BUILDING A BETTER COMMUNITY FOR EVERYONE

BY SHAYNE C. KAVANAGH, ANDREW KLEINE, CHRIS FABIAN, AND ERIK FABIAN

Today, discussions on equity are making their way into every aspect of decision-making—including budgeting. Because budgeting is ultimately about who gets what, and how much, equity must shape the process. But budgeting for equity is difficult and reveals tensions in a community. This section explores these tensions and techniques for managing them to build better and stronger communities.

Many local governments are taking an interest in "budgeting for equity," which, broadly defined, means allocating local government resources in a way that is intended to address unfair disparities between different groups of people, such as racial groups or income groups.

Local government budget officials have a duty to develop a budget that is fair.[1] And equity is one perspective on fairness that has historically not been given much attention in local governments.

Social inequities are associated with a host of undesirable conditions that include lower interpersonal trust and reduced physical health.[2] American society has several large social inequities, some of which have worsened in recent decades. Income inequality might be the most well-known example.[3] Rising income inequality is associated with lower interpersonal trust.[4] Less well-publicized but at least as concerning is reduced lifespan.[5] For example, in 2019, in one large U.S. city, there was as much as a 20-year difference in life expectancy between men living in a poor neighborhood versus a more affluent neighborhood.[6] If local governments want their communities to thrive, these disparities must be evaluated and addressed.

What a local government does is driven by its budget. To be part of the solution to these inequities, then, a government's budget takes center stage. Budgeting for equity is hard, though, because it reveals tensions. It raises the central tension in budgeting of who gets what. (Budgeting is inherently political and it concerns, at its core, how limited public resources will be allocated.) If resources are going to be used differently in the future, there is a risk that people who are used to the current levels of service will object. Those who are comfortable with the current allocation of resources may also have advantageous relationships, connections, and power dynamics to secure those resources.

There are also ideological tensions. Equity is one perspective on how to fairly distribute resources. People define what is fair differently. The result is that the term "equity" is often used imprecisely. At best, this causes people to talk past each other and, at worst, fosters destructive conflict over what is defined as fair or unfair treatment.

There are tensions that underlie the need for equity in budgeting, including those between the "haves" and "have nots," and those inherent in asking local government to confront racial and other injustices. These tensions require local government to take account of the interests of people who have traditionally been underserved by the local government budget—which requires forming relationships and connections with members of marginalized communities and changing the power dynamics of budgeting to give the members of these communities a voice.

In this special section, we focus on four tensions in budgeting for equity and suggest how they could be managed. The tensions are:

EQUALITY OF OPPORTUNITIES VERSUS EQUALITY OF OUTCOMES.

This is at the core of the ideological tension over what's fair. Is fairness defined as leveling the playing field or evening up the scoreboard?

SYMBOLS VERSUS SUBSTANCE.

Symbols represent abstract concepts and help people understand the concepts. Budgeting for equity is a concept, and symbols are necessary to get people on board with the concept. But substance is required to make a difference in the lives of community members.

BREADTH VERSUS DEPTH.

An equity lens could be applied across the entire budget, but this risks a shallow analysis that doesn't make a meaningful change in how resources are used. Alternatively, focusing on just a few areas risks missing opportunities.

IDEALISM VERSUS PRAGMATISM.

Idealism is needed for bold action but risks being unrealistic. Pragmatism is needed to get things done but risks being timid.

Budgeting for equity is hard because it reveals tensions. It raises the central tension in budgeting of who gets what.

To help resolve the tensions, we'll draw on a philosophy called "pragmatic idealism." This philosophy originated in the early 1900s, a period in history with great relevance to our own times. Esteemed sociologist Robert Putnam has shown that the early 1900s were like today's United States in terms of high political polarization, low trust, and other social problems that plague us today. The successful reform movement that arose in response was rooted in pragmatic idealism. This philosophy holds that it is an ethical imperative to implement ideals of virtue or good. At the same time, it is immoral to refuse to make the compromises necessary to realize ideals or to discard ideals in the name of expediency. Budgeting for equity involves ideals. The tensions involved mean that any one person's ideal version of budgeting for equity probably cannot be realized. This doesn't mean we give up on the virtue behind budgeting for equity—rather, we find workable solutions to balance competing interests, beliefs, and attitudes while still improving on the status quo.

We'll also show that managing these tensions does not require "picking a side." Rather, the tensions help us identify a spectrum of possibilities. Once we see the possibilities, we can negotiate them. The goal is to find a balance within the tensions.

[1] According to the GFOA Code of Ethics. See: gfoa.org/ethics.

[2] For an overview of the correlation between inequities and social impacts, see: Richard Wilkinson and Kate Pickett, *The spirit level: Why greater equality makes societies stronger* (Bloomsbury Press: 2010).

[3] The United States has the highest level of income inequality among the top seven largest industrialized democracies. See: Katherine Schaeffer, "6 facts about economic inequality in the U.S." Pew Research Center, 2020.

[4] Eric D Gould; Alexander Hijzen, "Growing apart, losing trust? The impact of inequality on social capital," IMF Working Paper, 2016.

[5] Raj Chetty, Michael Stepner, Sarah Abraham, et al, "The association between income and life expectancy in the United States, 2001-2014, PMCID: PMC4866586.

[6] Adrienne Roeder, "The deadly effects of social inequality," *Harvard T.H. Chan School of Public Health*, 2019.
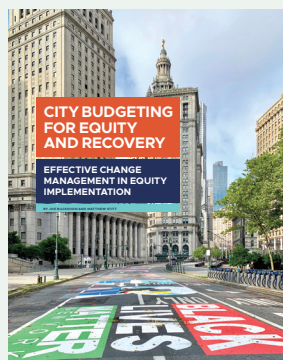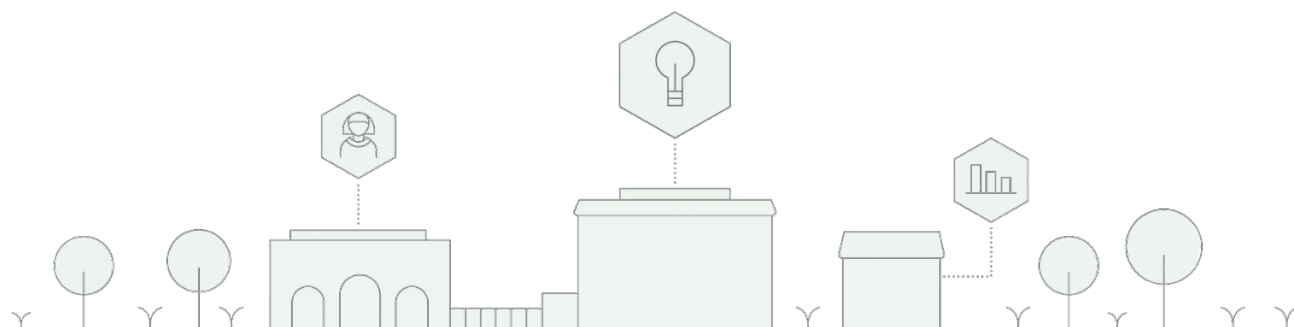
In 2021, we worked with 11 cities across the United States to bring an equity perspective to the budgeting process through the What Works Cities: City Budgeting for Equity & Recovery (CBER) program, funded by Bloomberg Philanthropies and led by Results for America. The last article in this series draws on the lessons from this experience to show a process for budgeting for equity that addresses the tensions identified.

Read the article:

City Budgeting for Equity and Recovery: Effective Change Management in Equity Implementation

gfoa.org/materials/gfr1022-city-budgeting-for-equity-and-recovery

What Works Cities | Bloomberg Philanthropies

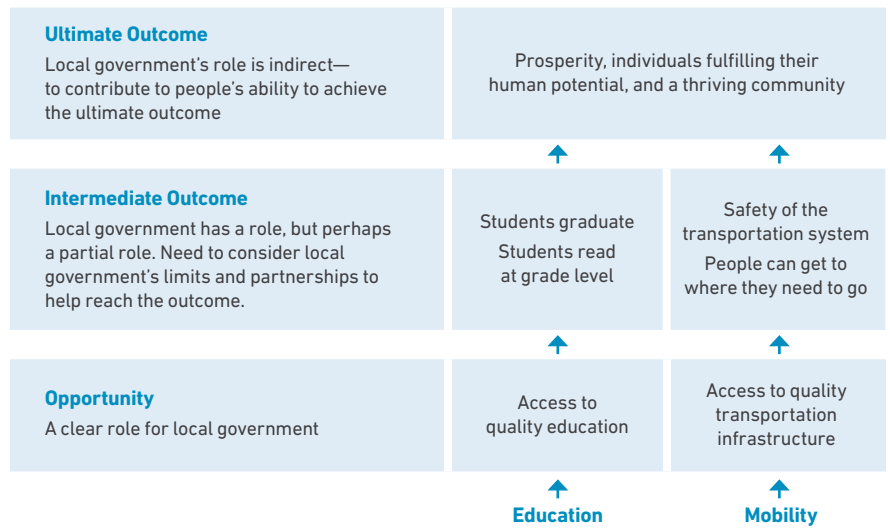# Equality of Opportunities Versus Equality of Outcomes

Perceptions of fairness are essential to any decision-making system. Without them, the system will likely fail. A key tension about fairness that must be resolved by budgeting for equity is equality of opportunity versus equality of outcomes. Or put another way, is budgeting for equity intended to level the playing field or even the scoreboard? This is no mere academic distinction. People can vary dramatically in their views on which of these is preferable. The resulting conflicts can be intense because they get right to the heart of people's differing moral intuitions about what is fair.[1] Research has shown that this distinction is closely related to political polarization. Most people endorse a definition of fairness that includes equality of opportunities, but this definition is especially preferred by conservatives. Progressives/liberals are more likely to include equality of outcomes in their definition of fairness.[2]

The way to manage this tension and get better results from budgeting for equity is to:

- Disaggregate outcomes into ultimate outcomes and intermediate outcomes.
- Consider how equality of opportunity supports achieving the outcomes.
- Consider the role for local government in both opportunities and outcomes.

Exhibit 1 illustrates a decomposition of outcomes related to education and mobility. At the bottom of the exhibit,

EXHIBIT 1 | **DECOMPOSITION OF OPPORTUNITIES AND OUTCOMES**

Ultimate Outcome
Local government's role is indirect— to contribute to people's ability to achieve the ultimate outcome

Prosperity, individuals fulfilling their human potential, and a thriving community

Intermediate Outcome
Local government has a role, but perhaps a partial role. Need to consider local government's limits and partnerships to help reach the outcome.

Students graduate
Students read at grade level

Safety of the transportation system
People can get to where they need to go

Opportunity
A clear role for local government

Access to quality education

Access to quality transportation infrastructure

Education   **Mobility**

we have opportunities like access to quality education and transportation infrastructure. Providing these services is a traditional role of local government, which can examine its budget to see if these opportunities are provided to all community members.

As we move up in Exhibit 1, we arrive at intermediate outcomes. Local governments have a role in intermediate outcomes too, but sometimes the role is only partial. Local governments can do a lot to influence all the intermediate outcomes shown in Exhibit 1, but there is much outside the local government's control. For example, a student's success in school is a product of many things, not just the efforts of the school system.

Local governments can increase the chances of student success by forming partnerships with other organizations to influence factors that are outside the school's control. For example, if students come to school distracted by hunger, they are less likely to succeed in their studies. Some schools have partnered with social service organizations to provide "wraparound" services that equip students to learn at school by addressing food, shelter, clothing, and other basic needs. This is an example of how equity can be put into practice for students from a disadvantaged socioeconomic background: the local government

removes barriers to learning like inadequate food, shelter, or clothing.

Finally, at the top of Exhibit 1, we have ultimate outcomes. For instance, if students graduate from school ready for college and/or a career (the intermediate outcome), they are better positioned to achieve prosperity (the ultimate outcome). While success at the intermediate outcomes increases the odds of success in the ultimate outcomes, it does not guarantee it. This means a local government's role in the ultimate outcome is at times indirect. Decomposing outcomes helps a local government practice "pragmatic idealism" because it shows how the ideal of successful outcomes for all can be positively influenced by local government action. At the same time, it respects different views of what is fair with respect to equality of outcomes versus opportunities and the government's role in each, including where the role is limited. With this method, it is possible to decompose outcomes and opportunities by geographic area, socioeconomic class, race, or any other relevant categories to see if opportunities are evenly available and how that may be affecting outcomes.

[1] GFOA's research on fairness and how it is defined is available at gfoa.org/fairness. Part 3 of the series is particularly relevant to this discussion.

[2] This is shown by moral foundations theory. You can learn more about this at gfoa.org/perspectives and gfoa.org/materials/ bridging-political-divides-in-local-government.

Symbols Versus Substance

Symbols versus substance is a dilemma whenever local governments try to mobilize on a big, complex issue, like applying an equity lens to budgeting. Symbolism is necessary to get broad agreement to move forward. Take a phrase like "the budget is a moral document." This phrase highlights the consequences of budgetary choices, and their impact on the extent to which the community thrives. It makes the case that an equity lens should be applied to budgeting so everyone thrives. Symbols attract people because everyone can interpret the symbol's meaning in a way that closely matches their own preferences and moral intuitions. For example, two individuals can agree that it is a good thing for a budget to be "moral," but they will likely have different ideas about what the details of a "moral" budget would look like.

These differing interpretations make implementation challenging. We know that different definitions of fairness can create conflict. We have observed that when people in local government talk about "equity," they often don't agree about what that means. And we know that local governments can benefit greatly by coming to an agreement on what "equity" means. Below are a few examples of definitions from cities in the What Works Cities CBER program:

City of Columbia, South Carolina. Equity is creating and maintaining an environment that embraces the diversity of Columbia's residents and empowers them to engage policymakers and influence service delivery and the distribution of resources to create a city where all residents can overcome historical barriers to their success

Symbols attract people because everyone can interpret the symbol's meaning in a way that closely matches their own preferences and moral intuitions.

and fully participate in Columbia's economic vitality and growth.

Salt Lake City, Utah. Equity in Salt Lake City is acknowledging and addressing history and current disparities experienced by our residents, businesses, neighborhoods, and visitors. Salt Lake City provides access to resources and opportunities that support everyone in overcoming barriers to their success so that our community today, and generations tomorrow, can thrive.

City of Denver, Colorado. Equity is a systemic endeavor, achieved through the advancement of policies and practices, resulting in equitable opportunities and outcomes where race/ethnicity and other social identities can no longer be used to predict life outcomes, and outcomes for all groups are improved, centering on those who are underrepresented and have been historically disadvantaged.

You'll notice that Denver's definition places a focus on outcomes, while the other two cities' definitions emphasize equality of opportunity. It is worth noting that Denver's definition is focused on race/ethnicity and other social identities, while the other cities' definitions are not. The point here is not to suggest that any one of these definitions is better than another, but rather to show that "equity" can be defined quite differently.

For example, it is probably not a coincidence that Denver, as a more progressive/liberal city than Columbia or Salt Lake City, brings equitable outcomes into its definition, while the other two focus on equality of opportunity.[1] We've noticed this same

difference in definitions between other cities, depending on their differing ideological leanings. It could be that the extent to which race/ethnicity is featured in the definition is a product of local circumstances. In Salt Lake City, the poverty rate among Black residents (36 percent) is much higher than White residents (13 percent) and higher than Hispanic residents (28 percent). However, Black people make up a small portion of the population (2 percent) compared to White people (64 percent) or Hispanic people (21 percent). This means that there are far more impoverished White people than any other ethnic group, which may have influenced Salt Lake City's definition, making it more focused on class disparities than race.[2]

These nuances make it important to define what "equity" means in your community. Doing so provides the opportunity for people in local government to discuss the demographic and income characteristics of their communities and their implications for equity in budgeting. It also gives them the common understanding needed to navigate potential tensions around fairness.

The definition can also be used to guide the budget process. Columbia and Salt Lake City first identified the programs they funded through their budget. Then they used their definitions of equity as the basis to evaluate the extent to which programs were helping achieve the municipality's equity goals. In this way, the budget becomes a bridge between symbolism (idealism) and substance (pragmatism). It reflects the community's shared values and aspirations, while remaining grounded in the details of service delivery and constrained by fiscal realities.

[1] To judge how liberal or conservative a city might be, we looked at 2020 presidential election results. We found that Denver voted almost 80 percent Democratic. Salt Lake County voted just over 50 percent Democratic. Columbia sits on the edge of two counties and the combined results suggest a slight Democratic leaning. So, though all cities ultimately voted Democratic, the overwhelming win for the Democrats in Denver suggests Denver is a much more liberal city.

[2] Salt Lake City, Utah Poverty Rate by Race, Welfare Info (welfareinfo.org/poverty-rate/utah/salt-lake-city#by-race).

Breadth Versus Depth

Imagine the following scenario: you've established a clear definition of equity that your elected officials support unanimously and enthusiastically. You've hired a chief equity officer who has successfully deployed training across the organization to recognize bias and elevate awareness of disparities. You've set the stage perfectly.

Now you roll out the budget process, emphasizing equity, and eagerly await a wave of inspired and game-changing proposals from departments to arrive on your desk. Instead, the proposals resemble last year's proposals. They're the same types of proposals your departments usually produce—maybe this time with a narrative that loosely links their proposed spending to your equity objectives. (This is an instance of symbolism displacing substance.)

What went wrong? The issue could be what we'll refer to as "breadth versus depth." There's a tension in going broad in pursuit of equity-enhancing proposals versus going deeply into what it would take to evolve the programs and services you offer to help disadvantaged and historically marginalized populations become better off.

Going broad seems practical and easy. You add a question to the budget request, business case, and decision package forms: "How does this proposal impact equity?" Or perhaps you roll out a checklist, helping guide departments to self-reflect. The result? Too often, familiar budget proposals from departments are attached to flimsy appeals toward equity. This is not what you're striving to accomplish.

One larger U.S. city from our research described how its library department proposed a decision package for new carpeting and shelving throughout the main branch. A similar proposal

There's a tension in going broad in pursuit of equity-enhancing proposals versus going deeply into what it would take to evolve the programs and services you offer to help disadvantaged and historically marginalized populations become better off.

had been on the table the year before. Checking the "yes" box on the proposal request form section for "equity impact," the department described how the carpet and shelving would spruce up the first and second floors, equitably serving readers of both nonfiction and fiction. This was not the game-changing, opportunity enhancing, disparity-reducing proposal the budget office had hoped for.

So, if breadth doesn't yield the proposals we need, what does depth look like?

Let's illustrate with the experiences of a different city from our research (we'll refer to it as "the City"), showing how it navigated the tension of breadth and depth. The City had established a foundation for racial justice and equity, including compelling data on disparities throughout the community. It first rolled out a series of simple questions as part of the budget process:

- How does this proposal advance the City's equity goals?

- Which geographic areas do these enhancements or reductions impact?

- How will this proposal affect (negatively or positively) historically disadvantaged communities and/or underrepresented groups? How have you worked to mitigate negative impact?

- Who was engaged to develop this proposal?

What the City learned was that, though these questions provided some insight, its departments needed to think more deeply about their proposals. Departments were asked to look across their inventory of programs and identify the best opportunities for an in-depth reimagining of how a given program could enhance equity.

Exhibit 2 illustrates the basic process. First was a program analysis that included an inventory of all the City's programs, complete with the costs and revenues of each. This included evaluating the programs' alignment with the City's equity goals. Second was to ask how the City could better achieve its equity priorities. Third was to propose budget allocations to the places needed to make positive change. Fourth was to adopt a budget that reflects these decisions. This progression is what we mean by "depth."

The tools and processes deployed by the City favor deeper study into how programs can be changed to enhance equity. Let's consider the problem of homelessness, a complex challenge with no easy answers. Addressing it will require thoughtful action across government departments. Going deeper into program evaluation gives departments the opportunity to think about how their actions can contribute to the solution.

The City's code compliance program was one piece of the puzzle to addressing homelessness. Homeless encampments create public health risks due to unsanitary conditions. The conventional code enforcement approach would be rooted in punitive measures. By diving deeper into the program, the City realized that if th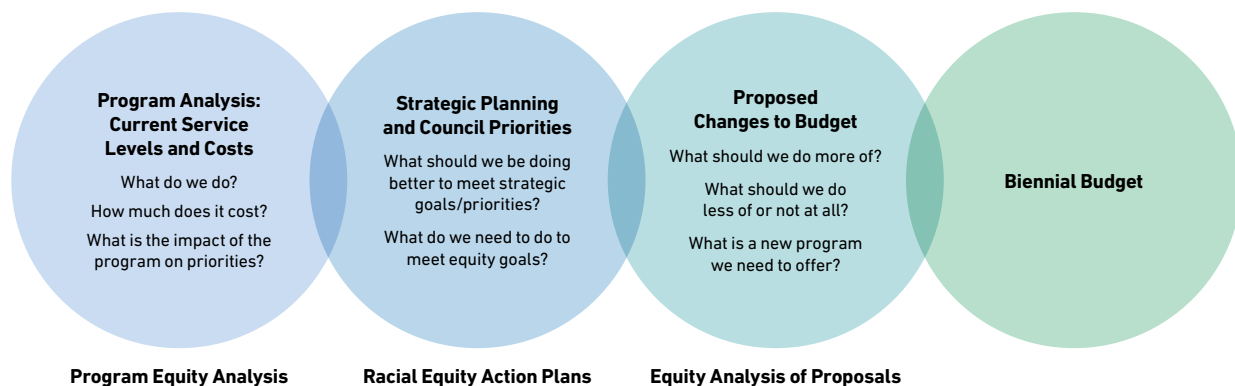e goal was to increase public health and safety of homeless encampments, then a humane and necessary step was to offer relief to people who live in the encampments. A program proposal was made to provide additional relief to homeless people (such as additional water), especially during inclement weather. This would make the encampments more livable and sanitary, thus preventing or at least mitigating potential code violations stemming from unsanitary conditions.

Of course, there is more to addressing homelessness. Encampments are far from a permanent solution.

Encampments can infringe on the rights of private property owners by producing large amounts of litter, debris, needles, and more, causing hazardous and unsafe conditions. Enabling permanent or long-term encampments would raise serious questions of fairness. Why would some property owners be required to bear the burden of an encampment while others wouldn't? As we have discussed, views on "what's fair" are a big point of tension in budgeting for equity. People will not support a system they feel is unfair. If property owners feel unfairly burdened by the City's approach to homelessness, the City will likely lose their support. The consequences might include, for instance, voting against the current office holders or moving out of the community. Therefore, the code enforcement budget also included a proposal for the City to conduct removal and cleanup for homeless encampments on private property.

This example is a glimpse into how a budget process could begin to address homelessness in a more

---

EXHIBIT 2 | BUDGETING APPROACH THAT PROGRESSES FROM BREADTH TO DEPTH

Program Analysis: Current Service Levels and Costs
What do we do?
How much does it cost?
What is the impact of the program on priorities?

Strategic Planning and Council Priorities
What should we be doing better to meet strategic goals/priorities?
What do we need to do to meet equity goals?

Proposed Changes to Budget
What should we do more of?
What should we do less of or not at all?
What is a new program we need to offer?

Biennial Budget

Program Equity Analysis   Racial Equity Action Plans   Equity Analysis of Proposals

comprehensive way. The conversation could go further to address how people living in encampments could be directed to programs designed to end homelessness, outside of code enforcement. Program reviews center the budgeting discussion on the results produced by government. This allows for a thoughtful discussion of how programs can be rethought, revised, or reformed to support equity. Ultimately, program changes are translated to line-item detail (will the recommendation require more staff, more equipment, or supplies to put the change in to operation and achieve the result?) for a complete budget recommendation.

If your goal is game-changing budget proposals, then depth over breadth is the key. To emphasize depth, consider the following.

The social problems that budgeting for equity is intended to address are often complex and took generations to develop into their current forms. Attempting to solve these issues in a budget cycle is like trying to build an airplane while in flight. Simple, broad-based budget questionnaires become an attractive but cursory alternative. Instead, budgeting can be preceded by a dedicated planning cycle that makes time for deeper exploration of the problems budgeting for equity hopes to address.

Going broad is often mistaken for being comprehensive. A truly comprehensive review of a local government's spending is probably impossible and certainly isn't sustainable.[1] A local government will be better off focusing its limited time and analytical capacity on a smaller number of areas, where it can do the most good with the resources available. This includes a smaller number of issues (like homelessness) and a smaller portion of budget proposals (like those that can make a material difference in homelessness).

[1] The best historical example of an attempt at comprehensive review of government spending is zero-base budgeting (ZBB). GFOA has never found an example of a true "textbook" implementation of ZBB; all local governments GFOA has found that claim to do ZBB have used the "textbook" ideal as inspiration, but the practical implementation falls far short of the comprehensive ideal. Even these truncated versions of ZBB tend to be used for limited periods of time, however, like helping a local government get through a serious financial crisis. (gfoa.org/materials/zero-base-budgeting)

Idealism Versus Pragmatism

The stakes of budgeting for equity are high. And anytime the stakes are high, emotions can run high as well. Add to this the tensions we've discussed and a polarized political environment, and you have a recipe for high conflict. Conflict is not necessarily bad; some conflict usually is needed for change. Idealism is needed to embolden the spirit to advance big ideas and to take on the conflicts that come along with big ideas. Pragmatism is necessary for putting those ideas into practice and for resolving conflicts in a way that brings along as many people as possible. This is "pragmatic idealism." Pragmatic idealism exemplifies the tension inherent in budgeting for equity (pragmatism versus idealism) and how to manage the tension (combine the best of both pragmatism and idealism without overemphasizing either).

Effective idealism produces a vision that brings people together. The vision addresses what it would look like to have a thriving community for everyone. A compelling vision invites other people and organizations to get involved in making the vision a reality and keeps participants inspired. The City of Pueblo, Colorado, provides an example of what effective community visions look like. The city was planning how to use its American Rescue Plan Act (ARPA) funding from the federal government. It established seven areas in which the city might look to make an impact (youth, small businesses, infrastructure, and more). The city also defined more specific goals under each area. For example, "quality childcare" was a goal for youth. Community members were involved in defining this vision and the goals for each area and deciding how funding would be distributed. Equity was one of the criteria the city used with community members to determine where to direct the funding.

Effective pragmatism is needed to find the interventions that make a real and lasting difference in the lives of community members. This is because changing people's lives through social policy is difficult and often fails. Take, for example, mathematics education in primary and secondary schools. A review of 155 math programs in the U.S. Department of Education's Institute

of Educational Sciences' What Works Clearinghouse shows that fewer than 20 (12 percent) of those programs have proven positive or potentially positive effects. Literacy does better, but only 23 percent of programs in the database have positive or potentially positive effects. Switching to a different field, justice, the National Institute of Justice's CrimeSolutions database shows that, of about 650 programs, about 90 (only 14 percent) have proven effective. The statistics show that making an impact through public policy is difficult—although making an impact might be harder than these numbers suggest. The evaluations that produce these statistics are often based on pilot projects or small-scale demonstrations. Scaling up successful pilots to serve a larger number of people is a common point of program failure.[1]

If local governments are to have any chance of realizing a vision for a thriving community, they need to apply a rigorous approach to what works and what doesn't. Here are three crucial practices in this vein.

Define the problem clearly. People tend to jump to solutions without taking the time to properly diagnose the problem. This can result in suboptimal or even completely wrong solutions. A simple example might be found in mobility goals. Conventional mobility strategies in some communities might be centered on the automobile. However, a diagnosis of the problem might reveal that low-income communities rely more on public transportation or walking. This realization would lead to very different mobility strategies. (You can find a full discussion of this topic in GFOA's report, "Defining the Problem: The Missing Piece to Local Government Planning.")

Gather data. Because human judgment is highly imperfect, defining a problem or designing a solution based only on judgment will rarely get the best results. For example, the City of Toledo, Ohio, used data from sources like calls for service and foot traffic into facilities to recognize where reductions in the city budget would have an adverse impact on historically underserved neighborhoods. It determined that closing a library branch or recreation center would have a particular impact in a low-income neighborhood

where there are no viable substitutes for the services these facilities provided. The city also used data to direct its efforts for grass and tree maintenance to make sure all public areas in all neighborhoods were adequately maintained. And rather than applying the same approach to each neighborhood, services were customized to the needs of each neighborhood. This helps ensure all residents can be proud of their neighborhood.

Talk to people in communities. Though structured data from sources like calls for service is important, it may not capture everything people care about. Low-income or minority communities may have less trust in government than other groups and may therefore be less willing to provide information (by making calls for service, for example). City officials must engage directly with people

about their concerns. This could include engaging with the people government services are intended to help so they can better understand the problems they face and co-design the solutions. It could also include designing the planning and budget process to better meet the needs of communities.

We've seen what effective idealism and pragmatism look like. We also need to know what to guard against when it comes to ineffective idealism and pragmatism.

Ineffective idealism is dogmatic. Dogma is not subject to compromise or questioning, which means it can't gain consensus. Something that can't be questioned can't be evolved and adapted over time. How might one recognize where idealism is slipping into dogma? One way is to watch out for clichés that try to give the impression of wisdom but only replace important nuances with false clarity.

🔵 **Take the Next Step**

Learn more about the benefits of rethinking public engagement and how to put it into practice at **gfoa.org/rethinking-public-engagement**.

Idealism is needed to embolden the spirit to advance big ideas and to take on the conflicts that come along with big ideas. Pragmatism is necessary for putting those ideas into practice and for resolving conflicts in a way that brings along as many people as possible.

Let's take a saying that is sometimes used to support putting an equity lens on budgeting: "Equity is fairness, equality is sameness." This seeks to establish equity (equality of outcomes)[2] as the singular definition of fairness and equality as, at best, a counterfeit form of fairness. However, most people don't agree with that. GFOA has run multiple polls asking people to define "fairness." Equity (equality of outcomes) received around 25 percent to 33 percent support as the definition of fairness across all polls, while equality (people should be treated the same) was the clear winner with just over half.[3] These results are consistent with broader psychological research into how people define fairness.[4] Further, a little thought experiment will easily expose this cliché as false. Imagine if you were to ask someone: do the following propositions represent fairness?

- Human life should be valued equally, so we should have the same emergency response times in all geographic areas of the community.

- Equal work should receive equal pay, which should be reflected in our human resources practices.

- All citizens should be equal before the law, so we should eliminate unequal outcomes in sentencing for the same crime, based on race.

Do you think they'd agree these conditions are fair? They probably would. Of course, this doesn't mean equity is not fair. It does, however, mean that fairness is a multifaceted, nuanced concept, and there is more to it than just equity.

These are not just semantics. If most people's primary definition of fairness is something other than equity (when defined as equality of outcomes), it is probably not wise to declare their definition of fairness invalid. As an example of real-world dangers of these kinds of clichés, we might consider "defund the police." Surveys from the summer of 2020 show that a rather small percentage of people (around 15 percent to 25 percent) supported abolishing the police entirely.[5] But a dogmatic framing of "defunding" impeded or even prevented productive conversations about practical opportunities for more cost-effective ways than traditional law enforcement to achieve certain public safety goals. In the same way, a dogmatic approach to budgeting for equity that seeks to enshrine one definition of equity (equality of outcomes) as the sole definition of fairness risks marginalizing other, more widely held views of fairness and thereby sowing the seeds of divisiveness, which will hamper effective budget deliberations.

To illustrate how this could manifest in local governments, we observed in some of the 11 cities we worked with that city staff felt uncomfortable with budgeting for equity and did not participate as fully in the implementation as city leaders would have preferred. One possible explanation is that some staff felt they were being asked to step out of the traditional nonpartisan, non-ideological role of the public servant and were uncomfortable with that.

Ineffective idealism could also manifest itself, seeking to look good rather than to do good. Governments are, understandably, concerned about perceptions. But equity cannot be mainly about perceptions because it would risk not making a difference in people's lives. An approach to equity that is centered on perceptions misses the opportunity to engage with the tensions inherent in equity. A dose of pragmatism can help here, by identifying clear and tangible goals for equity, clear indicators of whether those goals are being met, and monitoring those indicators over time.

Pragmatism has its dark side, too. Ineffective pragmatism is technocracy, or domination by the views of technical experts. The first problem with this is that technical experts may be out of touch with the concerns of the people they are supposed to be helping. This might lead to solutions that don't work, are too complex to be sustainable, or address the problem but create new problems. A classic example is public assistance programs for unemployed people that cut benefits starting with the first dollar a participant in the program receives from a job. This policy may be well-intentioned as a way to make good use of taxpayer dollars, but it creates a clear disincentive to work.

Using data about the community's needs can help avoid some of these problems, but data is often imperfect. Co-designing solutions with the people whom the government is trying to help could, at least, partially overcome the limits of data, but at worst, the technocrat thinks they know best and eschews direct input from community members.

Another problem is that technocrats overlook things like trust, fairness, ethics, and virtue. At best, they are seen as "soft" concerns because they are not easily quantified, or they may be ignored entirely. These concerns could not be more central to budgeting for equity. As we have seen, fairness and equity are intertwined, and a nuanced understanding of each is necessary. Virtue is necessary because pursuing equity requires empathy and understanding for disadvantaged community members. Trust is required for productive conversations on how to reallocate resources to help disadvantaged community members. Fairness, virtue, and trust are all characteristics of ethical conduct of public finances.[6]

---

[1] For more on scaling and the challenges involved, see: John List, *The Voltage Effect: How to Make Good Ideas Great and Great Ideas Scale* (Currency: 2022).

[2] To demonstrate that "equity" is often defined as equality of outcomes, consider for example, in a 2020 campaign video, Kamala Harris said, "Equitable treatment means we all end up in the same place." Though she wasn't directly referring to local government budgeting, it is a well-publicized example of how equity is defined as equality of outcomes by prominent people in American society. Another conspicuous example is the widely shared depictions of equity that show children looking over a fence at a baseball game. These pictures define equity in terms of equality of outcomes: everyone sees over the fence. GFOA's research into fairness also shows that politically liberal or left-leaning people tend to, on average, define fairness more in terms of equality of outcomes than politically conservative or right-leaning people. See gfoa.org/fairness.

[3] These polls were conducted across multiple GFOA channels and events, with variations in the ways different forms of fairness were described and the order in which the options were presented. For example, equity, in one poll, was described as "people are given what they need." The other options were equality (the most popular—"you are treated equally") and proportionality ("getting back what you put in"). Another poll asked people to define what they think "equity" means, posing it as equality of opportunity versus equality of outcome. Equality of opportunity was the clear favorite at almost 80 percent.

[4] For example, developmental psychologists Christina Starmans, Mark Sheskin, and Paul Bloom reviewed the research on fairness in children and concluded that "people prefer fair inequality over unfair equality." See: Christina Starmans, Mark Sheskin, and Paul Bloom, "Why people prefer unequal societies," *Nature Human Behaviour*, 2017.

[5] For example, in a June 11, 2020, only 24 percent of respondents believed that "we need to defund police and reinvent our approach to public safety." All other respondents (59 percent) believed change should be made within the current system. These attitudes were consistent across people who live in cities, suburbs, towns, and rural areas, and along racial lines. A late June to early July 2020 Gallup poll showed little support for "abolishing police departments" (15 percent support across all racial groups).

[6] See the GFOA Code of Ethics at gfoa.org/ethics.

Proven Techniques

The tensions we have described in this paper require a different approach to budgeting. The conventional approach is often a win-lose game, where stakeholders position themselves to get their piece of the proverbial pie—in other words, to come out on top in a competition for resources. But the local government budget will never be sufficient to give everyone what they want, so the long-run result is financial strain and alienation of the "losers" in the competition for resources.

A successful and sustainable approach to budgeting for equity needs to be based on some other model than a win-lose game—like GFOA's Financial Foundations Framework. Based on Nobel Prize-winning research,[1] the Financial Foundations Framework lays out five pillars for financial decision-making, as shown in Exhibit 3. (Learn more about the Framework at gfoa.org/financial-foundations.)

In this section, we will outline an approach to budgeting for equity that is consistent with the Financial Foundations Framework. Exhibit 4 outlines the four elements of the budgeting for equity process, each of which are described below.

Gain Commitment

Budgeting for equity is a departure from the traditional way of budgeting in governments. The traditional way has several advantages that account for its popularity and staying power,[2] so a new method demands an intentional strategy for convincing people to try something different.

Step 1: Articulate a compelling vision. A compelling vision attracts people to the idea of budgeting for equity and builds the excitement needed to try doing it in a new way.
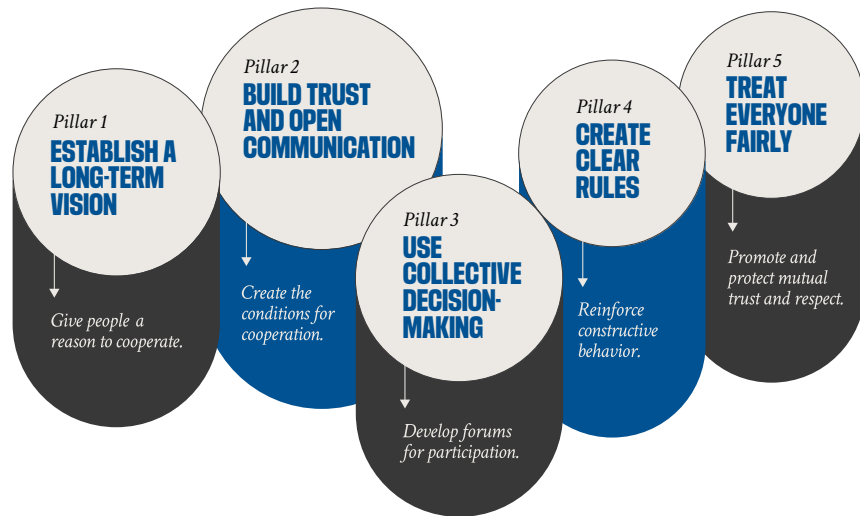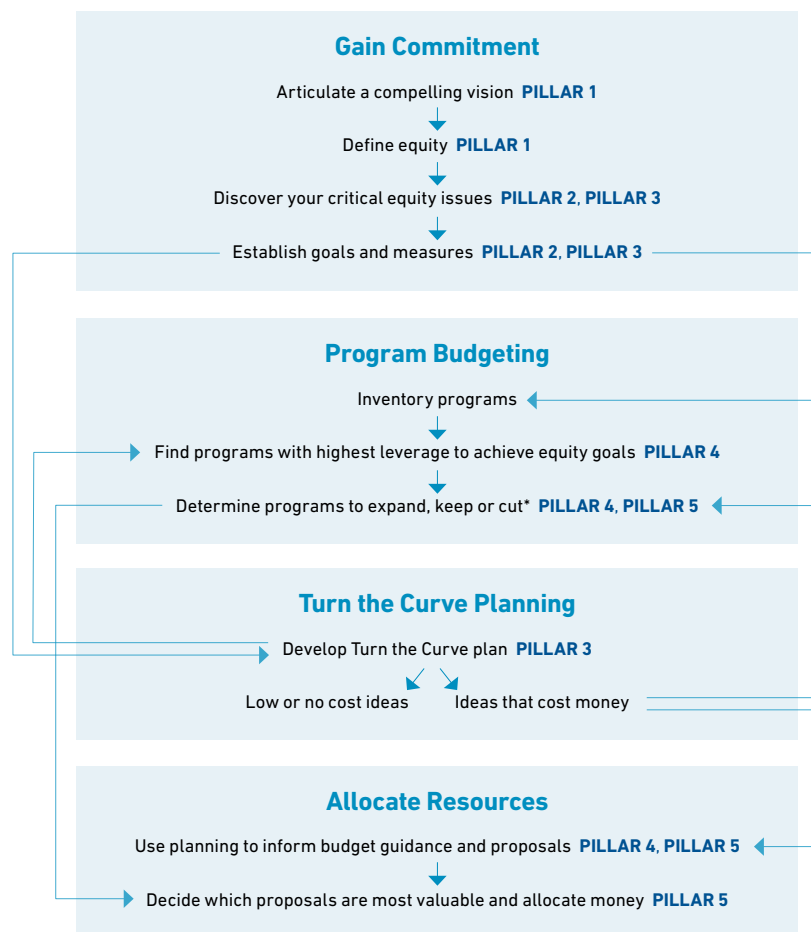
EXHIBIT 3 | FINANCIAL FOUNDATIONS FRAMEWORK

Pillar 1
ESTABLISH A LONG-TERM VISION
Give people a reason to cooperate.

Pillar 2
BUILD TRUST AND OPEN COMMUNICATION
Create the conditions for cooperation.

Pillar 3
USE COLLECTIVE DECISION-MAKING
Develop forums for participation.

Pillar 4
CREATE CLEAR RULES
Reinforce constructive behavior.

Pillar 5
TREAT EVERYONE FAIRLY
Promote and protect mutual trust and respect.

EXHIBIT 4 | A PROCESS FOR BUDGETING FOR EQUITY

Gain Commitment
Articulate a compelling vision **PILLAR 1**
Define equity **PILLAR 1**
Discover your critical equity issues **PILLAR 2**, **PILLAR 3**
Establish goals and measures **PILLAR 2**, **PILLAR 3**

Program Budgeting
Inventory programs
Find programs with highest leverage to achieve equity goals **PILLAR 4**
Determine programs to expand, keep or cut* **PILLAR 4**, **PILLAR 5**

Turn the Curve Planning
Develop Turn the Curve plan **PILLAR 3**
Low or no cost ideas   Ideas that cost money

Allocate Resources
Use planning to inform budget guidance and proposals **PILLAR 4**, **PILLAR 5**
Decide which proposals are most valuable and allocate money **PILLAR 5**

*Cutting low priority programs frees up money for higher impact spending

Step 2: Define equity. Because fairness is a nuanced concept, the term "equity" is often used in an imprecise way. Working together, local government employees should define what equity means for their community, while doing their best to manage the inherent tensions. Fairness is essential for people to have trust in the budget process. Think of trust as the oil that allows the process to run. Trust is necessary to navigate the difficult decisions the community will face in how to allocate resources.

"Polarity Management"[3] is a technique for recognizing and balancing tensions by helping participants combine the best of different perspectives without overemphasizing any of them specifically. Polarity Management has a great deal of potential for navigating tensions related to budgeting for equity. For example, some communities may have historical circumstances that contribute to present-day inequities, which might create a tension between looking to the past versus looking to the future. Polarity Management can help find a balancing point as part of a definition of equity that has broad support.

Step 3: Discover your critical equity issues. Examine demographic and socioeconomic data about your community to discover where there are disparities in the opportunities available to—or outcomes experienced by—people of a different race, socioeconomic class, or other characteristics relevant to your community.

Step 4: Establish goals and measures. The beauty in budgeting, if there is such a thing, is in turning a grand ideal like equity into real, measurable results by way of programs and projects planned down to the line item. How does this happen? Anyone who has assembled a piece of IKEA furniture can appreciate that it helps to have words to go with the pictures. In the same way, the more we can articulate our equity goals, the more successful we'll be in budgeting, implementing, and accomplishing them.

Montgomery County, Maryland, provides an example of establishing measurable equity goals. This county of more than one million people, just north of Washington, D.C., is among the wealthiest

counties in America. By any aggregate measure of well-being—income, education, and public health—life in Montgomery County is good. Hidden within the aggregate data, though, are tens of thousands of residents living in poverty, failing in school, and suffering chronic illness.

Montgomery County's goals are not unusual. They include thriving youth and families, safer neighborhoods, and a greener county. Where the county diverges from the norm is in the indicators of progress toward the goals. Instead of measuring population-wide averages, the county measures racial gaps, specifically in student achievement, employment, and life expectancy. The reason for focusing on disparities is not because outcomes for all groups must be equal, but because understanding disparities (who is impacted and why) allows governments to design strategies that increase access, opportunity, and support for disadvantaged groups.
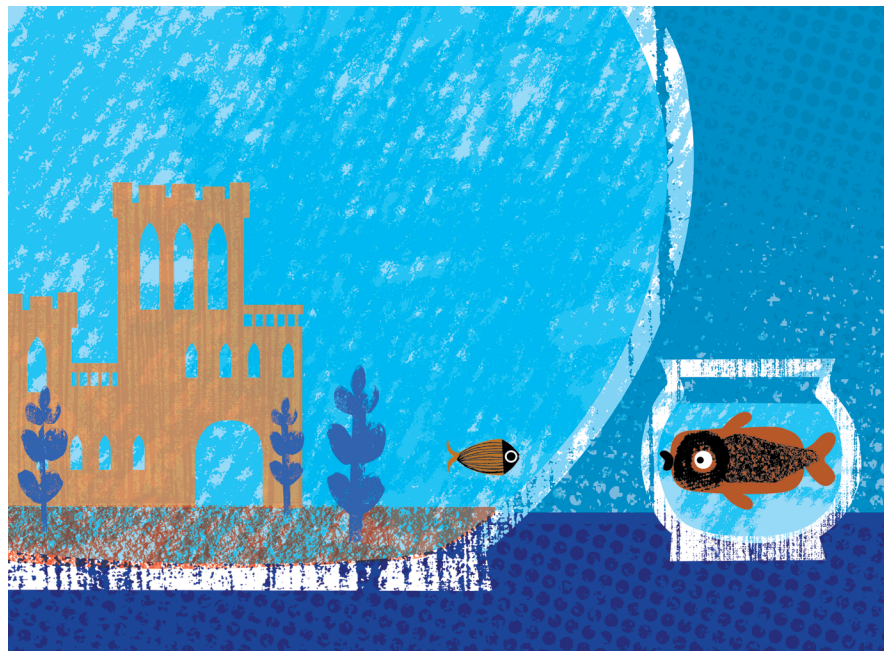
Program Budgeting

Mario Cuomo, the late governor of New York, famously said, "You campaign in poetry. You govern in prose." He could have gone on to say that you budget in particulars.

The local government budget has traditionally been divided into departments. Departments are useful for day-to-day management of services, but it is often unclear what services a department provides. This is where programs come in. A program describes a set of related activities or tasks intended to produce a desired result for constituents. Generally, a program is broader than a line item or task but more detailed than a department or entire function, but also different. Examples of programs include residential building inspections, snow and ice removal, code enforcement, open space preservation, or financial reporting.

A budget that is based on programs shows what the government does, how much it costs to provide the programs,

Understanding disparities (who is impacted and why) allows governments to design strategies that increase access, opportunity, and support for disadvantaged groups.

and the fees and charges associated with recovering costs for the programs. A program budget supports budgeting for equity because the government can more easily identify the services that are the most powerful levers for achieving equity goals. This then forms the basis for developing criteria for how to allocate funding.

Step 1: Inventory your programs.
A program inventory is a list of all the programs offered by the government. Below is an example of a partial inventory of programs in the planning, building, and code enforcement function:

- Public hearing support planning and zoning issues building construction inspections
- Business license review and compliance home occupation inspections

- Building construction plan review work without permits
- Grading and drainage plan review business licensing
- Building construction and permitting site plan review

Ideally, a government will inventory all its programs. If that isn't possible, perhaps because of time or resource constraints, it is possible to inventory the programs only within the functional areas that are most relevant to your equity goals. You can learn more about the details behind creating a program inventory in GFOA's "The Challenges and Promise of Program Budgeting."

Step 2: Find programs with the highest leverage for achieving equity goals.
While some programs are more important than others, which are which?

Salt Lake City, Utah, and the City of Columbia, South Carolina, illustrate how

programs can be prioritized. Both cities developed a set of criteria to evaluate programs. Each city had two criteria related to equity: equity "process" and equity "outcomes."

Equity process judges the extent to which programs were based on a clear and accurate analysis of the community's needs. Equity outcomes judge a program's potential impact on the city's equity goals. Both criteria bring key ideas from the "gain commitment" element of Exhibit 4 into budgeting.

Each program in Salt Lake City and Columbia was judged against these criteria using a 0 through 4 rating scale, where 4 is the best score and 0 the worst. The best score on equity outcomes: "The program reaches diverse residents and helps them overcome historical barriers to their success and participate in Columbia's economic vitality and growth." The best score on the equity process: "Program design and decisions reflect

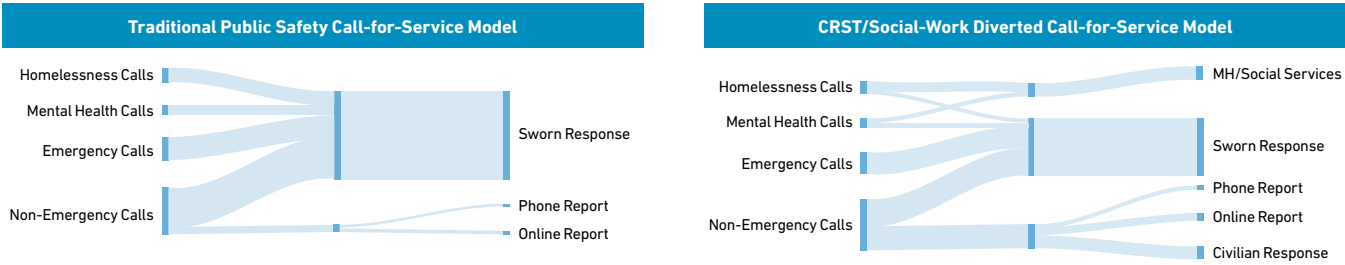**EXHIBIT 5** | **RATIONALE FOR SALT LAKE CITY'S CIVILIAN RESPONSE TEAM**

EXHIBIT 6 | **SCORING MATRIX FOR SALT LAKE CITY CIVILIAN RESPONSE TEAM BUDGET PROPOSAL**

	Mandate	Reliance	Cost Recovery	Community Benefit	Equity Impact – Process	Equity Impact – Outcome	Economic Development	Environment & Sustainability	Infrastructure
0	No mandate	Other public sector entities provide this service	Program does not currently generate revenue	Less than 25% of community benefiting	No relationship to equity impact(s)	No relationship to equity impact(s)	Meets 2 or less of Economic Development metrics	Meets 2 or less of Environment & Sustainability metrics	Meets 2 or less of the infrastructure metrics
2	Self mandate	Other private sector entities provide this service	Program recovers <50% of program expense	25% to 50% of community benefiting	Program design and decision-making reflects some understanding of disparities	Program helps some but not all stakeholders overcome unique barriers to success	Meets 3-4 Economic Development metrics	Meets 3-4 Environment & Sustainability metrics	Meets 3-4 infrastructure metrics
4	State or federal mandate	City is the sole provider of this service	Program recovers 50% or more of program expense	Majority of community (51%+) benefiting	Program design and decision-making reflects deep understanding of disparities	Program allocates resources or creates opportunities that help stakeholders	Meets 5 or more Economic Development metrics	Meets all 5 Environment & Sustainability metrics	Meets 4-5 or more infrastructure metrics

deep understanding of disparities in the city via prior program evaluation, data analysis, and community engagement."

The evaluation also included other considerations that were not necessarily related to equity but are nonetheless important for making good decisions about how to allocate resources among programs. Some examples of criteria that were common to both Salt Lake City and Columbia include:

- Reach into the population: do many people benefit, or just a few?

- Demand: is the need for this service increasing or declining?

- Reliance: is the city the sole possible provider of this service? Or can other entities better provide this service?
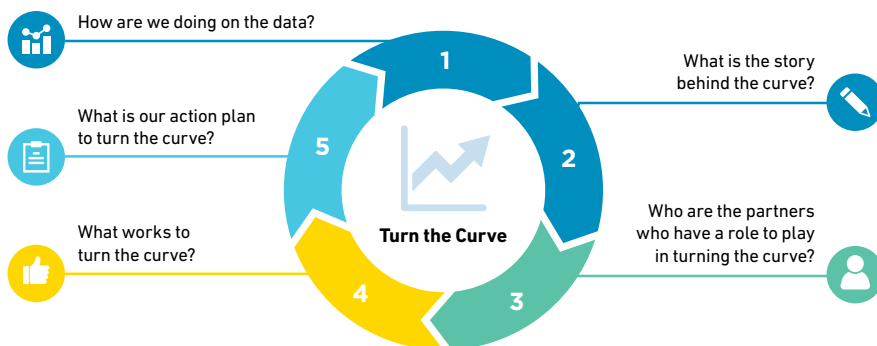
All the criteria together form the basis for clear rules on how resources will be allocated.

Step 3: Determine which programs to expand, keep, or cut. There is a strong case to keep or perhaps expand programs that score well on criteria like those used by Salt Lake City and Columbia. The formation and expansion of Salt Lake City's Civilian Response Team is a good example. The Civilian Response Team program was created to be a public safety response to low-hazard, non-emergency, police-related calls for service. The intent is to supplement traditional police response with responders who have different skill sets that are a better fit for certain types of calls, as illustrated in Exhibit 5.

As we can see in Exhibit 6, the Civilian Response Team scored highly on many of the city's criteria. It also received the lowest score on several criteria. Rarely will a local government find the perfect program that addresses all the criteria equally well. The job of the budget is to find the programs that have the greatest potential and weigh trade-offs among these options.

Just like any other local government, Salt Lake City and Columbia must balance their budgets within revenue constraints. This could mean that expanding programs need to be balanced out with cuts in other areas. Cuts can be targeted to programs that don't score well against the criteria.

EXHIBIT 7 | TURN THE CURVE PLANNING

How are we doing on the data?

What is our action plan to turn the curve?

What works to turn the curve?

What is the story behind the curve?

Who are the partners who have a role to play in turning the curve?

Turn the Curve

1 5 2 4 3

Source: Clear Impact

There are many ways to fund ideas for new or expanded programs. For example, the City of Pueblo, Colorado, wanted to fund $1.5 million for 40 equity-enhancing opportunities, so they identified $1.6 million in resource reallocation and revenue-generating opportunities from 71 programmatic recommendations. To enhance revenue, the city expanded municipal snow and ice removal services to additional paying customers, generating $100,000. Another idea included placing solar panels on city-owned facilities. To reduce costs, public hearings for planning and zoning issues moved strictly to web-based meetings.

Though each of these examples are modest, 71 of them added up to a big impact.

Turn the Curve Planning

Programs cover the breadth of what a local government does. However, to find the most leverage to achieve equity goals, a local government may need to go deeper than a program inventory. A limitation of a program inventory is that it starts with what the government is already doing—it lists the services that are being provided now. But these programs may not be the offerings that have the highest possible leverage for achieving the government's goals. Recall that improving people's lives via public policy is difficult. The starting point for making a positive difference is to define the problem correctly.

Turn the Curve is a planning method that starts with data, probes for root causes, and identifies evidence-based actions. This method was originated by

Mark Friedman in his book, *Trying Hard Is Not Good Enough*,[4] and is overviewed in GFOA and International City/County Management Association's "Defining the Problem: The Missing Piece to Local Government Planning." There are five steps in Turn the Curve planning, as shown in Exhibit 7.

If we look back to Exhibit 4, we see that program budgeting may lead to the realization that the government doesn't know if a given program really does make a difference, thereby prompting the government to develop a Turn the Curve plan for that program. As Exhibit 4 also shows, a government could engage in Turn the Curve planning to figure out the best way to achieve its equity goals, independent of program budgeting.

What is the story behind the curve? Who are the partners who have a government to develop a Turn the Curve plan for that program. As Exhibit 4 also shows, a government could engage in Turn the Curve planning to figure out the best way to achieve its equity goals, independent of program budgeting.

Step 1. How are we doing on the data? Turn the Curve planning starts by charting out a baseline. A baseline is a multiyear display of data with two parts: a historical part that shows where we've been, and a forecast part that shows where we are headed if we stay on our current course. The baseline shown in Exhibit 8 is from a city with a growing housing affordability problem. Baselines allow us to define success as doing better than the baseline—or "turning the curve."

Step 2. What is the story behind the curve of the baseline? What are the causes and the forces at work? Why does the trend look the way it does? Friedman calls this the epidemiology part of the work. As the saying goes, "a problem well-defined is a problem half-solved."

Often, the causes behind inequity are multifaceted and deep-rooted. For the city with declining housing affordability, the facts behind the curve include factors such as restrictive zoning laws, high construction costs, limited access to credit, and weak tenants' rights. If not for ample land availability, low property taxes, and a robust homebuyer education program, housing affordability would be even worse.

One critical step in understanding the story behind the curve is to disaggregate the data and reveal the role of race, geography, and other factors that impact housing affordability. Another is to look for bright spots to learn from, such as people living in decent, affordable housing with little or no government help.

Step 3. Who are the partners with a role to play in turning the curve? Most curves related to equitable outcomes cannot be turned by local government acting on its own. Local governments should cast a wide net for partners. Partners for tackling housing affordability might include developers, urban planners, banks, churches, other governments, business groups, nonprofits, neighborhood associations, universities, advocates, media, foundations, and consultants.

Step 4. What works to turn the curve? Ideas for turning the curve should flow from the story behind it. For example, if one cause of the housing burden is a shortage of housing supply, then what are some ways to increase supply?

The search for answers should cover research, best practices from other places, experience, and professional judgment. The list of potential solutions should range from low-cost/no-cost strategies (zoning law changes) to "blank check" options (construction of subsidized low-income units).

Step 5. What is our action plan to turn the curve? The basic notion of an action plan is who does what, when, and how.

The problem is that too many plans jump to solutions without fully understanding the problem. Evaluate and prioritize the solutions from Step 4 of Turn the Curve planning using a set of criteria, which might include impact, feasibility, and equity. Next, fit the best solutions together into a coherent, cascading strategy. Finally, document each milestone and action step to provide a detailed road map for implementation.

The city in our example generated 35 "what works" ideas and prioritized 13 of them for its action plan. They include gap financing to turn the upper floors of commercial buildings into affordable housing, exploring an inclusionary zoning program, and hiring a fair housing ombudsperson.

The action plan might suggest which programs to expand, create, or eliminate, which has implications for the budget.

Allocate resources

Even with strong commitment, clear goals, and detailed plans, budgeting for equity can be stifled by the traditional budget process, which is designed to preserve status quo spending patterns, minimize conflict, and stop or slow change. Transforming the budget process is beyond the scope of this article, but there are steps local governments can take to give equity leverage in budget decision-making.

Step 1. Use planning to inform budget guidance and proposals. In their book *The Price of Government*,[5] David Osborne and Peter Hutchinson suggest that budgeting should be an exercise in purchasing results, not funding line items. In the same way that they would issue a request for proposal (RFP) to buy a good or service from a private company, local government leaders should issue a request for results (RFR) to specify to departments what they are looking for in the budget. Turn the Curve planning can be translated into this kind of budget guidance, giving departments specifications, and even detailed instructions, that they are expected to incorporate into spending proposals.

Step 2. Make decisions about which proposals are most valuable. Decision-making is both art and science. Start with the science: develop a rubric for scoring budget proposals that gives points for alignment with the guidance, program performance, strength of evidence, efficient use of resources, and other important factors. For the art, convene a team to review all the budget proposals pertinent to each equity goal and advise about how well they collectively fit together into a complete, coherent approach and where there may be gaps, overlaps, or other shortcomings.

EXHIBIT 8 | BASELINE FOR HOUSING AFFORDABILITY

Percent of Rental Households Earning Below $49,999 Annually Paying More than 30% of Income of Housing

Data Source: American Community Survey

[1] Elinor Ostrom was awarded the Nobel Memorial Prize in Economic Sciences in 2009. Her work focused on how human beings come together to solve social dilemmas similarly to the way in which a resource held in common should be managed. GFOA's Financial Foundations Framework is based on her work.

[2] The classic piece supporting this is: Aaron Wildavsky, "A budget for all seasons? Why the traditional budget lasts," Public Administration Review, 1978.
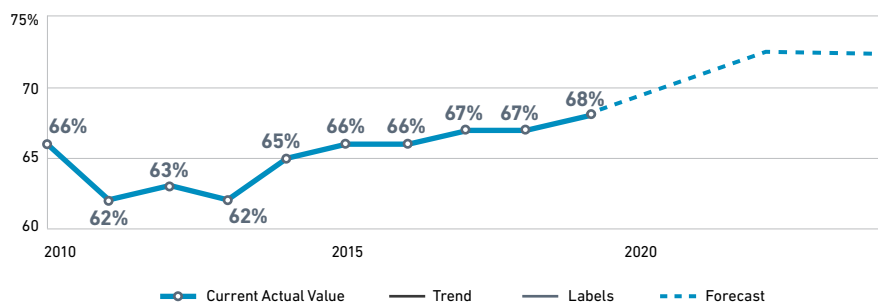
[3] Barry Johnson, *Polarity Management: Identifying and Managing Unsolvable Problems* (H R D Press: 2014).

[4] Mark Friedman, *Trying Hard Is Not Good Enough* (BookSurge Publishing: 2009).

[5] David Osborne and Peter Hutchinson, *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* (Basic Books: 2006).

Summary

Budgeting for equity holds great promise for helping local governments make their communities better places to live for all people. It can be the bridge from a set of ideals to actual results, even though it can seem like a rope bridge across an unfriendly river, with planks missing here and there. That's because equity is a new and nuanced entrant in the fiercely competitive contest called local government budgeting and planning.

In the fights over what is fair and who gets what, there are tensions borne of ideology, self-interest, and impatience. We have described four such tensions inherent to budgeting for equity:

- Equality of opportunities versus equality of outcomes
- Symbols versus substance
- Breadth versus depth
- Idealism versus pragmatism

When we approach a bridge, getting to the other side is usually the goal—but

When we approach a bridge, getting to the other side is usually the goal—but managing the tensions of budgeting for equity requires meeting in the middle.

managing the tensions of budgeting for equity requires meeting in the middle. Whether it's agreeing on what equity means in your community, balancing inspiring slogans with substantive planning, prioritizing time and resources, or settling for less than everything you want, there are ways to make budgeting for equity an affirming and effective endeavor.

Rope bridges aren't so scary when you take them step by step. That's where the process comes in. We have outlined four proven techniques for implementing budgeting for equity:

Gain commitment. Identify disparities in your community and establish goals to lift up those who have been disadvantaged.

Program budgeting. Break your budget down and examine how each program can contribute to achieving your equity goals.

Turn the Curve planning. Define the problems underlying persistent disparities so that you have the insight needed to find effective solutions.

Allocate resources. Change your budgeting from funding line items to purchasing results by giving departments clear expectations and instructions to guide their budget proposals.

We've shown you the ropes—the steps are yours to take. 🛈

*Shayne Kavanagh is senior manager of research for GFOA. **Andrew Kleine** is senior director at EY-Parthenon Government & Public Sector, Ernst & Young LLP. **Chris Fabian** is chief executive at ResourceX. **Erik Fabian** is chief operating officer at ResourceX.*

➜ Learn More

Learn more about the Rethinking Budgeting initiative at **gfoa.org/rethinking-budgeting**.