Catherine Susman, Budget Format Paper

Introduction
In a technical sense, a budget provides an entity's financial position during a fixed period of time based on estimated revenues and expenses during that time period and, most importantly, it balances the proposed revenues against the proposed expenses (Willoughby 2014, 3). While this definition of a budget and budgeting seems very technical, due to the requirement for balance, all budgets require choices which implies a decision-making process that involves politics (Rubin 2017, 1-2). This other, less obvious, aspect of budgeting provides great insights into understanding the public entity, its politics, its citizens, and their culture (Willoughby 2014, 4). Analyzing the format and structure of the budgets of two government entities for this paper, the City of Shreveport and the City of Ashland, will likewise provide a greater understanding of those entities and their communities.

Characteristics of the Cities
The following Table 1 provides a summary of the characteristics of each city:

Table 1 – City Characteristics:

	City of Ashland	**City of Shreveport**
Population	Approximately 20,000	Approximately 200,000
Form of Government	Mayor/Counsel	Mayor/Counsel
State Tax Burden	8.38%	8.43%
Budget Process	Bottom Up	Bottom Up
Primary Revenue Source	Property Tax	Sales Tax
Total Operating Budget	$244,011,421	$497,615,309

Both Shreveport and Ashland have a mayor-council form of government (City of Shreveport 2017, 23; City of Ashland 2017, 1-2). The overall tax burden[1] on citizens within Louisiana and Oregon is very similar at 8.43% and 8.38%, respectively (McCann 2018). Additionally, similar to most local governments, both cities use a bottom-up method of budgeting where the initial budget requests are generated at the program or department level (Rubin 2017, 95). After these few similarities, however, the budgets and processes of the two cities start to diverge.

Shreveport is located in a fiscally conservative, predominately Republican state (McCann 2018). It is the third largest city in Louisiana and has a population of approximately 200,000 (City of Shreveport 2017, 15). Shreveport's total operating budget for 2017 was $497,615,309 (5). In contrast, Ashland is located in a liberal, predominately Democratic state (McCann 2018). Its population is approximately 20,000 (City of Ashland 2017, 1-3). However, while Ashland's population is 10% that of Shreveport's population, its total 2017 operating budget is $244,011,421, almost half of Shreveport's operating budget (1-25).

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[1] Total tax burden is measured as the percent of personal income and individual pays for state and local taxes (McCann 2018).

Further contrast between the cities can be seen by review of the primary sources of revenue. Most commonly, the primary source of revenue for local governments, including municipalities, is property taxes (Willoughby 2014, 131). Consistent with this statistic, property taxes are one of the largest revenue sources for Ashland's General Fund (City of Ashland 2017, 1-4). In contrast, sales tax is Shreveport's largest revenue source for its General Fund (City of Shreveport 2017, 3).

These differing sources of revenue affect the citizen of the two cities differently, thus highlighting the differing politics and culture (Rubin 2017, 45). Ashland tends to have a more progressive tax structure that tends to tax the wealthy more heavily than the poor because property taxes are, to some extent, tied to an individual's wealth (i.e., ownership of property) (46). This progressive tax base is consistent with the more liberal, Democratic culture of Ashland (47). In contrast, Shreveport tends to rely on a more regressive tax structure that taxes the poor more heavily than the wealthy since sales taxes generally burdens the poor more than the wealthy (46-47). The regressive tax base is consistent with the more conservative, Republican culture of Shreveport (47). The following graphs provide an overview of the primary revenue sources and expenditures for each city:

Graph 1 - Budget Revenue Sources:

City of Ashland	City of Shreveport
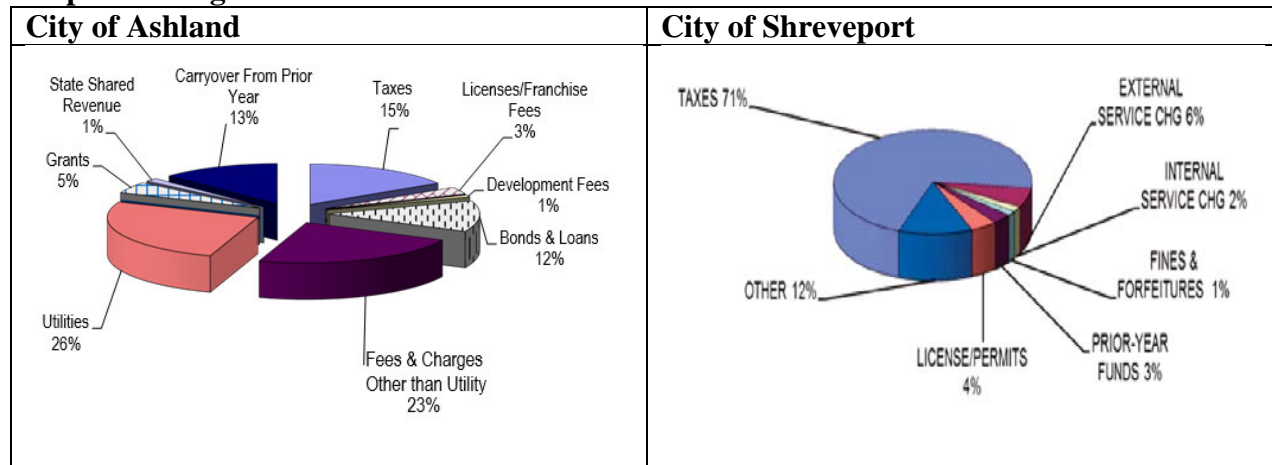
Graph 2 - Budget Expenditure Categories:

City of Ashland	City of Shreveport
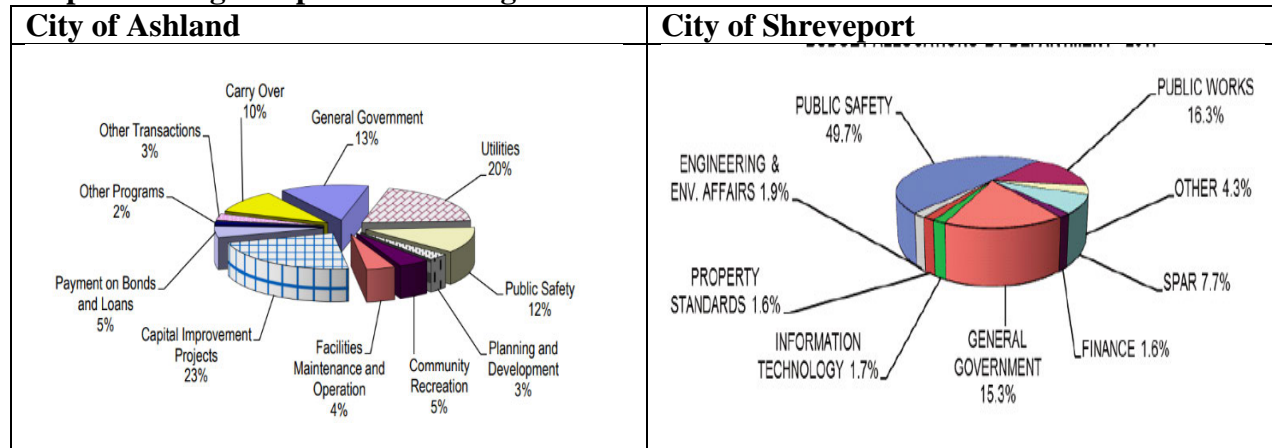
One additional interesting similarity is both cities want to grow their respective movie industries. Shreveport prides itself on being known as the "Hollywood South" (City of Shreveport 2017, 16). Ashland's City Council goals include supporting the growth of the film industry (City of Ashland 2017, 1-18). This focus is consistent with a nationwide trend of state and local governments working to attract the movie industry (Rubin 2017, 60). Unfortunately, the trend generally has been shown not to be cost-effective (60-61). The growth of the film industry was listed as a discretionary council goal in Ashland's budget, so there were no budget amounts listed (City of Ashland 2017, 1-16 - 1-18). For Shreveport, I was able to determine there was one full-time director level position devoted to the industry and that its budget was with the Riverfront Development Fund (City of Shreveport 2017, 59). I was, however, unable to tell what, if any, revenues were earned, or any expenditures and possible subsidies spent in support of this industry.

Major Goals, Issues, Challenges, and Initiatives
The largest constraint and challenge to budgeting for a local public entity is the requirement that they have a balanced budget (Rubin 2017, 184). This constraint is shown in both the City of Ashland's and the City of Shreveport's overarching goal of maintaining a sound financial position and balanced budget (City of Shreveport 2017, 1; City of Ashland 2017, 1-3). The two cities also both face significant challenges due to rising pension and health care costs. Table 2 on page 4 summarizes these key challenges faced by each city and each city's economic outlook.

In order to address the continuing challenge caused by unfunded pension liabilities and rising employee healthcare costs, both cities increased funding in these two areas. For its 2017 budget, Shreveport increased its funding for its retirement system by 2% and its funding for employee healthcare by 7% (City of Shreveport 2017, 2). This increases combined with past increases since 2008, has resulted in a 119% increase in funding for pensions and employee healthcare, which equates to $29.6 million in additional funding for these areas (3). During the same period, however, Shreveport's main source of revenue, sales tax, increased by only $9.2 million (2). This has caused Shreveport to continuously cut expenditures in other areas as well as find additional revenue sources (3-4). Similarly, Ashland's costs for its pension liabilities and employee healthcare costs are growing rapidly. For its 2017 biennium budget, Ashland increased its pension contributions by 19.9% and employee health care costs by 15.3% over the prior budget period (City of Ashland 2017, 1-3). In an effort to recoup and contain rising pension and health care costs, Ashland continued its freeze on new positions (1-3).

Other challenges faced by Shreveport are its stagnant economy, decreasing sales tax revenue and the correspondingly required decreasing expenditure level (City of Shreveport 2017, 5-7). Shreveport's ability to build its operating reserves (contingency funds) is hampered by its stagnant economy (7). To be fiscally sound, Shreveport should have reserves equaling 7% of its operating expenditures; however, as of 2017 Shreveport only has reserves equaling 2.8% of its operating expenditures (7). Finally, due to violations of the Clean Water Act, Shreveport is under a 2014 Consent Decree with the U.S. Department of Justice and the Louisiana Department of Environmental Quality, requiring it to fully repair its sewer system (217). Under the Consent Decree, Shreveport has 12 years to complete all repairs, estimated to cost over $350 million (217). Given these challenges, it is not surprising that one of Shreveport's top four priorities for its 2017 budget year was to encourage city personnel to do more with less (City of Shreveport

2017, 2). Hopefully, the outcome of Shreveport's sewer system replacement will be significantly better than that of Jefferson County, Alabama (Willoughby 2014, 145-147).

Ashland's budget outlook is more positive than Shreveport's due to Ashland's growing economy and increased revenue projections (City of Ashland 2017, 1-4). Unlike the stagnant budget faced by Shreveport, Ashland's biennial budget for 2017-2019 increased by 19.1% over its prior biennial budget for 2015-2017 (1-4). Ashland's increased budget was, in part, fueled by an estimated 3.5% increase in its main general fund revenue source, property taxes (1-4). Further, Ashland's budget includes sufficient contingencies fund amounts in all but a few areas (1-4). Other than pension and employee healthcare costs, Ashland's faces the unique challenge of an overly involved citizenry (1-3). This unique challenge requires significant effort on the part of the city to continue to ensure sound fiscal management against the ever-growing demand for additional and new services by its citizens (1-7).

Table 2 - Major Issues and Challenges:

	City of Ashland	**City of Shreveport**
Challenges	19.9% increase in pension costs; and 17.3% increase in health care costs	2% increase in pension costs; and 7% increase in health care costs
Economic Outlook	Growing	Stagnant

Elected Leaders and General Public Involvement in the Budgeting Process
As noted above, both Ashland and Shreveport utilize a bottom-up budgeting process. In Shreveport, the budgeting process starts with the various department heads and the Chief Administrative Officer (CAO), all of which are appointed positions (City of Shreveport 2017, 27). Based on these meetings, the CAO compiles the budget requests and submits them to the Mayor, an elected position (27). Ultimately, the Mayor then submits the budget to the City Council (27). Once submitted, the City Council must schedule one or more public hearings on the budget prior to its adoption (27). Like the majority of cities, Shreveport uses the public hearing process as its method of involving the public in the budgeting process (Willoughby 2014, 281).

Ashland's budget process also starts with a series of meetings and discussions with department heads (City of Ashland 2017, 22). However, these meetings also include the elected mayor and City Council (22). These meetings are used to determine the priorities and goals for the next year (22). Once the priorities and goas are set, the preliminary budget is given to the Budget Committee (22). The Budget Committee includes not only the Mayor and City Council, but also seven members of the public (22). Additionally, Ashland engages in further public outreach by publishing the recommended budget in its local newspaper. Lastly, the City Council holds one or more public hearings on the budget prior to its adoption (22). Interestingly, and in contrast to Shreveport's public hearing process, Ashland's has a provision for sending the proposed budget back to the Budget Committee for additional work if the public hearings result in proposed budget changes (22).

Given Ashland's highly involved citizenry, it is not surprising that Ashland's budget process is more open and encouraging of public participation than Shreveport's process. While Ashland's

citizens' involvement does create unique stresses on the city, Ashland has a strong financial position (City of Ashland 2017, 1-6 – 1-7). Further, research shows public participation in the budgeting process is linked to increased organizational performance (Willoughby 2014, 290). Given Shreveport's budget challenges, Shreveport should explore ways to increase public participation in its budgeting process.

Readability and Other Differences from a Standard Budget:
The most obvious difference between the budget formats of the Cities of Ashland and Shreveport and that of a typical local or state budget as shown by the State of New Jersey's and the City of Albany, New York's, is the readability of the budgets. All the budgets have some type of summary or budget message, but the readability and effectiveness of the messages vary greatly. For example, New Jersey's budget summary is 89 pages and while parts of it provide good background for understanding the budget, the summary itself is quite dense, lengthy, and not well connected (State of New Jersey 2018). Albany budget's introduction is easy to read, but it does not provide the reader with a good understanding of the city and its unique qualities and needs (City of Albany 2018). In contrast, the budgets for both the Cities of Shreveport and Ashland draw the reader in by providing historical background on the cities, highlight their unique features and needs, and provide context for the financial details to come (City of Shreveport 2017, 1-16; City of Ashland 2017, 1-2 – 1-15).   This additional context makes the budgets for Ashland and Shreveport read like more a story than a technical document.

Further, the budgets of Shreveport and Ashland utilize different means to present the same information, such as using narratives, charts, graphs, and tables. I found it extremely helpful to read the narrative details, and then see those same details graphically displayed in a chart and further organized in a table. This multiple option presentation of the financial information made a significant difference in being able to easily analyze and comprehend the information presented.

Lastly, given the length of the average budget, having the electronic copy of the budget include some pre-set tabs for ease of navigation was an extremely helpful feature. Both Ashland's and Shreveport's budgets included preset tabs to help the reader navigate the various portions of the budget document. In contrast, the City of Albany did not have any preset tabs and, while the State of New Jersey's Budget Summary contained preset tabs, most of them did not work.

Use of Program and Performance Techniques
As shown in Table 3 on page 6, both Shreveport and Ashland provide performance measures as part of their budgets. Specifically, each of the department summaries provided in Ashland's budget includes that department's performance measures. For the most part, each department summary includes identification of the performance measure itself and the target for that measure (City of Ashland 2017). The one exception, however, is the performance measure for the degree of citizen participation which only tracks the city's resources expended in supporting citizen participation (2-4). Shreveport is just beginning its process of using of these techniques in connection with its first needs-based strategic plan (City of Shreveport 2017, 4). The majority of the department summaries in Shreveport's budget include the identification of the performance measures and the corresponding goal for such measure (City of Shreveport 2017).

Most government budgeting utilizing performance measures use those measures to help inform their budgeting decisions, rather than as the basis for allocating resources under the budget (Willoughby 2014, 323). Consistent with the majority of governments, it appears Ashland and Shreveport utilize their performance measures as a type of performance-informed budgeting. While the individual departments' performance measures listed in Ashland's and Shreveport's budgets do tie to the listed goals for the respective department, it is not possible to tell how well the cities have met prior performance measures or if their respective budget allocations are based on the results of these performance measures.

Table 3 – Use of Performance Measures:

	City of Ashland	**City of Shreveport**
Includes Performance Measures	Yes	Yes – just beginning

Innovative Features
The innovative feature that stood out to me in Shreveport's budget was its adoption of a strategic plan specifically based on a needs assessment of each of the city's functions (City of Shreveport 2017, 4). Shreveport's needs-based strategic plan includes outlining benchmarks and performance goals (4). While Shreveport is very early in the process of strategic planning with performance budgeting, the longer Shreveport utilizes this process, the more performance-based its budgeting will become (Willoughby 2014, 328).

The innovative feature that stood out to me in Ashland's budget was the formation of its first Climate and Energy Action Plan (CEAP) (City of Ashland 2017, 5). CEAP provides for carbon reductions for both the city's operations as well as the community as a whole (5). Commencing in 2017, most city department will start incorporating CEAP activities (5).

Conclusion
Overall, the budget documents and the choices made within them reflected the culture of the cities and their respective citizens. Shreveport's budget with its focus on business and its tax structure reflect its conservative community. Ashland's budget with its focus on citizen involvement, its tax structure, and its adoption of the CEAP reflect its liberal community.

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