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Final Project: Budget Crisis During the COVID-19 Pandemic

Executive Summary and Introduction to the Problem

The occurrence of COVID-19 has massively affected the economy in many countries globally. The United States of America is one of those nations that experience economic disruption (Desilver, 2020). Desilver adds that the economic downturn continues in this country due to a significant loss of jobs, incomes, and death tolls that will eventually cause a budget deficit at every level of this government, including federal, state, and local governments (2020). Ohio has taken quick actions to solve the budget deficit issues; as in early May 2020, Mike Devine, Ohio Governor, announced a budget-cutting plan, effective in July 2020, to sustain the state budget balance (NBC4, 2020). Colombo (2020) reports the total amount of \$775 million is withheld from the 2020 Ohio state's budget instead of immediately using the rainy-day fund for emergency relief, and approximately 60% of the budget cut falls into the education industry, K-12 Foundation, higher education, and other educational items. Like many other counties and cities, the education program in Dublin City is affected by this cutting. Dublin is down about \$3.5 million on the school budget account, representing 1.6% of the overall budget and approximately 16% of state aid (Neese, 2020). As suggested by Bland (2020), the best strategy to solve the pandemic crisis is to fix the budget quickly. The Dublin City Manager began working on its budget adjustment by laying off some administrative staff and shifting the full-time to part-time, implemented by the end of July 2020 (Neese, 2020).

Due to Dublin's small population, there needs to be more information and news narrated about the impacts of COVID-19 in this city. However, much news concerns Central Ohio's economic condition concerning the coronavirus pandemic. Some correspondences in negative

impacts caused by the epidemic in Central Ohio that could relate to Dublin City were carefully picked for assessment and analysis in this context.

COVID-19 has caused massive job losses statewide, leading to a substantial budget hit at the state and local levels (Ghose, 2020). She states Dublin, a city profoundly reliant on income taxes up to about 80% of the total revenue annually (Operating Budget [OB], 2019), is hypothetically facing a challenge in balancing 2020 in the coming years. Ghose (2020) stated, "The city of Dublin said the unassigned reserve in its general fund closed 2019 equal to 94% of the year's expenses" (Dependent on income tax, Columbus city budget braces for coronavirus impact, para. 11). The budget imbalance shall be a concern for many stakeholders, as it would trigger the budget-balancing that could result in a high amount of debt or cause bankruptcy if there is a severe budget crisis (Bland, 2020).

Assessment of Revenues and Operation

Regardless of the negative impacts on the economy and budget-cutting, Dublin City manages the situation well. Dana McDaniel, Dublin City Manager, claimed the city is capable of handling budget crisis because of their well-budget planning and savings from the past years, which means the reserved fund will keep the city in operation for up to the next ten months, counting from July 2020 (Narciso, 2020). Narciso (2020) enhances that "Dublin's general fund balance is \$68.8 million, or 80.6% of its budgeted expenditures... the reserve is meant to weather a crisis and be flexible to leverage such dollars for economic development opportunities" (Central Ohio cities face budget cuts, use of emergency funds, para, 20 & 21). One of Dublin's budget strengths is its ability to reserve the rainy-day fund compared to many cities and counties around Dublin with small or zero rainy-day funds, such as Newark, Circleville, and Cambridge in Guernsey County (Narciso, 2020).

While Dublin City maintains outstanding budget plans, the weakness of the municipality's revenues is its profoundly reliant income tax, which covers about 80% of the total budget (OB, 2019). This factor will cause the shutting down of the number of projects implemented in the city in the long term of pandemic conditions. There will be more job losses that would ultimately lead to an economic recession in the town and the entire county. The concerns are placed on small businesses, public services, and travel industries, as Colleen Gilger, Director of Economic Development for Dublin City, shared (Smith, 2020).

Assessing Dublin's budget for the past five years, from 2015 to 2019, shows fluctuating revenues and expenditures (OB, 2020). The figures show no significant issues (OB, 2015 to 2016). Dublin City can maintain its budget balance between revenue and expenditures¹. Again, if COVID-19 lasts beyond 2020, Dublin's budget could be very vulnerable in every area due to its dependence on income taxes².

Budget Strategies

As Dana McDaniel, Dublin City Manager, appealed, one of Dublin's best budget strategies is budget planning (Narciso, 2020). Acknowledging the potential unenthusiastic impacts caused by natural disasters and pandemics, the city has been reserving the right amount of surplus revenue for usage during the emergency to prevent the budget deficit. The rainy-day budget reserved from the past years in the Dublin budget will withstand government operation for up to 10 executive months, starting from July 2020 (Narciso, 2020). However, there needs to be more information on how the city will handle the budget deficit after March 2021 if COVID-

¹ See Appendix 1 for the budget figure for the past five years

² See appendix 2 for strengths and weaknesses assessment on Dublin Revenue and Operation

19 still happens. During an economic halt, where jobs are limited, more than the rainy-day fund would be required to sustain the city's operations for a long (Narciso, 2020).

If the COVID-19 pandemic lasts past 2020, other possible solutions to managing the budget are to increase the property and excise taxes and request state and federal relief funds to assist the need for spending. However, there are also disadvantages:

1. Dublin City is generally exempt from paying property taxes (OB, 2020, p. 1-12). This act could upset and encourage residents to leave the city and look for another place with better tax options.
2. According to property tax figures in the Operating Budget (2019), from 2016 to 2021, the amount of property tax revenue remains stable, approximately \$3,000,000 a year, a vast gap compared to total income tax revenues, about \$80,000,000. It means that an increase in property tax would not bring a remarkable change to the city's budget unless the city decided to increase a large amount of property tax to at least 200%.
3. The federal government is currently facing a budget deficit. According to Pew Research, "the deficit grew from \$779.1 billion at the end of fiscal 2018 to \$2.8 trillion as of the end of July 2020" (Desilver, 2020, para. 2). The figures reflect a slim possibility that Dublin City could rely on the Federal Relief Fund.
4. The Ohio Government is also facing a budget crisis, and a mandate to reduce at least \$3.5 billion for the biennial budget starts in 2021 (Ghose, 2020). There are questions about how much the state government could support Dublin and how much more budget Governor Devine has to deduct from the education industry.

Despite the possible outcomes of the budget deficit, many stakeholders, such as local businesses, investors, and Dublin's residents, would inevitably be affected by this pandemic in terms of losing profits, jobs, bankruptcy, and increased debts. Analytically, witnessing this

situation, no winner will benefit from COVID-19, notwithstanding any budget strategy the city could adopt.

Recommendation and Conclusions

Theoretically, there are several strategies that the local, state, and federal governments could adopt. In this pandemic situation, where the length of crisis could last for over a year and cause an economic downturn, the recommended strategies would be:

1. They are closing some of the city's physical and operational facilities and implementing work online (Bland, 2020). It means staff will be laid off to reduce expenses on salary and other unessential expenses. This tactic does not present an ideal outcome, for many people will lose jobs, yet it would help reduce liability. Suspending employees could claim for unemployment benefits. On this note, the city is not subject to an income tax from employment benefits, but the states and federal do (Ghose, 2020)
2. It reduces between 25 to 35% of the staff salary during the crisis. This is a preferred solution for people to maintain their jobs, and services are still available to the public (Bland, 2020). It requires a solid work ethic to implement this strategy as it could affect working results due to the demotivation from losing their benefits and ultimately causing the city's reputation from the public
3. Freezing hiring and other operational spending, such as infrastructure, snow plowing, and construction by the government, reserve those budgets for emergency needs (Bland, 2020). These actions could prevent excessive expenses in the short term and give the government time to look for alternative solutions for long-term problems.

Overall, COVID-19 has caused a tremendous loss to the United States, including Dublin, regarding education, businesses, and economic downturn. The federal, state, and local

governments are pumping up to keep the country moving forward and ensure citizens' lives are safe and secure. During this COVID-19, Dublin City has positioned itself in a safe place due to its well-budget planning, in which the right amount of rainy-day funds is securely reserved and could be used to sustain the government for the next ten months. However, the Dublin government must consider another budget plan because coronavirus will continue beyond 2020. There are several possible solutions to solve this pandemic crisis. Few are recommended, such as temporarily reducing staff salary, operating delays on some projects, and potentially increasing excise taxes.

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Appendix 1

Dublin Budget & solutions

Sources: Operating Budget, year 2015 to 2020



	TOTAL REVENUES	TOTAL EXPENSES	IMPACTED BUDGTET AREAS	RECOMMENDA-TION
2019	\$160,440,924	207,025,373	Losing Income tax	Increase property tax
2018	\$172,483,894	\$231,850,811	Operating revenues	Increase excise tax
2017	\$182,835,571	\$184,158,678	Personal services	Close down some facilities
2016	\$168,648,713	\$157,309,020	Increasing debt	Reduce staff salary
2015	\$220,471,662	\$192,122,749	Capital project funds	Request state and federal relief fund
CONCLUSION	Slight fluctuated from year to year	Expenses in 2018 was over 10% higher than the rest	All budget areas are potentially affected from this pandemic	Delay some operational projects

Appendix 2



ASSESSMENT

Revenue and Operation

REVENUE

Strengths

1. Steadily secure and annually increasing (OB, 2020)
2. Enough rainy-day fund reserved from the surplus revenue
3. Revenue budget is guide for project actions

Weaknesses

1. Heavily reliant on income tax
2. Limited revenue from property tax
3. Less enforcement on excise tax

OPERATION

Strengths

1. Rooms for flexibility operational projects
2. Highly innovated and tech-savvy city and could easily switches to virtual work and service
3. Friendly environment for outside investment

Weaknesses

1. Weak property tax policy
2. Unable to maintain budget for education program
3. Projects' delay and staff laying off could affect personal services