

# **OPEN LETTER TO THE CITY COMMISSION**

***Projecting falling sales tax revenues, the City Manager has informed many human services and other public agencies (including the library) that 6% cuts are forthcoming. These cuts are potentially devastating.***

***But they may not be needed at all. Grassroots Action investigated the City Manager's projections, and finds them to be seriously inadequate.***

***They appear to be: incomplete; unreliable; methodologically inadequate; and a weak foundation for policy.***

***UNTIL WE HAVE MUCH BETTER DATA, WE CALL UPON THE CITY COMMISSION TO REFRAIN FROM CUTTING NEEDED SERVICES -- AND WE INVITE OTHERS TO JOIN US IN THIS CALL.***

***The City Manager projects a serious shortfall in sales tax revenues. This projection is incomplete.***

- Forecasting the City's economic future requires attention to more than sales taxes alone. *But the City's projection focuses almost entirely on sales taxes.* That isn't good enough.
- Forecasting sales tax revenue requires attention to the factors that cause sales to rise and fall – including shifts in income, employment, and the Consumer Price Index. *But the City's projection, while noting such factors, takes NONE of them into account.* That isn't good enough.

To be a credible basis for policy, economic projections must take MANY more facts into consideration. Last week, Congress raised the federal minimum wage. That may very well increase sales tax revenue – and it's just one example of the kind of change the City should use to forecast the economic future accurately. And such forecasts should be shared with the public for independent scrutiny.

***The City Manager projects a serious shortfall in sales tax revenues. This projection is unreliable.***

- The City's projection is based entirely on estimates of trends over time. *But when we estimated the same trends, using the same data and the same methods but different time periods, we obtained different results. And when we varied the assumptions slightly in other ways, we also obtained different results.*

Before the City cut needed services on the basis of a projection about the future, we must be sure the forecast is as accurate as possible. Taking time alone into consideration isn't enough. And the City's forecast not only looks exclusively at time, but takes time into account in just one of the many ways that are possible. That isn't good enough.

***The City Manager projects a serious shortfall in sales tax revenues.  
That projection is methodologically inadequate.***

- The City's projections are based on a statistical procedure called time-series regression analysis, carried out using the trend function in Excel. *But statisticians have warned for years that Excel, which is primarily a spreadsheet rather than a regression package, lacks the tools needed for reliable time series analysis.*
- Excel is especially weak at analyzing a variable like sales tax revenues, which fluctuates seasonally. *Expert projections require seasonal adjustments, which the City has not used.*

The City, in short, is planning to cut services based on radically incomplete projections which are reliable neither substantively (they do not appear to square with the facts) nor methodologically.

***That isn't good enough. The consequences of such a hasty decision  
– based on such an inadequate projection -- would be very grave.***

- The City Manager has informed 27 community organizations – including many of the leading non-profit human service providers in Lawrence – that they will suffer 6% cuts. *That would badly injure many these providers, and yet would save just \$95,717, which is under a quarter of the margin of error (\$440,000) in the City's projection! That's a huge impact for a small and perhaps needless saving.*

The WRAP program, sponsored by Bert Nash, has been slated for a \$15,000 cut. Here's what David Johnson, Nash's CEO told the *Journal-World* could be the real long-term consequences of this cut: "If there is no WRAP program in the future, I'm sure it would make a huge difference in dropout rates and youth violence. We'll certainly be watching how the city makes budget decisions very closely."

We too are watching closely. And we urge everyone who might be affected – everyone who uses the library, which is slated for a \$177,000 cut; parents and families who are concerned about the fact that the City is proposing to eliminate school crossing guards; and every non-profit human service provider – to join us in this call.

**WE BELIEVE THE CITY COMMISSION MUST NOT CUT  
NEEDED HUMAN SERVICES WITHOUT PROVEN NEED.**

**NOW IS THE TIME TO CHANGE COURSE,  
BEFORE DAMAGE IS DONE.**

**GRASSROOTS ACTION \* GRASSROOTS ACTION \* GRASSROOTS ACTION \***  
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