*State and Local Government Budgeting Tasks*

**Analyzing Local Expenditures and Room for Cutbacks**

**PAD 642**

**Background**

In this module, you learned how governments prepare budgets and how they cut spending. You will apply these concepts by conducting a benchmark analysis of local government spending. Using the same local government you selected in the prior assignment, you will compare its per capita expenditures across service areas to the average (mean) per capita expenditures for local governments in New York State within the same government class (e.g., towns, cities, counties, school districts). You will then identify reasonable areas for spending cuts.

Your goal is to (1) identify your government's major spending sources, (2) evaluate whether that spending (per capita) is higher, on par, or lower than average spending (per capita), and (3) if your government is going to have a 5% cut, suggest areas for cutting based on your analysis results. Then you will communicate your findings in a two-page memo written as if you are preparing remarks for a town meeting.

**Data Sources:**

- (Recommended) NYS Office of the State Comptroller (OSC) Financial Data for Local Governments

https://wwe1.osc.state.ny.us/localgov/findata/financial-data-for-local-governments.cfm

- In the "*Financial Data - Select Data*" section, select "*Level 2 - Level 1 data with extra level of detail*"; in the "*Select Report*" section, select the class of your government (cities, counties, schools, towns, etc.); in the "*Select Year"* section, select the most recent year; then"*Download data*"
- In the downloaded data, you will see a spreadsheet with information for each government in that class. The key columns you need to pay attention to are "2020 population" and all the columns under "expenditures."
- Note: Use "Level 2" data for better results, but if Level 2 data make the spreadsheet too big for you to handle, you can work with "Level 1" data, which you can obtain by selecting "Level 1 - Summary-level data."

**Tasks and Steps**

Step 1: Obtain Local government expenditures and population data from OSC

> Download the OSC dataset for all governments in the same class as your selected government (e.g., all towns if you chose a town). See above guidance.

Step 2: Expenditure Composition Analysis

> For the government of your choice, list each spending category along with its dollar amount and calculate the per capita spending amount. Calculate each category's share as a percentage of overall spending. A simple pie chart or bar chart would be helpful. Identify the top 10 major spending categories.
>
> Step 3: Construct the mean condition benchmark

For each spending category, compute the average spending per capita for all the governments in the class. You should calculate the per capita spending first by dividing the expenditures by the population. The fastest way to do this is by creating a new spreadsheet for the per capita values. I will demonstrate how to do this in class.

Step 4: Benchmark comparison analysis and areas for cutting

Compare each of your government's spending categories with the mean spending benchmark and identify the areas that are higher or substantially higher than the average. Calculate what the 5 percent cut would be (per capita amount) for your government's budget. Then suggest areas in which to cut the budget by 5 percent based on your benchmark analysis. Are these areas reasonable targets for cutbacks?

**Memo to Town Meeting**

Based on the above analysis, write a memo describing the spending benchmark analysis of this government to present at the town meeting. In your memo, be sure to address the following questions:

1. What are the government's major spending categories?
2. Based on the benchmark analysis, is your government spending more or less than the average benchmark, and in which areas?
3. Based on your analysis, if your government has to cut 5% of its budget, what is the size of the cut? Which areas would you suggest cutting, and why? If the cut has to be 10%, would your suggestions differ?

**Use of Generative AI**

You may use generative AI tools to help you with analysis methods (such as learning how to calculate mean spending for all governments and how to do benchmark analysis), but you must verify all analysis results, numbers, and interpretations. Disclose the methods and assumptions you use for the analysis.

**What to Submit**

A two-page memo summarizing your findings and responses to the questions. You may include figures to illustrate your findings. If you use spreadsheet for your analysis, attach it as an appendix table(s).