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More Than Fines and Fees

Incorporating Equity into City Revenue Strategies

Aravind Boddupalli, Tracy Gordon, and Lourdes Germán

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In the summer of 2021, cities appeared poised for a vibrant economic recovery from the COVID-19 pandemic and recession. Workers and tourists were returning to downtowns, students to college campuses, and riders to public transit. Businesses reopened their doors and posted more job listings, especially compared with prior months.[1]

But since then, the emergence of new variants and plateauing of vaccination rates have contributed to ongoing uncertainty and prospects of an uneven recovery.[2] Many city leaders remain concerned about declines across revenue categories, including the property tax—the single largest revenue source for most cities—as the pandemic shifts where people choose to live and work.[3]

Mayors and other city leaders are also contending with how to tackle structural inequities in access to wealth and opportunity. These disparities existed before COVID-19 but have only widened as the pandemic and economic downturn have disproportionately affected individuals and communities of color.[4]

To help city leaders build an inclusive and lasting economic recovery from COVID-19, Bloomberg Philanthropies, through its What Works Cities initiative, launched the City Budgeting for Equity and Recovery program (CBER).[5] The program provided a cohort of 28 cities with a virtual learning curriculum, peer network, and customized technical assistance to create and implement a tangible action plan that addressed the unique fiscal challenges resulting from COVID-19 with an equity-informed lens.

Examining the range of strategies CBER city participants pursued, together with other examples from around the country, provides a useful snapshot of how city officials are addressing fiscal and economic challenges in these unprecedented times. An evidence base of best practices will be important as governments at all levels grapple with how best to adopt process changes and use data to advance equity.[6]

In this brief, we describe the challenge and opportunity of integrating equity principles into city revenue strategies. Our analysis begins by examining city revenue structures, including the types of revenues cities rely on and how much cities collect from residents by race or ethnicity. This analysis highlights how city leaders can use data to evaluate whether inequities are manifesting across various revenue sources and identify areas that merit reform.

We then discuss and analyze a range of emerging policies, practice changes, and strategies that leaders can consider adopting to integrate equity principles into both tax and nontax revenue strategies. Our analysis suggests that, with a few important exceptions, many city governments that espouse a commitment to equity in fiscal decisionmaking are further along in analyzing and incorporating changes related to expenditures, rather than those related to revenues.

The flexibility afforded by increased federal funds under the American Rescue Plan Act (ARPA) and the recently enacted Infrastructure Investment and Jobs Act (IIJA) provides a unique opportunity for city leaders to integrate equity principles into revenue strategies more comprehensively. Long-standing tax policy principles and promising emerging examples in several cities also provide a way forward. Our review of these approaches suggests that cities should consider equity with respect to both processes and outcomes, use data-driven strategies to track progress and routinize evaluations, and include in-kind as well as monetary revenue sources in their reviews.

We also note the important role federal, state, and county governments can play in the design of intergovernmental grant and shared-revenue programs that prioritize equity criteria to drive forward these goals. We further observe that city approaches reflect differences in institutional and political characteristics, such as fiscal autonomy, home rule powers, political will, and a range of city contexts.

Background

The United States is home to more than 35,000 city and township governments.[7] In fiscal year 2017, the average city or town had about 7,400 residents, but populations ranged from just one resident in Monowi, Nebraska, to 8.55 million in New York City.[8]

The services these local governments provide can also vary greatly depending on relationships with their respective counties and other local governments. For example, Los Angeles and Los Angeles

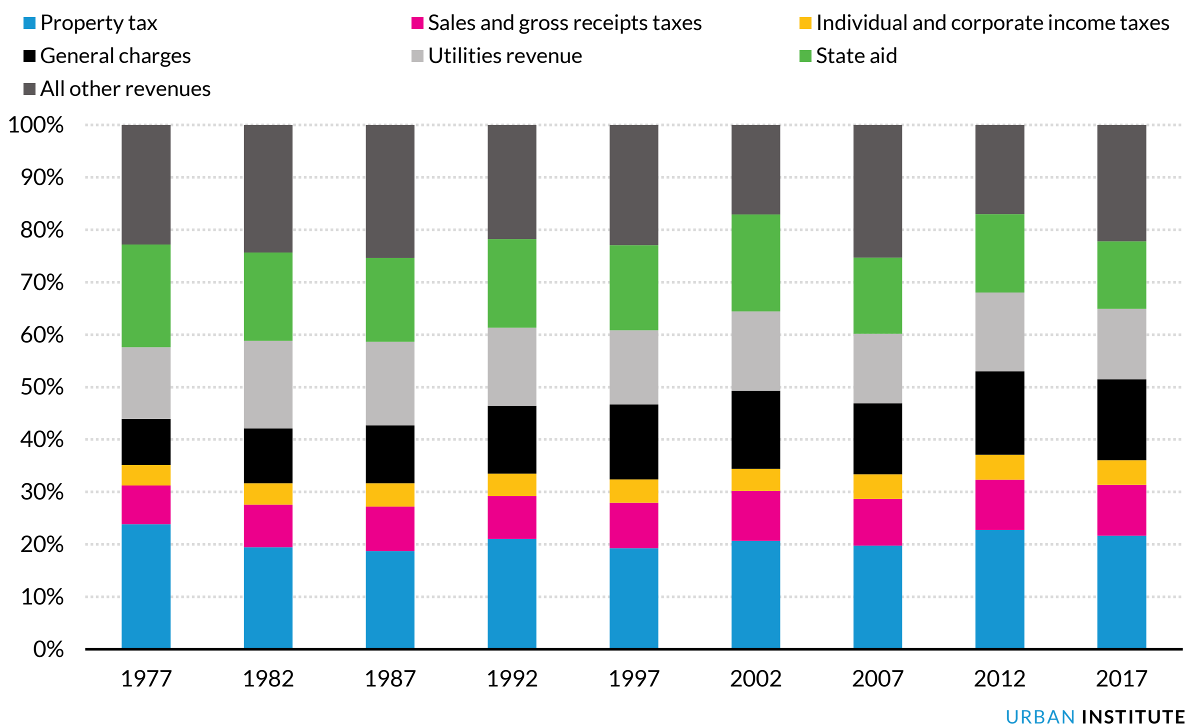
County both spend significant shares of their budgets on law enforcement, whereas Las Vegas spends relatively little because Clark County provides most of these services.[9]

Much attention has been paid recently to criminal justice fines and fees. However, these revenue sources represent only about 1 percent of total revenues across all cities and townships. Property taxes and general charges were the biggest revenue sources for cities and townships in 2017 (figure 1).

FIGURE 1

Composition of Municipal Revenues

Share of total revenue, all cities and townships, fiscal years 1977–2017



Source: US Census Bureau, Census of Governments, 1977–2017 (April 2020).

Notes: "All other revenues" primarily include federal aid, license taxes, local aid, public utility taxes, fines and forfeitures, interest revenue, documentary and stock transfer taxes, and special assessments.

CBER cities span 18 states, have a cumulative population of about 10 million residents, and raise over $40 billion in revenues each year.[10] For the 279 city governments serving more than 100,000 residents in 2019 (a category that includes all 28 CBER cities), property taxes and charges are still the largest share of revenues.[11]

While larger cities are more diverse than the country, their composition varies widely: for example, the share of the population that is Black ranges from 0.3 percent in Laredo, Texas, to 82 percent in Jackson, Mississippi (table 1). Similarly, median household income ranges from about $31,000 in Detroit to over $140,000 in Sunnyvale, California.

TABLE 1

Summary Characteristics of 279 Cities with Populations over 100,000 in 2019

Category	Average	Minimum	Maximum
	Revenues (% of total within city)		
Property tax	19.3	0.0	75.3
Individual and corporate income taxes	1.9	0.0	45.4
General charges	19.4	0.0	75.5
Sales and gross receipts taxes	15.7	0.0	65.5
State aid	10.4	0.0	73.1
Utilities revenue	15.8	0.0	72.0
All other revenues	17.6	0.5	49.7
	Population (% of total within city)		
American Indian or Alaska Native	0.5	0.0	7.4
Asian	7.4	0.3	59.2
Black	17.1	0.3	82.0
Latinx[a]	24.2	1.4	95.9
Native Hawaiian or other Pacific Islander	0.3	0.0	8.9
White	47.4	2.7	85.3
All other races	3.2	0.1	18.7
	Racial income inequality (%)		
[Share of aggregate income for Asian households] – [share of Asian population]	0.0	−9.8	6.5
[Share of aggregate income for Black households] – [share of Black population]	−5.0	−28.4	3.0
[Share of aggregate income for Latinx households] – [share of Latinx population][a]	−7.9	−23.4	1.0
[Share of aggregate income for white households] – [share of white population][a]	9.2	−3.0	29.9

Source: Authors' analysis of US Census Bureau, 2019 Annual Survey of State and Local Government Finances and 2015–19 American Community Survey five-year estimates (August 2021).

Notes: Among the 279 cities, only Scottsdale, Arizona, did not have any property tax revenue; Centennial, Colorado, and League City, Texas, did not have any general charges revenue; Centennial, League City, and Scottsdale did not have any state aid revenue. See Michael Pagano and Christopher W. Hoene, *City Budgets in an Era of Increased Uncertainty* (Washington, DC: Brookings Institution, 2018) for a discussion of cities' differential access to revenue sources.

[a] We are committed to employing inclusive language whenever possible, though we acknowledge that not every member of this group may identify with the term "Latinx."

Notably, nearly every large city has high racial income inequalities. As a rough approximation of these disparities, we compare the share of aggregate household income held by a racial group with the share of the total population of that racial group. On average, Black and Latinx population shares exceed their aggregate household income shares, although this is not the case for all large cities.[12]

Cities with the highest racial income inequalities may particularly benefit from detailed evaluations of their revenue systems. This may include evaluating their mix of revenue sources, distribution of local tax benefits and liabilities, and potential administrative or enforcement issues to understand whether revenue policies are mitigating or expanding inequalities.

The Need for More and Better Data

Many cities have embarked on equity reviews of major spending programs in their budgets. However, less systematic thought has gone into how to apply an equity lens to revenues. Significant attention is being paid to the impacts of criminal justice fines and fees in perpetuating racial injustices, as many experts call on city and state leaders to reduce local dependence on these revenue sources.[13]

However, few cities have applied a similar equity lens to other revenue sources. This is surprising, given the body of research showing how revenue structures beyond fines and fees, such as property taxes when coupled with inequitable assessments and appeals practices (Avenancio-Leon and Howard 2019; Berry 2021), can perpetuate structural racism (Boddupalli and Rueben 2021). Various historical and current revenue policies at the state and local levels also have their roots in the post-Reconstruction era (Leachman et al. 2018; Williamson 2020).

Taking action to shift city revenue mixes can be daunting. Across all city governments combined, the composition of revenues has not changed much over time. Some exceptions include a decline in reliance on state and federal aid and an increase in reliance on general charges (or payments for specific government services such as hospital fees, airport fees, sewerage and solid waste management fees, and parking fees). Reliance on property taxes, the largest revenue source for cities, has remained stable since the 1980s, having declined after the 1970s property tax revolt that began with Proposition 13 in California.

Cities may also have limited alternatives because state rules restrict which local revenue-raising mechanisms are permissible (Blair et al. 2020). For example, Massachusetts does not have any local income taxes. Overall, limits on local tax authority (or the types of taxes or charges a city has at its discretion), strict property tax limitations, a need to maintain the economic base (such as real estate values, retail sales, and household income), and a need to meet service demands can constrain cities' "fiscal space," including space to reform their revenue structures (Pagano and Hoene 2018).

Another issue is limited data. Because state and local revenue agencies, as with the Internal Revenue Service, do not collect tax data by race or ethnicity, investigating tax incidence by race (for example, whether Black households face higher tax burdens than white households in a given city) is largely not possible. One alternative is examining how local revenue amounts or shares relate to population composition (Boddupalli and Rueben 2021; Rueben 2019).

For example, state and local leaders can explore how revenue amounts per capita weighted by the size of each racial group's population within a city compare across a set of cities and racial groups. Performing this exercise on large cities cumulatively across the country, we find that the average Asian and Black residents of large cities may be paying more in local taxes and nontax revenue sources (such as general charges) compared with residents of other races and ethnicities. Further, sales tax burdens are higher on average for American Indian or Alaska Native residents in large cities compared with some others. The latter finding, in part, reflects the higher share of American Indian or Alaska Native residents in states that rely less on income taxes, namely Alaska, Arizona, and Oklahoma (table 2).

More broadly, it is not clear whether these differences stem from tax rates, bases, exemptions, deductions, or credits. The lack of a centralized database on these tax features inhibits more granular understanding of the tax systems people of different races and ethnicities face.

TABLE 2

Weighted Averages of City Revenues by Revenue Type and by Race and Ethnicity of Residents, for 279 Cities with Populations over 100,000 in 2019

Racial/ethnic category	Total	Property tax	Sales and gross receipts taxes	General charges	All federal, state, and local aid
	Revenue per capita ($)				
Total	$4,448	$869	$516	$737	$956
American Indian or Alaska Native	$3,518	$627	$514	$667	$741
Asian	$5,396	$1,138	$588	$890	$1,188
Black	$5,045	$981	$534	$748	$1,228
Latinx[a]	$4,172	$820	$503	$706	$861
Native Hawaiian or other Pacific Islander	$3,377	$844	$459	$716	$465
White	$4,178	$795	$501	$719	$854
	Revenue share (% total revenue)				
Total		18.5	14.4	19.8	16.9
American Indian or Alaska Native		16.0	18.3	21.0	18.2
Asian		20.3	14.2	19.8	16.1
Black		18.7	12.4	18.7	19.8
Latinx[a]		18.6	15.2	20.4	15.6
Native Hawaiian or other Pacific Islander		24.3	15.4	21.8	12.6
White		18.0	14.7	20.0	16.5

Source: Authors' analysis of US Census Bureau, 2019 Annual Survey of State and Local Government Finances and 2015–19 American Community Survey five-year estimates (August 2021).

[a] We are committed to employing inclusive language whenever possible, though we acknowledge that not every member of this group may identify with the term "Latinx."

The lack of data can be especially problematic in smaller cities compared with larger ones. In addition, larger cities may have existing budgetary structures or practices, such as robust community engagement plans or even dedicated agencies, that help government operations focus on racial equity.

All forward-looking city leaders would do well to start collecting and disseminating granular tax data, in addition to more information on which spending programs different types of revenues support.[14] But until those data collection and modeling capacities are established, city officials can rely on widely available aggregate public finance and demographic data from the US Census Bureau to set a foundation for more tailored revenue analyses in the future. A better understanding of tax incidence by race and ethnicity could help set the stage for equitable revenue reforms.

Lessons from a Qualitative Scan

We performed a scan of the literature and analyzed city equity frameworks[15] and other materials (consisting of equity statements, equity toolkits, equity definitions, equity ordinances, project planning tools that prioritize equity, and reports on equity indicators and outcomes) for all 28 cities in the CBER program and more than 50 US cities outside the CBER program.[16]

Our research revealed that, despite the nascent nature of the field of public finance and equity, cities show a range of activity in integrating equity into revenue strategies. The Government Alliance on Race and Equity's *Racial Equity Toolkit*, for example, is among the more widely used equity frameworks for local governments (GARE 2015). Broadly, the framework includes investigating the distributional impacts of proposals by neighborhoods, the racial demographics of those most impacted in the jurisdiction, potential unintended consequences and how those will be addressed, and whether a proposal would increase or decrease racial equity based on the above research and stakeholder involvement.

In the sections that follow, we identify four promising approaches policymakers and other leaders can consider when integrating an equity lens into cities' revenue reform frameworks.

1. Integrating Equity into Tax Revenue Strategies

Principles of public finance often don't easily lend themselves to equity in many domains. However, city leaders can use some well-known tenets of public finance to assess whether their tax framework reflects appropriate attention to values of racial equity, in concert with traditional public finance goals of adequacy, horizontal and vertical equity, and administrative simplicity (NCSL 2010) (table 3).

TABLE 3

Traditional and Equitable Tenets of Revenue Evaluations

Tenet	Key questions	New equitable recovery considerations
Neutrality and efficiency	Does the tax policy distort the market or heavily influence economic decisions?	How does the tax policy align with and drive equitable priorities (e.g., equitable job growth)?
Horizontal equity	Does the tax provide fair treatment of similarly situated individuals and businesses?	Where does equity diverge from equality, given, for example, place-based historical disparities? How are different communities impacted?
Vertical equity	Does the tax provide fair distribution of burden across individuals and businesses at different income levels, geographies, and demographics?	What degree of progressivity (or mitigation) most effectively balances short- and long-term fiscal and equity goals?
"Use of proceeds" equity	Is there an appropriate relationship between the source of the tax and the use of the proceeds?	How can proceeds be equitably allocated across communities? If vulnerable populations are disproportionately paying the tax, are they (at a minimum) receiving a proportional benefit?

Adequacy	In the short term, will the tax generate enough revenue to meet budget needs?	How will the tax stabilize provision and delivery of equitable services?
Sustainability	Over the long term, will the tax generate enough revenue to support projected needs?	How will the tax maintain and/or grow resources for equitable services over the long term? Is it well aligned with changes in the economy?
Stability	Is a high concentration of this tax base subject to volatility from economic conditions?	Will resources be there in times of most need?
Transparency and simplicity	How easy is the tax to administer and collect, and can the tax be easily explained and understood by taxpayers?	How will the tax (and any credits and mitigation features) be communicated to and understood by all communities—considering barriers like historic disengagement, digital divide, and language/culture?

Source: Matt Stitt, "Budgeting for Equity: PFM Client Training," Presentation (Philadelphia, PA: PFM Group Consulting LLC, May 2021), https://www.pfm.com/docs/librariesprovider2/fundamentals-of-public-finance/budgeting-for-equity_may-2021.pdf.

Emerging examples across the US show how cities are integrating equity values in different ways. Seattle's analysis of a proposed excise tax on sugar-sweetened beverages, implemented in January 2018, reflects how jurisdictions can devote explicit attention to equity criteria from the beginning when creating a new tax. In evaluating the beverage tax before it was passed, the city's Race and Social Justice Initiative produced a racial equity toolkit highlighting how the city engaged community stakeholders, detailing quantitative data on sugar intake and potential health benefits by race and offering strategies to address regressive taxation.

This framework sparked conversations around the equity impacts of not just Seattle's specific tax, but soda taxes across the US (Race and Social Justice Initiative 2017a, b). Seattle's Office of the City Auditor also published a comprehensive evaluation of the tax on sugar-sweetened beverages, and a Sweetened Beverage Tax Community Advisory Board (CAB) continues to publish annual reports and related research. These reports combine store audits, surveys on norms and health behaviors, key informant interviews with stakeholders (health advocates, manufacturers, tax administrators), and focus groups with consumers (Chan et al. 2018; Moss and Thompson 2020).

Overall, the CAB has involved residents, community coalitions, subject matter experts, and community-based organizations. This community engagement provided residents and stakeholders with the agency and authority to inform the CAB's annual recommendations. In doing so, the CAB reflected commitment to an inclusive process and incorporated several ingredients of a strong community engagement strategy: a transparent process, access to information to enable residents and stakeholders to form educated opinions, and a genuine role for residents in decisionmaking (Ackley 2021).

While recent research suggests that Seattle's excise tax on sugar-sweetened beverages has exhibited early signs of success in its ability to generate revenues and address social determinants of health outcomes, revenue frameworks are dynamic.[17] Jurisdictions committed to equity should engage in ongoing data-driven routinized evaluations to measure financial impacts, together with, if possible, an assessment of social outcomes at the neighborhood level. Such evaluations can produce actionable and timely insights, informing whether administration of the tax should be reformed. Doing so can help ensure that the integration of equity at a process level persists and that the taxes are poised to enable stronger social determinants of equity outcomes.

Further, adopting new evaluations and frameworks to inform revenue strategies is only the first step. Much of city leaders' work ahead may lie in resolving unknowns and inevitable conflicts among key principles of equity and sound tax policy. Consider the historical and ongoing conflicts over the property tax. The property tax performs well on measures of stability or resistance to economic volatility (e.g., Lutz, Molloy, and Shan 2011) but continues to be widely viewed as unfair or regressive. Although theory and evidence suggest these concerns may be misplaced (Youngman 2016), recent research has unearthed widespread instances across the nation of inequitable administration (Berry 2021), which could offset the property tax's efficiency and stability advantages.[18]

City leaders might also be attentive to instances when equity may require different interventions than equality.[19] Examples are visible in some jurisdictions adopting new local-option taxes on cannabis. Following the legalization of cannabis in Massachusetts, communities are authorized to collect up to a 3 percent local tax on recreational marijuana sales. Where a local cannabis tax is collected, the Massachusetts municipality has full discretion with respect to how such funding is spent, and some municipalities such as Brookline and Boston are making strategic choices to earmark and dedicate some or all of the cannabis revenues raised to equitable purposes via dedicated funds to benefit underinvested communities.[20] Such strategies point to the importance of reversing the harms inflicted by the "war on drugs" and disproportionate law enforcement of Black households.[21] However, early evidence on equitable practices with these revenues points to mixed results.[22]

2. Integrating Equity into Nontax Revenue Strategies

Reform of fines, fees, and charges is consistently the most prominent focus for equity-informed revenue strategies.[23] Cities reflecting attention to this practice include San Francisco, Dallas, Nashville, and Durham, among others. Strategies include measuring annual percentage changes in overall dependency on fines and fees, examining what activities are funded by fines and fees (for example, courts, law enforcement, highways, and roads), and investigating the population demographics of residents who bear the payment burdens. These analyses often inform an assessment of the degree to which the criminal justice system's revenue sources are having a measurable negative impact on historically marginalized and disenfranchised populations, and therefore merit attention to reform and reductions over time.

City leaders would be well served to think more expansively and integrate equity considerations into a wider range of nontax revenue types. These include land-based revenues, in-kind resource generation, and transfers from the federal, state, and county governments.

Many land value–capture revenue approaches leverage nonmonetary resources that, by their nature, are designed to place the fiscal burden on institutional private-sector actors rather than city residents. This practice is visible in cities that use nonmonetary exactions in the context of land development. Exactions require real estate developers to pay a sum to the municipality (in cash, land, or other in-kind avenues) to obtain special approvals or permissions required to develop or build on a parcel. This mechanism can thus defray the cost of additional public services required by new development and be an important tool when approached with an equity lens (Germán and Bernstein 2020).

Some cities are using in-kind nonmonetary exactions with developers to fund equitable investment in public infrastructure, and using developer exactions as part of a broader linkage program to support affordable housing, as visible in the City of Boston (Karl F. Seidman 2016). In cities such as Lincoln, Nebraska, that rely on impact fees, the structure of the fee and its exemptions reflects a graduated approach tied explicitly to income equity criteria.[24]

Cities are also leveraging land transfers as a vehicle to address complex historical inequities in novel ways. The city of Eureka, California, for example, transferred city-owned parcels of land to the Wiyot Native American tribe in what the National Congress of American Indians called the US's first-known voluntary municipal land return achieved without sale, lawsuit, or trade.[25] Some experts have classified this transfer as paying reparations to address past historical inequities created when the Wiyot tribe's land was seized by the federal government in the formation of the US via force and treaties.[26]

3. Integrating Equity into Intergovernmental Revenue Strategies

The integration of equity in intergovernmental revenue strategies is most prominent in instances when the higher level of government administering the funds includes equity as an explicit criterion related to the eligibility and use of revenues. Recent examples of this practice are visible with the ARPA. This recent legislation centers equity as a core value in the use of funds across various eligible purposes, most notably with the Coronavirus State and Local Fiscal Recovery Fund program.[27]

Many cities, including Buffalo, New York, and St. Louis, Missouri, have already filed recovery plan reports that offer planned uses of ARPA funds strongly guided by equity. In doing so, cities are also using data insights to convey how and why their spending will promote equitable outcomes. For example, Buffalo's ARPA spending proposal includes disaggregated data on service industry employment by race and various neighborhood maps of the city to contextualize its spending allocations (City of Buffalo 2021; Stimulus Advisory Board 2021).

Like the ARPA, the IIJA centers equity as a core value in the use of funds for various categories of infrastructure investment, including economic redevelopment, roads, highways, bridges, climate change mitigation, water, sewer, and other functional areas. In addition, the IIJA reauthorizes and expands eligibility for the Surface Transportation System Funding Alternatives Program to local governments. The new Strategic Innovation for Revenue Collection program will "test the design, acceptance, equity, and implementation of user-based alternative revenue mechanisms" such as road usage fees.[28]

Federal grant programs such as the Community Development Block Grant Program (CDBG) of the US Department of Housing and Urban Development also contain explicit criteria to channel investments to underserved areas with income inequities, known as qualified census tracts.[29] Savannah, for example, uses long-standing, intentional strategies to raise and use CDBG funds for purposes that reflect equity criteria aligned with the federal program's guidelines.[30]

4. Integrating Equity through Multiple Entry Points and Approaches

Encouraging city leaders to design equity-informed revenue strategies that focus on equity as both a process (for example, frameworks that factor community engagement and principles of equity in planning) and an outcome (for example, routinized evaluations showing distribution of tax benefits and liabilities by race and studying their impacts on the income and wealth of residents) is important. Leaders can adopt tactical strategies to maximize the degree to which the integration of equity into a revenue framework will yield stronger, measurable social determinants of equity in the city over time.

But cities across the US are at different stages of incorporating equity into their revenues. We present one way to categorize their progress along the continuum below (table 4).

TABLE 4

Continuum of Equity-Informed Revenue Approaches

None	Nascent	Emerging	Mature
No equity plan, framework, or process exists to guide revenue strategies. Or A citywide equity strategy exists that governs budgeting and finance matters, but such a strategy does not explicitly address revenues.	The city has articulated the desire to integrate an equity plan or framework to guide revenue strategies, but the integration of equity into revenue strategies is not yet operationalized or is in early stages of development.	The city has adopted principles and a process to integrate equity into revenue strategies for one or more types of revenues (taxes, fines, fees, intergovernmental aid, etc.) in a dedicated fund, and has started to develop a process to integrate equity considerations into all or part of the revenues that flow into the municipal general fund.	The city has adopted principles and a process to integrate equity into revenue strategies for one or more types of revenues (taxes, fines, fees, intergovernmental aid, etc.) in a dedicated fund and to govern the majority of municipal general fund revenues. And The city measures and tracks how the equity-informed revenue processes enhance determinants of equity[a] in the city over time and produce stronger equity outcomes.

Source: Authors' analysis.

[a] See, for example, Abigail Beatty, Dionne Foster, and King County Office of Performance, Strategy and Budget, "The Determinants of Equity: Identifying Indicators to Establish a Baseline of Equity in King County" (Seattle: King County, 2015), https://kingcounty.gov/~/media/elected/executive/equity-social-justice/2015/The_Determinants_of_Equity_Report.ashx.

We found only a handful of cities routinizing the use of equity plans or frameworks for all citywide revenue proposals, which we would classify in the "emerging" or "mature" stage of the spectrum. Among them is the District of Columbia, with its newly instituted Council Office of Racial Equity (CORE) and its racial equity impact assessments (REIAs). CORE defines the assessments as "careful and organized examinations of how different racial and ethnic groups will likely be affected by a proposed bill or resolution" and now requires REIAs when a committee of the city council is reviewing a bill and preparing to vote.[31]

On the revenue side, for example, CORE conducted a REIA on a tax rebate for real property taxes paid for DC Central Kitchen, a nonprofit charitable organization. CORE briefly explored the value of economic development subsidies at large, analyzed demographic data on food insecurity and unemployment by race in the city, and assessed who could benefit from the organization receiving the tax rebate. In doing so, CORE concluded that the tax rebate would hold the potential to advance racial equity in the District of Columbia, but suggested adding local hiring provisions and claw-back provisions in the bill for accountability.[32]

Since its inception in early 2021, CORE has published 10 REIAs that span a wide range of topics. REIAs do not replace the District's well-regarded fiscal impact statements, which estimate current-year and four-year financial plan costs of measures and whether sufficient funds exist to implement the legislation; these are required for all bills and public resolutions and are conducted by the city's Office of the Chief Financial Officer.[33] Each evaluation type follows some form of cost-benefit analysis with its own set of parameters: because REIAs are fairly new, it may be too early to tell how each evaluation will complement the other or how the city will resolve conflicts between their conclusions.

Cities at varying stages in the development of their equity-informed revenue strategies may proceed holistically, focusing on all revenues that flow into the city's general fund. Alternatively, cities can choose to start with a narrower or more targeted equity strategy that governs only revenues that flow into dedicated funds with a specific and explicit equity purpose (for example, a stabilization fund or an equity fund).

The strategic choice of which path to pursue as the starting point for action may turn on several factors, including political will, the state of the city's fiscal health, the different scales of impact the city desires to achieve, and how the city envisions making incremental progress in the future. Cities that have the room to choose between the strategic alternatives may consider how significant it may be to the city to boost revenues in their general fund or to divert what would otherwise be general fund revenues to dedicated funds, where revenues are restricted for equitable purposes.

In adopting new equitable revenue strategies, cities are pursuing a range of mechanisms:

- **Policy or program statements** articulating equity principles to govern separately managed discrete funds, the general fund, or the governmental fund, including fund balance policy statements. Examples across the range of equity policies and program statements are compiled by the National League of Cities.[34]
- **Charter amendments** articulating equity principles to govern separately managed discrete funds, the general fund, or the governmental fund. An example is the City of Baltimore's adoption of a charter amendment to authorize the establishment of a continuing, nonlapsing equity assistance fund.[35]

- **Ordinances, resolutions, or city council votes** articulating a commitment to equity principles to govern separately managed discrete funds, the general fund, or the governmental fund, and establish citywide equity approaches. An example is Arlington County's equity resolution to develop an equity scorecard with tangible targets and measures.[36]

Regardless of which mechanism is used, community engagement is essential, especially in communities that require voters to approve tax increases. An illustrative example is the efforts of the Transit Drives Indy coalition in Indiana, comprising stakeholders from a vast network of nonprofits, researchers, realtors, mayors, advocacy groups, and labor groups. Transit Drives Indy organized education and a speakers' series, developed messaging and community-based feedback strategies, and responded to media inquiries (Patras, Goebel, and Elam 2021). Its extensive engagement and outreach, starting in 2011, culminated in residents of Marion County, Indiana, passing a voter-approved tax increase to fund Indianapolis' public transit system in 2016, which was officially implemented in 2017.[37]

Conclusion

Cities that have already demonstrated a commitment to equity in budgeting are well positioned to expand their focus to integrate an equity lens into revenue strategies. Our research uncovered a range of approaches in how cities were conducting equity discussions or performing assessments and a range of entry points to reform or enhance a city's equity-informed revenue strategy. When we consider the challenges and opportunities of incorporating revenue strategies into equity plans, our review suggests the following best practices for city leaders and relevant stakeholders:

- Consider the resource base in addition to expenditure decisions in working toward a holistic equity strategy. Implementing and routinizing equity frameworks and evaluations for specific revenue streams, as well as revenue systems overall, is a step toward that opportunity.
- Adopt ways to track and measure by race, income, and other criteria periodic changes to revenue diversity, revenue dispersion, and the payment burden revenues place on residents. This, and other components of a data-driven strategy, will allow periodic review, enhancement, and calibration of equity-informed strategies to achieve desired equity outcomes.
- Note value capture strategies, particularly those premised on nonmonetary and in-kind resource generation, as an emerging area of importance that is often underutilized. Leaders are well served to review whether and how they are fully using such resources as they enhance the resource base and adopt equity-informed strategies to guide revenue decisions.
- Consider integrating inclusive community engagement strategies when engaging in revenue reform efforts, to ensure that the residents who will be impacted have a meaningful voice in the process.

Federal, state, and county government officials charged with the design of intergovernmental revenue programs are often the primary drivers of how and whether cities are enabled and encouraged to integrate equity in strategies they adopt with respect to such funds. As with the ARPA and the IIJA, federal policymakers and administrators can provide regulatory guidelines and technical assistance that equip state and local leaders to incorporate equity into not just intergovernmental revenue strategies, but also their own-source revenue strategies.

Notes

[1] See, for example, Opportunity Insights, "Economic Tracker: Businesses: Job Postings," Harvard University, accessed November 3, 2021, https://tracktherecovery.org/.

[2] "COVID-19 United States Cases by County," Johns Hopkins University, accessed November 3, 2021, https://coronavirus.jhu.edu/us-map.

[3] See, for example, New York City Independent Budget Office (2021).

[4] See, for example, "Risk for COVID-19 Infection, Hospitalization, and Death by Race/Ethnicity," Centers for Disease Control and Prevention, September 2021, https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html; and "Tracking COVID-19's Effects by Race and Ethnicity," Urban Institute, October 2021, https://www.urban.org/tracking-covid-19s-effects-race-and-ethnicity.

[5] "City Budgeting for Equity and Recovery," *Medium*, Bloomberg Philanthropies What Works Cities, August 17, 2020, https://medium.com/city-budgeting-for-equity-recovery/city-fiscal-health-and-equity-initiative-88563149f41.

[6] See, for example, Senator Elizabeth Warren's Office, "Warren, Bennet, Khanna, Phillips to Introduce the CBO FAIR Scoring Act," press release, August 11, 2021, https://www.warren.senate.gov/newsroom/press-releases/warren-bennet-khanna-phillips-to-introduce-the-cbo-fair-scoring-act.

[7] We compile financial data for local governments from the US Census Bureau's Census of Governments and Annual Survey of State and Local Government Finances. See US Census Bureau (2017) for definitions and coverage.

[8] The Census of Governments dataset categorizes incorporated villages, such as Monowi, Nebraska, as municipal governments.

[9] Richard Auxier, "What Police Spending Data Can (and Cannot) Explain amid Calls to Defund the Police," *Urban Wire* (blog), Urban Institute, June 9, 2020, https://www.urban.org/urban-wire/what-police-spending-data-can-and-cannot-explain-amid-calls-defund-police.

[10] The list of 28 cities is as follows: Akron (OH), Austin (TX), Birmingham (AL), Chattanooga (TN), Chula Vista (CA), Columbia (SC), Columbus (OH), Denver (CO), Durham (NC), Fort Collins (CO), Lincoln (NE), Madison (WI), New Orleans (LA), Oakland (CA), Peoria (IL), Philadelphia (PA), Providence (RI), Pueblo (CO), Rochester (NY), Salt Lake City (UT), Savannah (GA), Seattle (WA), Springfield (IL), Syracuse (NY), Tacoma (WA), Tampa (FL), Toledo (OH), and West Palm Beach (FL).

[11] For this subset of large cities, the latest Census data available are for 2019.

[12] We are committed to employing inclusive language whenever possible, though we acknowledge that not every member of this group may identify with the term "Latinx." Language is constantly evolving, and so will we.

[13] Sarah Calame and Aravind Boddupalli, "Fines and Forfeitures and Racial Disparities," *TaxVox* (blog), Urban-Brookings Tax Policy Center, August 14, 2020, https://www.taxpolicycenter.org/taxvox/fines-and-forfeitures-and-racial-disparities; Tracy Gordon and Sarah Gault, "Ferguson City Finances: Not the New Normal," *Urban Wire* (blog), Urban Institute, April 7, 2015, https://www.urban.org/urban-wire/ferguson-city-finances-not-new-normal.

[14] Disaggregating data by race and ethnicity can be challenging, especially if sufficient information is not available and if data privacy risks are associated with disseminating this information. For an examination of innovative statistical and analytic methods to append race and ethnicity onto datasets that lack those data, see Brown and colleagues (2021).

[15] An equity framework may feel like a new phenomenon to most states and localities. Broadly, equity frameworks are reporting templates or toolkits that can be deployed at any stage of a budget, policy, or project planning process to walk through motivations, expected outcomes, underlying evidence, community engagement practices, implementation strategies, accountability, or dissemination measures that integrate the consideration of equity into a fiscal process. Equity frameworks typically elevate markers of race and other social identities as criteria to evaluate the intents, outcomes, and impacts of policies, projects, or proposals. For example, a generic policy assessment tool examining a specific tax policy may consider its distributional impacts primarily by income and household type. An equity framework focused on tax policy, on the other hand, would implore those conducting the assessment to consider the policy's distributional impacts on race, among other factors.

[16] For cities in the CBER program, our qualitative analysis also included a review of city action plans prepared to address top financial challenges with an equity-centered lens, so that we might identify whether and how strategies were evolving to integrate an equity lens in future revenue decisionmaking.

[17] See Jeff Hodson, "Lower-Income Seattle Residents Consuming Fewer Sugary Drinks," *News and Events*, University of Washington School of Public Health, April 15, 2020, https://sph.washington.edu/news-events/news/lower-income-seattle-residents-consuming-fewer-sugary-drinks.

[18] Tracy Gordon, "Critics Argue the Property Tax Is Unfair. Do They Have a Point?," *TaxVox* (blog), Urban-Brookings Tax Policy Center, March 9, 2020, https://www.taxpolicycenter.org/taxvox/critics-argue-property-tax-unfair-do-they-have-point.

[19] The terms "equity" and "equality" are often used interchangeably but mean different things. See "Equity vs. Equality: What's the Difference?," George Washington University Online Public Health, November 5, 2020, https://onlinepublichealth.gwu.edu/resources/equity-vs-equality/.

[20] Abby Patkin, "Brookline to Use Some of its Marijuana Revenue to Help Minorities," *Wicked Local*, December 12, 2019, https://brookline.wickedlocal.com/news/20191212/brookline-to-use-some-of-its-marijuana-revenue-to-help-minorities; "Boston Racial Equity Fund," City of Boston's Treasury, February 2021, https://www.boston.gov/departments/treasury/boston-racial-equity-fund.

[21] Sabina Morris, John Hudak, and Christine Stenglein, "State Cannabis Reform is Putting Social Justice Front and Center," *FixGov* (blog), Brookings Institution, April 16, 2021, https://www.brookings.edu/blog/fixgov/2021/04/16/state-cannabis-reform-is-putting-social-justice-front-and-center/.

[22] Dan Adams, "Five Years Later, Legal Marijuana Remains Unfinished Business in Massachusetts," *Boston Globe*, November 7, 2021, https://www.bostonglobe.com/2021/11/07/marijuana/five-years-later-legal-marijuana-remains-unfinished-business-massachusetts/.

[23] Priya Sarathy Jones and Anjali Chainani, "Here's Why and How Cities across the Country Are Reforming Fines and Fees," *Medium*, Bloomberg Philanthropies What Works Cities, June 30, 2020, https://medium.com/city-budgeting-for-equity-recovery/heres-why-and-how-cities-across-the-country-are-reforming-fines-and-fees-77db642d1ba3.

[24] "Impact Fees—Low and Moderate Income Housing," City of Lincoln, NE, Transportation and Utilities Department, accessed November 3, 2021, https://www.lincoln.ne.gov/City/Departments/LTU/Transportation/ROW-Services/Impact-Fees/Low-and-Moderate-Income-Housing.

[25] "A Resolution of the Planning Commission of the City of Eureka Recommending the City Council Determine That the City-Owned Land Located on Indian Island in Humboldt Bay, APN: 405-011-011 Is Surplus Property," Resolution No. 2018-19 (2018), http://archives.ci.eureka.ca.gov/ecmxclient/File.ashx?id=107117&v=1&x=pdf.

[26] Sarah Holder, "This Land Is Your Land: A City Returns a Stolen Island to a Native Tribe," *CityLab*, Bloomberg, November 5, 2019, https://www.bloomberg.com/news/articles/2019-11-05/a-native-tribe-s-quest-to-reclaim-duluwat-island.

[27] "Coronavirus State and Local Fiscal Recovery Funds," US Department of the Treasury, accessed November 3, 2021, https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds.

[28] "H.R. 3684—Infrastructure Investment and Jobs Act," Congress.gov, accessed November 16, 2021, https://www.congress.gov/bill/117th-congress/house-bill/3684/text; "Fixing America's Surface Transportation

Act, or 'FAST Act'," Federal Highway Administration, accessed November 16, 2021, https://www.fhwa.dot.gov/fastact/factsheets/surftransfundaltfs.cfm.

[29] Per the US Department of Housing and Urban Development, the CDBG program "supports community development activities to build stronger and more resilient communities. Activities eligible for funding may address needs such as infrastructure, economic development projects, public facilities installation, community centers, housing rehabilitation, public services, clearance/acquisition, microenterprise assistance, code enforcement, homeowner assistance, etc." ("Community Development Block Grant," HUD Exchange, accessed November 12, 2021, https://www.hudexchange.info/programs/cdbg/). For an analysis of the CDBG program's efficacy, see, for example, US GAO (2005).

[30] "Grants and Contracts," City of Savannah's Office of the Chief Community Services Officer, accessed November 3, 2021, https://www.savannahga.gov/2494/Grants-and-Contracts.

[31] "Racial Equity Impact Assessments," District of Columbia Office of the Secretary, Council Office of Racial Equity, accessed November 3, 2021, https://www.dcracialequity.org/racial-equity-impact-assessments.

[32] "REIA Database," District of Columbia Office of the Secretary, Council Office of Racial Equity, accessed November 3, 2021, https://www.dcracialequity.org/reia-database.

[33] "Fiscal Impact Statements," District of Columbia Office of the Chief Financial Officer, accessed November 3, 2021, https://cfo.dc.gov/service/fiscal-impact-statements.

[34] "Repository of City Racial Equity Policies and Decisions," National League of Cities, accessed November 3, 2021, https://www.nlc.org/resource/repository-of-city-racial-equity-policies-and-decisions/.

[35] "Charter Amendment—Equity Assistance Fund," City of Baltimore City Council, 2021, https://baltimore.legistar.com/LegislationDetail.aspx?ID=3479032&GUID=62CED207-15CB-4607-AB63-9670C0A0366B.

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About the Authors

Aravind Boddupalli is a research analyst in the Urban-Brookings Tax Policy Center, where he contributes to projects regarding federal, state, and local tax and budget issues. His research interests include economic development and inclusive and accessible policymaking to reduce wealth disparities and ensure government resources support marginalized communities in the United States. Boddupalli graduated summa cum laude from the University of Minnesota, Twin Cities, with a BA in economics and political science.

Tracy Gordon is the acting Robert C. Pozen director of the Urban-Brookings Tax Policy Center, where she researches and writes about fiscal challenges facing state and local governments, including budget trade-offs, intergovernmental relations, and long-term sustainability. Before joining Urban, Gordon was a senior economist with the White House Council of Economic Advisers. She was also a fellow at the Brookings Institution, assistant professor at the University of Maryland School of Public Policy, and fellow at the Public Policy Institute of California. Gordon was a member of the District of Columbia Infrastructure Task Force and the District of Columbia Tax Revision Commission. She serves on the board of trustees for the American Tax Policy Institute and the California Budget & Policy Center.

Lourdes Germán, JD, leads the curriculum development for the Bloomberg Philanthropies What Works Cities City Budgeting for Equity and Recovery Program. Lourdes also serves on the faculty of the Harvard University graduate school of design, directs the Public Finance Initiative (a fiscally sponsored project of Third Sector New England), and serves as chair of the Massachusetts State Finance and Governance Board. Before her current roles, Lourdes spent over a decade leading public finance initiatives at various organizations, including Fidelity Investments, Breckinridge Capital Advisors, and the Lincoln Institute of Land Policy, and working with several higher education institutions that include Boston College, Boston University, and the Northeastern University School of Law.

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500 L'Enfant Plaza SW
Washington, DC 20024

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