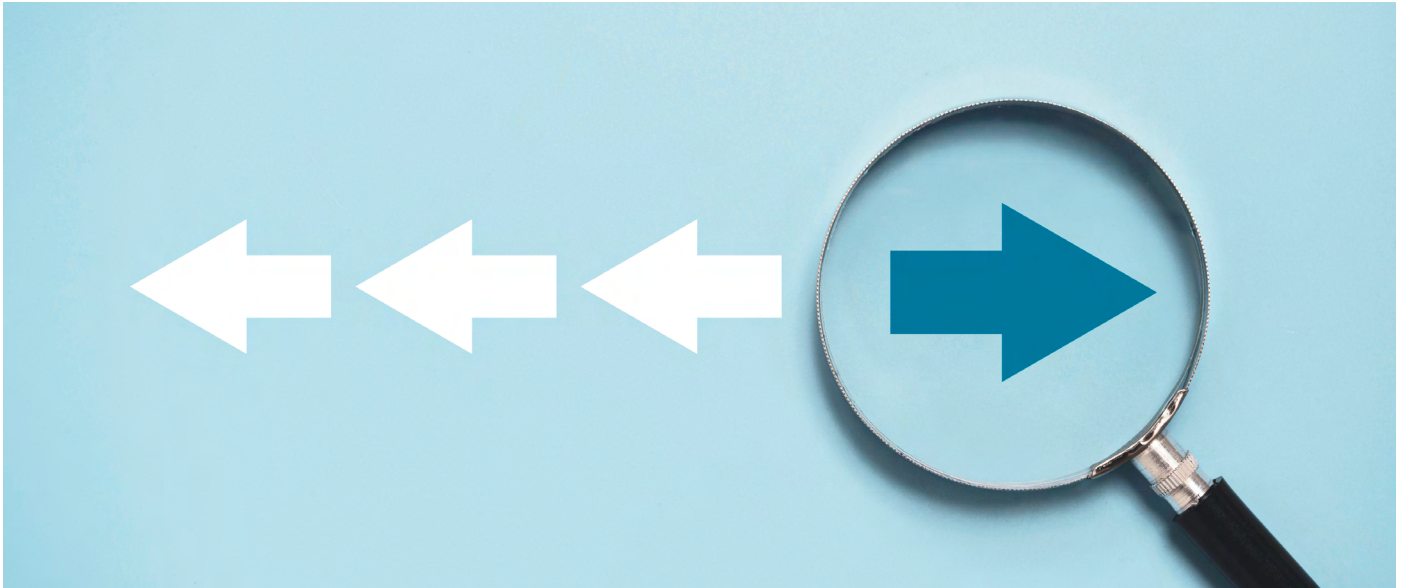


In Brief

RETHINKING BUDGETING | GFOA MEMBERSHIP



RETHINKING BUDGETING

Ready for Change: A Call to Action

Local governments are embracing reform—but the real work is just beginning.

The budgeting process has long been a cornerstone of local government operations. It's where policy goals meet financial reality. Yet for many years, the public sector has relied on outdated models—designed for stability and compliance more than agility or responsiveness. Now, that is beginning to change.

A national survey conducted in early 2025 by GFOA and civic engagement and data analytics research firm Polco paints a hopeful picture of a sector in motion. This is the second in a series, following an initial survey conducted by GFOA and Polco in 2023. The 2025 survey gathered insights from more than 200 finance and

budget professionals—most from GFOA Distinguished Budget Award-winning organizations—and suggests that local governments are moving beyond status quo budgeting. The results show encouraging progress in adopting new practices, greater alignment with strategic plans, and increasing interest in performance and technology. But they also reveal persistent gaps—in public engagement, outcome focus, and modernization.

In short, reform is underway, but the journey is far from complete.

The push for reform and the rise of GFOA's Rethinking Budgeting

Recognizing the limitations of traditional budgeting, GFOA launched the

Rethinking Budgeting initiative to modernize the way local governments allocate resources. The initiative encourages a move away from incremental, line-item driven budgeting toward approaches that are integrated, transparent, and better aligned with community outcomes.

In today's fast-changing environment, budget officers are expected to do more than balance the books. They must also support long-term planning, respond to evolving resident needs, and build public trust. GFOA's framework acknowledges that budgeting isn't just a financial exercise—it's a core tool of governance.

Positive momentum across key budgeting practices

Overall, survey respondents reported high satisfaction with their budget processes. More than 80 percent rated their process as excellent or good, and nearly 90 percent believed internal stakeholders—including elected officials and staff—were satisfied as well. (See Exhibit 1.) These findings aren't surprising, given the sample includes high-performing agencies. Still, they indicate strong internal foundations.

The most promising finding? More than half of all respondents had implemented significant changes to their budget process in the past two years—compared to just one-third in 2023. (See Exhibit 2.) The pace of change is accelerating.

Top areas of reform included:

- Adoption of new technology (such as budget software and performance tracking tools).
- Implementation of alternative budgeting methodologies (for example, priority-based or outcome-based budgeting).
- Greater alignment with strategic plans and organizational goals.
- Increased collaboration across departments and between staff and leadership.

These changes show a real appetite for rethinking what budgeting can be—more agile, more strategic, and more connected to community results.

Persistent gaps: public engagement, performance, and technology

Despite encouraging progress, the survey also highlighted where current processes fall short. The most glaring gap is in resident engagement. (See Exhibit 3.) While nine in ten respondents said elected officials' values were reflected in the budget and eight in ten felt staff input was incorporated, only about half felt that residents or the business community with an opinion were satisfied with the process.

EXHIBIT 1 | Rating of overall quality of the budget process

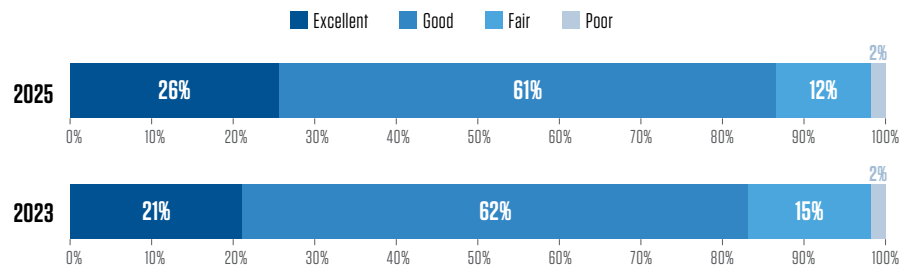
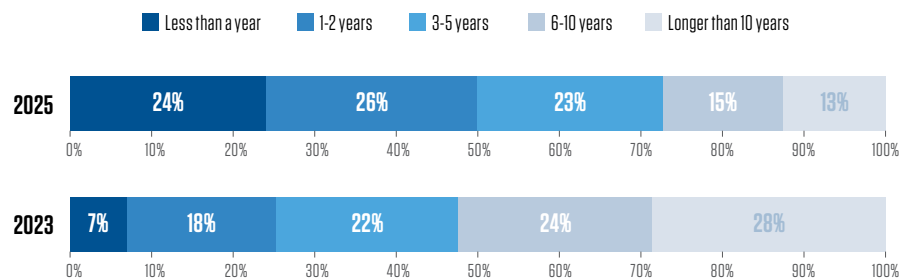


EXHIBIT 2 | Time since last important change to budgeting style or focus



Even more concerning: fewer than four in ten respondents said their budgeting process included strong constituent involvement, and just one-quarter reported enabling meaningful trade-off conversations with residents. These results suggest that while local governments may be transparent, they are not yet participatory.

Performance-based budgeting also remains an area of untapped potential. Fewer than 60 percent of respondents said outcomes and performance metrics meaningfully guided budget decisions. And while many governments reported integrating strategic plans into their

budget framework, far fewer had strong systems for tracking progress or tying dollars to results.

Technology adoption—though improving—is still uneven. Most governments still rely heavily on Excel or ERP systems not always designed for modern budgeting needs. Fewer than 20 percent reported using dedicated software for strategic planning, performance management, or resident engagement. Respondents cited common barriers including lack of funding, limited training, and inflexible legacy systems. (See Exhibit 4.)

EXHIBIT 3 | Satisfaction ratings for budget methodology/progress

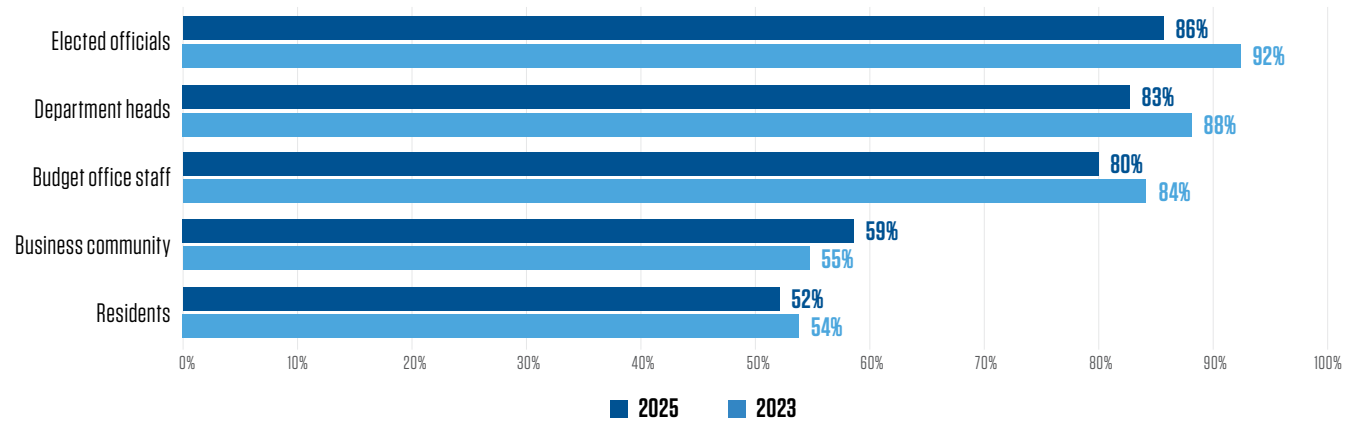
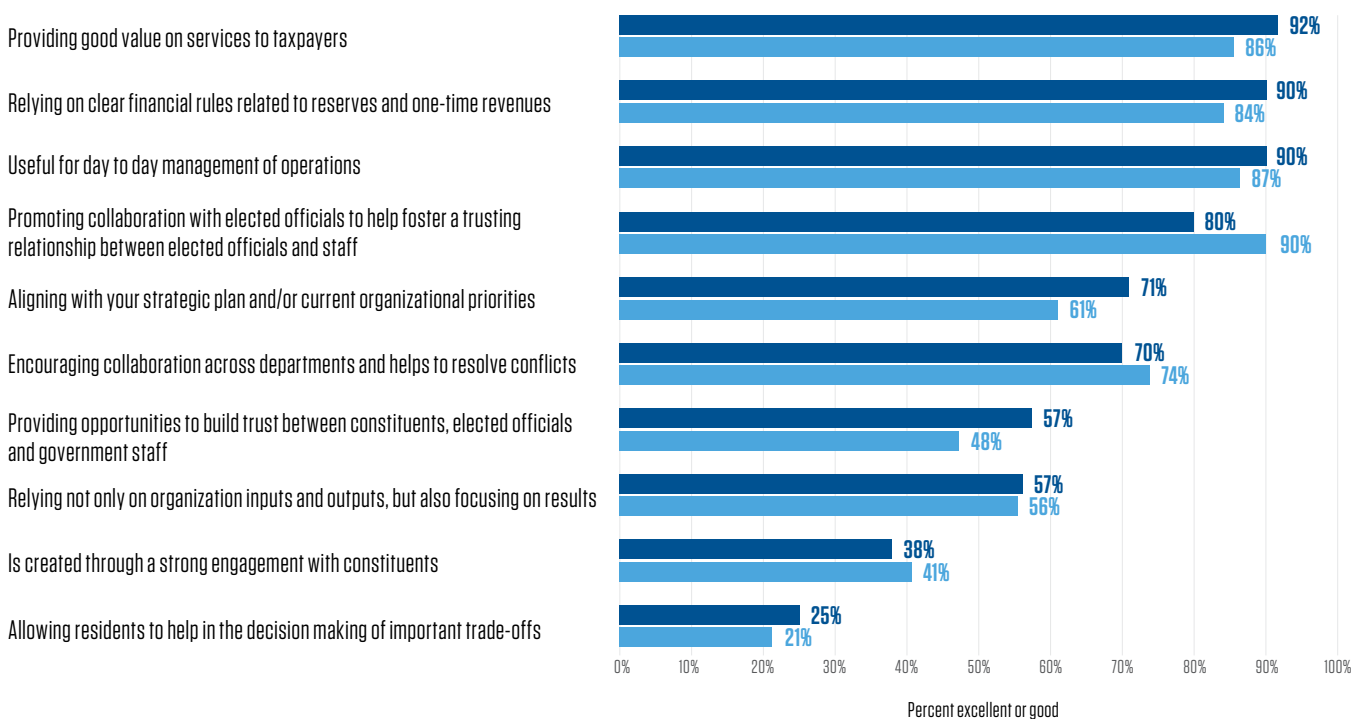
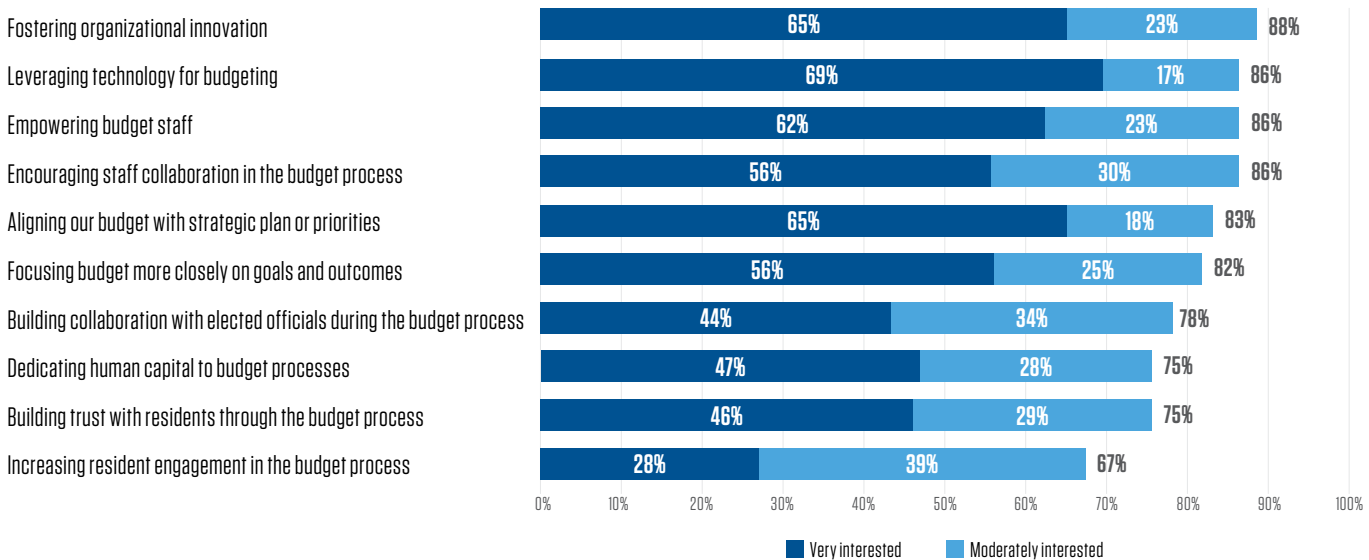


EXHIBIT 4 | Ratings of facets of the budget process



GFOA's framework acknowledges that budgeting isn't just a financial exercise—it's a core tool of governance.

EXHIBIT 5 | Interest in improving budget or organization

Where GFOA's Rethinking Budgeting can help

This is where the Rethinking Budgeting initiative comes in. Designed to be both visionary and practical, the initiative provides tools, resources, and frameworks to support innovation—without requiring a complete overhaul overnight.

Survey participants were introduced to the Rethinking Budget Readiness Assessment. The tool helps local governments evaluate their current capabilities across ten key competencies, from leveraging technology and performance measurement to fostering innovation and staff empowerment.

Interest was high. More than two-thirds of respondents indicated interest in all ten areas—signaling widespread readiness to evolve. (See Exhibit 5.) The most interest was expressed in:

- Fostering organizational innovation
- Upgrading technology
- Empowering budget staff
- Building cross-departmental collaboration

Trends over time: comparing 2023 and 2025

Because this was the second national survey conducted by GFOA and Polco, researchers were able to track changes in budgeting attitudes and practices over time. The comparison reveals signs of meaningful movement:


- The percentage of respondents who reported implementing significant changes to their budget process rose from one-third in 2023 to more than half in 2025.
- Adoption of new methodologies such as priority-based or outcome-based budgeting grew steadily, along with the use of digital tools to track performance.
- More governments are aligning their budgets with strategic plans and organizational goals, indicating a shift from reactive to proactive planning.

Still, some findings remained unchanged—especially in areas like public engagement and outcome tracking. This underscores that while many local governments are beginning to modernize their processes, entrenched barriers still require focused effort to overcome.

Momentum is building—let's not waste it

The findings from this survey are clear: local governments are embracing change, experimenting with new tools, and laying the groundwork for more modern, resident-focused budgeting. At the same time, key challenges remain—particularly in performance management, technology adoption, and public engagement.

The good news is that the Rethinking Budgeting initiative is well aligned to meet the moment. It offers both the philosophical shift, and the hands-on guidance needed to close these gaps. But lasting change will require commitment from local government leaders, flexibility from oversight systems, and continued leadership from GFOA.

Reform is no longer just aspirational—it's actionable. The path is laid. The tools are emerging. The call to action is now. 

RETHINKING BUDGETING

Explore Rethinking Budgeting core principles, in-depth research, and ways to take action.

 gfoa.org/rethinking-budgeting