CivicPulse Insights

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LOCAL GOVERNMENT SPENDING IN THE WAKE OF COVID-19

REPORT I: PROJECTIONS BY PROGRAM, FUNCTION, AND LOCAL FACTORS

June 22, 2020

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About *CivicPulse Insights* and the Publishers

About *CivicPulse Insights*. CivicPulse and Power Almanac have teamed up to bring you ***CivicPulse Insights***, a research service dedicated to analyzing critical issues of local governance, providing national and regional benchmarks for local governments, and identifying strategic implications for their suppliers. Using Power Almanac's comprehensive contact information for local government officials across the US, CivicPulse conducts random-sample surveys of township, municipal, and county officials, and completes careful analyses to identify key trends and insights that will guide your decision-making.

About CivicPulse. CivicPulse is a nonprofit, nonpartisan organization dedicated to filling the gap in access to high quality information about local government. Founded in 2018 by a few PhD students at Stanford University's Department of Political Science, and led by Dr. Nathan Lee, professor of public policy at the Rochester Institute of Technology (RIT), CivicPulse combines recurring national surveys of local government leaders with a variety of other data sources to provide trustworthy insights for policymakers, citizens, and the broader stakeholder community.

About Power Almanac. Power Almanac's mission is to make it easy for organizations with the ability to help local governments serve their citizens more efficiently and effectively to reach out and connect with key decision makers at the right local governments. We provide the most comprehensive and accurate database of contact information for local government decision makers, with more than 250,000 records from 21,000 cities, counties, and townships. 100% phone-verified every 6 months.

Local Government Spending Priorities in the Wake of COVID-19: Summary of Reports

The coronavirus has ushered America into its worst economic downturn since the Great Depression. Local governments are on the frontlines of this crisis, as they navigate how to continue providing essential services to meet the growing needs and declining resources of their citizens.

In ***CivicPulse Insights'*** inaugural report series, "*Local Government Spending Priorities in the Wake of COVID-19*," we bring fresh data and analysis to bear—based on a nationally representative survey of the top elected leaders of local governments—to unpack the widespread uncertainty about the looming local budget changes in the wake of the COVID-19 crisis.

In our first report of this series, we characterize local policymakers' expectations about changes in both revenue and spending in the next twelve months, including comparing projected spending across 12 different program and functional areas. The report also examines how expected changes in spending will vary by a range of local factors, including population size, government type, geographic region, the severity of COVID-19's impact, and the locality's political leaning.

The second report, which comes in 12 parts, offers a deeper dive into key local government program and functional areas.

In summary, the report series will be composed of:

Report 1: *Spending projections by program, function, and local factors*

Report 2: *Analyses of projected spending in specific program and functional areas*

Program Areas

a. Health services
b. Housing and community development
c. Public safety
d. Public welfare and social services
e. Public works
f. Roads and highways
g. Sanitation, sewage, and water

Functional Areas

h. Capital investments
i. Citizen communication and engagement
j. Financial administration
k. Technology
l. Workforce

Report 1: Table of Contents

Key Findings *1*

Part I: Revenue and Spending Projections *2*

Expected Changes in Revenue 2

Expected Changes in Spending 4

Part II: Spending Projections by Program and Functional Area *6*

Program Area 6

Functional Area 7

Part III: How Spending Projections Vary by Local Factors *9*

Population Size 11

Government Type 12

Region 13

COVID-19 Incidence 14

Political Leaning 16

Appendix *18*

Methodology and Sample 18

Questionnaire 20

Alternative Visualization of Projections by Program and Functional Area 21

Key Findings

Here are the most important findings in this report, based on our analysis of a recent, nationally representative survey of top elected leaders of local governments.

1. **While revenue will fall precipitously, spending will decline more modestly.**
    - Almost all local governments expect revenues to fall, with an *average decline of 22%*.
    - A majority of local governments expect spending to fall, with an *average decline of 8%*.
2. **Notwithstanding the overall decline in spending, half of the specific areas we analyzed will experience no spending change or even an increase.**
    - Expect spending decreases to the following six areas:
        - Capital investments
        - Financial administration
        - Housing and community development
        - Public works
        - Roads and highways
        - Total workforce
    - Expect spending to stay the same or increase for the following six areas:
        - Citizen communications and engagement
        - Health services
        - Public safety
        - Public welfare and social services
        - Sanitation, sewage, and water
        - Technology
3. **While overall spending is expected to decline, this outlook varies by local factors.**
    - Population size is the key factor: the smaller the locality, the less likely it is to decrease spending.
    - Local governments in the Midwest are less likely to decrease spending than those in other regions.
    - Localities with a lower incidence of COVID-19 are less likely to decrease spending.

Part I: Revenue and Spending Projections

Expected Changes in Revenue

To learn about how COVID-19 will affect future local government budgets, we first asked our nationally representative sample of local elected officials how they expect revenue to change over the next twelve months.

From their answers, we estimate that the average locality will face a *decline in annual revenue of 22%* compared with the preceding year (see Figure 1).

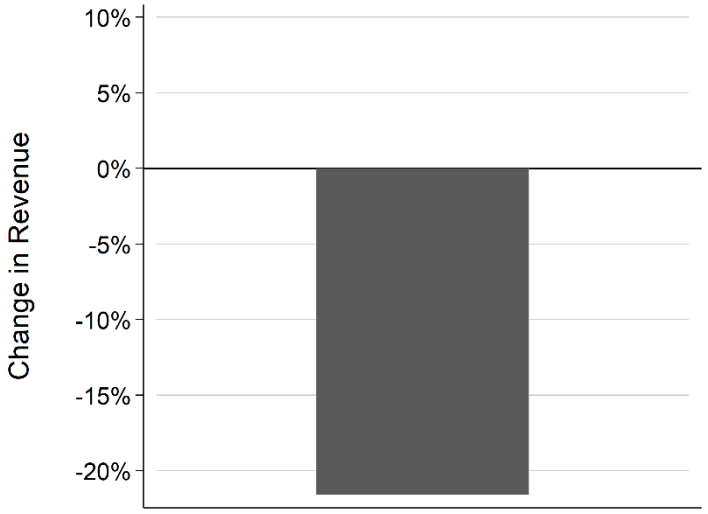

Figure 1. Local governments will face a sharp decline in annual revenue next year. Local governments, on average, expect to face a 22% decline in overall revenue (relative to the previous twelve months).

Figure 1 (above) shows that the *average* local government expects a decline in revenue, but how widely shared is this view? To answer this question, we split local governments into three groups (Figure 2):

A. Those expecting an increase in revenue
B. Those expecting no change, and
C. Those expecting a decrease

When looking at the data this way, only 5% of local governments expect revenue to increase and only 4% expected no change. A full 91% of local governments expect a decline in revenue. This shows us that the expected decline in revenue described in Figure 1 holds true for nearly all local governments in the United States.

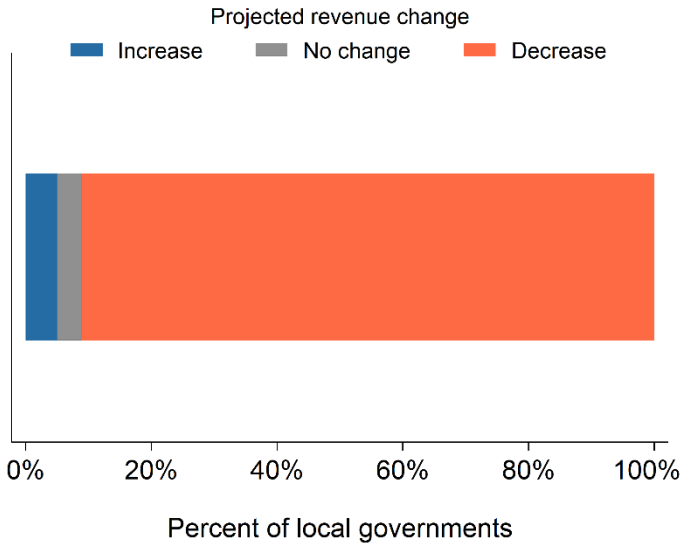

Figure 2. Almost all local governments in the United States anticipate a decline in revenue. Percentage of local governments expecting an increase versus a decrease in *annual revenue* (relative to the previous twelve months).

Expected Changes in Spending

We now turn to policymakers' expectations about how spending will change in the next year. As with revenue, we asked our national sample of local elected officials to project how government spending will change over the next twelve months.

From their answers, we estimate that the average locality will face a *decline in annual spending of 8%* compared with the preceding year (see Figure 3). By comparison, this decline in spending is significantly more modest than the average decline in revenue we saw above.

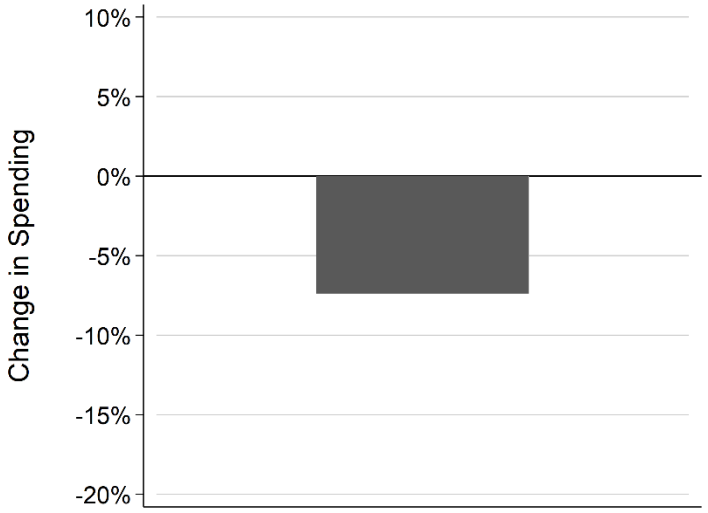

Figure 3. The average local government will face a decline in annual spending next year. Expected average change in *annual spending* across all local governments (relative to the previous twelve months).

Figure 3 (above) shows that the *average* local government will experience a decline in spending, but this does not tell us how widespread this decline will be. To investigate this question, we again split local governments into three groups (Figure 4):

A. Those expecting an increase in spending
B. Those expecting no change, and
C. Those expecting a decrease

When looking at the data this way, *we find that 28% of local governments expect spending to increase*, 8% expect no change, and 64% expect a decline. Therefore, while a majority of local governments anticipate a decline in spending in the wake of COVID-19, over a third will continue spending at least as much, if not more, than they did prior to the pandemic.

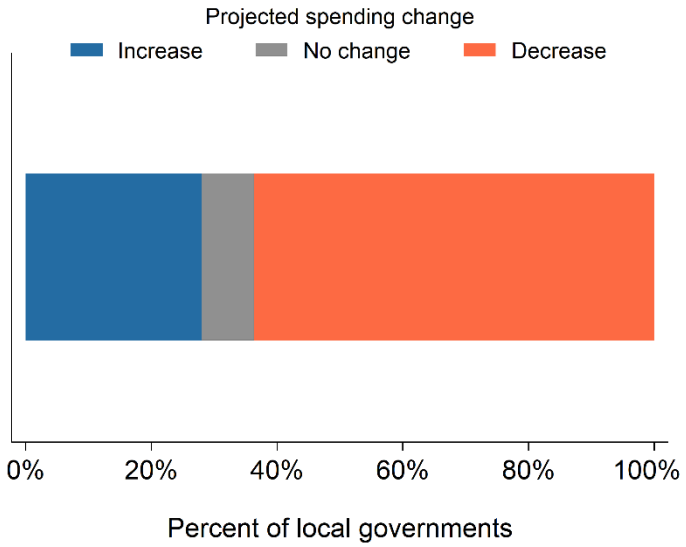

Figure 4. A majority, though not all, local governments expect spending cuts. Percentage of local governments expecting an increase versus a decrease in *annual spending* (relative to the previous twelve months).

Part II: Spending Projections by Program and Functional Area

Program Area

Next we take a deeper dive into the pandemic's implications for local government spending in specific spending areas.

To do so, we asked our survey sample of local top elected officials to estimate how spending would change for each of seven common program areas (see Figure 5). We split local governments into those who expect spending to increase, not change, and decrease.

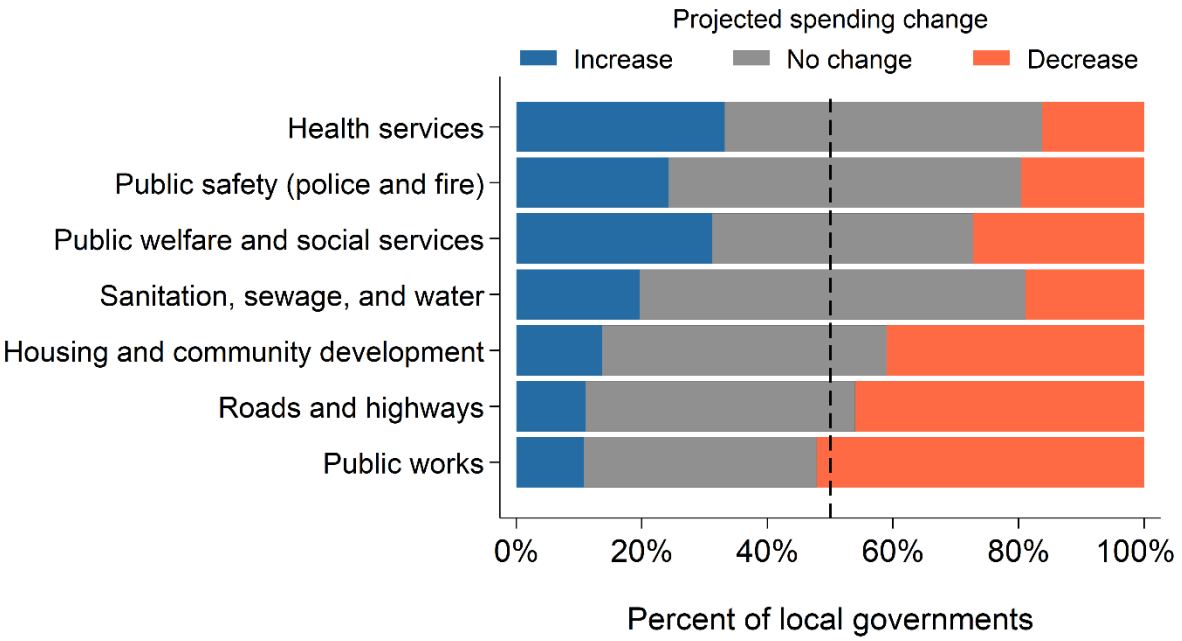

Figure 5. Spending cuts will be concentrated in capital-intensive program areas. Percentage of local governments expecting an increase versus a decrease in annual spending are shown, by program area.

The results reveal that the projected decline in *overall* spending discussed previously (in Part I) masks a far more complex story. For health services and public safety, spending is more likely to increase than decrease. For public welfare and social services and sanitation, sewage, and water, a roughly similar number of local officials expect to increase spending as expect to decrease it. Finally, for housing and community development, roads and highways, and public works, those expecting a decrease far outnumber those expecting an increase.

In addition, across all seven program areas, a notably large percentage of local governments anticipate no change in spending.

Functional Area

The previous section reveals clear differences in projected spending by program area.

An alternative way to disaggregate expected spending is by *functional area,* i.e., a process or resource that might cut across program areas. To this end, we also asked our national sample of local elected officials about the following five functional areas: citizen communications and engagement, technology, financial administration, total workforce, and capital investments (Figure 6). For each of these areas, we again split local governments into those who expect an increase, no change, and decrease in spending.

As we saw by program area, there are also marked differences in expectations by functional area. Spending on citizen communication and engagement is more likely to increase than decrease in the next year, while expectations for technology spending are mixed. For financial administration, however, a higher percentage of local governments expect spending to decrease than to increase. And for total workforce and capital investments, spending decreases are even more likely.

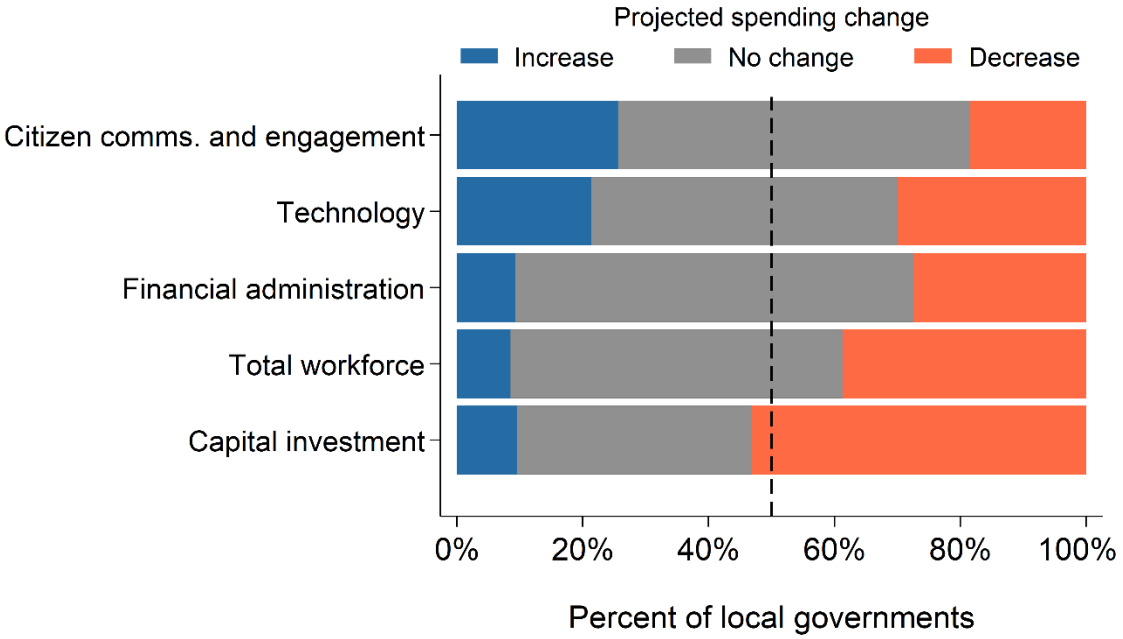

Figure 6. Citizen communications and engagement is the only functional area for which spending is more likely to increase than decrease. For each functional area, the percentage of local governments expecting an increase, no change, or decrease is shown.

Part III: How Spending Projections Vary by Local Factors

In this part of the report, we analyze five local factors that might differentiate how spending will change for different localities:

- Population size
- Government type
- Region
- COVID-19 incidence
- Political leaning

To do this analysis, we introduce a new measure, the "net likelihood" score, to compare expected spending trajectories across different local governments.

The net likelihood score represents the difference between the percentage of local governments expecting spending to increase, less the percentage of local governments which expect a spending decrease. These are the blue and orange segments for any given bar shown in the previous figures.

For example, to estimate the net likelihood score for *all local governments,* we can take difference between the blue and orange segments from Figure 4 (p. 5). That is, the percentage of local governments expecting a spending increase (28%) and the percentage expecting a decrease (64%).

In this case, the net likelihood score is -36 percentage points (see Figure 7). In other words, it is moderately more likely that the average local government will experience an overall spending decrease than an increase.

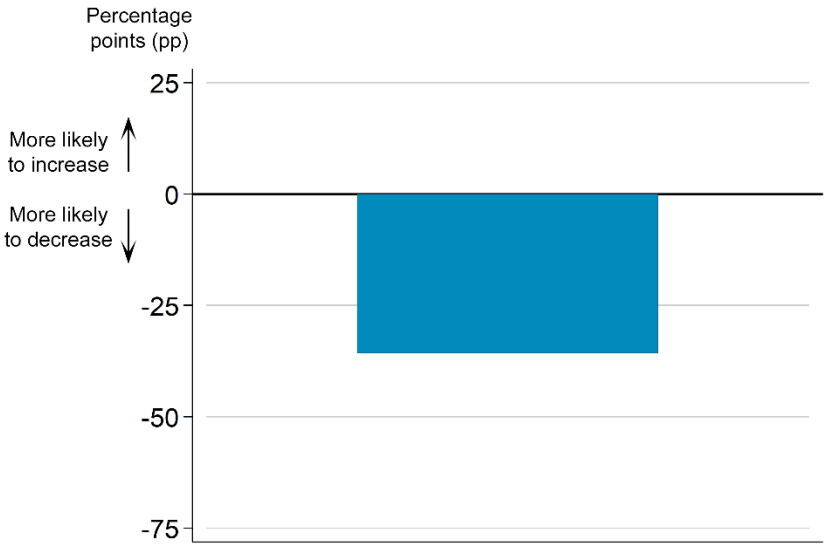

Figure 7. Overall spending likely to decrease in the next year. This plot shows the difference in likelihoods (or "net likelihood") that annual overall spending increases versus decreases (equivalent to the difference between the blue and orange bars in Figure 4).

Population Size

In this section, we disaggregate our analysis of expected changes in local government spending in terms of the locality's population size.

Our analysis shows a strong correlation between population size and the net likelihood score.

In Figure 8 below you can see that the net likelihood score is closest to zero for lower-population localities (fewer than 3,000 residents), meaning that they are the *least likely* to decrease spending. By comparison, the net likelihood is twice as negative for localities with more than 10,000 residents.

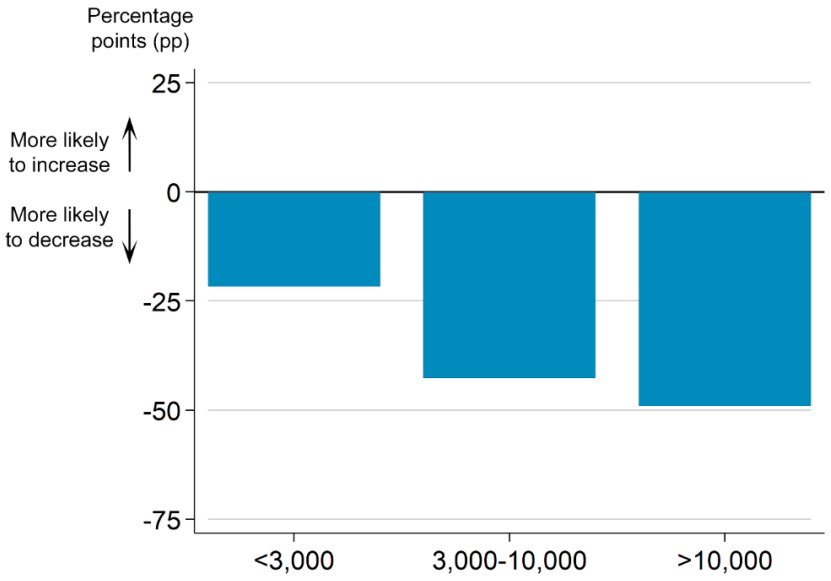

Figure 8. Spending more likely to decrease in higher population communities. Each bar shows, by population size, the difference in likelihoods (or "net likelihood") that annual spending increases versus decreases.

Government Type

Our next piece of analysis explores whether expected spending changes will vary by the type of government.

It turns out that townships and municipalities expect spending to decline to a similar degree as counties (Figure 9). Specifically, the spending is more likely to decrease than increase by about 40 percentage points, regardless of government type.

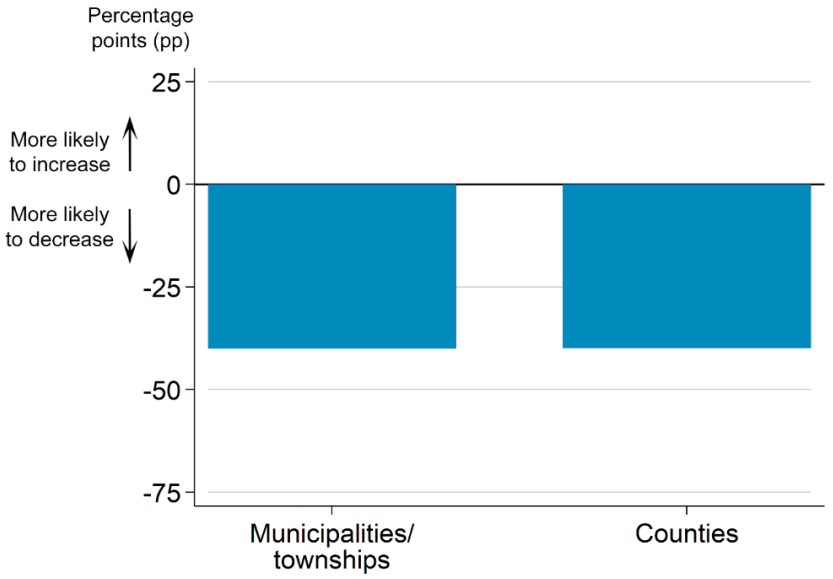

Figure 9. **Municipalities, townships, and counties equally likely to decrease spending in next year.** Each bar shows, by population size, the difference in likelihoods (or "net likelihood") that annual spending increases versus decreases.

Region

How will spending changes vary by region? When we break up the data by Census region, we find that local governments in the Midwest and South are less likely to decrease spending than those in the Northeast and West (Figure 10).

The Midwest is the region, with a net likelihood score of -29 percentage points, where local governments are the least likely to decrease spending. By contrast, spending in the West will be the hardest hit with a net likelihood score of -56 points.

Thus, while spending can generally be expected to shrink across the nation, there will be some regional variation.

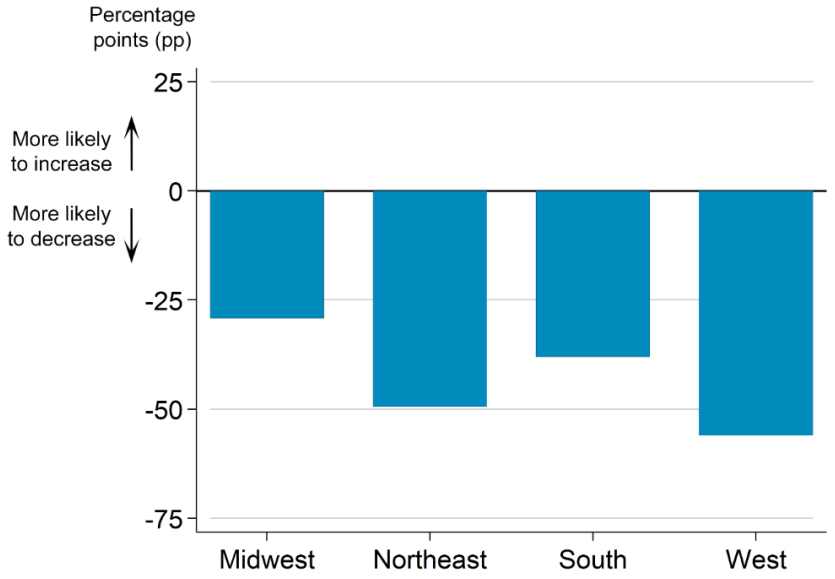

Figure 10. Spending more likely to decrease in Northeast and West. Each bar shows, by region, the difference in likelihoods (or "net likelihood") that annual spending increases versus decreases.

COVID-19 Incidence

Now we project whether future local government spending depends on the level of COVID-19 disease incidence in their community.

Using data on the number of reported cases per capita, we split localities between those with higher and lower degrees of COVID-19 incidence (Figure 11). Doing so reveals that local governments with higher incidence are more likely to expect a decline in spending. The net likelihood score for them is -49 percentage points, whereas the score for localities with lower incidence is -31.

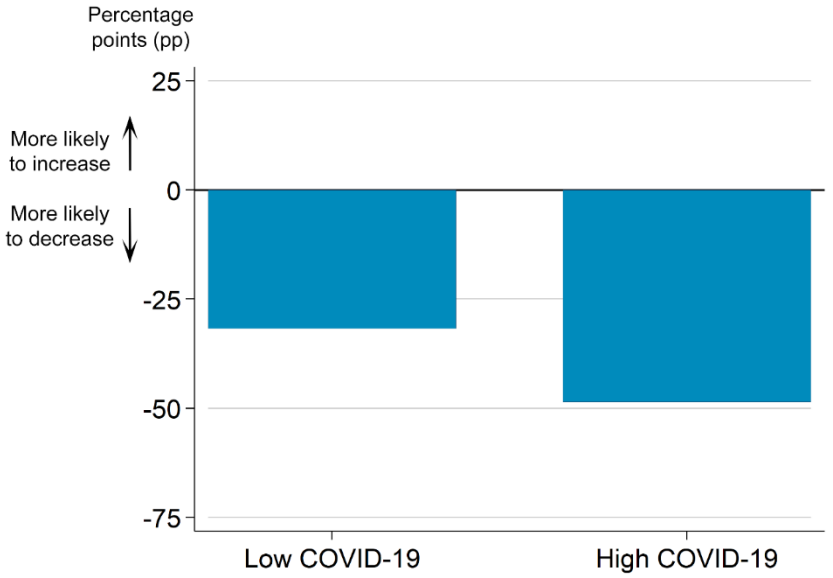

Figure 11. Localities harder hit by COVID-19 more likely to decrease spending. Each bar shows, by level of disease incidence, the difference in likelihoods (or "net likelihood") that annual spending increases vs decreases. Level of COVID-19 incidence is based on the number of cases per capita in the county at the time of the survey.

Because the spread of COVID-19 is related to a community's population size, we partitioned the data further by both disease incidence and population.

We found that COVID-19 incidence is a substantial factor predicting local governments' likely spending changes, but more so for those local governments representing fewer than 10,000 residents (see Figure 12, left).

When it comes to localities with a population over 10,000, a higher level of COVID-19 incidence is associated with only a slight difference in projected spending (see Figure 12, right).

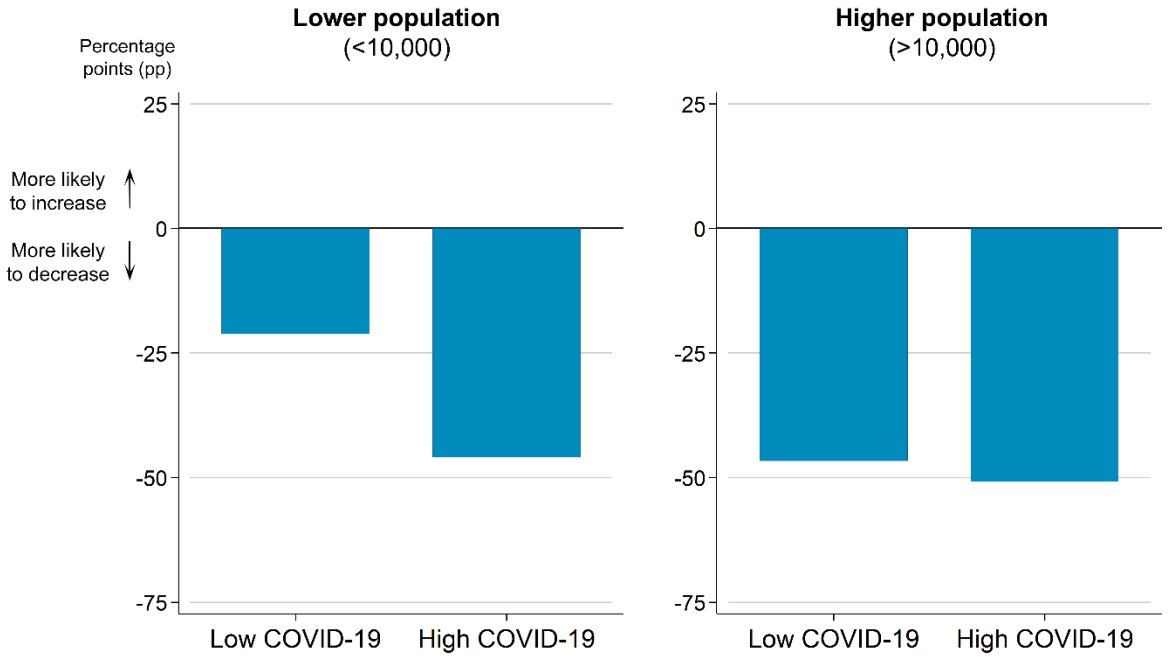

Figure 12. COVID-19 especially important factor in lower population localities. Each bar shows, by disease incidence and population size, the difference in likelihoods (or "net likelihood") that annual spending increases versus decreases.

Political Leaning

Lastly, we investigate whether patterns in projected spending differ by the political leaning of the locality.

To do so, we split local governments depending on their locality's county vote share in the 2016 presidential election (Figure 13). If 50% or more voted for Donald Trump, the locality was classified as leaning Republican. Otherwise, the locality was classified as leaning Democrat.

This cut of the data reveals a modest difference between Republican- and Democrat-leaning communities. Local governments in Democrat-leaning communities project a somewhat lower net likelihood score: they are more likely to see a spending decrease than their Republican leaning counterparts.

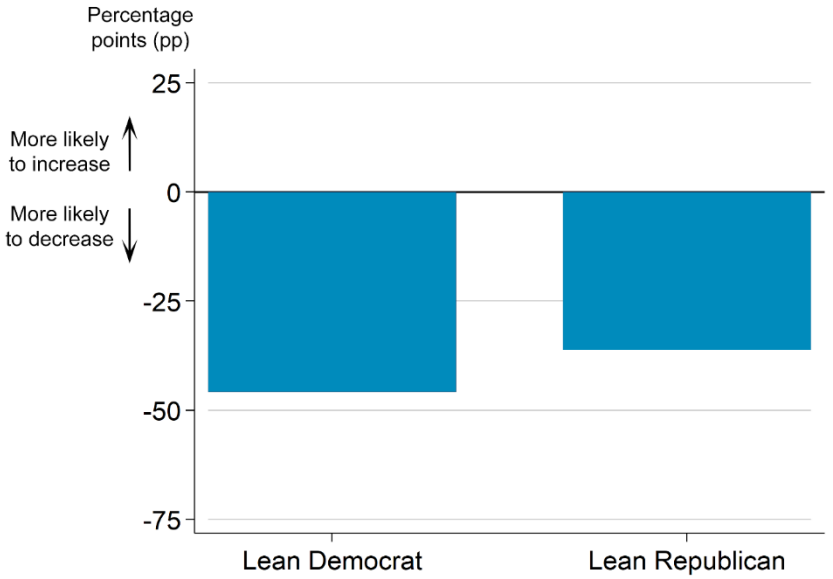

Figure 13. Democrat-leaning localities more likely to see spending decrease. Each bar shows, by political leaning, the difference in likelihoods (or "net likelihood") that annual spending increases versus decreases. Political leaning is based on the locality's county vote share in the 2016 presidential election.

Because population size and political leaning often go together, we further disaggregated the spending data between these two variables.

We found that political leaning is a substantial factor predicting local governments' likely spending changes only for those local governments representing fewer than 10,000 residents. In these lower-population communities, Republican-leaning communities are less likely to reduce spending (Figure 14, left).

When it comes to localities with a population over 10,000, there are no discernable differences between Republican- and Democrat-leaning communities (Figure 14, right).

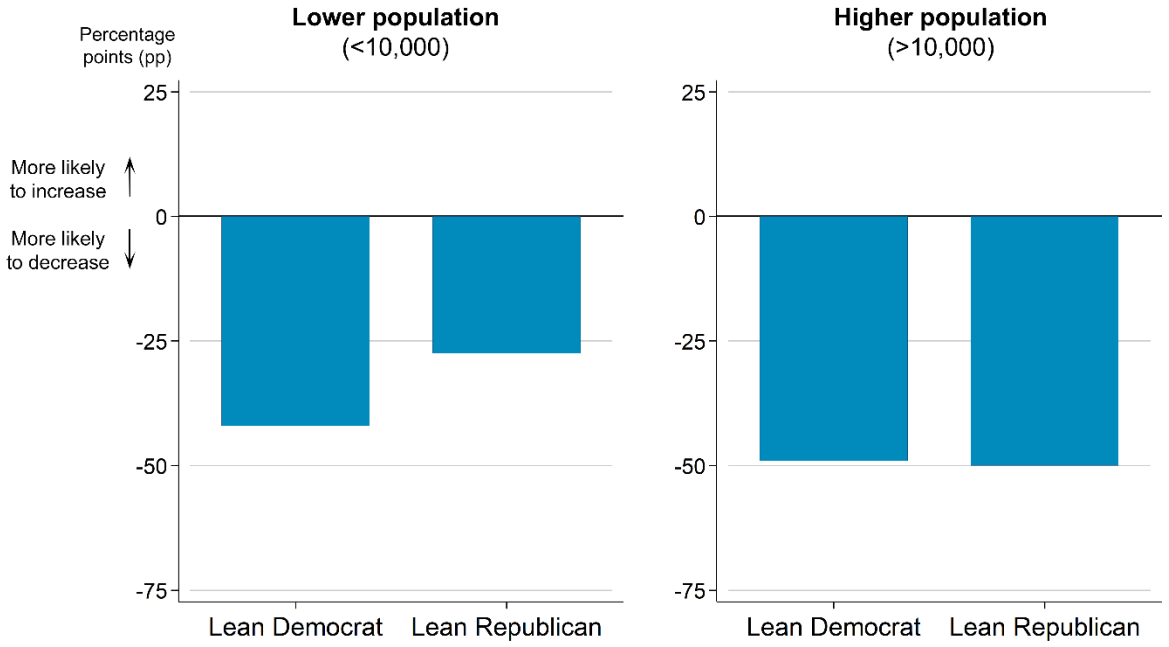

Figure 14. Political leaning not significant factor in higher population localities. Each bar shows, by party leaning and population size, the difference in likelihoods (or "net likelihood") that annual spending increases versus decreases.

Appendix

Methodology and Sample

CivicPulse uses Power Almanac's continuously updated contact list of the appointed and elected officials associated with all townships, municipalities, and counties in the United States with populations of 1,000 or more (98% coverage).

Each survey includes a random sample of officials from this list. The data used in this report is from a survey of 733 responses collected in April and May of 2020 from 47 states.

Table A1 breaks out respondents by the type of local government each represents.

Table A1. Survey Respondents by Type of Government.

	Respondents
Townships	168
Municipalities	460
Counties	105
Total	733

The geographic distribution of the survey respondents approximates the population distribution of the United States (Figure A1).

Figure A1. Geographic distribution of respondents.

To characterize the representativeness of our survey sample, we match these respondents to the U.S. Census using the FIPS system. Tables A2-A3 compare the sample and population medians for four Census-area spatial characteristics: population size, urbanicity, the proportion of residents with a 4-year college education, and the proportion of residents who voted for Trump in 2016.

Table A2. Sample Representativeness among Sub-County[1] Officials

	Sample Median	Population Median
Proportion Urban	0.97	0.85
Proportion College-educated	0.27	0.21
Population Size	6,500	3,700
GOP Vote Share[2]	0.52	0.57

[1] *This group includes officials from townships and municipalities*

[2] *Vote share estimated at the county level. Each sub-county government is matched to the relevant county in which it is contained.*

Table A3: Sample Representativeness among County Officials

	Sample Median	Population Median
Proportion Urban	0.53	0.40
Proportion College-educated	0.21	0.19
Population Size	51,000	26,000
GOP Vote Share	0.62	0.67

Survey weights were also tabulated based on these four spatial characteristics using a post-stratification raking procedure. The findings in this report are consistent with or without the use of survey weights.

Questionnaire

1. How do you expect your government's **overall revenue** to change over the next twelve months? *{Respondent selects any whole number between '-50' (50% decrease) and '50' (50% increase).}*

2. How do you expect your government's **overall spending** to change over the next twelve months? *{Respondent selects any whole number between '-50' (50% decrease) and '50' (50% increase).}*

3. Given COVID-19, how do you expect your government's spending to change over the next twelve months in each of the following areas? *{Respondent views a grid with rows and columns listed below.}*

   Rows (Program Areas):

   - Public safety (police & fire)
   - Highways and roads
   - Housing and community development
   - Sanitation, sewage, and water
   - Public works (NOT including highways/roads)
   - Health services
   - Public welfare and social services

   Columns (Answer choices):

   - Decrease more than 20%
   - Decrease 1-20%
   - Stay about the same
   - Increase 1-20%
   - Increase more than 20%
   - No spending in this area

4. Now we want to ask about some categories of spending that may cut across different departments or programs. Given COVID-19, how do you expect your government's spending to change over the next twelve months in each of the following categories? *{Respondent views a grid with rows and columns listed below.}*

   Rows (Functional Areas):

   - Total workforce
   - Financial administration
   - Technology
   - Capital investments
   - Citizen communications and engagement

   Columns (Answer choices):

   - Decrease more than 20%
   - Decrease 1-20%
   - Stay about the same
   - Increase 1-20%
   - Increase more than 20%
   - No spending in this area

Alternative Visualization of Projections by Program and Functional Area

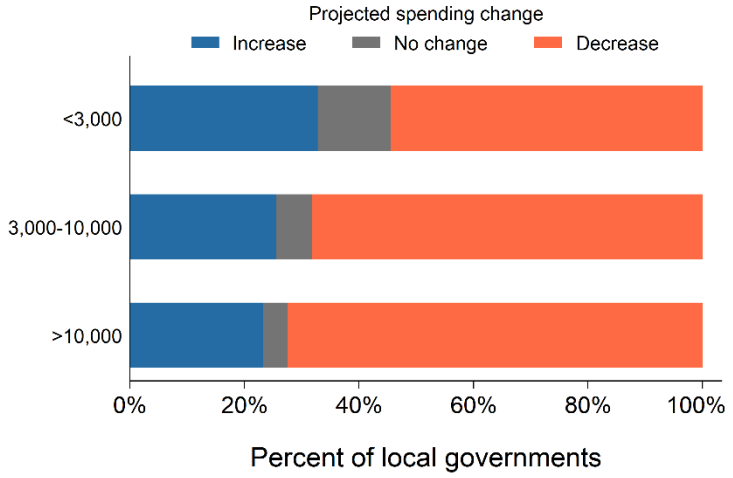

Figure A2. Distribution of responses by population size. Percentage of local governments expecting an increase (blue), no change (gray), or decrease (orange) in annual spending, by population size.

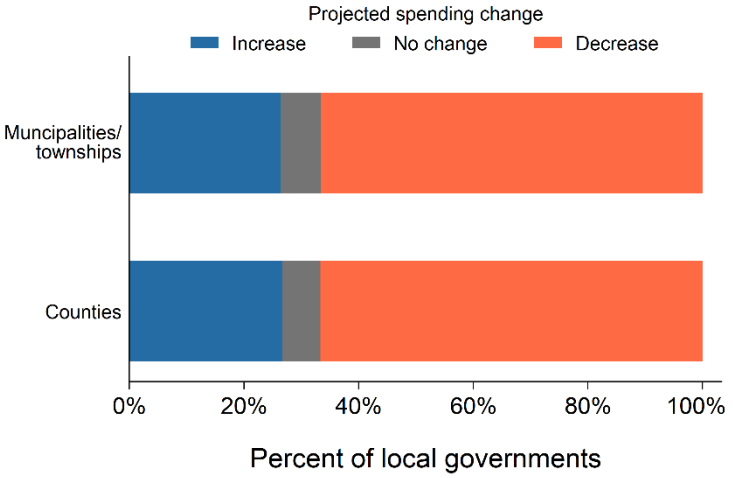

Figure A3. Distribution of responses by government type. Percentage of local governments expecting an increase (blue), no change (gray), or decrease (orange) in annual spending, by government type.

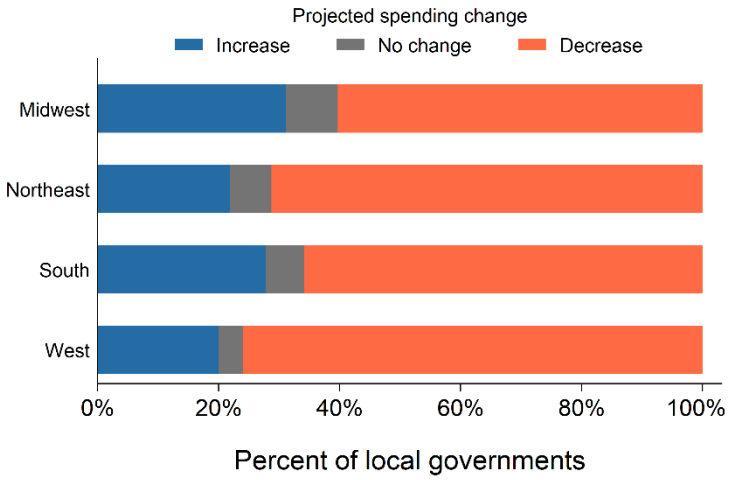

Figure A4. Distribution of responses by region. Percentage of local governments expecting an increase (blue), no change (gray), or decrease (orange) in annual spending, by Census region.

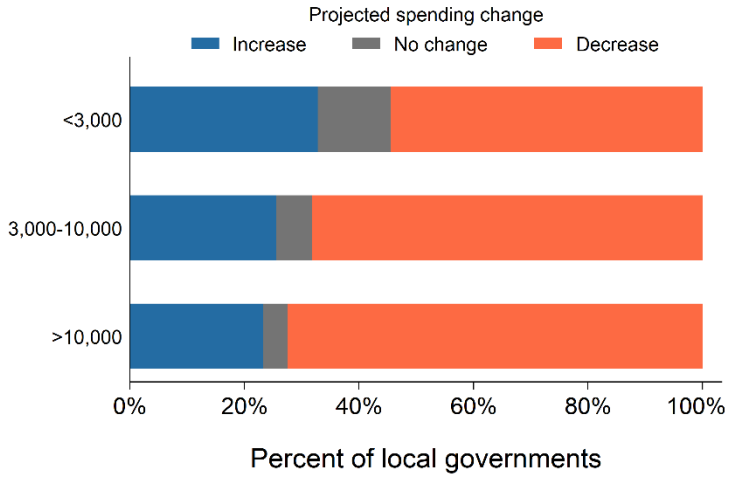

Figure A5. Distribution of responses, by COVID-19 disease incidence. Percentage of local governments expecting an increase (blue), no change (gray), or decrease (orange) in annual spending, by disease incidence. Disease incidence is based on the number cases per capita by county at the time of the survey.

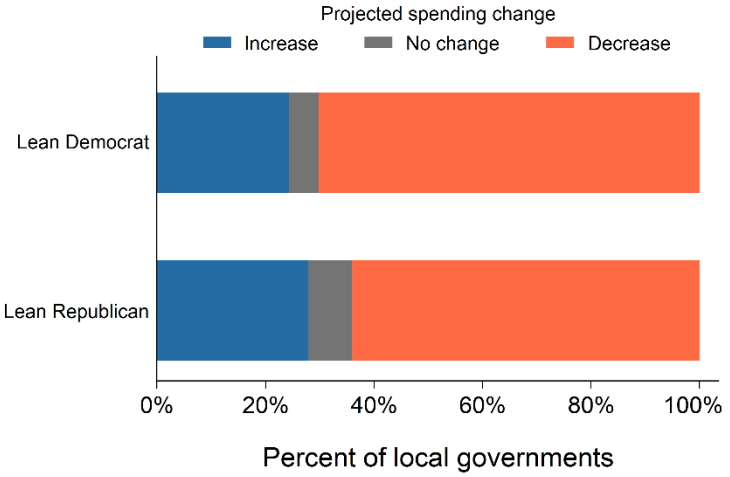

Figure A6. Distribution of responses by political leaning. Percentage of local governments expecting an increase (blue), no change (gray), or decrease (orange) in annual spending, by the locality's political leaning. Political leaning is based on the locality's county vote share in the 2016 presidential election.

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