



July 13, 2020

The Honorable Mike McGuire  
Chair, Senate Governance and Finance Committee  
State Capitol, Room 408  
Sacramento, CA 95814

**Re: AB 398 (Chu) – COVID-19 Local Government and School Recovery and Relief Act (Support)**

Dear Chair McGuire:

The City of Santa Clara is pleased to support AB 398 (Chu), which will provide needed financial relief to counties, cities and schools in the wake of the COVID-19 pandemic. To raise revenue, this bill will impose a tax on large businesses in California, at the rate of \$275 per employee. The California Department of Tax and Fee Administration will administer and deposit all tax revenues into the COVID-19 Local Government and School Recovery and Relief Act Fund, and funds will be distributed to counties, cities and schools based on the proportion of employees of large businesses in the area.

The COVID-19 pandemic has had a widespread impact around the world. Hundreds of thousands have lost their lives and many are financially struggling due to this pandemic. In May of 2020, over 4 million people had filed for unemployment over the course of seven weeks. COVID-19 and the resulting stay at home orders have led us into what is being called the COVID-19 recession. As Californians are struggling, the recession is reducing revenues available to government to provide the services people need. According to analysis by the League of California Cities, California cities are projecting a nearly \$7 billion general revenue shortfall over the next two fiscal years. California is facing a \$54.3 million deficit due to COVID-19, which is the state's worst budget gap since the Great Recession. The Department of Finance projected a potential \$19 billion hit to funding for public schools from the January projection due to loss in tax revenue.

As a result of the necessary stay-home measures that the State of California, Santa Clara County and City of Santa Clara have undertaken to mitigate the spread of COVID-19, the City has and will continue to experience an extreme loss of revenue from hotel taxes, sales taxes, property taxes, charges for City services, and the temporary closing of Levi's Stadium and Santa Clara Convention Center. Additionally, the City has expanded our Silicon Valley Power's rate assistance program to include residents who are financially impacted by COVID-19, and launched a Small Business Assistance Grant Program, a supplemental food program for our vulnerable and low-income residents, and most recently, an Emergency Rental Assistance Program for low-income households, to assist our community during the pandemic. As result of the loss of revenue and our various COVID-19 community programs, the City anticipates a shortfall of \$10 million for this fiscal year, and an additional \$22.7 million for FY 2020/21 based on current projections that economic activity will return to a reduced level as the State and County's shelter-in-place orders are eased.

As the recession hits school and government funding, the Legislature needs creative revenue streams to ensure schools have the resources they need to provide students with a quality education and governments funding for services. We must invest in our community services in order to ensure this recession does not further exacerbate inequities and communities have the resources they need to address those inequities.

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For these reasons, the City of Santa Clara is pleased to support AB 398. For more information about the City of Santa Clara's support of AB 398, please contact Christine Jung, Senior Management Analyst, at [CJung@SantaClaraCA.gov](mailto:CJung@SantaClaraCA.gov).

Sincerely,

Lisa M. Gillmor  
Mayor  
City of Santa Clara

CC: The Honorable Kansen Chu