

THE POLITICS OF CUTBACK BUDGETING
AN ANALYSIS OF LOCAL GOVERNMENT RESPONSES TO PROPOSITION 2½

by

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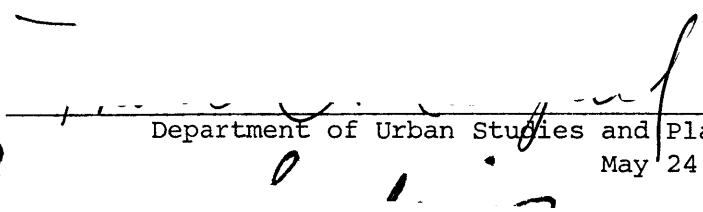
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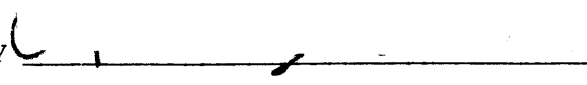
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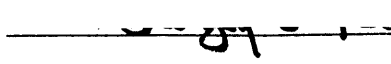
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THOMAS ALEXANDER CAMPBELL

Submitted to the Department of Urban Studies and Planning
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ABSTRACT

An analysis of local government strategies to cutback expenditures mandated by Proposition 2 1/2 in Massachusetts is the focus of this thesis. Ten local governments in Massachusetts, five cities and five towns are used to evaluate the way local governments develop their budgets in period of retrenchment.

The study of local government cutback strategies is primarily a study of the politics of the budgetary process: fiscal and political constraints limit budget priorities; certain groups are more vulnerable to or protect themselves from cuts; management centralizes its budgetary authority; revenue uncertainty and new revenue options must be considered; and, efficiency improved when cuts have a demoralizing effect on the workforce. These considerations reflect the political realities that confront budget-makers and serve as the key points that are discussed in the thesis. The thesis is organized to represent the stages of the budget process and to develop the interactive nature of the budget process between executives, elected officials, and interest groups.

The thesis shows that local governments do not develop explicit cutback strategies to cope with cutbacks. Rather, priorities were guided by a very general set of criteria. In this environment, more organized groups in public safety, fire services and garbage collection were spared from large cuts. The result of protecting "harder" services was to force the major reductions into "softer" services--libraries, education, parks and recreation, and human services. The thesis concludes with a series of recommendations designed to improve and integrate planning into the municipal budgeting process.

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INTRODUCTION

Local governments in Massachusetts are facing a major dilemma: how can public services be maintained while state mandated property reductions are causing local revenues to decline? Local officials are being pressed to respond to cutbacks with more efficient management, to search for new revenues, and to determine which programs, if any, can be reduced. Business Week suggests that the current crisis in local government finance is more serious than at any other time in our recent past. Four separate forces are at work: federal aid to state and local governments, after growing almost fourfold in the 1970's, will be reduced by 11 percent in 1983; state and local tax bases are shrinking due to tax limitation measures and taxes that are tied to cuts in federal taxes; municipal bonds are not nearly so attractive as they once were; and interest rates have reached record-breaking levels--doubling the rates that states and municipalities must pay for money since 1977. The effect of these four forces, plus a fifth, inflation, poses a severe threat to basic government services such as public safety, sewer, water, libraries, roads, mass transit, and education. ⁽¹⁾ In addition, an increasing percentage of local expenditures must be committed to "fixed costs" (e.g., repayment of loans, insurance, pensions, etc.) shifting the burden of cuts to direct public services. ⁽²⁾ The result, of course, is expanding pressure from citizens, employees, and special interest groups.

The purpose of this thesis is to identify and understand the strategies that local governments in Massachusetts have used to reduce expenditures and to cope with demands to protect certain jobs and service levels. The study of local cutback strategies is primarily a study of the politics

of the budgetary process. Political activity is the pursuit of individual or group goals within a decision-making structure.⁽³⁾ Political action is motivated by varying conceptions of the goals and priorities which are at issue: the political process entails negotiation and argument about which choices ought to be made.⁽⁴⁾

There are four basic questions that must be answered once it is clear that cutbacks must be made:

1. Which programs and which groups will absorb the burdens of the cuts?
2. What is the fairest process for apportioning reductions?
3. What new sources of revenue, if any, can be used to prevent losses in services?
4. How can productivity be enhanced?

These questions provide the framework within which cutback strategies are implemented. Typically, in local government, top management or the chief executive articulates a strategy aimed at coping with the "reality of the decline" taking account of both employment demands and service needs.

Etzioni has described the problem for the political decisionmaker: "The dilemma of power is how to increase the capacity to act without generating counter-currents so that the very movement forward will not reduce the capacity to move on this and future occasions."⁽⁵⁾ There is often a lack of consensus about the necessity and legitimacy of proposed cutbacks.

When groups mobilize to protect their political positions and to resist cuts, local officials must sort through the conflicts, seeking to minimize opposition, resistance, and generate agreement on which programs should be cut, what process should be used, the revenues that can be applied to the deficit, and steps to enhance efficiency.

While local officials can almost always produce a logical rationale for a particular package of cuts and revenue augmentation tactics, in implementing a cutback strategy a different set of more vexing political considerations emerges.

1. What are the immoveable fiscal and political constraints that limit budget priorities?
2. Which groups are able to protect themselves from cuts and which are more vulnerable to budget-cutting?
3. How can management maintain its authority while involving others in the budget process?
4. How can revenue uncertainty be handled and new revenue options considered in the budget process?
5. How can efficiency and productivity be improved when declining resources have a demoralizing effect on the workforce?

These considerations reflect the political realities that confront the budget-maker: they will serve as the key questions to be examined in my thesis. My interest is in the dynamics among the key actors: management, elected officials, department heads, unions, and citizens. In the budget process the chief executive or administrator is responsible for proposing a budget and developing a cutback strategy. This spending plan is typically reviewed and responded to by other actors--department heads, elected officials--the City Council or Board of Selectmen, and citizen advisory boards, and is often challenged by still other groups--unions, neighborhood associations, and citizens. Conflicts emerge and necessitate resolution.

Before analyzing the budget process used by local governments in Massachusetts to respond to the tax cutting mandate of Proposition 2½,

some speculation as to the kinds of findings I expected to uncover might be useful. Cutback budgeting places officials in the uncomfortable position of having to make choices among different, but equally valued services. Politicians must not only satisfy different constituencies (with fewer resources), but seek to transform losses into gains through improved efficiency, greater responsiveness to voters, or better coordination of decision-making. Thus I expected management to:

- minimize hostile reactions by avoiding lay-offs (i.e., cutting at the margins and eliminating the programs with the weakest political support.);
- centralize their budget authority to protect themselves from unexpected attacks and to maximize their control over the flow of information;
- invent new sources of revenue to avoid cutbacks and to win support from key interest groups;
- promote productivity enhancement to demonstrate to voters that each tax dollar is being stretched as far as possible.

In reaction to such moves by management, other interest groups could be expected to:

- challenge the legitimacy of executive authority and seek greater involvement in cutback and priority-setting decisions;
- protect certain programs from cutbacks by mobilizing political support;
- lobby for an additional share of whatever new revenues are generated.

Proposition 2½ and the Case Studies

In Massachusetts, Proposition 2½ passed in November, 1980, forcing local governments to make substantial cuts in municipal spending. Larger cities faced the prospect of 15 percent cuts annually for three or more

years. This initiative pushed Massachusetts into the forefront of states whose local governments faced revenue reductions, making it an appropriate laboratory for an analysis of responses to retrenchment.

Proposition 2½'s most severe provision limits total local property tax levies to 2.5 percent of full and fair cash value of taxable property.⁽⁶⁾ Localities with tax rates above this level are required to lower their rates to the 2.5 percent limit or reduce levies by 15 percent annually until the required limit is reached. Once the stipulated limit is reached, tax levies may not increase by more than 2.5 percent annually. No increases were permitted for growth in the property tax base, nor were towns with tax rates less than 2.5 percent permitted higher increases. For those communities which were not at full and fair cash value, revaluation had to be completed within three years and could in some cases, lead to a one-time increase in the property tax levy. Finally, Proposition 2½ reduced the motor vehicle excise tax rate from \$66 per \$1000 of value to \$25 per \$1000, a decrease of some 60 percent. (The excise tax is based on state determined valuations, but is collected and retained by municipalities.) Voters were permitted to override Proposition 2½, but only by a two-thirds vote in a local referendum held during a state-wide election.

Other sections of Proposition 2½ modified statutory requirements which purportedly contributed to high local expenditures. The law forbade the state to mandate programs imposing costs on local governments unless the legislature also appropriates funds to cover such costs. Increases in county, special district, or special authority assessments on municipalities were limited to no more than 4 percent. Proposition 2½ also eliminated the fiscal autonomy of school committees; no longer were local legislative bodies required to accept school budgets as presented

to them by locally elected school committees. Finally, the law ended binding arbitration for police officers and firefighters (enacted in a comprehensive state collective bargaining law in 1974) designed to resolve intractable disputes and avoid strikes.

As part of the "Impact: 2½" project at M.I.T., case studies of thirteen local governments in Massachusetts were conducted to learn how communities facing large tax rollbacks went about the task of deciding where and how to cut. The team set out to learn how Proposition 2½ constrained budget-making in various municipalities; how local officials attempted to preserve or cut particular programs and personnel; whether and how power shifted in budget-making; and, finally how officials, employees, and citizens viewed Proposition 2½'s immediate consequences. Each case was written using the same basic outline of questions. A similar set of actors was interviewed in each case to develop a representative set of local opinions. Interviews were conducted with local officials, public employees, representatives of the poor and minority groups, neighborhood activists, service providers, the press, and business spokespersons.

For the purposes of this thesis, I will be relying on ten of the case studies. I decided not to include three of the smallest towns because of the small cutbacks they had to make. The case study sites were initially chosen because the municipalities involved faced the prospect of large revenue losses. As we shall see, revaluation and increased state aid blunted the adverse impacts that might otherwise have been expected. Throughout the thesis the experiences of the five case study cities will be juxtaposed against the five case study towns highlighting the contrast between the two types of local governments. The cities, for the most part,

have highly centralized decision-making, with the mayors retaining much of the control over the budget process. The towns, in contrast, are highly decentralized with fragmented authority assigned to a variety of different actors and boards. In addition, both the City of Cambridge and the Town of Arlington employ strong managers and have incorporated advanced budgeting techniques such as program and zero-based budgeting. These provide a useful comparison with municipalities that have not yet professionalized their local management to the same degree.

Basic demographic and expenditure data are provided on the following page. The differences among the case study cities and towns are striking. The cities lost population between 1970 and 1980 and typically had higher per capita expenditure and tax rates. The shift in population has been the result, in large part, of the movement of individuals and families to the suburbs and outlying towns.⁽⁷⁾ Arlington, the only town to lose population, is an "inner" bedroom suburb of Boston with a highly mobile citizenry.⁽⁸⁾ The differences in expenditures among the cities and towns is partially explained by higher infrastructure, transportation, protective service, and maintenance costs associated with the older cities in Massachusetts.

The case studies of cities and towns prepared by the "Impact 2½" project all involved communities facing between 11 and 19 percent revenue losses as a result of Proposition 2½. Table 2 on page details the revenue losses faced by the case study communities. The cities, again, have been the hardest hit by Proposition 2½. Columns one and two demonstrate the potentially devastating consequences of the tax limitation measure. The mandated property tax rollback is an approximation of the tax revenue that will be lost. The percent tax rollback shows the number

TABLE 1

INTRODUCTORY DATA FOR CASE STUDY COMMUNITIES

<u>Place</u>	<u>Population</u>	<u>1970-1980 Population Change</u>	<u>1970 Per Capita Income</u>	<u>Per Capita Exp. 1980</u>	<u>Actual 1981 Tax Rate</u>	<u>Effective Tax Rate</u>	<u>% Residential*</u>
<u>CITIES</u>							
Cambridge	95,322	-10%	\$5,436	\$1240	\$230	62%	42
Chelsea	25,431	-17%	7,228	850	245	92	35
Quincy	84,743	-3.6%	9,076	1220	242	58	52
Salem	38,220	-5.7%	8,400	1130	205	41	43
Springfield	152,319	-7.0%	7,343	850	91	48	52
<u>TOWNS</u>							
Arlington	48,219	-10.0%	10,636	750	87	40	91
Bridgewater	17,202	34.0%	9,850	600	44	35	78
Burlington	23,486	6.8%	13,096	1070	70	34	54
Framingham	65,113	1.6%	10,604	829	66	35	68
Marshfield	<u>20,916</u>	<u>37.0%</u>	<u>12,670</u>	<u>860</u>	<u>70</u>	<u>35</u>	<u>84</u>
STATE AVERAGES	-	.8 increase	6,113	\$837		43.75	

* % Residential: $\frac{\text{Resid. Prop. Tax Levy } (\$) \text{ 1980}}{\text{Total Prop. Tax Levy 1980}}$

Source: Impact: 2½ Data Base

of years of 15 percent cuts that will have to be taken in order to fully comply with the law. For Chelsea and Cambridge, this could possibly mean four years of cutting. Quincy and Salem face two to three years of 15 percent cutbacks in property tax revenues. Although revaluation, state aid, and the potential use of the override provision could reduce these cuts to some extent,⁽⁹⁾ the cities must confront the reality of cutbacks beyond first year revenue losses. The towns in most cases would be able to comply with the law by taking cuts in the first year. The motor vehicle excise tax reduction combined with property tax cuts to give a first year loss of revenue in column four. This figure is then taken as a percentage of total FY 81 appropriations to indicate the extent of the first year revenue losses. These ranged from 11 to 19 percent.

Organization of the Thesis

The thesis is organized into seven chapters which roughly represent the stages in the budget process. The first chapter presents an overview of local government cutback strategies and discusses the setting of budgetary priorities and opening management positions. The second chapter analyzes the negotiation tactics used to challenge proposed budget priorities. These tactics will be evaluated with regard to their impact on the goals of various groups and the community at-large. The third chapter discusses the problems of finding additional revenue and improving efficiency. The fourth chapter looks at the involvement of local legislative bodies and their ability to review and respond to cuts proposed by powerful managers. Chapters five and six look at the allocation of additional state aid and the final distributions of appropriations across places. The final chapter discusses a range of proposals for improving the local

TABLE 2

REVENUE LOSSES FACED BY CASE STUDY COMMUNITIES

<u>Place</u>	<u>Mandated Property Tax Rollback \$(millions)</u>	<u>Tax Rollback* (%)</u>	<u>Excise Tax Loss \$(millions)</u>	<u>Projected First Year Revenue Loss \$(millions)</u>	<u>%</u>
<u>CITIES</u>					
Cambridge	47.60	60	2.70	14.60	12
Chelsea	10.00	69	.40	2.57	17
Quincy	34.00	51	1.60	11.6	11
Salem	9.20	37	1.00	4.73	11
Springfield	31.00	50	3.17	12.47	11.5
<u>TOWNS</u>					
Arlington	9.40	30	1.50	6.2	16
Bridgewater	1.32	19	.45	1.49	15
Burlington	2.50	15	1.00	3.5	13
Framingham	8.50	15	2.50	11.0	19
Marshfield	1.50	12.5	.70	2.2	12

*Tax Rollbacks: $\frac{\text{Prop. Tax Levy 1980} - (\text{Equal. Valuation 1980} \times .025)}{\text{Property Tax 1980}}$

Source: Impact: 2½ Data Base

budgeting process.

The thesis I will seek to substantiate is that local governments do not develop explicit strategies to cope with cutbacks. Rather, officials seek short-term strategies aimed at centralizing their control therefore letting the budget process run its course. This course of action protects politically sensitive groups from the weight of cuts and shifts the burden of cutbacks onto weaker groups. There seems to be no conscious effort to set criteria upon which budget priorities could be set or to establish bottom-line measures of service quality and quantity. This allows politically active groups to gain a greater share of available funds. Legislative bodies do not play much of a part in setting budget priorities.

Public involvement and protest were limited in most cases, thus it was difficult to determine if cuts represent community choices. Certainly, another round of cuts made in a similar fashion will have devastating effects on certain services.

A Final Caveat

It is not possible given the scope of this thesis to portray the link between cutback strategy and outcomes as explicitly as I would like. First, the available case studies focused on the cutback process, not on outcomes. Even under the best of circumstances, it is difficult to isolate specific connections between strategies and outcomes. The cases were based on only the first year experiences under Proposition 2½--the full set of impacts will not be clear for several years. Thus, my basic concern is the budget process. I have sought to develop certain themes that should lead to a greater understanding of cutback politics.

I. SETTING BUDGET PRIORITIES: LOCAL GOVERNMENT CUTBACK STRATEGIES
IN RESPONSE TO PROPOSITION 2½

This chapter analyzes the process by which key administrative personnel set budget priorities and developed cutback strategies in response to reductions mandated by Propostion 2½. In order to better characterize these strategies, a brief theoretical framework is provided.

Cutback strategies are often not made explicit by management. By analyzing the actions taken by local governments, I will try to characterize their administrative actions. In a sense, proposed budget priorities present management's opening position and set the stage for subsequent political bargaining. By and large, the goal for management in the budget process is to minimize resistance and establish a strong bargaining position from which to extract cuts from departments and lobby for additional state aid. Thus, setting budget priorities involves deliberate political purpose. It establishes a baseline of cuts which demonstrate the gravity of the fiscal "crisis" and provides an argument for increasing the control that central authorities exercise in the budget process.

This chapter will seek to show that explicit cutback strategies were not developed in the Massachusetts case study cities and towns due in part to the lack of good information about spending within departments, resistance from agencies and organized groups, revenue uncertainty, and the desire to pursue political goals. Rational moves to enhance efficiency were largely absent. Budget authority was centralized to reduce conflict and to develop sufficient power to implement cuts. Priorities that were set were justified by very general criteria.

A. Theoretical Considerations

The recent literature on the politics of municipal budgeting enumerates various strategies that local governments use in periods of retrenchment. These "coping" strategies represent a range of responses available to local officials including approaches to cutting expenditures as well as approaches to boosting revenues. For the most part, the literature describes managerial responses rather than the political dynamics of the budgeting process. Cutback strategies often build around a central rationale such as "cut the fat", "preserve future options", "minimize cutbacks to mitigate the crisis", and "engage in an orderly process of programmed termination".⁽¹⁰⁾

The choice of a cutback strategy usually hinges on a trade-off between equity and efficiency. The term equity is used interchangeably with fairness to describe the distribution of services among individuals, groups, and geographic areas.⁽¹¹⁾ Wildavsky has argued, however, that one standard of equity should be the equality of results, seeking to show that all groups will be affected in a similar way.⁽¹²⁾ For purposes of the analysis of cutback strategies, distributing cuts according to the equity rule involves sharing the burdens so that all employees and services receive a cut proportional to the amount of revenues lost.⁽¹³⁾ This type of strategy usually involves an across-the-board reduction. One of the political advantages of this strategy is that it avoids having to negotiate cuts on a case-by-case basis or the need to evaluate services on a department-by-department basis.

The other approach is to make cuts according to an efficiency analysis. The term efficiency, as Schultze has pointed out, should not just mean to produce more outputs for a given budget, but must be a measure of

the goods and services preferred by the citizenry.⁽¹⁴⁾ It is not efficient or does not make good economic sense to produce more goods and services if those products are not desirable or in demand. For cutback strategies, efficiency reflects cuts that are targeted to those departments in which unit costs can be reduced and still reflect the purpose of local government.⁽¹⁵⁾ This strategy requires budget-makers to prioritize services and to conduct an analysis of the degree to which personnel and other resources are utilized relative to their potential.

The trade-off between equity and efficiency exists when a manager attempts to protect all current service types and levels, but in order to be more efficient most disproportionately cut some services more deeply. Thus, cutbacks pose a difficult dilemma: how to maintain existing services and yet to target cuts in such a way to reduce costs and improve productivity. In order to avoid losses in programs, the search for a more efficient use of resources often leads to the search for productivity in non-personnel areas such as the use of energy conservation, centralized purchasing, reorganizing department structures, and tighter fiscal management practices. However, cutbacks on the magnitude of 10 to 20 percent inevitably require reductions in program and personnel. To conduct an efficiency analysis, the manager must be able to measure productivity and to measure this against community goals. Although techniques for productivity enhancement have improved, hard services such as refuse collection, street cleaning, and fire suppression are more measurable than soft services such as education, health, parks and recreation, and human services. The manager then, must be able to weigh the goals and objectives of the community with an ability to determine where services can be reduced to promote efficiency.

In response to the problem of measuring performance, there has been a tremendous growth since the 1960's in budgeting techniques such as program based, management-by-objective, and zero-based budgeting systems.⁽¹⁶⁾ These "rational" budgeting techniques, even if not used by a majority of local governments, have spawned new attempts to establish a more "objective" basis from which to measure effectiveness, efficiency, and to a lesser extent--equity.⁽¹⁷⁾ The two basic dimensions of productivity, efficiency (most often defined as output per person hour) and effectiveness (the degree to which objectives have been met) require that objectives can be precisely defined and that services are selected which have the highest cost-effectiveness ratio.⁽¹⁸⁾ These budgeting systems have been critiqued for attempting to provide a packaged or standardized process by which to determine which services are expendable and to what extent. Indeed, it has been said that these new budgeting practices often build managerial authority and attempt to structure decision-making in ways that remove politics and conflict from budgetary discussions.⁽¹⁹⁾ Some speculate that part of the reason that these techniques have not been extensively incorporated into municipal budgeting is a lack of sensitivity to the political and bargaining dynamics which are fundamental to the budget process.⁽²⁰⁾

While budgeting strategies can be categorized broadly as equity and efficiency approaches, Levine, Rubin, and Wolohojian have identified five which tend to be used in periods of retrenchment; incremental strategies, windfall strategies, denial and delay strategies, stretching and resisting strategies, and cutting and smoothing strategies.⁽²¹⁾ The first two involve the distribution of small or large amounts of revenue according to pre-established commitments to organizations, projects, or coalitions of

interest groups. The second three refer to attempts to handle revenue losses. Denial and delay strategies include using more immediate means to delay fiscal decisions until the revenue picture is firm and to use short-term measures such as selling property or deferring expenditures to delay actual budget-cutting decisions. Stretching and resisting strategies reflect various responses to extend current resources and to prevent deep cuts which ignite the antagonism of interest groups. Responses in this category would be productivity improvements, management reorganizations, rationing services, cutbacks through attrition, and efforts to regenerate the tax base. Cutting and smoothing strategies involve actual lay-offs, termination of services, and re-opening labor contracts. A clarification is made here between cutting and smoothing. The latter being the administrative responses to ameliorate the negative aspects of cuts such as the reallocation of staff and early retirement incentives, whereas cutting reflects the actual reduction in jobs and services.

Levine's typology reflects a basic relationship: with greater revenue losses come more drastic measures to cut expenditures. Further, the more drastic the measures to cut budgets the more likely the responses will develop resistance from interest groups. While this is an obvious point, it represents one of the first attempts to integrate cutback strategies with the political problems faced by local officials. They made no attempt, however, to look at ways these strategies might be used to build a more comprehensive strategy to influence the extent of cutbacks or to manage the internal demands from interest groups. For example, efforts to "resist the decline" such as lobbying state officials and reducing managerial costs can demonstrate to employees and interest groups that all is being done to reduce the impact of cuts. This can

help to reduce conflict and induce cooperation. In addition, most examinations of cutback strategies rarely discuss the budget process or methods of integrating cutbacks into the regular municipal budgeting cycle. When cutback planning is addressed there is a strong leaning in the literature toward a centralized process of "corporate strategy" to improve leadership. (22)

Budget strategies can be differentiated not only by the substance of the administrative activities involved but by the extent of participation. They can range from highly centralized closed-door approaches with little public, employee, or client input, to much more decentralized and open approaches. A decentralized budget process would be one based on a representative goal-setting and prioritization process that solicits input from citizens and clients, and uses employee recommendations to improve service delivery and cut costs. A centralized approach is typically controlled by the mayor, chief administrative officer, or an executive committee. It usually does not provide meaningful opportunities for public or worker involvement and is based on establishing the budget priorities at the executive level.

The development of a cutback strategy then, involves more than a choice between equity and efficiency. The development of a more comprehensive, explicit strategy would involve 1) assessing the extent of revenue loss, 2) carefully weighing actions aimed at improving efficiency, 3) reducing the impact of cuts on jobs and services, and 4) assessing internal and external political and fiscal constraints on revenue and expenditure decisions. The development of a cutback strategy means choosing a process that will help to define the priorities and goals for the community so the best course of action can be taken with public

support. And finally, it means linking community preference and changing needs to an assessment of organizational performance. The budget process is a tool for decision-making and communication. As cutbacks force a critical re-examination of budget priorities, linking planning and management practices into a specific budget process provides a more sure basis for coping with periods of retrenchment.

B. Opening Gambits (Proportional Cuts)

When Proposition 2½ passed in November, 1980, the cities and towns were in the midst of the initial stages of budget preparation for FY 1982. Local officials were not ignorant of the consequences of the measure for their municipality and were usually at the forefront of spokespersons against the tax limitation initiative. Many felt that Proposition 2½ passed (most of the case study towns approved the measure by a 3 to 2 margin except Cambridge which soundly rejected it) because of an excessive reliance on the property tax. Massachusetts cities and towns are limited in their ability to raise revenues from other sources and depend on the property tax for between 50 and 65 percent of their revenue.⁽²⁰⁾ Waste in government was an issue, but most officials felt that state, not local government was the primary target for the charge of inefficiency. Many local officials felt they had been "nickel and diming" for years (the result of a 4% tax cap imposed by the state in 1979) and that local government is much more open to scrutiny by the citizenry. Rather, they believed that voters wanted to send a message to the legislature to reduce the size of the state government and to pressure for tax reform.

As a result of Proposition 2½, these communities had to figure in first year revenue losses ranging from 11 to 19 percent. However, for

local officials responsible for preparing the initial budget, the losses were projected to have greater consequences than were originally feared. Taking account for double-digit inflation, additional costs associated with lay-offs such as unemployment compensation and early retirement, legal obligations such as debt service, projections of program cutbacks often soared to 25 to 30 percent. In Cambridge and Arlington, two communities with reputations for efficient and well-managed governments, the managers were acutely aware that revenue losses were compounded by less visible factors which often "eat up" real spending dollars. Given these projections, local officials worked to build strategies that would accomplish the necessary cuts and deal with the prospect of future cuts. Indeed, local officials believed that the first year cuts set the precedents for budget cutting in future years, creating higher stakes to ensure a successful budget process.

In reviewing the case studies a remarkably consistent pattern emerges; in the beginning of the budget process most local officials attempted to make across-the-board cuts. In justifying this strategy, most claimed that it was an effort at equity, to "share the burden" and to maintain well-known service priorities. The existing spending plan was justified by officials as representing the types of programs citizens preferred because no-growth government due to inflation in past years had forced a trimming to the bare bones. In all cases, the initial proportional strategy was accompanied by a hiring freeze and the use of attrition to prevent lay-offs and maintain employees. As the tables on the following two pages indicate, officials requested proportional cuts from departments ranging from 12 to 25 percent. Although it was realized that some departments were more "essential" than others, the cuts added pressure to pro-

TABLE 3A: BUDGET CUTTING STRATEGIES (CITIES)

<u>Place</u>	<u>Formal Authority</u>	<u>Shifts in Budget Authority</u>	<u>STRATEGY</u>
Cambridge	PLAN E - City Manager/ Council - Weak Mayor	Followed normal budget process	Manager proposed worst case budget, cutting 25%. Requested 17% cuts in all depts. Imposed hiring freeze. Wanted proportional cut between schools/city. Proceeded as if no new revenues possible but requested raised user charges. Listened to council priorities for police, fire. Used performance based target.
Chelsea	PLAN B - Strong Mayor Weak Council	Mayor controlled budget process, excluded Council	The Mayor initially proposed proportional cuts at 20% but immediately prioritized to protect essential services (police, fire, sewer). Determined to target largest cut in school dept. Pushed unions to open contracts, grant concessions.
Quincy	PLAN A - Strong Mayor/ Council - (Can abolish and create positions) Mayor approves budget	Mayor supervised Delegated task to auditors	Mayor and Auditor wanted to maintain proportional cuts at 17% - yet big budgets had to absorb more. Targeted largest cuts in schools. Cut less essential programs - such as no recreation (22%), protecting public safety. Had "no hire" policy for 2 years previous in city government.
Salem	PLAN B - Strong Mayor/ Weak Council	Centralized all decisions with consultant, planning dept. Excluded Council.	Mayor attempted to cut all depts. at 17%, combined with a hiring freeze, and cutting of small, weak programs. Mayor showed a willingness to listen to union and public pressure, to not cut public safety as deeply as other depts.
Springfield	PLAN A - Strong Mayor/ Weak Council	Mayor controlled Invited key business representatives to advise	Mayor requested 11.5% cuts in all depts., even though there were indications (state aid) that the cut would not be this severe. Used business committee to make recommendations as to priorities, revenue measures and efficiency. Targeted cuts in schools.

TABLE 3B: BUDGET CUTTING STRATEGIES (TOWNS)

<u>Place</u>	<u>Formal Authority</u>	<u>Shifts in Budget Authority</u>	<u>STRATEGY</u>
Arlington	Strong town manager - Selectmen - Fin. Comm. Representative Town Meeting	Executive level, ad hoc committee formed late in budget process	Manager proposed budget cuts up to 25% - proportional and eliminating weak programs - (Youth Center). Cuts proportional between school & town. School Supt. prepared similar budget with incremental cuts. Schools closed and sold for additional revenues. Town used zero-based budget.
Bridgewater	Selectmen, Advisory Board, School Comm. Open Town Meeting	Selectmen gained influence as the previous Adv. Comm. had quit.	The Selectmen attempted to impose 15% cuts on all depts. as well as a hiring freeze and a ban on overtime. After the initial budget, they began to prioritize by protecting public safety. They prevented a new advisory board from receiving information until just before the town meeting.
Burlington	Selectmen, Ways and Means, School Supt., Town Meeting.	Ad Hoc Committee met to make major budget decisions	The Selectmen and advisory committee conflicted over whether the cuts should be proportional or targeted. The Selectmen gathered an informal finance group to back their claim for targeted cuts. They did not set explicit targets at the outset in order to negotiate with depts. Ways and Means proceeded to proportionalize cuts at 15% to recommend to town meeting.
Framingham	Town administrator, elected boards, Fin. Comm., Representative Town Meeting	Ad Hoc Committee centralized by the Fin. Comm.	Deep cuts were predicted without revaluation. Using revaluation, the committee attempted to proportionalize all depts. at 15%. This held true to the extent that small depts. could bear cuts and to protect the police and fire depts. from large cuts. Wanted a proportional cut between school/town.
Marshfield	Selectmen, Advisory Board. Open Town Meeting.	Selectmen and Advisory Board	After the town administrator quit, the Selectmen and Advisory Board decided to combine forces and to prioritize services. Services were ranked according to those legally obligated, essential, and less essential services. They forecast an average 12% out which would be spread across all services according to their criteria.

duce additional cost saving measures, demonstrated that no department was exempted from the cutting, and indicated what the cutbacks would be in each department. Often the first budget was dubbed the "worst case scenario", reflecting the most devastating consequences of proportional cuts and demonstrating the gravity of the fiscal crisis, should the measure be implemented as it stood.

It would be misleading to present the reductions originally proposed as proportional across all expenditures. In fact, local governments established a base which distinguished between fixed and discretionary budget items. Typically the fixed base represents such items as energy, legally obligated services and contracts, debt service, insurance, and pension funding where a proportion of revenue (often up to 25%) must be set aside to fulfill these "fixed items". However, there are no set criteria by which a local government determines what will be classified as "fixed" costs and this decision varied in the communities. In Burlington, for example, garbage and street lighting were included in the fixed cost items and protected from cuts. In Framingham, insurance, street lighting, workmen's compensation, and pensions were seriously underfunded in order to make it politically easier to add back these expenditures at a later date. The town was willing to gamble that additional funds would be found for these expenses in order to prevent large, and politically difficult cuts in the departments. They feared that if new funds became available it would be easier to add in funds in fixed costs rather than to re-open department budgets at a town meeting with the potential of renewed conflicts over line-item expenditures.

The consequence of setting aside a substantial proportion of the budget as "fixed costs" at previous or increased funding levels concen-

trates the majority of cuts on "discretionary" items. This means that the total tax loss cuts come from direct services to the public. In addition, the effort to proportionalize cuts is difficult to maintain because small departments often cannot handle the size of cuts that larger departments can. Small departments such as the assessor, clerk, and personnel, are often crippled by 15 to 20 percent cuts which mean the loss of key employees in three to four person departments. Thus, primary cuts must be focused on the larger and more visible budgets such as libraries, education, police, fire, public works, and human services. And the "worst case" budgets predicted these 25 to 30 percent cuts in these departments.

There are not many differences between the initial strategies proposed by the case study cities and towns. Each attempted to impose proportional cuts on all departments and then to list the losses to be felt by the community. In the cities and places where a strong executive authority existed, the local governments were able to publish a fairly precise list of lay-offs and program reductions. In Cambridge, Salem, Quincy, Chelsea, and Arlington either a "worst case" budget was published or a list of cuts was made public. There was strong speculation by department heads, local officials and other political observers who were interviewed that the "worst case" budget would create maximum political exposure for local officials and create pressure for increased state aid and tax reform. Some believed that the budget set a bottom-line of cuts which if restored would reflect favorably on local officials. Unions and department heads saw the cuts as creating leverage to gain concessions from union contracts, implement unfavorable departmental reorganizations, and keep conflicts between departments to a minimum. Indeed, the strategy

of publishing a worst case seemed effective in creating a crisis atmosphere, providing a strong mandate to negotiate cuts and implement reductions. Although the proportional strategy seemed to be based on a concern for equity, because of the depth of the forecast reductions, it was destined to engender disputes over what programs should be cut and at what level. The actual measure of fairness in most cases was much less obvious.

In some cases although the cuts appeared to be proportional, some programs were selected for larger cuts or elimination. It seemed that across-the-board cuts screened efforts to target some departments for larger cuts. Salem and Quincy proposed to cut some smaller programs altogether and in addition to target the school department for larger reductions. Chelsea also wanted to extract greater cuts from the schools. In fact, the school vs. town or city decision was divided quite evenly into cities and towns. The towns voted to maintain existing spending proportions for schools whereas, the cities attempted larger cuts. It is also interesting to note that in the towns, the citizen advisory committee or the finance committee wanted to maintain proportional cuts while the selectmen advocated for targeting.

Arlington serves as a good case example of the opening strategy. To determine specific reductions, the town manager asked department heads to develop zero-based budgets (this was rare) whereby they ranked their programs and added the cost of each to arrive at the preferred budget. This was the first year department heads had used the zero-based budgeting procedure; previously, they had used a combination of performance-based and management-by objective methods. Using the ranking process for the 1982 budget the Town Manager reviewed the department priorities and elimi-

nated the lowest ranking programs to achieve the mandated 30 percent reduction. Based on this "worst case" scenario, severe cutbacks were publicized, including lay-offs of 28 policemen, 25 firefighters, 150 school employees, 14 public works employees, 97 other town employees, and the closing of a youth center. Except for lobbying for additional state aid, the Town Manager did not discuss other revenue measures which could be used to alleviate the "worst case" reductions.

Most local officials believed that voters were signalling the state government to share the burden of the fiscal crisis with local governments and to develop appropriate solutions for tax reform. For the Mayor of Chelsea, the rationale for supporting Proposition 2½ (one of the few local officials to support it) was to create pressure from the localities for tax reform and was determined to lobby the state for a more progressive tax program. The Town Manager in Arlington polled residents to determine if they supported increased state aid and a level-funding of the state budget. (They did by a majority of 88 percent).

Consequently, he initiated a state-wide campaign in the 351 cities and towns in Massachusetts to push legislators to increase state aid and alleviate the fiscal pressures created by Proposition 2½. In Cambridge, too, the City Manager was heavily involved in lobbying the state for changes in the law and additional state aid. He also proceeded to implement 2½ as if no new revenues were possible.

C. The Problems of Targeting

The shift from proportional to targeted cuts can best be seen as the attempt to implement cuts in the most politically feasible and discretionary areas and to let political bargaining run its course. It seemed that

many local officials knew they would not be able to maintain across-the-board cuts, but the strategy gave an indication of what programs could be targeted. Unless the existing distribution and level of services match community priorities, the process of making selective cuts involves developing a set of new priorities and defending them. In the language of cutback strategies this would mean carrying out an efficiency analysis. At least in the first year, this seemed difficult to accomplish.

Marshfield was the only community which started the budget process by targeting reductions in specific departments. They were also the only community to develop cooperation between the Selectmen and the Citizen Advisory Board to jointly review spending reductions. The town leaders sent each department head a letter asking them:

1. What are the legally mandated functions in your department?
2. What are the essential functions which must be provided by your department?
3. What other services does your department provide?

The letter also requested an organization chart of the departments, showing which employees fell into each of the above three categories. All mandated services constituted the first priority for funding, and all "essential services" would be funded next, if possible. "Other services" formed the category liable for reductions. Also requested was a schedule of existing departmental fees.

Although this criteria for classifying services was useful, it proved insufficient to reach the necessary level of cutbacks. Differences among town departments caused the cutbacks to be made in different ways, with different results in each. For example, the Department of Public Works "took massive cuts...mainly out of materials, whereas, the Board of Health

reduced its budget 32 percent, almost all in personnel." Small and labor intensive departments whose work was indivisible were unable to absorb substantial reductions without becoming inoperative. The town leaders also found union contracts a problem:

Union contracts...set limitations on us...a lot of the kinds of flexibility that we wanted to have, we could not have. We could not re-combine jobs. We could not hold off on steep raises. We could only eliminate a job. We could eliminate a whole department...but we couldn't eliminate half of the recreation director and half of something else. These limitations had more influence in building the budget than they should have.

These problems were not atypical. In Salem, the Mayor had attempted 17 percent across-the-board cuts, but when departments did not cooperate he tried to develop performance criteria to justify differential cuts. He also wanted to totally eliminate funding for thirteen programs identified as "non-essential". This effort proved frustrating. In the words of an assistant to the Mayor:

In a sense there were no cost effective criteria. The cuts were more politically determined--which areas were most sensitive and what you could get away with. We had certain constraints. We knew people wanted police and fire. We were also aware of declining enrollment so schools were cut fairly deeply.

At one point, we attempted to measure the effectiveness of the fire and other departments, but it was held up by politics. Performance criteria are difficult to do and take a long time. Just try bucking a bureaucrat who's been there 10 years. It's nearly impossible. So we went through each budget, compared median salaries, the number of personnel, salaries as a percentage of the budget total, and then we made a subjective guess. The models are nice, but the data just aren't there.

It becomes apparent in the process of targeting cuts that whatever rationale is used is subject to the cooperation of department heads and other parties to the budget process. In Cambridge and Arlington, the use of performance and zero-based budget techniques helped to provide an indica-

tion of department head priorities internal to each department but did not provide adequate criteria for choosing among departments. One department head in Arlington argued that the zero-based budget was little more than paper work which placed departments in a competitive rather than cooperative, working arrangement. In an earlier effort to take the performance budget seriously, this department head had attempted to establish careful performance measures, but eliminated them upon discovering that other department heads made no effort to follow through on performance evaluation. The library head in Cambridge had argued that his department was more efficient than others and should be cut less. The argument did not hold as the manager was being told to protect public safety by the City Council and it was difficult to compare efficiency across departments.

Without the use of efficiency criteria, the targeting strategy was bolstered by a very general set of priorities. The rationale was to give public safety top priority, cover your fixed costs, and protect employees from lay-offs wherever possible. As one official said, "citizens want the fires put out, the criminals arrested, and the garbage collected". The Mayor in Chelsea laid out his budget priorities with the following statement:

It is important to keep essential services. I kept as many firemen and policemen as possible. We've already lost too many police. We wanted to continue trash collection service. We didn't want to close the library on Saturdays, and the book mobile, or have less people on the fire alarm, but the cuts have to come from somewhere.

Prioritizing seemed to represent a "back to basics" movement aimed at protecting public health and safety. The effect of protecting public safety from large cuts (police and fire departments make up between 12

and 16 percent of a typical budget) was to leave a wide variety of local government programs vulnerable to substantial cuts. Perhaps the most susceptible to large cutbacks were the schools. With the loss of school board autonomy, and justified by declining enrollments, many mayors found they had a handy target for absorbing much of the loss created by Proposition 2½. Since schools comprise approximately 40 to 50 percent of most local government budgets, it was felt that they should take at least that share of the losses. It was also believed that school budgets had expanded faster than the city or town budgets. Public works were also targeted, largely because personnel costs made up a smaller proportion of their budgets and fewer lay-offs involved cuts. Parks and Recreation, libraries, and human service agencies became primary targets for cuts as these groups did not have well-organized constituencies or the general public support which safety programs enjoyed.

D. Consolidating Budget Authority

In most of the case studies cutback budgeting produced a shift in power relations toward a greater centralization of budgetary authority. By itself, Proposition 2½ enabled a centralization of management power by ending fiscal autonomy for the school committee and binding arbitration for police and firefighters. This section of the law seemed deliberately designed to permit local officials the necessary authority to execute the extensive cuts in the larger police, fire, and education budgets. Indeed, for many local officials binding arbitration and school autonomy were impediments to effective and efficient management, and the officials had been pressing for their removal. In Chelsea and Arlington, binding arbitration had been unsuccessfully challenged in the courts.

However, even without the change in statutory powers granted by Proposition 2½, it is safe to say that fewer people than usual participated in the annual budget process. Officials argued that uncertainty over revenues, the number of department budgets that had to be examined and the complexity of budget-cutting precluded widespread consultation. In addition, it was feared that participation by a wide variety of groups would increase the number of conflicts that budget officials had to handle and delay the budget beyond mandatory deadlines. (The fiscal year ends July 1). For most local officials, the budget-cutting process severely strained the established budget process in several ways: many new revenue assumptions had to be considered; department heads were submitting budgets late and without sufficient cuts; and differences over priorities between other local officials plagued their ability to carry out a normal budget cycle. These difficulties were adequate reason according to many local officials to centralize budget authority and to exclude most other groups from participating in setting budget priorities.

In the cities, where four of the five local governments are composed of a strong mayor-weak council form of government, the budget process was already executive centered. However, even though the Mayor has legal responsibility for the budget, the mayors sought to enhance their control by excluding the city councils from budget involvement and using advisors and close department allies to set budget priorities. It was argued that the large cutbacks required by Proposition 2½ necessitated broader involvement by other local officials and interested citizens because existing budget priorities were being substantially altered. In few cases did the mayors extend participation to other elected officials and frequently they did not submit a budget to the councils until extremely late in the

budget process.

In the cities, strong examples of centralization were Chelsea, Salem, and Quincy where the mayors retained much of the budget negotiation in their offices with virtually no input from council. Even the department heads, if they were not close allies of the mayor, did not have much say over spending limits imposed on their departments. Defending this approach to centralizing the budget process, the Mayor in Salem declared that his was the "most objective perspective" as he was elected to reduce conflict and provide strong executive leadership. Similarly, the Mayor in Chelsea proclaimed:

I met with department heads, but it was centralized here in this office. We did not have a citizen's committee. Maybe I should have, but I heard from them. I knew what they wanted. As far as the school department goes, I'd like to have a line-item control. There should be one person responsible. I'm given the responsibility; I should have the control. Previously under the cap (4% spending lid) the School Board overrode my recommendations and I had to go to court. Now they have to come to me.

Town budget processes legally involve many more independent actors: Town Manager/administrator, Advisory Board/Finance Committee, Board of Selectmen, Town Meeting, as well as elected and appointed boards of semi-independent commissions. Adherents to the town meeting form of government are attracted by the strong appeal of the democratic process that gives citizens direct authority over budget appropriations. As one town meeting moderator argued, "204 town meeting members, elected from the neighborhoods cannot be controlled or manipulated; nothing can be hidden." Critics argue that the town form of government is too fragmented and doubt whether it is sufficiently capable of dealing with the complexities of budgets and increased urban problems. As an editor of a local newspaper commented:

Town meeting does not get the information it should have...with so many converging pressures, it is too lethargic. Homework hasn't been done by the majority and the Finance Committee does not do the studies or propose ideas.

Others argue that town meetings are not as democratic as they might appear; they are often controlled by officials or dominated by a few long-term members. Others worry about excessive fragmentation of authority. A local official in Marshfield ventured:

Marshfield is like an octopus...The difference between an octopus and Marshfield is that at least an octopus has a central brain to control its tentacles.

In a town like Arlington, local officials recognizing this problem opted for a strong town manager form of government to reduce the extreme fragmentation experienced by other towns. This means that the town manager has the authority over spending in all town departments and makes appointments to boards that oversee them. Still, the town faced substantial conflicts over roles and responsibilities to the point where critical decisions were delayed until late in the budget process. Indeed, in most of the towns, a key aspect of the budget process was the struggle to see whose priorities would be incorporated into the final budget.

With so many actors, town officials sought to control budget information and prevent endless negotiation. In three case study towns -- Arlington, Framingham, and Burlington, conflicts between the key actors led to the formation of a more centralized, ad hoc committee made up of key executives from major departments and elected officials. Such groups often included the town manager, finance committee chair, a Selectman, school superintendent, town accountant, and assessor. Faced with the problem of not knowing what the final revenue figures would be, (state aid, user charges, and revaluation figures were not established) these commit-

tees often got together to agree upon bottom-line revenues and to consider a set of budget priorities which could be recommended to town meeting. Although these groups did not have formal authority, by virtue of representing powerful actors in the budget process they were able to resolve conflicts and present a more unified administrative budget. In Framingham, excessive fragmentation required that a coordinating group take authority to develop a budget. In Marshfield and Bridgewater such coordination was not necessary. In Marshfield, the Finance committee and Selectmen were able to agree at the outset to work together. In Bridgewater, two Selectmen were able to dominate the budget process because most of the previous year's Finance Committee had resigned and the two tended to vote in the same direction.

Only in Cambridge did the normal working relationship continue between the major budget actors. The Manager drew up the budget and negotiated with departments while the City Council focused on finding new revenue sources. The Council believed that its role was to resolve conflicts in the City Manager's budget if they appeared. There seemed to be a working relationship between the City Manager and Council as the Manager was respected for his administrative expertise, and the Council for their understanding of neighborhood needs and citizen preferences.

E. The Game of Revenue Estimation

Developing an accurate picture of what revenues could be applied to the first post-Proposition 2½ budget was particularly troublesome for local officials. Although the losses associated with the property tax rollback and the motor vehicle excise tax reduction were clear, overall revenues were less certain (because of state aid). Establishing

a firm picture on the loss of revenues provides the basis for securing the legitimacy cutbacks have. The failure to develop a firm revenue picture then, left officials vulnerable to requests by departments and other interest groups for additional funds. Since the revenue picture was constantly changing, the officials did not have a solid position from which to reject proposed claims for funds. Thus in setting the cutback strategy local officials had to both convince that the extent of the cuts was real , but also show flexibility contingent on other sources of funds becoming available.

There were a number of key variables which made projecting revenues difficult: past budgeting practices and any surplus or deficits that had to be covered, potential wage and contract settlements with employees, fluctuating fixed costs and "uncontrollables" such as energy, the impact of reduced credit ratings from Moody's and higher borrowing costs, the loss of federal aid, the effect of efficiency measures, increased user fees, state aid, and finally, revaluation of property values to full and fair cash value. Using different assumptions, and factoring in the variability in these revenue factors, a wide range of estimates could be produced on which to base the budgets. However, few local governments projected a set of alternative revenue pictures for deciding program priorities and lay-offs at differing levels of revenue reductions. Even though many of the above variables are encountered in any budgeting cycle, under Proposition 2½, the combination of federal aid cuts, higher borrowing costs, the use of revaluation, pressure for increased state aid, the degree to which user charges could be used, and the potential resistance from public employees and unions increased the stakes and uncertainties.

In the initial stages of setting budgetary priorities, few officials

in the case study cities and towns were able to predict what the final revenue figures would be. Local officials coped with this problem in a variety of ways. In Cambridge, the City Council appointed a citizen's task force to explore all measures to increase revenues, their potential impacts, and to report back to the Council and City Manager. By having an outside group evaluate the revenue picture, it was believed that the extent of cutbacks, when finally established, would have greater credibility. In the other four cities, the mayors consulted with advisors to set approximate revenue figures and then to adjust the budgets as new revenues became available. In these cities, the Mayors did not make public their pursuit of new revenue measures until the end of the budget process. Revaluation was not scheduled for completion in these cities and was not a factor in the FY 82 budget.

In the towns, as was previously mentioned, ad hoc committees were developed to reach consensus on revenues, although this often did not happen until later in the budget process. In three of the towns, Marshfield, Burlington, and Framingham, revaluation was expected to increase revenues but officials were unsure of how much. Coping with this uncertainty, officials pursued a couple of different directions. Some decided to gamble on new revenue estimates and others decided to wait until revenues were finalized.

In Framingham, the use of the current equalized valuation figure (EQV)* would have contributed to severe cuts. The executive administrator of the town recalled..."the prospects of no revaluation were enough to scare you...we projected cuts up to 40 percent in some departments." Faced

*The EQV is the state's estimate of increases in property value in each town adjusted for inflation and other state factors.

with the prospect of "worst case" reductions, the Finance Committee, the Board of Assessors, and the Town Accountant agreed that it would be reasonable to gamble on a new valuation figure of 1.5 Billion, a figure that was judged to be fairly conservative and agreed to by the Department of Revenue. Marshfield proceeded in a different direction, knowing that some new revenue could be counted on from revaluation, but deciding that revenues would not be applied to operating budgets until the funds were in hand.

F. Summary of Findings

Most of the local governments reviewed in the case studies set about to implement Proposition 2½ according to established patterns in the budget process. As budget-making in the first Proposition 2½ budget was infinitely more complex, it strained existing relationships and created tensions between parties to the budget-making process. Shifts that did occur were changes in power relations to centralize authority and protect budget information. A variety of the administrative responses described by Levine et. al., were in some way used by management to cope with cutbacks. However, my analysis suggests the following points:

- Management did not provide a central rationale or problem definition to guide the cutback process. Other actors were unclear as to the direction and goals management would take to cope with the cutbacks.
- Explicit cutback strategies were not developed. The common response was to argue for "equity" by proposing proportional cuts. The "worst case", no new revenue tactic, seemed effective in applying pressure on the state for additional aid and on unions to grant concessions.
- Shifting to selective cutting did not result from careful attempts to

set priorities. Most governments did not believe they were "inefficient". It proved difficult to develop adequate performance criteria. Departments were placed into a competitive position for funds. There was a general fear that public safety was being substantially threatened, and combined with the potential organized resistance from organized labor unions in the police and fire departments, priorities would be set by political bargaining.

- There was little attempt to develop a "shared view" on budget priorities. Instead, centralization often meant excluding other groups. Irresolvable conflicts were feared. Budget priorities were not tested with the general public.
- Uncertainty over revenues made it difficult to reject claims for additional funds. This was one reason that new funds were not made public. One town decided to "gamble" on new revenues to prevent "worst case" losses. However, the possibility of new funds left officials susceptible to challenges by organized interest groups.

The implications of this analysis are that local governments do not engage in overall budget planning when faced with mandated reductions. If this first year strategy is an indication of the long-run, cutbacks will continue to be implemented haphazardly depending on the political pressures that are expected.

II. TACTICS TO RESIST CUTS

The purpose of this chapter is to explore the types of negotiation tactics used by various actors to resist cutbacks. As the management budget moves toward final passage, other groups enter to challenge the level and types of proposed cutbacks. It is here where the assertion of the cutback strategy and policy authority often come into direct conflict with the long-term interests of employees, department administrators, clients, and the general public who wish to protect jobs and services. This chapter will focus on the following questions: how did groups respond to cutbacks to either protect themselves from them or submit to them; what types of tactics do different groups use; and, what are the implications of these tactics for the budgeting process and their impact on the community. It will seek to show that certain groups have greater ability to influence the budget process than others, cutbacks create serious conflicts internal to interest groups and between them, and for the most part management has sufficient authority to thwart all forms of resistance.

Tactics refer to the specific actions and means that are taken to accomplish the goals and objectives of each group. Obviously, the strategy for most groups targeted for cuts was to protect jobs and services and to use appropriate tactics to accomplish this. Tactics can be viewed on a continuum from cooperative to confrontational. On a broad basis, cooperative tactics range from accepting a share of cuts to milder forms of resistance which emphasize building a consensus among actors and to utilize existing forums and grievance procedures to present positions. More confrontational tactics involve taking a hard-line position and asking for more funds, visibly protesting cutbacks, threatening strikes and

withdrawal of services, job actions, and legal suits. For actors who were outside the formal decision-making process, there was little option but to demonstrate against cuts with various forms of resistance.

A. Description of Tactics by Department Heads

One of the groups most involved with budget-cutting was department heads. Many of these administrators have an intimate knowledge of the workings of the city or town budgets and certainly a vested interest in the outcomes of the cutback process in their department. Cutbacks place department heads in a difficult position. If they appear to be cooperating with the cutbacks, they can create resentment among employees and clients who do not see their supervisor's approach as defending their right to exist. However, by resisting cutbacks they risk losing their own jobs and damaging their relationship with the leadership. Often in a period of cutbacks their authority is undermined, as elected officials and citizen boards are charged with setting policy and priorities without an intimate working knowledge of department budgets. This can be extremely frustrating as many department heads have spent years developing programs for which there is often little reward. Certainly then, the decision to cooperate with or resist cutbacks was an important and difficult one.

1. Cooperation

A wide variety of department heads believed that they should be cooperative and take their "fair share" of the cuts. These administrators were convinced that the cuts were real and that the proportional reductions that were requested should be complied with. Departments heads did not believe it was fair to "be political" by lobbying elected officials

and trying to swing constituencies to protect their services and to cut others more deeply. As the director of a senior center said,

This year we took our cuts because we believed all departments would have to. The finance committee did an excellent job trying to be fair, but...things changed politically and it was out of their control. In the future, once some of these cuts are felt...we will have to become more political and with a strong senior lobby, I'm not sure if that will be fair.

Many department heads did not see "becoming political", pressuring their bosses and elected officials for more funds, as their role. Indeed, it was reported that the department head's relationship to the budget officials was an important factor in determining the extent of cooperation. In Springfield, only those department heads who were close to the Mayor submitted budgets with the requested 11.5% cut. Others came in with varying cuts, attempting to bargain from a stronger position. Some believed that by being cooperative they would not be cut too heavily. However, in reflecting on their cooperative tactics, they believed that they were "naive" and "missed the boat". It was "impossible to compete with fire and police".

2. Delay and Ask for More

Many department heads believed that their department should be "an exception to the rule" and that by resisting cuts they stood a far better chance of protecting their budgets. One of the easiest and most common tactics was to submit budgets without the requested reduction. Budgets would be received by management, especially from police and fire departments which would be level funded from the previous year. In Springfield, Framingham, Quincy, Burlington, Bridgewater, and Salem, fire and police department heads did not believe they should receive the same cuts as

other department heads and complained vociferously when cuts were imposed. In Framingham, for example, the fire department and Public Works departments did not provide information to budget officials until late in the budget process, speculating on increased revenue and trying to avoid notification of lay-offs. By and large, requesting additional funds and delaying submission of the budget were not adequate tactics to protect jobs and services. Stronger and more innovative tactics were needed.

3. Shift Internal Funding

Line-item control enabled many department heads the flexibility to protect jobs or to place themselves in line for additional funds. Although mayors and managers might have liked to make line-item cuts or control where cuts were made, but allowing departments heads line-item authority seemed to be a trade-off for imposing the depth of cuts that were needed. Typically, management would set the bottom-line targets for the department and then leave the line-item reduction to the department head. As the Auditor in Quincy described,

We called in the department heads, explained the cuts, and left it to them to make the specific line-item cuts. We thought they knew their needs.

In some instances this discretion would enable department heads to make cuts which would require requests for additional funds at a later date or raise protest to mobilize appeals to the legislative groups. In Springfield, the Public Works head protected all jobs, but cut severely into the maintenance and equipment budget, hoping to show his priorities to employees and depend on receiving an additional appropriation if a major equipment failure occurred. In the Human Services Department, the director ranked all private vendors as least important in an effort to protect

staff and department programs. Outside agencies would be on their own to apply pressure to the Mayor and City Council or to find other sources of funds. In Bridgewater, the Police Chief did not want to make any layoffs and made cuts in programs that were important to the citizenry. By cutting the Traffic Supervisors program he brought attention to cuts in the Police Department and made direct appeals to the public through the press in preparation for a major battle at Town Meeting. In a similar move to cut the Traffic Supervisor program in Arlington, the Police Chief learned that it was not so much the crime rate that was important but citizen preferences. The storm of protest over the proposed cuts forced him to shift his priorities to citizen complaint rather than patrol time. In Marshfield, the Advisory Board was dissatisfied with the way some departments made cuts,

We felt they made cuts in supplies in order to save people, to the point that we don't know whether we are going to have adequate equipment to deal with this next year.

4. Muster Political Support

It was obvious to the more assertive department heads, that unless substantial support could be garnered their attempts to regain funds would fall short. One of the quickest ways to build support was to threaten the loss of vital programs. Departments with these programs had effective tools for mobilizing public opinion in their behalf. The Public Works department in Framingham threatened to cut garbage collection service if severe cuts were imposed on their departments. Similarly, a number of Fire Chiefs threatened to cut the ambulance service and demonstrated that any reductions in staff would greatly impair public safety. In Burlington, the Fire Chief along with the union collected 6,200 signatures

(in a town of 23,000) on a petition to present to the Board of Selectmen. There were numerous attempts to develop public support for positions against cutbacks, but these were not normally the sole actions of department heads; including employees and clients was an important prerequisite.

5. Claim New Revenue

Generating new revenues varied greatly between departments. Some agencies had access to user charges and fees that others did not. Public Works, for example, have access to water and sewer fees. In Framingham, the head of the Public Works Board wanted to substantially raise these fees and use the funds for expenses in his department. Other departments that could raise funds in their departments believed that the additional money should stay within their department and not go to the general fund.

6. Try Everything

When all else fails, department heads had to try stronger measures to appeal for funds. Perhaps the best examples of this occurred in the schools. For School Superintendents, faced with the first year of a loss in fiscal autonomy, and new challenges to their budgets, being slated for larger cuts than other departments created great resentment and animosity. They believed that they were being forced to take the brunt of Proposition 2½ and were being targeted as the "whipping boy". In response, School Superintendents, often backed by their school committees, would attempt to challenge the mayor's power to impose the cuts with the strongest forms of resistance available to them. In Quincy, the Superintendent followed a sequence of steps designed to confront decision-makers and mobilize public support. First, he prepared extensive charts which compared city

and school spending and listed his efficiency efforts to show the measures he had taken to reduce education costs. These charts were used to appeal directly to the Mayor to reverse his decision to cut a higher proportion in the school budget. When this did not work, he took his case to the press and involved parents and teachers in lobbying to prevent the cutbacks. When this did not prove successful, the Superintendent filed a lawsuit to protest the proportion of cuts and fiscal autonomy, but this too, proved unsuccessful.

B. Description of Tactics by Unions and Users

Most of the local government public employee unions were involved in attempting to persuade voters to reject Proposition 2½. These unions often formed coalitions to show solidarity in their protest against losses in quality education, threats to public safety, and reduced sanitation services. However, after Proposition 2½ passed, these coalitions dissolved as the unions preferred to negotiate separately against cutbacks. In Arlington, a coalition of six unions attempted to stay together and lobby during the budget process, but lack of agreement over tactics to be used and common issues prevented its continuance.

In some localities, contracts had been finalized from previous years' negotiations and would carry through the FY 82 budget year. In some cases, management would attempt to re-open the contract to gain concessions on wages and restrictive clauses such as overtime and minimum manning provisions. In discussions on labor relations in many communities, many union spokespersons had labeled relations with management as very conflictual. This set a trend which carried over into current negotiations. Union people believed that Proposition 2½ gave management an upper

hand to punish the unions and to keep wages low. Some had carried out strikes and grievances in past years, and felt that cuts in their departments were more extreme because they had been active. In Bridgewater, the Firefighters' union president said the cuts in the fire budget were politically motivated:

It's politics...The Selectmen had a vendetta against the union. We've been active in town.

When public protest did occur, it was limited to objections to potential losses in programs. There was no mention of protest regarding the overall amount of cutbacks or how some services were being targeted for larger reductions. Protest seemed to be most apparent in the cities although local officials commented it was less than they expected. In Quincy, the Mayor invited people to meet about budget issues but they didn't come, although he received substantial numbers of telephone calls protesting police, fire, and education cuts. The director of the local community action program was frustrated by this:

People don't really go to the budget hearings. They don't follow the issues. They only attend meetings if their services or jobs will be cut. Not even the elderly came out in large numbers. In spite of Proposition 2½, it was business as usual.

Officials in the towns said that most citizen protest was saved for town meeting, and that town government has more avenues for citizens to be involved. By stating this, the officials implied a belief that the public trusts that decisions are made in their interests.

Unions and other interest groups did not have access to the variety of tactics that department heads did. Little option was open to them except various forms of visible protest, presentations at public hearings and negotiating through the collective bargaining process. It seemed that

the unions for the most part did not resort to stronger forms of protest such as strikes and job actions. Most of the resistance was limited to threats and presentations at budget hearings. However, there were a number of tactics that were used to influence the level of cutbacks.

1. Cooperation

In view of the magnitude of cutbacks, a number of unions allowed their contracts to be re-opened to protect jobs by reducing costs. The President of the Firefighters Union in Chelsea believed that by being cooperative with management, his department would be targeted for fewer reductions. He also believed that this tactic would increase their ability to receive new funds should they become available.

If the Mayor had bargained in good faith he would have saved a lot of money. Once he realized he was in trouble with 2½, he knew there had to be closer labor relations. He supported 2½ and wanted to end binding arbitration. We felt that it was important to save jobs and since we thought state aid was coming we went along with opening our contract. We were the only labor group that cooperated. I hope some consideration will be given to us.

With this philosophy of cooperation, Chelsea Fire Fighters, in an unusual move, re-opened their contract by offering a yearly loss of \$1,000 in wages to prevent job losses and reductions in fire coverage. Framingham Firefighters reduced, not eliminated their minimum manning provision in order to protect wage increases. Indeed, the Massachusetts Teacher Association sent word to its locals to not get involved in local protest, hoping instead to concentrate MTA efforts on tax reform and state-wide policy changes. Marshfield teachers agreed to eliminate restrictions on personnel reorganization in an effort to help cut school department costs. In addition, the Department of Public Works contract was re-opened to combine two divisions, although this merger proved to be unworkable when a

dispute broke out over the interpretation of contract language concerning job classification in the combined division. A member of the Advisory Board in Marshfield felt that there was greater cooperation in labor relations this year but that power has shifted from the unions to the town's management as a result of Proposition 2½:

The union people are trying to save jobs, but they'll compromise on hours now, whereas before 2½ they wouldn't compromise....They will compromise...There are too many compromises they have to make now, so management does have the upper hand.

However, certainly not all unions agreed with re-opening contracts to accommodate Proposition 2½ cutbacks. One union leader in Salem insisted:

We said no chance. We're not taking a step backward for the labor movement with 11 percent inflation. Once you start going backwards--open the contract--you never stop. Overtime is the real stickler. We have an agreement guaranteeing so many jobs for so many men each year....we can't run a department without full coverage.

The fire department president in Marshfield, wanted to see how negotiations without binding arbitration would go, and believed that there was a much stronger possibility of strikes in the future.

2. Present Alternative Cutback Plans

Although the tactic of presenting different plans for cutting back department expenditures was only reported in one case, it was a unique attempt to integrate labor and management relations. In Springfield, teachers spent considerable time developing an alternative plan for making the needed level of cuts. Their effort was to protect direct services to students and maintain teaching positions. Their plan proposed redistricting, changing teacher assignments, and making cuts in supplies, after school programs, and school busing. The plan was not seriously considered in the current year by the School Superintendent.

3. Public Presentations

Most union officials did make presentations at department hearings held by legislative bodies and focused their remarks on the consequences of the cuts on their department and the implications of the losses on long-term community health and safety. The fire and police department unions were much more active in hearings than other employee groups such as library, public works, and clerical unions. The unions felt that the budget was being developed without their involvement. Cuts in their department budget created potential problems such as inadequate equipment, losses in overtime pay, and safety questions which raised new issues to be bargained over. They believed salaries were being set prior to negotiations. Unions were not satisfied with the city's or town's presentation of their ability-to-pay as they could not verify potential line-item cuts and the revenue figures proposed by management. Part of their presentations made it clear that it was unfair for public employees to absorb the impacts of Proposition 2½ when they believed that management did not make sufficient cuts among its own members. Union spokespersons said that the unions would be willing to endure cuts if management would reduce the inequities between union and management salaries, improve its own productivity, and cutback its own benefits. Thus, the unions had to assert their involvement in the budget process by making these presentations and were not requested to attend public hearings or participate in the budget process.

A major tactical problem for the unions was whether or not the head of their department went along with their demands and was willing to defend them before the executive or legislative bodies. A useful contrast occurred in Framingham between the police and fire departments.

The police chief believed that he should go along with the cuts and did not see himself as a "political" person who protested the cuts--contrary to the wishes of the union in his department which wanted to maintain the existing funds. In response, the head of the police union felt there was little he could do except to make presentations at budget hearings. He saw that his position was crippled when it became clear that the police chief did not accept his contention that the cuts would impair the police department's functioning. The Fire Department chief and the union did work together, lobbying local officials and appealing to the public to prevent the cutbacks. Together with support from a strong statewide organization, hard bargaining, and by threatening the loss of important services, they were successful in having cuts restored.

4. Protests and Demonstrations

It seemed that the unions for the most part did not resort to stronger forms of protest such as strikes and job actions. This may have been due to the fact that strikes by public employees are illegal and that it was not clear during budget negotiations what funds would be available for collective bargaining settlements. The fire department employees in Quincy did set up a picket at City Hall, but did not believe they should go as far as to strike or take other job actions such as work-to-rule. In Arlington, the President of the Public Works union saw that his union could shut down the town (they had employees in school, maintenance, city hall, etc.) but felt that it would be unproductive by creating unnecessary antagonism with the town and unfavorable publicity with citizens.

One of the most visible forms of public protest took place in Salem where citizens occupied a neighborhood fire station. The establishment

of "People's Fire House Number 6" was part of a larger sequence of occupations of police and fire stations in Eastern Massachusetts to demonstrate citizen concern for threats to public safety. The Firefighters union in Salem was also involved and strongly supported re-activating the fire station and voiced its protest to both the Mayor and Fire Chief. However, during budget negotiations, the leadership was unbending and the fire station was never re-opened.

Another source of protest came from the business community in the cities. In Springfield and Salem, business representatives voiced opposition to losses in the planning department. Since the business community was involved in a variety of development projects which were being run by the planning department and the Mayors, these objections were directed at the City Councils which were threatening to cut programs close to the Mayor's power. In Cambridge the business community protested the possible use of payroll and professional service taxes which the City Manager was considering as a measure to make up for lost revenues. Most of the tactics used by the business groups were direct appeals by members of large local firms and the Chamber of Commerce to the Mayors or at City Council hearings.

A significant amount of protest occurred over the loss of school programs and closings of schools. In Salem, the students themselves came out to protest school cuts including sports, guidance counselors, and classes. A walkout of 50 high school students in late winter led to a rock-throwing incident and, ultimately, to negotiations with the Superintendent. Parents often protested the loss of transportation services and cutbacks in traffic supervisors. This occurred in Salem, Quincy, Cambridge, Arlington, and Framingham. In addition to Arlington, the

potential elimination of a youth counseling center drew large public support through letter writing and appeal at public hearings.

C. Criteria for Evaluating the Relative Merits of Tactics

The description of tactics used by various actors serves to point out the ways that budget priorities are challenged. These tactics have various short-term and long run effects on local government and the community. Most often, tactics to influence the municipal budgeting process are divisive and set up competition among groups for funds. Without a well-developed set of criteria and policies to evaluate requests for funds, spending decisions are based primarily on the ability to pressure local authorities to respond favorably to the particular positions of each group. Decisions become based on what is politically expedient rather than the overall goals and priorities of the community. The following criteria are suggested for evaluating the merits of tactics used in the budget process:

1. Success in staving off cuts in the short-run. For groups challenging the priorities, the tactics are effective if they can prevent the cuts from taking place or grant time to develop alternatives.
2. Impact on local government productivity and service quality. Different tactics can hamper or promote the ability of the organization to carry out its work effort. One group's gain may be another program's demise and damage the ability to develop ways to improve efficiency.
3. Effect of tactics on the group's position in the community. Tactics may reflect favorably or unfavorably on the group's relationship to the community and affect the ability to muster political support for

future positions.

4. Impact on the community's ability to meet overall goals and priorities.

Certainly, the ability to develop large scale support for a position may promote community goals and priorities. However, tactics create winners and losers and may change community priorities.

D. Analysis

These criteria develop a basis from which to analyze the tactics used to challenge or to submit to the priorities set by management in the initial stage of the budget process. The tactics will be evaluated by the types used by department heads, unions, and consumers and their implications for local government.

Most of the types of negotiation tactics that challenged the proposed budget priorities used existing channels such as public hearings and budget discussions with management. However, when direct appeals did not appear to work, there were attempts to use other tactics to bring greater pressure on management. Of the three groups--department heads, unions, and citizens, department heads seemed to have the most influence over the extent of cuts which would come out of their agencies. Through their ability to use a variety of tactics--shifting resources within a budget, raising revenues, and requesting additional funds in a direct relationship with the leaders they could exert pressure for additional funds. This ability seemed to vary between the towns and cities. In the towns, there is less executive authority and department heads and groups could appeal to a greater number of actors for funds. In Framingham, the use of threatening tactics to withdraw essential services was effective in persuading local officials to reinstate funds, at least for the short-term.

However, in the cities, where negotiation tactics combined department head resistance, union involvement, and citizens, the ability to protect jobs and services from cuts becomes more evident.

The two more dramatic examples of resistance, the Superintendent's in Quincy and the fire house occupation in Salem, showed that even when there were strong demonstrations of support, the tactics were unsuccessful at changing mayoral decisions. In Quincy, the Superintendent had prepared an extensive analysis, involved citizens and filed a legal suit to no avail. In Salem, the occupation of the fire station, the support of the union and Fire Chief, did not change the decisions to close the station. The implication of these two examples is that formal budget authority, when exercised, can thwart almost all forms of resistance. Certainly the executive must be willing to take the political ramifications of the decision, but there may be other costs. Without methods and use of effective dispute resolution procedures, stronger and potentially more costly forms of resistance in strikes or dramatic public action may be required by citizens and employees who disagree strongly with existing priorities. As uniformed unions have said, with the loss of binding arbitration, strikes may be their only tactic to resist further cuts in their departments.

Department head tactics had a number of implications for future spending. Cooperative tactics did not earn departments additional funds, but may improve their position in the minds of local officials and the community in the future. Local officials in Framingham expressed resentment with the "strong arm" tactics of the Fire department and may target it for greater cuts in the next round of the budget. Shifting internal funds had potentially large ramifications. While the tactic seemed

successful in preventing lay-offs of personnel in some cases, large reductions in equipment and supplies could require additional appropriations and crisis spending. As cutbacks have all but eliminated the free cash buffer that many local governments carry over from the previous year, the need for additional funds could cause deficit spending or mid-year lay-offs. Cutting low priority programs which were important to citizens did seem effective in raising public protest, but sometimes it backfired. Restoring programs such as the Traffic Supervisor services took funds away from police patrol and equipment. The comment by the Police Chief in Arlington is particularly astute. The impact of parent protest for reinstating guards to assist children across the streets was to shift community priorities from reducing crime to the safety of young children.

In general, most of the tactics used to resist cutbacks by department heads generated strong conflicts between departments, especially those who were being slated for larger cuts. In Cambridge and Arlington, with strong and respected managers who appoint the department heads, there was less overt resistance to the manager's priorities. In Cambridge, the manager used additional revenues that became available from raising user charges in specific departments to trade funds between departments and reduce potential conflicts. Those departments that did not have the capacity to raise revenues were helped by those that did. Department heads in other communities were asked by officials to determine which departments additional funds they were requesting would come from. In effect, to make the trade-offs themselves. This was effective in reducing the conflictual negotiation tactics that were used.

It was difficult for unions to develop a consensus position from within because of internal conflicts. This made it difficult to build a solid

set of tactics to challenge management. It was related by union officials that cutbacks create conflicts between younger and older workers, and between those with more or less seniority. Older employees depend upon younger ones, especially in police and fire departments, to carry some of the heavier loads, such as hauling hoses up ladders and continual night duty. For younger officers seeking promotion, it is extremely frustrating to spend significant amounts of time preparing for promotional exams only to find that no positions are open. In addition, loss of workers meant more work for those remaining. This outcome produces morale problems, forces decisions between wages and employment, and creates job classification issues by bumping workers and losing positions to attrition.

In Arlington, one union president said that the potential lay-offs resulted in long union meetings to resolve resentments and conflicts between younger and older workers. Conflicts over pay and job security became internal arguments among factions within the union, pitting employee against employee, and made it difficult to present a strong and unified position against management cutbacks. In Quincy, the President of an independent union which represented 1,000 city employees, felt that binding arbitration gave an unfair advantage to uniformed employees. While he believes that all public employee unions should have binding arbitration, he feels that when only police and fire employees had it they were able to take a disproportionately large slice of the municipal pie.

The cooperative tactic by Chelsea Firefighters to take a \$1,000 wage concession was done in hopes of becoming first in line for additional funds. This tactic was successful, as once state aid became available

they were the first to receive the funds back plus a collective bargaining settlement for a wage increase. Most of the concessions and cooperative tactics used by unions were aimed at maintaining the workforce and not at improving productivity or service quality. Conflictual tactics used by a variety of groups to resist cutbacks seemed to preclude attempts to improve efficiency. Arlington unions, for example, were not convinced of the town's stated financial position or cutbacks and efficiency measures in management ranks and would therefore resist any attempts to negotiate efficiency efforts with an existing or reduced workforce. Similarly, management in the schools in Springfield was not receptive to a union plan to cut the educational budget, ostensibly because it was a management prerogative to make the budget cuts.

The lack of public involvement in the budget process is perhaps not surprising and can be explained by a number of points. For the public, minimal involvement in government affairs, as symbolized by declining voter participation, could reflect a lack of concern about local government priorities or frustration with public's ability to influence government. It appeared that many citizens did not believe that cuts would have a serious effect on local public services. Proposition 2½ may have served as a broad mandate for citizens showing "voters have spoken" and it was up to local officials to implement the reductions. Second, there is often a delay time for interest groups to get organized and plan tactics. Finally, little public involvement may reflect the lack of meaningful opportunities for citizen involvement in priority setting and participation in planning. Often the lack of access and knowledge of the budget processes is intimidating and prevents widespread public participation.

E. Summary of Findings

Although citizen and union resistance was less than expected there were substantial efforts to challenge budget priorities set by management. Certainly, police and fire department unions and department heads were the most active in protesting cutbacks. There was little protest about library cuts, parks and recreation, and human services unless services in these areas were targeted for elimination. The following points emerged in the analysis of negotiation tactics:

- Management had the authority when it wished, even under substantial citizen and union pressure, to implement its proposed cutbacks. There was little citizens, unions, and department heads could do to change specific reductions.
- In the towns with fragmented authority, groups were more capable of appealing to other local officials for additional funds.
- Conflictual negotiation tactics impeded the discussion of productivity improvements.
- Serious conflicts developed between departments and unions over the types of political tactics used to garner additional funds. Political lobbying in the first year promised more competition for funds in the future.
- Successful protest to prevent short-run cuts was most effective when threats to cut essential services were used.
- Cutbacks made it difficult to develop consensus positions within the unions over tactics to enter the budget process.
- Line-item control of funds by department heads enabled them to protect jobs at the risk of crisis spending for maintenance and equipment needs.

III. SEARCHING FOR REVENUE AND EFFICIENCY

Raising non-property tax revenues and reducing costs presented an alternative to budget-cutting. Both of these options were explored to some extent in the budget processes in each community, but the degree to which they could be used to substantially blunt the extent of the tax loss was doubted by local officials. This chapter will discuss the nature of the revenue problem for local governments in Massachusetts. It will look at the way in which new revenue options were explored, the types of measures that were considered in the budget process, and problems in reducing "waste and inefficiency". It will show that municipalities in Massachusetts are severely constrained in their ability to reduce their reliance on the property tax. Confusion over the legality and appropriateness of revenue measures, state regulations, and union contracts limited local ability to deal with the revenue loss. Local officials delayed exploring revenue options and attempts to improve productivity were more oriented to shifting and reducing services than improving efficiency with the existing workforce. Thus, there were few attempts to systematically consider both new revenue options and productivity measures.

A. Nature of the Problem

Local governments in Massachusetts have relied more heavily on the property tax than anywhere else in the continental United States. In Massachusetts, the property tax is 70 percent higher than the U.S. average. The table on the following page indicates by revenue source, average U.S. revenues and the average percent of revenues received by local

government in Massachusetts. In Massachusetts, local governments rely less on user charges, state aid, and other taxes for revenue. State restrictions on local taxing authority and mandated charges for state and county activities have created an "over-reliance" on the property tax for local financing. Payments for state mandated programs such as the MBTA, MDS, and County programs have come largely from property tax revenues.

Table 4

Major Sources of Local Revenue, Expressed as Percentages of Total Local

	<u>Revenue</u>	
REVENUE SOURCE	U.S. AVERAGE	MASSACHUSETTS
Property Tax	33.6%	54.6%
State Aid (from state revenue)	34.4%	25.5%
Local Sales Tax	2.8%	--
Local Income Tax	1.9%	--
User Charges, Fees, Misc.	15.7%	9.3%

Source: U.S. Bureau of the Census, Mass. Taxpayers Foundation, 1980

Thus, local officials are extremely concerned that they do not have sufficient authority or options to support their public services. Revaluation promised a one-time infusion of new revenues as property values were brought to full and fair market value. State aid remained the most immediate and most important source of additional funds and was a continuing political question. Federal aid cutbacks were expected but it was unknown as to which revenue sources and by what amount. This left the increase of user charges and fees, together with reducing local costs and improving efficiency as the two primary local options to maintain services.

Selling local government property and changing investment practices were other options explored, but these and other local options seemed limited.

B. Investigating Revenue Options

Determining the level of revenues on which to base the budget was one of the most critical questions facing budget makers. Many local officials believe they need to know the level of revenues available before setting budget priorities and determining budget levels for departments. The Proposition 2½ "cap" resulted in a reversal of past budget processes. Appropriations will be made in conformance with the total amount of available receipts, versus the past practice of setting the property tax levy according to total local appropriations. Thus, Proposition 2½ put the local governments off balance as they had to seriously investigate the revenue structure and set the budget level before legislative approval.

Coordinating revenue information and investigating new revenue options were major problems. Some expected that the current officials who were responsible for revenue information--department heads, assessor, treasurer, and budget-makers to set an accurate revenue figure given the data they had available to them. However, each official was responsible for particular pieces of the revenue picture and consolidating the information required upper-level meetings to discuss revenue assumptions and make projections. As reported, many local governments in the case studies formed ad hoc committees to review revenue options. In two cases, citizen committees were formed to search for new revenues. These committees, however, were often not formed until late in the budget process, when the question about revenues was reaching a crisis point. It seemed that the change in budgeting practices, the need to apply political pres-

sure on the state to increase aid, and responsibility for coordinating revenue information delayed making revenue decisions. In addition, protecting revenue information gave management the power to bargain effectively with unions and other departments.

In Springfield, the City Council countered the Mayor's close relationship with business community representatives by developing its own citizen budget committee to review options for new revenues and to build the legitimacy of the Council's effort. The President of the Council appointed prominent private citizens and members of the Council to promote a more active role for the Council and to review the Mayor's revenue assumptions. The committee was effective in forcing the Mayor to include the Council in its search for new revenue and their impact on the community. In Cambridge, too, the City Council formed a citizen task force to review all revenue options and propose new measures to deal with the deficit created by the property tax loss. Although the City Manager saw this effort as useful to involve citizens and to make a public report on revenues, he saw it as limited.

Citizens cannot just come into local government and expect to provide a comprehensive report on how to deal with the revenue problem. Managing local government is a very complex activity.

In Arlington, it was not until early May that a task force was formed to deal with the revenue problem. A newly elected Selectmen believed that the town was not doing all that it could to increase or use available funds and proposed an executive level task force to investigate revenue options and the reality of the number of lay-offs proposed by management. By making a number of assumptions, such as using all of the town's free cash, estimating state aid, and revenues from user charges and other

accounts, he demonstrated it was possible to reduce the revenue loss by over 65 percent.

C. User Charges and Fees

Re-evaluating and imposing new fees and user charges presented an option to cutbacks, but their impact was limited in the first year. Local officials were uncertain as to the legality and equity of imposing or increasing certain charges. However, the importance of user charges and fees may grow as municipalities attempt to bring their use more in line with other states.

A limit was set by the state that user charges could not be used to provide revenues for other local government services and could not exceed the cost of the service for which the user charge was levied. A new schedule for fees and charges was distributed by the state Department of Revenue to guide local officials. In addition, there was considerable confusion about whether or not expected revenues from new or increased user charges could be allocated in the current fiscal year. Local officials did not believe they could accurately project the amount of revenues that would be received from specific charges and it was risky including them in the current revenue figures. A new state law (Chapter 30 of the Massachusetts general laws) enabled communities to project additional revenues from increased fees and spend them as long as an adequate justification was provided to the Department of Revenue that the revenue could be expected. In addition, the law provided for the establishment of revolving loan accounts so that local government departments could collect their own fees and provide "earmarked" revenues for its own services. Previously, charges and fees had to go to the general fund. Local offi-

cials were unclear however, as to how this new law was to be interpreted and had trouble coordinating communication with the state to provide clarification. As a result they were hesitant about their use of charges and fees.

Local officials were also wary whether levying new charges in the wake of widespread support for tax limitations was feasible. For communities with a sizeable poor population, designing equitable fees which are sufficiently broad-based to provide significant revenues was difficult. Some officials such as the Executive Administrator in Framingham believed firmly that "users should pay for the service they use, and there should be no free ride." However, others perceived the argument to be much more complex. The Town Manager in Arlington believed that user charges should not be set so high as to deprive needy people of an important service. In addition, fees that are set too high encourage avoidance of payment. Substituting user charges for taxes placed a greater burden on those families who frequently use public services. As user charges are not deductible on the federal income tax, it is cheaper for the average homeowner to pay for a service with taxes than with user charges. (23)

The Table on the following page provides a list of existing fees that were increased and charges on new programs that were added. At the present time, data is not available on how much each fee was raised and what percent of the cut could be avoided by their use. With the exception of water and sewer fee hikes, it seemed that big increases in fees and user charges were not acceptable. Most communities established committees to review overall fee schedules--many of which had not been revised for years, but rarely was there a systematic effort to decide which services should be targeted for user charges, the regressivity in specific fees, the

Table 5: User Charges and New Fees

<u>Community</u>	<u>Increased Existing Fees</u>	<u>New Fees</u>
Springfield	School Lunches Adult Education fees Public Works Services	
Framingham	School Lunches Sewer Service Town Licenses Liquor Licenses	Athletic Activities
Arlington	Water Service Sewer Service	
Chelsea	Oil Storage Fees Water Service Sewer Service	
Bridgewater	School Lunches	Ambulance Service Landfill Stickers
Quincy	Public Works Services City Service Fees City Licenses Police Permits Parking Fines Hospital Services Water Service	Athletic Activities
Salem	City Permits City Licenses Water Service	Subdivision Permits Wetlands Permits Zoning Hearing Charge
Cambridge	Water Service Sewer Service Parking Fines Sports Fees Golf Course Fee Hospital Services	Emergency Rescue

administrative costs of levying new charges, and ways to set prices. Schools seemed to be a major target for new and increased fees. Some worried that this was causing an unfair burden on families with kids in schools as localities sought to end subsidization of lunches, and tack on charges for athletic activities. Chelsea, one of the poorest communities in the state, attempted to shift to new sources of revenue in the private sector by raising fees on oil storage tanks from \$5,000 per year to \$100,000 but the legality of this increase was challenged by the oil companies.

Cambridge, which made the most concerted effort to utilize increases in fees, used the Citizen Task Force to evaluate the extent that they could reduce property tax reliance by increasing user charges. By raising user charges and fees for licenses by over 35%, they were only able to increase revenues by 0.8 percent to the city's general fund of \$126 million. However, another group of charges, primarily from the local city hospital, was projected to raise \$5.9 million or approximately 4%, a charge that was not available to most other communities.

D. Other Measures to Increase Revenues

Other actions to raise revenues or shift existing funds were utilized. Three towns raised their revenues by selling town property. Arlington sold two schools for \$550,000 for development of condominiums and with expected additional property tax revenues. Framingham also sold schools while Bridgewater sold a house and a fire engine. Two communities modified traditional financial practices to provide additional revenues. Arlington utilized all of its free cash against the recommendation of the Finance Committee Chairman. He believed some buffer for unexpected funds

was critical for the next year and that stripping free cash would probably create a deficit in the budget some time during the year. Burlington also considered using its stabilization fund.

E. Improving Efficiency and Reducing Costs

Lowering the costs of services was a frequently expressed goal although the extent that these efforts could significantly reduce the impacts of Proposition 2½ was doubted. The following table displays the productivity measures mentioned by local officials. While many of these were planned prior to Proposition 2½, local officials agree that the new law accelerated such efforts. This section will identify the types of efficiency measures that were proposed or implemented and examine problems in attempting to improve efficiency.

<u>Reorganization</u>	<u>Finance Practices Changes</u>
Consolidation and/or centralization of Human Service programs and Public Works services	- New purchasing practices, i.e., joint purchasing with neighbor communities
- Consolidation of Schools	- New Integrated Financial Management Systems
- Schools and Fire Station Closings	- Services made Self-Supporting, i.e., hospitals, school lunch programs, sewer services, recreation services
- Job Reassignment, i.e., jobs redefined, jobs reclassified, jobs combined	
- increased private contracting for services, i.e., nursing, ambulance, public works services	

Table 6: Efficiency Measures

In Cambridge, officials were able to implement a computerized financial management system which had long been resisted by agency heads. This system was designed to standardize accounting procedures and produce better financial reporting with less clerical and administrative time. In a similar search for productivity improvements, the City Manager and

Director of the Human Service Department were able to use Proposition 2½ to further plans to consolidate various departments into one Human Service Department. By sharing clerical, fiscal, and support functions, it was estimated that approximately \$100,000 could be saved annually. Department heads feared that the new systems would reduce their control over spending needs in their departments.

In Chelsea, the Mayor wanted to set up an outside contract for rubbish collection at a projected savings of \$150,000, but decided against it when he received no support from the City Council and the Union doubted his figures. In Quincy, Department of Public Works expenditures had dropped by 47 percent in the past two years, partly the result of contracting out. The landfill was closed in 1980, replaced by a contract with a private firm that requires fees for commercial dumping, saving the city approximately \$400,000 a year. The ambulance service, formerly provided by the police is also on a private contract and eliminated 12 positions. Quincy also moved to make both its city hospital and junior college independent of the city's general fund, by establishing a revolving account which enabled them to levy and gather their own fees and tuitions.

In addition to cutting and consolidating, Salem officials considered some new ways to fund and deliver service because of Proposition 2½. The Salem Mayor emphasizes why he is interested in using contracting and private sector initiative in government:

Government is costing too much money. I found in my 8½ years in this office, that we can accomplish more through outside contracting. The fringe benefits the city pays are outstripping our ability to hire the right people for the right jobs. The pension benefits we pay are outrageous.

Salem contracts with a private firm to provide ambulance service. Although

the practice is opposed by municipal unions, city administrators are looking for other ways to involve the private sector. Part of the plan is to have merchants in a new mall (funded in part by UDAG) to pick up some of the "extras" such as holiday celebrations. They appeared willing to cooperate. There were also proposals for merchants to take greater responsibility for lighting and security. The Director of the Chamber of Commerce predicted that, in the future, the city may write service provision into its terms of agreement with new business developments. The city is also initiating a cooperative purchasing arrangement with a neighboring city and is seeking to use a police reserve force to cover peak periods without hiring additional workers or paying overtime.

In Marshfield the reopening of the Department of Public Works contract enabled a consolidation of divisions and reclassification of jobs. The elimination of positions occurred across all grades, and using seniority there was a bump of five lay-offs and four lost positions through attrition. The department also considered eliminating townwide trash collection, but the Selectmen advisory board, and a number of citizens objected vehemently at a pre-town meeting. Framingham set up a committee to look at the costs and benefits of contracting out trash collection, but had to contend with a strong Public Works board and union. Arlington had consolidated 25 independent departments into 6 major departments in past years, but also set up a committee to review methods for improving productivity, primarily in the area of computerized data and fiscal management.

Local officials agree that the vote for Proposition 2½ was a call for more efficient government and there is little doubt that efforts to improve productivity, eliminate waste, and reorganize departments will

continue. However, most local officials seem uncertain about what future measures they can take. Efficiency measures are not obvious. Quincy's establishment of revolving accounts involved already self-supporting functions. In addition, implementing such measures will be as difficult as identifying them in many cases.

Many of the efficiency measures discussed in the cases involved the reorganization of job structures, shifting services to the private sector, and changes in the overtime and benefit packages to municipal employees. Although the strength of the union contracts vary, restrictions in regard to contracting out, reduction in force, minimum manning, and provisions which relate to the conditions and terms of employment limit the choices open to management to improve efficiency. Hence, efficiency will involve lengthy and difficult negotiations with unions. In addition, many of the proposed efficiency efforts were attempts to reduce overall costs and cutback on the extent of government services rather than to improve productivity with the existing workforce. With the extent of cutbacks required by Proposition 2½, management was placed into a position of having to find major areas to reduce costs quickly and as labor costs are a primary expense, they are a major target of cost reduction measures.

Another concern is that when it comes to cutting costs, executives rarely reduce their own staffs, but tend to reorganize other departments and make cuts in weaker agencies. A City Councillor in Quincy believed that patronage prevented measures to cut waste and inefficiency,

Proposition 2½ didn't guarantee that "fat" would be cut.... some important people were laid off but you'll still find "fat". There's nothing in the law that says the Mayor has to lay off his political appointees. Go down to the treasurer's office and you'll see less people there than in the Mayor's office.

A school official in Chelsea argued,

If some jobs in the front office were eliminated, I know I could save some money. But these jobs are protected because the workers have been here a long time. With computerization of payroll and accounting some savings could be made, but not enough to reduce the real impact of Prop 2½.

Charges of patronage and protection of administrative jobs and benefits were commonplace in the case studies. During budget negotiations these charges were difficult to verify. Legislative bodies and unions believed that the unwillingness to share information on revenues and specific line-item cuts indicated that patronage existed and cuts were being targeted to direct service workers.

F. Conclusion

Limitations on revenue options, the time factor involved with identifying and implementing productivity measures, and resistance from department heads and unions, combined to reduce the ability of local governments to replace lost property tax revenues. Efforts to investigate local revenue options were delayed, ostensibly because the major variables, revaluation and state aid were still unknown. However, delaying setting budget priorities and protecting budget information seemed to be due to a lack of responsibility for coordinating revenue information, a continuing political focus to increase state aid, and to maintain a bargaining position with unions. Options that were explored to improve efficiency were small and created resentment and rumors of lay-offs from employees. The formation of committees to investigate revenues seemed useful in creating involvement by citizens and highlighted the difficulties in developing local options to increase revenues. The task force in Arlington was said to be a unique experience in cross-administrative coordina-

tion, the kind necessary to deal with the new complexities in agreeing on revenue levels. This activity will be even more important in future budgets as the "cap" on revenues will figure heavily on what services will continue to be funded. In summary:

- Innovation will take time as shifts in local government services will have to be negotiated and proposals to enhance productivity are developed. Productivity improvements will hinge on building cooperation with unions and implementing a variety of measures throughout the workforce.
- Local governments in Massachusetts have few options available to them to reduce their reliance on the property tax. In order to maintain existing services state measures in the form of aid or revenue raising authority will be necessary.
- The early formation of committees to evaluate and predict revenue levels seems to be an essential new ingredient in the budget process.

IV. LEGISLATIVE APPROVAL: COURT OF LAST APPEAL

The final stage of the budget process was the submission of the budget to the legislative body--the city council or the town meeting. The challenge to management was to present a budget which reflected community priorities and would be immune to subsequent challenges. For other actors, department heads, unions, and citizens, this was a major opportunity to reinstate funds by appealing to the elected officials and citizen representatives. This chapter will test the proposition that legislative bodies can alter the executive budget. It will seek to show that management tried to maintain its prerogative in the budget process by not providing compromises and presenting the budget as a "closed book". For the city councils, there was little they could do when budgets had been already substantially cut. The chapter will explore the political maneuvering at the legislative hearings to determine what tactics and appeals were successful in restoring funds or preventing further cuts. Attention will be paid to previous conflicts and tactics in the budget process to see how they were settled during passage of the budget.

A. The Art of Budget Balancing

Budget balancing, a requirement for local governments, can be looked at in two ways: ensuring that revenues match expenditures, and balancing the interests of the various parties to the budget. The first process is a fiscal necessity, while the latter reflects more of a political necessity. Taken together, they constitute the challenge to construct a set of appropriations that can be supported by the available revenue and will reflect the goals of the community. As many local officials stated,

previous budgeting was based on incremental additions to each budget with existing priorities staying in tact. One town moderator remarked, "we used to go through each warrant article, vote on it, sum them up at the end of town meetings and set the tax rate. Cutbacks, however, create a whole new ball game." Potentially, the total basis of the budget could be challenged as cutbacks forced a re-examination of priorities. Two factors entered into the budget balancing process: uncertainty about state aid continued to plague the ability to finalize a budget; and, the trend toward budget centralization promoted control of priorities without substantive input by citizen and elected bodies.

The predominant tactic used by the central budgetary authorities in the presentation of the budget to the legislative body was to declare the budget a "balanced budget" and to emphasize strongly "don't rock the boat". The "closed book" approach was justified as necessary to maintain the balance in terms of revenues and expenditures, but also because the budgets were the product of many negotiations with department heads and unions. Any tampering with the budget would open the process to new conflicts and it was feared that management would not be able to maintain its package of cuts.

B. City Councils--What's Left to Cut

The Mayors, recognizing the potential challenge to their budget priorities, made substantial cuts and left little room for further cuts. There was little the City Councils could do to shape overall priorities and cutting more would only exacerbate conflicts over how much was being reduced. A popular saying in Chelsea is "the Mayor proposes, and the Council disposes." Thus, the relationship between the Mayors and City

Councils in the budget process stayed pretty much the same as in other years. However, the stakes were much higher this year as the Councils were extremely frustrated by being excluded from priority setting. Often the Councils would resort to the media to call for open public meetings to challenge the basis of the Mayor's priorities and revenue figures. These meetings, if they did occur, often ended without resolution or agreement for involvement in the budget process before a budget was submitted to them. And, as budgets were rarely submitted on the required date, the Councils had little time to review the budget proposal. A Councillor in Quincy explained why the Council had very little to do with this year's budget:

Quincy's type of government is "strong Mayor, weak Council". The Mayor created the budget in consultation with department heads. But we could only reduce the budget and not add to it. This year, we voted for it as it was since it had been cut so much already. We have no real control, but we have to answer to complaints about the cuts.

In effect then, the City Council had to accept the Mayor's budget priorities. They could not add to any accounts or shift funds to other departments.

Receiving the budget in late May, the Quincy City Council basically accepted it in its completed form, but clashed over one major issue. The Mayor had deleted funding for water and sewer services from the final budget in an effort to create support for an independent water and sewer commission with its own revolving account. This was an attempt to use the budget document to create structural changes in city government. Some Council members objected to joining issues of funding and structure of services, and voted down the Mayor's proposal even though they actually supported an independent commission. The rejection created a deficit that

had to be alleviated with state funds.

In Chelsea, the Board of Aldermen (Council) received an initial set of recommendations in early June, instead of the required March. The Board's President argued that this year's budget hearings served little purpose since the Board's work of reducing the budget had already been accomplished by the Mayor. However, the Board was determined to make a mark on the budget and committed a total of \$195,000 in additional cuts. \$180,000 came out of unemployment compensation, \$5,000 in college credit allowances for firefighters, and \$10,000 in fire department overtime. One Alderman proposed reducing the Mayor's expense account but this was not approved.

In Salem, the Mayor's budget contained a deficit of \$500,000. Still, the City Council, frustrated over the lack of a role they had played in budget-making wanted to cut in the departments close to the Mayor. This was a perfect example of how the exclusion in the budget process created spiteful actions. The Council decided it would cut funds from the Legal, Planning, and Engineering departments. Although data on cuts in the Legal and Engineering departments is not available, the Council cut one position in the Planning department which removed the Assistant Planner. The department head claims this cut was vindictive as the Planner brought in over \$18 million in grants in a two year period and that his department should not be punished for working with the Mayor on budget cuts. However, this cut was carried out.

In Springfield, the Council passed the budget, in mid-June, virtually unchanged. However, with some creative budget work they were able to take some action in preserving some jobs they did not want cut. The Council does have authority to abolish and create positions. After inten-

sive lobbying by firefighters, the Council refused to abolish one entire fire company as recommended by the Mayor and Fire Commissioners. By abolishing positions and creating new ones at higher pay scales, the Council provided "back door" raises for firefighters and other city employees and prevented the losses in their jobs.

Cambridge, again, was the only community in which the budget process followed previous years' patterns. The City Council received a budget in late March and had approximately 45 days to review the document. The town took input from citizens and other interest groups as they evaluated revenue recommendations proposed by the Citizen Budget Committee. By and large, the Council followed the recommendations provided by the City Manager.

In the cities, the budgets proposed by the Mayors were maintained in large part as they were submitted for legislative approval. Tactics that City Councils had used to gain entry to the budget process at an earlier stage were largely unsuccessful. This meant that other groups had to rely on applying pressure and negotiating with the Mayors if they were to be effective in escaping from cuts. The exclusion from the budget process did bring retribitional cuts as the Salem Council reduced departments close to the Mayor's administration. Similarly, the lack of involvement by other Councils seemed to create an incentive to make small adjustments that might do long-term damage as a means to force the Mayors to work together.

C. Town Meeting--Court of Last Appeal

Town Meeting has the final authority over all expenditures in each town. As such, Town Meeting must vote on each article of expenditure and

is by design a mechanism to make adjustments in overall spending priorities. For department heads, unions, and the public, using town meeting as a means to make an appeal for additional funds is an important part of the budget process. Here, the citizen advisory board (Finance Committee) to the Town Meeting reviews the budget developed by administrators and Selectmen and presents a budget to Town Meeting members. Each article is then debated until the budget is complete. It has been suggested in this thesis that the "diffused" authority which accompanies the town form of government is more susceptible to appeal by interest groups. Here town citizens have the opportunity to evaluate the claims of different groups and amend budgets accordingly.

The five case studies in the towns will now be summarized on a case-by-case basis to explore how budgets were presented, what organized groups were effective in changing the management budget, and the roles that citizens felt they were able to play in the cutback process.

Arlington is a good example of how the "balanced budget" requirement and top-level coordination can quickly and effectively move a budget through the town meeting process. The Budget and Revenue Task Force which had been set up in early May to resolve conflicts over revenues and fiscal priorities completed its work shortly before town meeting. Given the new revenue figures, the Town Manager and School Superintendent had only two or three days to revise budget priorities. Within the week, the Task Force sent a finalized budget to the Finance Committee. The Finance Committee objected to the process--believing they had no role in the budget development contrary to previous years and had little time to review the budget. Their primary objection was that the Budget and Revenue Task Force had taken away their role to investigate revenues and

spending priorities to recommend to Town Meeting. However, they passed the budget on the strong recommendation of their Chairman.

Members of the Town Meeting voiced few objections to the substance of the Proposition 2½ budget. As the Finance Committee Chair led the presentation, it was dramatically emphasized that the budget contained "no slack", and that adjustments made at the Meeting in some departments would create imbalances in others. Town Meeting members seemed to recognize that the budget was the product of many negotiations and that higher revenue figures than the "worst case" budget had eliminated major conflicts. The Town Moderator was relieved because he had feared that disputes would be left to Town Meeting and "pandemonium would have ensued". At the budget debate, there was considerable feeling on the part of Town Meeting representatives that the budget had been "railroaded through". While in the past, Town Meeting members had discussed line-item budget issues, this year they considered only aggregate figures broken down into programs and expenses. As a result of limiting the information to the representatives, the Town Meeting process which usually takes about 25 sessions to pass a budget, only required 8 meetings.

In Framingham, the Town Meeting has generally gone along with the Finance Committee's recommendations but it reacted differently this year. Conflicts which had surfaced in budget negotiations erupted at Town Meeting, contrary to wishes of management. Due to the late submission of budgets, the Finance Committee gave Town Meeting members a set of 8 loose-leaf pages to represent their report whereas previously the Finance Committee report was a 60 page budget document. The Chair of the Finance Committee urged the representatives to accept their recommendations and wait until the fall before attempting to restore funds that had been cut.

Due to confusion over revaluation and state aid, no one objected until the discussion began on the last warrant article. At this time the Fire Chief and Fire Union President made passionate pleas to restore full funding, accompanied by threats of reduced ambulance service and fire protection. The Fire Chief had been resisting the Finance Committee all along as had the Public Works Board, lobbying the Selectmen and delaying submission of their budget material. The Town Meeting then voted to restore the department to full funding for the Fire Department and thus opened the door to subsequent lobbying and debate by other departments. Department heads who had accepted cutbacks, then decided that being competitive and political at Town Meeting was the key to more funding, and one lamented, "the can of worms was opened". The Chair of the Public Works Board then got up and threatened to stop garbage collection unless funds were restored in his department but his proposal was turned down. However, after pressuring the Selectmen for a special Town meeting, his funds were restored also. One Town Meeting member felt constrained by the whole process and contended that:

No trade-offs or compromises were presented by the Finance Committee....some of us would have liked to see the cuts shared with Police and Fire, but this doesn't happen at Town Meeting.

Bridgewater uses an open Town Meeting where all residents are invited to come and vote on warrant articles. Here too, the Finance Committee had only a week to review the entire budget. Indeed, the town meeting was postponed until the end of June because of the complexity of the budget-cutting process. Several departments were prepared for battles at the Town Meeting. The Police Chief wanted to restore funds for positions and overtime and the School Superintendent wanted to prevent further cuts.

The Chief, making a long speech in defense of his funding requests was asked to identify other budget items in other departments he would cut to provide funds for his department. Taken by surprise by this, he had second thoughts, and declined the opportunity. The School Department budget was passed as presented. However, the School Superintendent was worried that funds added to other departments would come out of his budget. Soon after his budget was passed, the School Superintendent moved to prevent changes in any budgets proposed by the Finance Committee. He defended his motion by arguing that changing the budget at this time would create conflicts among town departments. Since the meeting was packed with teachers, his motion passed, and the budgets were made final.

Burlington is an example where local officials did not agree on budget priorities and each group tried to use its authority to swing the spending plan in its favor. The Ways and Means Committee (Town Meeting Advisory Board) had advocated for proportional cuts. However, the Selectmen pre-empted this strategy by negotiating selective cuts in the departments. The department budgets went to the Committee in early May and since its own proposal had not been followed, the Committee decided to make some adjustments. It recommended full funding for school transportation and the Council on Aging's van driver, as well as the restoration of funding for two Deputy Fire Chiefs. The Selectmen believed that new revenues should not be allocated until they were in hand and recommended against any new amendments to their budget. The Town Meeting went along with the citizen committee's recommended budget. However, the Fire Chief and Union were not satisfied with their funding level and presented the 6,200 signatures they had gathered to petition for full funding at the 1980 level. This request was rejected as the Town Meeting decided to go

along with the Selectmen's recommendation to wait until an October meeting when additional revenues would be confirmed.

In Marshfield, the joint effort in the budget-cutting process carried through the Town Meeting. The Town Meeting passed the budget in tact by recognizing the spirit of cooperation and sacrifice that had been achieved. Unions, which had re-opened contracts in an effort to "share the losses", did not present amendments at the Town Meeting. Budget officials had held a preliminary Town Meeting six weeks earlier to allow the public to air their concerns and listen to the leader's budget priorities. There was, however, disagreement between some Selectmen and members of the Advisory Board on the effect of Proposition 2½ on "town democracy". The Chairperson of the Advisory Board observed:

Proposition 2½ did, perhaps irreparable damage to the Town Meeting form of government. It took away the right of citizens to determine how much money would be spent, and where. By the time you limit the top and cover all the mandated stuff, you're left with very little to play with....that was the damage of 2½. It really changed the role of the citizen in the Town Meeting.

However, a selectman disagreed. He believed that limiting citizens' control over the budget at Town Meeting would eliminate some of the "nonsense", because Town Meeting was an inadequate forum for dealing with complex budget issues. At Town Meeting it is usual that "all kinds of special interest groups are able to stuff things into the budget after they have been cut out." He maintained, that essential services were not cut this year. He also believed that the biggest problem in government, besides "overstaffing" was to press departments to define clearly what they should be doing.

In the towns, the use of ad hoc committees to handle revenues and to establish spending priorities were able for the most part to carry their

budgets through the Town Meetings. In reality there were few objections to the substantive aspects of the budget. Only in Framingham were groups able to convince the representatives to change management priorities. And here, it was the result of strong threats by the department heads and unions. In terms of process, members felt their influence over the budget had markedly decreased. Conflicts in authority between citizen groups, and elected officials and management were not resolved. Citizens felt the budgets had been "railroaded through" and they did not have sufficient time to evaluate budgets and make compromises between departments.

D. Summary of Findings

Certainly budgets are more complex this year: last minute decisions were made on revenue figures and fiscal constraints limited the flexibility to negotiate cuts between departments. Legislative bodies in the towns had a greater ability to change budgets but management tried to prevent it. By providing less information, not presenting trade-offs or compromises for discussion, submitting budget priorities late to citizen groups, and the need for a "balanced budget", management was effective in sustaining its authority. The lack of substantive debate and changes in the budget does seem to indicate support for the management's priorities. In this analysis, the following points are important.

- Legislative groups do not play an effective role in cutback budgeting and priority-setting. Part of this seems due to their place in the budget structure, part to the power of management to control the budget process.
- Citizens and elected officials need to be informed on the choices and trade-offs in the cutback process in order to become an effective

arbiter of disputes and to ensure that management priorities reflect community preferences. Without this involvement, the potential for vindictive cutting and conflictual relationships with management becomes more evident.

- Previous negotiation tactics used by groups to resist cuts primarily with police, fire, and public works surfaced at legislative hearings and some accommodation was made to their requests.

V. ALLOCATING THE "WINDFALL" (STATE AID) AND PREVENTING DEEP CUTS

Once it became clear that state aid would be substantially increased over previous years, the cities and towns prepared recommendations as to how to spend it. Although the amount of state aid varied significantly across communities, the additional infusion of revenues enabled the local governments to refund certain programs and expenditures. Thus, the windfall served as a unique test to determine spending priorities. This chapter will examine how additional state aid was allocated. It will seek to show that to a large extent, new funds would go to controversial cuts where organized groups mobilized against reductions. These funds are then used to appease interest groups and keep resistance to a minimum. In addition, funds are used to stabilize municipal finances to begin efforts to deal with future cuts or expenditures. This is important evidence that local governments are planning for future fiscal problems. Finally, the extent of the losses to each community will be summarized, identifying the major which contributed to preventing the deep cuts that were originally expected.

A. The Elusive State Aid

Setting the final budget was contingent on receiving a state aid figure. This political battle at the state level carried the budget past the fiscal year deadline of July 1st. Since state aid appeared to be larger than was originally expected and was not finalized until late July, local governments had to cope with an unknown amount of additional funds. Local governments coped with this uncertainty in a variety of ways. In the cities, most finalized an initial set of recommendations, with the prospect of an addi-

tional hearing when the money became available. Arlington and Cambridge, whose officials were active in the effort to increase state aid, had prior knowledge of the formula that was being used and were able to obtain "fairly firm" estimates of the funds that they would receive. Arlington passed two budgets, one with an estimate of state aid, the other without state aid. A special Town Meeting would be called in September to confirm the state aid. Cambridge's City Council decided it should prepare a package of funding recommendations to prevent groups from requesting funds for all kinds of purposes at Council hearings. Other towns, Framingham, Marshfield, and Burlington, had both state aid and prospective funds from revaluation to figure into the budget. These towns completed a budget before July 1st, but called for special town meetings in the fall to appropriate additional funds and to send out estimated tax bills.

The tables on the following two pages indicate the amount of state aid received and the percent of the FY 82 revenue loss replaced. Only two communities, Chelsea and Bridgewater, recovered the full extent of their first year revenue losses from state aid. The rest received between 13 and 30 percent of their losses in increase state funds. The Town Manager in Arlington was incensed by the unequal distribution in state aid, and filed a bill through his state senator to rectify it. He wanted all communities to receive between 30 and 60 percent of their losses back from the state. His campaign to rally local communities to pressure for increased state aid fell short of the amount of aid he believed local governments deserved. The bill, although favorably received was not acceptable to the Governor, who had committed the increased aid to communities as part of his total budget package and was not about to change it.

TABLE 7A: FINAL CUTS* AND ADDITIONAL REVENUE

CITIES

Place	Preliminary Cut	Reval/▲ in Prop Tax Levy	State Aid & loss \$ / replaced	Final Cut \$ / %	EXPLANATION AND PRIORITIES FOR NEW REVENUES
Cambridge	12% 14.6m	Not Completed	2.34m - 13%	202m - (2%)	The increase in user fees (5.9m) largely from hospital service charges and water and service fees, combined with some management reform (human services) reduced the overall loss in revenues to 2%. Additional state aid went to schools, fire, police dept., rent control, libraries and to a lesser extent public works and human services.
Chelsea	17% (2.57m)	Not Completed	2.66m - 98%	0.23m - (2%)	Chelsea received almost its total loss as a result of 2½ back in additional state aid. Increased user charges - .5m were also factored in. Initial cuts in fire (min. manning and overtime) were restored. Police, public works equipment, city employees, some school cuts restored. Additional free cash and surplus held over for next year.
Quincy	12% (11.6)	Not Completed	3.76m - 30%	10.54m - (11%)	The city budget was approved with a \$6m deficit which had to be made up with state aid, 3.7m and 3m of increased receipts at the city hospital. This left only .5m for budget redistribution which was used to rehire laid off employees in police and fire departments.
Salem	11% (4.73)	Scheduled FY 83	1.2m - 21%	3.89m - (9.1%)	Salem received 21% of its loss in state aid. The combination of significant lay-offs and program losses were not blunted by the state aid. The Council and the mayor used the state aid to replace a deficit of 500,000, refund transportation, street lighting, and police salaries.
Springfield	11.5%	Not Completed	8m - 15%	2.2m - 1.6% increase	The raising of user fees, improved collection of taxes, cash management and a budget surplus from the previous year enabled a modest increase in the Springfield budget. The state aid was used to restore cuts in fire department, rehiring school personnel, salary raises for collective bargaining settlement and refund street lighting reductions.

* These figures do not factor in inflation, costs from lay-offs and all user fees. In many cases the loss will be greater than the % indicates.

TABLE 7B: FINAL CUTS AND ADDITIONAL REVENUE

TOWNS

Place	Preliminary Cut	Reval/Δ in Prop Tax Levy	State Aid		Final Cut	EXPLANATION AND PRIORITIES FOR NEW REVENUES
			\$ /	% loss replaced		
Arlington	16% 6.2m	Will complete in FY 83	1.4m -	28%	2.5 - (6.3%)	Arlington developed two budgets which prepared for eventual state aid. The use of 3.7m in free cash, the reduction of full costs and the increase of user charges reduced the full extent of the loss to 2.5m. The additional state aid was designated for school salaries, pension system and town raises in collective bargaining.
Bridgewater	15% 1.49m	Not Completed	1.47m -	99%	1.02 - (.01%)	State aid almost completely replaced the losses the town incurred. With the additional aid the town used it to rehire police, fire and other salaries as well as some fixed costs and a small amount for a stabilization fund.
Burlington	13% 3.5m	701m - 860m 2.6m increase in Prop Tax FY 82 Levy	0.58m -	16%	292m - 14.6% increase	The town received state aid and an increase of 2.6m over the initial FY 82 limit. Of the additional 2.6m only \$718,000 went into operating budgets. The rest went to stabilize town finances - for reserve funds and finance capital exp. of the \$718,000 - 650,000 went to schools, and police and fire departments.
Framingham	19%	1.3B - 1.5B Expected 5m increase in prop. tax levy	1.7m -	20%	6m - (9.1%)	Framingham gambled (correctly) on a new valuation figure. In their budget they included a deficit of 1.2m in insurance, unemployment compensation, and street lighting which would be added back when state aid or higher valuation was finalized. Additional state aid of 1.7m took care of these "fixed costs".
Marshfield	12% 2.4m	354m - 484m Amount Unknown	0.84 -	27%	1.94m - (10.2%)	Revaluation provided a higher valuation than expected. With an additional shot of state aid, .8m, the town distributed roughly \$500,000 among the schools, police and fire departments.

B. Allocating the "Windfall"

There seemed to be three general trends to allocating the additional funds: restore as many cuts as possible, fund those programs and groups who have protested, and save it for next year to prepare for more cuts or stabilize government finances. A number of factors seemed to influence these choices. First, the amount of state aid enabled some communities the flexibility to refund the cuts programs. For those communities that faced more years of cutting, saving funds to alleviate the severity of the next year losses was essential. Second, there were some fears that the wage freezes that had been imposed would provoke strikes by organized employees if they did not receive a share of the funds. Although binding arbitration police and fire fighters were prepared to bargain heavily for wage increases. In fact, Chelsea fire fighters and other unions had gambled on a share of the new "kitty". And third, controversial cuts in school bus transportation, street lighting, and traffic supervisors were refunded to reduce the resistance from groups who had lobbied local officials.

Cambridge reached agreement on additions to the budget and sent the recommendations to the City Manager, following the general priorities outlined by him. Cambridge spread its state aid funds across a variety of programs in an attempt to maintain equity in its cutbacks. Officials reinstated some school cuts, restored positions in the fire and police departments, kept a library branch open and sent smaller sums to other departments. Their final loss was much less than expected, reducing a "worst case" loss of 25 percent to a 2 percent cutback.

Chelsea and Bridgewater used the funds to restore as many cuts as possible. They both received almost all of their losses from state aid. Bridgewater spent most of its funds for fire and police salaries, as well

as funds for fixed costs in highways and legal expenses and additional funds for a stabilization fund. Chelsea attempted to restore a wide variety of cuts, but also to combine some of the funds that it had with a surplus that was generated the year before for a stabilization fund.. Chelsea was facing two to three more years of cutting. However, in Chelsea, streets, libraries, and schools still received substantial reductions.

In Quincy and Salem, the additional funds had to go to deficits existing in the operating budgets. What little was left went to refund some of the controversial losses--school bus transportation, police and fire salaries, and smaller amounts for other employee salary raises. Springfield also funded some salary raises and restored all street lighting after protest from neighborhood associations.

Arlington, in the development of the two budgets, left increases in funding to go to three sources: maintain a fully funded pension system, prevent lay-offs of teachers, and raises for collective bargaining with the town's seven unions. Each union was given a three percent raise and a two percent increment which would be negotiated. Some union members (police and fire) felt they should be able to bargain for a share of the total amount (500,000) of the funds allocated for raises. However, the town saw that giving all a 3 percent raise as an attempt to preserve equity in the bargaining process.

For the three towns which completed revaluation, state aid helped to reduce overall losses or to overcome any losses at all. In Framingham, the combination of revaluation and state aid reduced its losses by over one-third. It had substantially underfunded its fixed costs and was able to add them back with new state aid. In Marshfield, however, revaluation was expected to bring in additional funds, but these were not allocated in

the FY 82 budget. The state aid that did come in was distributed among the schools, police, and fire departments. Burlington, where revaluation was scheduled for completion later in the year, proceeded throughout the budget process as if no revenues would be forthcoming and would only allocate funds if they were finalized. Thus, when revaluation netted 2.6 million and state aid, \$580,000, the town found itself with a substantial increase (14.6%), not cutbacks as had originally been feared. However, the town still cut funds in its departments and used the additional funds for a reserve and future capital expenditures.

C. Summarizing the Losses

In summary, there were five major factors which accounted for the "softening" of Proposition 2 1/2's first year impacts. The two most significant factors were revaluation and state aid. Three other factors contributed to preventing "worst case" losses: raising user fees and charges, postponing capital expenditures, and reducing labor costs through attrition and contract concessions. However, the actual extent to which these latter factors blunted the effects has not been calculated. Another factor which often was not publicized or considered was a free cash surplus generated from investments or unnecessary appropriations.

Thus, local officials managed to prevent the deep cuts which had been predicted and feared. The final cuts as shown on Tables 7a and 7b demonstrate that cuts ranged from an increase in Burlington, to decreases of 10 and 11 percent. Salem, Quincy, and Framingham (even with revaluation) were the hardest hit of the case study communities in terms of the final dollar amount lost. Salem and Quincy face two or more years of cutting in the future. It should also be remembered that data on final cuts reflects the

actual dollar losses. Increases in "fixed costs", inflation, and borrowing costs, those that drove up estimates to the "worst case" figures of 25 to 30 percent can make the impact of these percentage losses much greater. The losses were quite variable. Cambridge and Chelsea each took a 2 percent loss. Springfield had a 1.6 percent increase due to a previous budget surplus. Arlington and Marshfield took between 6 and 10 percent cuts, although Marshfield did receive an amount (not available at this time) from revaluation.

D. Summary of Findings

The purpose of this brief chapter has been to examine the types of responses local government exhibit with a "windfall" in a cutback period. Generally, although the amounts of aid varied as well as the financial predicament of each community, the "windfall" went to pre-established "commitments" such as groups who had resisted cuts or negotiated an agreement to be first-in-line when funds became available. There were a few attempts to promote equity by distributing state aid as widely as possible, but by and large funds went to salaries to the existing workforce--primarily police and fire. Data was not available to do a more rigorous comparison of the allocation with the state aid. Certainly for most of the communities, state aid was not what it was hoped to be. Other factors, revaluation, the use of user fees and charges, and contract concessions helped to lower the losses, but there were still significant cuts felt in the communities.

VI. TRENDS IN MUNICIPAL APPROPRIATIONS AND FUTURE CONCERNS

The final link in the budget process is to examine the distribution of cuts among departments. As the cutback strategy shifted from proportional cuts to targeted cuts, and resistance from organized sectors in fire, police, and public works became apparent, it seemed that most cuts were forced into "softer" services. This chapter will examine whether or not cuts were unequally distributed and to what extent, what services were eliminated as part of the cutback strategy, and final losses in per capita expenditures across communities. It will confirm that weaker, less organized services took the brunt of the cuts. Finally, a section is included on some of the concerns that local officials had about the effects of Proposition 2 1/2. It provides a basis from which to understand the concluding remarks in the final chapter.

A. Trends in Municipal Appropriations

Table 8 on the following page confirms what became evident in setting budget priorities and negotiations: greater percentage changes occurred in education, libraries, parks and recreation, and street services. These services declined by an average of 9.5 percent in education, 13 percent in libraries, 18.4 percent in parks and recreation and 17.6 percent in street services. When compared to the overall drop in municipal expenditures in the case study communities--3.5 percent, these reductions are quite large. In addition, contrasting the declines with the "harder" services it becomes apparent that "softer" services bore the greater burden of cutbacks. Police department services declined by an average 2 percent, fire services actually increased by .2 percent, and garbage collection had an even

greater increase of 10.1 percent, although the latter is quite variable among places. While the difference in cutbacks is not surprising, the overall extent of the difference is when most local officials had started out by attempting to impose proportional cuts.

TABLE 8 PERCENTAGE CHANGES IN MUNICIPAL APPROPRIATIONS
(FY81-FY82)

<u>CITIES</u>	Cambridge	Chelsea	Quincy	Salem	Springfield
Education	-4.0	-4.8	-19.6	-15.7	-5.0
Police	0.2	4.0	-8.2	-1.6	0.2
Fire	0.2	7.4	-6.8	-8.2	-5.5
Streets	-7.0	-15.9	-67.7	-37.1	-12.5
Parks	*	-1.0	-23.7	-34.6	-12.0
Garbage	*	-6.0	21.9	-17.0	1.7
Libraries	-6.0	-19.5	-23.1	-16.0	-6.0
Debt	9.0	-1.9	-1.5	-4.6	5.9
Total	-2.0	-1.5	-11.0	-9.1	1.6
<u>TOWNS</u>					
	Arlington	Framingham	Burlington	Marshfield	(Bridgewater data is not available)
Education	-5.2	-9.7	-8.5	-9.0	
Police	-5.0	1.7	0.0	-10.4	
Fire	3.6	-1.8	9.4	0.7	
Streets	-14.5	14.0	*	*	
Parks	-11.2	-6.7	-8.0	-49.9	
Garbage	-2.3	-6.2	10.1	12.3	
Libraries	-20.0	-15.0	-3.6	-6.6	
Debt	-2.3	-13.0	-1.3	39.9	
Total	-6.3	-9.5	14.6	-8.4	

The following table takes the shift to cuts in "softer" services one step further and shows that education, parks, and libraries bore a disproportionate share of the total cuts. This table compares education's share of the total cuts to its share of the FY 81 appropriations for seven of the ten communities. In arlington, Framingham, and Marshfield, the educational reduction was proportional. In Burlington and Chelsea, the decrease was larger. In Quincy and Salem, the reduction was significantly greater than its percentage of FY 81 appropriations. In libraries and parks, the decreases were again larger than their FY 81 budget percentages, but here the dollar amounts were much smaller.

<u>Schools</u>	<u>Percent of FY 81 Appropriations</u>	<u>Percent Municipal FY 82 Appropriation Reduction</u>
Arlington	41 percent	34 percent
Burlington	51 percent	214 percent
Chelsea	51 percent	161 percent
Framingham	46 percent	47 percent
Marshfield	52 percent	56 percent
Quincy	43 percent	62 percent
Salem	33 percent	57 percent
 <u>Libraries</u>		
Burlington	0.7 percent	0.8 percent
Chelsea	0.2 percent	25.0 percent
Framingham	1.0 percent	2.0 percent
Marshfield	0.9 percent	0.7 percent
Quincy	0.1 percent	2.3 percent

TABLE 9

<u>Parks and Recreation</u>	<u>Percent of FY 81 Appropriations</u>	<u>Percent Municipal 82 Appropriation Reduc.</u>
Burlington	1.6 percent	4.2 percent
Chelsea	2.0 percent	1.3 percent
Framingham	0.8 percent	0.6 percent
Marshfield	0.3 percent	2.0 percent
Quincy	1.0 percent	2.4 percent
Salem	2.0 percent	9.0 percent

Thus, the large difference between "soft" and "hard" services can be explained by a number of factors which became evident as the budgets were negotiated and finalized. Obviously, local officials made public safety their first priority. Some of the local governments had been slowly reducing their fire and police departments to a level which they believed was a bare minimum. However, many local officials also felt that since the public safety budgets make-up between 12 and 16 percent of their budgets, that some of the cutbacks would have to come from these departments. The fact that the fire department and to a lesser extent the police departments took strong and combative stances during budget negotiations was certainly a factor in preventing cuts. Clearly, police and fire departments had a measure of support and influence that other unionized employees did not have.

Garbage collection, also highly unionized was an issue in some municipalities, where its reduction or elimination was used to threaten management to continue its service at current levels. With rising costs, it is obvious why local officials are looking to contract out this service. Since garbage collection is a service which affects all citizens and when not maintained is a highly visible problem it also became a sensitive area.

Department heads in the "softer" services felt that when pitted against

public safety, they couldn't compete with public sentiment and the union's tactics. In the cities, there was less support for education and human service programs. This trend to have the burden of cuts fall on less supported programs would be hard to change. There was evidence of mobilizing support for libraries, especially when a branch was slated for closure, but this was not widespread. The lack of efficiency criteria and measure for an "adequate" level of public safety did not provide a basis on which to determine the level of fire and police services needed. Cuts were made from perceptions and the need to protect political positions.

Table 10 summarizes the services that were eliminated in the case study communities. Perhaps because most localities did not suffer large revenue losses, the elimination of programs was the least used cut-back strategy. Only Salem, which faced significant tax rollbacks, actually terminated city funding for several city departments. However, they were attempting to get the private sector to pick up some of the programs. Schools, in their attempt to protect direct services to students attempted to cut those programs which were not central to classroom services. In cases where these programs were not cut they were often subjected to new user charges to maintain them. Most of the types of services that were eliminated were related to arts and cultural activities and community relations services.

TABLE 10

SERVICES ELIMINATED

Springfield	New school textbook purchases, private street maintenance, city landfill service, spring clean-up.
Chelsea	Evaluation program for special education.
Cambridge	Community Relations service.
Salem	Funding for Christmas decoration, parades, concerts, Cultural Arts Commission, Fireman's Memorial, Heritage

TABLE 10 Cont'd

SERVICES ELIMINATED

Salem Cont'd	Celebration, Historical Commission, Human Rights Commission, Tourist Commission, Waterways Commission, and Departments of Weights and Measures.
Quincy	High school drama, junior high athletics.
Burlington	Some high school electives and some courses with small enrollments.
Framingham	School public information services.
Marshfield	Police beach patrols and winter cottage checks.
Bridgewater	School programs in art, music, home economics, industrial arts, summer recreation, and trash pick-up.

Since local officials used hiring freezes and attrition to smooth the reductions, attrition was primarily responsible for the reduction of positions in the departments other than schools. Although complete data is not available, it appeared that lay-offs occurred more often in the cities. Those places facing the smallest budget reductions could make almost all of their personnel cuts through attrition. Second, school departments suffered many more lay-offs than police, fire, or other municipal departments. In the long-run, of course, attrition has the same consequences for services as lay-offs. In fact, many department heads were even more distressed about the impact of attrition in their departments. For example, the Police Chief in Arlington reported losing a captain and three patrolmen to early retirement and job changes. He believed that the attrition policy caused a real loss in management and patrol time. He would have liked to have reduced the traffic supervisors program in order to make cuts. Thus, the attrition policy created disproportionate and less controlled losses in many departments.

Finally, per capita changes in appropriations best suggest the actual dollar losses to local governments across places. Table 11 on the next page

summarizes per capita changes in appropriations between FY 81 and FY 82.

TABLE 11 PER CAPITA CHANGES IN APPROPRIATIONS

	FY81	FY82	\$Change		FY 81	FY82	\$Change
Cambridge	1345	1324	-21	Arlington	820	768	-52
Chelsea	590	582	-8	Bridgewater	Not Available		
Quincy	910	786	-124	Burlington	1114	1091	-23
Salem	1122	1020	-102	Framingham	893	809	-84
Springfield	873	888	+15	Marshfield	898	823	-55

It is difficult to generalize or develop trends about spending among places because of the number of variables which entered into the budget-cutting process. It is still evident that Quincy, Salem, and Framingham were the hardest hit. Cambridge, even though it did not receive much from state aid (13 percent of its loss) was able to increase user charges and other funds to make up most of its loss. Arlington, too, had forecast large losses, but used free case and state aid to reduce the impact. Since state aid, revaluation, and user charges affected each community differently, comparisons between cities and towns does not yield significant results. However, each of the cities faced the prospect of future 15 percent cuts under Proposition 2 1/2, whereas the towns through revaluation were able to contain most of their losses in the first year.

B. Future Concerns

Comparing municipalities, there can be little doubt that city officials forecast a much bleaker future than their counterparts in the towns. Even in Framingham and Arlington, which suffered above average reductions in appropriations, local officials seem to believe that the worst is over, that revaluation, coupled with management reforms and a state guarantee to provide local assistance would prevent long-term damage. Perhaps, because

all the cities face another year of property tax levy reductions as well as federal budget cuts, their officials fear the worst. As one related,

I fear next year. This year, we had seventeen vacancies in the police department -- next year, we won't. This year we cut over 10 million, but we have fixed costs as well. We already transferred the junior college and the hospital out of the general fund budget. We cut the library by 50 percent, So, where's the room?

Another official claimed,

After the second cut, the city would be no longer operational. You're not an existing community after something like that. You might as well dissolve as a corporate entity.

Clearly, another round of cuts, if implemented in the same way as the first year cuts would render many of the departments inoperable. As a school official in Chelsea argued,

Look at it this way -- next year if we have to cut 15 percent, that will be another \$900,000. Figuring that 5 people cost roughly \$100,000, we will lose 45 teachers. At that point, and certainly with a third year of 15 percent cuts, I believe we should close the doors and go home, because morale will be too low. Students and parents in Chelsea want a quality education. They want a band. They want athletic teams to be bused to the games. But they don't want to -- and often can't pay for it.

Local officials are not only concerned about future local cuts, and the consequences of deferring capital expenditures, but are worried about federal cutbacks. The extent and impact of federal funding losses is another major unknown. Losses in federal revenue sharing, CETA, community development, and human service funds were feared to potentially exacerbate the cuts that were already taking place in the communities. The director of a suburban human service agency predicted,

Human services are taking it on the chin. The problems have not become evident yet, but they will. The difficulty is that our clients do not speak for themselves. Besides the competitive nature of obtaining scarce funds, there will be more demands for services as financial problems worsen -- housing shortages, fixed incomes not keeping up with inflation,

Medicare cuts, etc. There will not be enough staff to meet these needs.

Most communities did not factor in state and federal cutbacks in services in their budget. This was partly the result that these losses were not confirmed, but also because the communities were financially incapable of picking up the losses. In Springfield, the local United Way made it clear that it was not their responsibility to pick-up the additional funds needed in the wake of federal cutbacks.

Although difficult to confirm, there was widespread speculation on the "winners" and "losers" as a result of the Proposition 2 1/2 budgets. The editor of a Chelsea newspaper said,

Beneficiaries will be the taxpayers who were burdened by the public employees. The losers will be the public employees. Their demands can't be endless.

However, as the massive lay-offs that were predicted earlier failed to materialize, union officials believe that similar relief will be found in the future and lay-offs will continue to be avoided. The City Manager in Cambridge feels that this supposition is both inaccurate and short-sighted:

The concept of municipal finance is nebulous to most public employees. They think I have a bag of money in my drawer.

Others believed that with revaluation and shifts in the state tax structure that taxpayers will not receive the benefits they expected, leading to additional protest. In fact, with revaluation each community has its share of taxpayers who will owe more taxes after revaluation, despite Proposition 2 1/2. A member of a citizen organization said,

2 1/2 will just increase state taxes like the sales tax, which is a burden on middle and low income families. That with the cuts by Reagan, will mean poor and working people will be hurt more. People were hurt by 2 1/2. Property tax relief will be minimal, and the money has to come from somewhere.

Many people agree that because of deep school cutbacks, young people will

suffer most. A City Council member in Salem said,

The dust hasn't settled yet. But I think the young people are the losers. Parks and recreation got the most devastating cuts. Youth services were badly hurt, and of course, education. Youth who don't vote, will be hurt the most.

Low income and elderly constituents believe they will be the victims of Proposition 2 1/2, and that federal and state reductions in the services they use will add to their problems. While there were many projections on the impacts of Proposition 2 1/2, few communities carried out a systematic analysis of the implications of their cutbacks on various individuals and groups. More were concerned about the precarious financial position that Proposition 2 1/2 left them in.

Many believed that an over-reliance on the property tax must be changed, but were frustrated that changes in that direction were not taking place at the state level. Local officials did not feel it was right for a state law to impose spending limits on local government. Cambridge formed a coalition into a state political action committee to pass Cambridge's home rule or local override petitions. They also wanted to form alliances with citizens in other communities to pass override measures. The Mayor in Cambridge and the coalition's de facto chairman, explained his position,

While I agree that taxation changes are necessary, local officials should decide the number of teachers and police not a state referendum.

Thus, many perceived that Proposition 2 1/2 diminished local control over spending. A Town Accountant in Marshfield said,

I would think that the people that favored 2 1/2 would favor home rule, but it is working just the other way around. By cutting down what a town can spend and hoping the state will subsidize, you are doing away with home rule.

Finally, although there were strong feelings about the impact of cuts, increased conflicts in authority, competition between departments and

unions, it was perceived that Proposition 2 1/2 enabled new cooperation between local officials. This was not expressed in those case studies where a strong mayor-weak council existed. In these communities, few had praise for the budget process. However, in Cambridge, city officials believed that they survived the first year of Proposition 2 1/2 fairly well. The City Manager claims,

Cambridge handled Prop 2 1/2 well and with a minimum of turmoil. It survived to a large extent because of education and interchange between management and the City Council.

In Arlington, a newly elected selectmen, saw the formation of the committee to coordinate revenues and fiscal priorities as a model of cooperation which ensured consensus among local budget officials and that this type of cross-administrative coordination was essential in dealing with Proposition 2 1/2. As a result of 2 1/2, the Town Meeting voted to form a Town Government Reorganization Committee to search for ways to improve the delivery of services.

In Marshfield, which was the only community to start by prioritizing its services and to build a joint budget-cutting process between town officials, there seemed to be a consensus that the struggle to implement cutbacks was undertaken with great responsibility and fairness. Indeed, many department heads mentioned being influenced by this cooperation and unions, too, opened provisions in their contracts to reduce costs. The question remaining is whether town officials will continue to be able to draw on these reserves of sacrifice and goodwill during future rounds of budgetary reductions.

VII. CONCLUSIONS AND IMPLICATIONS FOR CUTBACK PLANNING PRACTICE

A variety of new factors entered the budget process this year and made it more complex: the school budget was brought under executive control; binding arbitration was eliminated; collective bargaining had to proceed under new fiscal constraints; local governments were pushed to become more efficient; and, revenue shortfalls had to be faced. The combination of these factors strained established patterns and political relationships and affected the distribution of gains and losses experienced by different interest groups. This chapter will summarize the difficulties which surfaced in the cutback process and provide some initial recommendations for resolving key problems presented by cutback budgeting on the local level.

A. Overview of Key Problems and Trends

Although many of the local governments analyzed in the Impact: 2 1/2 case studies were able to substantially reduce their "worst case" losses, they are certainly not clear of the fiscal crisis. Each of the cities faced another year of 15 percent cuts in the property tax, Proposition 2 1/2 "capped" increases in expenditures at 2.5 percent annually, and first year losses severely bit into programs and "buffers" for emergency spending needs. And, as mentioned in the introduction, other fiscal trends do not bode well for local governments in Massachusetts: increased borrowing costs, increased dependency on state aid for salaries in essential public services, rising outlays for expenditures such as pension funds and disability insurance (from 1978 to 1980 these costs rose at an average of 35 percent and were forecast to continue by James Segal of the Massachusetts Municipal Association), and continued reductions in federal aid. The results of

ment heads and unions in these services were the most organized and used the most conflictual negotiation tactics, and it was difficult to develop adequate criteria and conduct a thorough efficiency analysis to compare services and needs. Finally, the potential of new revenue entered to make it difficult to reject claims for additional funds.

It is interesting to note that in New York City at the height of its fiscal crisis between 1975 and 1977, all major city functions showed approximately proportional reductions.⁽²⁴⁾ Police and fire services were not protected more than other major city services, including human services. Certainly, in the case study cities, the mayors had sufficient executive authority to implement cuts in public safety if they so chose. Both in Quincy and Salem, the mayors bucked considerable department head and union resistance to impose their cuts. In the towns, the fragmented authority structure and the "influencable" nature of town meeting enabled greater opportunity to create fear that public safety was jeopardized and to appeal for increases in funds.

For the legislative bodies, it was next impossible to find ways to change budget priorities presented to them. Few compromises or trade-offs were presented in the budgets in each department or between departments. Many of the groups had less budget information to work from than in previous years, constraining their ability to influence the management's spending plan. It seemed that the need to present a "balanced budget" and to convince town meeting and the city council of the budget priorities was based on a fear that new conflicts would erupt that would be hard to control. As additional funds became available from state aid and revaluation, it was typical for management to designate where the new funds should be spent. These primarily went to salary settlements for collec-

these trends will be an ongoing fiscal predicament where local governments will have to continue to search for an adequate revenue base, determine where best to target expenditures, and build an organizational effort to enhance productivity and the quality of services.

A brief review of events and problems in the budget process will serve as a background for building recommendations to improve the budgeting process. By and large, the local governments framed the problem for coping with cutbacks resulting from Proposition 2 1/2 in the short-term. The object of the cutback strategy was to implement cutbacks with a minimum of resistance, cover necessary fixed costs, protect employees from job lay-offs, and maintain all essential services. Most agreed with the strategy to prevent lay-offs and to implement Proposition 2 1/2 with as little disruption to services as possible. For more politically active governments such as Arlington and Cambridge, the cutback strategy took on an added scope to "resist the decline" by pursuing strong efforts to increase the state share of local funding. In almost all cases, management wanted to maintain equity in cutbacks by implementing across-the-board reductions. Authority was consolidated, ostensibly for decision-making purposes to resolve conflicts, coordinate revenue information, and provide control for executing the degree of cuts that would have to be made.

However, the proportional strategy changed according to the particular budgetary politics in each community, following a consistent trend. Not surprisingly, organized groups, primarily police, fire, and public works were able to be spared the extent of the cuts that were experienced by schools, libraries, parks and recreation, and street services. This seemed to result from the following factors: the public feared that cutbacks in critical services would jeopardize community health and safety, the depart-

tive bargaining--police, fire, and to a lesser extent in the schools. For those that received substantial amounts of aid, some was able to be put in a stabilization fund for future expenses.

The picture that emerges from this analysis is that local governments set out to cope with Proposition 2 1/2 within the existing structure of local politics. Certainly, Proposition 2 1/2 sent a "shock wave" through the budget-making system and forced multiple new questions into the budgeting arena. Some local governments seemed more prepared to deal with Proposition 2 1/2 than others. Cambridge, Arlington, and Marshfield used more professional budgeting techniques and more cooperative efforts to accomplish needed reductions. Others seemed to be immobilized by conflicts from local officials and other interest groups. However, in coping with the political realities of cutback budgeting, the following problems emerged in the process of implementing Proposition 2 1/2. Certainly, not all of these conclusions are shared by the different parties to the budget process, nor by all of the local governments used in this analysis. Rather, they represent tensions and problems that I have identified in the process of carrying out the mandate to cut:

1. The lack of an explicit cutback strategy placed critical decisions into established budget patterns which were not well-equipped to handle multiple problems from new fiscal constraints, demands from groups, and the need to promote ways to reduce costs. (Developing a Cutback Strategy)
2. Decisions between services were bolstered by a very general set of criteria and were made by central authorities. This created antagonism and enabled decisions to be made more by political pressure than by what was needed to maintain a representative set of services.

(Establishing the Legitimacy of Budget Priorities)

3. Revenue uncertainty plagued the ability to set the final distributions of cuts and forced last-minute prioritizing of expenditures. (Coping with Revenue Uncertainty)
4. Resistance to budget-cutting and conflictual negotiation tactics by both organized labor and central authorities impeded efforts to enhance productivity and efficiency in local government operations. (Mobilizing Organizational Potential)
5. The budget process seemed removed from planning and management functions and key information on line-item spending and future needs was not provided to decision-makers. (Linking Planning and Management Practices to Budgeting)
6. Political pressure by department heads, unions, and citizen groups created increased competition and demands among municipal departments. (Reassessing Policy and Dispute Resolution Procedures)
7. Elected representatives in legislative bodies did not have much of a role in setting budget priorities and investigating issues related to cuts. (Rebuilding Citizen Participation and Legislative Involvement)

The broad scope of these problems presents a deliberate challenge to local government authorities to reassess the budgeting process in light of cutbacks and to work to improve the ability of local officials to respond to retrenchment. The brunt of coping with the pressures of created by fiscal stress fall largely on the budgetary and management systems that are used in each municipality. Clearly, local government budgeting is not just a once-a-year activity; it is a continuous process and instrument for decision-making and communication. The yearly spending plan has the greatest influence over local government actions by setting the fiscal and pro-

grammatic framework for future activities. The fact that local government is a creature of the state and is least able to influence its environment does not justify inaction. Fiscal federalism and changing relations between state and local government necessitate developing the capacity to respond to new situations and to apply political pressure to higher levels of government to accomodate the need for a stable revenue base and control over local resources. Local governments were created by the state to bring decisions closer to the citizens; it is up to citizens and local officials to ensure that the level and quality of services accurately reflects the needs and preferences of each community.

The simplistic argument by a skeptical public that management efficiencies would suffice for budget-cutting and that public services would not be substantially reduced was not true. Certainly, "seriously reduced" is a value question. The closure of libraries, reduced access to parks and recreation services, less maintenance and cleaning of streets begins to build a cumulative effect. Citizens become depressed about local government's ability to make decisions and visible signs of deteriorating services can create a lack of pride and involvement in community affairs. This demoralization can immobilize necessary efforts to prevent a continuing loss and eroding of public services. Thus, the value questions about the level of services desired by the citizenry must be explicitly addressed.

Local governments pared down their services to citizens to more routine and protective programs. Further cuts carried out in a similar manner forces citizens, employees, and local officials to choose a bottom-line of the quantity and quality of services which must be maintained. For the most part, trade-offs and service level questions were not seriously addressed in a systematic manner. Prioritizing became an in-house matter

and adversarial relations and power politics prevented resolving critical problems such as the lack of viable revenue options, targeting large cuts to weaker, but important services, and increased resentment between departments and employees. Obviously, the heart of local politics is the ability to respond to constituent interests and bargain over policy issues. Politicians resist taking public stands and taking part in a process to build policy and cutback strategies which force them to be more public about their commitments than they wish to be. However, when politics degenerate into capricious decisions, local inaction, and domination by a few executives, the policy and budgeting process must be questioned.

B. Recommendations

Rebuilding the municipal budgeting process is not a simple proposition. It will mean not only identifying key problem areas and important information needed for decision-making, but in some cases restructuring the relationships among the parties to the budget process. Indeed, recognizing that innovation is needed and building an accepted course of action will require careful planning and a significant mobilization of resources and personnel. At a time when immediate fiscal pressures have placed local governments into a reactive, short-term posture, this prospect is grim. However, in each of the case studies, there was movement to improve the ability of local government to integrate budgeting into other planning practices and to pursue some efficiency efforts. By and large, the governments that were researched are reasonably small communities where officials and citizens are familiar with each other and have a substantial investment in making the community a viable place to live. The challenge will be to take the following generalized themes and practices and transform

them into detailed, specific, and appropriate options.

1. Developing a Cutback Strategy

The choice of cutback strategies sets the problem framework for responding to revenue reductions. It has been argued in this thesis that this choice should build on a broader understanding of the political dynamics affecting local government than purely in terms of administrative responses. The assessment of political dynamics involve both internal and external factors. Externally, the movement of statewide politics, fiscal and tax reforms, local aid formulas, revenue authority and regulatory reforms have a direct impact on local government. Internally, demands from department heads, unions, employees and special interest groups place constraints on the choices available to local officials. Indeed a cutback strategy must confront fiscal and political constraints; strong resistance and political pressure; the involvement of other actors while maintaining the leadership of officials; new revenue options and revenue uncertainty; and, productivity enhancement with a demoralized and reduced workforce. The cutback strategy then, must deal with the immediate and long-term constraints, as well as the legitimate concerns of the affected parties.

The development of the cutback strategy must, in my estimation, do more than deal with difficult dilemmas. It must provide a central rationale for local government action and detail the general approach and assumptions guiding the strategy. Levine outlines three basic strategies for cutting back: denial and delay, resisting the decline, and cutting and smoothing strategies. Each of these is based on particular assumptions. For example, "resisting the decline" can rest on the assumption that all measures, fiscally and politically should be employed to prevent any further loss in

services and that the reductions should not be implemented. In response, the cutback strategy may look to designing a political process which seeks to promote this "resistance" and involve citizens and employees to add a "push factor" to lobby for funds or specific political proposals. Thus, the problem framework should be made explicit, outlining the goals and direction it seeks to take, and the values that underly it. The more that consensus is reached about this framework among key actors, the more successful it is likely to be when it comes to implementation.

The following activities can assist the development of the cutback strategy:

1. Central authorities should initiate a series of meetings in the stage before actual budget preparation with key officials to outline a problem framework and to develop goals and assumptions. A short-term and long-term strategy should be developed which is integrated into the budget process and targets the town meeting and city council hearings for feedback and confirmation.
2. The actual impacts of the revenue shortfall in terms of jobs and services should be delineated with a set of alternative scenarios to graphically demonstrate the nature of the problem.
3. Central authorities should develop an "iterative" process which seeks to develop key issues such as those outlined above, and a timeline for resolving them.
4. A community forum should be held by leaders to review the strategy, take feedback, discuss difficult trade-offs between services and invite citizen participation. A consensus should be reached on the nature and goals of the cutback strategy.

2. Establishing the Legitimacy of Budgetary Priorities

Perhaps the most difficult aspect of cutback budgeting is developing a set of budget priorities that reflect community preferences. At a certain point it becomes next to impossible to weigh libraries against schools, police against garbage collection, and parks against human services, etc. Yet some criteria and decision guidelines are necessary to provide a basis from which to evaluate where cuts, if they must be imposed should fall. The proportional strategy first proposed by management was an attempt to demonstrate equity and maintain the existing spending priorities. Many citizen groups wanted the cuts to be proportional to support the existing range of services. Secondly, as pressure was applied, most local governments shifted to targeted cuts bolstered by a set of vague criteria which sought to "protect public safety", "keep the sewers running", and "make sure the garbage was collected". Prioritizing that did occur was usually carried out internal to each department. Department heads submitted ranking of programs and personnel and then it was up to budget officials to take this information and set budget levels according to recommendations and their perceptions of community needs. These priorities were then subjected to the push and pull of the political process.

The legitimacy of budget priorities is based on a number of factors: developing timely, and reliable information on changing community needs, assessing the performance and effectiveness of existing services, and the ability to convince local officials and groups that the budget priorities best represent service demands and the need for a mix of services. As much as possible, the ability to consider a priori the "felt needs" and stated demands will help to anticipate the forces that will mobilize to protect jobs and services. The trade-offs between equity and efficiency

should be explored and made explicit. Efficiency efforts should be rewarded. Thus, establishing the legitimacy of spending priorities develops out of a composite analysis from a variety of sources.

The following activities can assist the development of a set of budget priorities:

1. Evaluating community needs and spending priorities does not have to be done every year, but should be done at least every three years comprehensively with a focus on issues and specific needs in the intervening years. Planning staff and budget officials should identify and involve interested and affected parties, including unions, citizen groups, and neighborhood associations to list needs, complaints, and prioritize services to their areas.
2. Make use of survey techniques to poll a sample of residents on their priorities between services (e.g. what is a bottom-line, what would they reduce first, trade-offs between different types of services, etc.)
3. Measure the costs and outputs of services in a way the taxpayer can understand and conduct scheduled reviews of all programs and activities.
4. Examine current and prospective changes in the target population and service demands, both demographically and geographically to determine if changing patterns in the use of services suggest shifting resources.
5. Identify mandated services and costs and explore possibilities for changing the reimbursement and investment practices to ensure that "fixed costs" are fulfilled in the most cost efficient way.
6. Consider the effects of cuts to various target populations to see if some groups are disproportionately affected more than others.
7. Assess the equity in cuts between administrative and program personnel and provide a rationale behind cuts in various positions.

8. Ask department heads to develop both reduction and improvement packages among department programs, identifying alternative service levels and their consequences, with a list of efficiency efforts.
9. Consolidate data into a report to be made public and solicit comments from citizens in public hearings.

Carrying out the extent of these proposed activities can be costly and time consuming. Each local government can pick the types of activities that are most appropriate and target resources to evaluate particularly important areas. No standardized technique or packaged formula will determine which services are expendable and to what extent. Local elected officials must play a central role to clarify expectations, identify critical services, relate public demand to changes in spending levels, and provide needed information to accompany the political process.

3. Coping with Revenue Uncertainty

Accurately forecasting the level of revenues delayed setting budget priorities and was very difficult given the number of new variables which entered the budget process. As mentioned above, priority setting does not have to be a last minute decision. The use of zero-based budgeting and program rankings as used in Arlington did provide a list of services which could be added back once new revenues were found. However, often it became difficult to coordinate revenue information among the different actors responsible for revenue figures (e.g. assessor, treasure, finance committee chair, mayor, manager, etc.). Different levels of revenues would be projected given a wide variety of assumptions without verification. Some of this uncertainty could not be avoided. The trouble was in integrating budget priorities and services to unknown service levels. Rumors often

circulated about who would be losing their jobs and which services were being cut without a substantive basis from which to affirm or deny the speculation. Complicating the picture was that the "worst case" budget predictions served a political purpose to argue for more funds and induce cooperation from department heads and unions.

A number of tactics can be suggested to cope with the problem of revenue uncertainty:

1. Early formation (at the beginning of the budget process) of a revenue task force made up of key officials to evaluate revenue possibilities and coordinate information and decisions on bottom-line revenue levels.
2. New revenue options should be evaluated by citizens and elected officials as to their progressivity or regressivity, stability, and balance of resource mix.
3. A range of revenue estimates should be developed with corresponding impacts on budget priorities in terms of both services and personnel by the task force.
4. Carefully inventory all revenue producing measures with a list of assumptions to guide revenue forecasting and to review for future analysis.

Forecasting revenue requires experience and technical expertise. However, uncertainty does not have to prevent the ability to set budget priorities and the ability to negotiate effectively with departments and groups. In fact, the current and prospective fiscal constraints and the "ability-to-pay" argument should be open to scrutiny by members of the community.

4. Mobilizing Organizational Potential

Retrenchment in the local government "organization", namely the depart-

ments, programs, and jobs which comprise it, eroded morale, created conflicts between departments, within employee groups, and potentially between workers and the public, reducing the sense of control members of the organization have. The control by management of much of the priority setting, while necessary in setting the level of cutbacks, engendered resentment and conflicts which precluded important movement on efficiency measures, agreement by some unions to open contracts, and cooperation by department heads to make line-item cuts which would not create long-term damage. The decline in resources makes it difficult to create "win-win" situations whereby those who are losing aspects of the struggle can be compensated by other payments. Cutting back means reducing the organization's purposes: it can no longer do all that it once did. Thus, the issue of how, where, and when the cuts are to be made is of direct importance to all members of the organization. Without a clear signal as to what purposes are being retained and why, members lose the value of their contribution, and hence their desire to participate in it.

In order to sustain and build the local government effort to prevent the degeneration of the quality of services and the resource base, it is important to be able to explain what the organization is "for" -- its goals and purposes. The development of the cutback strategy, with wide participation from groups, employees, and elected officials is an excellent opportunity to provide a sense that the members of local government are controlling its destiny and to fully understand what sacrifices need to be made. This is especially true for those groups who felt excluded from the cutback process -- city councils, citizen advisory groups, unions, and department heads. Unless some measure is taken to work cooperatively with these groups, they will continue to sabotage and resist the cutback process.

The process established in Marshfield, was perhaps, the most successful in gaining cooperation from departments and employees.

The following activities may be useful in mobilizing organizational potential:

1. Conduct a goal-setting process with elected officials and citizens to provide a framework for the cutback strategy. Develop comprehensive listing of program objectives and priorities.
2. Develop similar listing of program priorities with department heads and employees.
3. Compare department employees and management priorities with elected officials and set meeting to discuss and reconcile differences.
4. Establish committees within major program areas composed of department personnel to review and propose efficiency measures and to monitor the quality of work and service problems.
5. Develop an overview committee of elected officials, management, employee representatives and citizens to compile proposed efficiency or reorganization efforts and provide accountability to other workplace committees.
6. Develop incentive measures such as public awards, reduction in lost-time days, job sharing, participation in decision-making, etc., for department employees and to build commitment to program objectives.

The goal of these measures, and there are many other types to be used is to build the involvement of employees in the work potential of the local government from within the organization. Democratic management of the workplace has gained greater currency in the private sector, but has not been seriously considered in the public sector.. Cutbacks have forced a critical re-examination of work practices that has been felt throughout the entire organization. The creative involvement of employees and staff

in the identification of resource constraints and ways to improve work could perhaps, significantly reduce costs in ways that do not cut as deeply into services and personnel.

5. Linking Management and Planning Practices to Budgeting

Passing a budget is but one aspect of the budget process. The budget process is perhaps the only time that citizens and elected officials are directly involved in making revenue and expenditure decisions for the community as a whole. As such, the information transmitted during budget hearings and the budget process is critical for decision-makers to stay abreast of government activities. In the case studies, there were numerous complaints that there was a lack of information on which to base the budget decisions. In some cases, officials did not receive the same amount of detailed information as they had in previous years. It seemed that the object of the budget process was to get a budget passed with a minimum of conflict. One way to do this was to provide little information and detailed explanation of the budget items. Rather, budget discussion would have to center on a general overview of priorities, than to thoroughly examine line-items and trade-offs. Even then, the push for a balanced budget attempted to remove debate over articles of spending.

The ability to improve management and planning practices and then to link them to more effective budgeting, will in part be dependent on the importance placed on the budgeting system. In cases where management is carrying out "minimal" budgeting, they will have to be pushed to make it a priority. Information that is needed for decision-making should be identified, both on a year-round basis and for issue-oriented needs. Short and long-range planning process (if available) should be structured in such a way to develop specific proposals for evaluation by decision-makers.

Performance assessment should provide information citizens understand and should be set in measurable units. If it is difficult to quantify the outcomes of the services, on-site review systems can provide feedback on the effectiveness of services. Management systems have become increasingly sophisticated: computerization of information, the generation of reports, and data processing can provide more timely and reliable feedback to local officials. Sometimes these processes are costly, but are the necessary expenses of staying informed -- and in the long-run may help to reduce costs.

The following steps may be useful in linking management and planning to the budget process:

1. Local officials desiring more management and planning information should develop support from other officials and citizens to identify problems resulting from the cutback budget process.
2. Call a meeting with local officials, executives, department heads, and interested citizens to review the budget process, budget documents and their relevance for decision-making.
3. Detail minimum and ideal information requirements for each department, timeline for presentation during the budget cycle, and the method for presentation.
4. Reassess management and planning capacity to meet information requirements and plan steps to reorient to the budgeting process.
6. Reassessment of Authority for Policy and Dispute Resolution

The centralization of budgetary authority produced conflicts over the respective roles of formal budget groups. In the cities, substantial conflict emerged over the role of the city councils in the budget process.

While this is typical, cutbacks raised the stakes considerably and made the setting of budget priorities of critical importance to council members. Instead, their involvement was minimal and the priority-setting primarily the role of the mayors. It was difficult to re-establish a role for the councils except where there were efforts to build a citizen advisory board to investigate revenues and fiscal priorities. The lesson learned for the city councils is that they had to actively pressure the mayors and to create their own institutions to bring about greater involvement in the budget process. Only in Cambridge, with a Council-Manager form of government did existing roles and relationship stay intact without substantial conflict. Here, power over budget priorities seemed to be shared between the Council and City Manager and the Council took the role to resolve budget conflicts.

In the towns, conflicts between selectmen, administrators, and advisory groups impeded setting budget priorities. Some of these conflicts are of course to be expected with fragmented authorities. However, there was general difficulty in agreeing upon who had responsibility for policy and program evaluation. Battles were waged over whose priorities would finally be incorporated into the final budget. Thus, differences in policy and cutback strategy made it hard to respond effectively to demands from department heads, unions, interest groups, and problems on revenue levels.

It is difficult to say what form of local government is best suited to promoting an effective budgeting process. In both heavily centralized and fragmented governments there was substantial conflict. Conflicts are also related to leadership styles, personalities of politicians, and the particular positions of individuals occupying positions of authority.

Certainly, cutbacks sharpen authority and policy issues and ambiguity that exists will create confusion and greater power struggles if it is not clarified. The following questions over roles and responsibilities and procedures for dispute resolution will be difficult to answer, but should be addressed: What authority should department heads have over line-item spending? What role should administrators have in initiating policy? How effective are part-time officials and citizens in setting policy and priorities? With which authorities and over what conflicts should conflicts and grievances be taken for resolution?

As competition developed between departments and groups for funds, threatening tactics were used to save program funding, and the potential of strikes was considered more likely. Anticipating these conflicts and developing procedures to resolve them may prevent costly strikes and legal suits. Similarly, the above questions should be re-examined in light of conflicts that developed in the budget process to help improve future budgeting efforts. Centralizing the budget process because of the fear of irresolvable conflicts should not be a reason to exclude groups from participation in the budget process. Conflicts should be expected with decisions made according to accepted policies.

The following activities may be useful:

1. Set-up a joint committee of elected officials, managers, and citizens to identify and review conflicts in the budget process and existing procedures to resolve them.
2. Establish criteria for policy issues and their linkage to management. Review authority for conflict resolution, and which issues should be dealt with where and with whom.

3. Developed structured group processes for legislative groups and training sessions to improve communication, simulate possible conflicts, and decision-making methods.
4. Reassess the procedures for collecting information from administrators, special interest groups, and unions. Develop procedures for resolving conflicts, developing accountability mechanisms between executives and legislative groups, and follow-up on disputes.

7. Rebuilding Citizen Participation and Legislative Involvement

This section is more or less a continuation of the previous one. Its purpose is to present some ideas related to improving citizen involvement and increasing the ability of legislative representatives to understand key issues, the demand for services, and to translate needs and wants into more specific proposals for consideration and decision. In the case studies, tactics to resist cuts had to become more and more conflictual in order to be effective in being heard. Groups with more power and more pressure were able to win this game. With these tactics it is often the minority voice which is left out and not heard. Although the lack of public participation can be attributed to a number of reasons, the lack of meaningful opportunities for involvement is effective in reducing participation. Even at town meetings, representatives often felt stymied in their ability to respond to budget proposals and be contributing members to the budget process. Town meeting has to become more purposeful and functional. For the city councillors, building a strong citizen budget committee was one of the few ways to gain entry to the prioritization process. Certainly, there has to be a more effective means to engage citizens and customers in the search for an adequate level and quality of public services.

Few local officials endorse citizen participation as a means of redistributing power or decentralizing control over resource allocation decisions. Indeed, it is often perceived as a threat to the established patterns in local government. As control over decisions were centralized, opening local government to greater participation seems remote. In this sense, advocating for increased participation by citizens and organized groups will take solid political organizing to convince officials to accept greater public participation. Pressure by groups who can articulate demands, present alternative budgets, and investigate spending patterns will be more effective in gaining entry to the budget process. After all, more participation can be a useful addition to the normal machinery of representative democracy and can provide legitimacy to budget cuts and cutback strategies.

Building citizen involvement committees on key aspects of the budget to work among elected representatives, and special interest groups, and the general public can help to interpret needs and develop policies. Committees on spending priorities, efficiency, management reforms, and worker involvement could be likely areas for citizen participation. The use of neighborhood associations in planning efforts can build a greater capacity to respond to needs in local areas. With a multiplicity of divergent demands descending upon local officials, it makes sense to engage in structured bargaining in which all the parties with an interest at stake work together to achieve a negotiated settlement. As referred to in the previous section, procedures for dispute resolution should be developed. Finally, the building of citizen-based planning mechanisms and the encouragement of neighborhood participation, can build an effective organization to lobby for proposals at the state level for greater local control and progressive tax policies to enable local governments to maintain the ser-

vices desired by the citizenry.

Because of the scope of the above discussion, I am not listing activities to rebuild citizen participation and legislative involvement, save to encourage elected officials and citizens alike to build a better two-way communication to respond to an ongoing fiscal crisis of local governments.

C. A Final Statement

In writing this thesis, I have continually asked myself, what is the larger significance of retrenchment politics at the local level? The story of politicians and administrators struggling to implement cutbacks and to make hard choices they did not always agree with is a story of strained relations and power politics. This is certainly not surprising. In the recent literature on cutback budgeting, scholars have sought to show that cutbacks present opportunities to produce more efficient local government, new forms of public participation, new purposes for government activity, and greater democratic planning. This thesis is dedicated to the effort to rebuild government effort -- not as an intrusion into people's lives, but as an effective decision-maker, anticipator of community problems, and promoter of a healthy and viable community in which to live. I am sobered by what I have learned from my analysis of the ten local governments. Some were much more "successful" than others in coping with cutbacks. But conflicts became internalized, positions severely fractured relationships and movement to rebuild the organization was impeded by many political and fiscal constraints.

Local government's fiscal crisis must be understood in the overarching "fiscal crisis of the state" and informed by current problems such as the lack of affordable housing, unemployment, costly health care, and high inte-

rest rates. Currently there is a lack of solutions put forward to tackle these problems; they are traditionally set within growth politics and redistribution from within the existing relationships in the private economy. We are now in an era of unprecedented hard choices over the allocation and definition of public goods, the definition of social goals, and the justice and equity of both bureaucratic procedures and planning decisions. Planners find themselves in an increasingly political context -- confronting competing claims for goods and services, and an increasing class struggle to maintain a standard of living.

The struggle in cutbacks represents, in so far as it will occur and opportunities are provided, a repoliticization of individuals and groups; by being more sure about what we are "for" and designing pragmatic and participatory ways to get there, can we animate a more meaningful democracy. Perhaps we will let a "democratic elite" make many of the hard choices we shall face in this decade. This may be fine when the current paradigm is working to solve local problems. But, I believe that this is a time when current practices are under severe questions. It is not good enough to believe in a good process. We must discuss and debate outcomes and determine ways to effectively control available resources. Innovation will take time and so will restructuring our existing relationships. We cannot expect politicians or administrators to inspire efficiencies or make equitable solutions. For me, the significance of cutback budgeting, is the recognition that solid political organizing, blended by specific and articulate plans, is necessary to create progressive "movement on this and future occasions".

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