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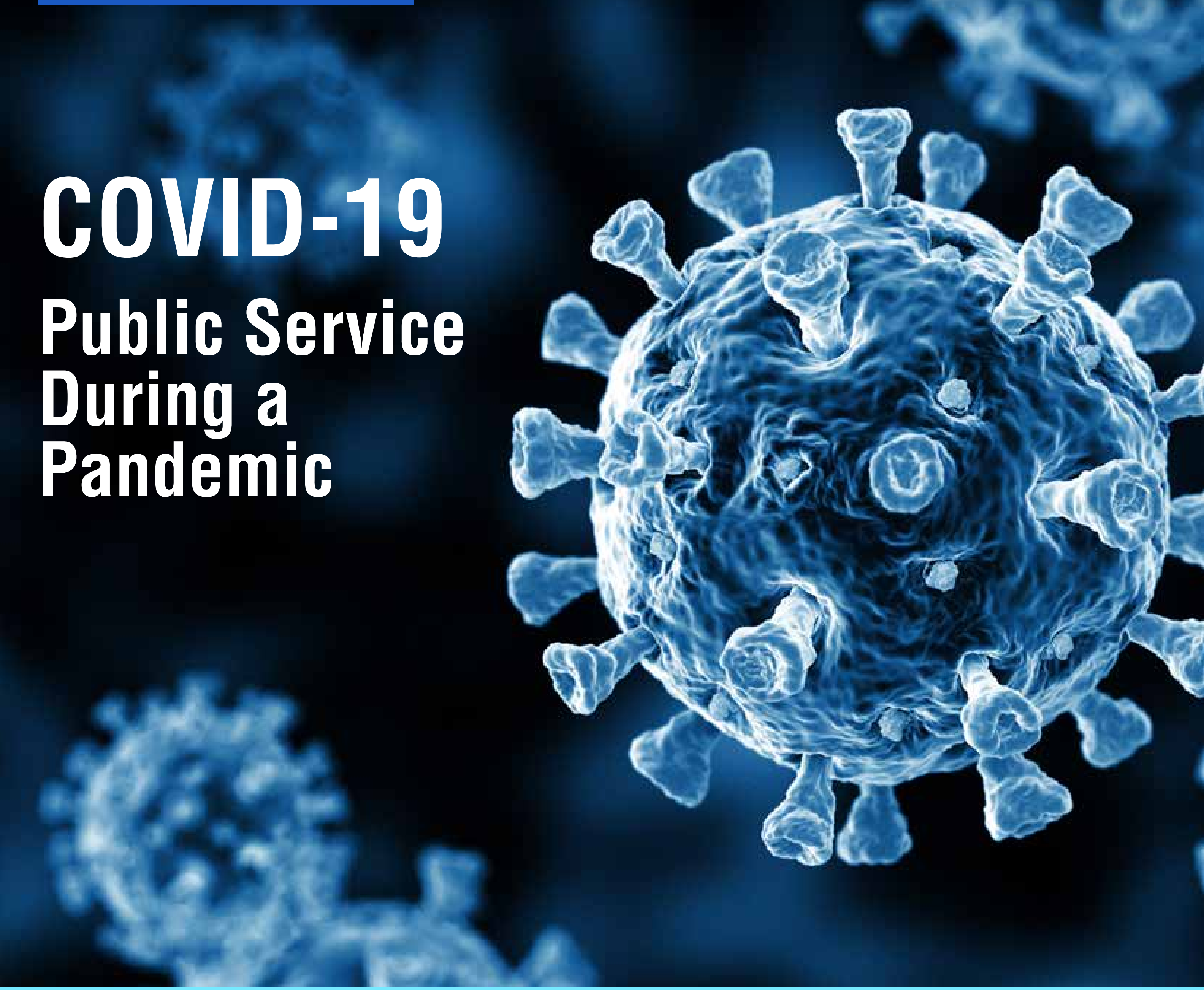

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Up at Night

By Andrew Kleine

Local government leaders can't be sleeping very well these days. The economic and fiscal fallout of COVID-19 is enough to keep any mayor up at night. Add to it the imperative of addressing long-ignored racial inequities and I can picture a lot of sweaty pillows.

According to the National League of Cities' recent *City Fiscal Conditions* report, city revenues are projected to shrink by 13 percent in Fiscal Year 2021. Such a sudden and severe revenue loss would be like trapdoors opening under downtowns across America. The Great Recession took a similar toll, but over six years, not one.

The shape of the COVID-19 recession is very much in doubt. Will it look like a V, U, W, L or Nike swoosh? Nobody really knows because there are so many variables at play. What kind of relief package will the House and Senate agree on? Will there be another resurgence of cases this and next season? When will new therapies and a vaccine subdue the virus? How much has the COVID-19 experience permanently changed human behavior?

Local leaders have every right to be fretful, but there is opportunity in every crisis. For cities and counties, the opportunity is to become more resourceful, resilient and right. To seize it, I offer three steps: *Fiscal First Aid, Long-Term Financial Planning* and *Budgeting for Equity*.

Fiscal First Aid

The size of the federal assistance package and the shape of the recession recovery will determine how deep of a hole cities, counties and special districts find themselves in for the next 12-18 months. They will have to climb out before they can see beyond the horizon.

The easy way out is to tap reserves; after all, isn't COVID-19 precisely what rainy day funds are for? Well, yes. And, so is Hurricane Laura. The point is that local governments face many risks and should use reserves only after all reasonable budget balancing strategies have been exhausted.

The Government Finance Officers Association (GFOA) offers a wealth of Fiscal First Aid resources on its website (www.gfoa.org). They cover not only specific actions to cut costs and find revenue, but advice on how to manage people and communicate to the public during times of financial distress.

My advice: Go beyond the usual drill of freezing hiring, deferring capital spending and delaying vendor payments. With a little encouragement and guidance, front-line staff can be the best innovators, finding all sorts of ways to get the job done better, faster and cheaper. If employees feel that they are part of a team effort to right the ship—with sacrifice shared from the top to the bottom of the organization—they will come through.

Long-Term Financial Planning

Most of the short-term actions taken to stabilize the budget are not sustainable. Local governments need sustainable solutions. Laura Larsen, budget director for Madison, Wisconsin, says she is less worried about next year than what happens after that. Much of her city's core is boarded up because of civil unrest and remote work has emptied out office buildings. "Will the businesses ever come back?," she asks. Every jurisdiction should have a five- to 10-year fiscal plan to prepare for these sorts of questions.

A good plan is much more than a revenue forecast. It starts with an understanding of the relationship between revenues and the cost to continue current services, under multiple economic scenarios. From there, elected officials, staff and other stakeholders can assess their community's fiscal strengths, weaknesses, opportunities and threats, and set goals for where they want to be at the end of the planning period. Goals might include a structurally balanced budget, an important capital project and investments toward racial equity.

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a crisis is malpractice. The federal government asked overwhelmed states to take on and quickly implement new eligibility processes and collect new data to implement an unfair task. These are not conditions where bureaucracies work well. In this case, the burdens shifted to lower levels of government. It is like telling the owner of a blazing building to put the fire extinguisher away and start installing a room-by-room sprinkler system. It might work in the long run, but it does little to help with the crisis at hand.

How could states think about extending help while minimizing burdens during a crisis?

First, *limit conditionality on new programs*. Narrowly targeted programs require more administrative capacity, making it less likely they will work in emergency conditions. The $1,200 checks Congress sent out were delivered quickly, partly because the government made a tradeoff between accuracy and speed; in some cases, the dead or those living outside the United States received the benefits. But, under the circumstances, that was a tradeoff worth making.

Second, *look for the simplest existing administrative option*. Instead of new programs like Pandemic EBT, Congress should have expanded Supplemental Nutritional Assistance Program (SNAP, or food stamps), increasing benefits to the same population almost immediately. SNAP is one of the most effective forms of stimulus in a slowing economy. One analysis found that for every dollar spent, it yielded $1.74 in economic returns in the early stages of the Great Recession. From an administrative perspective, SNAP is imperfect, but it works: It has a high take-up rate of about 85 percent and states already have mechanisms to deliver benefits to low income families. It offered a proven and simpler administrative solution to the problem.

Issues of public administration are absolutely central to managing policies surrounding COVID-19. Moving forward, will the public administration community be central to a discussion of a different social safety net? We can offer technical solutions to reduce burdens, including using administrative data and technology to verify eligibility and sidestep onerous processes. Yet ultimately, deeper normative questions must be addressed, particularly those that challenge assumptions about the role of government in American life. Just one: Do we want an administrative state that focuses on keeping ineligible people off programs, or an administrative state that focuses on ensuring those eligible can readily and easily receive benefits?

COVID-19 has provided a large number of Americans with firsthand experience of the realities of dysfunctional public administration. A government that does not work is not liberty—it is administrative tyranny in which people spend too much of their lives separately piecing together second rate alternatives to competent collective action. Whether this experience convinces enough people to set aside the traditional U.S. suspicion of centralized power to build something better is a separate question.

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The initiatives to achieve these goals should be bold and ensure fiscal resilience. For example, cities and counties hit hardest by the COVID-19 recession are those that rely heavily on sales and income taxes. They might consider shifting their revenue portfolio to less volatile sources.

Budgeting for Equity

The call to "defund the police" has been a "pants-down moment" for local leaders, exposing how little they really know about what is inside the police department budgets they fund year after year. Traditional government budgeting is incremental, with new programs layered on top of old ones and arbitrary across-the-board cuts to fix shortfalls. On closer examination, many cities will find a disconnect between their budgets and evolving community values and priorities.

Local governments must hit the budget reset button if they want to advance racial equity without new resources. A reset starts with measurable goals for reducing disparities in employment, education, health and other outcomes. Strategic plans for achieving these goals should guide the budget process, with departments competing and collaborating for every dollar of their funding—not just marginal increases over last year's base—by demonstrating how their programs deliver value.

The events of 2020 have forced us all to do some serious soul searching. I hope local governments will find within them the courage to reimagine their fiscal futures.

Andrew Kleine is author of City on the Line: How Baltimore Transformed Its Budget to Beat the Great Recession and Deliver Outcomes *(Rowman & Littlefield). He has served as budget director for the City of Baltimore and chief administrative officer of Montgomery County, Maryland. Kleine can be reached at andrew@andrewkleine.com.*