The COVID-19 crisis has reimagined every aspect of our lives and left virtually every public and private entity scrambling. This leaves our federal partners with difficult decisions as they evaluate where to focus resources. Through the military and disaster response agencies, the federal government protects lives. But local communities are where we live, work, and play – cities make life worth living. The road to economic recovery passes through cities so investing in them is a no brainer.

Current Status

It seems like only moments ago when our cities enjoyed a booming economy with low unemployment and upward pressure on wages. A Pew analysis cited consecutive years of economic gains for every U.S. state resulting in a cumulative $72 billion in state rainy day funds. In the blink of an eye, those state funds proved insufficient as many states predicted 25-30% revenue declines resulting from the pandemic.

Simultaneously, 9 out of every 10 of the more than 2,400 cities surveyed by the U.S. Conference of Mayors and the National League of Cities (NLC) predicted budget shortfalls deep enough to impact public safety. As the crisis deepened, the League of California Cities reported anticipated 2-year revenue losses of nearly $7 billion for California's 482 cities. The regional planning agency for the 6-county Los Angeles area, the Southern California Association of Governments, predicts sales tax declines of 26-38%.

Economic Engine and Quality of Life

Financial turmoil for cities may seem insignificant at a time when private businesses and other levels of government are enduring the same financial pain. But in reality, cities are uniquely positioned as an economic engine that can't be duplicated or avoided.

As a direct impact, the 19 million people employed by state and local governments represent upwards of 10% of the U.S. workforce – a number too big to ignore. Every dollar of lost revenue jeopardizes the job of a public servant and every job loss threatens to decrease services to the very citizens who fund government. With NLC estimates of a 1% increase in unemployment producing a 3% decrease in city budgets, the current crisis should concern everyone who provides or benefits from city services.

Indirectly, cities enable the environments that foster the private sector innovation and job growth that funds Sacramento and Washington, D.C. Some have questioned why states like Kentucky should fund states like California but actually California has been funding Kentucky for years. California is a donor state – sending more money to Washington, D.C. than it gets back while states like Kentucky receive more in federal aid than they send. The Star Tribune reports that Minnesota, for example, receives 53 cents for every dollar it sends to the feds while Kentucky, a politically well-represented state, receives $1.49 for every dollar it pays in federal taxes – an amount so large it amounts to 41% of state revenue.

The role of cities is often criticized or underestimated but the benefits of city living are undeniable. It's no coincidence that 85% of Californians choose to live in incorporated cities. And in a state where half the income tax revenue comes from the top 1% of Californians, we rely on rich people to fund our state. Despite having the means to live anywhere, most of these super contributors choose to live in cities that best meet their needs. Whether you're a regular Californian, a billionaire, or a business, there's something about the quality of life that draws you to a certain place. Being forced to cut back municipal services risks the same quality of life that draws the people and businesses that fund the rest of the state. It's a lose-lose proposition.

What About the Little Guys?

The CARES Act was praiseworthy for focusing on people and businesses. It wisely funded small businesses, not just large ones, because federal officials recognized the collective weight of small businesses. Unfortunately, the Act fell short of applying the same principles to cities. Instead, direct funding allocations were reserved for places with more than half a million people. In California that included 1.2% of the cities and less than 20% of the state's population.

It's tempting for the feds to focus on the biggest cities because it looks more efficient. With published deficit estimates as high as $600 million in Los Angeles, for example, it seems like a better focus than the $6 million Yountville revenue loss. But when you consider the population difference between the two ($4 million vs. $3 thousand) the per capita loss is much deeper for Yountville ($150 vs $2,000). Interestingly, Yountville has been so well managed that it was in a healthy financial position before the current crisis but depends on tourism for 74% of its general fund revenue. Los Angeles, on the other hand, is subject to greater political complexity and predicted a $200 - $400 million annual shortfall each of the next four years even before the current crisis according to an October 24, 2019 memo.

It's also tempting to focus on the large cities because there's a precedent with transportation funding, for example. The difference is that transportation funding is filtered from the large (state or regional) agency down to the smaller agency. The CARES Act included no such filtering. The money stops with the large agency and there is no obligation to share, even though smaller agencies were affected too.

Alternatives to Federal Intervention

In the absence of an investment of federal dollars, the only options for most cities are to become more efficient, raise taxes, or reduce services.

Greater efficiency is always a worthwhile effort but, given the magnitude of the issue, can only be part of the solution. Moreover, most smaller cities' general funds primarily support critical police and fire services.

Raising taxes is fraught with challenges, especially at a time when the people who would pay those taxes are suffering. Nashville Mayor John Cooper is testing this theory with his recent proposal to raise property taxes by 32%. In California, Michael Coleman's Local Government Almanac reported only 40% of local tax measures being approved in March of this year compared to 77% in 2018 and 81% in 2016. And that was before the pandemic.

Downsizing the public workforce is a slippery slope that obviously hurts public servants but also hurts local citizens who continue to pay their taxes in exchange for receiving less service.

Additional financial investments by the feds can bolster local governments. Especially, if they're all included. It will spare citizens the trauma of service insolvency. It will facilitate a healthy business environment to create the jobs and wealth that, in turn, fund both the state and federal government. With such a proven return on investment, cities are the right place to focus federal resources. I encourage everyone to advocate for their local community.

Dr. Kurt Wilson is a local government advocate, educator, and consultant who is the past president of the City Manager's Department of the League of California Cities and managed Stockton's successful bankruptcy process and recovery. He is also a former elected official and current Cal-ICMA Board member who teaches at the Davenport Institute for Public Engagement and Civic Leadership.