

# Balancing the Budget in Bad Times

## Evaluating the Risk of Using Near-Term Treatments to Cut Costs or Enhance Revenues

Things a government might do to cut costs or enhance revenue in the near term can be risky. This document will help you evaluate and mitigate that risk.

Before you begin this evaluation, first get a sense of the size, timing, and duration of your deficits. [Cash flow forecasting](#) and [scenario planning](#) can help you do this.

After that, compare a Near-Term Treatment you are considering to the five criteria below. [Step 5](#) of GFOA's [Fiscal First Aid](#) program has many Near-Term Treatments for you to consider.



### Criteria #1: Do we have the authority to do it?

- If we think a law or contract is preventing us from using a Near-Term Treatment, have we checked the language in it to make sure the constraint is real?
- If the constraint is real, have we checked with state or federal agencies or the other party to the contract to see if it can be relaxed?
- If the constraint is real, can we lobby with legislators to have it changed?

### Criteria #2: What is the potential financial benefit?

- Have we projected the benefit in the first year, factoring in staff time and implementation costs?
- Have we projected the impact over several years? Does this treatment have long-term benefits, no long-term impact, or does it harm our long-term position?
- How certain are we of our projections? If we are uncertain, have we considered other, more predictable options? Or can we gather more information to increase our certainty?

### Criteria #3: What is the service impact?

- Could a service that is important for responding to COVID-19 be negatively impacted? If so, how can we mitigate the impact?
- Could a vulnerable population be negatively impacted? If so, how can we mitigate the impact?
- Will a particular group of citizens unfairly bear the brunt of a service reduction? How can we address fairness concerns?

### Criteria #4: How feasible is implementation?

- Do we have the staff time and capacity to implement this treatment well?
- Do we have the technology and information to implement this treatment well?
- If we hire outside experts, how confident are we that we will get a return on the investment?

### Criteria #5: Will elected officials support it?

- If elected officials need to pass this treatment, can they do it with a reasonable expenditure of political capital?
- Have we provided elected officials with the information

\* Implementing the treatment “well” can be defined as realizing the benefits that were projected under Criteria #2.



For more information about GFOA's Fiscal First Aid program, visit [gfoa.org/FFA](https://gfoa.org/FFA).