



32ND ANNUAL DEMOGRAPHIC WORKSHOP

THE **POST-PANDEMIC** CITY

PART 1
JUNE 8, 2021
1:30 P.M. - 4:45 P.M.

PART 2
JUNE 15, 2021
1:30 P.M. - 4:45 P.M.

scag.ca.gov/demographics

THE FISCAL IMPACT OF COVID-19 ON CALIFORNIA'S LOCAL GOVERNMENTS

USC Price

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Occidental
College



UC DAVIS

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June 15, 2021

Funded by



HAYNES FOUNDATION

Find out more about the [survey](#) and [project](#)

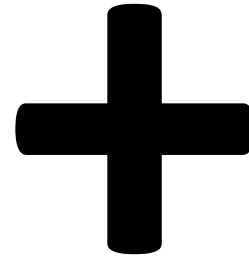
Health Impacts:

3,696,472 cases

62,512 deaths

67,644,684 tests

39,519,789 vaccines
administered



Economic Impacts:

>1 year of Stay at Home
orders

Unemployment

Changes in consumption and
production patterns

Work from Home

Racial and socioeconomic
disparities

Essential Workers

*How have they affected local
governments in California?*

Surveys of Municipal, County, and School District budget officers

Key Areas covered

1. Revenue and Service Level Impacts
2. Overall Budgets
3. Strategies for Coping
4. Transfers and Stimulus

Results Summary

- Uncertainty and pessimism about balancing budget greatly reduced, but not completely gone, from Fall 2020 to Spring 2021
- Heightened demand for services persisted
- Local government used a wide array of strategies to cut cost and balance budgets
 - Defer projects and maintenance
 - Reduce / restructure services
 - Cut staff
 - Use reserve funds

Survey Stats

	Participating Agencies					
	School Districts	Cities	County	Total Respondents	Total Sampled	Response Rate
Oct – Dec 2020	49	35	4	94	870	11%
Apr – May 2021	108	57	7	172	1470	12%
Total	157	92	11	266		

Respondents by Region

	School Districts	Cities & Counties	Total	
Bay Area	20	15	35	Oct – Dec 2020 94 Participating Agencies
Central Valley	6	7	13	
Foothills	12	7	19	
Outer Bay	13	6	19	
Bay Area	17	11	28	Apr – May 2021 172 Participating Agencies <i>Results as of June 4, 2021</i>
Central Valley	5	6	11	
Foothills	13	4	17	
Outer Bay	11	3	14	
SCAG	19	20	39	
San Diego	5	4	9	
Rest of California	38	9	47	

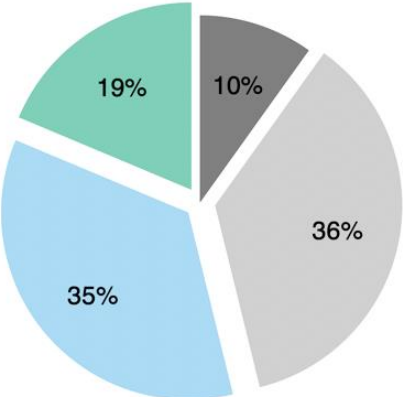
New wave every 6 months

Revenue and Service Level Impacts

Let us compare the past 6 months since COVID began to the Great Recession: **Revenue Decline**

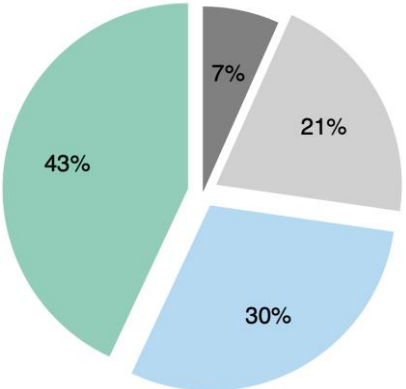
Total Revenue

Oct – Dec 2020



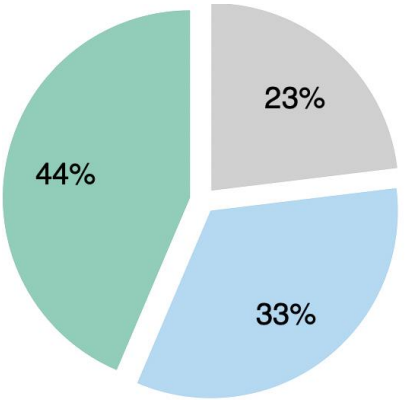
85 Responses

April – May 2021



165 Responses

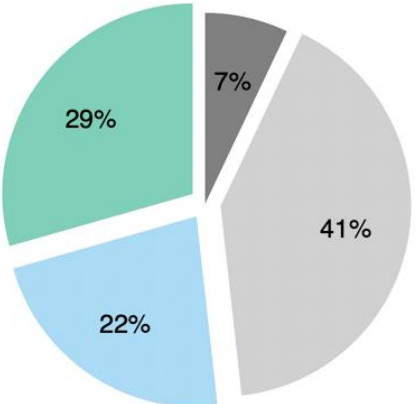
April – May 2021: SCAG only



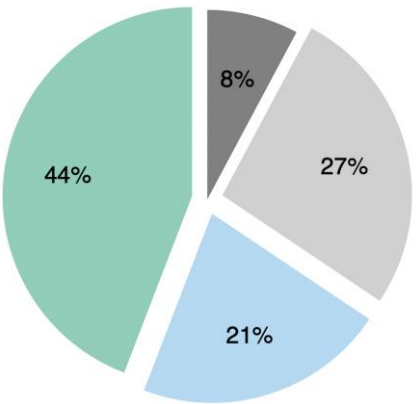
39 Responses

- Same as 2008 Recession
- Faster than 2008 Recession
- Slower than 2008 Recession
- No Change

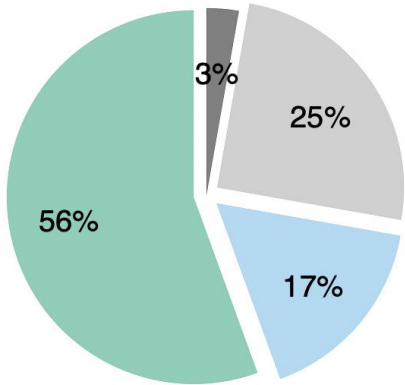
Service Fees



91 Responses

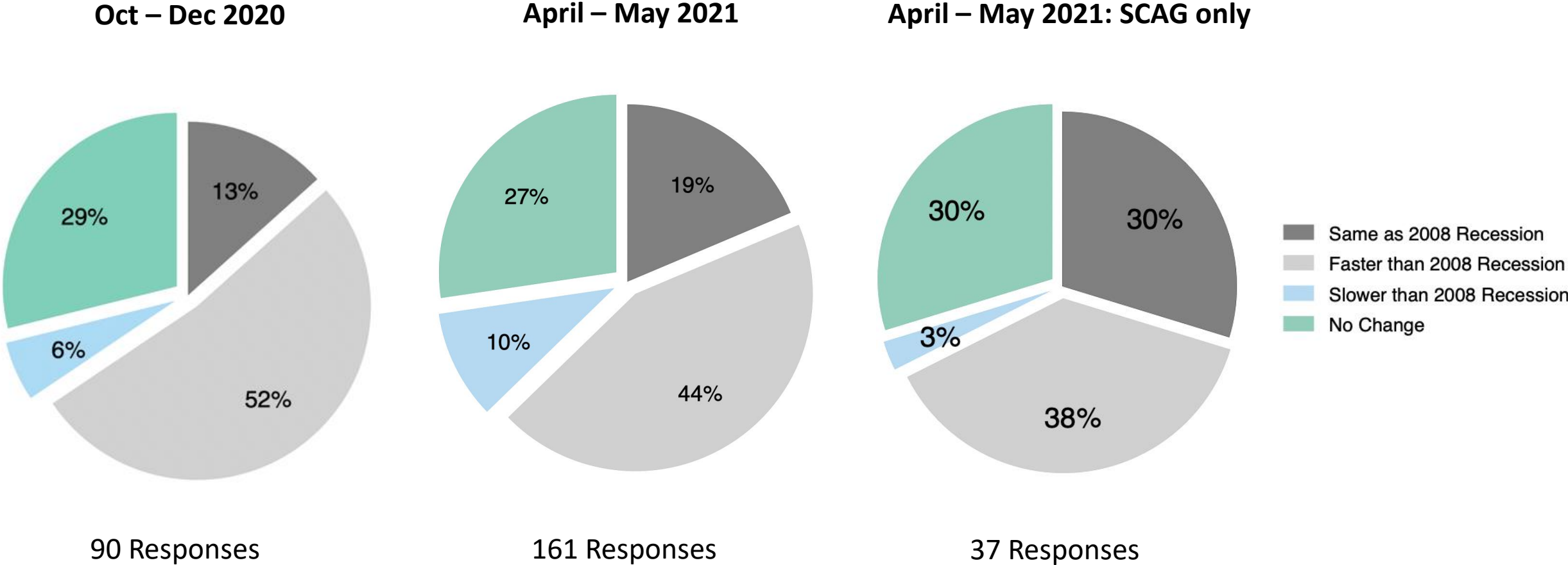


154 Responses



36 Responses

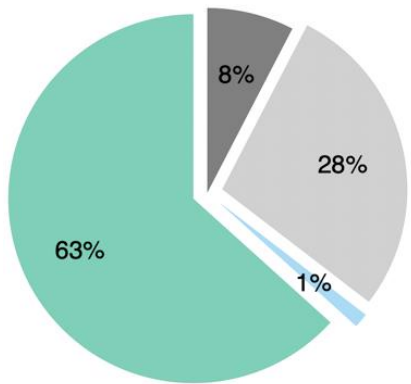
Let us compare the past 6 months since COVID began to the Great Recession: **Increase in Service Demand**



Let us compare the past 6 months since COVID began to the Great Recession: **Increase in Service Demand**

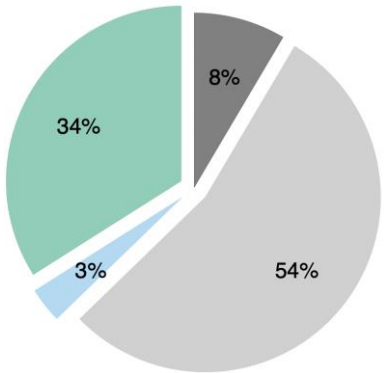
Emergency / Health

Oct – Dec 2020



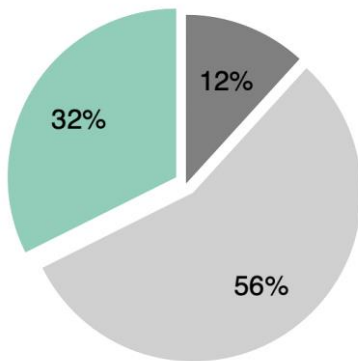
79 Responses

April – May 2021



153 Responses

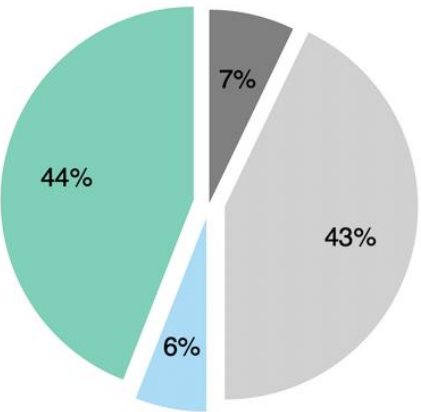
April – May 2021: SCAG only



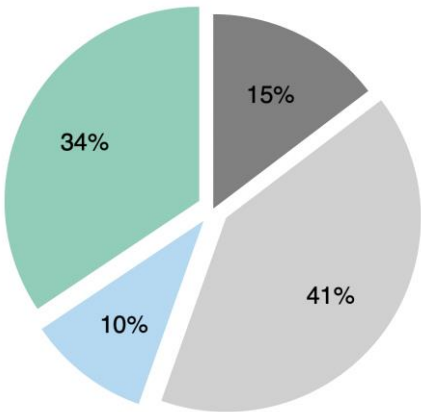
34 Responses

- Same as 2008 Recession
- Faster than 2008 Recession
- Slower than 2008 Recession
- No Change

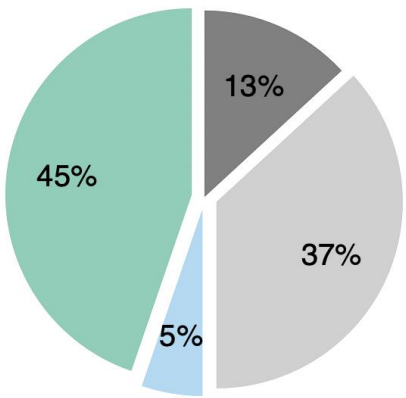
Public Safety



84 Responses



157 Responses



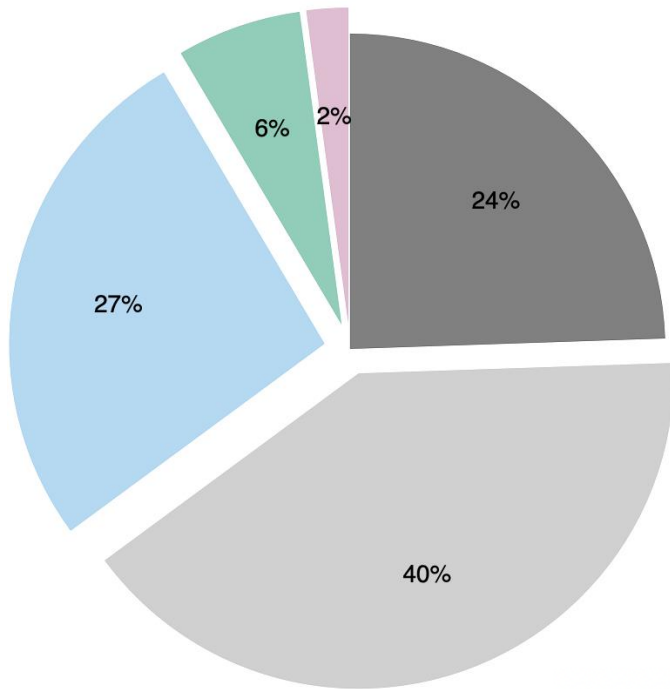
38 Responses

Budgets

How has your agency's financial position changed in the last 6 months?

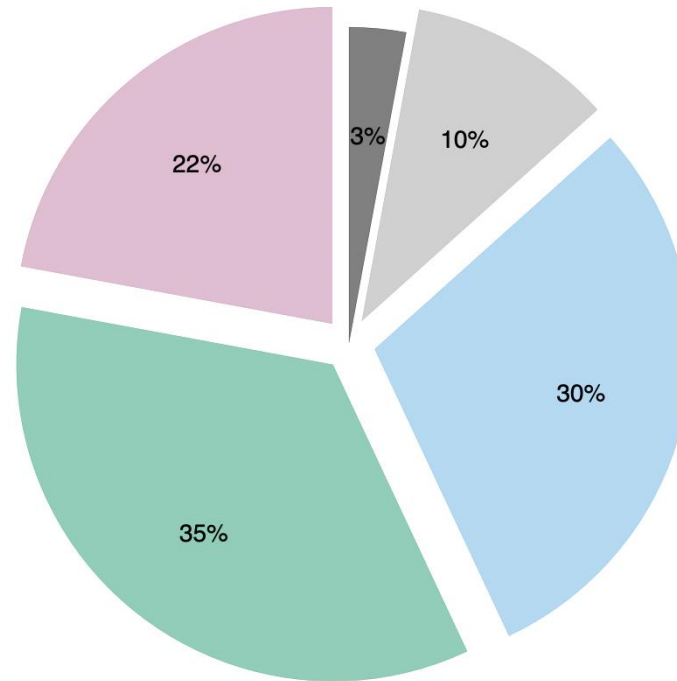
Oct – Dec 2020

All 94 responses

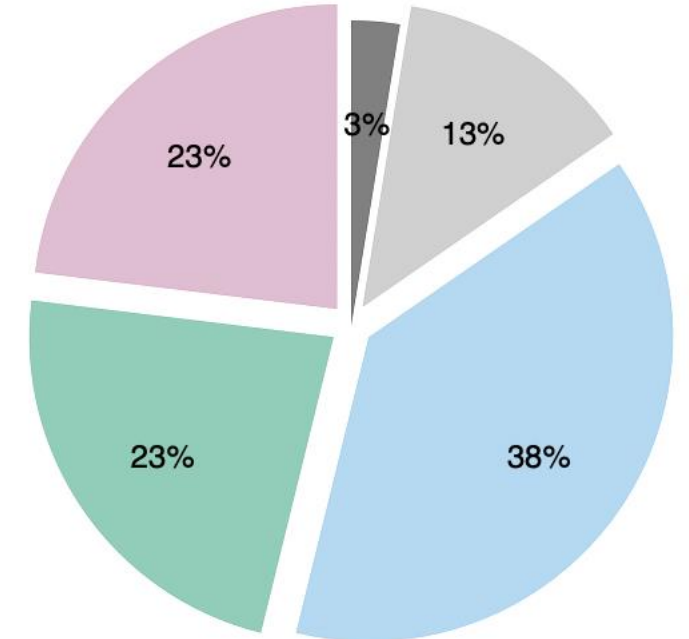


April – May 2021

All 172 responses



SCAG only (39 responses)



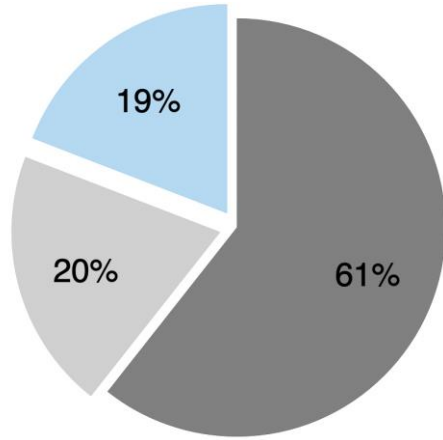
- Worse than pre-COVID
- Slightly worse than pre-COVID
- Stable:Same as Pre-COVID
- Slightly better than pre-COVID
- Much better than pre-COVID

Do you expect that your agency will be able to balance its budget in FY 2020-2021?

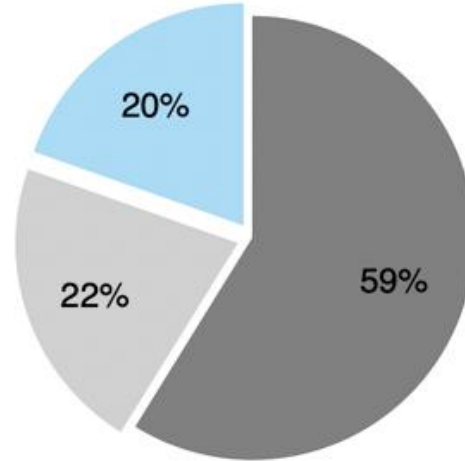
Total Responses:
 Oct – Dec: 94
 Apr – May: 172

Oct – Dec 2020

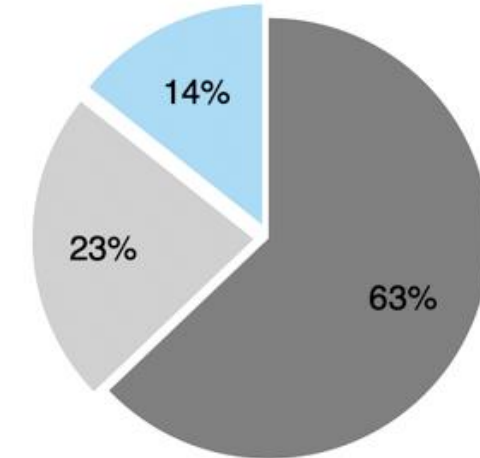
All Agencies



School Districts

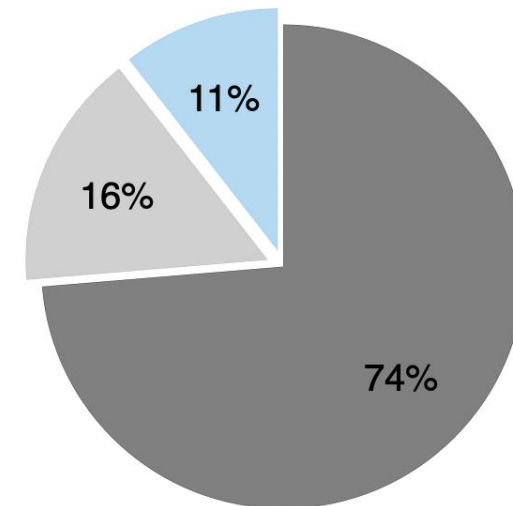
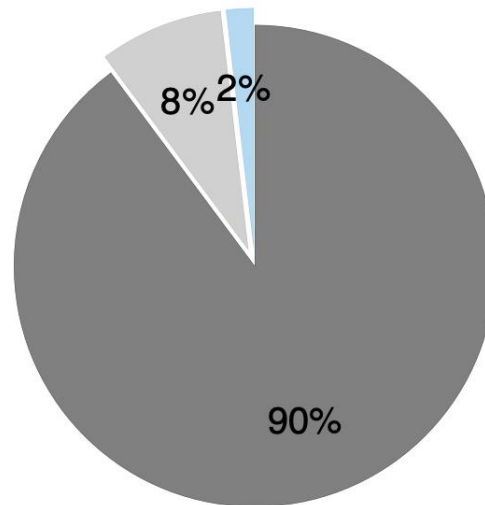
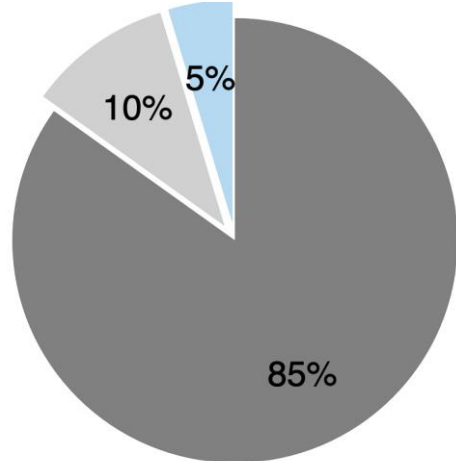


Cities



Yes
 No
 Maybe

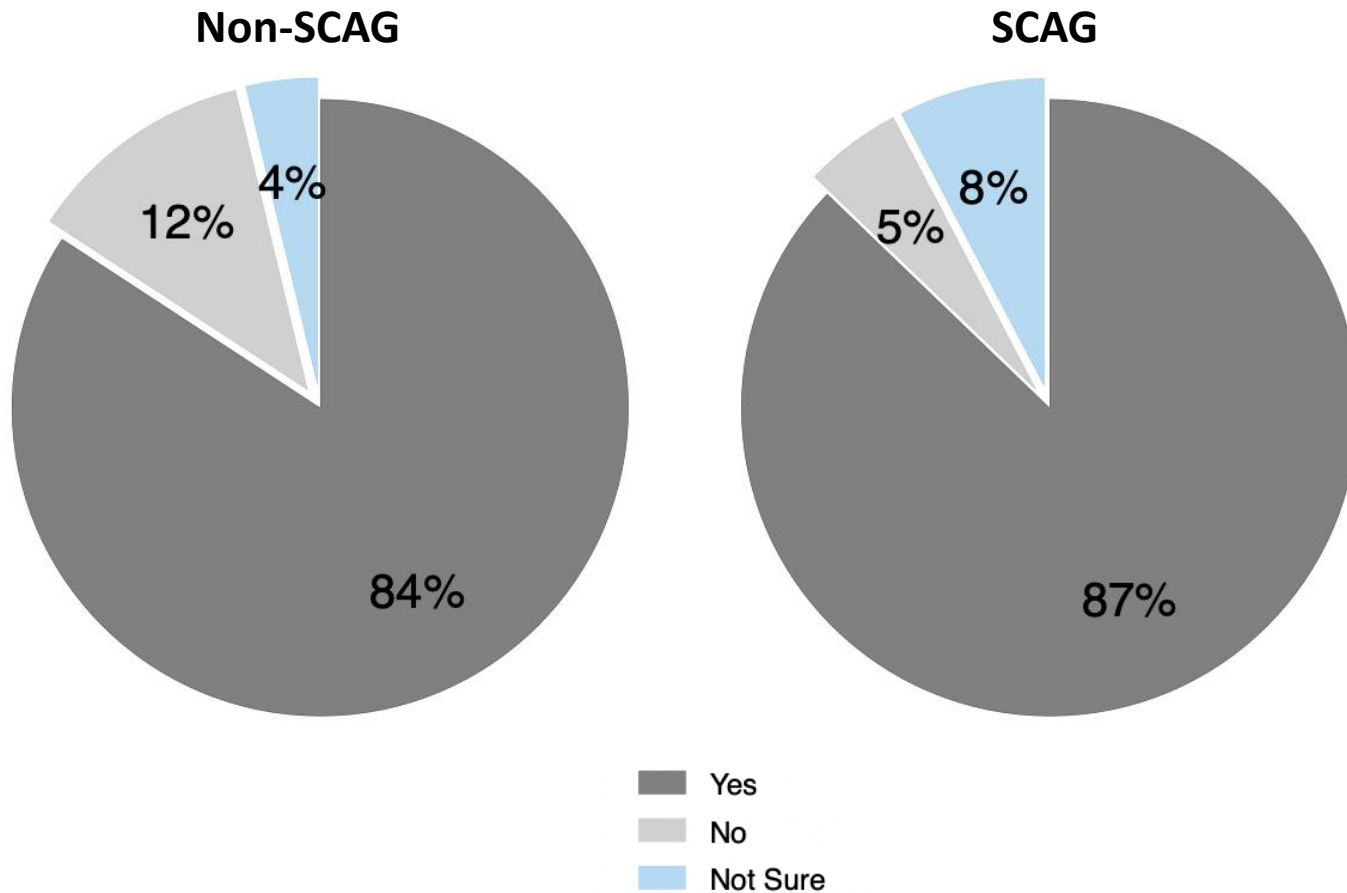
Apr – May 2021



Yes
 No
 Not Sure

Do you expect that your agency will be able to balance its budget in FY 2020-2021?

April – May 2021



“It depends on your definition of a balanced budget. If the definition of balanced budget is that available resources are greater than or equal to requirements (expenditures), then the answer is yes. If the definition is solely current resources vs. current requirements, the answer is no.”

– Municipality

“Overall, the fiscal impact was much less than we anticipated.”

– Municipality

“COVID added costs and reduced revenue. The great recession only reduced revenue”

– School District

Total Responses: Non-SCAG: 133, SCAG: 39

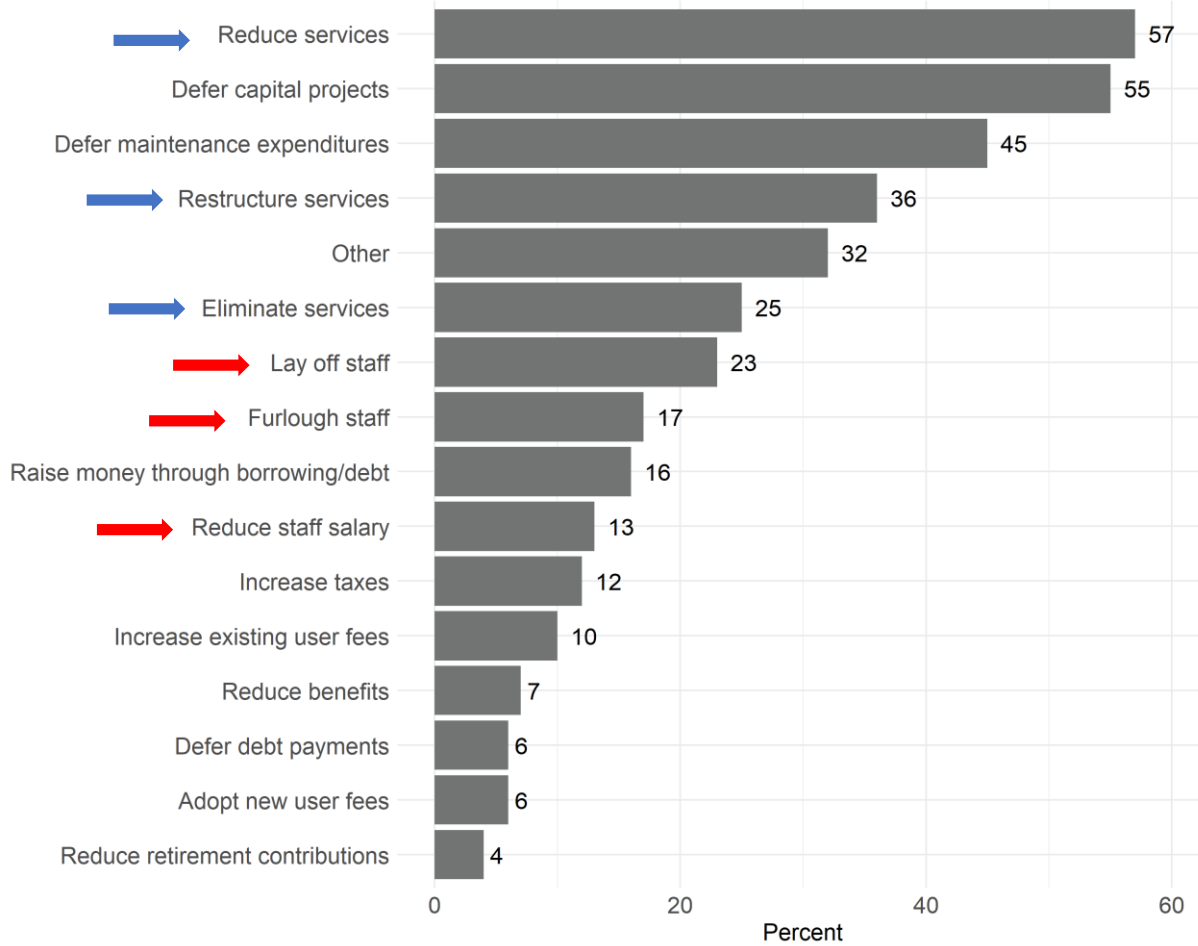
When 12-16% of respondents report that they may not balance their budget, it is notable

- Local governments have an institutional requirements to balance their budget
- Failure to do so affects debt limits and credit ratings
- Repercussions can lead entities to use strategies to balance their budget like inter-fund transfers to signal fiscal health

Coping Strategies

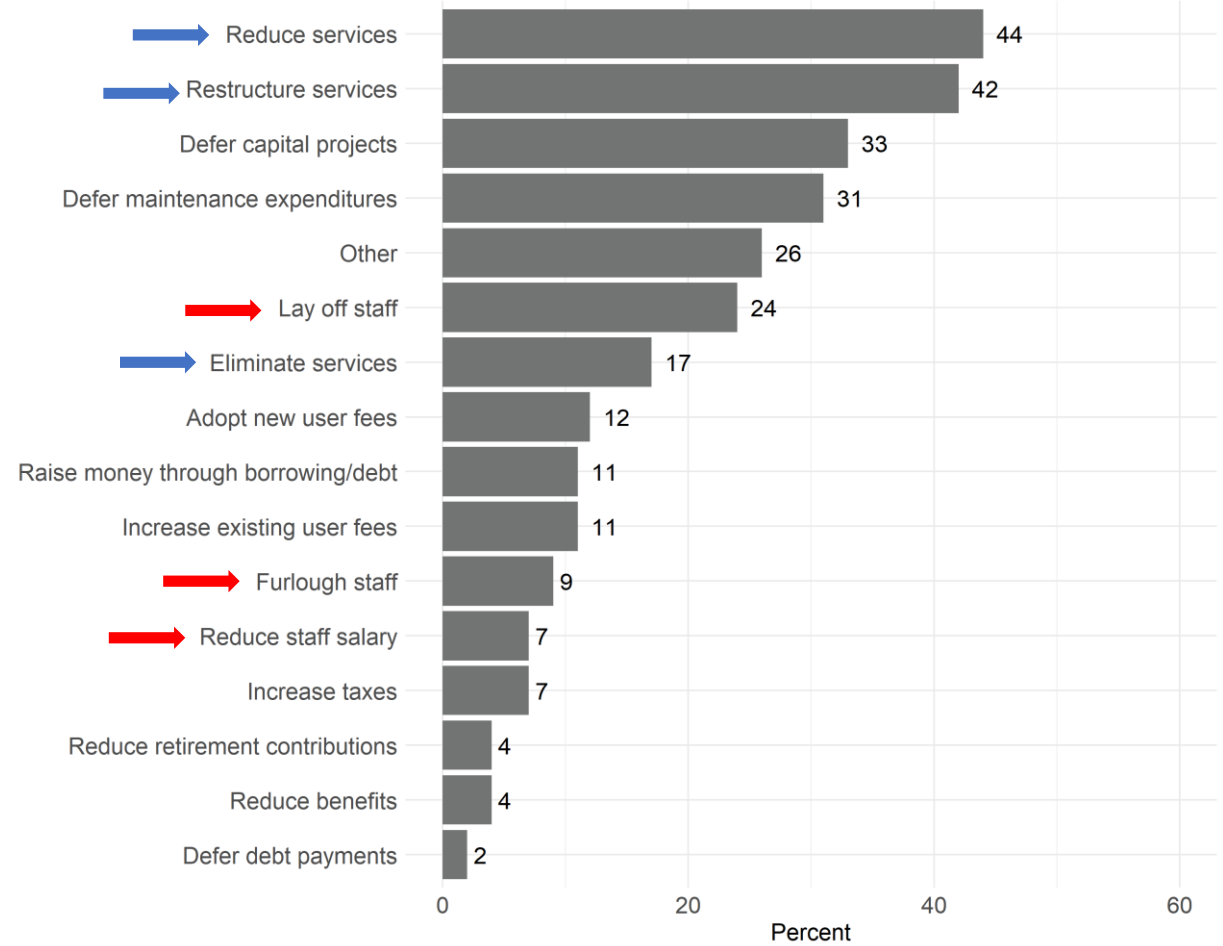
Did your agency make any of the following changes to its recent budget for fiscal 2020-2021 in response to COVID-19?

Oct – Dec 2020



Number of Responses: 69

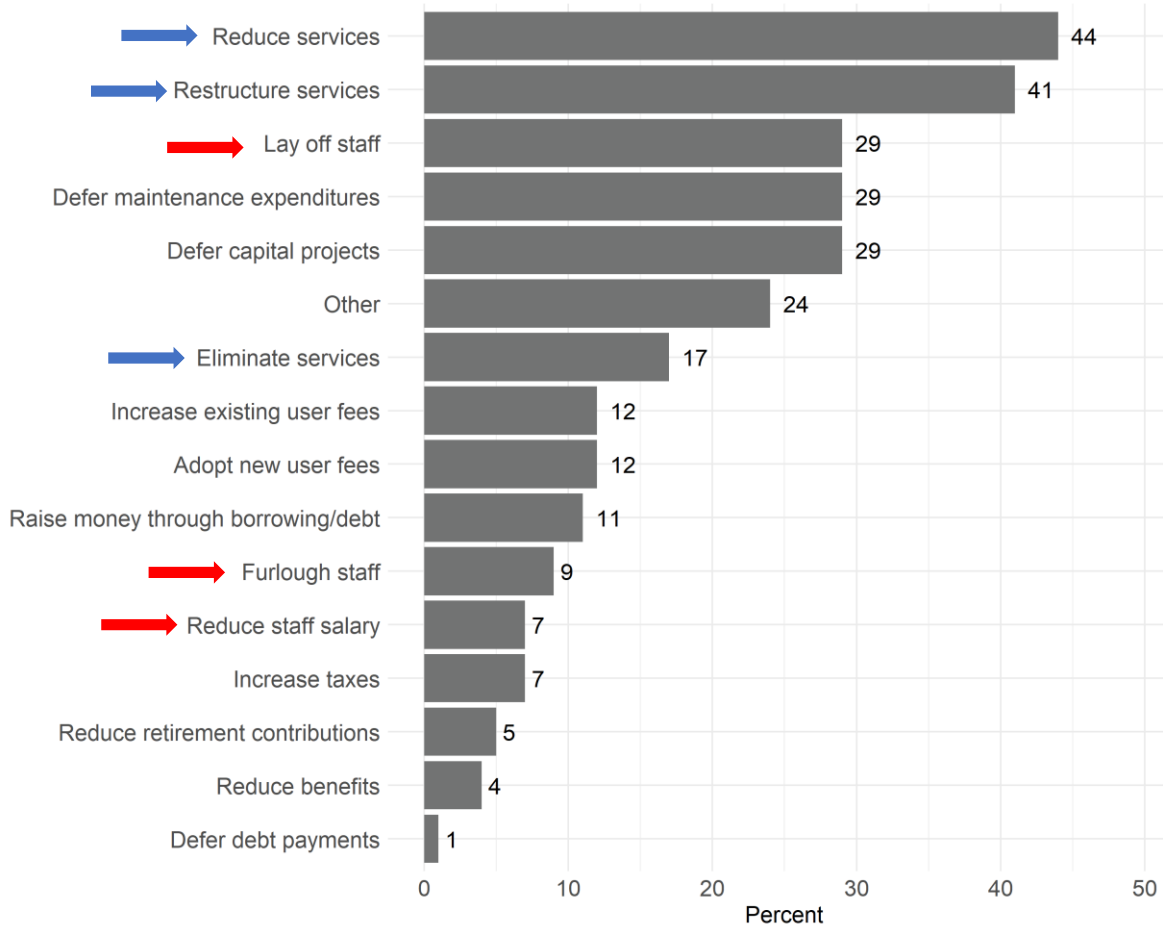
April – May 2021



Number of Responses: 123

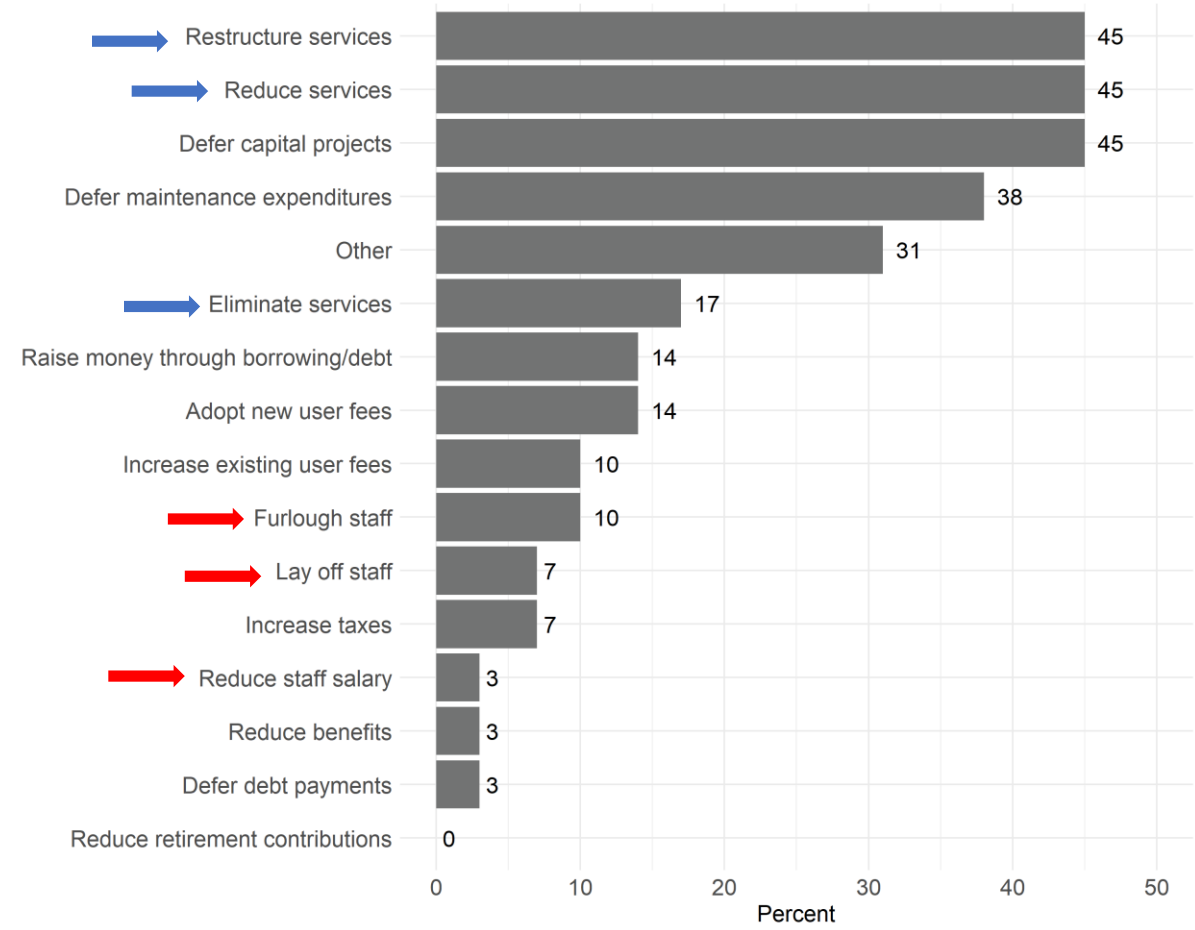
Did your agency make any of the following changes to its recent budget for fiscal 2020-2021 in response to COVID-19?

Rest of CA



Number of Responses: 94

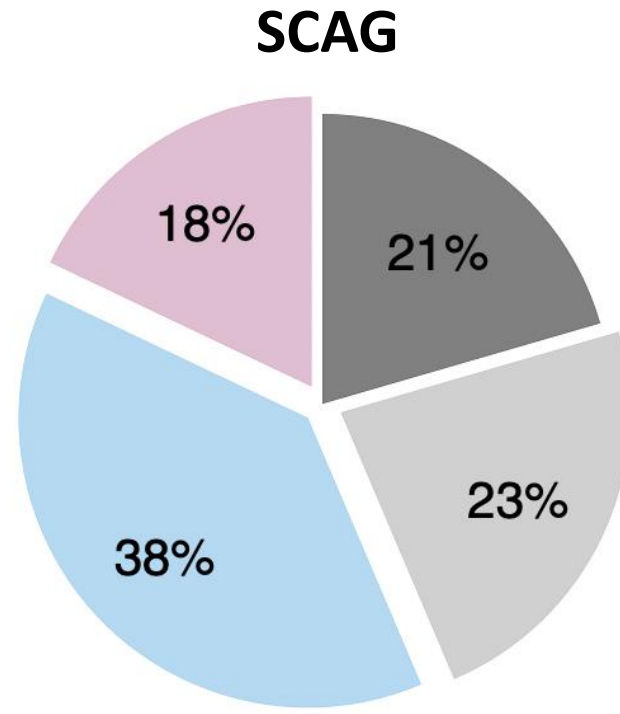
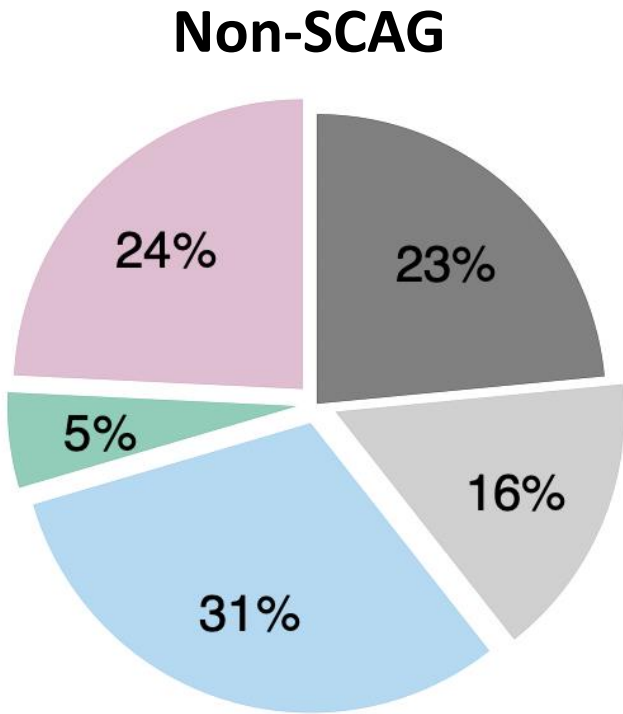
SCAG



Number of Responses: 29

In the average week, what share of your agency's staff worked from home more than three days a week?

April – May 2021



- 1-25%
- 26-50%
- 51-75%
- All
- None

Total Responses:
Non-SCAG: 132, SCAG: 39

Evidence from other surveys and policies

September 2020, 59% ([US OPM](#)) and 63% ([GBC](#)) of federal workers worked from home daily

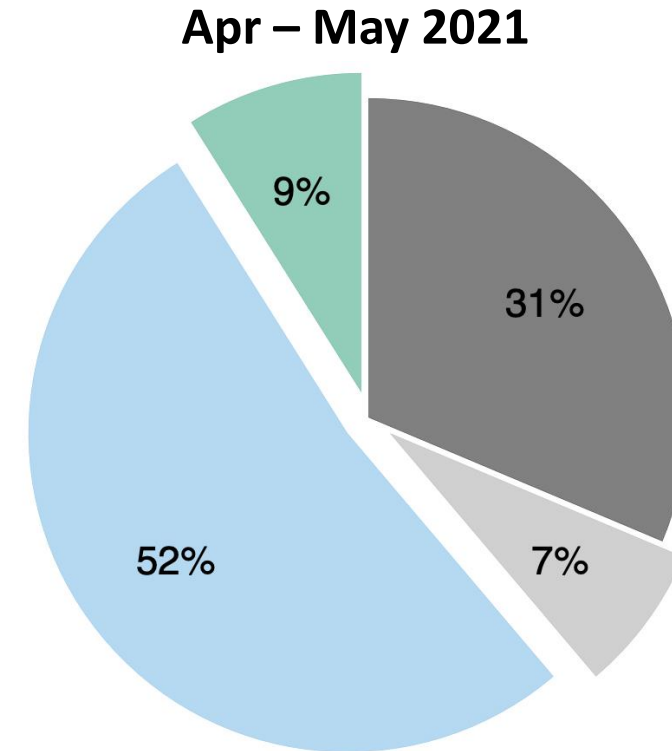
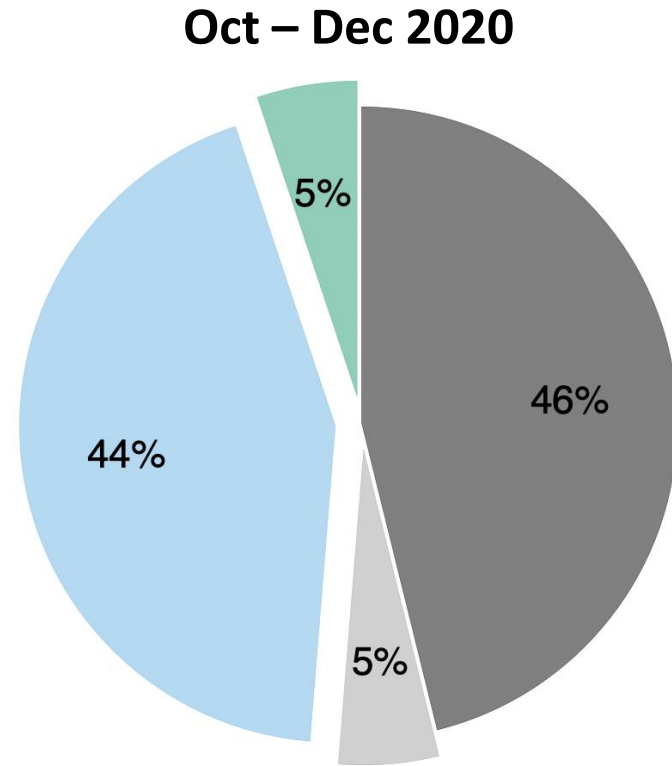
April 2021, 3% every day; 43% 1-4 days / week for Treasury workers ([NTEU](#))

April 2021, 3% every day; 43% 1-4 days / week for Treasury workers ([NTEU](#))

[Latest](#) California state government guidance finds that 75% of 230,000 state employees can work from home...
... but devolves decisions to departments

Transfers and Stimulus Payments

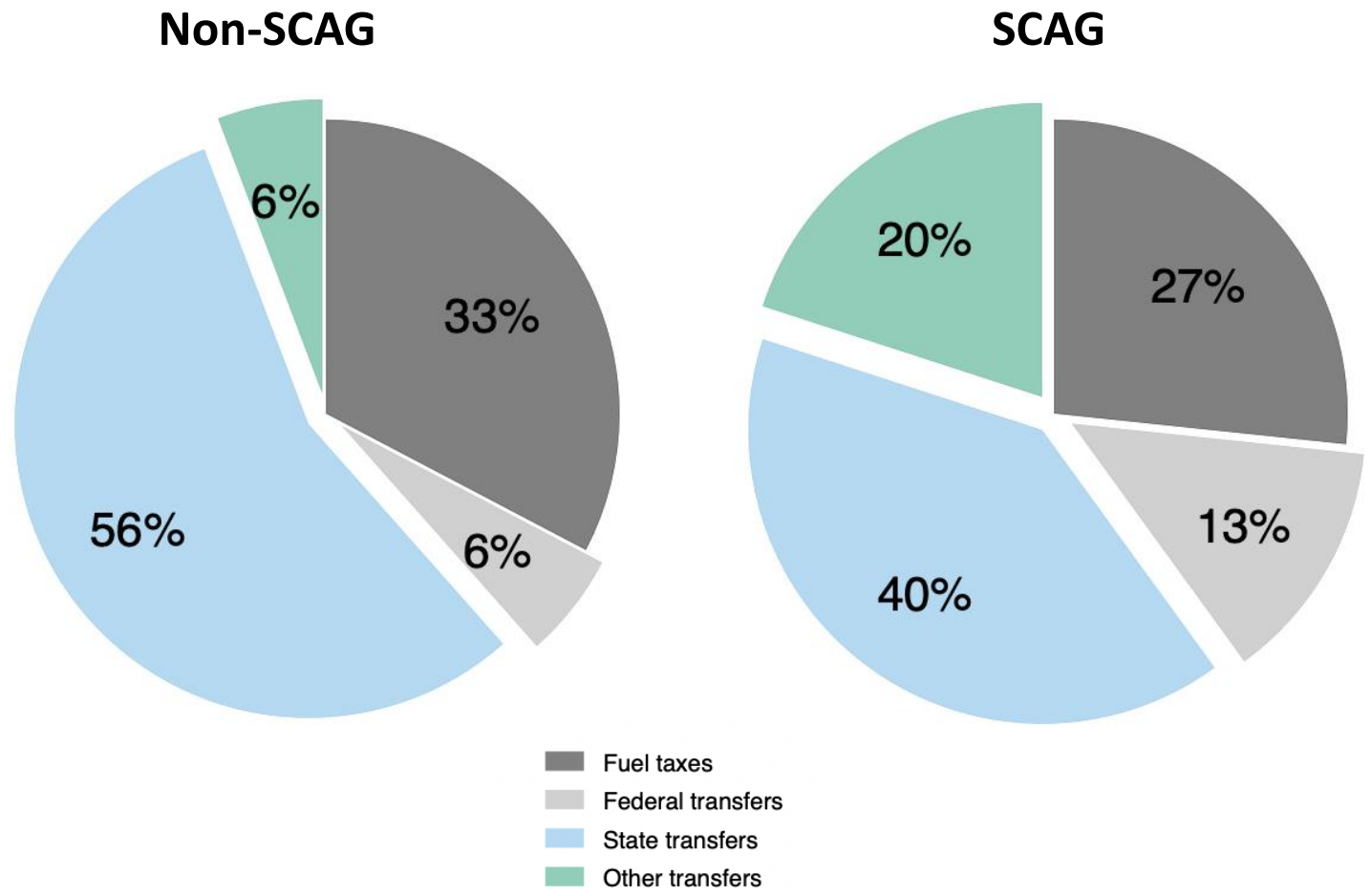
Which intergovernmental transfers have been most affected by the current economic downturn?



- Fuel taxes
- Federal transfers
- State transfers
- Other transfers

Total Responses: Oct – Dec: 30, Apr – May: 67

Which intergovernmental transfers have been most affected by the current economic downturn? [SCAG and Non-SCAG Agencies]



Total Responses: Non-SCAG: 52, SCAG: 15

Do you think **COVID-19 stimulus payments** or other transfers will close the revenue shortfall that your agency is expecting during the COVID-19 crisis?

	Stimulus will help	Stimulus will not help	Not sure	Not expecting a budget shortfall
Oct–Dec 2020	15%	54%	24%	7%
Apr-May 2021	69%	9%	6%	16%

Total Responses: Oct – Dec 2020: 39 , Apr – May 2021: 165

Do you think **COVID-19 stimulus payments** or other transfers will close the revenue shortfall that your agency is expecting during the COVID-19 crisis?

Apr-May 2021	Stimulus will help	Stimulus will not help	Not sure	Not expecting a budget shortfall
Non-SCAG	68%	9%	7%	16%
SCAG	78%	6%	0%	16%

Total Responses: Non-SCAG: 127, SCAG: 38

Stimulus payments useful, but burdensome

“Every agency providing funding has a different set of rules or standards on how to document and receive reimbursement.” - Municipality

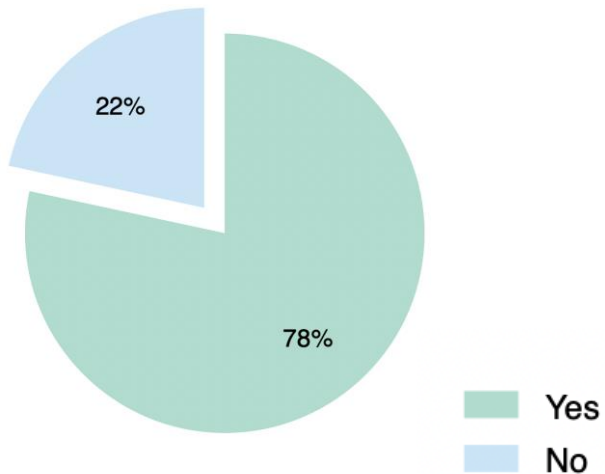
“The accounting, reporting, and spending restrictions are a lot to manage.” – School District

*“The one time monies provided during COVID allowed our small district to make major gains in providing access to our entire school. It kept us from reducing staff and taking on loans to cover the deferrals.”
– School District*

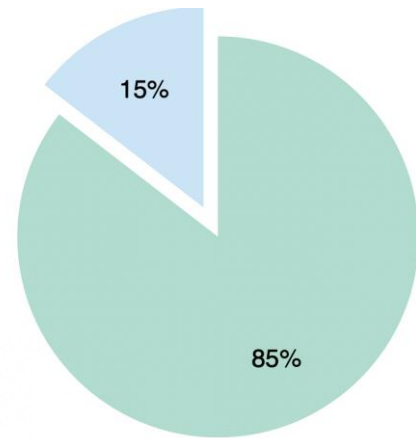
*“The COVID relief funds provided by the federal government have offset the costs of increasing classified staff supports for the 2020-2021 school year. However, there is no projected relief funds for next year which will decrease the district's ability to maintain current staffing levels and, therefore, staff layoffs will occur for the 2021-2022 school year.”
– School District*

Does your agency have a **reserve fund policy** to used in times of economic downturn or severe fiscal stress?

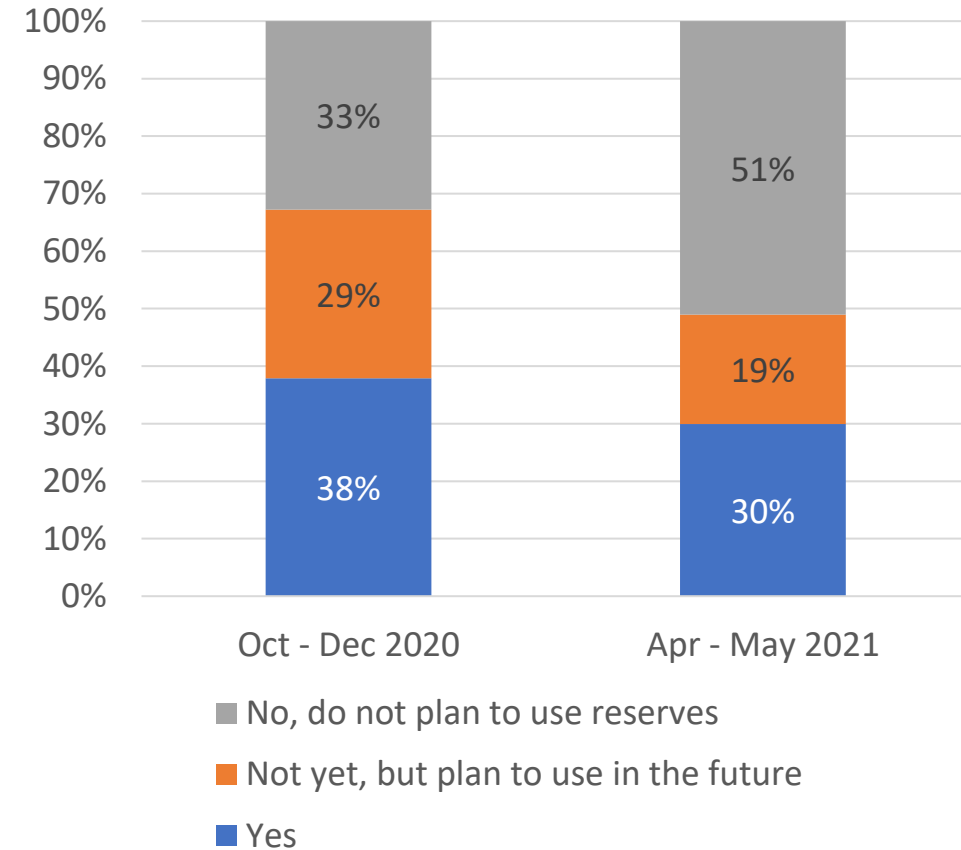
Oct – Dec 2020
Total Responses: 74



Apr – May 2021
Total Responses: 172

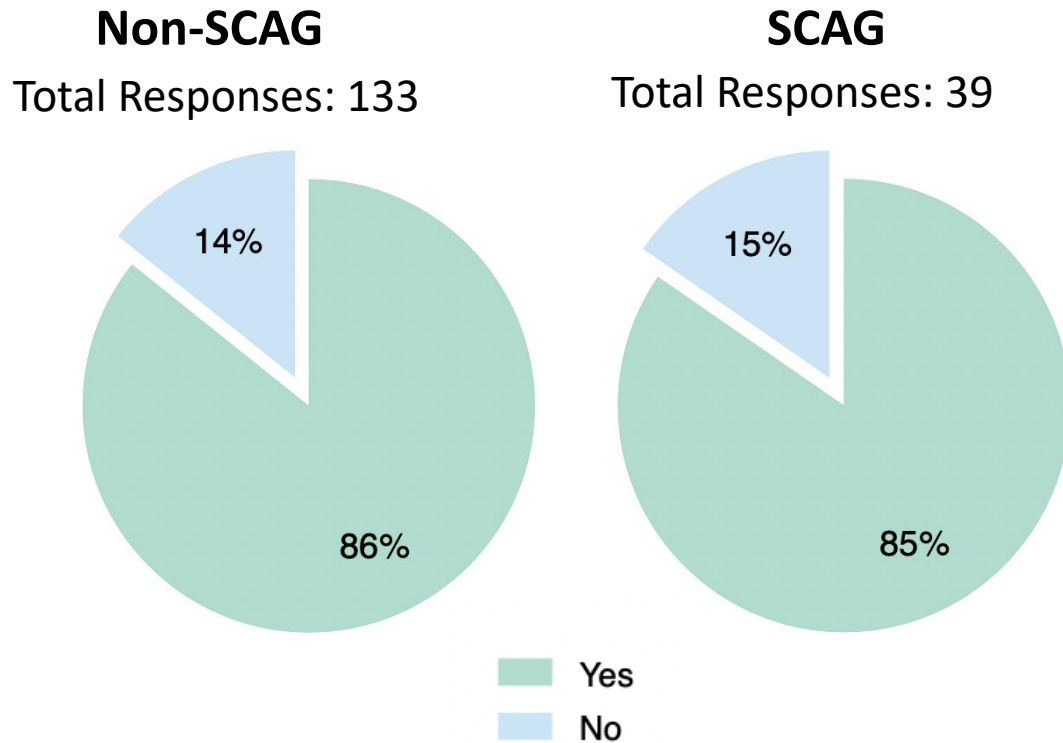


Since March 2020, did your agency **need to use funds from your fund reserves** to meet expenditure needs?



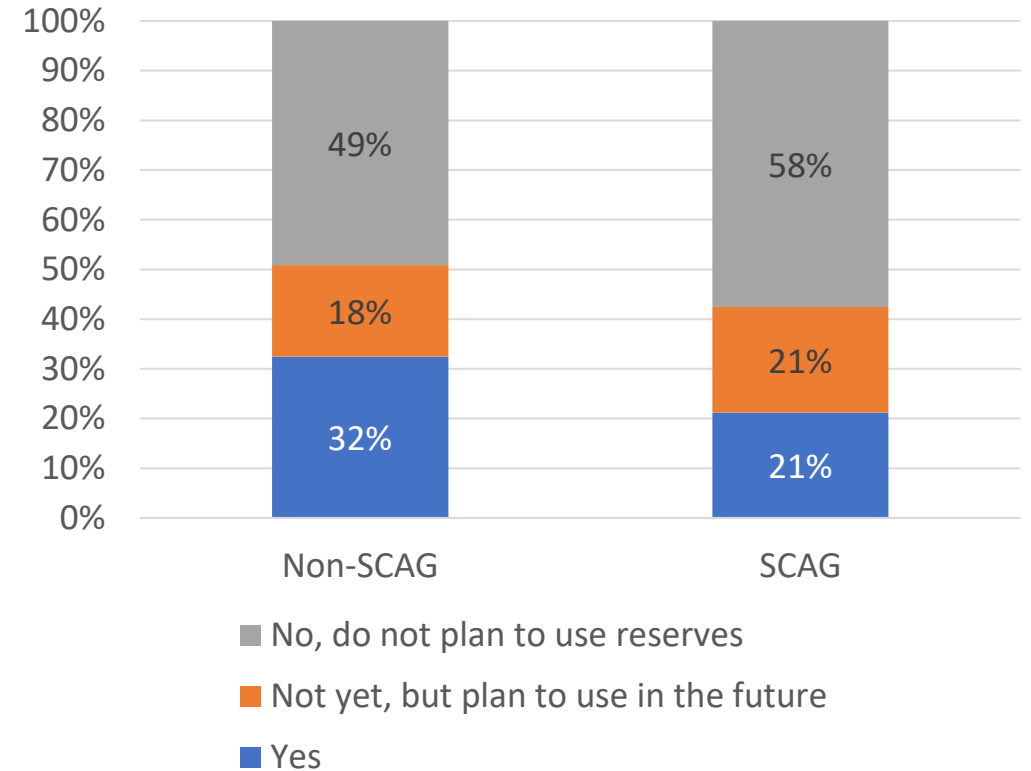
Total Responses:
Oct – Dec 2020: 58, Apr – May 2021: 147

Does your agency have a **reserve fund policy** to used in times of economic downturn or severe fiscal stress?



Apr – May 2021

Since March 2020, did your agency **need to use funds from your fund reserves** to meet expenditure needs?



Total Responses: Non-SCAG: 114, SCAG: 33

Summary of Results

- Much of the uncertainty prevalent in the first 6 months of the pandemic was replaced with greater confidence in the fiscal position of agencies.
- Still, a notable share of agencies struggled to balance their budget.
- Most agencies made cuts to personnel and services that may be difficult to recover and used reserves that will need to be replenished.
- The legislation of a Federal stimulus that included explicit provisions for local government boosted confidence in ability to balance budgets.

Discussion

- General Q & A (10 minutes)
- Structured discussion (20 minutes)

Discussion – Budget balancing

- Local government agencies are required to balance their budget.
- The results showed that agencies used many strategies to achieve this goal.
- Given the diversity of strategies, what does it mean to balance a budget?
 - What costs accumulate to make balancing more difficult in the future?
 - Did reserves work as intended? Were they available for the most pressing needs?
 - Are there issues of fiscal literacy for non-finance managers working in local government?

Discussion – Balancing strategies

- As Covid-19 retreats, the focus of local government is shifting to recovery and planning for the future.
- The most frequent strategies agencies used were:
 - Service elimination, reduction or restructuring
 - Defer capital projects or maintenance expenditure
 - Reduce, lay off or furlough staff
 - But not much on the revenue side
- Will the strong financial position of many agencies allow them to return to normal operation *and* make up for lost time?
- For those that fell behind, will transfers be enough to close the gap and enable recovery of services?

Discussion – Looking to the future

- While some of these strategies were implemented to cut cost, some of them may have longer term benefits to employees and agencies (e.g., option to work from home).
- How likely are these changes to persist? Has the pandemic been an opportunity to restructure beyond emergency response?
- What are the potential costs of such restructuring (e.g., permanent loss of staff)?

Thank you for participating!

Contact us with any questions or comments:

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Andre Comandon: comandon@usc.edu

Thank you to other members of the project team involved in the survey: Marlon Boarnet, Manita Rao, Bonnie Wang, Greg Randolph, Bernadette Davis, Brandon Louie, Sarina Rodriguez, Jada Ho, Emilio Pardi, Ina Morton, and Ellie McKinney

Find out more about the [survey](#) and [project](#)