



To: Governor Mike DeWine
From: Kent Scarrett, Executive Director, OML
Date: April 29, 2020
Re: Municipal Priorities for COVID-19 Economic Recovery

Thank you for the opportunity to share with you the critical needs Ohio's cities and villages face as they serve on the front lines of the COVID-19 pandemic. We believe the following policy recommendations will help our municipalities recover from the economic impact of the coronavirus. Investment in Ohio's cities and villages is especially important in these times as 8.5 million Ohioans and 80% of all businesses in the state have chosen to make a municipality their home. We look forward to working alongside the DeWine administration to rebuild a strong and vibrant economy in Ohio.

Funding to Sustain Public Services

Our municipalities' number one concern is adequate funding. 70 to 80 percent of our municipalities' general operating revenues come from the income tax, which is taking a direct hit as unemployment continues to climb to record numbers, and they have no other way of generating those funds. We also know that as the state's GRF sees a decline in revenues, the Local Government Fund distribution to cities and villages will decrease accordingly.

As municipal revenue streams substantially decline, municipalities will be forced to consider staffing cuts to critical services such as water plants, health departments and sanitation services. To make matters worse, first responders such as police and fire personnel are also facing cuts during the worst public health crisis in American history.

Moving forward after the crisis, municipalities will be struggling to continue to provide essential services like safe infrastructure, clean water and public safety before their revenue streams recover. Without adequate funding, many will have to make deep cuts that prolong the state's economic recovery.

Infrastructure Investment

Municipalities will struggle to continue maintaining safe local infrastructure. Perhaps now more than ever, Ohioans need safe roadways and bridges as well as working water and sewer lines. Additionally, the COVID-19 pandemic has highlighted how important it is that all Ohioans have access to reliable broadband for a variety of needs such as grocery delivery, telehealth and online education. A state investment in municipal infrastructure - both above ground and below - as well as broadband, will ensure Ohioans and businesses alike travel on safe roads and use sound underground water and wastewater systems.

Expanded Furlough Authority

Municipalities will need tools allowing them control over budgetary expenses that best suits each unique community. One such tool that we respectfully request is the statutory authority to furlough exempt employees for up to 480 hours due to a fiscal emergency or lack of work resulting from the COVID-19 pandemic through June 30, 2021. This will create an opportunity to save revenues, and give municipal leaders, options as they work to manage their budgets while continuing to offer the quality services that both Ohioans and Ohio businesses deserve.

Local Government Fund

We understand and appreciate that as Ohio's General Revenue Fund suffers the economic impact of the COVID-19, the Local Government Fund distribution will face reduction in kind. We also understand that all cabinet agencies have been asked to make 20% cuts to maintain a balanced state budget. We ask that as difficult decisions are made in order to balance the budget, consideration is made regarding the steep cuts to municipal revenues that will drastically impact their ability to deliver the quality services Ohioans and businesses deserve without financial aid from the state.

Federal Financial Relief

Ohio's municipalities have been asking for robust, flexible and direct financial relief from the federal government. The CARES Act created the Coronavirus Relief Fund with \$150 billion for state and local governments, but direct distributions from that fund can only go to local governments with a population under 500,000. The state will be able to sub-grant those funds to Ohio's local governments. Whether or not there will be a phase 4 in federal relief is unclear, as well as whether or not that package would contain direct funding for local governments.

Ohio will receive \$1.2 billion from the Coronavirus Relief fund. However, according to U.S. Treasury guidelines, both the state and local governments will only be able to use those funds for un-budgeted COVID-19-related expenses. The most critical need for immediate funding is for dollars that can be used for budget stabilization. Currently, federal guidelines preclude aid from being used in this manner and the concern remains that the federal assistance meant for local governments will go unused.

We look forward to working with the state to determine the most efficient and effective distribution model for the available federal assistance and to ensure that those dollars reach the intended recipients.

Conclusion

We are grateful for the opportunity to present these policy recommendations; however, this is not an exhaustive list. As the pandemic and its aftermath continues to develop, we respectfully ask for the opportunity to work directly with the DeWine Administration to develop solutions to existing and emerging municipal issues.