NATIONAL ASSOCIATION of COUNTIES NACo®

COUNTIES AND COVID-19: POSITIONING AMERICA FOR RECOVERY

FEBRUARY 2021

KEY TAKEAWAYS

- **Counties are uniquely positioned to drive economic recovery, organize vaccine distribution and execute the local public health response.**

- **COVID-19 response costs are outpacing local revenues across the nation, leaving communities short on services, programs and jobs.**

- **The high demand for local public health and safety services throughout the pandemic has increased local expenditures, especially as local governments seek to respond with 1 million fewer workers.**

- **Counties are essential to the national strategy to vaccinate residents throughout the U.S., and county leaders are overseeing indispensable health and human services systems.**

- **Long-term unemployment is increasing at concerning levels, further placing demand on local government services and increasing costs.**

- **As county governments are forced to take austerity measures due to declining revenues and increased expenditures, the economy — and therefore local communities and residents — increasingly suffers, and will continue to suffer for years to come.**

- **Counties invest funds responsibly and efficiently, injecting a much-needed boost to GDP and providing targeted aid to residents in need.**

COUNTIES ARE UNIQUELY POSITIONED TO SUPPORT U.S. JOBS GROWTH, GDP EXPANSION AND ECONOMIC RECOVERY

Counties are the frontlines in our **nation's public health and public safety,** investing $263 billion annually and employing 1.5 million health and public safety workers (out of a typical total county workforce of 3.6 million).[1]

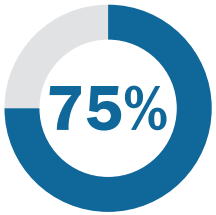
Counties have **saved small businesses and served residents** that are being left behind in the COVID-19 economy through strategic investments of Coronavirus Relief Fund (CRF) dollars.

Local government investment will drive COVID-19 **economic recovery** with GDP and U.S. job growth, retaining the county workforce as one of the nation's largest employers and restoring local economies through vital infrastructure, health, safety and resiliency investments.

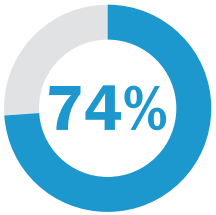
Every dollar of local government aid is at least a **dollar increase in GDP growth.**

[1] *According to the Bureau of Labor Statistics' Employment Situation, local governments lost over 1 million jobs in 2020, impacting the county workforce of 3.6 million.*
[2] *Daniel Shoag, Harvard University, "The Impact of Government Spending Shocks: Evidence on the Multiplier from State Pension plan Returns" available at https://scholar.harvard.edu/files/shoag/files/impact_of_government_spending_shocks_01.pdf (July 13, 2020).*

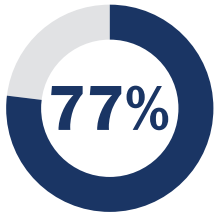
COVID-19 COSTS ARE OUTPACING REVENUES FOR LOCAL GOVERNMENTS ACROSS THE NATION



of respondents indicated that county government's **financial health has been impacted negatively by COVID-19.**



of county government respondents believe their government **will face significant challenges in providing needed services to residents.**



of respondents believe that if Congress does not pass another stimulus, their county's **condition will worsen.**

Source: NACo Survey of County Governments, 2020

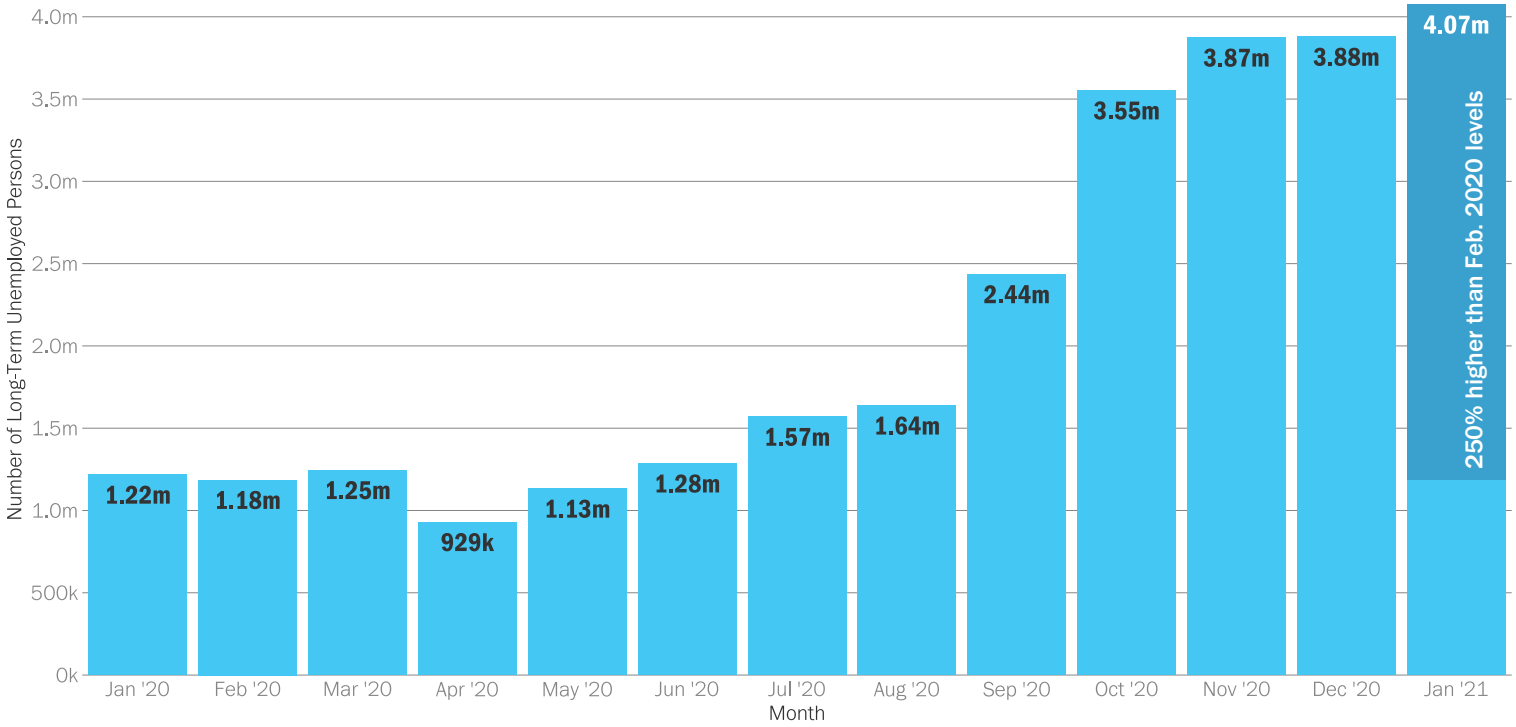
- Although national reports on local government revenue are limited, capture only a slice of county government revenues (38 percent of county revenues are generated from taxes) and only available through Sept. 30 2020, a COVID-19 coalition captured more recent data illustrating the local financial situation. In the Dec. 2020 survey, most counties have reported negative financial impacts of COVID-19.
  Source: U.S. Census Bureau, Quarterly Summary of State & Local Tax Revenue (QTAX); NACo Research, 2020

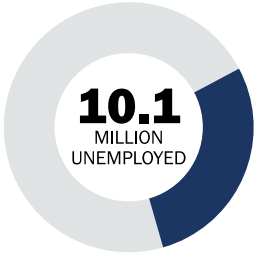
- At the community level, impacts to local government revenue have varied drastically, with some seeing precipitous drops in revenues.
  Source: NACo research, 2020

- Recent reports indicate state revenues between March and December 2020 dropped from the same period a year earlier. The reports do not include comprehensive local government data and ignore increased expenditures. States like Nevada (-13%), Hawaii (-13.6%), Florida (-7.9%), Texas (-6.8%) and North Dakota (-9.7%) held some of the biggest losses.
  Sources: Politifact, 5 February, 2021; JPMorgan, "Municipal Markets Weekly," 29 January 2021; U.S. Census Bureau, Quarterly Summary of State & Local Tax Revenue (QTAX); NACo Research, 2020

- **More importantly, costs for almost all local governments have increased significantly throughout the pandemic, outpacing revenues across the nation.**
  Source: NACo research, 2020

TROUBLESOME LONG-TERM UNEMPLOYMENT LEVELS STRAIN LOCAL GOVERNMENT RESOURCES AND LOCAL ECONOMIES





39.5%
IN LONG-TERM UNEMPLOYMENT

Long-term unemployment topped 4 million this month and now represents about 40 percent of the 10 million Americans currently unemployed. January's increase of 67,000 long-term unemployed workers is the ninth month in a row that this figure has increased, and the number is now nearly 3 million higher than it was in February – a roughly 250 percent increase.

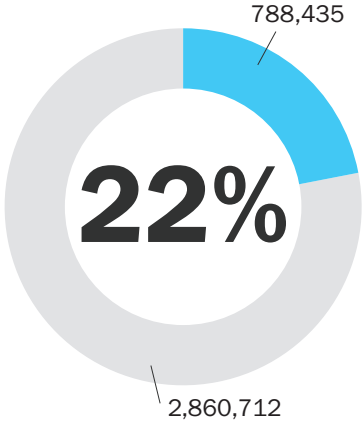
Long-term unemployed persons represent the greatest strain on local government resources, as counties work tirelessly to assist these residents and find them new employment opportunities, in spite of their own diminished county workforces. The cost to return long-term unemployed persons to the workforce is elevated – for example, one program invested $400 million to re-employ 60,000 workers in 2015.[3] For local governments, the cost and strain of long-term unemployment has only increased throughout this pandemic.

[3] *National Council on Aging, Senior Community Service Employment Program, available at www.ncoa.org*

COUNTY WORKERS ARE RESPONSIBLE FOR VACCINATING AMERICANS AND HELPING TO REOPEN THE ECONOMY, OVERSEEING INDISPENSABLE HEALTH AND HUMAN SERVICES SYSTEMS

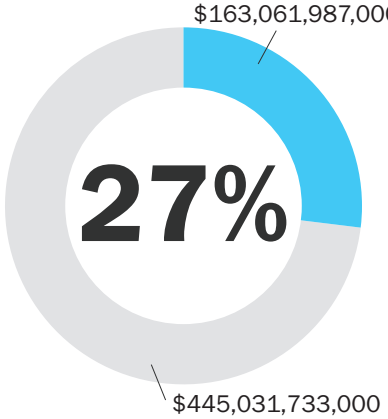
COVID-19 RELATED COUNTY FUNCTIONS

COUNTIES TYPICALLY INVEST **$163 BILLION** AND EMPLOY **788,435 WORKERS** IN HEALTH AND HUMAN SERVICES ANNUALLY



of all **county employees** work in health and human services

Source: NACo Analysis of U.S. Census Bureau - Census of Individual Governments: Employment

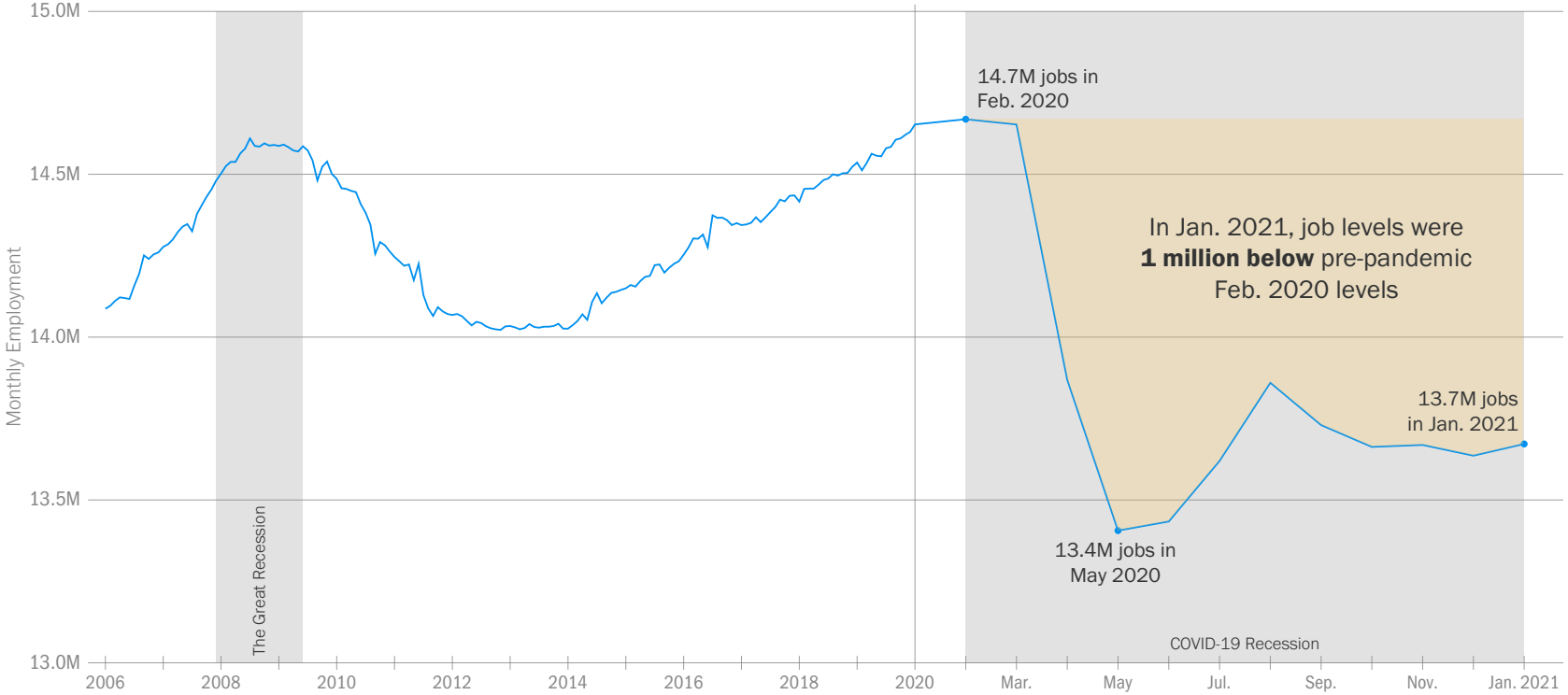


of all **county expenditures** are investments in health and human services

Source: NACo Analysis of U.S. Census Bureau - Census of Individual Governments: Finance

ONE IN EVERY TEN JOBS YET TO BE RECOVERED IS A LOCAL GOVERNMENT JOB, STRAINING LOCAL GOVERNMENTS' ABILITY TO SERVE COMMUNITIES AND RESIDENTS

LOCAL GOVERNMENT EMPLOYMENT, 2007 – DEC. 2020

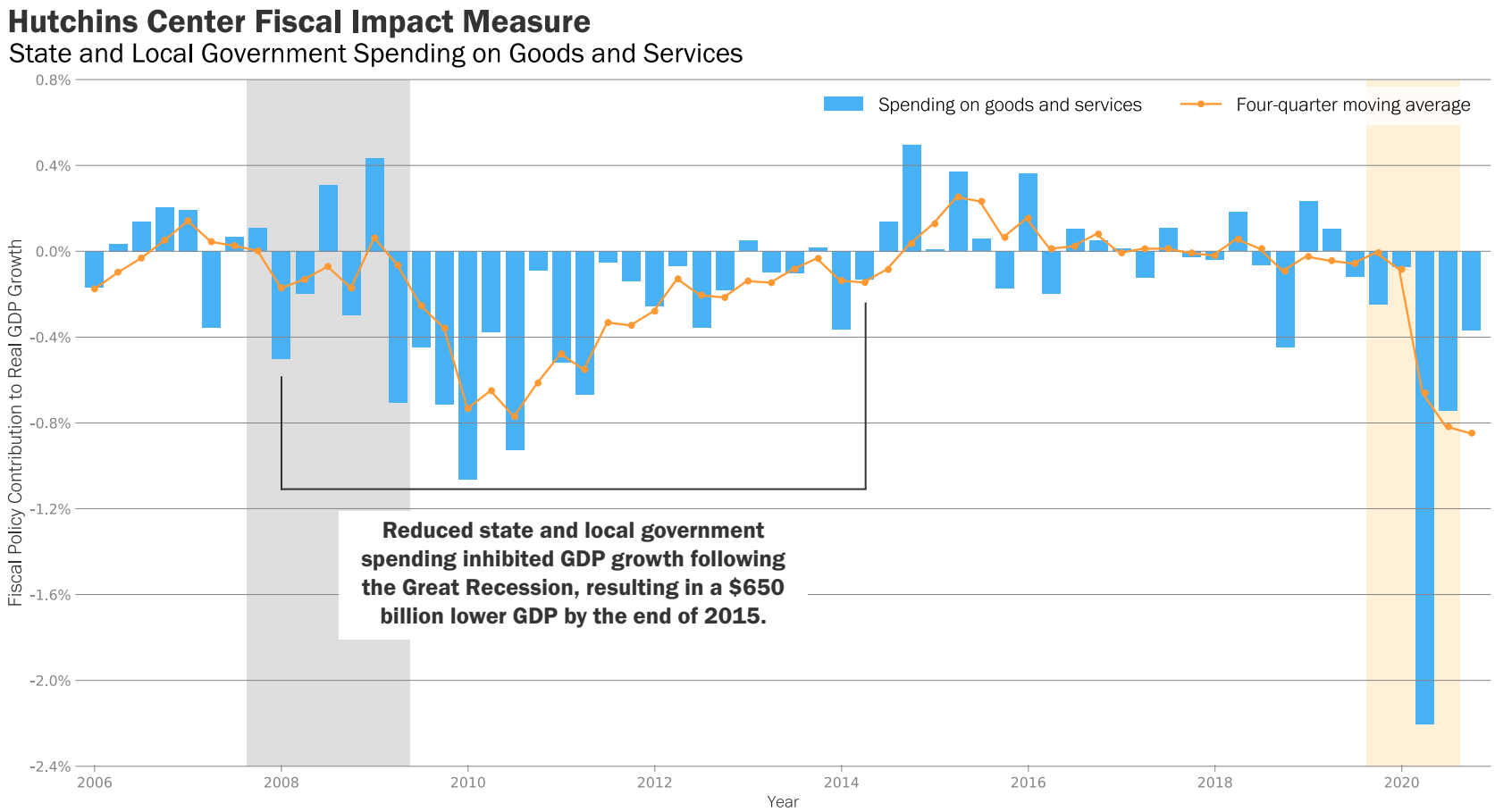


Source: NACo Analysis of Bureau of Labor Statistics, The Employment Situation – December 2020.

Local government employment experienced **six months of decline** since the beginning of the pandemic in March, and now remains **over 1 million jobs short of February levels.** With over 10 million jobs yet to be recovered nationally, 1 in every 10 jobs that the U.S. economy needs to regain is a local government job. This share stands in stark contrast to Spring 2020, when local government job losses comprised only 4 percent of all job losses nationally, demonstrating that the local government sector has not been recovering at the pace of other sectors. In the wake of the Great Recession local governments experienced significant job loss; local government job recovery took 133 months, or 11 years and 2 months, for employment levels to rebound to pre-recession levels demonstrating the impact of a recession on the local government job market. **With additional aid, local governments can quickly bring back 1 million jobs to the economy. Furthermore, local government can provide the infrastructure and services to help more jobs return to the economy,** especially by helping the 4 million workers who have now been unemployed for over 6 months and may not be able to return to the workforce without these local government services.

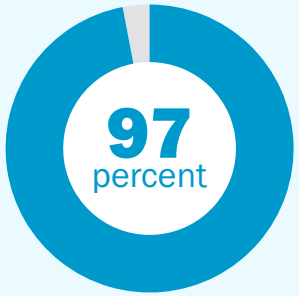
WHEN COUNTIES ARE FORCED TO TAKE AUSTERITY MEASURES, THE ECONOMY SUFFERS IN BOTH THE SHORT AND LONG TERM, HURTING LOCAL COMMUNITIES AND RESIDENTS

IMPACT OF STATE AND LOCAL GOVERNMENT SPENDING ON GDP, 2000 Q1 – 2020 Q3

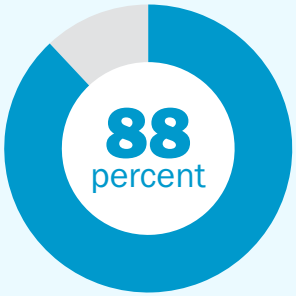


On average, state and local government spending have comprised approximately 14 percent of U.S. GDP since 2000. **Reduced state and local government spending in the wake of the Great Recession inhibited economic growth for 22 out of the 26 quarters between 2008 and mid-2014,** resulting in a $650 billion lower GDP by the end of 2015 (3.5 percent lower). Not only will county austerity measures reduce economic growth, but they will also impact county services for years to come. When a local government service is cut, that service often remains cut, hurting residents and communities in the long-run.

COUNTIES RESPONSIBLY INVESTED AID FROM CRF INJECTING QUICK BOOST TO GDP AND ESSENTIAL AID TO OUR NATION'S MOST VULNERABLE RESIDENTS



According to data from 48 states and territories compiled by the National Association of State Budget Officers (NASBO), on average, **97 percent of state/territory CRF** is spent or earmarked.

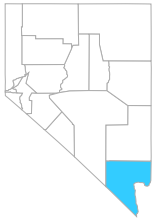


A NACo survey of a sample of counties which received direct funding reveals respondents had spent or earmarked an average of **88 percent their CRF** allocations, as of November 2020.

Throughout the pandemic, counties have demonstrated that federal aid to counties will be spent in a responsible and ethical manner – helping our nation's **seniors, youth, sick and unemployed.** Additionally, **every dollar a local government spends equates to at least a dollar of GDP growth.** As such, every dollar of direct aid to counties will be spent at the local level to support our nation's most vulnerable residents, sustain local labor markets and bolster economic output.

APPENDIX: COUNTY FISCAL AND COMMUNITY IMPACTS OF COVID-19 AND CRF INVESTMENTS

CLARK COUNTY, NEV.



Population: 2,266,715

County Budget: $5.3 billion

CRF Allocation: $295 million

Clark County, Nev. has spent nearly all of its $295 million in CARES Act funding out of necessity, including $54.6 million on rental assistance, $30.2 million on basic needs aid, $23.2 million on utility assistance, $23 million on testing and $11.6 million on economic recovery programs. Despite having only $40 million in funds remaining, **the county is facing $183 million in additional short-term expenditures** which are currently uncovered, such as $67 million in pending rental assistance applications and $21.1 million in pending small business grant applications. Source

GALVESTON COUNTY, TEXAS

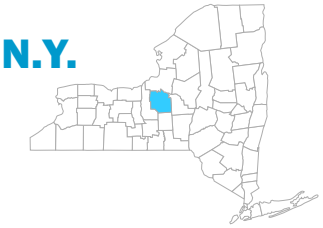
Population: 342,139

County Budget: $187 million

CRF Allocation: $2.3 million (from state)

Galveston County, Texas, received only $2.3 million from the CARES Act, through the state of Texas – much of which went towards paying essential county employees for pandemic response and overtime. In total, **the county spent $2.7 million on labor costs** in responding to the COVID-19 pandemic. CARES Act funding, however, has not been sufficient. In November 2020, **the county had to allocate $1.5 million from its general fund to continue a county-wide testing program.** Previously, the county had to ask its largest municipality, League City, for $1 million of its $5.7 million allocation, to spend on COVID-19 testing for uninsured League City residents, since the county only received funding for unincorporated areas. Sources: (1), (2)

ONONDAGA COUNTY, N.Y.



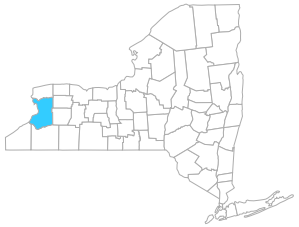
Population: 460,528

County Budget: $1.3 billion

CRF Allocation: $0.00

With a population of just under 500,000, **Onondaga County did not receive any CARES Act funding.** The financial impact of COVID-19 on the county has resulted in **500 fewer jobs** than the previous year, and a total workforce now less than 2,900 people. The county's proposed 2021 budget is also 6.3 percent lower than its 2020 budget. Despite an **$84 million difference in budget** compared to 2020, the county still plans to invest $6.8 million in COVID-19 recovery and $3.1 million in a distressed hospital from county funds in 2021. A **$22 million decrease in county sales tax revenue** throughout the pandemic has contributed to this decline. On top of these cuts, Onondaga County is also budgeting for a $20 million cut in aid from New York State for 2021.

ERIE COUNTY, N.Y.



Population: 918,702

County Budget: $2,495,768,000

CRF Allocation: $160,306,415

Erie County, N.Y. As a sales tax dependent county, Erie County closed a budget hole of over **$100 million** last year, with more than **300 jobs eliminated,** significant reserve funds tapped, and infrastructure investments eliminated. The county is the lead agency in the region responsible for responding to COVID-19 and used CRF to provide $20 million to small businesses, $15 million to support local school districts and $8 million to municipal governments and volunteer fire companies. The county also invested in a regional public health lab for testing, contact tracing and vaccinations.

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KING COUNTY, WASH.

Population: 2,252,782

County Budget: $3,507,429,000

CRF Allocation: $261,582,611

King County, Wash., eliminated **400 positions,** including substantial cuts to criminal justice programs. King County is **spending its rainy-day fund on pandemic mitigation,** including providing housing for those without shelter, reaching the maximum allowable level of reserve spending. The county is investing **$12 million monthly** on public health and protecting vulnerable residents. County sales tax revenues for general use and mental health services **dropped $31 million** between March and August 2020. In October 2020 sales taxes were down 41 percent for restaurants and 81 percent for hotels. Losses compound the basic needs of local residents, especially the most vulnerable and unemployed, for county human service and social safety net assistance.

LORAIN COUNTY, OHIO

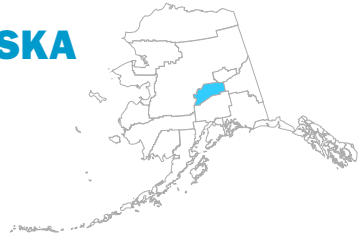
Population: 309,833

County Budget: $260.6 million

CRF Allocation: $18 million

Loraine County, Ohio faced with a $16 million dollar budget shortfall cut over $4 million in grants to several non-profit agencies within the county which provide assistance to keep people in their homes and assist with food insecurity. This comes as services at the agencies had reportedly doubled due to the impacts of the pandemic. The county is exploring solutions to sustain funding to the non-profits, however that in doing so the county would be required to cut funding to judges, sheriffs, recorders, auditors or coroner services. Source

DENALI BOROUGH, ALASKA



Population: 2,097

County Budget: $12,366,000

CRF Allocation: $3,810,934

Denali Borough, Alaska, has experienced devastating revenue losses of about $4 million, or 90 percent of normal revenues, in 2020, with another $3 million in losses forecasted for 2021. By comparison, the borough's total general fund expenses for 2021 are estimated at $5.6 million. The borough, with a staff of only twelve, supports local schools, public health testing and mitigation, emergency preparedness, community and economic development, land management, and solid waste management.
Source: *Denali Borough, Alaska.*

MACON-BIBB COUNTY, GA.

Population: 153,159

County Budget: $148 million

CRF Allocation: $8 million (from state)

Macon-Bibb County, Ga., received over $8 million in Coronavirus Relief Funding (CRF) from the state of Georgia. The County used their CRF allocations to support testing and contact tracing, food programs, public health expenses, to facilitate distance learning and purchase personal protective equipment. Despite the expenditures, **the county implemented a 10 percent reduction of their budget for Fiscal Year 2021 due to constraints brought on by the pandemic.** Expenditure reductions include eliminating some civilian vacant positions and implementing furloughs for some county staff to the effect of a half a day per week for the entire year. **Additionally, the county reduced community recreation services spending by about $660,000.** Sources: (1), (2)

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