

February 18, 2026

League of California Cities (CalCities)

Board of Directors

1400 K Street, Suite 400

Sacramento, CA 95814

Subject: Opposition to the Revenue and Taxation Policy Committee Recommendation Regarding Bradley-Burns E-Commerce Revenue Allocation

Dear President Quinto, Executive Director Coleman, and Members of the Board:

On behalf of the undersigned cities, we respectfully submit this correspondence in advance of the February 19–20, 2026, meeting of the League of California Cities Board of Directors regarding the Revenue and Taxation Policy Committee’s recommendation to amend Cal Cities’ policy position on the allocation of Bradley-Burns local sales and use tax revenues derived from e-commerce transactions.

After careful review, we urge the Board to decline adoption of the Committee’s recommendation.

The recommendation would fundamentally restructure the allocation methodology for Bradley-Burns revenues generated from e-commerce activity by mandating redistribution between origin and destination jurisdictions, subject to flexibility bands, volatility adjustments, phased implementation, and the reallocation of county pool use tax revenues. Although framed as an equity measure, the proposal represents a material alteration of a long-standing statutory framework upon which cities have relied for decades in making land use, infrastructure, public safety, and fiscal planning decisions.

Cities that host logistics facilities, fulfillment centers, freight corridors, and distribution hubs have undertaken substantial and ongoing public investment in transportation infrastructure, roadway maintenance, traffic mitigation, environmental compliance, public safety deployment, and code enforcement. These obligations are measurable, recurring, and geographically concentrated. Bradley-Burns revenues associated with this activity serve as the principal general fund mechanism to offset the localized impacts generated by such uses.

The proposed redistribution would shift revenue away from the jurisdictions that physically accommodate and regulate this activity while leaving intact the operational, environmental, and infrastructure burdens imposed upon them. This is not an incremental policy refinement; it is a structural reallocation of locally generated revenues that would create identifiable fiscal winners and losers among member cities.

The California Department of Tax and Fee Administration has further indicated that any allocation methodology must be applied uniformly to existing and future agreements and that current reporting systems do not distinguish between e-commerce and in-store transactions. These administrative and technical constraints raise substantial questions regarding feasibility, implementation accuracy, and unintended fiscal distortion. In addition, modification of the distribution formula implicates Section 25.5 of Article XIII of the California Constitution, which restricts legislative authority to alter the method of distributing Bradley-Burns revenues absent voter approval. The constitutional dimension of the recommendation warrants heightened scrutiny and caution.

For several undersigned cities, projected impacts reflect significant multi-million-dollar annual revenue reductions and double-digit percentage decreases in general fund sales tax receipts attributable solely to e-commerce reallocation. Such losses would directly impair the ability to maintain service levels, preserve infrastructure, and meet long-standing fiscal obligations. Responsible municipal governance requires stable and predictable revenue structures. Retroactive alteration of the framework upon which cities relied undermines that stability.

The League of California Cities has consistently advanced principles of local control, fiscal sustainability, and municipal unity. A policy that redistributes locally generated revenues from one city to another, or shifts revenues between levels of local government, departs from those principles and risks positioning member cities in opposition to one another. The League's strength derives from collective advocacy on behalf of all cities, not intra-municipal revenue realignment.

We respectfully recognize the fiduciary obligations of the Board under Article VII, Section 13 of the League's bylaws, which require Directors to act in good faith, in the best interests of the League, and with the care an ordinarily prudent person would exercise under similar circumstances. Adoption of a recommendation that produces disproportionate fiscal harm to a defined subset of member cities, introduces significant legal and administrative uncertainty, and undermines long-standing municipal fiscal planning warrants careful consideration under that standard.

For the foregoing reasons, we respectfully request that the Board decline adoption of the Revenue and Taxation Policy Committee's recommendation.

Preserving local control requires adherence to the statutory framework under which cities planned, invested, and assumed long-term service obligations. Stability in municipal finance is foundational to good governance. We urge the Board to act in a manner that upholds that principle and maintains the unity and institutional integrity of the League.

Signature Page To Follow

Respectfully submitted,

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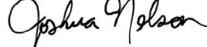
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