



## Budget

### **CONGRESS MUST SUPPORT STATES, COMMUNITIES**

**IT'S NOT A PARTISAN ISSUE: COMMUNITIES STRUGGLE ACROSS OHIO IN THE PANDEMIC RECESSION**

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Across Ohio, people are doing their part to take care of themselves and each other by wearing masks, staying home, and supporting local businesses. The COVID-19 pandemic and the recession it is causing is taking a toll on millions of Ohioans who have lost their jobs, gotten sick or are trying to balance caring for children with work. Public services are critical to helping people make ends meet after they lose income and health insurance.

As people are laid off and lose their income, they go to the grocery store and drug store less. Those businesses suffer, and also lay people off. This is the downward spiral of recession. As the private sector shrinks, tax revenues shrink too, as people need more support making ends meet. While COVID-19 has created new demands for emergency and public health services, Ohioans still count on their local governments to provide basic public services such as clean water and trash pickup. The state government and communities everywhere struggle to maintain basic public services in the pandemic recession. Now many are forced to lay workers off, making the recession worse.

State and local governments must balance their budgets and cannot borrow to meet operating deficits. During crises they rely on the federal government to backstop and support them. Congress provided Ohio's state and local governments \$4.5 billion, but these funds can only be used for new costs related to COVID-19. They cannot be used for basic services, so they cannot help with budget shortfalls. The federal government must do better.

Forecasters are beginning to recognize how deep this recession will be and how long will last. National unemployment of 13.3% in May is expected to remain far higher than pre-recession levels through the end of 2021; Ohio's rate - 13.7% in May - is higher than the national rate.

In this paper we focus on the economic problems of Ohio's local governments. We interviewed officials of 16 Ohio municipalities that vary by size, location and political leaning. All are acting to address or prevent fiscal crisis. In addition, we relied on the Ohio Municipal League's survey on COVID-19 response among members and throughout this paper, we highlight comments that are particularly representative of various aspects of the fiscal crisis. The primary take-away of the interviews and survey is that Ohio's communities need federal aid that is sufficient to support the provision of basic public services and jobs throughout the

recession. The table below shows that two-thirds of the cities contacted have shortfalls, with public services and jobs on the line.

Table 1			
Cities large and small struggle with budget shortfalls, with jobs on the line			
	Budget shortfall at present?	Shortfall prevented by cash or budget reserves or unexpected revenue?	Hiring freeze, layoffs or furloughs?
Ashland	N	N	N
Cambridge	Y	N	Y
Cincinnati	Y	N	Y
Circleville	Y	N	N
Cuyahoga Falls	Y	N	Y
Dayton	Y	N	Y
Findlay	N	Y	N
Hanging Rock	Y	N	Y
Lima	Y	N	Y
Marion	N	Y	N
Middletown	Y	N	Y
Mount Gilead	N	N	N
Parma	Y	N	Y
Toledo	Y	N	Y
Warren	Y	N	Y
Wooster	N	Y	N

*Source: Policy Matters Ohio, based on interviews with city officials, the week of July 6, 2020*

Cities' budget shortfalls spill over into the local economy. Public administration and education jobs make up over 10% of the employment base in many rural counties, and over a third of all employment in counties like Athens, with a university. Public sector layoffs compound private sector problems as local buying power declines, threatening retail and service jobs that depend on consumer demand.

Additional, flexible funding for state and local governments is urgently needed going into 2021. The U.S. House of Representatives passed the "HEROES Act" in June to deliver a new round of federal aid. The Senate returns to Washington in late July amid a surging pandemic and deepening recession. Senators must join the House in providing new aid to stem the downward spiral of the economy and support recovery.