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How Will the Coronavirus Affect State and Local Government Budgets?

State and local governments are on the frontlines of this crisis. That means increased spending on public health and Medicaid. As of March 26th, 14 states have enacted supplemental appropriations or transferred general revenue funds in order to help public health agencies deal with the virus, and many others are in the process of doing so. Others will be offering assistance—delays in tax payments or expanded unemployment insurance to affected workers—to cushion the blow on their citizens and residents.

From a public health perspective, ensuring that these agencies have all the funds required to address this crisis is of utmost importance. But economically, the larger source of stress may

be the effects of the coming recession. Large scale "social distancing" will reduce consumer spending and workers' wages and, in turn, cause sales and income tax revenues to plummet. State tax revenues declined by more than $120 billion—about 9 percent—during the Great Recession (Q2 2008 – Q2 2009), for example.

Continue reading.

The Brookings Institution

by Sage Belz and Louise Sheiner

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