



# Budgeting for Equity

*PFM Client Training*

*PFM Center for Budget Equity and Innovation*

*PFM Group Consulting LLC*

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## **Danielle Scott Parker**

Director  
PFM Group Consulting LLC  
[scott@d@pfm.com](mailto:scott@d@pfm.com)



## **Victoria Asare**

Senior Analyst  
PFM Group Consulting LLC  
[asarev@d@pfm.com](mailto:asarev@d@pfm.com)

## **Agenda**

- I. The New Focus on Equity
- II. What Do We Mean By Equity
- III. Equity in Budgeting
- IV. Equitable Recovery
- V. PFM Center for Budget Equity & Innovation



# The New Focus on Equity



## **White House Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government January 2021**

- ◆ “..Our Nation deserves an ambitious whole-of-government equity agenda that matches the scale of the opportunities and challenges that we face..”
- ◆ “..Government should pursue a comprehensive approach to advancing equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality..”
- ◆ “..Advancing equity requires a systematic approach to embedding fairness in decision-making processes..”

## **GFOA *Government Finance Review* The Basics of Equity in Budgeting February 2021**

- ◆ “With equity permeating the national conversation, it’s important to understand the concept for budgeting: why it matters, how it might realistically be applied, and practical concerns and challenges.”
- ◆ “Education, public safety, and essential services provided by local government support people’s ability to pursue the American Dream. If people don’t have equitable access to these services, it would be hard to argue that they have equitable access to the American Dream.”
- ◆ “By taking equity into account, a local government can reduce the pain experienced by disadvantaged parts of the community as well as that experienced by the community as a whole.”

Source: Exec. Order No. 13985, January 2021.

Source: The Basics of Equity in Budgeting, GFOA Government Finance Review, February 2021



## The New Focus on Equity

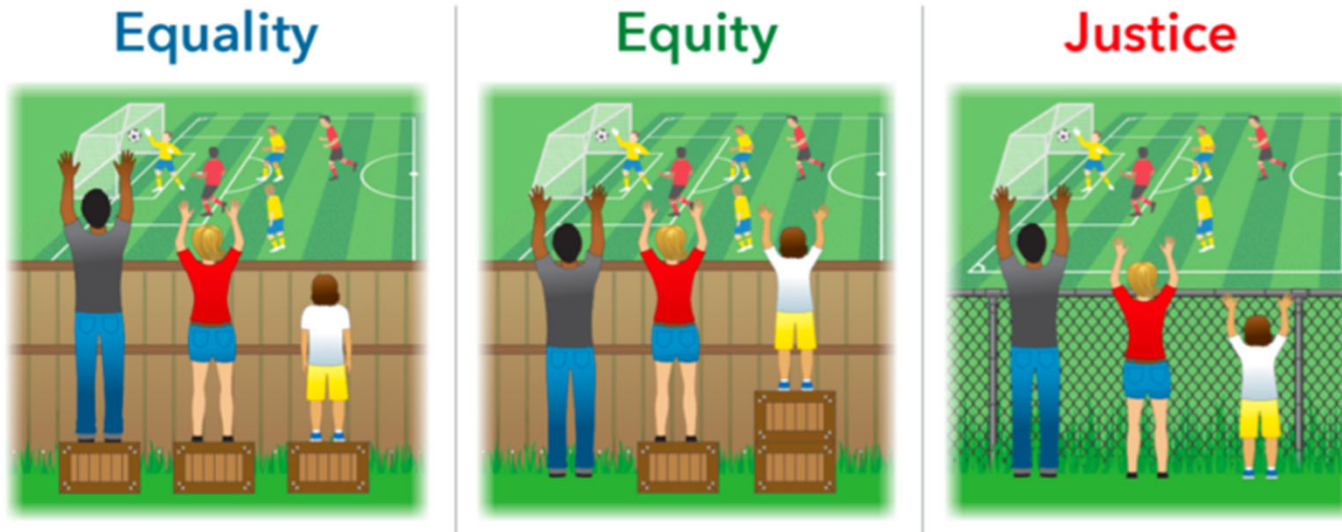
- ◆ In the past four years, we have seen equity come to the forefront of the national conversation.
- ◆ With more and more emphasis on equity from the federal government and industry groups, state and local governments are left to understand and consider:
  - How does equity apply to your community?
  - How should equity align with other existing goals and priorities?
  - What are the best and most promising emerging practices to help guide municipal leaders and administrators seeking to bring a stronger equity focus to bear?
  - How can equity be integrated into all that we do?



# What Do We Mean By Equity?



## What is Equity?



People being treated differently in the interest of giving all people access to health, safety, and welfare (the fundamental purposes of local government)

- *The Basics of Equity in Budgeting, GFOA Government Finance Review, February 2021*

When one's identity cannot predict the outcome

- *City of Portland, OR Office of Equity and Human Rights*

The consistent and systematic fair, just, and impartial treatment of all individuals, including individuals who belong to underserved communities that have been denied such treatment

- *White House Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government, January 20, 2021*

The Hidden Power of Equity in Sustainable Buildings, *Jennifer Hirsch, Living Building Chronicle, October 25, 2017*



## What Does it Mean to Apply an Equity Lens?

Applying an equity lens means to adopt an approach that centers equity in the decision-making process. Having an equity lens indicates intentional decisions are being made to prioritize equity.

Equity is also place-based, with different conditions and needs in different communities.

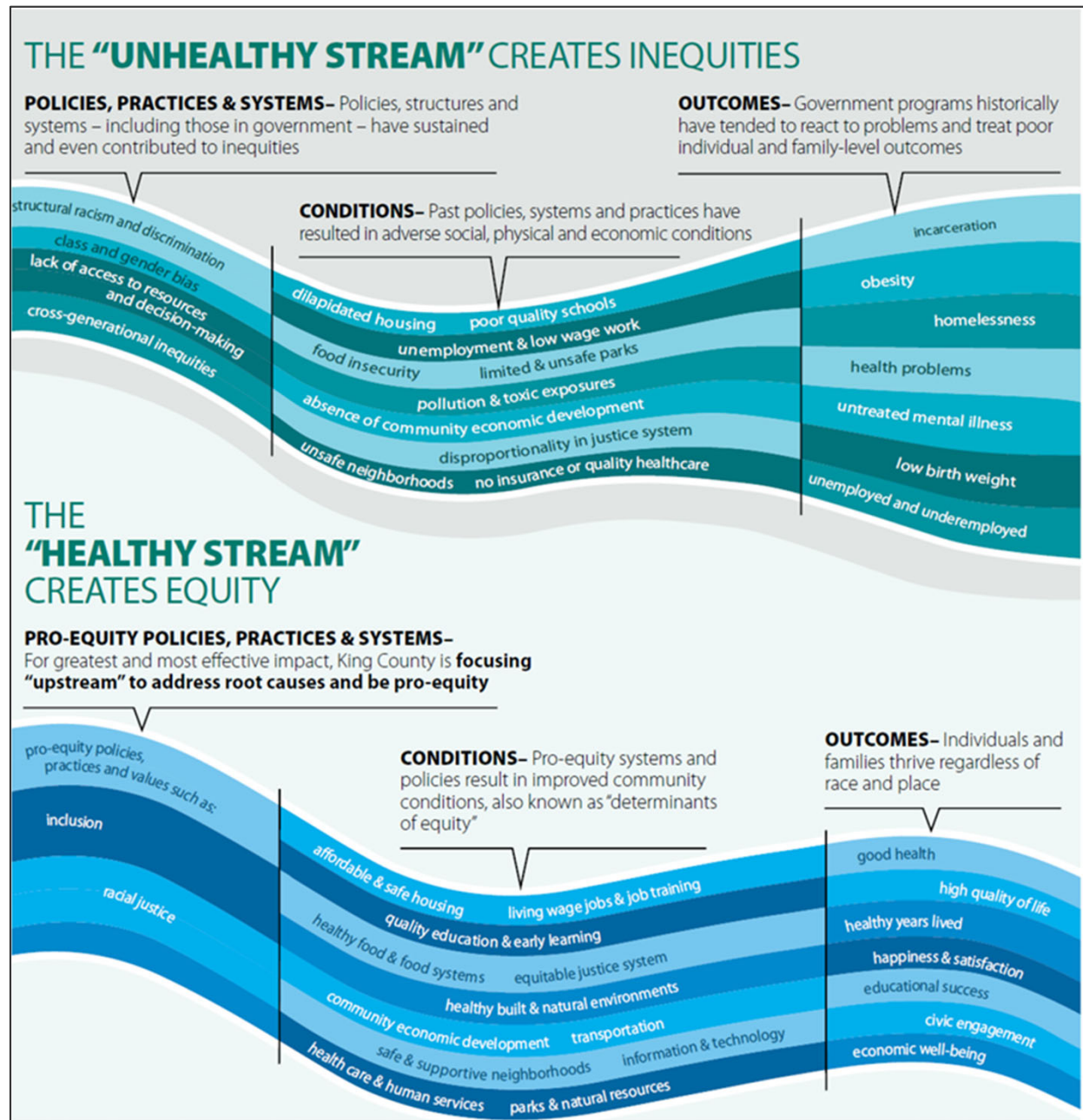






## Equity in Practice

- There is no one-size-fits-all approach to equity in practice.
- It is expected that each government will approach implementation of equity concepts from different points of view and with varying levels of experience.
- Equity practices already exist in some form in most state and local governments.
- While formal mechanisms to apply equity to government administration, policy and finances have been brought to the national forefront in recent years, the goals and efforts to advance them are longstanding.
- Formalized equity approaches may be thought of on a spectrum.



Equity & Social Justice Vision, King County Executive, <https://www.kingcounty.gov/elected/executive/equity-social-justice/vision.aspx>



# Example Logic Model for Citywide Equity Program

## SUBCOMMITTEES

- Child & Youth Development
- Economic Development & Jobs
- Environment & Climate
- Health & Human Services
- Housing
- Information & Technology
- Justice System
- Transportation & Mobility

## INPUTS

### Investments

- Department staff time
- Racial Justice & Equity Commission time
- Operating budget dollars
- Capital budget dollars
- Political "capital"
- State grants / aid
- Federal grants / aid (e.g., ARPA)
- Philanthropic dollars
- Institutional support (e.g., PILOTs/ SILOTs)

## OUTPUTS

### Activities

- Operating and Capital Budget development process(es)
- Capital projects prioritization(s)
- Community outreach
- GIS, and other analyses
- Racial Justice & Equity Commission reports
- Program / service delivery
- Internal education and training

## OUTCOMES

### Short-term

- Permits ↑
- S/W/MBE Procurement ↑
- Funding for equitable priorities ↑
- % of spend in QCTs ↑
- Improved departmental participation ↑

### Intermediate

- Crime Stats ↓
- Population Growth ↑
- Internet Access ↑
- Affordable housing access ↑
- Improved mobility metrics ↑
- Business attraction / retention ↑

### Long-term

- UE Rate ↓
- Labor Force Participation Rate ↑
- Assessed Home Values ↑
- Education levels ↑
- Public transit access ↑
- Environmental / climate resilience ↑
- Incarceration rates ↓
- Public Health outcomes ↑

## ← EVALUATION FRAMEWORK →

Implement – Measure – Analyze – Report – Update



## Continuum of Equity in Practice

No formalized equity policy but has an awareness of community needs and works to address disparities

Has a working definition or understanding of how equity is applied in practice. Integrated equity language in mission, vision, values, or goal statements. May have passed legislation or ordinances related to equity

Proactively creates programs or policies to address disparities. May have formal equity office and equity impact statements. Integrates equity into budget process. Evaluates progress with established metrics

Familiar with equity terminology and concepts but not yet applying those concepts in practice. Has an openness or appetite from leadership and elected officials to explore how decision-making impacts different populations or is implemented in an equitable way. May be looking to establish guidelines or legislation that demonstrates the community's commitment to equitable practices

Established equity policy that is integrated into operations and decision making. Has a strong executive champion. Identified metrics to track progress and accountability



# Poll Question



## Poll Question #1

### ◆ **Question:**

***Local governments should think of equity as:***

- a) *All about race*
- b) *A one-size fits all approach*
- c) *Place-based*
- d) *Providing the same resources to all communities*



# Equity in Budgeting



## **Budgeting for Equity:**

**Creating a budget development process and strategy to contribute to the reversal of historical disparities for the benefit of all residents and constituents.**



## Applying an Equity Perspective to Budgeting

**Intentionally prioritizing investment that will provide for more equitable outcomes and program and service delivery through strategic resource allocation**

- Aligning department appropriations to produce equitable outcomes
  - Combining zero-based, outcome-based, and performance-based budgeting concepts
- Allocating resources to mitigate barriers to accessing critical services and economic opportunities
- Capital investment in equitable priorities and Community Benefit Agreements
- Evaluating tax policy and revenue generating options using an equity framework
- Using disaggregated data to better inform decision-making and resource allocation
- Tracking alignment and overall efficacy at the programmatic and government-wide level, using equity metrics
- Formalizing equity budgeting policies, processes, procedures, and guidelines





## Budgeting for Equity: What is it Not?

### ◆ Budgeting for equity is not anti-growth

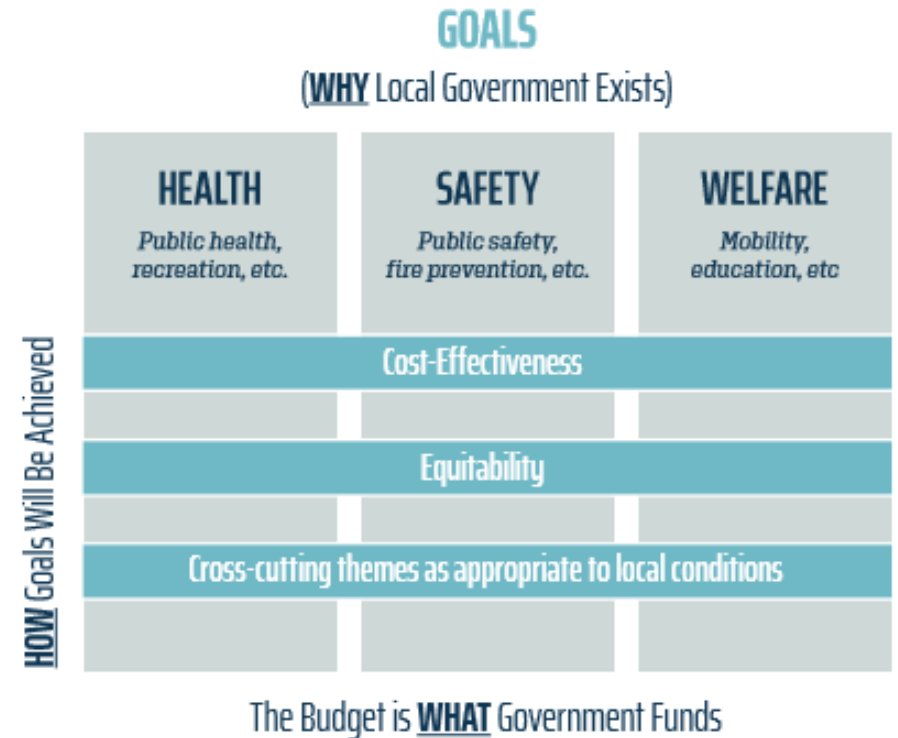
- Economic growth and recovery is needed to create the jobs and opportunity fundamental for all to succeed

### ◆ Budgeting for equity is not a zero-sum game

- Equitable outcomes can provide for a higher overall quality of life and healthier communities for everyone

### ◆ Budgeting for equity is not just about race

- Race matters, but there are many equity dimensions that will vary across communities and impact thoughtful governmental budgeting, for example: income and wealth, language, ethnicity and culture, gender, education, age, and more



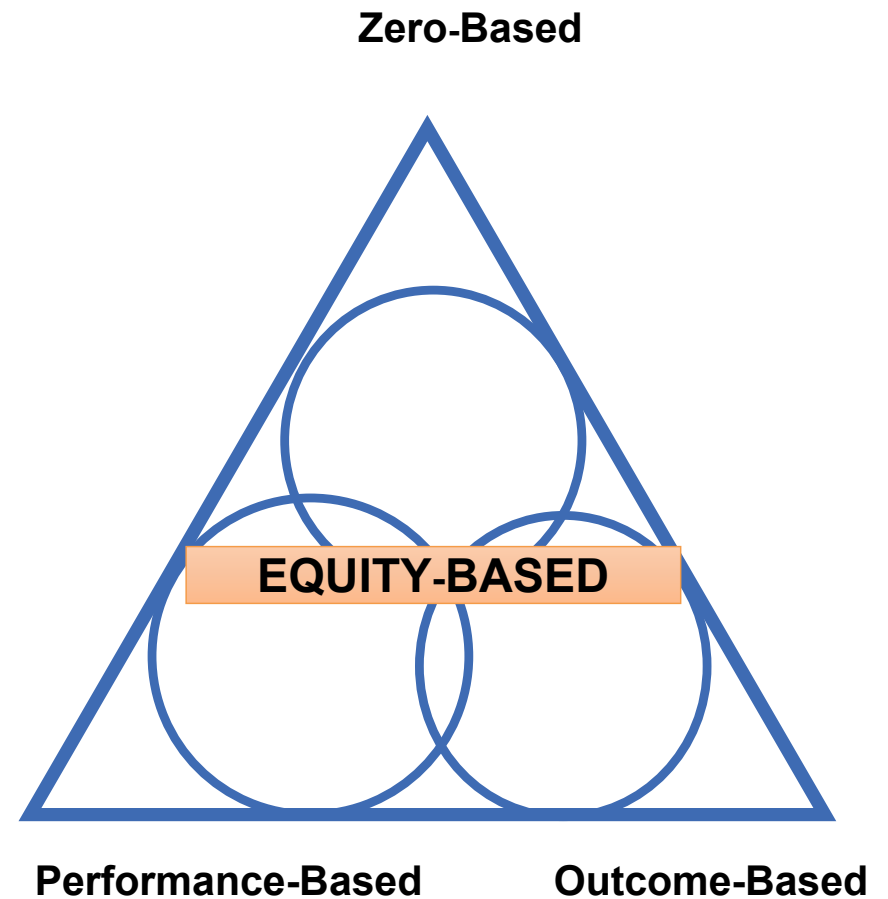
As a best practice, GFOA strongly recommends tying budget planning to an overall strategic plan

- The example shown includes equitability as a cross-cutting outcome to be achieved
- A key goal is to avoid either/or thinking and encourage both/and thinking (e.g. San Antonio road maintenance plan)



## Reflecting Multiple Budget Strategies

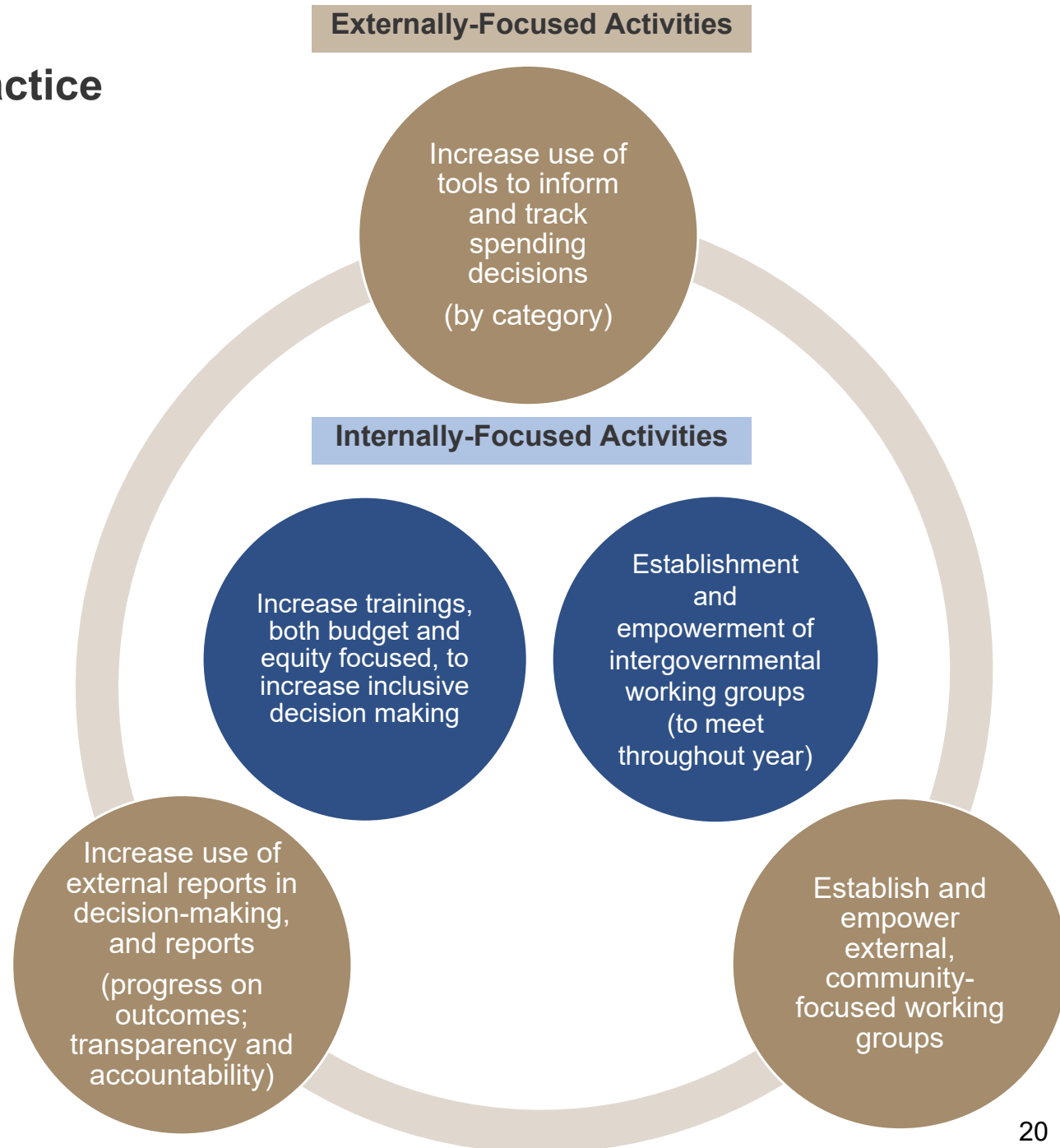
<i>Equity-Based Budgeting</i>	
<b>Zero-Based</b>	<p>A budgeting process that asks department managers to build a budget from the ground up each year, starting from zero</p> <p><i>Equity example: Public safety</i></p>
<b>Performance-Based</b>	<p>Accountability-driven budget process that focuses on measurable objectives</p> <p><i>Equity example: Mobile crisis response teams</i></p>
<b>Outcome-Based</b>	<p>A budget process that aligns resources with priorities as opposed to by agencies</p> <p><i>Equity example: Snow clearing</i></p>





## Budgeting for Equity in Practice

- ◆ Advancing equity takes collective action from the entire organization from elected officials, department leaders, and staff.
- ◆ Efficient and effective use of municipal dollars is a critical – yet often overlooked – contribution to the overall equity strategy.
- ◆ Local governments can use the budget process and published budget book to advance towards equity and communicate equity wins and priorities to the public.





# Poll Question



## Poll Question

### ◆ **Question:**

***Budgeting for Equity is:***

- a) *A zero-sum game*
- b) *Anti-growth*
- c) *An expenditure focused strategy*
- d) *Structuring resource generation and allocation to produce equitable outcomes*



# Example Approaches



## Example Approach/Steps for Budgeting for Equity Process

Steps/Phases	Case Example
<b>1. Identifying equity priorities/goals based on historical disparities</b> – either from a strategic plan or developing specific equitable outcomes driven by governmental leadership and input from residents	Dallas, TX
<b>2. Form committee(s) for budget process input</b> – should include representatives from executive’s office, budget staff, and office accountable for equity goals	Philadelphia, PA
<b>3. Create guidance for budget development</b> – aligned with and based on the chosen equitable priorities and/or outcomes	San Antonio, TX
<b>4. Leaders, budget staff determine/refine goals for year and desired funding allocation for goals</b> – funding levels for departments <i>more-or-less</i> based on goals	Baltimore, MD
<b>5. Guidance for achieving each goal is created (as a tool)</b> – including specific metrics and strategies for disaggregated data gathering that will track progress	Newton, MA
<b>6. Departments develop budget proposals based on guidance and tool(s)</b> – which can include proposals for cooperative programs between multiple departments	Dallas, TX
<b>7. Budget Office (and potential committee representation) reviews and consolidates departmental requests</b> – to create a proposed, comprehensive budget	Baltimore, MD
<b>8. Governmental leadership reviews, amends, and votes on budget</b> – process to pass budget will vary depending on place	Portland, OR
<b>9. Capture feedback (periodically throughout year) on implementation and results of budget</b> – from residents and departments on the quality of the budget	Long Beach, CA
<b>10. Evaluate, review and refine process</b> – continually evaluate and review process and results, make adjustments to process as best determined	Baltimore, MD



## Questions to Consider When Budgeting With an Equity Lens

### Questions to evaluate equity in new and existing services:

- ◆ Who are the primary users of the service? Further, who benefits and who is burdened?
- ◆ How does the service impact known disparities?
- ◆ How could service delivery differ in improving or worsening equity conditions?
- ◆ Does the program further or hinder equity?
- ◆ Is access to the service available on a consistent and equitable basis (e.g., language, internet access, availability of transportation)?

### Other considerations for equitable service delivery:

- ◆ How can equity impacts be tracked and monitored?
- ◆ Are there monitoring and accountability systems to identify unintended consequences?
- ◆ How will course corrections be handled if unintended consequences are identified?







## Allocating Resources to Eliminate Barriers to Access

- ◆ GFOA: additional questions when considering increased or decreased investment in specific programs:
  - How does a proposed expenditure expand opportunity and access for individuals to the needed government services?
  - What is the potential for reduced access to services?
  - What is the potential for reduced quality of service?
  - Where is the service delivered, and to whom?
  - How are inclusivity and accessibility of the service or program delivery being measured?

### Potential Barriers to Access

- Digital divide
- Language
- Culture and trust
- Physical location and barriers
  - Access for persons with disabilities
  - Access to vehicles or public transit
  - Safe transportation corridors
- Cost (e.g., with user charges)
- Literacy
- Complex administrative procedures
- Work and lifestyle demands (multiple jobs, childcare, etc.)



# Incorporating Equity into Capital Improvement Plans (CIP)

Options/Tools	Case Example
<b>1. Identifying equity priorities/goals based on historical disparities</b> – either from strategic plan or developing specific equitable outcomes driven by leadership and input from residents; can use <b>GIS Mapping</b> to assist with determining historical spending and other demographical trends	Long Beach, CA
<b>2. Intentionally dedicate amount and/or percent of funding for specific equitable priority</b> – set aside X percent of CIP allotted funds for equitable purposes either via increased or shifted funds, or in a Community Benefit Agreement for certain types of developments	Austin, TX (Project Connect)
<b>3. Creating and inserting equity factors/criteria into the project prioritization process</b> – to encourage intentional investment proportionate to community need	Eugene, OR
<b>4. Creating an Equity Impact Statement</b> – establishes criteria to review projects and programs in terms of impacted populations, community engagement, and other best practices for equitable project planning and implementation	King County, WA
<b>5. Maximizing public-private partnership opportunities</b> – better leverage assets and partnerships to maximize impact of available capital funds for investment	Seattle, WA
<b>6. "Triple Bottom-Line" Evaluation/Analysis</b> – evaluate individual proposed projects/investments under a “triple bottom line” approach: economic, fiscal and environmental and (other) social impacts	Raleigh, NC
<b>7. Other financing tools/strategies to increase and/or dedicate resources to equitable CIP goals</b> – linking and earmarking new revenue streams or expiring tax incentives/abatements to CIP	Philadelphia, PA

**City opens new Fishtown play area — the first funded by Philly’s soda tax**

AUSTIN

**Proposed Project Connect funding plan includes \$300 million for anti-displacement efforts**





## Using Data to Identify Historical and Existing Inequities

- Reviewing historical data can inform how to engage with the communities you serve, rather than making assumptions.
  - For communities that have historically been negatively impacted, this can help to identify their current priorities.
- Analyzing historical data can help identify the causes of existing disparities.
- Disaggregating data is vital to furthering equity because it helps to not only identify their needs, but also provides context around their current circumstances.

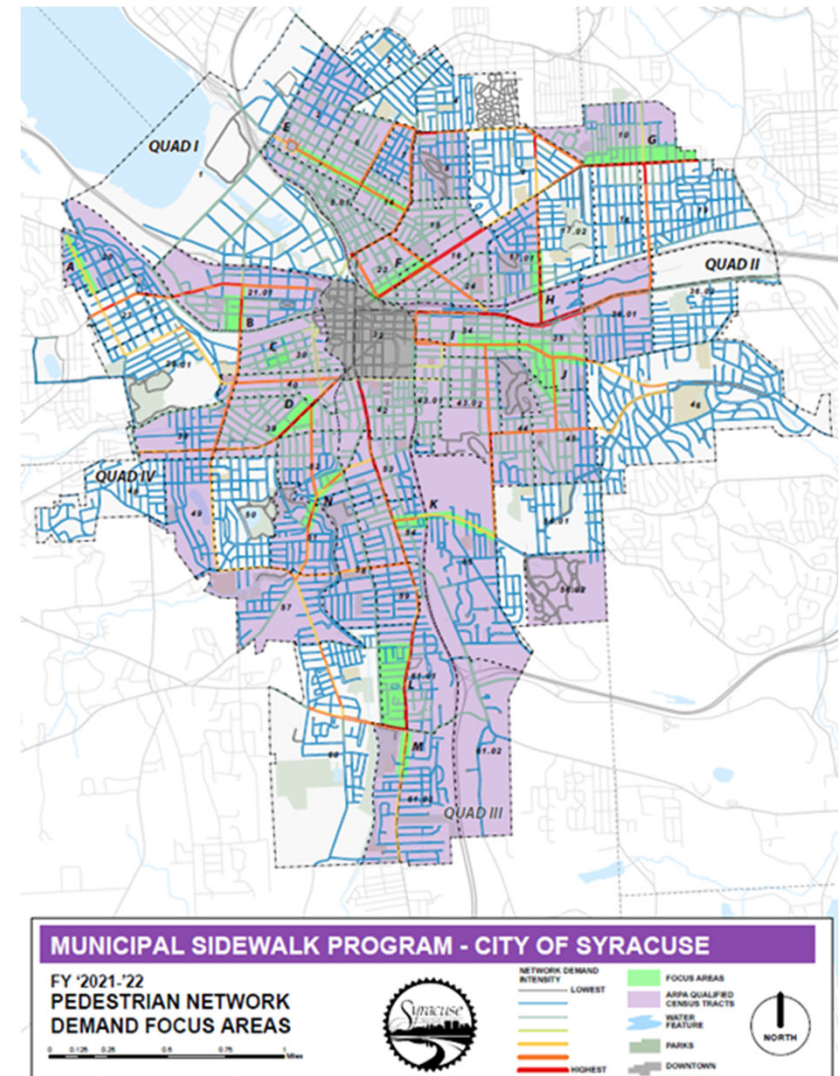
### Categories that can be used to disaggregate data can include:

- Race\Ethnicity
- Age
- Disability Status
- Household Income
- Poverty Status
- Gender Identification
- Immigrant or Refugee Status
- Primary Language
- Council District
- Zip Code/Census tract
- Relevant environmental zones (i.e. flood zones)



## Emerging Practice: Equity Mapping

- Mapping tools can help decision makers identify vulnerable populations, prioritize projects, and determine specific resource allocation based on need.
  - Current and historical investment can be tracked by community or other geographic location
  - Areas that are lacking in particular resources or investment can be identified
  - Assist with priority of spending on communities by geography, and strategy to deploy funds
  - Display and track other equity-related metrics as overlays
  - Focus on areas that may experience gaps in funding (e.g., areas that fall right outside of eligibility criteria)
- The following map was used by the City of Syracuse to help identify which sidewalks were located within qualified census tracts (as part of the Bloomberg Philanthropies / What Works Cities' City Budgeting for Equity Recovery Program)





## Emerging Practice: Equity Atlas

- ◆ An example of a strategic use of equity mapping is equity atlas. An equity atlas uses data to display disparities in resources (such as access to transportation, social services, infrastructure, education, affordable housing, etc.) and the impacts this can have on the overall wellbeing of people within a specific community.
- ◆ An equity atlas layers many sources of data onto a map and allows the user to filter through.
- ◆ They are often used to identify vulnerable communities, needs, or barriers. They have also been used to inform planning and investments.



In the City of Atlanta, the Transit-Oriented Development Collaborative (TOD) utilized an equity atlas to inform leaders of the disparities around accessible jobs and affordable housing. Using the atlas, they were able to display that most low-income workers lived farther away from jobs in the downtown region. This data has been used to prioritize more affordable housing and investment by transportation stops to allow for low-income workers to live in closer proximity to jobs downtown.<sup>1</sup>



In Denver, an equity atlas was used to identify areas that lacked sufficient access to public transportation. Upon reviewing this information, stakeholders formed a coalition to create a plan for expanding the transportation system in a way that improved access for all communities.<sup>2</sup>



The Portland Bureau of Transportation utilized equity atlas maps to determine which areas to prioritize street light upgrades. Using the maps, they were able to identify which areas had the greatest need for additional investment based on access to transportation, transportation safety, and demographics.<sup>3</sup>

<sup>1</sup> *Equity Atlases: How Data and Maps Can Illuminate Transportation and Equity*

<sup>2</sup> *Denver's Regional Equity Atlas: Improving Urban Planning with Equity Data*

<sup>3</sup> *Portland's Regional Equity Atlas: Institutionalizing Equity Since 2007*



## Equity Mapping and Reporting: Prioritization and Measurement

- ◆ Mapping combined with enhanced reporting can be used as tools to further impact
  - Better understand past spending to better target future spending
  - Access to and utility of *better* disaggregated data is necessary to improve reporting and evaluation function
- ◆ Geographic reporting variables to track spend by location
  - *Example: Peoria, IL*
  - Utilized Qualified Census Tract reporting variable, to assist with tracking of spend and project initiation by location
  - Assists with project selection decision-making, and review

### BUDGET CALL 2022: Community Investment Plan (FY22 - 26)

#### Adams and Jefferson Signal Upgrade/ One-Way to Two Way Conversion



Purpose	The purpose of this project is to upgrade 8 downtown traffic signals on the Adams and Jefferson corridors and to convert Adams and Jefferson between Walnut and Hamilton from one-way to two-way traffic	
Description	Adams Street and Jefferson Avenue through downtown Peoria have long been established as a one-way couple for traffic. This works well for bringing traffic into and out of downtown efficiently, but is not particularly business or pedestrian friendly. In recent years staff has already changed a portion of Adams and Jefferson, from Persimmon to Walnut, to two-way. In 2018 staff applied for and received Highway Safety Improvement Program (HSIP) funds (FY2020) to convert 8 intersections from post mounted to safer mast-arm mounted traffic signals, which includes the portion of the signals needed for two-way traffic. Leveraging these funds will assist the City in the effort to extend the conversion of these corridors to two-way traffic from Walnut to Hamilton.	

Project Status	Department	Project Type	Criteria	Investment Status	Priority	Matrix Level	Council District(s)	QCT %
Approved	Public Works	Capital improvement - CB	Maintenance-Replacement	Existing			01	100

Source: [2022-2023-Biennial-Budget-Final\\_1639426077\\_add.pdf \(peoriagov.org\)](#); example developed by Peoria, IL and PFM team – as part of the What Works Cities, Bloomberg Philanthropies' City Budgeting for Equity and Recovery Initiative



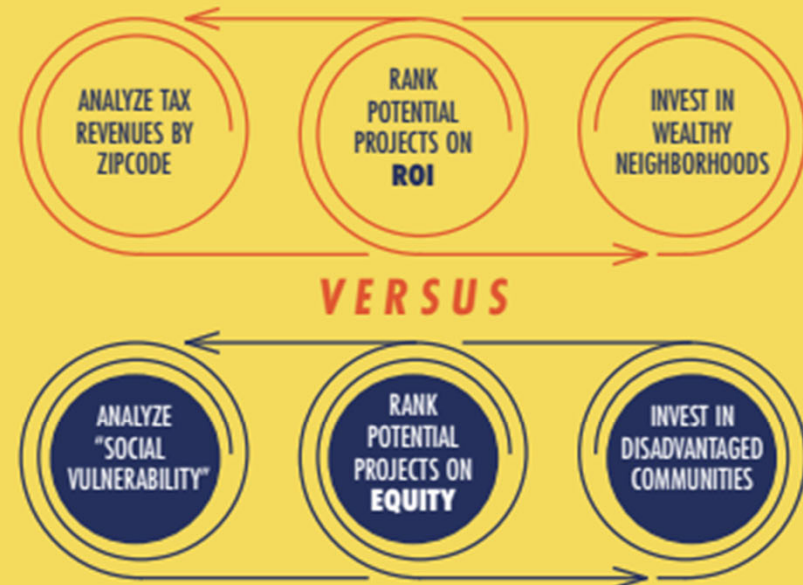
## Emerging Practice: Equitable Funding Formula

### Redefining Return on Investment (ROI) through an Equity Lens

Moving towards equitable formulas for funding CIPs will naturally raise questions regarding ROI (i.e., will projects generate a financial return). Evaluation is a critical component of all capital investments, and these examples provide a clear guide.

- In Harris County, TX, officials recently moved away from the historical practice of using traditional ROI based on the financial value of property protected by its flood projects (which tilted investment heavily towards high-income neighborhoods) to using a social-vulnerability index created by the Centers for Disease Control and Prevention (CDC), which moves more funding to areas with the most at-risk populations.<sup>8</sup>

- In Raleigh, NC, the city explicitly measures environmental and social, as well as economic, outcomes of projects (the “triple bottom-line”) in its 2030 Comprehensive Plan.<sup>9</sup>



8 Wallace, Don. "A Climate Plan in Texas Focuses on Minorities. Not Everyone Likes It." The New York Times, 24 July 2020, <https://www.nytimes.com/2020/07/24/climate/houston-flooding-race.html>.

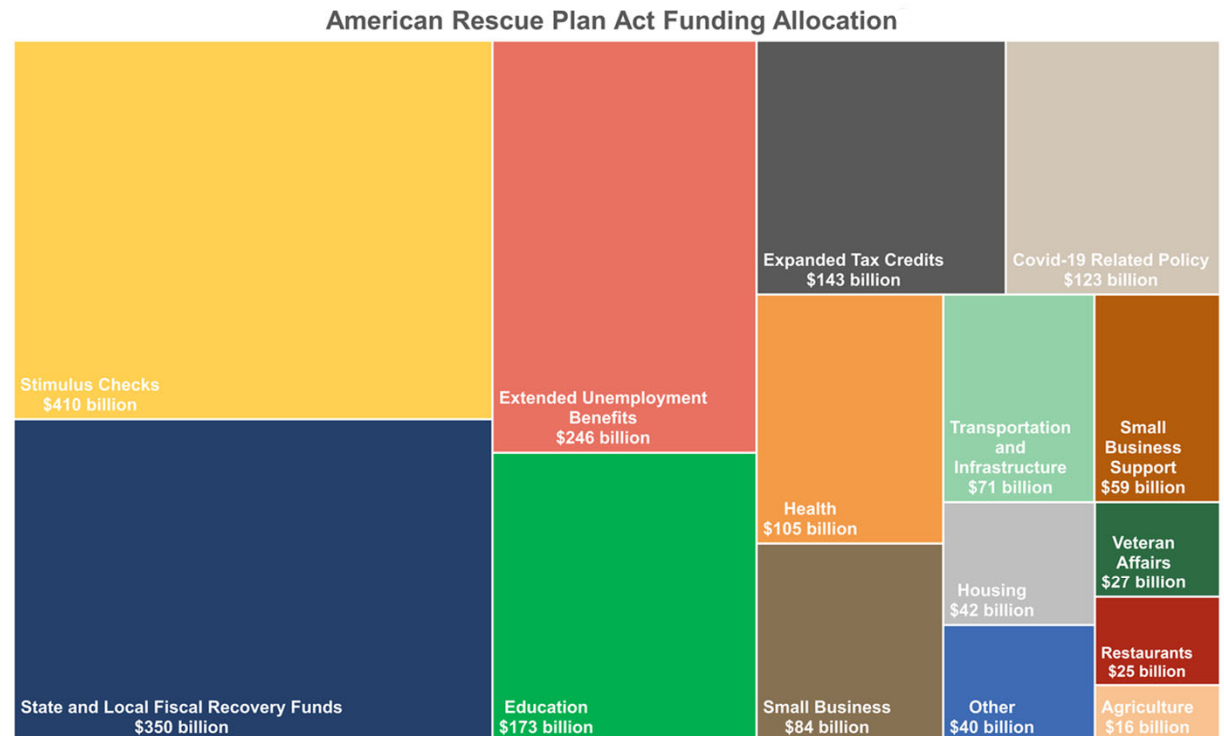
9 City of Raleigh, Office of City Planning. 2030 Comprehensive Plan - Update, pp. 123-124.

Source: *Equity in Capital Improvement Planning Processes*, co-published by What Works Cities, Bloomberg Philanthropies, and PFM, as part of the City Budgeting for Equity and Recovery Initiative



## ARPA + IIJA = Unprecedented Opportunity

- ARPA and IIJA is a once in a generation opportunity for state and local governments.
- **Equity** is present and at times encouraged in both IIJA and ARPA funded projects.
- **Local governments must plan strategically to make the best use of all available federal funds** – or risk missing out on an unprecedented opportunity.



103  
NEW PROGRAMS  
AVAILABLE  
TO STATE AND LOCAL  
GOVERNMENTS

\$756B  
ACROSS ALL AVAILABLE  
PROGRAMS  
TO STATE AND LOCAL  
GOVERNMENTS





## Prioritizing Equity in Recovery Funds

- ◆ By securing your residents with *more* need, you will support a *more* sustainable, resilient recovery.
- ◆ Making investments that increase quality of life will *increase chances of* driving positive equity externalities, such as increases in economic activity, public health, and reductions in crime.
- ◆ Spend time crafting messages that argue for more investment in equitable priorities.
  - Equity is **NOT** a zero sum consideration.
  - Increasing everyone's baseline experience living in your municipality will “raise all ships.”
  - Achieving sustainable, equitable outcomes requires adequately resourcing priorities.
  - Equity is **NOT** only a vision or mission, it's a measurable, tangible dimension of life in your city that can be assessed and improved.



## Prioritizing Equity in Recovery Funds

### Define equity goals for government and align spending to increase impact:

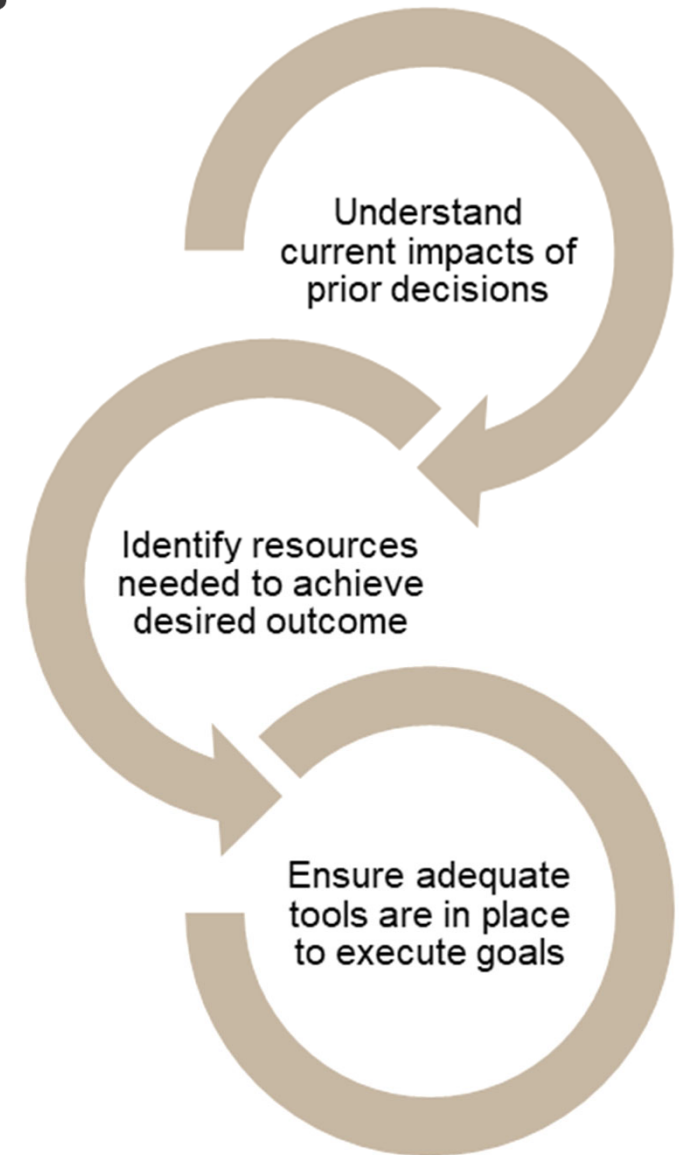
- ◆ IIJA "targets" areas of spend that have traditionally lagged in vulnerable communities.
  - Transportation, Water / Wastewater, Broadband & Digital Infrastructure
- ◆ Best use of "pay-go" proceeds, to maximize equitable outcome achievement.
  - Allocate to maximize equity goals; may not be completely aligned to "absolute" financial value or goals.
  - How to best use these dollars to have best chances for most sustainable recovery (braiding and blending).
  - Integrate with broader spending plan.
- ◆ Opportunity to determine gaps in funding that IIJA cannot fund.
  - Leverage outside investment or co-investment.
- ◆ Importance to IIJA
  - How will projects be funded, and prioritized?
  - Are there other projects that may not meet IIJA eligibility that are still worth investing in?
  - Who are we investing in?
  - Who will benefit?
  - How do we know if it is working?
- ◆ Reporting and Evaluation
  - How will impact be measured and reported?
  - Justification of spend in certain categories





## Emerging Practice: Equity Impact Assessments

- ◆ Impact assessments are designed to consider the implications and potential outcomes of a specific policy decision. These assessments focus on identifying social, environmental, and economic effects of a particular decision.
- ◆ Applying an equity lens to an impact assessment helps identify the current barriers and resources needed by different groups within a community. Through this approach, decision makers can begin to identify and map out the potential impacts or outcomes of a budget or policy decision.
- ◆ The process can also be helpful in identifying and minimizing potential adverse effects of a particular decision.
- ◆ The *following slide* provides an example of a racial equity impact assessment guide focused on economic policies and budgets from the City of Monterey, CA.





## Emerging Practice: Equity Impact Assessments (continued)

Stage	Questions for Consideration
<b>Analyzing Current Problems</b>	<ul style="list-style-type: none"> <li>a) What are the adverse effects that different disadvantaged racialized communities experience under current conditions, policies, practices, and expenditures?</li> <li>b) What are the causes or contributing factors (e.g., unfair policies and practices, inequitable or insufficient funding formulas) that produce or perpetuate the inequities?</li> <li>c) What data or evidence is available or can be collected to demonstrate the racial inequities, adverse effects, contributing causes, trends and current needs?</li> </ul>
<b>Developing and Advancing Proposed Changes</b>	<ul style="list-style-type: none"> <li>a) What steps can ensure public input and participation by the most disadvantaged racial communities and stakeholders in developing proposed policies and budgets?</li> <li>b) What new policies, programs, funding streams are needed to address the needs and inequities that different racialized communities face?</li> <li>c) What changes in existing policies, programs, budgets would reduce racial inequities?</li> <li>d) What new opportunities can be created to enhance equity, inclusion and unity across different racial/ethnic groups?</li> <li>e) What specific equitable outcomes will this achieve and what are the success indicators?</li> <li>f) How can these proposed changes be effectively designed in such a way to make them most viable, enforceable and sustainable?</li> </ul>
<b>Analyzing Current Proposals</b>	<ul style="list-style-type: none"> <li>a) Will the proposal reduce, limit or eliminate programs that are vital to or disproportionately needed by, particular disadvantaged racial/ethnic communities?</li> <li>b) Will the proposal increase, expand or create programs that are vital to or disproportionately needed by, disadvantaged racial/ethnic communities?</li> <li>c) Will the proposal miss or create opportunities to benefit and unify people across different racial/ethnic communities?</li> <li>d) Will there be enough money allocated to address real racial inequities with fair and sustainable revenue streams?</li> <li>e) Will there be adequate provisions to ensure success and fairness, including sufficient public participating by stakeholders in development, implementation and evaluation?</li> <li>f) What modifications in the proposal are needed to maximize racial equity and inclusion?</li> </ul>

Source: [Racial Equity Impact Assessment of Economic Policies and Public Budgets](#)  
City of Monterey, CA



# Poll Question



## Poll Question

### ◆ Question:

***Which is an example strategy for implementing budgeting for equity?***

- a) *Data disaggregation*
- b) *Mapping*
- c) *Impact assessment*
- d) *All of the above*



## Revenue Analysis and Evaluation Framework

- ◆ The imperative for governments to reevaluate existing and potential new revenue raising options has increased due to structural fiscal pressures and potential longer-term economic disruption
- ◆ **Key questions:**
  - If determined that revenue adjustments are necessary for services stability and investment in growth, which tax/fee rate(s) can/should be increased?
  - If considering establishment of a new revenue stream to fund an equitable priority, which option(s) can/should be considered, and why?
  - What newer characteristics of equity should be considered in the evaluation, and how?
    - Making the right choice (strong evaluation framework)
    - Making the choice right (equitable mitigation, through tools such as structure, credits; equitable use of proceeds)

**Financial Feasibility** – will the revenue generated by the tax or fee be adequate to cover its cost basis?

**Economic Feasibility** – will the tax or fee contribute to short- and/or long-term (equitable) growth?

**Legal/Legislative Feasibility** – will the tax or fee require legislative action? And, if so, what are the limitations or hurdles to passing? (e.g., state statutes limiting local taxation)

**Political Feasibility** – given the current political climate and elected leadership, can the tax practically pass?

Source: Developed by PFM for “City Budgeting for Equity & Recovery” Learning Session – which was delivered on March 4, 2021, as part of the What Works Cities/Bloomberg Philanthropies City Budgeting for Equity and Recovery Program (assisting 29 cities around the country to advance equitable recovery).



## Other Revenue Strategies to Fund Equitable Priorities

- Link existing, expiring abatements and incentives revenues to equitable priorities
  - **Example:** fund "affordable" housing with returning property tax abatement revenues, increase homestead exemption by said amount of expiring abatement (burden shift; flat value exemptions are *progressive*)
- Earmark increases in existing transactional, tax streams to equitable priorities
  - **Example:** fund means-tested, first-time homebuyer housing programs through increases to real estate transfer tax
- Reduce existing tax incentives that are no longer optimally effective – reallocate savings to equitable priorities
  - **Example:** reduce low-value tax incentives and shift savings to education (also a burden shift)
- Incentive or credit for local impact investing
  - **Example:** businesses or individuals with means to invest should be incentivized to invest locally, to grow small and M/W/DBE businesses and increase local economic activity and growth
- Implement a construction/development impact tax, linking revenues to affordable and middle-income housing production and programs, and commercial corridors
  - **Example:** use proceeds of impact tax to float a bond to fund housing programs and improve commercial corridors, at scale
- Other "equitable" examples: Community Benefit Agreements, capital gains, property tax on high-valued homes, congestion, progressive income

Source: Developed by PFM for "City Budgeting for Equity & Recovery" Learning Session – which was delivered on March 4, 2021, as part of the What Works Cities/Bloomberg Philanthropies City Budgeting for Equity and Recovery Program (assisting 29 cities around the country to advance equitable recovery).





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## All Legislation In D.C. Will Now Be Assessed For Racial Equity

### Policies and Leadership

#### ◆ Set the Tone Across Government – Establish Sense of Urgency

- Formalize the review of all spending and revenue generation proposals through an equity lens (via legislation)
  - If a higher-level strategic plan or racial equity/equity plan exists, require alignment of department budget actions, objectives and goals to higher-level, longer term equitable goals

#### ◆ Continual Education and Training

- Focus on emerging Diversity, Equity and Inclusion practices and principles

#### ◆ Form Committee(s) to Assist Leadership and Departments with Implementation and Review

- Internal and/or external (diverse representation, “right” mix of stakeholders)

#### ◆ Evaluations and Impact Analysis

- Tax and Fee Evaluations, Revenue and Spending Impact Analyses, Cost-Benefit Analyses/Economic and Fiscal Impact Analyses

#### ◆ Create a Long-Term, Strategic Equitable Financial Plan

- Require departments to align budget goals plan goals, once established

#### ◆ Phase-In Approach to Establishing and Implementing “Fuller” and Operationalized Strategy

- Implement changes to processes and operations in multiple steps/multiple years



# Equity Budgeting Toolkit

## Planning and Strategy Tools

- ◆ Multi-year financial planning
- ◆ Goal setting and outcome-based budgeting
- ◆ Equity guidelines for the budget development process
- ◆ Community Benefit Agreements
- ◆ Leveraging purchasing power – maximize MWDBE and small, local business participation in service delivery

## Analysis and Review Tools

- ◆ Financial assessment of past/current patterns and trends
- ◆ Tax/Revenue evaluation and impact; tax burden analysis; tax credit and incentive review
- ◆ Economic, fiscal and social impact **“triple bottom line”** analysis
- ◆ Spending impact policies and analysis; disparity studies to set MWDBE participation goals

*Note: MWDBE – Minority, Women, or Diverse Owned Business Entity*





# Center for Budget Equity & Innovation



# PFM Center for Budget Equity & Innovation

PFM's Center for Budget Equity & Innovation stands at the intersection of equity, policy, operations and finance – engaging communities across the country to stand at the forefront of innovation to ensure inclusivity and fairness in government policy, budget and administration





## Center for Budget Equity & Innovation

- The Center for Budget Equity & Innovation is committed to seeing all residents represented in government policy, budget and decision-making
- Local governments in particular carry an enormous burden and opportunity to impact the lives of residents and stakeholders. Without a clear perspective on equity, elected officials and administrators may overlook disparities and miss opportunities to apply resources effectively
- Through our analytical, financial and critical thinking approach to equity, the Center takes a comprehensive approach. For each project we consider the specific concerns of our public sector clients
- Our goal is for our equity work to support our clients as they address institutional and structural barriers, evaluate burdens, benefits, and outcomes, and create solutions that promote fairness and belonging in their communities

### Center for Budget Equity & Innovation Service Areas

Equitable Budgeting Practices	Approaches to Equitable Recovery
Equity-Based Financial Planning	Integrating Equity in Government Operations & Policy
Community Engagement	Evaluation of Equity Needs and Opportunities
Equitable Investment Strategies	Equity Impact Analysis



# CBEI Equity Projects

## National Leadership

- ◆ **Public Finance Initiative (PFI)** is a multi-year Robert Wood Johnson funded project that aims to center equity in municipal bond-funded investments and to measure how social determinants of equity change over time, by successfully assembling and facilitating two focus groups – one for water/sewer/stormwater (inclusive of state revolving fund issuers), and one for General Obligation issuers, with a more particular focus on social/green/sustainable bonds that have an equity focus. The focus groups included large municipal, state, and utility issuers.
- ◆ **National Federation of Municipal Analysts (NMFA)** to develop and conduct an industry survey for NFMA – to support the organization and membership’s efforts to better understand the DEI landscape and trends affecting municipal finance to inform future efforts to advance DEI in the field.
- ◆ **Pew Charitable Trusts** to study emerging equity budgeting practices, focused on state governments.

## Individual Client Support

- ◆ **City of Norfolk, VA Pilot Citywide Equity Framework** is an ongoing engagement to create a citywide equity framework in up to six departments to inform the eventual implementation of the framework to all departments citywide. The Framework will provide a model for moving the City closer to achieving its equity goals and vision by integrating equity into citywide operations and processes.
- ◆ **Port of Portland** to support the Port and its Finance Department in developing and refining a process by which resource allocation is conducted in accordance with the Port’s Shared Prosperity [equity] outcomes. Future phases of the project may include additional activities such as facilitation of Port-wide working groups that align data, reporting, and outcome monitoring, development of a Budgeting for Equity roadmap and implementation and change management support.
- ◆ **Lancaster, PA** equity framework as part of a broader management and budget engagement
- ◆ **San Antonio, TX “Future Ready Plan”** dedicated to improving racial and ethnic equity in both education and employment outcomes for youth, two linked domains that are vital to both recovery and mobility.



## Bond Markets & Racial Equity Program

- In 2022, PFM was engaged by the Public Finance Initiative (PFI) to serve as a strategic advisor and technical assistance provider for the Bond Markets and Racial Equity Project, a **bold effort to create a new framework that centers racial equity in municipal bond funded projects and capital investments** funded with the support of the Robert Wood Johnson Foundation.
  - Given the novelty of the program, PFM's early involvement in this engagement also included **assisting in the overall program design.**
- The program, which is currently ongoing, has worked to bring together a **cohort of government leaders to receive free technical assistance, led by PFM** – a first-of-its-kind opportunity for municipalities, state authorities, and other bond issuers and borrowers who want to enhance how they center racial equity in a bond issuance.
- In addition to achieving the issuer's initial goal, PFM prioritizes capacity building where possible, and will provide each issuer with ample documentation on methodology, findings, and recommendations to support them.
- ***This project is a joint engagement between PFM affiliates, PFM Financial Advisors LLC ("PFMFA") and PFM Group Consulting LLC ("PFMGC").***

## BOND MARKETS & RACIAL EQUITY

ISSUER TECHNICAL ASSISTANCE & GRANT PROGRAM





## Bond Markets & Racial Equity Program

- The current cohort consists of 8 issuers:
  - City of Atlanta
  - City of Bloomington
  - City of Chicago
  - City of Dallas
  - King County
  - Metropolitan Water District of Southern California
  - Nevada State Infrastructure Bank
  - City of St. Paul & St. Paul Port Authority
- PFMFA and PFMGC are each leading half the projects, with scopes ranging from creating a reporting template to analyze utilization of capital funding monies related to racial equity to developing an official statement that demonstrates the issuer's racial equity investment principles.



City of Dallas



King County



SAINT PAUL  
MINNESOTA



Saint Paul  
PORT AUTHORITY





## Bloomberg What Works Cities – City Budgeting for Equitable Recovery (CBER)

- ◆ **Technical Assistance provider for CBER** initiative. Last year, PFM worked with eleven of the 28 cities nationally (listed below) to develop and implement plans to drive financial recovery and equity across city governments.

City	PFM Deliverable
<b>Birmingham, AL</b>	Recommended a multi-year personnel plan incorporating equity
<b>Chula Vista, CA</b>	Created an equity framework based around CDC Social Vulnerability Index
<b>Lincoln, NE</b>	Provided economic impact analysis and program design support
<b>New Orleans, LA</b>	Developed a comprehensive resource guide for permanent supportive housing programs
<b>Peoria, IL</b>	Implemented Qualified Census Tract measurement in Capital Budget
<b>Rochester, NY</b>	Developed evaluation criteria and proposed legislation documentation
<b>Springfield, IL</b>	Advised Mayor's Office on equity and sustainability of ARPA plan
<b>Syracuse, NY</b>	Supported sidewalk program design, funding strategy and multi-year budget model
<b>Tampa, FL</b>	Analysis in support of affordable housing program
<b>Toledo, OH</b>	Analyzed resident input to prioritize ARPA projects and funding
<b>West Palm Beach, FL</b>	Provided advisory services for funding proposal, and developed program design recommendations for economic recovery program targeted for small, MWBEs



## MBC's Equitable Plan for Casino Revenue for Danville, VA

- In 2020, Danville, VA was authorized as a location to operate casino gaming. After voters approved development of a resort and casino, Danville stood to receive a total of approximately \$140 million in new revenue through 2026.
- In August 2020, the City engaged PFM to identify community-driven, equitable uses of the new revenue and facilitate a community engagement process. PFM created and facilitated the Investing in Danville process by identifying guiding principles for investment based on community feedback and equity analysis.
- Ultimately, the analysis informed recommendations around specific areas and regions the City should target investment based on a series of demographic and social indicators.
- The final Investing in Danville Plan prioritized 27 investment ideas each with associated fiscal impacts, suggested timing of investment, and alignment to PFM's equity and fiscal considerations.

### Investing in Danville Process Overview



Convene Investing in Danville Citizens' Advisory Committee



Conduct Equity Mapping Analysis



Administer public survey



Quantify each investment area and make recommendations on funding source



Facilitate three public virtual town hall meetings



Finalize recommended investments for review by Investing in Danville Citizens' Advisory Committee



Analyze responses and feedback from town hall meetings and public survey



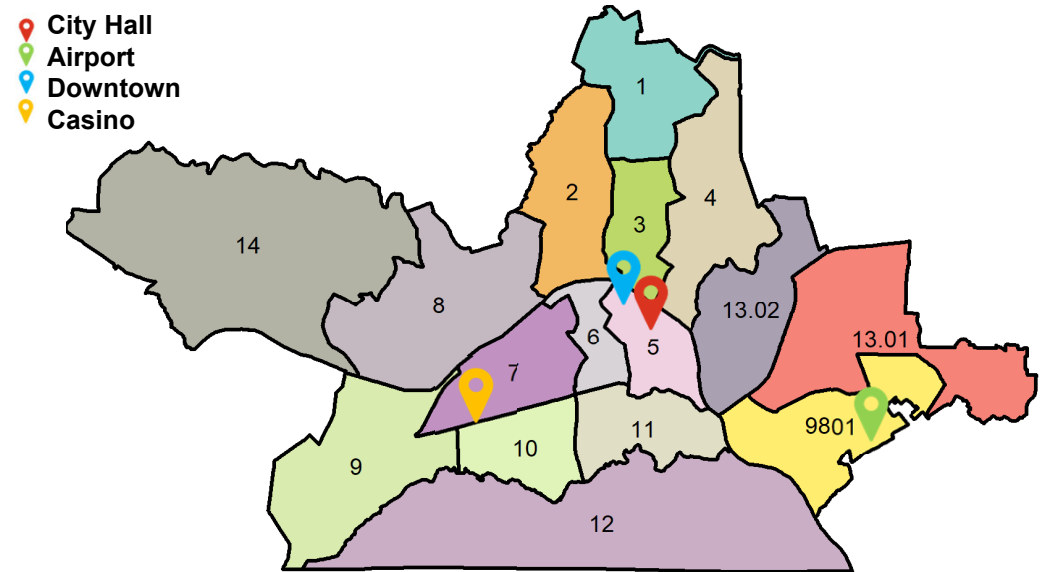
Deliver a final report that includes an outline of investments and their fiscal impacts, an overview of community feedback, and specific recommendations for investment priorities based on equity-based guiding principles.

*Investing in Danville: A Public-Driven Plan for Best Use of Casino Revenues, 2020,*  
<https://www.danville-va.gov/2147/Casino-Information>



## Danville Plan Key Equity Components

- ◆ **Resident Advisory Committee** made up of a diverse group of local business owners, community leaders, and resident stakeholders.
- ◆ **Resident Townhalls** focused on sharing City priorities with public and soliciting feedback. Sessions were held virtually via Webex and simulcasted to Facebook Live. Participants engaged live with City staff and dialogue verbally, through the Webex chat or by commenting on Facebook.
- ◆ **Conducted Equity Mapping Analysis** to consider existing inequities in Danville when allocating casino revenue dollars.
  - Using data from the Census Bureau's 2018 American Community Survey five-year (2014-2018), PFM mapped demographic indicators such as race and ethnicity, educational attainment, poverty, unemployment, home value, and housing characteristics.
  - Compiled educational data from the state and Danville Public Schools.
  - Examined indicators such as proximity to public health clinics, healthy food, and outdoor health amenities like parks and trails to inform findings around community health and well-being.





## PFM Center for Budget Equity & Innovation

### Questions?

- You can type your question into the chat function now (*due to time constraints, not all questions may be handled live*)
- You can e-mail any of us after the call or reach out through your primary PFM contact
- If you would like a copy of these slides, please email us to request



**Danielle Scott Parker**

CBEI Co-Director  
PFM Group Consulting LLC  
[scottd@pfm.com](mailto:scottd@pfm.com)



**Matthew Stitt**

CBEI Co-Director  
PFM Group Consulting LLC  
[stittm@pfm.com](mailto:stittm@pfm.com)



**Michael Nadol**

CBEI Advisor  
PFM Group Consulting LLC  
[nadolm@pfm.com](mailto:nadolm@pfm.com)

**Thank You!**



**pfm**



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