



ICMA



# WHY DO WE NEED TO **RETHINK** **BUDGETING?**

For more information, visit [gfoa.org/rethinking-budgeting](https://gfoa.org/rethinking-budgeting)

## ACKNOWLEDGMENTS:

### Project Chair Person

- **Michael Bryant**, Deputy Count Manager, Mecklenburg County, NC

### Project Team

- **Leslie Beauregard**, Assistant City Manager, City of Staunton, VA
- **Blake Hart**, Director, Budget Management, Union County, NC
- **Mike Bailey**, Director of Internal Audit and Strategic Projects, Northshore School District, WA
- **Tara Baker**, City Treasurer, City of Guelph, ON
- **Celeste Baker**, Fiscal Officer, Tiffin-Seneca Public Library, GA
- **Stephanie Davis**, Collegiate Assistant Professor and Program Director, Graduate Certificate in Local Government Management, Virginia Tech
- **Krista Morrison**, Deputy Director of Business Operations, City of Kansas City, MO - Parks and Recreation
- **Emily Zwetzig**, Budget Director, Clark County, WA
- **Vicky Carlsen**, Finance Director, City of Tukwila
- **Jack Ryan-Feldman**, Director, Baker Tilly Municipal Advisors, LLC
- **Stephen Wade**, Director of Administrative and Financial Services, City of Topeka, KS
- **Pam Eckhardt**, County Clerk, Bingham County, Idaho
- **Harpreet Hora**, Executive Director - Budget Services, Atlanta Public Schools, GA
- **Victor Brownlee**, Director of Finance, City of Baytown, TX
- **Talia Lomax O'dneal**, Deputy Finance Director, Metro Nashville Government
- **Kyle Wright**, Chief Financial Officer, Millington Municipal School District
- **Tony Vu**, Treasurer, Chief Investment Officer, and AVP, University of Colorado System
- **Gregory Baird**, President, Water Finance Research Foundation
- **Jordan Ely**, Chief Financial Officer, Gresham-Barlow School District, OR
- **Amelia Merchant**, Director of Finance, City of Roanoke, VA
- **Scott Huizenga**, Assistant City Manager, City of Fair Oaks Ranch, TX
- **Chris Constantin**, City Manager, City of San Dimas, CA
- **Robert (Bob) Harrison**, City Manager, Yakima, WA
- **Rolando Fernandez, Jr.**, Director, Office of Contract Management, City of Austin
- **Sabina Agarunova**, Chief Financial Officer, International City/County Management Association (ICMA)
- **Farhad Kaab Omeyr, Ph.D.**, Program Director, Research and Data, Center for City Solutions, National League of Cities

### Academic Advisors

- **Don Kettl**, Professor Emeritus, Former Dean, School of Public Policy, University of MD, College Park
- **Marc Fudge**, Professor of Public Administration, MPA Director, Director, Center for Fiscal Policy and Innovation, California State University San Bernardino
- **Justin Marlowe**, Research Professor and Associate Director, Center for Municipal Finance, Harris School of Public Policy, University of Chicago
- **Tammy Waymire**, Professor of Accounting and MTSU Accounting Advisory Board Outstanding Professor, Middle Tennessee State University
- **Elizabeth Ackley**, Thornhill Associate Professor of Health and Performance, Director, Center for Community Health Innovation, Roanoke College

### GFOA Staff

- **Shayne Kavanagh**, Senior Research Manager
- **Chris Morrill**, Executive Director
- **Mike Mucha**, Director, Deputy CEO, RCC Center
- **Katie Ludwig**, Senior Manager
- **John Fishbein**, Senior Program Manager
- **Jake Kowalski**, Consultant/Analyst

### Other Acknowledgments

- **Andrew Kleine**, Senior Director, EY-Parthenon Government & Public Sector, Ernst & Young LLP
- **Chris Fabian**, CEO, ResourceX

## About the Rethinking Budgeting Initiative

Local governments have long relied on incremental, line item budgeting where last year's budget becomes next year's budget with changes around the margin. Though this form of budgeting has its advantages and can be useful under circumstances of stability, it also has important disadvantages. The primary disadvantage is that it causes local governments to be slow to adapt to changing conditions. The premise of the [Rethinking Budgeting](#) initiative is that the public finance profession has an opportunity to update local government budgeting practices to take advantage of new ways of thinking, new technologies, and to better meet the changing needs of communities. The Rethinking Budgeting initiative will raise new and interesting ideas like those featured in this paper and will produce guidance for state and local policy makers on how to local government budget systems can be adapted to today's needs. We hope the ideas presented in this paper will spur conversation about the possibilities for rethinking budgeting. The Rethinking Revenue initiative is a collaborative effort between the Government Finance Officers Association (GFOA) and International City/County Management Association (ICMA).



**L**ocal governments have developed their budgets in essentially the same way for decades. The essence of the traditional approach is, first, that the budget is incremental. This means that last year's budget becomes next year's budget with changes at the margin. Second, the budget is built around line items—categories of spending like personnel, commodities, and contractual services, which are then grouped into departments and funds. People have criticized this approach for almost as long as it has been in use with local governments.

One of the most prominent criticisms is that *past decisions are frozen in place past the point at which they are affordable or relevant*. Once a change is made to the budget, the change is carried over to successive budgets. Let's illustrate with an example that is not uncommon in traditional budgeting. If a department gets a grant from, say, state or federal government to increase staffing for a few years, those positions come to be regarded as part of the department's baseline budget. Once the grant ends, the expenditure continues to be funded without an evaluation of whether those positions are creating sufficient value for the community to justify the cost. This same phenomenon occurs more widely but more subtly when entire budgets are carried forward and inflated from year to year without a good understanding of what services are being provided, at what cost, and for what benefit. This "layering on" effect contributes to financial distress and is a suboptimal allocation of resources. There are also more complex examples with further-reaching implications that GFOA has documented elsewhere.<sup>1</sup>

Another criticism is that the *traditional budget is not strategic*. Spending is allocated to line items that concern the day-to-day operations of government. Line items like "travel," "supplies" or "miscellaneous" don't speak to how spending impacts big-picture results like public safety, mobility, health, etc. Also, historical precedent is the primary determinant of how much money is allocated to each line item. This is backward-looking, not forward-looking. All of this means that the budget process is not well suited to handle big-picture and/or emerging issues.

In traditional budgeting, historical precedent is the primary determinant of how much money is allocated to each line item. **This is backward-looking, not forward-looking.**

For example, local governments may be slow in adopting new and better methods of operating and have trouble coordinating multidisciplinary solutions to complex problems. This means that the local budget may become increasingly disconnected from evolving community needs and priorities over time. A well known example is that fires are less common than they used to be due to improved building codes and better construction methods. Nevertheless, city governments have been slow to adapt public safety spending away from fire response to more pressing issues. In many communities, a more pressing need is emergency medical services (EMS), due to an aging population. The changing building stock and age of the population unfolded over several years, yet municipal budgets were still slow to respond. We can easily appreciate that the traditional budget would not do any better in responding to more rapidly evolving situations.


If success in the budget “game” is defined by **inputs and outputs (rather than outcomes)**, then self-interested, zero-sum behaviors are likely to result.

A final criticism we will cover is that *traditional budgeting is a “zero-sum game.”* This means that for one party to win, someone else must lose. In the context of budgeting, this means, for example, that for one department to get more funding, another department must get less. Critically, in traditional budgeting, this is seen as a win for one department and a loss for the other. A zero-sum game promotes power dynamics that favor maintaining the status quo and encourages self-interested decision-making.

Zero-sum thinking makes it difficult to address problems that require collaboration across participants in the budget. Collaboration is required to accomplish **outcomes** that make life better for communities, like reducing violent crime, increasing economic opportunity, or improving public health. Traditional budgeting focuses participants primarily on **inputs** and secondarily on **outputs**. Inputs are the money in each line item and staffing in each department. Outputs are the services a department produces with the resources they get. If success in the budget “game” is defined by inputs and outputs (rather than outcomes), then self-interested, zero-sum behaviors are likely to result. This game also encourages departmental budget “silos,” where departments don’t consider the potential to work with people outside of their boundaries and take on an insular attitude about the services (and budget) the department provides.







The **traditional budget** has advantages that we must not overlook.

These criticisms have led to some attempts to do budgeting better. Two widely recognized innovations are **zero-base budgeting** and **priority-based budgeting**.<sup>\*</sup> A number of intrepid local governments have tried these methods with varying degrees of success and staying power. Among the majority of local governments, however, the traditional budget has endured...and for good reasons. The traditional budget has advantages that we must not overlook:<sup>2</sup>

- ➔ **Simplicity.** Because budgeting is done at the margins, incrementally, it is easier to understand and calculate. Because it does not address larger, strategic issues, the budget process is able to be less demanding of participants' time and attention than a comprehensive process would be.
- ➔ **Control.** Individual line items provide easy-to-understand accountability: Did the line item get overspent or not? Also, incrementalism means the budget is not subject to radical changes from year to year. Radical change, almost by definition, risks getting out of control.
- ➔ **Predictability.** Historical precedent is often a widely accepted justification for decisions. Relying on historical precedent sets the expectations of participants in the budget process. This attenuates conflict and reduces uncertainty among stakeholders.
- ➔ **Flexibility.** Because the budget is not oriented toward overarching strategic objectives, public officials can more easily change their goals. In other words, because the budget has not been committed to any particular strategic direction, public officials have more flexibility to declare new policies.

So what leads us to believe Rethinking Budgeting is a good idea? If prior efforts at new ways of budgeting have met with limited success and the traditional budget has important advantages, why would Rethinking Budgeting be worthwhile?

Let's consider the context in which budgeting takes place today. All the criticisms of traditional budgeting we described earlier are as valid as ever, but there are three forces that make traditional budgeting less tenable than in the past.

<sup>\*</sup>"Budgeting for Outcomes" is a variety of priority-based budgeting that some readers may be familiar with.

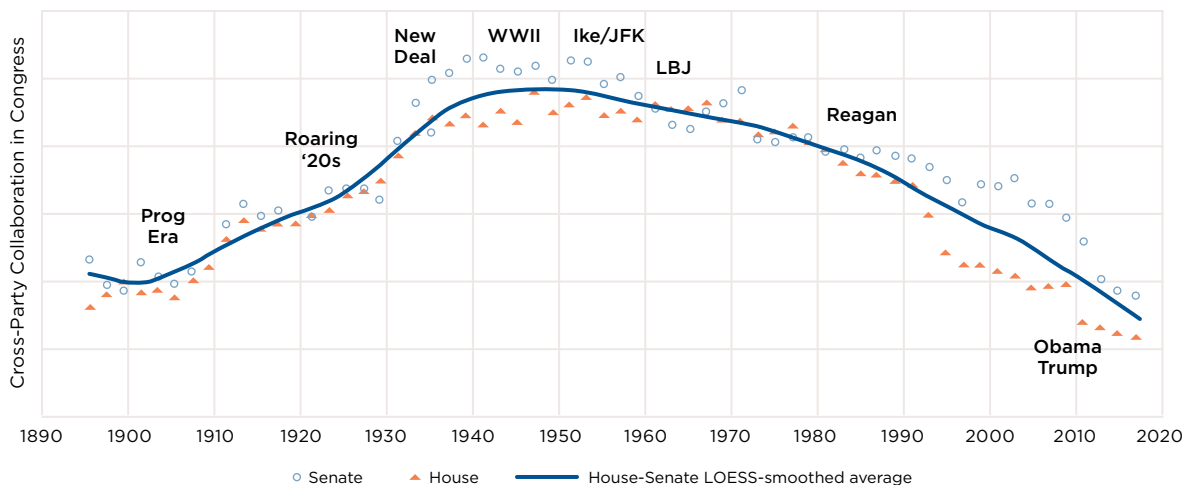
## Threats to the Status Quo

First, is *stagnant or diminishing resources available to local governments*. Much of the traditional budget's success rests on distributing budget increases to enough stakeholders to maintain a stable governing coalition. However, the traditional budget does not have a good answer to resource declines. This is why we see across-the-board cuts as a common response to fiscal distress: Everyone is cut evenly. However, this does not optimally size or shape government to the conditions it faces. In fact, the two budgeting innovations we mentioned earlier, zero-base budgeting and priority-based budgeting, were a direct response to the inability of the traditional budget to cope with declining resources. Looking into the future, there are serious questions about local government's ability to raise more revenue: Will the economy support it? Will citizenry support it?\*,<sup>3</sup> GFOA's [Rethinking Revenue initiative](#) is intended to help modernize local government revenue systems, but it is also important that government spending plans be more adaptable to resource-constrained environments.

*Conflict* is the second force. The defining conflict of our times is political polarization. During the heyday of the traditional budget, the 1950s through the 1970s, cross-party collaboration was almost at an all-time high of modern history (only exceeded by the period during World War II). We see this in Exhibit 1, which shows cross-party collaboration in the U.S. Congress from 1895 to 2017.\*\* We also see today that cross-party collaboration has reached all-time lows.

Political conflict is not limited to federal government officials. It affects the general public, too. As one group of political scientists put it, “the most significant fault line in the second decade of the twenty-first century [in America] is not race, religion, or economic status but political party affiliation.”<sup>4</sup> This has expressed itself in civic activities, like a precipitous decline in split-ticket voting,<sup>5</sup> as well as personal choices. For instance, political affiliation is becoming a more important factor in choosing marriage partners than even education or religion.<sup>6</sup> In such an environment, political polarization can't help but threaten local government as well, even if elections are nonpartisan.<sup>7</sup>

**EXHIBIT 1 | CROSS-PARTY COLLABORATION IN THE U.S. CONGRESS FROM 1895 TO 2017<sup>a</sup>**



Source: Putnam, et al. *The Upswing*. 2020.

\* Economic growth rates have slowed significantly after 1970, falling below the long-term rate of 2 percent a year. Thus, steady material progress may no longer be the guarantee it once seemed (see endnote 3 for support). It follows that if economic growth is no longer growing as it once was, then local government revenues will no longer grow as they once did. Further analysis of the limits of the local government revenue system are available in “Rethinking Local Government Revenue Systems: Why is it Necessary?” published by the Government Finance Officers Association (October 2021). <https://www.gfoa.org/materials/rethinking-local-government-revenue-systems>

\*\*This chart is a synthesis of widely accepted, if imperfect, measures of polarization in the U.S. Congress. For more information, see: Putnam, Robert D.; Romney Garrett, Shaylyn (October 13, 2020). *The upswing: How America came together a century ago and how we can do it again*. Simon & Schuster.

Declining trust has accompanied heightened political conflict. For example, when people in 1964 were asked whether the government was run on behalf of (1) “a few big interests” or (2) “the benefit of all,” Americans favored option 2, 64 percent to 29 percent. By 2018, those numbers had more than completely reversed: Option 2 garnered only 21 percent versus 76 percent for option 1.<sup>9</sup> This decline in trust is not limited to the political system. Surveys show that in the early 1960s nearly two-thirds of Americans trusted other people, but by the 2020s only one-third did.<sup>10</sup>

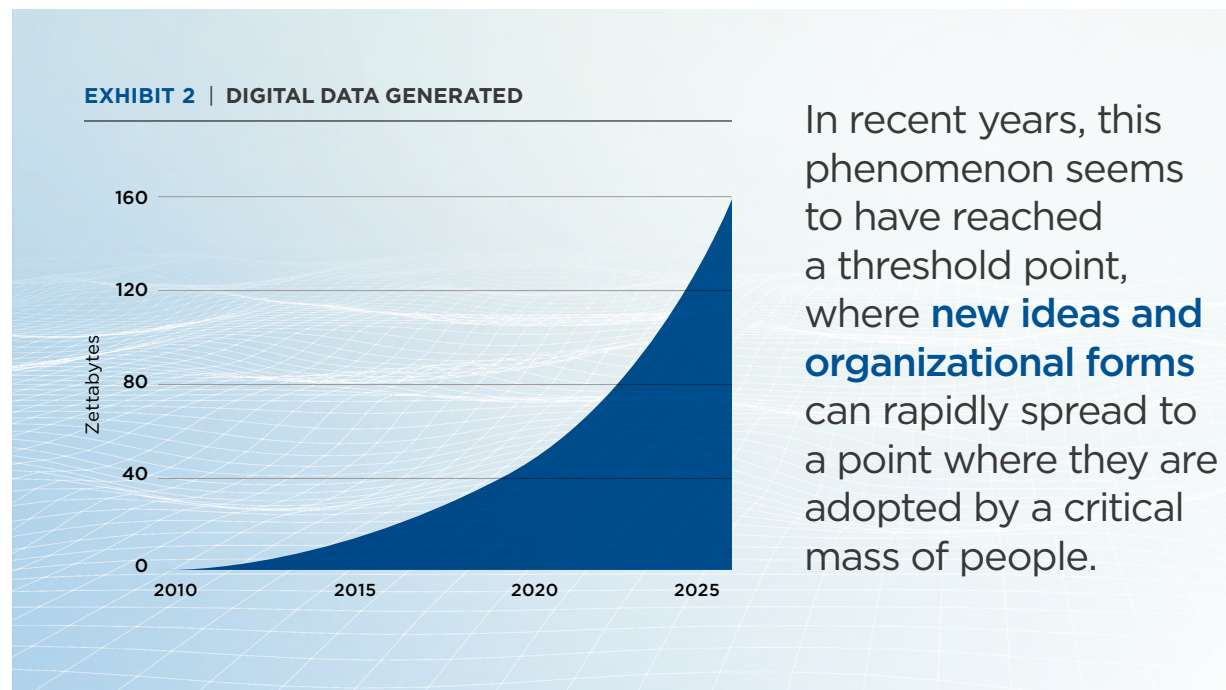
The traditional budget lessens conflict by relying on historical precedent. However, in an environment of markedly lower trust, where many people no longer believe that others have their best interests in mind, people may not be willing to accept historical precedent as a justification for how resources are distributed.

The third force is *volatility*. Perhaps the most important source of volatility that the modern budget must contend with is information. The amount of information and access to it has been increasing exponentially over the past decades. The year 2001 produced double the amount of data\* that had been produced in the history of mankind. 2002 doubled 2001.<sup>11</sup> These nonlinear increases have continued since then, and the trend is expected to continue into the future, as shown in Exhibit 2.<sup>12</sup>

In recent years, this phenomenon seems to have reached a threshold point, where new ideas and organizational forms\*\* can rapidly spread to a point where they are adopted by a critical mass of people. The result is rapid changes in public opinion and consequent demands on institutions. For instance, the role of social media in catalyzing social unrest and coordinating protest organizations has been well documented.<sup>13</sup> This *volatility* challenges the stability of established organizations. For example, the average life span of a company on the S&P 500 has shrunk from almost 60 years in the 1950s down to around 20 years currently.<sup>14</sup>

\*Includes all sources of data: electronic, paper, stone tablets, etc.

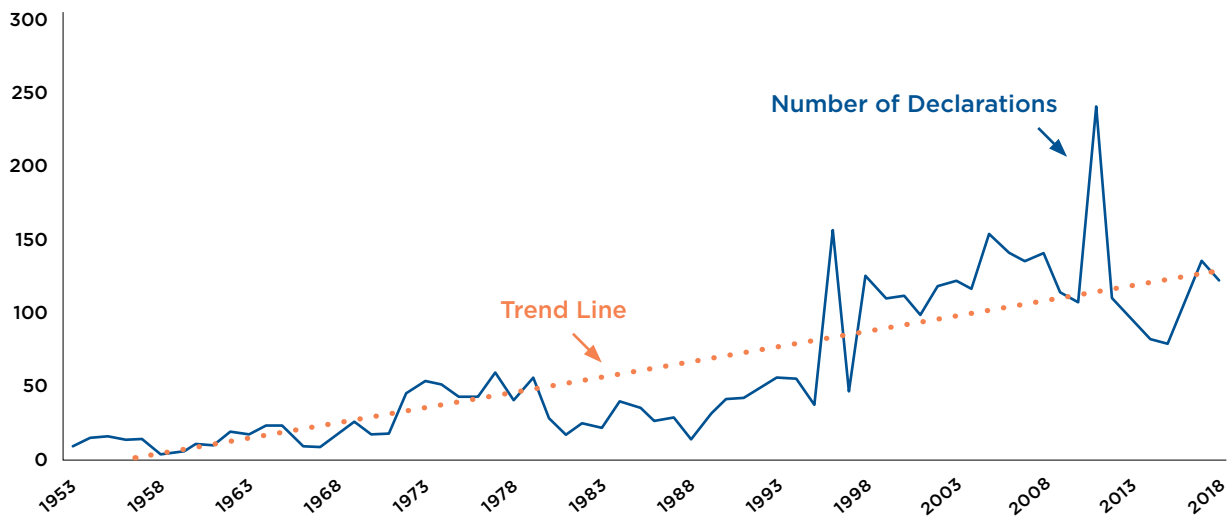
\*\*Primarily, this refers to network organizations. These are organizations that don't have a hierarchical structure.



Source: IDC's Data Age 2025 study, sponsored by Seagate, April 2017

Of course, local governments can't go "out of business" like private firms. But local governments still require legitimacy to accomplish their mission. If they lose legitimacy, then they may risk being displaced by alternatives, like privatization, nonprofits, or other organizational forms.\* The traditional budget is unsuited to provide legitimacy in this new and volatile information environment.<sup>15</sup> First, the traditional budget relies on historical precedent for much of its legitimacy. **New** information and ideas, by definition, do not defer to historical precedent. Second, the traditional budget does not have a good means for getting feedback from an environment that is subject to rapid change, much less a means for changing if and when the need to do so is identified. For example, the traditional budget is organized by line items and departments, which are intended primarily to facilitate control of traditional spending plans.

**EXHIBIT 3 | NUMBER OF U.S. PRESIDENTIALLY DECLARED DISASTERS**



Not all *volatility* is caused by the "information tsunami" we just described.<sup>16</sup> The increasing frequency of literal extreme weather events (see Exhibit 3),\*\* for example, challenge local budgets and introduce new sources of instability into financial planning. The number of declared disasters has increased faster than the rate of population growth. Additionally, research shows that there is also a trend of increasing aggregate financial losses from disasters.<sup>17</sup> COVID-19 is another example of volatility, where increased global connectedness aided the spread of the disease and disrupted supply chains. Traditional budgets that assume the future will always look like the past are not well suited to volatile conditions.

\* This is not to suggest that other organizational forms are "bad" or somehow undesirable. In fact, GFOA has written extensively about the value communities can realize by pursuing new and better forms of governance that combine the strengths of government with the strengths of other sectors. However, we suggest that a thoughtful, intentional evolution toward these different forms is preferable to government being displaced by them due to loss of legitimacy.

\*\*The authors of the study used to create Exhibit 3 believe that increase in the number of presidentially declared disasters has several causes, including global climate change, increased urbanization, and increased asset values in risky geographic areas.

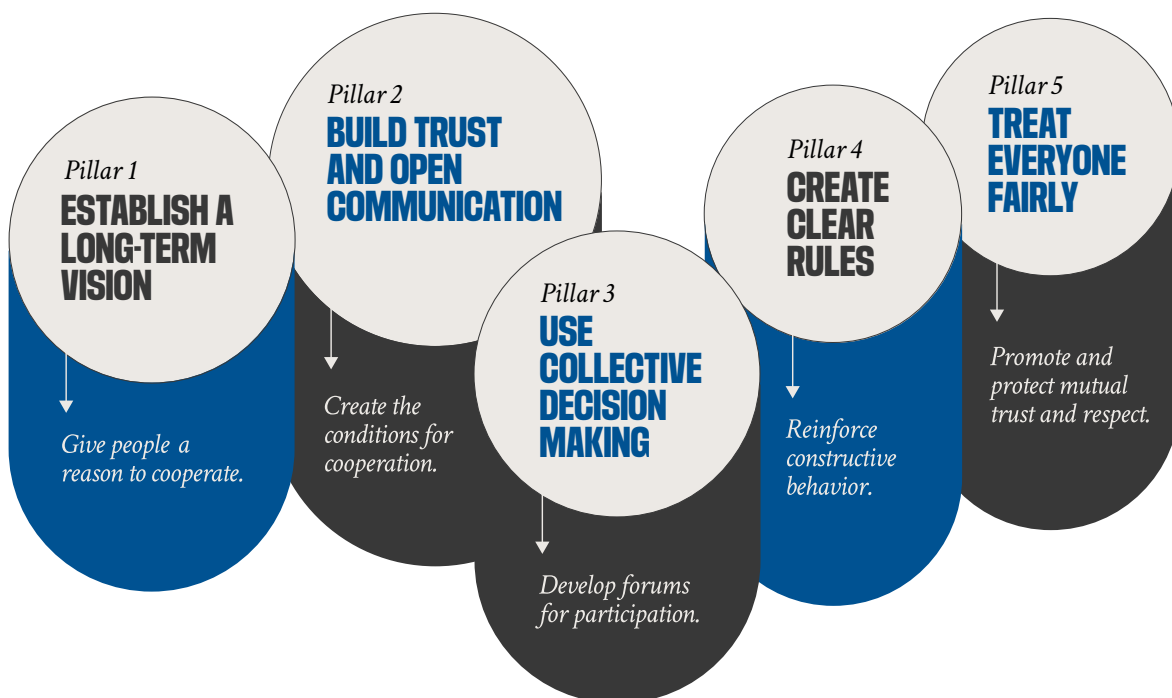


## Positive Forces for Change

Not all developments that favor a rethinking of the traditional budget are threats. There have been several positive developments that give us a greater chance of success than budget reformers in decades past. Four things we know to be different today could be important levers for making change.

- ➔ **We have different mental models.** A mental model is a representation of how something works.<sup>18</sup> The common mental model for traditional budgeting is the zero-sum game, where for one person to win, another must lose. This will lead to predictable and undesirable behaviors, such as padding budgets or exaggerating the risks of budget reductions or the resources needed to accomplish some task. GFOA's [Financial Foundations for Thriving Communities](#) body of research offers a new mental model that suggests different, more adaptive behaviors. The [Financial Foundations Framework](#) is based on a Nobel Prize-winning body of work about how to solve the challenges inherent in managing shared, publicly owned resources like a local government budget.<sup>19</sup> It offers five “pillars” for thinking through shared resource problems like those commonly found in public budgeting (see Exhibit 4) and reaching sustainable decisions. The Financial Foundations mental model isn't “new” to the world. The underlying ideas have been widely used in other fields, like natural resource management. It is, though, new to public finance. This new model can help us understand the problems involved in budgeting by uncovering blind spots we may have and revealing the forces underlying the problems.
- ➔ **We have a better understanding of how people make decisions.** Primarily, this means we have a better understanding of the limits of rationality. All people engage in predictably irrational decision-making, commonly called “cognitive biases.” Scientific research on this topic has gained a lot of attention in recent years (including two Nobel Prizes<sup>20</sup>), bringing more recognition of the role of irrationality in decision-making and the settings that might encourage or discourage irrationality. For example, one of the more important types of cognitive biases is

**EXHIBIT 4 | THE FINANCIAL FOUNDATIONS FRAMEWORK**



“overconfidence bias.” This means that we underestimate future uncertainty, leading us to fail to question the assumptions behind our budget plans or look for reasons why our plans might be flawed. Another example is overestimating our ability to get X done with only Y dollars.

By understanding cognitive biases and [harnessing the power of behavioral science](#), we can design better decision-making systems. Because our faculties for rational decision-making are limited, a comprehensively rational approach to budgeting will be difficult to implement, much less maintain over multiple years. Zero-base budgeting, for example, attempts make budgeting comprehensively rational, and, predictably, has met with limited success.<sup>21</sup> As an alternative to comprehensively rational decision-making, people tend to rely more on decision-making rules of thumb. One common rule of thumb or mental shortcut used in all walks of life is to piggyback on what you already know. Hence, the traditional budget asks, “What worked last year?” Knowing that the mind works this way allows us to ask, “What might the new but better mental shortcut be to support good budgeting decisions?”

- ➔ **Technology reduces communication and production costs.** Technology makes it easier to move information around networks of people and cheaper to produce that information. Technology has grown in power and availability over the years.

Technology can be used to create interactive simulations of budgeting decisions. For example, participants in the budget process could see how much different combinations of public services cost and what benefits would be produced. Or simulations could be used to show uncertainty in revenue forecasts and help participants better understand the risk of running a deficit under various spending scenarios. Interactivity helps people get their minds around complex phenomena more easily.<sup>22</sup> Simulations might help engage our rational thinking capacity and, ultimately, shape our intuitions. Simulation also might help reduce overconfidence about how the future will turn out.

Also, technology can communicate information instantly and at a low cost. Large numbers of people (inside or outside of government) can get access to the same information at the same time.

As a final example, technology can reduce the cost of administering the budget. A big point in favor of line-item incremental budgeting, historically, was that the paperwork required was much less than the alternatives. “Paperwork” should not be an issue today. This is not to say line items are obsolete—just that technology does not **necessitate** line-item budgeting. Technology allows calculations to be made more easily now.

- ➔ **More awareness of issues of fairness in the budget.**

The conventional budget decreases or avoids conflict by relying on historical precedent. In decades past, however, income inequalities were far less and median real wages had been growing for many years.<sup>23</sup> Also, back then, people were not as aware of (or perhaps less concerned about) racial disparities.<sup>24</sup> So, in the past, some potential conflicts were less acute and/or local governments were comfortable ignoring them. Today, it seems more people are interested in addressing these conflicts and are less willing to accept conditions that are regarded as unfair. Therefore, avoiding conflict is not really an option. The only good option is to handle it constructively. Hence, better budgeting and more attention to [fairness in the budget](#) could play a role in positively influencing some of the most important potential conflicts of our time.

More attention to **fairness in the budget** could play a role in positively influencing some of the most important potential conflicts of our time.

## What is Our Plan for Rethinking Budgeting?

The budget is, arguably, the most important policy a local government produces. It describes how government's limited resources will be used and who gets those resources. A policy that important can be difficult and complicated to do well. A time-honored method for tackling a difficult problem is to break it down into smaller parts. Hence, we will break budgeting down into three parts:

- ➔ **Planning** is articulating a desired future state for the organization.
- ➔ **Budgeting** is allocating a local government's limited resources.
- ➔ **Monitoring/reporting** is making sure that the commitments made during planning and budgeting are lived up to and maintaining an understanding of the environment.

We have convened a [group of officials](#) from local governments of all types and sizes across North America. They are joined by [leading academics](#) who study public budgeting. Along with GFOA staff, they will conduct a deep investigation of key weaknesses of the conventional local government approach to planning, budgeting, and monitoring/reporting. They will then seek innovative alternatives by using design methods commonly used in other fields, where innovation is a requirement for survival, and by looking outside of public finance, to other disciplines and fields of study, for inspiration.

Perhaps the most important of these design methods is called “first principles thinking.” First principles thinking means we base our ideas on the most essential elements of what we know to be true (first principles) about planning, budgeting, and monitoring. Breaking the problem of Rethinking Budgeting down to essentials and then rethinking from the ground up is one of the best ways to find new, creative solutions. The three bullets about planning, budgeting, and monitoring are first principles. We can start with these premises and remove the conventions that have built up around them over time. To that, we bring into consideration what we know to be true, based on evidence. This includes things we described earlier, like the four positive forces for change, threats to the status quo, and features of the traditional budget that account for its staying power. First principles thinking has been used to solve difficult problems from the time of Aristotle to the giants of technology and finance in today's world.<sup>25</sup>

The alternative to first principles thinking is reasoning by analogy. An example is to ask: “What have we done traditionally?” An important premise of this project is that what we have done traditionally is of limited usefulness for finding our way forward. By first describing what is different today and by defining the core elements of the budget (planning, budgeting, and monitoring), we have the building blocks for our recommendations.

### An Illustration of a First Principles Inquiry into the Purpose of Budgeting:

- What does the **society need** that local government decides it can produce on its own or in partnership with others?
- How far can **current resources** go to pursue those needs?
- Where can the local government go to identify and bring in **new resources**, if needed?
- What is the **investment plan** that produces the intended outcomes?

*By identifying and considering these basic questions, we can find new answers.*

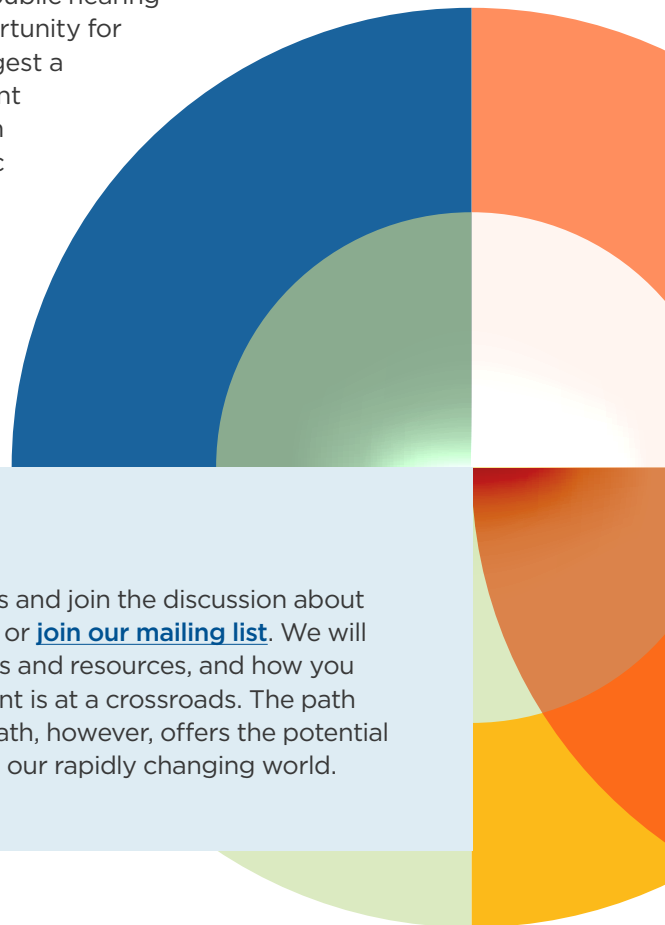
Also, as we rethink the budget, we must remain mindful of the advantages of the traditional budget. If a “rethought” approach does not compare favorably to the traditional budget on the characteristics of simplicity, control, predictability, and flexibility, then that rethought approach will not get far.

As of this writing, the Rethinking Budgeting team has already articulated three ideas for rethinking the “planning” aspect of budgeting. Below is a short description of each idea and a link to additional resources on the idea.

- ➔ **Define the problem.** The traditional budget and planning process is ill-equipped to deal with the complex problems created by volatility and conflict. We show why complex problems frustrate traditional budgeting and planning, outline the principles for designing a process to define problems more deeply, and, finally, provide an illustration of a process to define problems before solutions. Defining problems more deeply helps people feel a greater sense of *control* and *predictability* over complex problems.
- ➔ **Rethinking strategic planning.** Strategic planning is a long-standing “best practice” in public finance. However, strategic planning, as it is commonly practiced, has significant limitations. We highlight the flaws in some of the basic underlying assumptions of traditional strategic planning and propose a new approach that is better able to meet the challenges faced by governments today. The approach we suggest promotes more *adaptability* in strategic plans, which might serve as a substitute for the *flexibility* of the traditional budget.
- ➔ **Rethinking public engagement.** Public engagement is essential for gathering feedback to inform the size and shape of the budget. However, public engagement as it is conventionally practiced is too little, too late. It happens at the end of the budget process when decisions have already been made and it is limited to a public hearing or two, which often amounts to little more than an opportunity for citizens to air their grievances at a microphone. We suggest a new set of principles to design better public engagement that happens early enough to provide feedback that can influence later resource allocation decisions. More public engagement, at first, would seem to work against *simplicity* and, perhaps, *control*. However, building more feedback into the budget process should better align the budget with public sentiment. This should, ultimately, reduce conflict and give government officials more predictability in how the public will react to government’s spending plans.

## HOW CAN YOU STAY INVOLVED?

If you’d like to be kept abreast of the latest developments and join the discussion about [Rethinking Budgeting](#), join the [GFOA community forum](#) or [join our mailing list](#). We will announce new research reports, web conferences, events and resources, and how you can get directly involved. We believe the local government is at a crossroads. The path of the status quo seems increasingly untenable. A new path, however, offers the potential for local governments to help their communities thrive in our rapidly changing world.





## ENDNOTES

- <sup>1</sup> See, for example, the discussion of Traverse City Area Public Schools in Chapter 5 of: Kavanagh, Shayne; Reitano, Vincent (2019). *Financial Foundations for Thriving Communities*. Government Finance Officers Association.
- <sup>2</sup> Wildavsky, Aaron (Nov.-Dec. 1978). A budget for all seasons? Why the traditional budget lasts. *Public Administration Review*, 38(6): 501-509.
- <sup>3</sup> According to: Putnam, Robert D.; Romney Garrett, Shaylyn (October 13, 2020). *The upswing: How America came together a century ago and how we can do it again*. Simon & Schuster. And: Deaton, Angus (2013). *The great escape: Health, wealth, and the origins of inequality*. Princeton: Princeton University Press. And: Gordon, Robert J. *The rise and fall of American growth* have offered abundant evidence for the post-1970 falloff in the long-term annual growth rate.
- <sup>4</sup> Iyengar, Shanto; Konitzer, Tobias; Tedin, Kent (October 2018). The home as a political fortress: Family agreement in an era of polarization. *The Journal of Politics*. 80(4).
- <sup>5</sup> Fiorina, Morris P. (2017). *Unstable majorities: Polarization, party sorting, and political stalemate*. Chicago: Hoover Institution Press, p. 163, chap. 7. See also: Hopkins, Daniel J. (2018). *The increasingly United States: How and why American political behavior nationalized*, Chicago Studies in American Politics. Chicago: University of Chicago Press.
- <sup>6</sup> Iyengar, Shanto; Konitzer, Tobias; Tedin, Kent (October 2018). The home as a political fortress: Family agreement in an era of polarization. *The Journal of Politics*. 80(4).
- <sup>7</sup> Kettl, Donald F. (June 15, 2021). The growing threat to trust in local government. *Governing*.
- <sup>8</sup> Adapted from: Putnam, Robert D.; Romney Garrett, Shaylyn (October 13, 2020). *The upswing: How America came together a century ago and how we can do it again*. Simon & Schuster.
- <sup>9</sup> Putnam, Robert D.; Romney Garrett, Shaylyn (October 13, 2020). *The Upswing: How America came together a century ago and how we can do it again*. Simon & Schuster.
- <sup>10</sup> Ibid.
- <sup>11</sup> Lyman, Peter; Varian, Hal R. (2003). How much information 2003? School of Information Management and Systems, University of California at Berkeley. <http://www2.sims.berkeley.edu/research/projects/how-much-info-2003> as cited in: Gurri, Martin (2018). *The revolt of the public and the crisis of authority in the new millennium*. Stripe Press.
- <sup>12</sup> Reinsel, David; Gantz, John; Rydning, John (November 2018). Data age 20205: The digitization of the world from edge to core. An IDC Whitepaper #US44413318.
- <sup>13</sup> Tufekci, Zeynep (2017). *Twitter and tear gas: The power and fragility of networked protest*. Yale University Press.
- <sup>14</sup> Analysts from Credit Suisse are quoted by: Sheetz, Michael (August 24, 2017). Technology killing off corporate America: Average life span of companies under 20 years. CNBC. <https://www.cnbc.com/2017/08/24/technology-killing-off-corporations-average-lifespan-of-company-under-20-years.html>
- <sup>15</sup> The arguments in this paragraph were inspired by: Gurri, Martin (2018). *The revolt of the public and the crisis of authority in the new millennium*. Stripe Press.
- <sup>16</sup> The term “information tsunami” coined by: Gurri, Martin (2018). *The revolt of the public and the crisis of authority in the new millennium*. Stripe Press.
- <sup>17</sup> Information and exhibit on trends in disasters are from: Brusentsev, Vera; Vroman, Wayne (2017). Disasters in the United States: Frequency, costs, and compensation. W.E. Upjohn Institute for Employment Research.
- <sup>18</sup> Parrish, Shane; Beaubien, Rhiannon (2019). *The great mental models Volume 1: General thinking concepts*. Latticework Publishing Inc.
- <sup>19</sup> The Nobel Prize was won by Elinor Ostrom in 2009 for her work on common pool resource theory.
- <sup>20</sup> This includes Daniel Kahneman in 2002 and Richard Thaler in 2017.
- <sup>21</sup> GFOA research has found that “text book” implementations of Zero-base budgeting (ZBB) are almost unheard of. Less rational, comprehensive methods inspired by ZBB are more common but still relatively rare. See: Kavanagh, Shayne (2011). Zero-base budgeting: Modern experiences and current perspectives. Government Finance Officers Association.
- <sup>22</sup> Hogarth, Robin M.; Soyer, Emre (Winter 2015). Using simulated experience to make sense of big data. *Special Collection of MIT Sloan Management Review: Making Better Decisions*.
- <sup>23</sup> For historical trends in income inequality, see: Piketty, Thomas; Saez, Emmanuel; Zucman, Gabriel (May 2018). Distributional national accounts: Methods and estimates for the United States. *The Quarterly Journal of Economics*, 133(2): 553-609.
- <sup>24</sup> Public support for racial equality in schools, transportation, public accommodations, residential choice, black presidential candidates, interracial marriage, and other realms of life have gone steadily upward since the 1950s and 60s. For a summary, see: Putnam, Robert D.; Romney Garrett, Shaylyn (October 13, 2020). *The upswing: How America came together a century ago and how we can do it again*. Simon & Schuster.
- <sup>25</sup> For more information on first principles thinking, see: First principles: The building blocks of true knowledge. A blog post at <https://fs.blog/first-principles/>.



Government Finance Officers Association  
203 N. LaSalle Street, Suite 2700  
Chicago, IL 60601  
312-977-9700 | [gfoa.org](http://gfoa.org)