



EXECUTIVE SUMMARY

ANALYSIS OF THE FISCAL IMPACT OF COVID-19 ON COUNTIES

MAY 2020

KEY FINDINGS

1. Counties are collectively facing a potential \$144 billion budgetary impact through FY2021 as a result of COVID-19.

- This impact includes \$114 billion in lost revenue and \$30 billion in additional expenditures.

2. Major county revenue streams that support critical local services are at risk, yet most counties have limited authority to raise additional funds to make up this deficit.

- Charges and fees, sales tax and gross receipts, income taxes and licenses fees – which comprise 42 percent of all county-generated revenue – are most at risk because of the COVID-19 pandemic.

3. Counties are also seeing an unprecedented rise in expenditures related to the COVID-19 pandemic, investing billions of dollars to save lives and keep American communities safe and healthy.

- County expenditures are increasing dramatically as we pour additional funding into health and hospital systems, justice and public safety services, human services, technology infrastructure and education.

4. COVID-19 is having a severe fiscal impact on counties of all sizes.

- More populous counties may face greater case loads, while smaller counties may operate within tighter budgets - but counties of all sizes are likely to see severe fiscal impacts from the COVID-19 pandemic.

COUNTIES PROVIDE LOCAL SERVICES CRITICAL TO AMERICA'S COVID-19 RESPONSE AND RECOVERY



Counties employ 3.6 million individuals, including:



328,000
HOSPITAL WORKERS



374,000
LAW ENFORCEMENT OFFICERS



93,000
FIRE PROTECTION WORKERS



259,000
HUMAN SERVICES WORKERS



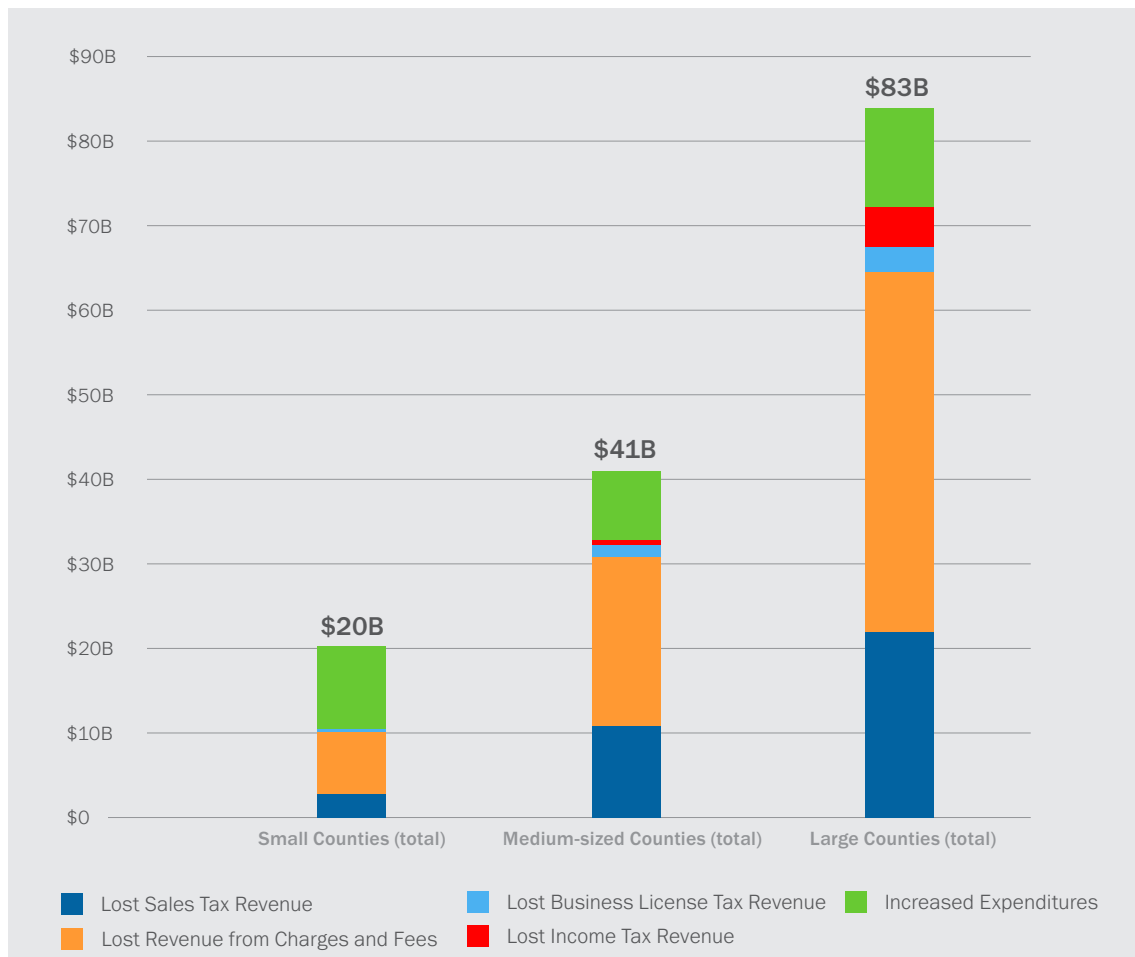
200,000
PUBLIC HEALTH WORKERS



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

OVER **\$144 BILLION** IMPACT ON COUNTY BUDGETS ESTIMATED THROUGH FY2021

COUNTIES FACING \$114 BILLION IN LOST REVENUE AND \$30 BILLION IN RESPONSE COSTS

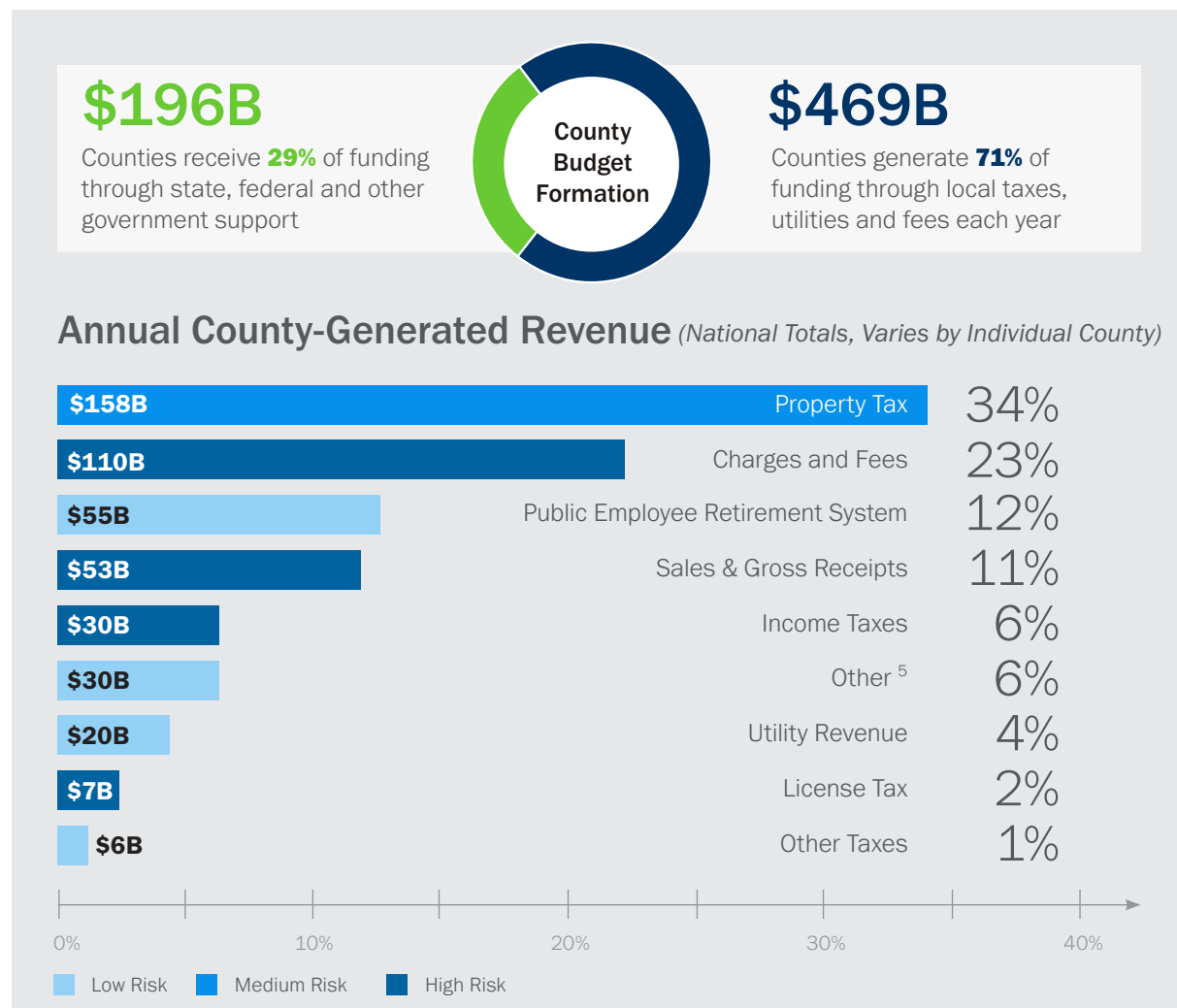


- County governments provide critical services needed for the nation's COVID-19 response and recovery efforts, but **we are facing serious revenue shortfalls and budgetary challenges resulting from the pandemic.**
- The COVID-19 pandemic has the potential to impact county budgets by over \$144 billion through fiscal year 2021.¹
- **This estimate does not account for revenue loss or delay from property tax disruptions, nor does it consider funding and revenue share cuts from state sources, like state-collected sales, income or gasoline taxes.**
- An additional \$54 billion in property tax revenue is at risk in states where counties have not yet collected any or all property tax revenue in FY2020.²
- Between lost revenue and increased expenditures, in total, **small counties may see a nearly one quarter (24 percent) reduction in overall budgets.**

Source: NACo Analysis of U.S. Census Bureau - Census of Individual Governments: Finance, NACo analysis of survey data from county leaders

MAJOR COUNTY REVENUE STREAMS UNDER THREAT; COUNTIES LIMITED IN ABILITY TO RAISE ADDITIONAL FUNDS

71% OF COUNTY REVENUE COMES FROM FUNDING STREAMS THREATENED BY COVID-19

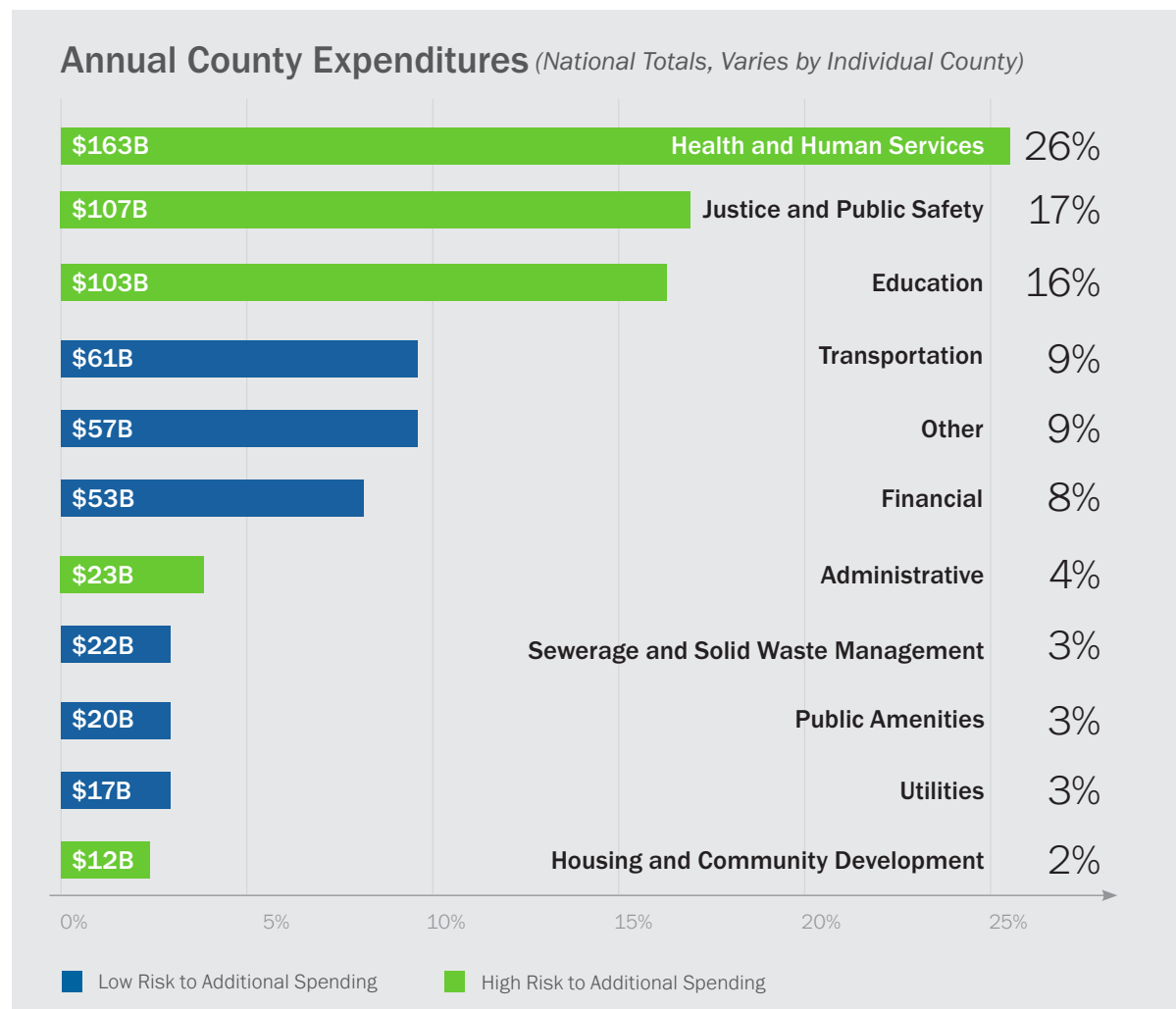


- County governments raise 71 percent, or \$469 billion, of revenue locally through taxes, administrative charges and fees and utility revenue, with voter approval.³
- **Charges and fees, sales and gross receipt taxes, income taxes and license taxes, which together comprise 42 percent of all county-generated revenue nationally, are in danger of a \$114 billion decrease because of the COVID-19 pandemic through FY2021.**⁴
- Counties are severely limited in our ability to respond and raise additional revenue, even when additional expenditures are necessary during emergencies.
- **More than two-thirds of counties (69 percent or 2,125 counties) are severely restricted in our authority to raise any additional revenue,** since these counties operate under Dillon's Rule or Hutchinson's Rule authority – which permit these counties to raise revenue only from sources explicitly outlined in state law.⁶

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

COUNTY EXPENDITURES INCREASE BY \$30 BILLION AS RESOURCES ARE POURED INTO LOCAL COVID-19 RESPONSE

EQUIPMENT, HEALTH SPENDING AND IT INFRASTRUCTURE AMONG SKYROCKETING COSTS

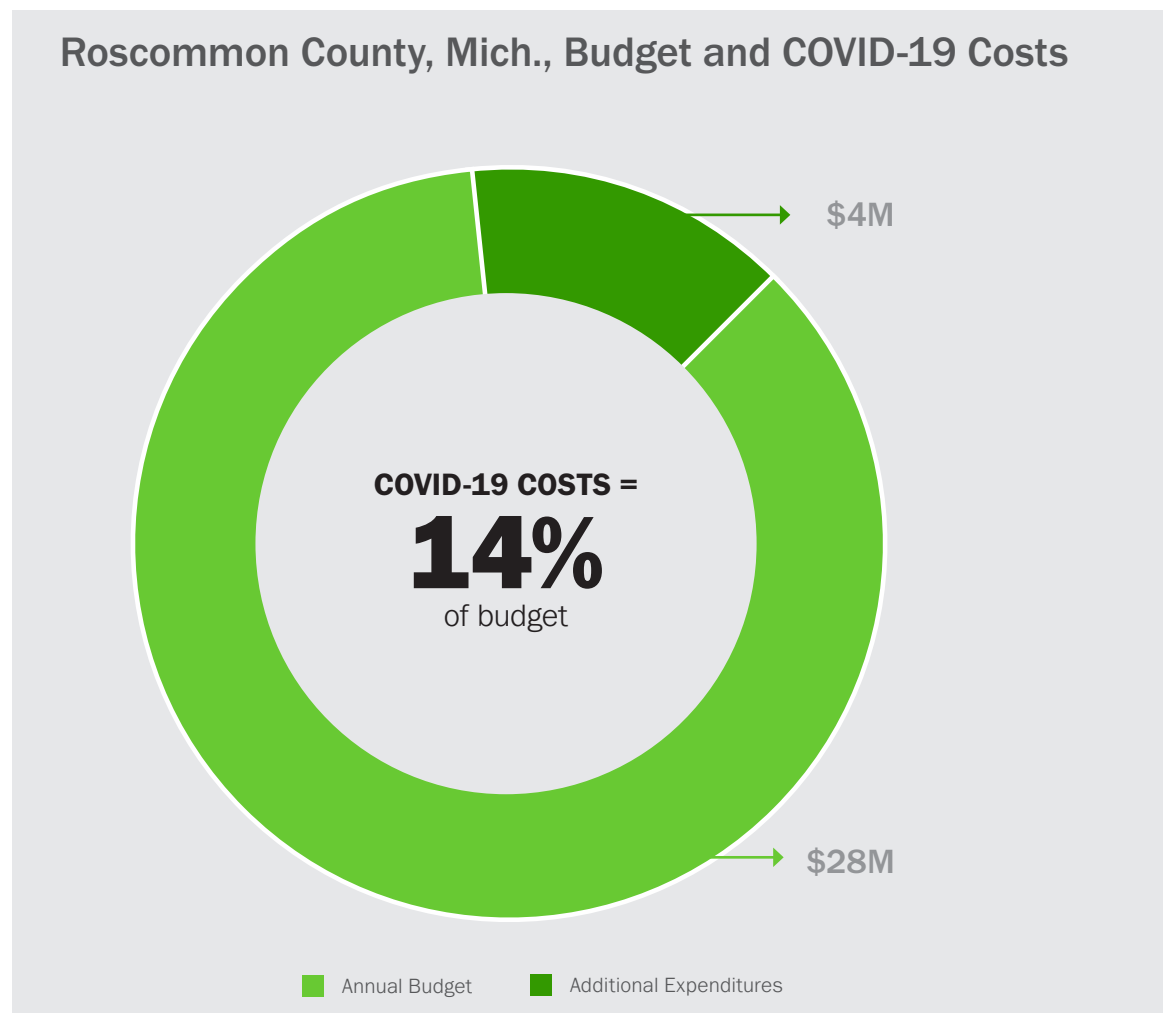


- **Preliminary estimates from NACo show that counties could expect a nearly \$30 billion increase through the end of FY2021** in expenditures like health, human services, justice, education, housing and other categories that together comprise 65 percent of county expenditures.⁷
- **Harris County, Texas has already incurred nearly \$43 million of expenditures and expects to continue to invest nearly \$11 million each month, resulting in nearly \$138 million in additional expenditures by the end of 2020.** The county is investing additional funds in its county hospital district, public health services, sheriff's department, public works department, among other items.⁸
- **Contra Costa County, Calif. estimates the crisis will cost its health department alone \$46 million through the month of May:** \$6 million for equipment, \$6 million for testing, \$4 million for services and supplies, \$5 million for IT infrastructure, \$5 million in increased staffing costs and \$20 million in service interruption.⁹

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

SMALL AND MEDIUM-SIZED COUNTY BUDGETS WILL STRUGGLE TO HANDLE UNEXPECTED COVID-19 RESPONSE EXPENDITURES

COUNTIES SPENDING LARGE PORTIONS OF ANNUAL BUDGET ON RESPONSE



- Small, rural counties are known for having especially tight budgets, so the COVID-19 pandemic is hitting these counties particularly hard.
- Roscommon County (Mich.), a county of less than 24,000 residents with a budget of just over \$28 million, estimates additional costs of \$335,000 each month for closure costs, extra equipment and overtime. These costs translate to a loss of over 14 percent of the county's monthly budget and take away funding from other crucial county services.¹⁰
- Humboldt County, Nev., home to 17,079 residents, is projecting \$468,000/month in new costs that include support for the county hospital, county emergency response, increased inmate medical, emergency day care for essential employees, additional supplies, IT costs for telework and staff costs. The estimate also includes monthly lost revenue of \$118,000.¹¹

Source: NACo survey, 2020

ENDNOTES

1. NACo's estimate of additional expenditures was calculated using survey data from a sample of small, medium-sized and large counties reporting on the cost of COVID-19 in their counties. NACo's estimate of the loss of sales tax revenue, business license tax revenue and revenue from charges and fees assumes a tiered loss applied from March 2020 through FY2021. The loss of income tax revenue is calculated using a 4.1% unemployment rate for Dec. 2017, as compared to a 4.4% rate for March 2020, predicted 20% rate for April and May 2020, predicted 15% rate for June and July 2020, predicted 10% rate for the remainder of 2020, and predicted 6-10% for 2021. County revenue and expenditure data comes from NACo's analysis of U.S. Census Bureau - Census of Individual Governments: Finance. 2017 numbers were adjusted to reflect inflation rates for 2018 and 2019.
2. These states include: Colorado, Illinois, Indiana, Kansas, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, South Dakota, Vermont, Washington, Wisconsin and the District of Columbia
3. NACo Analysis of U.S. Census Bureau - Census of Individual Governments: Finance
4. Ibid.
5. "Other" includes county-generated revenues collected not taxes or from other sources listed on the graph, such as liquor store revenue, unemployment compensation and miscellaneous administrative revenue.
6. NACo collection and analysis, 2015.
7. NACo Analysis of U.S. Census Bureau - Census of Individual Governments: Finance; NACo survey, 2020.
8. NACo survey, 2020
9. Ibid.
10. Ibid.
11. Ibid.

FULL REPORT

Available at www.naco.org/coronavirus

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