

United States Senate

WASHINGTON, DC 20510

April 21, 2020

The Honorable Steven T. Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Mnuchin,

Thank you for your work so far to implement the Coronavirus Relief Fund (the Fund) that was included as part of the CARES Act. The \$2.26 billion that Ohio received on April 16, 2020 is an important first step toward providing relief to our state and localities. However, as Ohio stands ready to receive its total \$4.5 billion in support through this fund, we ask you to issue additional guidance on how state and local governments can use these funds moving forward, including as revenue replacement. We also ask that you work with us to ensure that new funding for state and local governments beyond the CARES Act is robust, dedicated, and flexible, allowing governments to provide critical services and address significant budget shortfalls associated with the coronavirus pandemic.

In general, due to the unique nature and composition of Ohio's tax revenue collection, providing robust and flexible funding to state and local government will be critical to Ohio's response to the ongoing health and economic crisis. Ohio state and local governments collect significant portions of their revenue through income and sales taxes, compared to most other states that collect a majority of their revenues through other more static revenue streams such as property taxes. Income and sales tax collections tend to immediately respond to any positive or negative economic swings, meaning that Ohio's revenue collections are highly likely to plummet as a result of current economic conditions. Specifically, according to a Brookings Institution report¹ from last month, four of the top five cities that will feel the most significant, immediate fiscal impact are located in Ohio.

As we mentioned, the first \$2.26 billion sent to Ohio will provide needed support to our state and local governments as they continue to address this crisis. While Governor Mike DeWine and his administration have not finalized their plan to distribute this funding, they have indicated that a portion of this funding will be directed to local governments, including those who cannot apply directly to Treasury to receive funding.

¹ <https://www.brookings.edu/blog/the-avenue/2020/03/31/when-will-your-city-feel-the-fiscal-impact-of-covid-19/>

Local governments of all sizes will face serious revenue shortfalls in the coming months, due to their reliance on sales and income tax revenue to finance their operations. As such, we ask that you provide immediate guidance that makes explicitly clear that funding from the CARES Act Fund is allowed to be used to replace lost revenue.

As Congress considers additional support for state and local governments, we encourage you to work with us to ensure necessary additional funding is robust, dedicated, and flexible. We ask that you work with us and the rest of our colleagues here in Congress to ensure that this additional funding provides enough resources to governments to meet their residents' needs. We also ask that you work with us to find a way to provide more direct access to Treasury funds for local governments under 500,000 in population. Finally, and in particular because of Ohio's unique budgetary position, we ask that you continue to provide maximum flexibility to allow local governments to use funds to replace lost revenue.

Bottom line, Ohio's unique composition of tax revenues makes it much harder from our state and local governments to fully respond to this crisis. Accordingly, we urge you to issue immediate guidance that provides maximum flexibility on how states and local governments can use these funds – including as replacement for lost revenue -- and to work with Congress to maintain and expand that flexibility in any future allocations to state and local governments.

Thank you in advance for your consideration of this request.

Sincerely,



Rob Portman
United States Senator



Sherrod Brown
United States Senator

CC: Majority Leader Mitch McConnell
Minority Leader Chuck Schumer