



Tax & Budget

**HARNESSING OHIO'S RESOURCES TO TAKE ON COVID-19**

LOOKING TO THE FUTURE WHILE MANAGING DANGER

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As Ohioans face down the COVID-19 pandemic, we are only as safe or secure as the most vulnerable person. The virus does not discriminate, but employment discrimination, disparities in health care, and the absence of job protections put Black Ohioans, people of color, and people with low incomes in precarious positions. Policymakers must enact targeted interventions now to protect everyone. Government's role must be to mitigate health and economic damage by supporting people and families. When the crisis passes and it's time to rebuild, policymakers must make sure everyone is included in the recovery. Ohio can emerge from this a more equitable state, with stronger communities.

In this paper, Policy Matters Ohio outlines the basic policies that must be in place for an equitable recovery: proper funding for public services, and income supports that lasts as long as people are struggling. We review the economic and social impacts of the shutdown of parts of the economy. We describe federal legislation and funding to help states and communities. We find a good start and work still to be done. Ohio's lawmakers must marshal our collective resources to help all people, in all Ohio communities, and avoid a cuts-first approach that may hurt the most vulnerable people and families the most.

**THE ECONOMIC CRISIS**

In the two weeks ending March 28, a record-breaking 468,414 Ohioans filed for unemployment insurance; by way of contrast, 364,603 initial jobless claims were filed over the course of the entire year of 2019. The Economic Policy Institute projects that even with \$2 trillion in federal aid, Ohio could lose 714,752 private sector jobs by July, resulting in more than 955,000 unemployed, an implied unemployment rate of 16.4%.

Black people and workers of color make up a disproportionate share of workers in many of the low-wage jobs now deemed "essential" and exposed to risk, and in sectors and occupations harmed by closures. In Ohio, as in other states, the known share of African-Americans getting sick is also disproportionate: In Ohio, 14.3% of the population is Black, but Black Ohioans make up at least 18.36% of cases. Rural Ohioans, particularly those who live along the Ohio River and in Appalachia, are also vulnerable. Ashtabula County, where unemployment claims have risen more than 2,000% in recent weeks, is the worst prepared in the state to cope with a crisis according to the CDC's social vulnerability rating index. Policymakers must deploy targeted interventions to support all communities, whether Black, white or brown, in rural or urban areas.

## **IMPACT ON STATE AND LOCAL GOVERNMENT**

State and local tax collections from income and sales taxes are evaporating as needs soar. If Ohio's tax revenues fall like they did during the last recession, as measured in today's dollars, the state budget could end up with nearly \$4 billion less than projected by the end of state fiscal year 2021. Local governments will be hit hard as well. As manufacturing companies moved out of state and overseas, they took with them many of Ohio's well-paying middle class jobs, depriving local governments of tax revenue they once relied on. Meanwhile, state policymakers cut state aid to local governments by \$1 billion over the past decade. Now, local governments will face a huge demand in emergency services and in locally-delivered economic security services like SNAP food aid, Medicaid and cash assistance. They face that increased demand with tight budgets and in some cases, service delivery systems that strained to meet needs even before the crisis.

## **FEDERAL AID**

Congress has passed three federal aid packages to help with the COVID-19 crisis. The bills mandate paid sick leave for some workers and expand unemployment compensation for many. Among many other things, they boost SNAP food aid, increase the federal share of Medicaid funding, provide grants and loans to businesses and direct aid to states and a few of the largest local governments. Much of the aid is scheduled to end at pre-determined dates, or with the end of the public health emergency. Yet neither the COVID epidemic nor the recession have a clear end date.

The economy may not bounce back quickly. If this crisis is like the recession of 2008, Ohioans' need for economic security services will grow even after the recession officially ends. Federal lawmakers are already discussing additional aid to keep the COVID-19 crisis from turning into a 21st-century Great Depression. Aid to state and local general revenue funds must be central to these discussions. While five of Ohio's largest counties and the city of Columbus qualify for federal aid for the COVID-19 crisis, the state's many medium-sized cities and smaller communities get no federal help. State government may have little of its own share of federal aid left over to help.

## **CONCLUSION**

Our long-term prospects will be defined in the choices policymakers make during this crisis. Ohioans must demand they choose wisely. Ohio lawmakers have passed legislation that would allow the governor to use the rainy day fund and balance the state budget. That will help in the current 2020-21 budget period, but the recession may last longer. Ohio policymakers must be prepared to rebalance our tax system and offset some of the decline in state revenues with levies on those who can afford it, the most affluent residents. If elected leaders choose to rebuild eroded services and properly fund them going forward, they will set us up for longer-term prosperity. If they choose to return to a pattern of cutting taxes for the wealthy and slashing spending for public services the community depends on, they'll set us back.

Reinforcing and protecting necessary public services and jobs can help stabilize the economy. We could come out of this challenge a weaker and more divided state or a stronger and more equitable one. It's a matter of political will.