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DATE: April 28, 2020

TO: Ohio Gov. Mike DeWine, Ohio House Speaker Larry Householder, Senate President Larry Obhof, House Minority Leader Emilia Sykes, and Senate Minority Leader Kenny Yuko

FROM: The Ohio Mayors Alliance, the Ohio Municipal League, the County Commissioners Association of Ohio, and the Ohio Township Association

RE: Recommendation for distribution of CARES Act Funds to Ohio's local governments

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Coordinated by Gov. Mike DeWine's Local Government Strike Force, the Ohio Mayors Alliance, Ohio Municipal League, County Commissioners Association of Ohio, and the Ohio Township Association have come together to outline the following recommendations for distributing CARES Act dollars to local governments under 500,000 in population.

Working within the guidelines published by the U.S. Treasury on April 22, 2020, we are proposing that a "COVID-19 Local Government Relief Fund" be set up as a mechanism to allocate a first phase of federal funds to Ohio's qualifying local governments that are providing frontline services during this public health crisis.

We are proposing to use the Local Government Fund (LGF) distribution formula to allocate CARES Act dollars directly from the state to counties, cities, villages and townships across Ohio. While the LGF does not reflect the varying impacts that COVID-19 has had on different communities throughout the state, it is a known formula that can easily be modeled to quickly allocate funds to Ohio's local governments.

We know that by using a formula there will be some imbalance between the expenses of individual communities and funds allocated through this formula. We hope to address this by requiring communities to remit any unused funds back to the state and allocating additional funds to communities that have incurred more COVID-related expenses than they received in the first allocation.

Additionally, should federal guidelines change to allow for CARES Act funds to be used for more flexible purposes such as revenue replacement, these changes should apply to CARES Act state funds that are allocated to local governments. Specifically, should a community receive funds through the proposed “COVID-19 Local Government Relief Fund,” and after this allocation the federal guidelines loosen, communities can apply these funds to the potential expanded use.

Local governments (cities, villages, counties, and townships) under 500,000 population and not already being awarded CARES Act funds (i.e., Cuyahoga, Franklin, Hamilton, Montgomery, and Summit Counties, as well as the City of Columbus) would be eligible to receive funds through this newly developed COVID-19 Local Government Relief Fund. This will include local political subdivisions within counties that are being awarded funds directly through the U.S. Treasury, but not being awarded funds by that county.

We recommend some small tweaks to the LGF formula, such as removing these five counties and City of Columbus from the distribution formula. In addition, a few counties share their LGF dollars with park districts, which we recommend be removed for the CARES distribution. Furthermore, several counties may have atypically low LGF revenues due to local agreements (i.e., Belmont and Lake Counties), which may need adjusted for purposes of reimbursing for COVID-19 expenses. We stand ready to assist in these technical adjustments.

Following the first phase allocation of a substantial portion of the CARES Act funds as noted above, we are also proposing a second phase allocation of funds to local governments based on lost revenue due to COVID-19. Should the federal law be amended to allow for more flexible use, these funds and any additional funds allocated could be used for this revenue replacement. This pandemic has caused unanticipated budget expenses on local governments as well as substantial revenue losses since Ohio was proactive in taking actions to “lower the curve.” The economic impacts in some cases are much larger than the unexpected response costs, and revenue replacement will be important in sustaining vital local services.

As we know, our collective response to this global pandemic is being “nationally coordinated, state managed, and locally implemented.” Yet, many local governments are seeing costs for frontline services increase while tax revenue is sharply declining. To sustain these locally implemented frontline response measures, we hope to work with state leaders to ensure a fast, fair, and effective distribution of CARES Act funds to Ohio’s local governments.

We believe allocating a substantial portion of the CARES Act funds through the “COVID-19 Local Government Relief Fund” will help provide immediate relief. In addition to funds for COVID expenses, local governments have been hit hard by lost revenue due to the economic downturn. Again, should the U.S. Congress or U.S. Treasury provide greater flexibility to state and local governments for the use of CARES Act funds or future funds, we recommend the second phase of funding to also allow for local government revenue replacement based on specific community needs.

Thank you for your consideration and we look forward to our continued work together to respond to this unprecedented public health and economic crisis.