Policy Matters Ohio

April 2020

Budget

HARNESSING OHIO'S RESOURCES TO TAKE ON COVID-19

LOOKING TO THE FUTURE WHILE MANAGING DANGER

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Policy Matters Ohio

Executive Summary

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 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.

Policy Matters Ohio

Introduction

We are in this together, and 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 access and treatment, and the absence of job protections put people with low incomes and people of color in precarious positions. Studies from other states have shown that the pandemic has taken the biggest toll on African Americans, Native Americans, the homeless and "essential workers," who are paid low wages, including janitors, grocery store retail clerks, stocking clerks and delivery people.[1] Policymakers must enact targeted interventions now to protect all Ohioans, with no exceptions. When the crisis passes and it's time to rebuild, policymakers must make sure everyone – whether they are Black, brown or white – are included in the recovery. During this time, the government's role must be to mitigate health and economic damage by reducing harm to people and families. They can lay the groundwork today so Ohio emerges from this crisis a more equitable, just community.

As states scramble to increase hospital capacity to meet the health crisis, they also struggle to provide unemployment insurance, Medicaid and food aid to laid-off workers. For many, it's not happening fast enough. The Wall Street Journal reports that 29% of the United States economy has closed.[2] Governors have told workers to stay home. This is necessary to fight the pandemic and save lives, but will depress incomes and consumer spending, which could turn the coronavirus-driven recession into a longer-term economic crisis.

State and local tax collections from income and sales taxes are evaporating as needs soar. On April 6, the Ohio Office of Budget and Management reported the state's total general revenue fund tax receipts were already falling last month, coming in $159.4 million (10.5%) below estimates.[3] Agency recommendations for 20% cuts in spending were submitted to the Office of Budget and Management on April 7.

Congress approved some federal aid, but it is insufficient, may be too restrictive and is likely to run out too soon. The Governor has already asked for agency cuts. The danger is that there will be cuts in health care, income supports, food assistance, housing aid and other essential economic security services just when they are needed most, prolonging the crisis and making it harsher. The economic impact falls first and hardest on low-wage workers and, as historical discrimination has left workers of color concentrated in low-wage jobs, Black workers and workers of color are being hit the hardest by both the health crisis and the economic recession.[4]

Policymakers have a choice. Now is the time to draw on Ohio's shared resources and raise revenue to rebuild and sustain the services we need now and will need in the future. Following the Great Recession of 2008, state policymakers chose to cut taxes for the wealthiest and slash support for communities and public services. This time, we can have a recovery that, unlike the last one, decreases inequality and poverty as jobs return.

In this paper, Policy Matters Ohio details policy choices to create a recovery that works for all. We review the economic and social impacts of abruptly shutting down so much of the economy. We describe the new federal legislation and funding to help states and communities cope with the twin crises in health and in the economy. We find a good start in many areas, but there's work left to be done, particularly in providing sufficient federal funds for state and local government, and enough federal Medicaid dollars to cover treatment for those who get ill, including workers who lost their jobs and health benefits during the epidemic. Deeper, more extended federal aid is crucial. Ohio policymakers must be prepared to rebuild and rebalance our tax system, offsetting decline in state revenues by fixing our upside-down tax code so powerful corporations and wealthy Ohioans who can afford it make their fair contribution.

The pandemic's economic impact

As early as February of this year, some Ohio businesses already worried about the disruption in supplies shipped from China as factories closed to slow the COVID-19 epidemic.[1] Many Ohio businesses have now closed for the same reason. On March 23 Governor DeWine announced a "stay-at-home" order to slow the spread of the virus. The economic impact on Ohioans has been swift and harsh:

- In the week of March 22 to March 28, a record-breaking 468,414 Ohioans filed for unemployment insurance. The Ohio Department of Job and Family Services reports that 364,603 initial jobless claims were filed over the course of the entire year of 2019.[2]
- The Economic Policy Institute projects that even with the $2 trillion federal CARES Act stimulus and a fourth federal effort, Ohio could lose 714,752 private sector jobs by July, resulting in more than 955,000 unemployed people. Ohio could reach an implied unemployment rate of 16.4% by July.[3]
- Many of Ohio's 23,000 restaurants, which weeks ago employed 585,000 people, have closed. Even those with drive-thrus, carry-outs and deliveries are seeing lower sales and laying off employees. Ultimately, layoffs could affect 175,000 workers in that sector alone in Ohio.[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 in occupations that offer no

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[1] McKinnon, Jim, "Coronavirus has Ohio businesses on alert," Akron Beacon Journal, February 3, 2020 at https://bit.ly/343Fa9N.
[2] "Ohio Initial Jobless Claims for Sunday, March 22 through Saturday, March 28, 2020," The Ohio Department of Job and Family Services, e-mailed communication, April 2, 2020.
[3] Cooper, David and Wolf, Julia, "Nearly 20 million workers will likely be laid off or furloughed by July," Economic Policy Institute, April 1, 2020 at https://bit.ly/2UCzEb1
[4] Ludlow, Randy, "Economic fallout from coronavirus cratering state tax take, prompting budget cuts," Columbus Dispatch, March 24, 2020 at https://bit.ly/39zfiU8

sick or paid leave beyond the new federal requirements: home care, child care, grocery cashiers.[5] The last recession shows that recovery measures frequently fail to address the needs of Black communities, leading to a harder recession and slower recovery for the people living in them.[6] 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.[7] Other states, notably Michigan and New York, show greater disparities in cases and in mortality but have much more robust data reporting on demographics.[8] More than a quarter of all Ohio cases have not reported the person's race or ethnicity.

Rural Ohioans, particularly those along the Ohio River and in Appalachia, are also particularly vulnerable. Ashtabula County is the worst prepared in the state to cope with a crisis according to the CDC's social vulnerability rating index, followed by eight additional counties in the Appalachian region of Ohio.[9] Ashtabula's unemployment claims have climbed more than 2,000% in the first weeks of the crisis.

The economy doesn't work the same way for all Ohioans and targeted interventions will be necessary to ensure all communities can make a comeback.

State and local governments

Impacts on state governments

The economic crisis will immediately deplete state general revenues. Ohio's biggest sources of tax collections are the personal income tax and the sales tax. In an economic downswing, as people earn less and buy less, state tax collections fall.

Ohio policymakers now face this economic crisis with a tax structure many of them voted to weaken. Over the past 15 years, they have passed tax cuts for corporations and income tax cuts that primarily benefitted the wealthiest residents. They have allowed tax breaks to balloon, now amounting to more than $9 billion in revenues foregone every year. The top 1%, who each earn roughly $500,000 or more a year, have received state and local tax cuts over the last 15 years amounting to more than $40,000 a year.[10] Nationally and in Ohio, income growth has been almost entirely at the top of the earning scale.[11] Deep reductions to Ohio's income tax cut off revenue growth from those who could most afford to pay, while tax increases on other

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[5] Bureau of Labor Statistics at https://www.bls.gov/cps/cpsaat11.htm
[6] Adejumo, Vincent, "African-Americans' economic setbacks from the Great Recession are ongoing – and could be repeated," The Conversation, February 5, 2019 at https://bit.ly/2xaq5XO
[7] State of Ohio at https://coronavirus.ohio.gov/wps/portal/gov/covid-19/home (accessed April 7, 2020).
[8] See map, Association for Neighborhood and Housing Development at https://bit.ly/3dRf91E, cited in Dickson, E.J., "New Map Shows COVID-19 Is Hitting People of Color Hardest," Rolling Stone, April 2, 2020 https://bit.ly/3bStxoN. See also Neavling, Steve, "Black people make up 12% of Michigan's population — and at least 40% of its coronavirus deaths," Detroit Metro News, April 2, 2019 at https://bit.ly/2ywlhes and Johnson, Akiilah and Buford, Taqlia, "Early Data Shows African Americans Have Contracted and Died of Coronavirus at an Alarming Rate" ProPublica, April 3, 2020 at https://bit.ly/3aIp87r
[9] "CDC's Social Vulnerability Index," Agency for Toxic Substances and Disease Registry, Centers for Disease Control and Prevention at https://svi.cdc.gov/
[10] Patton, Wendy and Zach Schiller, "Overhaul: A Plan to Rebalance Ohio's Income Tax," Policy Matters Ohio, June 25, 2018, at https://bit.ly/2V7t8Iq.
[11] Hanauer, Amy, "State of Working Ohio 2019: Realities and Remedies," Policy Matters Ohio, September 1, 2020 at https://bit.ly/39CQ5s0.

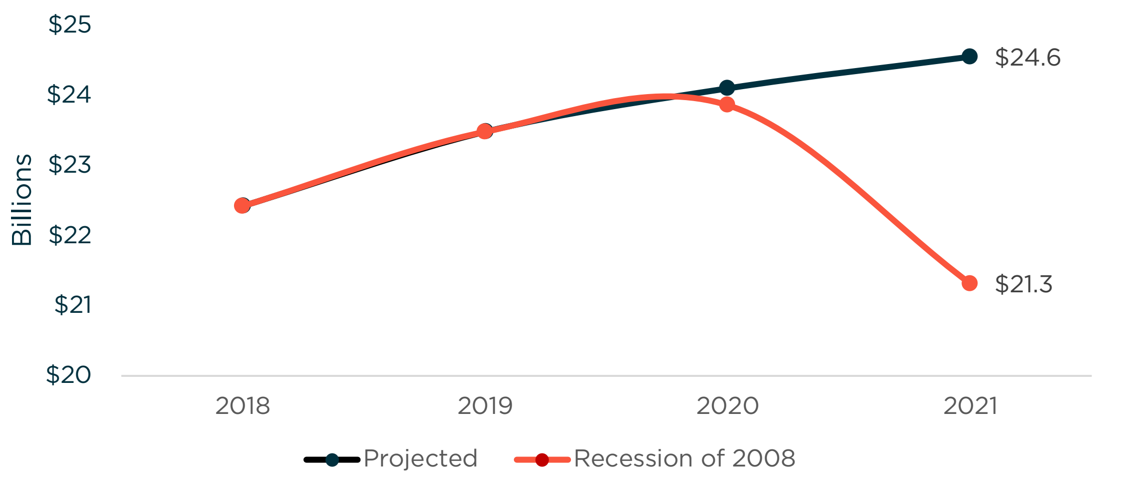
taxes—sales tax, so-called sin taxes and others—created an increasingly upside-down tax structure. By 2018, the poorest fifth of Ohioans were paying almost twice the share of their income in state and local taxes as the wealthiest.

Ohio has not yet forecast expected losses, but other states have. New York's tax revenues are expected to fall by between $9 billion and $15 billion in 2021, Colorado's by $1.8 billion in 2021 and $2.1 billion the following year; California expects a decline of several billion dollars in 2021 capital gains income alone as a result of the stock market falls and Virginia's Secretary of Finance estimates revenues will drop by at least $1 billion in both 2021 and 2022.[12]

The chart below illustrates how Ohio's general revenues could be affected if state tax collections decline at the same rate as in the last recession: Inflation-adjusted revenues fell by 4.2% in 2008 compared to 2007 and by 13.2% in 2009 over 2008. If the same decline were to take place in this recession, state general revenues over the current two-year budget period could end up nearly $4 billion lower than last year's projections by the end of state fiscal year 2021. This is likely to be conservative, given the drastic increase in unemployment claims in just two weeks. The director of state fiscal studies for the National Association of State Budget Officers has said that the drop in state revenue could easily exceed the 11% drop that states saw in a two-year period after the 2008 recession.[13]

In an economic downturn, tax revenues drop sharply

Possible loss in Ohio's General Revenue Collections if economic crisis is as severe as the 2008 recession



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission's historical GRF tax revenue table (Table 1) and the June 2019 revenue forecast for House Bill 166, the current budget bill. Decline in revenues is calculated on an inflation-adjusted basis using the CPIU-RS. Revenue decline for 2020 reflects the decline in 2008 compared to 2007 (-4.2%) reduced by 75% given that the economic crisis hits state tax collections in the 4th quarter of 2019. The revenue decline in 2009 compared to 2008 was 13.2%, adjusted for inflation.

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[12] States start grappling with hit to tax collections, Center on Budget and Policy Priorities, April 2, 2020 at https://bit.ly/3bJLrKb.
[13] Albright, Amanda, Singh, Shruti and Moran, Danielle, "Billion-Dollar Blows to U.S. States Crater Spending Plans," Bloomberg, April 1, 2020 at https://bloom.bg/2JAhWP9.

The timing of the drop in state tax collections is uncertain, but it is likely to be rapid. Already, in March, tax collections supporting Ohio's General Revenue Fund dropped by 10.5% or $159.4 million.[14] Moody's Analytics projects a 15% to 20% drop in the Gross Domestic Product to happen very quickly, in the second quarter of 2020 (which we are currently in).[15] In addition, Ohio's lawmakers pushed back the income tax filing date from April 15 to July 15.[16] In a typical year, income tax collections rise in April. This year, that bump will not materialize until July, if it materializes at all. As people lose their incomes, shelter in place and stop spending, the sales tax will also take a big hit – and Ohio's dependence on that tax has been increasing.[17]

Ohio cannot run a deficit: Like most state constitutions, Ohio's mandates that the budget must be balanced at the end of the fiscal year. On March 27, Governor DeWine signed into law House Bill 197, which included a process by which the Governor could balance the budget by tapping into the state's $2.7 billion[18] budget stabilization fund, commonly known as the "rainy day" fund. Nevertheless he, like governors in other states,[19] has asked agencies to submit plans to cut spending by 20%.[20] Cuts of this magnitude will make the crisis worse, given the rising needs of Ohioans. Significant additional federal aid is badly needed.

Ohio policymakers must be prepared to rebalance our tax system and offset some of the decline in state revenues by restoring taxes on those who can afford it: the most affluent residents. Those who continue to earn such incomes through the downturn should pay more to help avoid draconian budget cuts.

Impact on local governments

The health crisis hits people where they live. Local communities are the point of response with emergency services, social services, hospitals and health care. The epidemic is already causing fiscal distress and cutbacks. For example, the City of Cincinnati forecasts a budget deficit of $60 million to $80 million in 2020 due to the pandemic and announced layoffs of 20% of the city's workforce: 1,700 people.[21]

Local governments have lost revenue sources. 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. Many Ohio cities have not recovered from prior recessions.[22] The chart below shows municipal income tax collections over the past two decades in three of Ohio's many cities. The impact of recession is clear, with the last recession hitting the hardest. Many municipalities rely on the municipal income tax as their

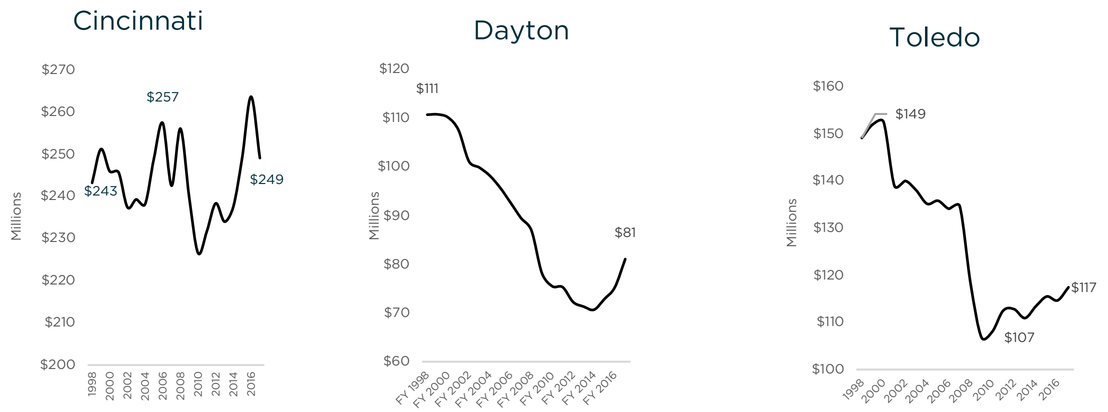
[14] LuPiba, Op.Cit.
[15] Albright, Amanda, et. al., Op. Cit.
[16] "Ohio extends income tax filing, payment deadline," Wilmington News Journal, March 30, 2020 at https://bit.ly/2JsQiU7.
[17] Vargas, Carolina, "States Face Sales Tax Revenue Loss Amid COVID-19 Pandemic," Tax Notes, March 30 2020. https://bit.ly/3dLXvww.
[18] Ohio Office of Budget and Management, "Budget Stabilization Fund," https://bit.ly/3bVnjUT (accessed April 4, 2020).
[19] Ibid.
[20] Office of Governor Mike DeWine of Ohio at https://bit.ly/3aD62Qf.
[21] Swartsell, Nick, "City of Cincinnati Furloughs 20 Percent of its Workforce as Coronavirus Causes Budget Havoc," City Beat, March 30, 2020 at https://bit.ly/3aAixfB
[22] Patton, Wendy, "Ohio's 2020-21 budget," Policy Matters Ohio, November 7, 2020 at https://bit.ly/348EPT5

primary source of income,[23] so the pending recession could cause a plunge of revenues similar to or worse than what happened in 2008.

Municipal income tax collections were hit hard in past recessions

Many have not recovered; they face the COVID crisis short on resources

Inflation-adjusted municipal tax collections



Source: Policy Matters Ohio, based on Ohio Department of Taxation municipal income tax data, "Municipal Income Tax: Tax Rates and Amounts Collected by Municipality (LG11) at https://bit.ly/2Rc0LaB

Falling tax collections and the structure of the local employment base leave some Ohio cities at particular risk. Moody's Analytics identifies jobs in five industries as being the most at risk of economic harm: Leisure and hospitality, transportation, mining, employment services, and travel arrangements. Together these jobs comprise 921,000 jobs: a fifth of all private sector Ohio jobs, and $234 billion in earnings.[24] A dozen Ohio cities are on the Brookings Institution list of places that may be hit hard by the economic recession because of a concentration of employment in those five sectors.[25] Five Ohio cities top their list of places at highest risk because of both economic structure and a tax structure dependent on the income tax, which will drop sharply with businesses closed and workers laid off.[26]

While the Brookings list highlights the fiscal danger Ohio's local governments face, it does not indicate a fundamental problem with an income tax as part of a city's revenue mix. The government has closed the economy down – an unprecedented situation that will dramatically curtail income tax collections. It affects the sales tax in a similar manner, as people cease spending because of job loss and the closure of retail establishments, so jurisdictions dependent on the sales tax face a crash in revenues as well. Different types of financial crises affect tax bases differently. In the

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[23] In Ohio, the property tax primarily supports schools, townships and health and human services through property tax levies for children's services, developmental disabilities and other important services. Local sales taxes support counties and public transit agencies. Cities depend on the municipal income tax. According to the Ohio Municipal League, in 2017 there were 931 municipalities in Ohio: 247 cities and 684 villages (https://bit.ly/2UYN6F0). According to the Ohio Taxation Department, in that year 635 levied a municipal income tax (https://bit.ly/2x7oLoD) including Ohio's larger cities.

[24] Ibid

[25] Muro, Mark, Maxim, Robert and Whiten, Jacob, "The places a covid-19 recession will likely hit the hardest," Brookings, March 17, 2020 at https://brook.gs/39SUmrC

[26] Pagano, Michael and McFarland, Christiana, "When will your city feel the fiscal impact of COVID-19?" Brookings, March 31, 2020 at https://brook.gs/34e9Oxg.

recession of 2008, stemming in part from securitization of residential mortgages and abusive lending practices leading to mass foreclosures, property tax collections were affected.[27]

There are other reasons Ohio localities may see crashing revenues in very short order. Ohio's tax filing extension, from April 15 to July 15, also affects school district income taxes and municipal income taxes administered by the state. Counties rely on the sales tax, which will fall as people lose income, shelter in place and stop spending money. Counties and school districts also lose casino revenues, which generate roughly $100 million a year each for schools and local governments.

The Ohio Municipal League sent a letter to Ohio Budget Director Kimberly Murnieks with a number of requests concerning the COVID-19 epidemic, including no further cuts to the Local Government Fund and creation of an emergency stabilization fund for municipalities from the Budget Stabilization Fund and boosting state support for first responders.[28]

The County Commissioners Association of Ohio has also suggested in a memorandum to the governor's office that counties will need additional revenues.[29] The level of distress is indicated by jobless claims in every Ohio county in the week of March 21. Cuyahoga County reported a 26-fold increase in initial claims filings, from 919 claims the week ending March 14 to 24,883 for the week ending March 21. Franklin County filings rose from 674 to 23,527. In percentage terms, the rise in county jobless claims ranged from a 166% increase in Vinton County (from 29 to 77 filings), to a 5,756% increase in Preble County (from just nine filings to 527).[30]

The state must act to shore up revenues to mitigate the oncoming recession, but only the federal government can help with the magnitude of the fiscal crisis faced by state and local governments in Ohio. Congress must provide deep, lasting support during the crisis and into the recovery.

Economic security programs

A huge number of Americans and Ohioans are worried about how they are going to make rent and buy food and keep health insurance during this crisis. Properly funded, government lays the foundation for a strong economy and healthy communities with clean water, safe streets, a sound judicial system and public schools. In this epidemic, it may save our lives. The federal government has passed legislation and appropriated funds to help workers and businesses, hospitals, health and human

[27] Patton, Wendy, "Hard Times at City Halls," Policy Matters Ohio, January 7, 2015 at https://bit.ly/34ckkVs.
[28] Ohio Municipal League Legislative Bulletin, March 20, 2020 at http://www.omlohio.org/219/Current-Legislative-Bulletin
[29] Memo to Brenton Temple, Deputy Policy Director, Office of Governor Mike DeWine
From Cheryl Subler, Executive Director, County Commissioners Association of Ohio (CCAO) and Adam Schwiebert, Policy Analyst, CCAO, County Commissioners Association of Ohio, March 18, 2020 at https://bit.ly/2w4csJ5
[30] Shields, Mike, "Ohio's jobless claims top last week's record high," Policy Matters Ohio, April 2020 at https://bit.ly/2UZ6x0s

services and state and local governments. The state government has also acted.[31] It's a good start, but it is not going to be sufficient.[32]

Some of the infrastructure needed in this crisis was already strained or underfunded when the COVID-19 epidemic started; unemployment compensation administration is just one example. Ohio's local governments use property tax levies to provide a significant share of the funding for important health and human services, like child welfare and public health. Since the 1930s, the state's share of the fiscal partnership was through revenue sharing: It provided flexible local government aid by sharing a percentage of state tax revenues. The Kasich administration slashed revenue sharing and eliminated the estate tax, harming local governments' ability to provide services for residents. During the Kasich administration, Ohio's local governments lost more than $1 billion in state aid, adjusted for inflation.[33] This was part of a longer trend of cutting taxes and reducing public services. Over the last 15 years, state policymakers cut funding on an inflation-adjusted basis for various services and functions, including local public health agencies and state and local agencies that process applications for unemployment insurance, Medicaid and food aid.[34]

As a result, Ohio's public systems are limited in their ability to address the current crisis. For example, before the epidemic the Youngstown Vindicator documented the Youngstown area's uncoordinated and inadequate emergency medical response system. "We have no system in the Mahoning Valley" for emergency medical services, Chairman of the Health Professions Department at Youngstown State University Joe Mistovich said at the time.[35] This illustrates the urgency of the Ohio Municipal League's request for dedicated financial support from the state for emergency services.[36]

The state is struggling to process claims for unemployment insurance.[37] Because so many workers rely on employer-provided health insurance, the job losses over these past two weeks likely caused 3.5 million workers across the country to lose their health insurance—in the middle of a pandemic—demonstrating the weaknesses of a system that links employment to health care coverage.[38] Applications to enroll in Ohio's Medicaid program, which already covers one in four Ohioans, are up by 25%.[39] Visits to the MidOhio Food Collective pantries increased by 122% during a recent

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[31] Borchardt, Jackie and Balmert, Jesse, "Coronavirus in Ohio: 'We're not to the point where we can let up,' Gov. DeWine says," Cincinnati.com, March 31, 2020 at https://bit.ly/2wTFbAR

[32] Parrott, Sharon, et.al., "CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed," Center on Budget and Policy Priorities, March 27, 2020 at https://bit.ly/2UTsKNj

[33] Patton, Wendy, "State cuts sting Ohio localities," Policy Matters Ohio, December 19, 2016 at https://bit.ly/345tSln; see also Patton, Wendy, "Ohio's state budget 2020-21," Op.Cit.

[34] Patton, Wendy, "Ready or not, Coronavirus reaches Ohio, Policy Matters Ohio, March 11, 2020 at https://bit.ly/341gfDC; see also Bossman, Julie and Fauasset, Richard, "The Coronavirus Swamps Local Health Departments, Already Crippled by Cuts," New York Times, March 14, 2020 at https://nyti.ms/2JwxXW5 and Burke, Minnevonne, "Coronavirus: State unemployment websites crash as applications surge," NBC News, March 18, 2020 at https://nbcnews.to/2X1FNza; Cleveland.com, January 16, 2020 at https://bit.ly/2waNE2k

[35] Hardin, Jessica, "Mahoning Valley's ambulance service is in crisis," The Youngstown Vindicator, August 19, 2019, reprinted by the Center for Community Solutions at https://bit.ly/349sCxi

[36] Ohio Municipal League Legislative Bulletin, Op.Cit.

[37] Williams, Mark, "Coronavirus: Ohio struggles to handle crush of jobless claims online, by phone," The Columbus Dispatch, April 1, 2020 at https://bit.ly/2wRRbmy

[38] Zipperer, Ben and Bivens, Josh, "3.5 million workers likely lost their employer-provided health insurance in the past two weeks," Economic Policy Institute, April 2, 2020 at https://bit.ly/3aIUF9E

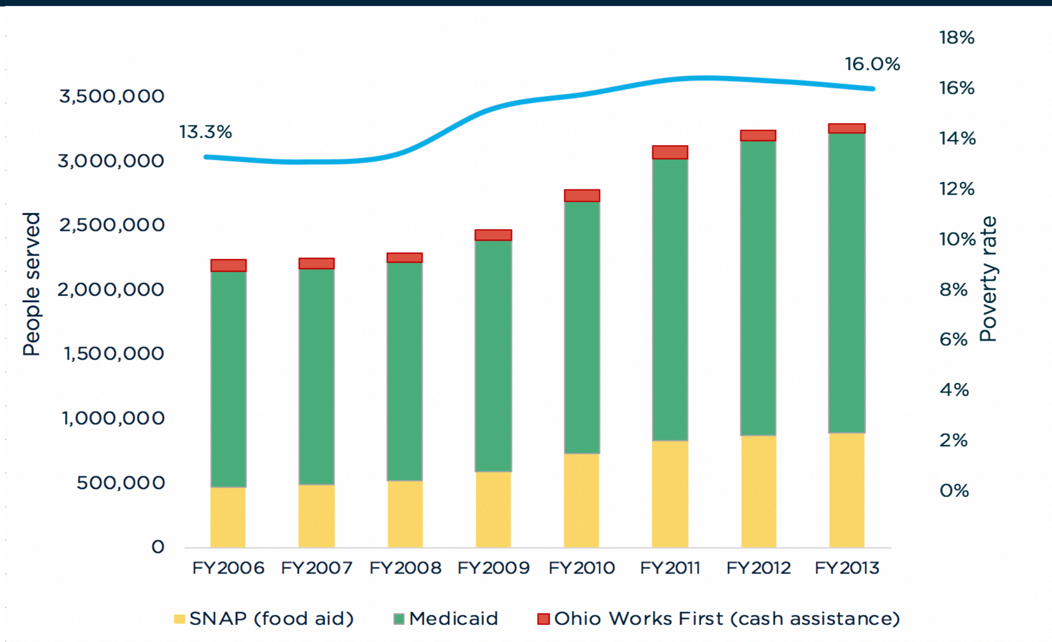
[39] Candisky, Cathy, "Coronavirus pandemic puts Ohio's safety nets to the test," Columbus Dispatch, April 6, 2020 at https://bit.ly/2XeCe8U

week in March, compared to a year earlier.[40] Ohio's county-based administration of many economic security programs struggled to keep up with demand before the epidemic struck, for a variety of reasons.[41] New demand is swamping the systems. Federal funding already approved for the crisis will likely not be sufficient to both rebuild Ohio's eroded systems and meet the urgent needs associated with the epidemic.

The economy may not bounce back quickly. If this crisis is like the recession of 2008, Ohioans' need for safety net services will continue to grow even after the recession officially ends. The chart below shows that Ohio's poverty rate did not subside with the recession and needs continued to mount. The unemployment rate dropped, but many of the jobs had low wages and people remained poor.[42] Demand remained weak and recessionary conditions persisted in many places in Ohio for many years.[43]

Need for safety net services did not decline after the 2008 recession

Policies expanded eligibility as poverty rate remained high



Source: Policy Matters Ohio, based on Ohio Department of Job and Family Services Public Assistance Monthly Statistics, the Medicaid eligible and expenditure reports, and the Ohio Development Services Agency's 2019 Poverty Report.

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[40] Ward, Allison, "Visits to Columbus food pantries increase amid coronavirus outbreak," Columbus Dispatch, April 6, 2020 at https://bit.ly/34cid4e

[41] Hancock, Laura, "State reveals $1.2 billion Ohio Benefits system riddled with defects a year out from Medicaid work requirements," Cleveland.com, January 16, 2020 at https://bit.ly/349evbx; see also Broddeus, Matt, "Research Note: Medicaid Enrollment Decline Among Adults and Children Too Large to Be Explained by Falling Unemployment," July 17, 2019 at https://bit.ly/3aKdqcE, and Candisky, Cathy, "250,000 fewer Ohioans are on Medicaid, but even the experts can't say why," The Columbus Dispatch, July 2019 at https://bit.ly/2X3XnSS

[42] Halbert, Hannah, "Six of Ohio's ten top jobs won't support a family of 3," Policy Matters Ohio, May 1, 2019 at https://bit.ly/2JIBvF3

[43] Oplinger, Doug, "Ohio economy slow to recover; coalition seeks ideas for growth," Columbus Dispatch, September 16, 2018 at https://bit.ly/39HrNqs

If federal aid runs out too soon, it could prolong the economic crisis brought on by the epidemic. This is particularly concerning to Ohio, which does not rebound from recession like other states.[44]

After passage of the American Recovery and Reinvestment Act (ARRA) in 2009, support for additional federal funding disappeared and the funding for expanded health and human service programs ended too soon.[45] State policies exacerbated the situation. After the recession officially ended for the nation, the Kasich administration's austerity measures reduced critical services although many regions, cities and neighborhoods in Ohio continued to experience recessionary conditions.[46] The economic pain in many households and communities could have been eased if the Kasich administration had not restricted programs like the Supplemental Nutrition Assistance Program (SNAP) and had expanded enrollment in, and benefits of, the Ohio Works First cash assistance program. Federal and state lawmakers must not make the same mistake with this recession.

The federal response

Over the past month federal lawmakers have passed three bills that provide significant aid. The first $8.3 billion package provided funds for research and development for vaccines and treatment, medical supplies and equipment.

The second package, the Families First Coronavirus Response Act, will provide $104 billion in federal aid for a variety of purposes. The Act mandates paid sick days and family leave for some workers. It increases support for additional food aid and expands the SNAP program. It provides $35 billion in funding for Medicaid, expanding the share of Medicaid costs picked up by the federal government by 6.2 percentage points. Ohio expects to get $1.2 billion in additional federal Medicaid dollars.[47]

The third legislative package, the Coronavirus Assistance, Relief and Emergency (CARES) Act, gives $2 trillion in aid to workers, state and local governments, hospitals and businesses. It includes:

- Support for laid-off workers, including expanded eligibility for unemployment benefits and increases both in weekly benefit levels for the next four months and in the number of weeks of jobless benefits that someone can receive.
- Direct payments ("recovery rebates") to low- and middle-income families of $1,200 for most adults and $500 for children under age 17.

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[44] Hanauer, Amy, "Ohio's economy no longer recovers from recessions," Economic Policy Institute, May 23, 2019 at https://bit.ly/2wj03kQ
[45] Enda, Grace, Gale, William G. and Haldeman, Claire, "The CARES Act Provided Important Relief for The Coronavirus Economy, But What Should Phase 4 Look Like?" Tax Policy Center, April 2, 2020 at https://tpc.io/3aDtnRY
[46] Patton, Wendy, "Shrinking aid for Ohio's poorest families," November 2013 at https://bit.ly/2JsF1Dq
[47] Sullivan, Jennifer, "Medicaid funding boost for the state can't wait," Center on Budget and Policy Priorities, March 12, 2020 at https://bit.ly/341LheB

- What is being called a “Marshall Plan” for hospitals and other medical facilities for needs related to the pandemic.
- Substantial investments across a range of existing health and human service programs that can help respond to the current crisis, including funding for foster care and mental health.
- Significant aid for businesses large and small, including loans, grants, and loans that turn into grants for companies that maintain employment and benefits for workers during the crisis – among other things.

The CARES Act also includes $150 billion to help state and local governments as needs rise and tax collections evaporate. It is estimated that Ohio will get $4.5 billion, of which the state will receive about $3.6 billion. Only local governments serving a population of over 500,000 will have a share of this funding. In Ohio, $775 million of this aid will be distributed through a formula based on share of state population to the city of Columbus and Cuyahoga, Franklin, Hamilton, Montgomery and Summit counties.[48] It is not yet clear how Columbus and Franklin County can share these funds. There are 83 counties and 930 municipalities that will not get aid from this funding, yet still face demands that may overwhelm the ability to respond to the pandemic and also meet ongoing civic needs.

Using funds from the CARES Act, the federal government will reimburse states for some of the costs of responding to the COVID-19 outbreak. Fitch Ratings points out that the act still doesn’t address the state and local government revenue problem. The funds, which states should receive within 30 days, are intended to be used for virus expense reimbursement, rather than a cash flow injection needed for basic operations.[49] Even if the state has flexibility on spending the funds, they are likely to be insufficient. Most local governments are left out.

A fourth federal package

The federal legislative aid passed to-date will help, but more will be needed. Much of the aid comes in new programs that require new rules and guidance, new software programming, and expanded administrative capacity in overstrained state and local governments – just as the peak of the epidemic closes in. It will take time to get it all in place. Direct payments from the federal government to individuals and families will provide at least modest aid to many households within the month, helping bridge the gap as other forms of aid, like expanded unemployment insurance, become available. Businesses can access low-interest or interest-free loans and other forms of aid, although the main program for small business is running into obstacles as it gets off the ground.[50] Ohio’s state government and several localities will get federal aid as

[48] “How Will States and Localities Divide the Fiscal Relief in the Coronavirus Relief Fund?” Center on Budget and Policy Priorities, March 27, 2020 at https://bit.ly/39CtSdN
[49] Albright, Amanda, et.al., Op. Cit.
[50] Cowley, Stacy, “Banks Warn of ‘Overwhelming’ Demand and Messy Start for Small Business Loans,” New York Times, April 2, 2020 at https://nyti.ms/3bVrtfL; see also Phillips, Anna and Masanuaga, Samantha, “Federal program for small businesses that are hurt by coronavirus is slowed by snags,” Los Angeles Times, April 4, 2020 at https://lat.ms/2x9j9d

described above, within the next month or two. The federal Medicaid funding approved in the Families First Coronavirus Response Act will boost the share of Medicaid costs covered by the federal government as the epidemic peaks. The Ohio General Assembly passed legislation to allow Governor DeWine to balance the budget and tap into the rainy day fund, a much needed but short-term solution.

Governor DeWine has already warned of big spending cuts, which could make things worse. During a recession, public expenditures on social services and aid to local government can stabilize families and communities.[51] It is critical to have sufficient funding to meet needs during the crisis and that those funds do not expire before the crisis is over.

More federal aid is needed, and federal lawmakers are already discussing it as something that is necessary to keep the COVID-19 crisis from turning into a 21st-century Great Depression.[52] Aid to state and local general revenue funds is central to these discussions. State budgets will quickly collapse as revenues dry up and new spending demands emerge from the health crisis. While a handful of Ohio's largest counties and Columbus qualify for federal aid, the state's many medium-sized cities and smaller communities get no federal help. If state revenues drop as they did in the last recession, state government will have little of its own share of federal aid left over to help. In the long term, the need for government support will continue. The virus won't disappear after the peak; joblessness and illness will persist, and economic forecasts are dire.[53]

The importance of additional federal Medicaid funding is also central to the ability of the state to continue meeting needs of Ohioans and Ohio communities. The enhanced federal Medicaid matching funds included in the American Recovery and Reinvestment Act (ARRA) of 2009 helped state and local economies by pumping money into health systems, supporting health care jobs, providing needed services and freeing up state funds for other pressing needs. The Families First Coronavirus Response Act increases funding for Medicaid, and Ohio is expected to get about $1.2 billion, but that is far less than the state received from the ARRA.[54] Insufficient federal Medicaid matching funds mean the state might cut Medicaid eligibility, reducing access to treatment and accelerating the spread of the epidemic.

The federal bills passed to-date provide aid that is time-limited, tied to specific dates within 2020. For example, broad eligibility expansions for unemployment benefits

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[51] Boushey, Heather, Nunn, Ryan and Shambaugh, Jay, "Recession ready: Fiscal policies to stabilize the American Economy, Brookings, May 16, 2019 at https://brook.gs/2yxaWA5; see also Parrott, Sharon, et.al., "CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed," Center on Budget and Policy Priorities, March 27, 2020 at https://bit.ly/2UTsKNj

[52] Schlesinger, Jacob M. and Jamerson, Joshua, "After Three Coronavirus Stimulus Packages, Congress Already Prepping No. 4," Wall Street Journal, March 29, 2020 at https://www.wsj.com/articles/after-three-coronavirus-stimulus-packages-congress-is-already-prepping-phase-four-11585483203

[53] Reinike, Carmen, "7 financial heavyweights have unveiled forecasts for a sudden US recession. Here's what they had to say about the economic damage coronavirus will cause," MarketsInsider, March 21, 2020 at https://bit.ly/34lcyJ5

[54] Congress provided $103 billion for Medicaid through the American Recovery and Reinvestment Act (ARRA) in response to the last recession. The act provided a 6.2 percentage point increase in FMAP for all states, protected them from decline in FMAP due to changes in the formula and provided extra aid to states with big jumps in unemployment. Ohio received an estimated $3.5 billion in additional FMAP funding between 2009 and 2011. In 2010, Ohio's ARRA-enhanced FMAP rate was 10% higher than in 2011, when the regular FMAP was resumed. Without this and other infusions of capital, lawmakers would have had to slash critical services. See Patton, Wendy, "Medicaid's dual role: Health care and fiscal stimulus," March 19, 2020 at https://bit.ly/2X7sv4d

expire December 31, and the unemployment benefit increase expires July 31. Similarly, states can only use the Coronavirus Relief Fund for spending through December 31, while the increase in the federal share of Medicaid costs Congress provided in the Families First Coronaviruses Response Act ends at the end of the public health emergency declaration, neither continuing nor increasing if the economy worsens. Current legislation does not include provisions to extend timelines or broaden provisions if economic conditions warrant. This is short-sighted and needs to be corrected in the next federal bill.[55]

This downturn may be long-lasting and deep. Currently, broad quarantine – social distancing – is the only way to save lives and may continue in some measure until one of three capacities is available widely: vaccination, treatment or testing.[56] This could last for more months than planned.[57] Moreover, economists are beginning to recognize that worldwide economic damage may make this recession the worst financial crisis of all time, with a very long and slow recovery.[58] Requirements for additional aid to families and communities won't end with the public health emergency.

Conclusion

Ohioans are taking hard steps to control the virus. These necessary measures are shutting down the economy, leaving Ohioans with unprecedented need for income and other supports. The federal government has acted swiftly to start the aid flowing. But it's just a start. It's a delicate balance to close down the economy and at the same time support demand as much as possible.

The federal government can marshal the resources to do that. State and local governments play a critical supporting role. But unlike the federal government, state and local governments must balance their budgets every year. This means that as revenues fall off a cliff because of lower incomes and spending during this crisis, state and local governments collect less money in taxes and face serious fiscal constraints. This often leads to budget cuts that further depress demand in the economy.

The federal government must step in, prevent cuts and cover the urgent needs of families and governments. This has started, but it will need to continue. A fourth federal package addressing the COVID-19 crisis must fix the shortfalls of the prior bills. The next aid package must include better protection for health care workers with mandated paid sick days. It must expand SNAP benefits to ensure people don't

[55] Parrott, Sharon, et.al., "CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed," Center on Budget and Policy Priorities, March 27, 2020 at https://bit.ly/2UTsKNj
[56] Report of the WHO-China Joint Mission on Coronavirus Disease 2019 (COVID-19), February 16-24, 2020 at https://bit.ly/2wIQxaV
[57] Greenfieldboyce, Nell, "New Analysis Suggests Months Of Social Distancing May Be Needed To Stop Virus," NPR, March 17, 2020 at https://n.pr/2xG72o7
[58] Goodman, Peter S., "Why the Global Recession Could Last a Long Time," New York times, April 1, 2020 at https://nyti.ms/2UCfDBi

go hungry. State and local governments will need more aid. Federal lawmakers should also boost the share of federal payments for Medicaid.[59] The federal aid enacted to-date is temporary and tied to the health crisis, but the duration of the economic crisis is unknown. There should be no arbitrary end dates in the face of this great uncertainty. Income supports and other aid should remain in place until economic indicators signal that a vigorous recovery is underway.

Our long-term prospects will be defined the choices policymakers make during this crisis. Ohioans must demand they choose wisely. 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, it sets us back.

While deeper, more extended federal aid is crucial, 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. The top 1%, who each earn roughly $500,000 or more a year, have received state tax cuts over the last 15 years that amount to an average of just over $40,000 a year.[60] Those who continue to earn such incomes through the downturn should pay more to help avoid draconian budget cuts.

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.

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[59] Parrott, Op.Cit.
[60] Schiller and Patton, Op.Cit.