



**CUTTING THE
OPERATING BUDGET**

**AND INSTITUTING AN
EQUITABLE DECISION-MAKING
ENVIRONMENT AMIDST A
FISCAL CRISIS**



What Works Cities

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CITY BUDGETING FOR EQUITY & RECOVERY



This What Works Cities City Budgeting for Equity and Recovery resource is a collaboration among the following organizations and institutions:

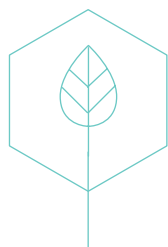


Launched by Bloomberg Philanthropies in 2015, What Works Cities helps local governments across the country drive progress in their cities through the effective use of data and evidence to tackle pressing challenges that affect their communities. The City Budgeting for Equity and Recovery program is a new effort that helps U.S. cities confront budget crises while strengthening their commitment to equity in the wake of COVID-19.

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The Problem

The COVID-19 pandemic has had an undeniable financial impact on local governments. According to surveys conducted by the Government Finance Officers Association (GFOA), in mid-2020 about 70 percent of cities expected to experience a shortfall in their budget despite state and/or federal aid. Larger local governments were more likely to expect a shortfall than smaller local governments. While recent infusions of funding from the Federal government provides some welcome relief, it does not mean local governments can go back to “business as usual”. This is because federal funding is temporary but financial challenges wrought by the pandemic may be further reaching for many governments. Further, federal funding may not necessarily be a dollar-for-dollar replacement for everything a government has lost. Federal funding does, however, provide some breathing room to think more strategically about finances, including the equity impact of budget decisions.



The often unavoidable response to budget shortfalls is to cut back on spending. The conventional approach to cutting back spending has been the “across-the-board” cut, which applies cuts equally to all areas of service. This approach has been popular because it is simple and is perceived as “fair” to those that have to implement the cuts – oftentimes department managers.

EXAMPLE IN ACTION

Toledo has found that using data to assess the community’s and organization’s needs can be an effective way to home in on the City’s highest priorities when identifying potential budget cuts. After identifying its highest priorities, the City used data to identify unintentional adverse impacts on certain groups or underserved neighborhoods. This has allowed the City to be proactive in identifying cost saving measures or partnership opportunities to address community needs.

This resource provides guidance on how cities can apply the equity lens to budget cuts.¹

Across the board cuts, however, might have an inequitable impact on the different communities that local governments serve. Often, those that feel the consequences of the cuts the most are a city’s most vulnerable, under-represented groups and communities of color. Some people and neighborhoods have the means to weather the impact of a cutback in government services, while others don’t.

The City of Toledo, Ohio, has recognized the risks posed by across the board cuts. To take a simple example, the City recognized that reducing the resources spent on cutting the grass in public areas would contribute to blight – and that the neighborhoods most vulnerable to blight would be the City’s lower-income areas. Another example might be cutting summer camps, the effect of which would be felt more acutely in a working class neighborhood where replacing the service that such a program provides might be harder for some parents.

Cities need a more nuanced view of how to cut budgets fairly. Applying an equity lens to budget cuts can help cities reduce budgets to an affordable amount for the city while minimizing

harm to vulnerable members of the community. In fact, severe financial difficulties often present an opportunity to rethink traditional approaches to public finance. Applying an equity lens can be just such an opportunity.

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The ideas that appear in this article were inspired by the many different people and organizations that are working on bringing an equity perspective to budgeting, including: Government Alliance on Race and Equity (GARE – see “Advancing Racial Equity and Transforming Government Action”), local governments that are working on this issue, and other experts on local government budgeting, notably PFM.



Grass cutting can be an expensive operation depending on the weather. A few years ago, Toledo had a record amount of rain that made it difficult for the City to maintain their grass cutting operation within budget. The City's response was to use micro-enterprise vendors and create bid packages by geography and type of property. The packages included thoroughfares as well as nuisance residential and commercial properties. The City saved money by having a vendor regularly cutting properties before the grass was too high and was able to increase minority-owned business participation.

This year, the City is monitoring the warmer temperatures that may lead to increased rain. If the City has to consider scaling back grass operations, it will take into consideration that neighborhoods with high vacancy and crime rates may need to be prioritized to deter dumping and other illegal activity in those communities.

Recognize Where Inequity Exists

The first step is to recognize where inequity exists. There will be differences in access to opportunity and well-being between different groups of people and between different neighborhoods. Budget cuts could exacerbate these disparities. For example, in many communities, race is predictive of public health outcomes like infant mortality, life expectancy, and incidence of chronic illness (e.g., diabetes). A city government should identify specific population segmentations (e.g., low income, historically disadvantaged groups, etc.) for analyzing equity.

Even if a local government cannot perform a rigorous statistical analysis on inequities, trends can be seen in data collected by outside entities (e.g., US Census Bureau or a state health department). And, statistical cases should be complemented by stories. Narratives, not numbers, are often more influential in decision-making, so the numbers should be brought to life with stories.

Finally, it should be noted that low-income communities historically have had reason to mistrust the government. As a result, they may not always call in for service. Hence, when considering equity and using data, cities should assess the geography of complaints and feedback. If there is under-representation in certain communities, particularly those that lack investment from the City, the local government may want to reach out to those communities, listen to their concerns, ensure their needs are being met and be more proactive in providing services to those areas (rather than reactive).



Defining “Equity”

Next, a city should define what “equity” means. To illustrate, the City of Charlotte, North Carolina has defined equity as “the fair treatment, access, opportunity and advancement for all people, while at the same time striving to identify and eliminate barriers that have prevented the full participation of some groups.” Groups that Charlotte has identified as the focus for its equity lens include people of color and low-income communities.

Defining equity will help local governments evaluate potential budget cuts from the perspective of which cuts could work against equity. There are two perspectives on impact to the public that a potential budget cut could be evaluated from. Let’s explore each perspective below. Each perspective comes with a series of questions that a city can ask about any given proposed budget cut in order to help evaluate equity impacts.²

Perspective #1: Service Impact

A spending cut could reduce the quality of service that a government delivers. Cities might consider the following questions:

What is the potential for reduced access to services?

This includes fewer places to receive service, fewer hours of service delivered, fewer employees to provide a service or longer response times.

Examples: Closing a fire station results in higher response times...reducing branch library hours makes it harder for residents to use it after hours...closing one recreation facility causes residents to have to walk or drive farther to use another facility...reducing customer service representatives increases the wait time for service at walk-up counters.

What is the potential for reduced quality of service?

Residents can still access service, but the quality of service is measurably lower or does not meet resident expectations.

Examples: A city purchases cheaper vehicles that have shorter useful lives, are less energy efficient or are more susceptible to breakdown...city uses pothole patching instead of street repaving...city uses staff with less experience or training to perform a service.

For these service impacts, the local government can ask if the impact affects equity. For example, certain library branches might be used more by lower income people, so closing those branches would have important equity impacts. On the other hand, perhaps certain types of permits or licenses are not disproportionately used by vulnerable populations, so to reduce office hours would not have equity impacts.

Earlier, we saw Toledo's example around grass cutting and how cuts would have resulted in unacceptable losses in quality (i.e., more blight). The City has also been mindful of how its cut back strategies impact access to community assets, like parks and recreation, in low income neighborhoods.

Perspective #2: Location Impact

Many of the inequities that a local government would be focused on have geographic character. For example, some neighborhoods might have more low income residents or people of color than other neighborhoods. Cities might consider the following questions about location:



Is the service geography neutral?

These are services that are distributed across the entire municipality with little variance by neighborhood. Examples include internal services like information technology, human resources and fleet management (for smaller communities) and citywide elected officials. Services that are “geography neutral” usually pose the least risk to equity, but could still serve a vulnerable population.

Does the service have a fixed geography with specific customers?

These are services that are delivered from a central location and available to the community at-large, but used by specific segments of the community. Examples include building construction plan review and many kinds of licensing. In this case, equity impact would depend on who the customers of this service are. For example, for a given type of license, would a decreased level of service adversely impact any of the equity considerations from your definition of equity?

Is the service delivered from a fixed site to a specific community?

These are services delivered at locations distributed throughout the city with a service population local to the site. Examples include recreation centers, public parks, health clinics, and fire stations. These services pose greater risk of inequitable impact.



In Toledo, leaf collection and grass were major frustrations for residents. The City used resident complaint data to develop a strategy to more efficiently deliver services. With leaf collection specifically, the City recognized that certain neighborhoods had trees that produce more leaves. The City determined that those neighborhoods needed two passes and rerouted crews to pick up leaves in those neighborhoods first and last.

Is it a mobile service that serves a specific community?

These are services where the staff are mobile and focused on particular neighborhoods. Examples include EMS units; code enforcement; road patching crews; and litter abatement teams. Cuts in these services could also pose greater risk of inequitable impact.

Toledo has been thoughtful about the impact of location. For example, the City is installing LED street lighting throughout the community. However, because it has limited resources, it can't install LED light throughout the entire community at once. Therefore, the installation program is driven by crime data: neighborhoods with the most violent crime get lights first because better lighting may help deter crime. This is an example of a service with a fixed geography and specific customers.

An example in Toledo of a mobile service that aids a specific community is leaf collection. Similar to grass cutting, leaf collection helps keep up quality of life and prevent blight. However, some neighborhoods produce more leaves than others

due to the types of trees. Toledo has tuned its leaf collection strategy to concentrate more resources in areas that produce more leaves.

The table below recaps the two perspectives and questions cities might ask under each:

TWO PERSPECTIVES TO CONSIDER ON THE EQUITY IMPACT OF BUDGET CUTS	
Perspective #1: Service Impact	Perspective #2: Location Impact
<p>What is the potential for reduced access to services?</p> <p><i>Fewer places to receive service?</i></p> <p><i>Fewer hours of service delivered?</i></p> <p><i>Fewer employees to provide a service?</i></p> <p><i>Longer response times?</i></p>	<p>Is the service provided to the entire municipality with little variance by neighborhood?</p> <p><i>Could vulnerable populations be hurt by the cut?</i></p>
<p>What is the potential for reduced quality of service?</p> <p><i>Will the quality be measurably lower?</i></p> <p><i>Will the quality meet citizen expectations/needs?</i></p>	<p>Is the service delivered from a central location and available to the community at-large, but which is used by specific segments of the community?</p> <p><i>If so, are those segments a vulnerable population?</i></p>
	<p>Is the service delivered at locations distributed throughout the city with a service population local to the site?</p> <p><i>Are the populations served vulnerable?</i></p>
	<p>Is the service one where staff are mobile, but focus on particular neighborhoods?</p> <p><i>Are those neighborhoods vulnerable?</i></p>



A Word about Time Horizons

Budget cuts are, by their nature, focused on the short-term. However, the City of Toledo views the move toward a more equitable budget as a marathon, not a sprint. For that reason, Toledo has found great value in complementing its budget deliberations with a long-term financial plan and ten-year forecast. This helps the City keep an eye on its long-term objectives and ensure that decisions made today don't unfairly burden future generations of citizens.

Conclusions

In a time of budget cuts it is almost inevitable that services will suffer. By taking into account equity, a local government can reduce the pain experienced by disadvantaged parts of the community and reduce the pain experienced by the community as a whole. For any given budget cut, a city can ask the following to guard against disproportionate impact on its most vulnerable residents:

- What is the service impact? Could this cut reduce access to services or reduce the quality of services for vulnerable groups?
- What location within the city will be impacted? Does the service or program being cut serve a particular community or neighborhood? Those types of program cuts have the biggest risk of inequitable impacts.

With the answers to these questions, cities can consider alternative cutback strategies. The Government Finance Officers Association has catalogued a large number of cut-back strategies and other tools for dealing with budget deficits at its [Fiscal First Aid website](https://www.gfoa.org/ffa).³ Cities can use these resources to find alternatives to strategies with inequitable impact.