ASSESSMENT OF COUNTY NEEDS IN ECONOMIC RECOVERY FROM COVID-19

October 2020
OVERVIEW

County leaders have witnessed firsthand the impacts of the COVID-19 pandemic on their neighbors and constituents and are well-informed on needs arising in their local communities. While county governments are uniquely positioned to support recovery efforts, counties, themselves, need support to meet those needs and secure the physical and economic well-being of their residents moving forward. This report outlines what county leaders have identified as primary concerns, priority actions and resources needed to create equitable long-term economic recovery.

KEY TAKEAWAYS

1. Counties remain concerned about both public health and economic aspects of recovery. Among the diverse range of economic recovery concerns, counties are prioritizing individual and small business financial relief.

2. Communities of color, minority-owned and woman-owned small businesses have been disproportionately impacted in many communities by both the health and economic outcomes of the pandemic.

3. Counties are struggling with health impacts that extend beyond the immediate concerns of the virus, including an ongoing mental health crisis.

4. Access to food and suitable housing for local communities is a top priority of many county leaders.

5. Counties are seeing long-standing issues exacerbated, such as the opioid crisis and lack of broadband access.

6. Funding opportunities are consistently identified as a top need for counties engaging in the recovery planning process. Federal funding programs have not yet met this need.

7. Counties are largely satisfied with the information they have access to regarding economic recovery and continue to seek partnerships with organizations like NACo to enhance these experiences.
SUMMARY OF COUNTY NEEDS

1. Gap funding to cover lost revenues

Although federal CARES Act funding is a start, it is not enough to cover the $114 billion in anticipated lost county revenue\(^1\). This need is intensified in counties subject to Dillon’s Rule\(^2\) which may not have the flexibility needed to create new revenue streams.

2. Economic recovery funding with fewer strings attached

Needs vary from county to county and economic recovery dollars need to be flexible to meet unique local contexts. County staff on the ground must focus on providing direct support instead of completing paperwork to meet funding guidelines or negotiating challenging limitations on spending.

3. Allies and advocates among federal and state decision makers

As additional dollars are allocated for COVID-19 relief at state and federal levels, it is important that decision makers understand the wide variation in local needs within states and across the country.

4. Increased funding for local nonprofit partners

County leaders describe increased demand on local nonprofits and service providers such as food banks and shelters, yet limited capacity to support them from stressed county budgets.

5. Improved broadband

Broadband in rural and low-income communities has long been a challenge. As public education, social services and some work and commerce have increasingly transitioned to the virtual space, reliable and fast internet has become a primary connector to resources and to others. If this issue is not addressed, the pandemic will only further entrench inequities across the board.

6. Opportunities to share best practices

Counties across the nation are taking creative approaches to meeting needs during the pandemic and desire chances to share these innovations and learn from one another.

7. Thought leadership and financial support to build new, equitable systems

To create and implement effective plans for equitable recovery post-COVID-19, counties need partners, thought leadership and dedicated financial support to invest in equity-focused programs as the rebuilding process progresses.

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\(^2\) Dillon’s Rule is a structure of county authority under which counties have capacity to legislate that is more limited by the state: https://ce.naco.org/?set=government%20Structure%20and%20County%20Authority
COUNTIES FACE DIVERSE CONCERNS

Top concerns of county leaders in responding to COVID-19^.

64% of counties are equally concerned about the economic and public health impacts of the COVID-19 pandemic.

24% Public health challenges
7% Economic challenges
6% Both health and economic challenges are of equal concern in my county
64% My top concern is something other than public health or economic challenges

Areas of top concern for county leaders

INDIVIDUAL AND SMALL BUSINESS FINANCIAL RELIEF ARE CLEAR PRIORITIES, AMONG A VARIETY OF COVID-19-RELATED CHALLENGES.

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Numbers may not add up to 100 percent due to rounding differences.

^ The data presented here are based on a recent survey NACo member counties. Results reflect 200 responses received from county leaders. For more information about the methodology of this report, see page 15.
FISCAL CHALLENGES ARE CLEAR

Funding from the CARES Act is insufficient to cover the long-term fiscal impacts of county governments. Counties report receiving significant support through the CARES Act but continue to have concerns over the loss of revenue and the ability to serve residents. Counties are also struggling with the CARES Act funds expiration date of December 31, citing challenges with meeting all the requirements needed to spend on time.

Federal dollars are helpful with reasonable guardrails, but challenges arise if too many strings are attached and when counties are left out of the conversations of funding needs.

Counties report trouble with acquiring the supplemental Community Development Block Grants (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD) allocated by the CARES Act.

- **Mobile County, Ala.** received $900,000 in CDBG funding this summer, but various challenges slowed down their ability to spend it. The complexity of CDBG regulations and the availability of other funding through sources with fewer regulatory restrictions made identifying willing partners difficult. Additionally, overlapping funding opportunities present inherent challenges to ensuring non-duplication of benefits, which is a requirement for funding from HUD.

Fears about federal funding constraints are amplified by uncertainties surrounding the 2020 Census and its funding implications for years to come⁴.

OVERWHELMINGLY, COUNTIES HAVE USED CARES ACT FUNDS TO FOCUS ON SMALL BUSINESS RELIEF STRATEGIES AND OVERALL WORKFORCE AND ECONOMIC RECOVERY PROGRAMS⁵.

COUNTIES EMPLOY A TOTAL OF 3.6 MILLION PEOPLE AND INVEST NEARLY $600 BILLION ANNUALLY IN LOCAL COMMUNITIES.⁶⁷

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⁴ Census 2020: [www.naco.org/census-2020](http://www.naco.org/census-2020)
⁵ Resources and Information Related to the Coronavirus Relief Fund: How Counties Are Investing Coronavirus Relief Fund Payments: [www.naco.org/printer-friendly/231610](http://www.naco.org/printer-friendly/231610)
⁶ NACo Counties Matter overview: [www.naco.org/counties](http://www.naco.org/counties)
⁷ Local government budgets could have widespread impacts across the country, such as $344 billion lost in GDP and 4.9 million jobs lost: [www.naco.org/sites/default/files/documents/Analysis-of-COVID-19s-Impact-on-County-Finances-and-Implications-for-the-US-Economy.pdf](http://www.naco.org/sites/default/files/documents/Analysis-of-COVID-19s-Impact-on-County-Finances-and-Implications-for-the-US-Economy.pdf)
LOSS OF COUNTY REVENUE

Diversification of revenue sources will be a critical need moving forward. COVID-19 has shown that reliance on a single revenue source is problematic.

- Mercer County, W.Va. relies on a hotel/motel tax to generate revenues to support county needs. As COVID-19 impacted tourism and travel substantially decreased, a county leader reported a two-thirds decrease in monthly revenues compared to initial projections based on prior years.

- Tourism and hospitality are leading industries and a major source of revenue in places like Atlantic County, N.J., which reported losses in the gaming and tourism industries and a need to replace that revenue.

- Other counties relied heavily on the spillover effects that large universities brought through sales tax and tourism. Orange County, N.C. reported a loss of tourism as conferences and university games have been cancelled.

- Counties with major international airports like Loudoun County, Va. have seen losses of revenue related to decreased air travel.

COUNTY REVENUES WILL LIKELY CONTINUE TO SUFFER FOR YEARS TO COME.

Many counties rely heavily on retail sales, income and property taxes—areas that will continue to be impacted by COVID-19 in the future.

- King County, Wash. reports that 60 percent of the county general fund comes from property tax revenue, with county services depending on the stability of property tax revenue.

- Online sales tax agreements are important for counties as consumers shift away from traditional shopping. Counties like Boone County, Mo. rely heavily on sales tax as part of the local budget and are now experiencing revenue loss associated with the economic downturn.

Strategies to protect residents, such as delays in tax collection, will impact county governments’ ability to provide other needed services and programs.

- King County, Wash., among others, reported providing renters and homeowners relief and exemptions to ensure housing stability.

- Ramsey County, Minn. delayed property tax penalties.

- DeKalb County, Ga. gave back $119 million in property tax relief, helping homeowners defer property taxes.

“COUNTIES ANTICIPATE [A] $202 BILLION IMPACT TO BUDGETS THROUGH FY2021, WITH WIDESPREAD ECONOMIC CONSEQUENCES.”
— NACo COVID fiscal impact report

In El Paso County, Texas, state legislation enabling the county to collect sales tax revenue on online purchases has lessened the fiscal impact of COVID-19.

Spotlight on county solutions

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CONCERN FOR SMALL BUSINESSES

Federal loan programs for small businesses have not met the needs in many counties. Although the Paycheck Protection Program (PPP) loans made available through the CARES Act and the Small Business Administration’s (SBA) Economic Injury Disaster Loans (EIDL) were created to support small businesses, counties say that businesses have not received the support they need.

- **Coconino County, Ariz.** reported that less than 25 percent of businesses were able to secure a PPP or EIDL loan.

In many counties, minority-owned and woman-owned small businesses have been disproportionately impacted; many did not qualify or were unable to obtain federal loans.

- **DeKalb County, Ga.**, which was ranked among the top 10 places in the nation for business owners of color, and **King County, Wash.** found that woman- and minority-owned business have had less success accessing PPP loans.

- **Hennepin County, Minn.** reported unique challenges faced by small businesses owned by people of color in the Lake Street business corridor at the epicenter of protests following the death of George Floyd.

In the absence of federal support, many county leaders have created county-led small business loan programs. **DeKalb County, Ga.** announced a $30 million small business grant/loan program using CARES Act funds, aiming to prioritize business owners of color and other owners who have not yet received any funding.

Other counties have faced legal challenges with enacting small business support programs or funds. **Cook County, Ill.**, for example, has worked in partnership with philanthropic organizations to establish an ecosystem of support for the small businesses that are struggling, recognizing that many small businesses do not have an accountant, legal team or the connections to financial institutions that are necessary to secure federal support.

**Spotlight on county solutions**

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**We want to uplift the dignity and worth of our small businesses.**

— County leader focus group

**Eighty (80) percent of counties consider small business owners to be a vulnerable population during COVID-19.**

**Sixty (60) percent of counties identify small business relief as one of their top three priorities.**
COUNTIES ARE LARGELY SATISFIED WITH THE INFORMATION AND GUIDANCE THEY HAVE RECEIVED: 80% SAY THAT IDENTIFYING FUNDING SOURCES IS A TOP CONCERN.

COUNTIES DESIRE TO CEMENT PARTNERSHIPS WITH STATE AUTHORITIES AND NON-PARTISAN ORGANIZATIONS TO PLAN FOR ECONOMIC RECOVERY.
PUBLIC HEALTH CHALLENGES EXTEND BEYOND THE VIRUS

Counties are challenged with food shortages, long lines at food banks and an uptick in social services applications. Many counties are seeing increases in Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) applications, more families in line at local food banks and an overall increased demand for help in meeting basic needs.

- **Mobile County, Ala.** reports that the need for food stamps has quadrupled since the start of the pandemic.

- **Lancaster County, Neb.** large corporate farms and meat processing plants have not been able to produce food at their normal capacity due to increased worker protections.

**County leaders attempt to bring attention to an overlooked mental health crisis.** Counties report increases in social isolation and anxiety as a result of the pandemic, as well as an increased suicide rate.

**Counties hit hard by the opioid epidemic are experiencing a dual crisis.**

- **Mercer County, W.Va.** reports a simultaneous spike in overdose cases and increase in methamphetamine use among residents following the release of the national stimulus checks.

- **Howard County, Md.** and **Cook County, Ill.** both report spikes in overdose cases.

Overwhelmed county healthcare systems struggle to meet basic health needs, especially in low-income communities.

- **In Coconino County, Ariz.** – a large portion of which is Navajo Nation land – small hospitals have struggled to stay afloat as they rely on income from elective surgeries to maintain operations.

In the midst of the COVID-19 pandemic, **Franklin County, Ohio** launched a pilot project, the Family Stabilization Unit, to coordinate mandated family services across agencies, providing tailored assistance and preventative triage to families through a racial equity lens.

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**Spotlight on county solutions**

**Orange County, N.C.** saw that local farmers had no market for their agricultural products while schools were out of session, so the county government purchased those supplies for their local food banks. **Boone County, Mo.** took a similar approach to supporting small local meat processing plants.

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9 NACo has advocated for increased investment in food assistance programs such as SNAP, in light of 14 million children facing food shortages due to COVID-19: [https://www.naco.org/blog/naco-joins-more-2500-groups-call-increased-food-assistance-respond-covid-19](https://www.naco.org/blog/naco-joins-more-2500-groups-call-increased-food-assistance-respond-covid-19)

10 Counties across the country have implemented creative solutions to the unique circumstances of addressing mental health concerns during COVID-19: [https://www.naco.org/covid19/topic/community-health/behavioral-health](https://www.naco.org/covid19/topic/community-health/behavioral-health)
DISTRIBUTION OF RESOURCES & EQUITY

Black, brown and indigenous communities are disproportionately impacted by health and economic consequences of the pandemic.11

- DeKalb County, Ga. and Loudoun County, Va. saw increased infection rates in the Latinx populations and worked to provide protective equipment and accessible test sites for agricultural and service workers, with information available in both Spanish and English.
- Counties report concerns of lagging data on how vulnerable populations are impacted by COVID-19.

Ramsey County, Minn. created an inclusive racial equity and community engagement response team comprised of community leaders and individuals most impacted by COVID-19, including people of color, people with low income, people with justice involvement and others.

WE CLEARLY HAVE INSTITUTIONAL RACIAL BIASES BUILT INTO OUR HEALTH CARE DELIVERY SYSTEM.”
— County leader interview

NATIONWIDE, BLACK PEOPLE ARE DYING FROM COVID-19 AT 2.3 TIMES THE RATE OF WHITE PEOPLE.12

11 The COVID Racial Data Tracker: https://covidtracking.com/race
12 Ibid.
UNEMPLOYMENT

With unemployment claims continuing to rise across the U.S., unemployment emerges as a top concern for county leaders. Counties seek to help residents navigate complex unemployment benefits systems. Many counties have no control over these qualifications and can only serve as facilitators.

- Orange County, Fla. indicates many constituents do not meet the minimum qualifications to apply for and receive unemployment benefits even though they are facing significant employment challenges.

- One small county described how the state had closed 22 unemployment offices across the state prior to COVID-19; when the pandemic hit, communities across the state were completely overwhelmed, and county staff supplemented the lack of unemployment agency staff throughout the community.

COUNTIES EXPECT HARDSHIPS AND LAYOFFS IN THEIR COMMUNITIES TO CONTINUE.

The unemployment crisis is not impacting communities equally.

- Ramsey County, Minn. saw a huge spike in unemployment in general; however, unemployment was much higher – as high as one third – for Black residents.

HOUSING AND HOMELESSNESS

Extending moratoria on mortgages and evictions is a priority for counties. However, counties report different levels of authority and control in creating solutions to meet these needs.

- **Los Angeles County, Calif.** used CDBG funding to provide rent assistance and ensure renters can stay in their homes.
- Other counties that are having trouble accessing federal funding are relying heavily on local nonprofits, community development corporations and housing associations for assistance.

Some counties indicate they were only beginning to emerge from the financial crisis of 2009 prior to the pandemic; they fear losing critical protections will spiral the community back into a deeper housing crisis.

"PEOPLE THAT WERE ON THE EDGE PRE-COVID – THEY’RE NO LONGER THERE.”
— County leader interview

DeKalb County, Ga. funded 22 local nonprofits to support residents experiencing eviction.

14 Conversations regarding housing and homelessness took place prior to the September 2020 federal eviction moratorium.
BROADBAND AND TECHNOLOGICAL NEEDS

Counties are witnessing the technology gap for vulnerable groups. Even where broadband is more widespread, families with low incomes and communities of color are often at a disadvantage when systems move online, as they may not have the necessary supplies (such as laptops or iPads) and/or Internet access in their homes.

- **Mercer County, W.Va.** reported children not having contact with their teachers for months due to limited broadband access, threatening achievement and the opportunity gap.

- **Harlan County, Ky.**, where household broadband access hovers at just under 40 percent, described similar concerns, particularly for students of color.

Outside of disadvantages for students, lower income residents sometimes lack the technology to virtually attend court hearings, such as for eviction cases, and are more likely to be forced to work outside of the home rather than remote working, creating childcare issues (especially when children are engaged in virtual learning) and increased threats to their health.

In **Wayne County, Mich.**, Comcast committed to providing Internet services to over a million people located outside the city of Detroit.

**Counties would like to see more accurate data on where broadband improvements are needed in underserved parts of rural America.** Just because a county has broadband access does not mean it is fast, reliable, affordable or capable of handling the massive increase in users brought on by the COVID-19 pandemic.

15 Counties across the country have seen these issues of broadband access exacerbated: [https://www.naco.org/articles/broadband-demands-during-covid-19-reveal-disparities](https://www.naco.org/articles/broadband-demands-during-covid-19-reveal-disparities)
OPPORTUNITIES FROM A GLOBAL PANDEMIC

Counties report that the COVID-19 pandemic has demonstrated the power of bringing together leaders from different areas to speak with a unified voice and message.

The COVID-19 crisis has highlighted the need for counties to work hand-in-hand with community leaders and nonprofit organizations to pursue a more cohesive ecosystem for supporting county residents.

The events of 2020 present a unique opportunity to address long-standing inequities and operational inefficiencies as we rebuild. For many counties, the recovery from COVID-19 is closely intertwined with a national reckoning following widespread protests and social unrest about police violence, structural racism and exacerbated economic inequities.

• In Louisville-Jefferson County, Ky., the county released an initial recovery framework on May 27, and then evolved recovery efforts when protests following the police shooting of Breonna Taylor began on May 28.

• Ramsey County, Minn. shared hopes about a new start for a lot of county policies and practices, including the possibility of a shift toward greater equity during the recovery process.

Counties have new potential to rethink county government operations.

• King County, Wash. reports that, now that they have seen it is possible to cut through some of the bureaucratic red tape and process services faster, they want to avoid returning to previous methods and operations.

Counties find economic opportunities in the expansion of remote work. Rural counties and counties with smaller cities reported potential opportunities to attract new residents.

Learn more about the county role in addressing the COVID-19 pandemic: www.naco.org/resources/counties-matter-covid-19

WE ARE GOING TO HAVE TO NOT JUST REBUILD, BUT BUILD ALL OVER AGAIN.”
— County leader interview
METHODOLOGY

Data for this report come from a survey of NACo member counties, 15 in-depth interviews and four focus groups with county officials. Survey findings are based on 200 survey responses representing 179 unique counties across 40 different states. Survey results presented in this report are not meant to be representative of all counties; instead, they are presented as a snapshot of county-level needs and challenges in preparing for economic recovery.

NACo and Mathematica partnered on this report to produce findings from county leaders’ experiences across the nation.

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