job growth, increased consumer spending, additional municipal revenues, and increased ability to provide residential services.

We believe designation of funds in this manner would be the most effective in helping cities across the country continue to respond to the pandemic.

We again thank you for your dedication to combatting this national crisis and for your attention to our concerns. Please let us know if we can provide additional information as you develop legislation and guidance on existing and additional relief and fiscal stimulus.

Sincerely,

Sanjay Bhakta
Chief Financial Officer
City of Albuquerque, NM

Emme Handy
Chief Financial Officer
City of Boston, MA

Jennie Huang Bennett
Chief Financial Officer
City of Chicago, IL

Ed Van Eenoo
Chief Financial Officer
City of Austin, TX

Kelly Flannery
Chief Financial Officer
City of Charlotte, NC

Joe Lombardi
Director of Finance
City of Columbus, OH

M. Elizabeth Reich
Chief Financial Officer
City of Dallas, TX

Brendan J. Hanlon
Chief Financial Officer
City of Denver, CO

Robert Cortinas
Chief Financial Officer
City of El Paso, TX

Reginald Zeno
Chief Financial Officer
City of Fort Worth, TX

Chris B. Brown
Controller
City of Houston, TX

Elizabeth Castillo
Chief Financial Officer
City of Jersey City, NJ

Gary Ameling
Chief Financial Officer
City of Las Vegas, NV

Richard H. Llewellyn, Jr.
City Administrative Officer
City of Los Angeles, CA

Daniel Frockt
Chief Financial Officer
Louisville, KY

Aycha Sawa
Comptroller
City of Milwaukee, WI

Dushani Dye
Chief Financial Officer
City of Minneapolis, MN

Kevin Crumbo
Director of Finance
Nashville, TN

Jacques Jiha
Budget Director
City of New York, NY

Margaret L. O'Brien
Interim Finance Director
City of Oakland, CA

Rob Dubow
Finance Director
City of Philadelphia, PA

Denise Olson
Chief Financial Officer
City of Phoenix, AZ

Michelle R. Kirby
Chief Financial Officer
City of Portland, OR

Dawn T. Holm
Director of Finance
City of Sacramento, CA

Ben Gorzell
Chief Financial Officer
City of San Antonio, TX

Ben Rosenfield
Controller
City of San Francisco, CA

Julia Harper Cooper
Director of Finance
City of San José, CA

Glen Lee
Finance Director
City of Seattle, WA

Joyce Garland
Chief Financial Officer
City of Tucson, AZ

Jeffrey S. DeWitt
Chief Financial Officer
Washington, D.C.