

Federalism and Polycentric Government in a Pandemic

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Networks of overlapping local governments are the front line of governmental responses to pandemics. Local governments, both general purpose (municipalities, counties, etc.) and special districts (school, fire, police, hospital, etc.), implement state and federal directives while acting as a producer and as a third-party payer in the healthcare system.¹ They possess local information necessary in determining the best use of finite resources and available assets. Furthermore, a liberal society requires voluntary cooperation of citizens skeptical of opportunistic authoritarianism. Therefore, successful local governance instills a reassuring division of political power.

The COVID-19 pandemic has created two significant challenges for local governments in their efforts to respond effectively to the crisis: public finance and intergovernmental collaboration. This brief recommends practical solutions to meet these challenges.

SUPPORT LOCAL PUBLIC FINANCES

Enable Short-Term Borrowing

A common procedure to enhance liquidity is for states to lend money to local governments at zero or low cost to cover local governments' cash shortfalls. States can do this from their own cash resources or by using their state bond banks and other revolving fund structures to raise funds. They can lend the proceeds to local governments on very generous terms, enabling the local governments to meet their cash flow crunch and, if desired, even provide funds to local businesses and individuals. This can allow local governments the time to revise and reset tax rates in the next budget cycle.

This special edition policy brief is intended to promote effective ideas among key decision-makers in response to the COVID-19 pandemic. It has been internally reviewed but not peer reviewed.

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At the federal level, the recently passed stimulus package, known as the CARES Act, includes about \$150 billion in grants for local governments—Department of Housing and Urban Development grants to supplement services for the elderly and homeless, Centers for Disease Control and Prevention grants to enhance preparedness, and Department of Justice grants for law enforcement and prisons—as well as about \$450 billion for the Federal Reserve to cover losses on loans made to businesses, states, and municipalities. However, the local government share of this stimulus is unlikely to be anywhere near sufficient if the pandemic persists and deepens, as local government spending on hospital and health services alone in 2017 was \$163 billion.² As Congress considers additional stimulus measures, it is important to remember that the federal government can play a role in lowering the cost of local borrowing. It can revive policies from the Great Recession that granted subsidies to buyers of municipal bonds (like the Build America Bonds program), provide loans directly without passing them through states, or back municipal debt issuance with federal guarantees.³

Provide Intergovernmental Aid for Major Event Cancellations

Planned major events are an important source of revenue for local governments. In many cases, local governments precommit significant expenditures that are recouped with revenues from the events themselves. Drawing on these accounting and budget records, federal or state governments could reimburse part or all of those incurred expenditures for canceled events, freeing local governments to focus primarily on public health effects rather than fiscal costs when deciding whether to cancel events.

Local Advantages for Testing, In-Home Treatment, and Support to Healthcare Staff

Local government will be needed to support the testing, treatment, and containment of COVID-19. To minimize the spread of the disease during testing, local governments should avoid clustered testing approaches deployed at international airports, where people stand shoulder to shoulder for up to eight hours. Rather, partnering with local hospitals to develop testing kits and then establishing drive-through testing would be optimal.⁴

Traditional plans of emergency preparedness already include a delineation of physical spaces where hospital beds can be set up at temporary treatment areas, such as schools or other public buildings. Local governments should augment these plans by alleviating the challenges introduced by social distancing measures for healthcare workers. Such efforts could mean providing childcare in small groups, providing remote tutoring, or reallocating transportation resources to minimize commute-related exposure.

As cases of COVID-19 spread, home-based monitoring of infected individuals will become increasingly important for mild to moderate cases of the disease. Local governments could provide

in-home treatment via telemedicine or, in cases of repeated noncompliance with quarantine, law enforcement resources like ankle bracelet monitors. The use of telemedicine may involve reallocating those labor resources, rather than hiring new staff, and it may also entail providing grants to local hospitals to expand those services.

ENHANCE EXISTING COOPERATION IN LOCAL NETWORKS

Supplement and Enhance Local Mutual Aid

Mutual interlocal aid is arguably the most obvious success story of American federalism. Local government employees (trustees, commissioners, managers, fire chiefs, hospital liaisons, etc.) know each other and their regional counterparts. They often attend occupation-specific training seminars and workshops together. Calling each other for mutual aid and assistance is the norm—no contracts required. The challenge for the federal and state governments is therefore to resist their impulses for centralization of information flows and to enhance and supplement the existing collaboration of local officials across their networks. This is a lesson learned from the Federal Emergency Management Agency's response to Hurricane Katrina.⁵

Given that network connections generally decay with geographic distance, federal and state assistance should come in the form of helping localities expand their communication capabilities and connections. Such assistance could include, for instance, establishing an inventory database that serves as a clearinghouse for agencies to reach out to each other so that an area with a deficit of ventilators, oxygen tanks, hazmat suits, or other equipment can get supplies from jurisdictions with surpluses. These lists can also assist with coordinating and distributing bulk purchases where economies of scale can provide large savings.

Communication with Marginalized and Vulnerable Groups

Local governments should carefully manage their communication strategies. They need disciplined messaging with regular announcements (e.g., daily, at the same time), and then they need to make sure that their message is clearly conveyed through their official websites and social media accounts. Official sites should be restructured to display the most relevant information on the homepage regarding the availability of testing, quarantine protocols, and in-home treatment. In some areas, there may even be potential to repurpose school-based phone trees to distribute information. Communications should be in multiple languages, where appropriate.⁶

An important aspect of this communication is reaching marginalized and vulnerable groups. These groups may require, in addition to non-English communication, special outreach.⁷ For example, nonresident immigrants may minimize contact with police and government officials to avoid Immigration and Customs Enforcement. For communities of these people, local enclaves or

neighborhood community centers may play a central, unofficial role in distributing information to their members. Local governments may be aware of this and should factor such informal community hubs into their outreach plans. Outreach to such communities could also extend to area nonprofits, such as houses of worship or advocacy groups, or social workers not directly affiliated with law enforcement agencies.

The message of social distancing and quarantines may also need to be relayed differently for at-risk populations, such as the homeless population. Efforts to set up mobile housing that can provide isolation should be paired with efforts to communicate the importance of using that resource. Underutilization of homeless shelters is a very tangible problem in urban areas that could be reversed by clearly announced measures to guarantee individuals safety and medical attention.

BRINGING IT ALL TOGETHER

Local governments represent a substantial asset that can be leveraged for their local knowledge and capacity for quick interlocal collaboration. Their ability to identify and repurpose resources between agencies and other communities is a considerable strength unique to local authorities. Furthermore, in a liberal society, voluntary compliance of community members is essential to social distancing and quarantine efforts. Efforts to locate and cooperate with families and neighborhood blocks have the best chance of success if strong partnerships with local agencies already exist. For this reason, the federal and state governments should look for ways to leverage existing local governments and enable their collaborative efforts, particularly by relieving their financial constraints through block grants, offering favorable borrowing terms, and subsidizing the cancellation of major community events.

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NOTES

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3. Robert A. Greer and Jekyung Lee, “Post-Recession Policy Diffusion: Local Government Adoption of Build America Bonds,” *Journal of Public Budgeting Accounting & Financial Management* 28, no. 2 (2016): 209–29.
4. James Broughel and Yuliya Yatsyshina, “Relax Pharmacy Regulations to Help with COVID-19 Testing and Treatment” (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, March 2020).
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6. Elaine Vaughan and Timothy Tinker, “Effective Health Risk Communication about Pandemic Influenza for Vulnerable Populations,” *American Journal of Public Health* 99, no. S2 (2009): S324–S332.
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