

# POLICY SOLUTIONS FOR THE PANDEMIC

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## The Buckeye Institute's Recommendation

As local tax revenues decline dramatically during the COVID-19 pandemic, Ohio should offer direct—but targeted—state financial assistance to help local governments maintain core services. State funds should be given to local governments to meet essential public health and safety demands created by the pandemic. And to ensure that local governments spend state taxpayer money wisely, any state assistance not spent on public health and safety should be off-set by reducing the locality's Local Government Fund distribution.

## Background

The COVID-19 crisis will significantly reduce state and local tax revenues. Many local governments will face declining local tax revenue *and* reduced distributions from the **Local Government Fund** (LGF) due to falling state general revenues. Pressure will mount for local governments to raise taxes or, in the case of municipal income taxes, reduce tax credits. They should resist that pressure.

Despite the current strain on the state budget, Ohio should offer direct financial assistance to local governments in addition to the new federal dollars distributed through the **CARES Act**. Such assistance could be offered in two ways: first, through Ohio's Budget Stabilization Fund, popularly known as the **rainy day fund**; and second, by restricting some of the LGF distributions to paying for public health and safety, which would require local governments to prioritize essential spending in order to receive the supplemental state subsidies.

Given declining tax revenues and squeezed public budgets, local governments must remain vigilant in spending taxpayer money responsibly and should explore The Buckeye Institute's recent **recommendations** for cost-saving strategies. Local spending should focus first and foremost on emergency and healthcare services, and any additional state funds should be used for those purposes rather than nonessential services such as parks, recreation, and beautification. State supplemental aid should be conditioned on local governments agreeing to use the state supplements for the designated essential services. To protect the Ohio taxpayer and promote good stewardship of scarce resources, local governments that use the set aside funds for nonessential services should see their future LGF distributions reduced by commensurate amounts.

## Conclusion

As Ohio's local governments and municipalities struggle to survive the existential economic challenge posed by the current crisis and its aftermath, the state should provide communities with targeted, short-term financial aid to spend only on essential public health and safety services.