Policy Matters Ohio

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COVID-19

Ohio after COVID-19: Looking to the future, learning from history

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Policy Matters Ohio

Introduction

During difficult times, people come together through government action to tackle big challenges. President Franklin Roosevelt's New Deal put Americans back to work, supported home ownership and improved national infrastructure. During the Great Recession of 2008, the federal government supported state and local governments and helped save the American auto industry and the thousands of jobs that go with it. These initiatives were not without problems. The Federal Housing Authority promoted racial covenants and other instruments of segregation during the Depression through underwriting standards discouraging home loans in white neighborhoods.[1] Other New Deal programs promoted racially discriminatory practices in employment and economic security measures, including Social Security.[2] Policy responses to the recession of 2008 bailed out banks and financial institutions that had been bad actors, and the federal stimulus package for the states didn't last long enough to foster a strong recovery in many places.[3] These important government responses to national economic crisis pulled us through but left far too many out of the recovery. Today, as Ohio and the nation take on a pandemic and ensuing recession, our state and federal leaders can learn from the past and make sure all Ohioans, no matter where they live or what their race, have what they need to keep food on the table, a roof over their head and medical care if get sick. Policymakers can build a strong foundation now so when the crisis passes and recovery begins, everyone will benefit and no one will be left behind.

A dozen years ago, abusive lending practices by banks and other financial institutions led to mass foreclosures; securitization of these high-risk residential mortgages blew up the financial system and caused the recession of 2008. Today, the federal government's flatfooted response to a global pandemic allowed COVID-19 to spread like wildfire in many places: As of May 13, 2020, it has killed more than 80,000 Americans and over 1,400 Ohioans. To combat the disease, Ohio, like most states, asked people to shelter-in-place at home; by the end of March, about 29% of the national economy was in lock-down.[4]

Government response will determine how painful the health crisis and the accompanying recession will be. During the recession of 2008, lawmakers targeted investment of state and federal resources to limit the damage, but federal lawmakers failed to provide enough support to people and communities, ending the aid too soon. State lawmakers slashed taxes and services before the state unemployment

[1] Rothstein, Richard, "The Color of Law," Liveright Publishing, 2017. The segregation baked into American's housing practices perpetrates harm today; see Camille Busette, "A new deal for poor African American and Native American boys," Brookings, Marcy 14, 2018 at https://brook.gs/3cwumEg

[2] The National Recovery Act, for example, not only offered whites the first crack at jobs, but authorized separate and lower pay scales for Black people. The Federal Housing Authority (FHA) refused to guarantee mortgages for Black people who tried to buy in white neighborhoods. The Social Security Act excluded those job categories traditionally filled by Black working people. See "Digital History" at https://bit.ly/2Z01cJO

[3] "Rural America at a Glance: 2016 edition," United States Department of Agriculture at https://bit.ly/2Z0YNi6

[4] Mitchell, Josh, "State Shutdowns Have Taken at Least a Quarter of U.S. Economy Offline," Wall Street Journal, April 5, 2020 at https://on.wsj.com/2VAM7ws

rate dropped to pre-recession levels. They focused on tax cuts and subsidies that benefitted the wealthy and big corporations. The recovery in Ohio was slow and weak.[5] As of the most recent census data (2018), median income in Ohio is lower than it was in 2008, adjusted for inflation, and 114,000 more Ohioans live in poverty.[6] Ohio's employment base expanded by only 4.2% between 2008 and 2018, compared to a national expansion of 10%.[7] The brightest part of Ohio's post-recession recovery was the expansion of Medicaid, which brought billions of federal dollars into the state and supports 54,000 jobs across all counties and communities in Ohio.[8]

The virus will be with us until there is a vaccine, which experts say will take 12 to 18 months.[9] Ohio will need to use all the policy tools available to see the state and its people through this crisis. Lawmakers must use the Budget Stabilization Fund ("rainy day fund") to balance the budget now: It's raining now like never before. They must accept and fully use all federal funds, and push for more, as budget deficits will likely be larger than the rainy day fund.[10] They must marshal unconventional sources of funds. They must take a balanced approach to state finances, balancing strategic cuts with a rollback of deep tax cuts for wealthy Ohioans.[11]

Ohioans' hard work to contain COVID-19 and save lives will be in vain if lawmakers cut critical services before a vaccine is developed and the recession subsides. The Congressional Budget Office projects a national unemployment rate of 15% on average over the next six months, subsiding to 9.5% by the end of 2021.[12] By contrast, before the pandemic hit, in February, the nation's unemployment rate was 3.5%. The Ohio Legislative Service Commission's Budget Footnotes for March 2020 forecast an unemployment rate of 8.8% in Ohio in 2021 as well as a decline in state Gross Domestic Product of 1.5% (adjusted for inflation) and a decline in wage and salary income of 2.2%.[13] Ohio's policymakers must maintain economic security programs like food aid, cash assistance and unemployment benefits; protection from eviction, foreclosure and utility shutoffs, and other measures to help struggling Ohio families, for as long as the health crisis and recession last. The policy choices made today will determine whether the crisis brings people together or deepens social and economic divides.

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[5] Oplinger, Doug, "Recession still lingers in much of Ohio," Newark Advocate, September 13, 2018 at https://bit.ly/3dFML1S
[6] Halbert, Hannah, "New Census data: Incomes inch up, poverty unchanged, race gaps and uninsured rates grow in Ohio," Policy Matters Ohio, September 26, 2020 at https://bit.ly/3dHeMpD
[7] Economic Policy Institute analysis of Current Employment Statistics survey data.
[8] Patton, Wendy and Woodrum, Amanda, "Medicaid supports Ohio jobs," Policy Matters Ohio, November 26, 2018 at https://bit.ly/2yaViuv; see also Sopko, Kate, "Ohio's Growing Health Care Sector," May 2017 at https://bit.ly/2ShyeAZ
[9] Berger, Beth and Filby, Max, "Ohio institutions among those working hard to create vaccine and treatment for the coronavirus," Columbus Dispatch, April 23, 2020 at https://bit.ly/2Wabt3e
[10] "Government Finance Outlook Grim Amid Shutdown," Gongwer-Ohio Newsletter, April 22, 2020 (behind paywall).
[11] Schiller, Zach and Patton, Wendy, "Overhaul: A plan to rebalance the State's Income Tax," Policy Matters Ohio, June 25, 2018 at https://bit.ly/2W5uG6a
[12] The Congressional Budget Office projects unemployment rates of over 10% - rising to 16% - in 2020 and 2021. See Leachman, Michael, "New CBO Projections Suggest Even Bigger State Shortfalls," Center on Budget and Policy Priorities, April 29, 2020 at https://bit.ly/2VKPz7E
[13] Legislative Service Commission, "Budget Footnotes," April 2020 at https://bit.ly/35kRuDc

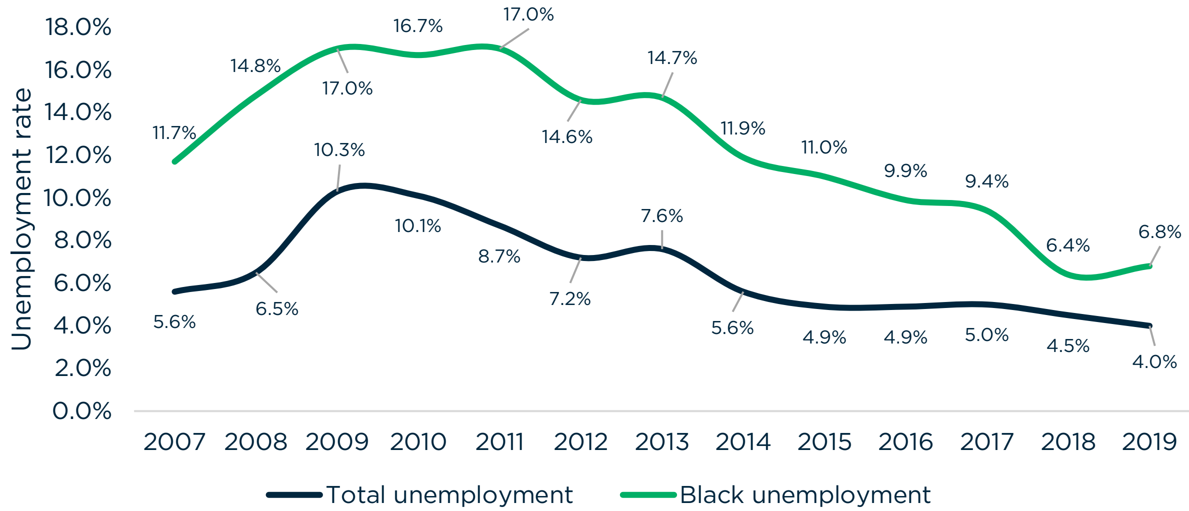
Approaches to recovery

During the 2008-09 recession Ohio unemployment soared to the second highest level in 40 years, but even before that, the Ohio economy had been losing steam. Between 2000 and 2007 Ohio manufacturing companies cut 250,000 Ohio jobs.[14] Ohio lawmakers responded in 2002 with a bond-financed economic development program, the "Third Frontier," to invest in high tech industries and diversify Ohio's job base,[15] and again in 2005 with a sweeping set of corporate and income tax cuts. But employers kept cutting Ohio manufacturing jobs.[16] Then financial markets crashed, and the recession of 2008 took an even greater toll on working Ohioans.

The recession hit working Ohio families hard, particularly in Black communities. Total unemployment before the recession was 5.6%, which rose to 10.3% in 2009 at the height of the recession in Ohio. For Black Ohioans, who face discrimination in employment and have been left out of policies that created opportunity – like the GI Bill following World War II - unemployment was already at 11.7% going into the recession. It rose to 17% in 2009 (Figure 1).[17]

Figure 1: A slow recovery

Unemployment following the recession of 2008 did not fall to pre-recession levels until 2014.



Source: Policy Matters Ohio based on Economic Policy Institute analysis of Current Employment Statistics survey data.

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[14] American Community Survey accessed through the Economic Policy Institute database.

[15] Breckenridge, Tom, "As May 4 election nears, debate over Ohio's Third Frontier program heats up," Plain Dealer, Updated January 12, 2019 at https://bit.ly/2VMk64Z

[16] Between 1999 and 2009, Dayton, Sandusky, Springfield and Steubenville lost half their manufacturing jobs and other Ohio cities were not far behind in loss of what had been living wage jobs. Patton, Wendy, "Back To Work: The Case For Public Job Creation In Ohio," Policy Matters Ohio, March 2011 at https://bit.ly/2KEg2gO

[17] Blackmore, Erin, "How the GI Bill's promise was denied to a million Black WWII veterans," History.com September 30, 2019 at https://bit.ly/2T31U5j; See also Rogers, William III, "Race in the Labor Market: The Role of Equal Employment Opportunity and Other Policies," Russell Sage Foundation Journal of the Social Sciences, December 2019 at https://bit.ly/2YXmmlv
Perry, Andre, "Black Workers are being left behind by full employment," Brookings, July 26, 2019 at https://www.brookings.edu/blog/the-avenue/2019/06/26/black-workers-are-being-left-behind-by-full-employment/

After budget cuts of $1.3 billion in 2008 and facing the 2010-11 budget negotiations with a forecasted shortfall of billions,[18] the Strickland administration marshaled all available resources to balance the budget. In June of 2009 the General Assembly authorized the governor to use the $1 billion rainy day fund. Congress stepped in with the American Recovery and Reinvestment Act (ARRA),[19] which boosted governmental revenues in Ohio's operating budget by $3.1 billion in fiscal year 2009. ARRA funds accounted for $2.4 billion in the budget for 2010-11, including $1.46 billion for elementary and secondary education, $628 million in Federal Medical Assistance Payments (FMAP) and $326 million for other purposes.[20]

State lawmakers maintained investment with a bipartisan $1.5 billion program passed in 2008 to create jobs and provide job training that included public works, a higher-education workforce program, advanced and renewable energy technologies, and historic preservation tax credits. The state renewed the bond-financed, $400 million Clean Ohio fund for conservation projects and brownfield revitalization. Lawmakers used unconventional resources, including revenues from the tobacco settlement.[21] But they also continued the previously-scheduled program of annual tax cuts, undercutting their efforts to shore up state resources, suspending only the last one in 2009.[22]

By 2009, the Strickland administration implemented a set of economic security policies to support struggling families. Agency officials expanded Medicaid eligibility for pregnant women, children in foster care and disabled workers.[23] Policymakers expanded eligibility for child care assistance.[24] The Ohio Department of Job and Family Services provided an enhanced payment through the Ohio Works First cash assistance program to struggling families. The state and counties eased work requirements in those programs so people in jobless areas could continue to get food and cash assistance.[25]

By the end of 2010, employers stopped cutting jobs, people were going back to work and unemployment was beginning to come down.[26]

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[18] Marshall, Aaron, "Gov. Ted Strickland tackles large Ohio budget gap," The Plain Dealer, Updated Mar 28, 2019; Posted Dec 02, 2008 https://bit.ly/2WaPc5a

[19] Economists Alan Binder and Mark Zandi estimate that due to the fiscal and financial responses of policymakers (the latter of which includes the Federal Reserve), real GDP was 16.3% higher in 2011 than it would have been. Unemployment was almost seven percentage points lower that year than it would have been, with about 10 million more jobs. See Binder, Alan S. and Mark Zandi, "The Financial Crisis: Lessons for the Next One," Center on Budget and Policy Priorities, October 15, 2015 at https://bit.ly/2yp8lbP

[20] Comprehensive Annual Financial Reports for 2009 and 2010 at Ohio Office of Budget and Management at https://bit.ly/2zENVvL

[21] Then-House Speaker Jon Husted, R-Kettering, said: "With this plan we invest in Ohioans, elevate their skills to qualify them for higher-paying jobs and help Ohio employers find the talent they need to compete globally." See "State Liquidates Tobacco Fund for Jobs Plan, Dayton Business Journal, April 9, 2008 at https://bit.ly/3b3Yci7 .

[22] On December 22, 2009, Governor Strickland signed a bill that filled an $851 million budget shortfall by delaying the 4.2% income tax cut scheduled by a previous General Assembly in better times. "This bill balances the education budget and protects our schools from devastating cuts," Strickland said. See "Strickland signs new state budget; tax cut delayed," Columbus Dispatch, December 22, 2009 at https://bit.ly/2Ws4J0C

[23] Interview with John Corlett, former director of the Ohio Department of Medicaid, 2007-2010, April 24, 2020.

[24] "Bills for Ohio stimulus package hit House, Senate floors," Cincinnati Business Courier, May 13, 2008 at https://bit.ly/3dr1duz

[25] Interview with Beth Kowalczyk, former official in the Ohio Department of Job and Family Services, April 21, 2020.

[26] Ohio's employment base grew by 61,000 jobs in 2010. Economic Policy Institute analysis of Current Employment Statistics survey data.

Support cut short

Ohio's overall unemployment rate declined slowly in the decade following the recession of 2008. Federal lawmakers ended ARRA funding before recovery was complete.[27] The aftermath offers a lesson on the problems that can result from not tying relief measures to real life conditions and allowing them to expire too soon.

Although unemployment remained high in the years immediately following the recession, Congress did not keep relief measures in place. That slowed the recovery and increased hardship.[28] One of the most important lessons from the Great Recession is that the federal government must be prepared to do more and the loss of public sector jobs and the services provided by those workers can be a drag on the recovery.[29] While the Great Recession measures were substantial and prevented an even more severe recession, there just wasn't enough to promote a robust recovery, and they ended too soon.[30]

Ohio's lawmakers cut taxes and cut the budget repeatedly throughout the recession of 2008, but federal stimulus dollars buoyed public spending and cushioned the economy. The Kasich administration, which took over in 2011, opted not to restore state tax revenues to maintain services as the economy struggled. In the budget of 2012-13, Ohio's lawmakers made deep cuts in education, human services, revenue sharing with local governments, and tax reimbursements for local human service levies. They returned to a tax-cutting strategy with elimination of the estate tax, cuts to the income tax that benefitted the wealthiest 1% and tax breaks for corporations.[31]

For the most part, Gov. Kasich responded to the Great Recession with austerity[32] policies and tax cuts and breaks for corporations. That, combined with the loss of federal stimulus aid, contributed to a slow recovery, despite a focus on job creation.[33]

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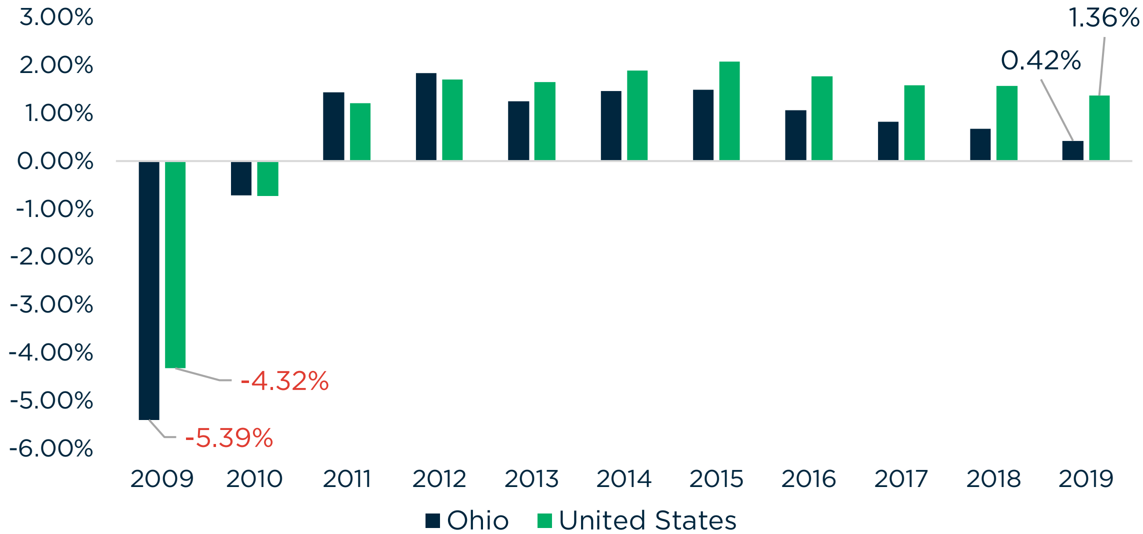
[27] Ohio's unemployment rate was 5.6% in 2007, the year before the recession started; it did not come back down to that level until 2014. Source: Economic Policy Institute analysis of Current Population Survey microdata from the U.S. Census Bureau.
[28] Stone, Chad and Parrot, Sharron, "Labor Market Conditions Should Determine Duration, Size of COVID-19 Relief Measures," Center on Budget and Policy Priorities, April 13, 2020 at https://bit.ly/3aN6FGh
[29] In 2011, an input-output analysis of the Kasich administration's proposed $1.8 billion cut to K-12 education projected a total loss of more than 47,000 jobs. See Patton, Wendy, "Economic Impact of Kasich Budget Cuts to Education: An Input-Output Analysis," Policy Matters Ohio, April 8, 2011 at https://bit.ly/2LoJ6JB
[30] Stone, Chad, "Fiscal Stimulus Needed to Fight Recessions: Lessons From the Great Recession," Center on Budget and Policy Priorities, April 16, 2020 at https://bit.ly/3bYqIDa; see also Binder and Zandi, Op.Cit.
[31] Patton, Wendy, "We Deserve a Better Business Plan: An Assessment of Ohio's New Biennial Budget," Policy Matters Ohio, August 1, 2011 at https://bit.ly/2yWs9TF; documents net tax cuts of $1.2 billion in Ohio's 2012-13 budget bill; $1.9 billion in net tax cuts are recorded in Patton, Wendy, "Overview of Ohio's 2014-15 budget," Policy Matters Ohio, October 3, 2013 at https://bit.ly/3cZtCHU. Patton, Wendy, Ohio Budget Basics, Policy Matters Ohio, December 2016 at https://bit.ly/2yBR7HX
[32] In economics, austerity refers to theories that concern about public debt outweighs need for fiscal stimulus to support businesses of all sizes, communities, workers, families and individuals: in other words, the private economy.
[33] Hanauer, Amy, "Ohio's economy no longer fully recovers after recessions," Economic Policy Institute, Working Economics Blog, May 23, 2020 at https://bit.ly/3fKz8jB

Figure 2: Ohio's economy slowed relative to national growth since recession

Weakening job growth hurt workers & families across the state



Source: Policy Matters Ohio, based on Economic Policy Institute analysis of data from U.S. Bureau of Labor Statistics, Current Employment Statistics (https://swx.epi.org/)

Lawmakers expanded road work and construction jobs by selling bonds based on future turnpike revenues. They leased the state's liquor profits revenue stream to JobsOhio, a private non-profit economic development entity that now provides subsidies and negotiates tax breaks for corporations. The value of the revenue stream to JobsOhio grew from $150 million a year at the time of sale to $350 million a year now.[34]

The Kasich administration reduced economic security programs like the Supplemental Nutrition Assistance Program (SNAP food aid) too quickly after the recession. Gov. Kasich cut funding for human services as well. Lawmakers imposed deep cuts in revenue sharing and tax reimbursements to local governments and health and human service levies. Ohio's local governments fund the biggest share of important public services like public health and children's services; deep cuts in local government aid hurt the delivery of these essential services.[35]

While the rest of the state was slow to recover, Ohio's health care industry thrived, thanks in part to the Kasich administration's major departure from austerity and tax cuts. By expanding Medicaid to adults with very low incomes in 2014, Gov. Kasich took a critical step in improving Ohioans' well-being. The Medicaid expansion brought billions of federal dollars into the state and supports 54,000 jobs across all counties and communities in Ohio.[36]

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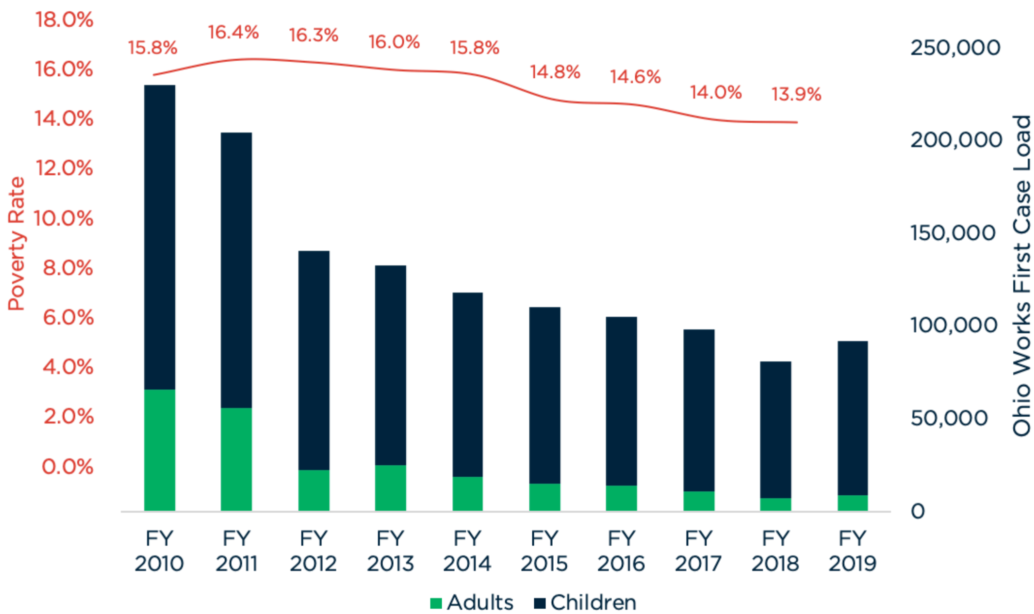
[34] JobsOhio Financial Statement for 2020.
[35] Patton, Wendy, "Intensifying Impact: State Budget Cuts Deepen Pain for Ohio Communities," Policy Matters Ohio, November 13, 2012 at https://bit.ly/3bS0W3q
[36] Patton, Wendy and Woodrum, Amanda, "Medicaid supports Ohio jobs," Policy Matters Ohio, November 26, 2018 at https://bit.ly/2yaViuv; see also Sopko, Kate, "Ohio's Growing Health Care Sector," May 2017 at https://bit.ly/2ShyeAZ

Yet a thriving health care industry was not enough to lift many Ohio cities and regions out of recessionary conditions that in some cases lasted until 2018.[37] Ohio policymakers cut economic security measures before statewide recovery. Poverty rates remained high in the state and very high in some places.[38] For example, unemployment ticked up again in 2013,[39] but caseload in the Ohio Works First cash assistance program plummeted even as poverty rates remained very high (Figure 3).

Figure 3: Cash assistance slashed before recession ended

Caseload in Ohio Works First cash assistance program fell as poverty remained high after the recession



Source: Policy Matters Ohio, based on Ohio Department of Job and Family Services Public Assistance Monthly Statistics and Ohio Development Services Agency Poverty Report for 2020.

Many families who needed help in the weakest local economies faced insurmountable barriers to getting cash assistance because of federally-mandated reporting requirements. Administrators sanctioned and dropped from the program thousands of parents because they could not report the hours of work required to maintain eligibility. The state held individual counties responsible for meeting the federal work requirements. In counties where there were no jobs, cash assistance aid dropped sharply.[40]

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[37] In 2018 USA Today highlighted 28 cities in which the recession never ended (unemployment never subsided to pre-recession levels); 9 of those cities—about a third—were in Ohio. This was the highest share of any single state. See Souter, Michael, "10 years later, these 28 U.S. cities never recovered from the Great Recession," USA Today, October 12, 2018 https://bit.ly/3552MLn See Also Ferenchek, Mark and Williams, Mark, "The great divide: Many Ohio towns left behind despite strengthening economy," Columbus Dispatch, December 17, 2018 at https://bit.ly/2S2R12S

[38] Unemployment and poverty rates by county, 2012-13, Policy Matters Ohio at http://www.policymattersohio.org/wp-content/uploads/2013/11/AppendixA-3.pdf

[39] Ohio's unemployment rate fell to 7.2% in 2012 but rose to 7.6% in 2013, as aid was curtailed, and the effect of deep state budget cuts sank in. Source: Economic Policy Institute analysis of Current Population Survey microdata from the U.S. Census Bureau.

[40] Patton, Wendy, "Shrinking aid for Ohio's poorest families," Policy Matters Ohio, November 2013 at https://bit.ly/2VIvn6h

During the recession, the Strickland administration asked the United States Department of Agriculture (USDA) to waive for the entire state the three-month time limit on food aid through the Supplemental Nutrition Assistance Program (SNAP) because of high unemployment and lack of jobs. In the summer of 2013, with unemployment in Ohio at 7.6% - 26% higher than in the year the recession started - the Kasich administration asked the USDA to reimpose time limits on SNAP in 62 counties. The counties that retained the waiver were mostly rural, Appalachian, and white. The Legal Aid Society of Columbus joined other organizations in filing a civil complaint asserting that the decision discriminated against Ohioans in urban centers, making it more difficult for Black Ohioans and other people of color to access food and nutrition assistance.[41]

In the last year of the Kasich administration just 5% of African American families lived in counties where the time limit had been waived. In 2019 the DeWine administration expanded use of the waiver to 38 eligible Ohio counties; the share of Black families with access to expanded food aid rose to 41%.[42]

Learning from the past

Lawmakers can close budget shortfalls and provide needed services with federal aid, rainy day funds and other state resources. This can help restore job growth, as it did in 2010.[43] Unfortunately, lawmakers curtailed federal and state aid in 2012, before recovery was complete: Ohio's unemployment rate did not drop to its pre-recession level until 2014.[44] The recovery from the recession of 2008 was slow and uneven.[45]

Ohio's state and local tax code is upside-down and weak because of 15 years of income tax cuts. By 2018 the top 1% of Ohio earners had benefitted by over $40,000 a year from the tax cuts since 2005. Middle income households did not benefit at all and the lowest income households paid more than they had in 2005. By 2018, Ohioans with the lowest incomes were paying almost twice the share of their income in state and local taxes as the wealthiest 1%.[46]

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[41] Petrik, Will, "Maximize Federal Support to Feed Ohio," Policy Matters Ohio, August 19, 2019 at https://bit.ly/3b1DLIY
[42] Quote from John Corlett, Executive Director of the Center for Community Solutions in WOSU article, "Ohio Expands SNAP Work Requirement Exemptions, Covering More Black Residents." https://bit.ly/2ZL1SQN, cited in Petrik, Op.Cit., https://bit.ly/3b91W1W
[43] Ohio's employment base grew by 61,000 jobs in 2010.Economic Policy Institute analysis of Current Employment Statistics survey data
[44] Ohio's unemployment rate was 5.6% in 2007 and returned to that rate in 2014. Economic Policy Institute analysis of Current Employment Statistics survey data
[45] Ferenchek and Williams, Op. Cit.
[46] Schiller, Zach and Patton, Wendy, "Overhaul: A plan to rebalance the State's Income Tax," Policy Matters Ohio, June 25, 2018 at https://bit.ly/2W5uG6a

Figure 4: Wealthiest 1% pay $40,000 less in state taxes now

Ohio’s 15 years of income tax cuts have helped the wealthiest

Source: Policy Matters Ohio, based on data provided by the Institute on Taxation and Economic Policy, April 2018. The data cover Ohio residents only, at 2018 income levels.

As a result of tax changes over the years, Ohioans with low incomes paid more in state and local taxes, while affluent Ohioans paid less. Lawmakers claimed this strategy would accelerate the state’s economic performance, but Ohio’s economy did not recover at the same pace as the rest of the nation. Ohio’s employment base expanded by only 4.3% between 2008 and 2018, compared to a national expansion of 9.75%.[47]

[47]Economic Policy Institute analysis of Current Employment Statistics survey data.

Economic Policy Institute analysis of Current Employment

Ohio's median wage remains below that of the nation (Figure 5). Today six of Ohio's 10 most common occupations have such low median wages that a full-time worker in a family of three is eligible for – and needs – SNAP food assistance to put dinner on the table.[48] Yet over time Ohio lawmakers continued with tax policies that benefitted the wealthiest.[49] This contributed to growing inequality. The gap in wages between white and Black workers widened, making a long term trend worse and increasing inequality (Figure 6).

[48] Michael Shields, "Working for less 2020," Policy Matters Ohio, May 1, 2019 at https://bit.ly/2L0eiyw See also Shields, Michael, "Four essential policies to sustain Ohio's working people through the pandemic," Policy Matters Ohio, May 1, 2020 at https://bit.ly/2W2JEuN

[49] Schiller, Zach, "Ohio tax shift away from wealthy: The pattern repeats," Policy Matters Ohio, August 8, 2020 at https://bit.ly/2KYDBB9

Figure 6: Wage gap widening

Growing wage inequality between white and Black workers in Ohio

Source: Policy Matters Ohio, State of Working Ohio 2019.

Figure 1 (on page 3) shows how the recession of 2008 was far more severe in African American communities than in the state as a whole. Unemployment was much higher among Black workers than the average for the state going into this recession. This time, economic shock in communities of color is compounded by a new, devastating factor: In the current crisis, Black Ohioans get sick at higher rates than other groups in Ohio.[50]

African Americans make up 11.5% of Ohio's total workforce and are disproportionately employed as frontline workers. These essential workers in retail, public service (public transit or postal service), child care and social services, warehousing and trucking, health care and building services, have not been able to shelter at home (Figure 7). The high level of COVID-19 hospitalizations among Black Ohioans[51] has drawn attention to how historical discrimination in employment, as well as in housing, health care and other services, has contributed to a higher rate of infection.

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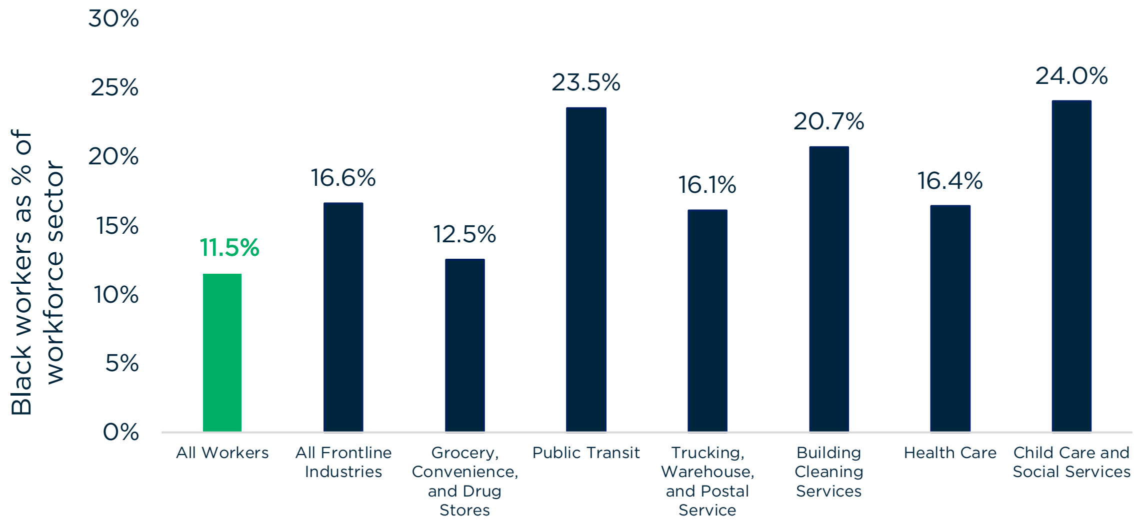
[50] 24% of hospitalizations with COVID-19 are Black Ohioans, although Black Ohioans make up 14.3% of the population. These numbers are imperfect because in a third of cases, ethnicity is unknown. Ohio Department of Health Coronavirus (COVID-19) webpage, key metrics at https://bit.ly/2KFXCvY
[51] According to the COVID-19 website of the Ohio Department of Health, Black Ohioans make up 26% of COVID cases and 17% of deaths. Black Ohioans account for 14.3 percent of the Ohio population.

Figure 7: COVID strikes Black workers

Black workers make up just 11.5% of the total Ohio workforce, but are disproportionately employed in "essential" worker categories



Source: Policy Matters Ohio, based on Center for Economic and Policy Research, based on American Community Survey, 2014-2018 5-Year Estimates.

The COVID-19 virus is highly contagious. People who cannot shelter in place because of their jobs, maintain a safe distance from one another during the ride to work and/or live in crowded homes because of the lack of affordable housing, are disproportionately exposed. If policymakers want to contain the virus, they must target efforts on the most afflicted communities and solve those health problems to protect everyone.

Recommendations

Mark Twain reportedly said: "History doesn't repeat itself, but it often rhymes." The recession upon us today is not exactly like the last recession, but it's similar, and we can learn from history.

Lawmakers can support families with aid like SNAP, TANF, child care assistance and unemployment insurance. Along with Medicaid, these supports pump money quickly and efficiently into local economies and support local businesses, keeping communities going. To rebuild, lawmakers must invest in infrastructure, job corps and other spending that can create and support living wage jobs until the private sector catches up. Experts warn that fiscal policy should not abandon stimulus efforts until it is clear that the private sector has stabilized and the economy is self-sustaining, as evidenced by state-level unemployment rates that have dropped to pre-recession levels. Federal funding is scheduled at this point to end far before the recession ends.[52] State lawmakers must not make the same mistake, and should work with the Ohio delegation to extend federal aid.

While only the federal government has the resources to rebuild the economy at this point in the deepening recession, state lawmakers have a critically important role. They cannot cut their way out of this disaster, especially with the increased needs of Ohioans who have lost jobs, face grave illnesses, cannot pay the rent or mortgage and worry about paying for basic necessities, like food. Instead, they must find ways to address the health crisis, meet the needs of the unemployed, and restore the economy as and until the threat of illness passes.

Use the budget stabilization fund: Lawmakers must fully utilize Ohio's $2.7 billion budget stabilization or "rainy day" fund to close the state's budget gap. Legislators authorized use of the state rainy day fund during the recession of 2008 to maintain support for education and health and human services. They should do the same now.

Push for additional federal aid: State lawmakers must push Congress for additional federal aid. Only the federal government is big enough and has the borrowing power to quickly disperse sufficient funds to keep state and local government providing the services that underpin our lives: police, fire and emergency services; water treatment; judicial systems, as well as health and human services. The Center on Budget and Policy Priorities, the National Governors Association and others are calling on Congress to provide $500 billion to keep state and local governments afloat in this dual crisis.[53] Ohio's lawmakers at all levels of government must lobby the Ohio delegation to support this and make it happen.

Push for sufficient funding for Medicaid: This is a recession caused by a health emergency: People who have lost their jobs also face illness from COVID-19. There's no end to the threat of illness until a vaccine is developed, and unemployment is projected to remain very high through the end of 2021. Additional federal aid is essential for the Medicaid program now and will be over the next 20 months. The federal government increased its share of Medicaid expenditures by 6.2 percentage points for some – not all – categories of Medicaid enrollees through the end of September 2020. Congress must almost double that increase in federal share to a full 12 percentage points for all categories of patients, and they must keep it in place until the health crisis is fully abated. In this case as well, state and local leaders must urge Ohio's Congressional delegation to make it happen.

Don't slash economic security services and local government aid: The governor has already cut $775 million from the 2020 budget, mostly in education at all levels, and in Medicaid. These are critical services lawmakers should be protecting, to allow people to get health care during a pandemic and to maintain school instruction and college access for Ohio's students and children.

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[52] See Stone and Parrott, Op.Cit, and binder and Zandi, Op.Cit.
[53] McNichol, Elizabeth, Leachman, Michael and Marshall, Joshuah, "States Need Significantly More Fiscal Relief to Slow the Emerging Deep Recession," Center on Budget and Policy Priorities, April 14 2020 at https://bit.ly/3eYsaXS; see also "National Governors Association Outlines Need For 'Additional And Immediate' Fiscal Assistance To States," April 11, 2020 at https://bit.ly/2xWTPrH

Maintain expanded social services until full economic recovery reaches all Ohioans: To avoid cutting off needed aid too soon, policymakers at all levels should link measures like expanded jobless and SNAP benefits to a drop in unemployment so the measures don't end prematurely. Federal aid is scheduled to end by the end of 2020 or sooner, although the recession is projected to last far longer.[54]

Rebalance the tax system: Lawmakers must take a strategic approach to public finance, relying on raising revenue instead of draconian spending cuts. They need to strengthen the state tax system and make it more fair. High income professionals are sheltering at home but working. Lawmakers need to reverse tax cuts that have disproportionately benefitted the wealthiest Ohioans to raise funds to support the state in this crisis.

Tap unconventional resources: The Office of Budget and Management will draw on funds across the agencies to close budget shortfalls. Gov. DeWine withheld incentives for a private company as the pandemic surged in case of higher priority needs. Such needs have emerged. State government should look across component units, partners and other unconventional sources for funds to close state and local budget gaps. For example, the hundreds of millions of dollars in the JobsOhio reserve fund could be used to help close budget shortfalls.

Target resources to mitigate distress in communities of color. Lawmakers at all levels must address policies that foster higher rates of illness among Black Ohioans. They must target resources to improve the social determinants of health in communities of color – unsafe housing, lack of healthy food, lack of green space, lack of medical treatment, underfunded public schools and barriers to good employment opportunities.

Use public resources to directly create jobs: The DeWine Administration could create job corps to put Ohioans to work. The Department of Natural Resources ran the Ohio Woodlands Jobs Corps in the last recession, based on the Civilian Conservation Corps of the Depression. Ohio could create jobs for thousands of workers through jobs corps like this. For example, an energy efficiency job corps to make buildings and homes more energy efficient and/or a residential rehabilitation job corps to remove lead from water pipes, homes and buildings.

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[54] Stone and Parrot, Op.Cit.

Summary and conclusion

It is the responsibility of Ohio's lawmakers to ensure sufficient funds are in place at the state and local levels to contain the virus, deliver health and human services, and maintain important functions like education, the courts, clean water and public safety. Some lawmakers made arguments following the last recession to justify deep and harmful cuts before the recovery was complete. After the recession was over, some spoke out against the use of the rainy day fund and federal funds. If Ohio's lawmakers act today to hold back rainy day funds, refuse federal aid or cut critical services, they risk undermining the progress all Ohioans have made, together, to contain COVID-19. They risk deepening the struggle of too many Ohio families.

Ohio's lawmakers must first take care of people's health and then support them in a slowly re-opening economy with sufficient funds raised fairly, and with significant federal aid. This is how Ohio can emerge a stronger, more resilient and equitable place: the safest and most secure state in the nation to live and do business.