



Mike Mucha, GFOA's deputy executive director, spoke with **Shayne Kavanagh**, GFOA's senior manager of research and frequent *GFR* author, on challenges facing local government, the future of public finance, and GFOA's role in supporting government and finance officers as they work to build thriving communities.

Mike: As senior manager of research at GFOA, what is your typical day like, and how does the work you do relate to GFOA's mission?

Shayne: What makes my job interesting is that there is no typical day. My job includes a wide range of things like writing books and articles, direct consulting assistance for GFOA members, building financial models, organizing research projects, and much more. GFOA's work is broad and covers many technical areas of finance. It also goes beyond accounting, budgeting, treasury, and other areas to make organizations work more effectively. Our mission is ultimately about thriving communities and supporting the important role that governments play. I've heard members refer to GFOA as the "research and development" arm for public finance, so our job is to prepare

finance officers with new and better ways to help their communities thrive.

Have you always been involved with research, or were there other responsibilities you had at GFOA?

Yes, I've always been involved with research at GFOA, which is what attracted me to the organization. I was an assistant city manager for a suburb of Chicago and was working on a PhD part time. I didn't have much of an interest in joining academia, but I did have a big interest in research. GFOA seemed like a great opportunity. Back in my early days at GFOA, I was also involved in GFOA consulting services to help local governments select ERP systems. I negotiated contracts for local governments. I've been told by different clients that they'd like me to be their marriage counselor or to come with

them to negotiate next time they buy a car, which shows the different character negotiations can take on!

We don't have an official count, but unofficially, it seems like you are the clear leader in the number of *GFR* articles you've authored. Is there anything specific you enjoy about writing?

I have an interest in many topics within public finance, but I've also heard members say that one of the best things that GFOA does is translate learnings and innovations from other fields into public finance. So, I enjoy articles that take important concepts from other fields, like economics, psychology, and so on, and then I like finding the application to public finance.

One example of this is your work to apply behavioral science. To me, these concepts are extremely useful to public finance and the role of a finance officer.

Thanks. When people who don't know anything about local government finance ask me about public finance, I tell them it isn't a math problem. Adding up the numbers is easy. It's a people problem—getting people with different interests to agree on taxing and spending policies. I characterize GFOA research as “decision science,” and behavioral psychology is an emerging and potentially high-impact part of decision-making.

With “people problems,” communication is critical. Are there any strategies you can share that helped you become a better writer?

Read *Sense of Style* by Steven Pinker [Penguin Books, 2015]. Pinker is a psychologist who is an excellent writer, so his recommendations are based on writing in a way that works with how the reader's mind works.

Over the past few years, *GFR* readers have become very familiar with your work. Can you provide an overview of what you are working on now and what they can expect to see in future issues of *GFR*?

We have three “rethinking” projects, which are about taking a fresh look at traditional approaches to public finance



GFOA and Behavioral Science

Behavioral scientists study how we, as human beings, naturally interact with each other and our environment, in ways that impact our preferences, decisions, and behaviors. GFOA has developed research reports titled:

- Designing for the Decision-Making Environment
- Of Narratives and Numbers
- The Myth of the Neutral Finance Officer

Learn more about how behavioral science applies to public finance and download reports:

gfoa.org/behavioral-science

in light of the latest developments in other fields like psychology, decision science, technology, and more. We are “rethinking” budgeting, revenues, and financial reporting. Budgeting is the furthest along, and we are going to bring the project to conclusion this year. Revenues is making very good progress, and that should conclude in 2024. Financial reporting is just getting started. That means readers of *GFR* can probably look forward to a lot of new content about financial reporting, including topics like the application of artificial intelligence to financial reporting, what psychology tells us about the best way to communicate financial information, and much more.

Looking back on previous initiatives, is there a project from your time at GFOA that stands out as being more memorable than others?

That would be Financial Foundations for Thriving Communities. We translated a Nobel Prize-winning body of economic research called common pool resource theory to public finance. It stands out because I think it marked a transition point where GFOA research went from being limited to what I will call adjustments on the margin of public finance to thinking bigger about what public finance could do to prepare local governments to help their communities thrive. What I mean by that is before this project, GFOA research was only about how to make improvement to



Timothy Martin interviews Shayne Kavanagh about GFOA's Rethinking initiatives at the GFOA Hub during the 2023 annual conference in Portland, Oregon.

financial policies and work practices. While this is important, it misses underlying forces that make a big difference in whether public finance is successful or not, such as power dynamics, relationships and connections between people, and the way in which decision-makers think about public finance. For example, if they think of it as a zero-sum game, they are going to make very different decisions than if they don't.

Are there any projects you would do differently if you had the chance to start over?

A long time ago, I was part of a project to help a city with budget reform. The team I was a part of strongly recommended a

very specific budgeting technique that the team leader was a big fan of, but the method was simply not a good fit for the city, so it was like pounding a square peg into a round hole. Things did not go well. That project probably does a lot to explain my aversion to "one size fits all" recommendations on what is the best way to do public finance and my attraction to approaches that provide room for accommodating the diversity among local governments.

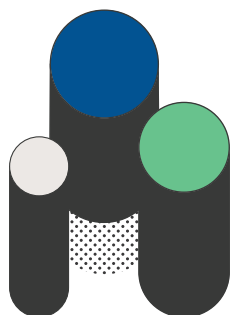
Speaking of changes, what is one thing you would change about public finance if you could?

Understandably, public finance takes a lot of its cues from private-sector finance.

Certainly, there is much that can be learned from the private sector. However, the public sector has some very fundamental differences, even more than is commonly recognized. So, I wish the influence of private finance and its limitations were more widely recognized and that systems more appropriate to the distinct circumstances of the public sector were available. The good news is that I don't just have to wish for it. GFOA research is actively working on these types of solutions, with Financial Foundations for Thriving Communities being one good example.

"Rethinking" aspects of budgeting and local government revenue has been a constant theme. For members who aren't familiar with GFOA's efforts, can you provide a summary?

Surveys show that large portions of the public (more than 80 percent!) think major change is needed to our political system. GFOA's corner of the political system is public finance. So, in short, the rethinking programs are about reexamining long-held assumptions about topics like budgeting, revenue raising, and financial reporting to find



Financial Foundations Framework

Created by GFOA, the Financial Foundations Framework helps facilitate collaboration and support for public policies and programs. Organized into five pillars, the Framework shows you how to improve your financial position now and create a strong foundation for a thriving community over the long-term.

Learn more about the Financial Foundations Framework:

gfoa.org/fff

new and better ways to conduct public finance that will contribute to thriving communities.

Where do you see these projects going in the future?

The most important thing is that these projects are ultimately about “doing,” not just “talking.” These projects will translate into action. For instance, Rethinking Revenue has resulted in a large incubator program called Putting Assets to Work, which is about how local governments can realize ongoing revenue streams from assets they own. We also have a pilot project for segmented pricing, which personalizes the prices constituents are charged based on ability to pay. This could have the unexpected effect of both raising total revenue and making prices more affordable because before, people who couldn’t pay wouldn’t pay, and government gets nothing. If

they get a price they can pay, then they are more likely to pay it. So, in the future we will be continuing to translate the results from these projects into action.

Before coming to GFOA, you earned an MPA from Northern Illinois University and worked in city government. Is there a reason you would go back and seek a job in the public sector?

Doing the hands-on work of interacting with the public was a great part of the job in city government. The good news is that I get to do some of that as part of consulting work, where I often interact with elected officials about financial policies and managing financial risk.

Why do you think so many governments report having trouble hiring qualified finance officers?

There are probably many causes, but some likely include: a tight labor

market, low labor market participation rate, declining trust in government (and therefore less interest in working for it), diminishing pipeline of students going into accounting and public administration, and a mismatch between government’s compensation strategies and current labor market realities. For example, pensions are not going to be attractive to people who don’t see themselves as lifetime public servants. So, we have a perfect storm of factors, some structural (compensation mismatch) and others transitory (labor market conditions).

If you were hiring a finance officer, what skills would you prioritize? What do you think will be most valuable in the future?

I had a chance to ask this very question to a group of leading recruiters for local government executives and they agreed that the skills described in the GFOA



“In a nutshell, a decision architect is someone who can design a decision-making environment that helps decision-makers reach their full potential and make their best decisions.”

Download the report

gfoa.org/materials/budget-officer-as-decision-architect

report, “Budget Officer as a Decision Architect,” accurately represented the skills employers are looking for. In a nutshell, a decision architect is someone who can design a decision-making environment that helps decision-makers reach their full potential and make their best decisions.

Do you consider staffing shortages the biggest threat facing local governments today?

No, I consider the biggest threat to be declining trust in government. Not only does it affect the ability to attract staff, but it also affects the very ability of government to do its work. A government that is fully staffed but not trusted will be ineffective or even a net-negative for its community. For example, if we take staffing shortages to an extreme, we can look to other industries to see how they’ve responded. We see the responses have

included increased automation and outsourcing to firms that have more flexibility to hire people needed to do the job. There is no reason local governments couldn’t do the same thing. However, the prospect of *distrusted* local governments run by algorithms and private contractors sounds potentially dystopian.

Looking at the future more positively, what do you consider to be the next big thing in government? Where do you see governments succeeding?

It is hard not to answer “artificial intelligence” as the next big thing. That said, new technologies are almost always overhyped at first, so we will have to remain mindful of the limits and realistic about the potential. That said, artificial intelligence should have a lot of potential for relieving labor shortages

in public finance. Accounting, for example, is a series of rules. Artificial intelligence thrives in environments that have clear rules. We have a research/pilot program with Rutgers University to apply robotic process automation to public finance. Some local governments have already started doing this, so success has been proving possible.

Wrapping up our interview, here are a few short and easy questions.

The best kind.

Best book you’ve read recently?

Power and Progress: Our Thousand-Year Struggle Over Technology and Prosperity by Daron Acemoglu and Simon Johnson (PublicAffairs, 2023). Acemoglu is one of the most respected economists today and thought to be a likely future Nobel Prize winner. His grasp of history, sociology, and other disciplines provides for a great multidisciplinary look at complex problems. Artificial intelligence is being described by many as the most important human invention since fire, so it is good time to think about how the benefits from technology will be distributed.

Favorite GFOA conference location?

Chicago. I live in Chicago, and it is hard to beat sleeping in your own bed for a big conference—which doesn’t often happen!

Best state/provincial association conference you’ve been to?

I go to a lot of state/provincial conferences, and I love them all equally.


And it looks like you want to be invited back. OK. What is one thing that GFOA staff would say about you?

As a researcher, I’d want to do a survey on that to find out. (Author’s note: see sidebar.)

If not for government finance, what would you be doing?

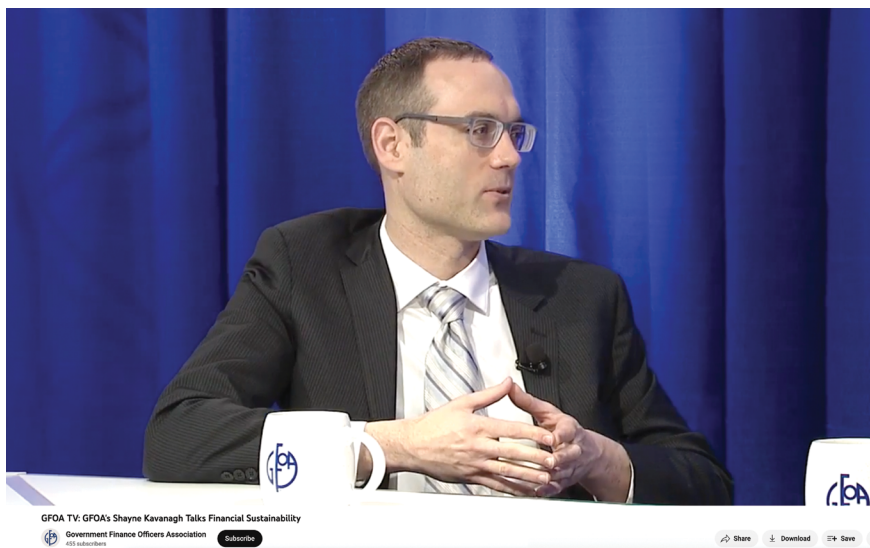
I came within 24 hours of being a police officer. Out of school I applied to both a local government finance office and the police department. The finance office got back to me a day before the police department. So, maybe I’d be talking about police research right now! 🚔

Mike Mucha is the deputy executive director of GFOA.



Others in GFOA’s Research and Consulting Center can do surveys too. When asked to finish the sentence, “Shayne is...” GFOA staff members said:

- Always looking for new ideas and approaches
- Passionate
- Hauntingly intelligent
- Always making me think (and “rethink”)
- A mystery
- Not something you can explain in a survey



Hear more from Shayne by following GFOA on YouTube:

 youtube.com/@GFOA