



# Taking the Pulse of Local Government Finance

What local governments are doing—and wish they were doing—in financial management

BY SHAYNE KAVANAGH, ELAINE YI LU, ZHUOJUN LYU, AND NATHAN LEE

In the summer of 2024, GFOA conducted a survey with the survey research firm Civic Pulse. The survey received 497 responses from local governments across the United States. *Critically, the survey was not limited to GFOA members.* Civic Pulse's sampling methods do not use GFOA member databases. The survey was limited to municipalities and counties.

Also, to keep the survey short and convenient for respondents to complete, we only addressed a limited number of topics (though future iterations of this survey could cover others).

In this article, we'll review:

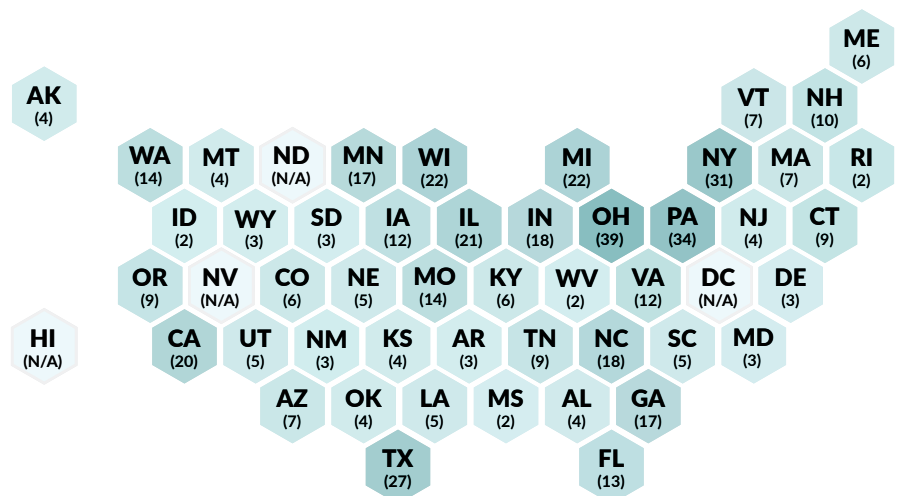
- The respondents' location, the size of their governments, and the educational attainment of the head of finance.
- Where the budget office resides within the organization.
- Governments' time horizons for budgets, capital plans, long-term financial plans, and strategic plans.
- A comparison of what finance officers think their governments should be doing versus what they are doing.

- What concerns respondents most in their roles as leaders of the budget process.
- An analysis of how local governments involve the public in budgeting and the challenges they encounter in doing so.
- Finance officers' self evaluation regarding key aspects of financial management.
- What we can learn from this study and where we'll go from here.

## Who responded to the survey

Exhibit 1.1 shows the number of survey responses from each U.S. state. Darker shades indicate higher response counts. States in the Midwest and on the East Coast, like Ohio, Pennsylvania, and New York, show the largest number of participating governments, followed by Texas, Wisconsin, Michigan, Illinois, and California. In contrast, some Western and Mountain states had relatively

EXHIBIT 1.1 | Geographic Location of Responses



low response counts. These include Wyoming, Montana, South Dakota, and New Mexico. Nevertheless, the survey had participation from across the U.S. Only three states did not participate: North Dakota, Nevada, and Hawaii.

In terms of the types of governments that responded, municipal governments (cities, towns, and villages) made up the largest share, accounting for 87% (432 responses). Counties constituted the rest at 13% (65 responses). The median population of the governments that responded to the survey was about 10,000 people.

Exhibit 1.2 presents the distribution of survey respondents based on their local government budget size. Most respondents manage budgets ranging from \$1 million to \$100 million, with the most significant proportion (15%) overseeing budgets of \$100 million or more. Smaller budgets, including those under \$500,000 (5%), are less common. A significant portion of responses fall within the \$25 million to \$50 million range (13%). Other responses fall into various midsize budget categories. The data provides insight into the financial

scale of participating governments and illustrates the diversity of their budget responsibilities.

Exhibit 1.3 summarizes the educational background of the respondents. The survey was sent to the person identified as the “head of finance” by Civic Pulse’s research team. We see in Exhibit 1.3 that most hold a BA or BS degree in finance, economics, or accounting (205 respondents). Many also hold other degrees. It is important to know that respondents could select more than one answer. For example, someone who holds an MBA likely has a BA or BS degree.

EXHIBIT 1.2 | Distribution of Respondents by Budget Size

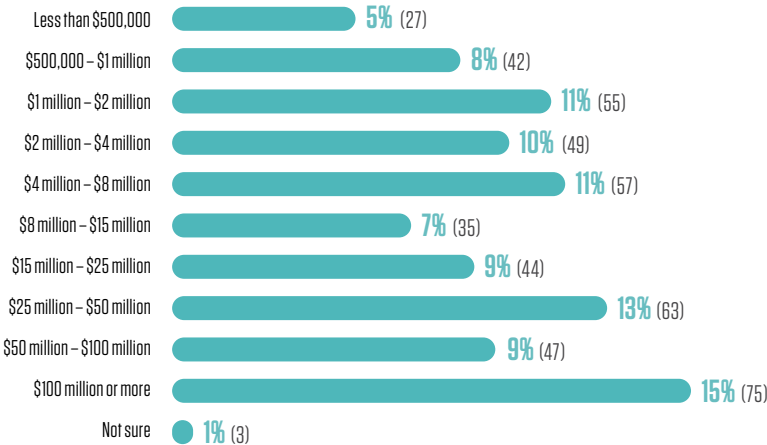
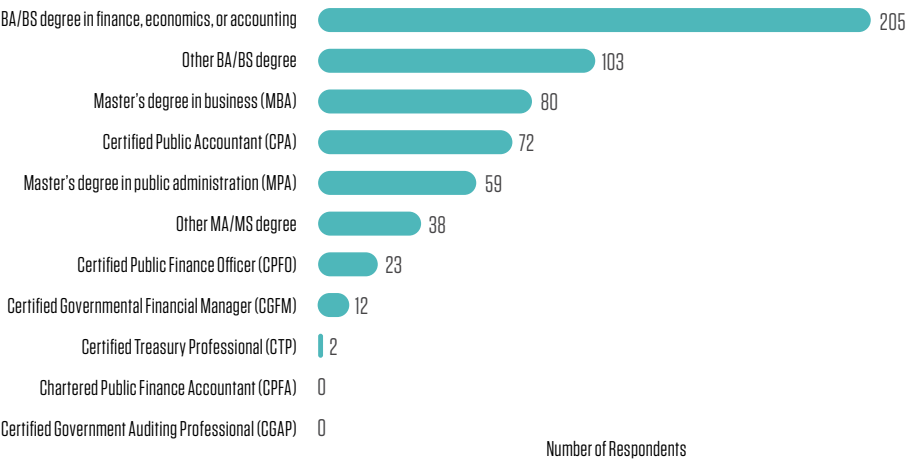


EXHIBIT 1.3 | Credentials of the Head of Finance in Responding Government



Location of the budget function

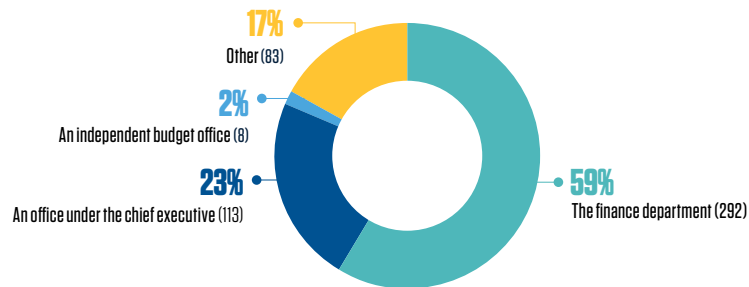
The budget function has both “policy” and “finance” elements, so it is not always clear where it should reside within a local government. Exhibit 2.1 illustrates the distribution of budget offices within local government structures. The majority of respondents (59%) indicated that their budget office is located within the finance department. Twenty-three percent of budget offices operate under the chief executive’s office.

Only 2% reported having an independent budget office, indicating that standalone budgeting entities are rare. Additionally, 17% selected “Other.” A review of the responses in the “Other” category shows that a bare majority place the responsibility with the clerk/treasurer’s office or board. A disproportionate share of these responses came from smaller governments. This may explain why their budget office is located with the clerk. In many cases, the clerk is also responsible for complying with state laws related to posting and filing the adopted budget.

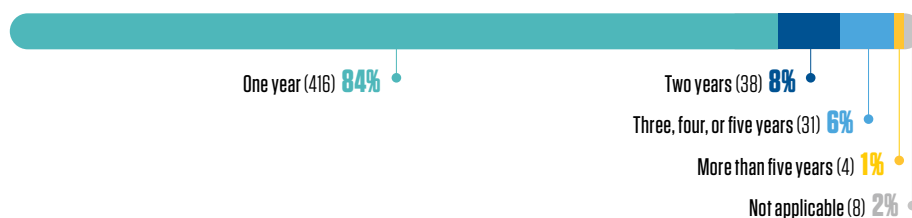
Time horizons for financial plans

GFOA has long advocated that governments adopt a multi-year perspective on their financial situation. This section of the survey examines how far into the future governments look through various planning processes, including the operating budget, capital plans, strategic plans, and long-term financial plans.

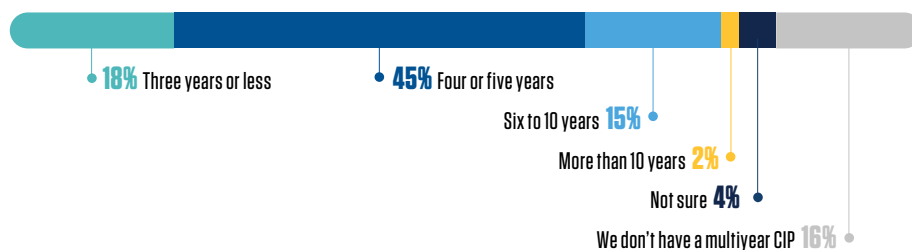
## EXHIBIT 2.1 | Organizational Placement of Budget Offices



## EXHIBIT 3.1 | Time Horizon of the Operating Budget



## EXHIBIT 3.2 | Time Horizon of Capital Improvement Plans (CIP)



We began by asking about the time horizon of the operating budget. Unsurprisingly, the vast majority of local governments (84%) operate on a one-year budget cycle, reflecting a standard annual budgeting approach.

A smaller portion (8%) plan for two years, while 6% extend their budget outlook to three to five years. These findings suggest that short-term budget cycles remain the dominant approach in local government finance, though a nontrivial number of respondents (more than 10%) are looking beyond one year in their budgets.

Long-term planning is not the norm in local government for many reasons. Two of the biggest are 1) government revenues are legally authorized only one year at a time, and 2) elected officials serve limited terms of four years or less. As a result, local officials must make the wise decision to engage in long-term planning, having few incentives to do so. Therefore, we wanted to see how common different types of long-term planning are, specifically those aimed at looking beyond the one-year horizon typically associated with the operating budget.

We began with capital improvement plans. Long-term capital improvement plans appear to be quite common, with less than 20% of respondents reporting they do not have one. The majority of governments (45%) plan four to five years into the future, which aligns with standard CIP practices. Eighteen percent have a short-term planning horizon of three years or less, while 15% extend their plans to six to 10 years. Only 2% plan for more than 10 years. This is an encouraging finding. Capital planning is the area of public finance where long-term planning offers the most obvious benefits. Capital projects require large expenditures to build or acquire, so a long-term perspective is necessary for securing funding. They also often require large annual operating and maintenance costs. A capital plan helps the operating budget prepare for these costs.

Moving on from capital planning, GFOA advocates that local governments adopt strategic plans to describe the government's goals and objectives. This provides better direction for budgeting and creates a basis for evaluating whether government spending has been effective.<sup>1</sup> We asked if local governments develop a strategic plan or an equivalent framework. A slight majority (52%) reported having a strategic plan in place, while 38% said they do not engage in formal strategic planning. Additionally, 6% of respondents were unsure and 5% selected "Other," indicating alternative planning approaches.

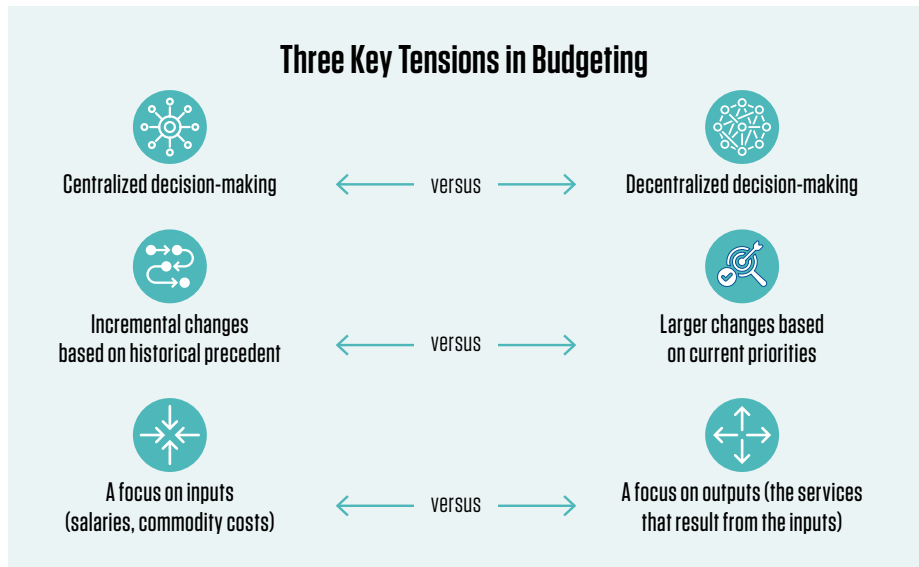
These results suggest that while strategic planning is not uncommon among local governments, a significant portion still lacks a strategic plan. Thus, a large portion of local governments may be formulating their operating budget with limited guidance on what the objectives of the spending are.

GFOA advocates that local governments engage in long-term financial planning. Whereas a capital plan focuses solely on capital spending, a long-term financial plan provides a more comprehensive view of a local government's financial situation over multiple years. We found that a majority of respondents (56%) said their government does not

have a long-term financial plan, while 35% reported having one in place. A smaller portion (4%) were unsure, and 5% selected “Other.” The descriptions provided by those in the “Other” category showed that many were undertaking alternative or partial approaches to incorporating a long-term perspective into the operating budget. These findings suggest that long-term financial planning is not yet a widespread practice among local governments, though a sizable minority (about 40%) engage in it or something similar. While there is certainly room for improvement, the “glass-half-full”<sup>2</sup> perspective is that it’s encouraging that as many as four in 10 have chosen to pursue long-term financial planning, given that the practice was almost unheard of when GFOA first began advocating for it.<sup>3</sup>

For those who do long-term financial planning, about 60% use a time horizon of four to five years. Six to 10 years is the next most common (18%), followed by three years or less (16%).

We also asked if specific elements of long-term financial planning were part of their approach. Projections of capital costs, operating costs, and revenue were the top three topics included in long-term financial plans. The least common element was strategies for addressing risks posed by long-term liabilities such as pensions and debt. See Exhibit 3.3.

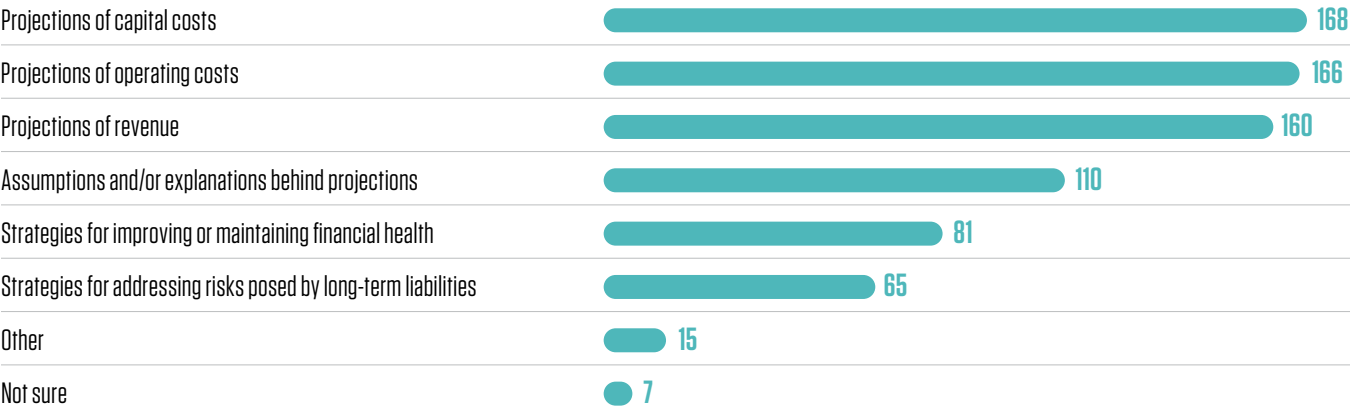


**Aspirations versus reality**

We wanted to understand how finance officers’ views of what their government should be doing compared to what their government is actually doing. The survey addressed three key tensions in budgeting: centralized versus decentralized decision-making; incremental changes based on historical precedent versus larger changes based on current priorities; and a focus on inputs versus outputs.

These tensions are often reflected in GFOA’s guidance to governments about budgeting. For example, GFOA recommends that governments align their budgets with the current priorities of the community, though historical precedent can also play a useful role. GFOA’s guidance tends to place more emphasis on the items on the right side of the tensions above. This is not to say the items on the left side are bad or undesirable. Rather, GFOA’s view is that they tend to be overweighted in

**EXHIBIT 3.3 | Frequency of Long-Term Planning Elements Among Those With a Long-Term Plan**



Number of Selections

traditional budgeting compared to the items on the right. The survey results can show two things. First, how much finance officers believe budgeting should emphasize the items on the right side of the chart. Second, the extent to which their governments are actually doing those things.

Exhibit 4.1 is a box-and-whiskers chart to show the results. This type of chart can be useful for understanding nuanced data, like that produced by our survey — but it may help first to provide a brief explanation of how to read it.

Each row represents one of two perspectives on the three tensions described. The first row shows which side of the tension respondents feel budgeting should be weighted toward. For example, if a finance officer felt that a budget should be heavily weighted toward outputs, they gave a very high score to outputs. If they feel it should be perfectly balanced between inputs and outputs, they gave a middle score (50 out of 100) represented by the red vertical line. The second row reflects where the finance officer feels their government actually stands with respect to the tension. So, if they felt their government was more focused on inputs, they gave a score weighted toward inputs.

Each row has a horizontal black line — the “whiskers” — which represents the full range of responses. In many rows, the line extends almost all the way across, indicating that at least one respondent selected a value at each end of the spectrum. To help us focus on where the most responses are clustered, the chart includes “boxes.” The boxes represent the middle 50% of respondents. Put another way, two out of four respondents fall within the box, one in four falls outside of the box to the right, and one in four to the left. The fact that the boxes are much narrower than the whiskers suggests that half of the respondents are concentrated around a much smaller part of the spectrum. The black vertical line within the box marks the median value, where 50% of responses fall to the left and 50% to the right. Finally, the red dotted line represents the midpoint between the two tensions. This line is independent of the responses and provides a point of reference for comparison.

Let’s now move on to the results in Exhibit 4.1.

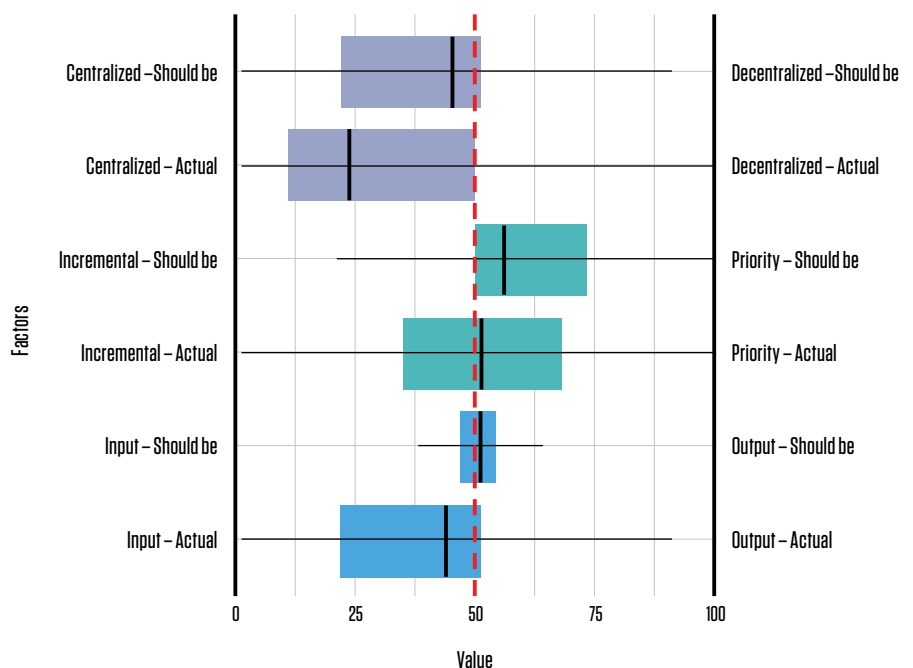
In the centralized versus decentralized category, respondents generally believe that budgeting should be more centralized, as indicated by the “Should Be” box being skewed toward the centralized side. However, the “Actual” values suggest that the budgeting process is even more centralized than respondents would prefer. For incremental versus priority budgeting, respondents prefer a more priority-based budget. However, actual budgeting practices lean more toward incremental budgeting, indicating a tendency to maintain past spending patterns rather than reconsider them. Lastly, in the input versus output budgeting dimension, expectations appear to be more balanced, but actual practices remain closer to input-based budgeting.

There are two notable conclusions from the results. First, finance officers’ aspirations tend to be weighted more toward the right side of the exhibit. This contrasts with actual practice. This suggests that GFOA’s guidance should emphasize these areas. Doing so could help finance officers

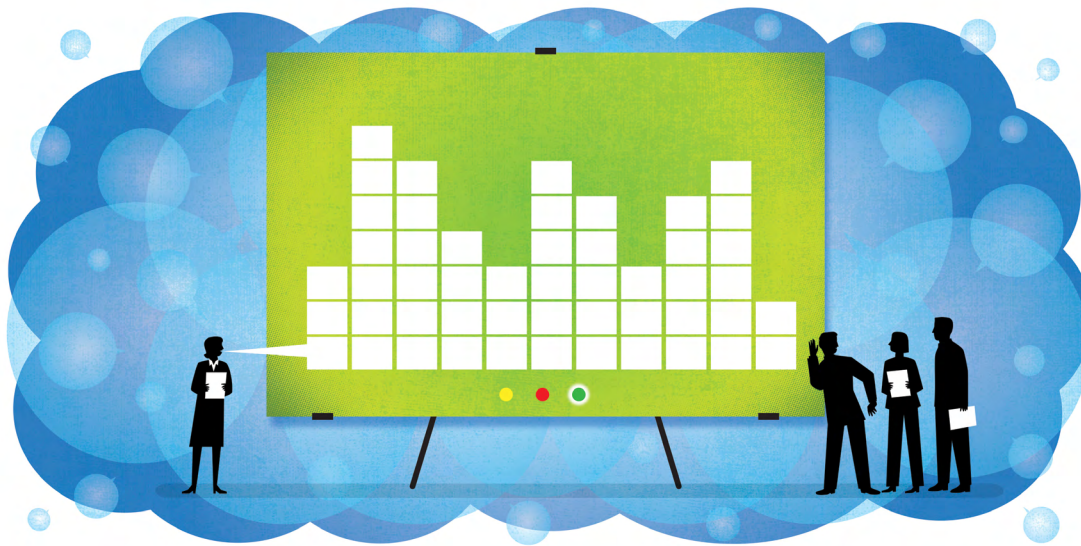
realize their aspirations. Second, the largest gap between aspirations and practice appears in decentralization and output-oriented budgeting. This suggests GFOA could support governments by providing better information on how to engage operating departments in the budget process more effectively — or how to shift budget conversations toward the results that spending will produce, rather than just how much will be spent.

We can also group the responses in Exhibit 4.1 by educational background. One notable difference arises when comparing those with private sector educational backgrounds (such as finance, accounting, economics, or an MBA) to those with public sector backgrounds (respondents without those degrees). Respondents with private sector backgrounds perceived budgeting to be more input-based and preferred a more decentralized approach than their counterparts. Overall, both groups agreed that budgeting should be more decentralized, more priority-based, and more output-oriented than it currently is.

**EXHIBIT 4.1 | Finance Officers’ Aspirations Versus Reality**







There are many ways governments can try to involve residents in budget discussions, including different approaches to in-person meetings and newer digital engagement tools; however, the traditional public hearing remains dominant.

### Biggest worries for budget officers

We asked respondents what worries them most from the perspective of someone responsible for budgeting. The analysis reveals a complex financial landscape for local governments. Exhibit 5.1 presents the findings in order of the prevalence of different concerns among respondents.<sup>4</sup> The topics that arose are not surprising, but the order is interesting. For example, political issues were near the bottom of the list, despite the attention political conflict receives in the media. Revenue uncertainty is at the top.

This may reflect broader concerns about the economy. Inflation ranked second, likely for similar reasons. This suggests that the “classic” concerns of finance officers (revenue shortfalls and increasing costs) have not gone out of style, so GFOA should continue to provide guidance on how to navigate these issues.

### Public engagement

The survey next explored public engagement practices. We began by asking how frequently various public engagement methods are used during the budget process. Unsurprisingly, public hearings were by far the most popular method, with 67% of respondents reporting they use them. There was a rapid drop-off from there. Small group community discussions were used by 10% of respondents, and none of the other five methods we asked about (surveys conducted by third-party firms or in-house staff, participatory budgeting, and interactive exercises) were used by more than 5%. A small number of respondents (5%) described a variety of “Other” approaches. This suggests that there are many ways governments can try to involve residents in budget discussions, including different approaches to in-person meetings and newer

digital engagement tools; however, the traditional public hearing remains dominant.

The infrequent use of public engagement methods beyond the standard (and often legally required) public hearing begs the question: Why? We asked respondents about barriers to public engagement, and the results are shown in Exhibit 6.1.

The most commonly cited barrier was a lack of public interest (37%). Staff capacity was also a major obstacle (17%). Another key barrier was a lack of expertise in conducting engagement (8%). A small number of respondents (11%) believed that public input is not helpful for decision-making. This suggests that public finance officers are not averse to public engagement. Instead, public apathy and capacity constraints are the more important reasons for the limited use of more sophisticated engagement tools.

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**EXHIBIT 5.1 | Biggest Worries for Budget Officers (# of times concern was raised)**

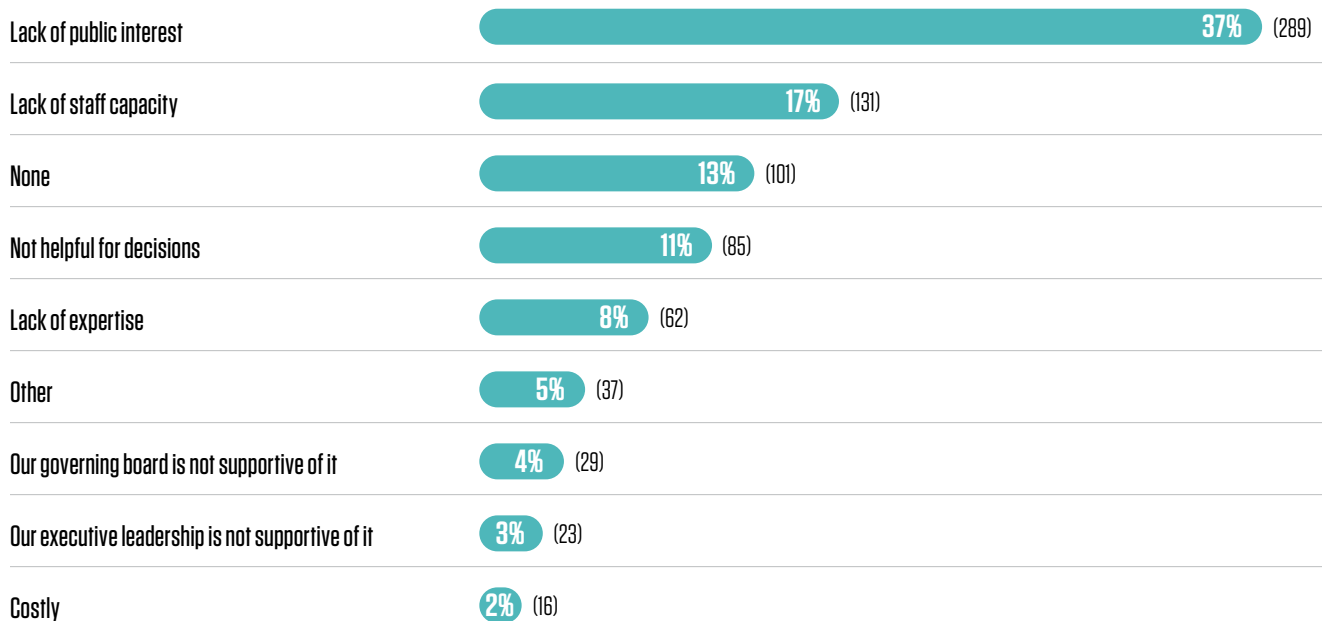
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**EXHIBIT 6.1 | Barriers to Public Engagement in Budgeting**

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**EXHIBIT 7.1 | Importance Versus Performance Scores for Key Budgeting Practices**

Practices	Mean Importance Score	Mean Performance Score	Difference
Conduct regular budget monitoring	4.5	3.7	0.7
Gather input from staff to make budgetary decisions	4.3	3.7	0.6
Make contingency plans for managing budgetary risks	4.1	3.1	1.0
Use data to make budgetary decisions	4.0	3.2	0.8
Conduct periodic inventories of programs and services	3.7	2.8	1.0
Gathering input from the public to make budgetary decisions	3.1	2.3	0.8

In addition to these results, 42 respondents provided qualitative insights into the challenges of engaging the public in budget discussions. The most commonly cited barrier was a lack of public understanding of government finances and budgeting. Many respondents noted that residents often do not grasp fund accounting, tax structures, or financial constraints, making it difficult for them to provide meaningful input. Some also pointed to challenges with governing boards. In these cases, elected officials lacked financial expertise. As a result, they often shifted budgeting responsibilities to finance officers.

Another major issue was low public interest and participation. Multiple respondents noted that budget hearings, surveys, and forums often attract very few participants, with engagement typically coming from a small, vocal group or individuals focused on specific personal interests rather than the overall budget. In some cases, participation was further limited by time constraints and ineffective engagement methods, with officials still searching for practical ways to involve residents.

Overall, the responses highlight significant hurdles in making public budget engagement both effective and representative, with widespread concerns over financial literacy, participation levels, and fair representation in decision-making. GFOA has produced several research products that speak directly to the concerns about public engagement described by the survey, including

*Rethinking Public Engagement* ([gfoa.org/rethinking-public-engagement](https://gfoa.org/rethinking-public-engagement)) and *Fiscal Fluency Made Easy* ([gfoa.org/materials/fiscalfluency](https://gfoa.org/materials/fiscalfluency)). This suggests that this research needs to filter through the profession more widely to help address the concerns raised by the survey.

### Self-evaluation by finance officers

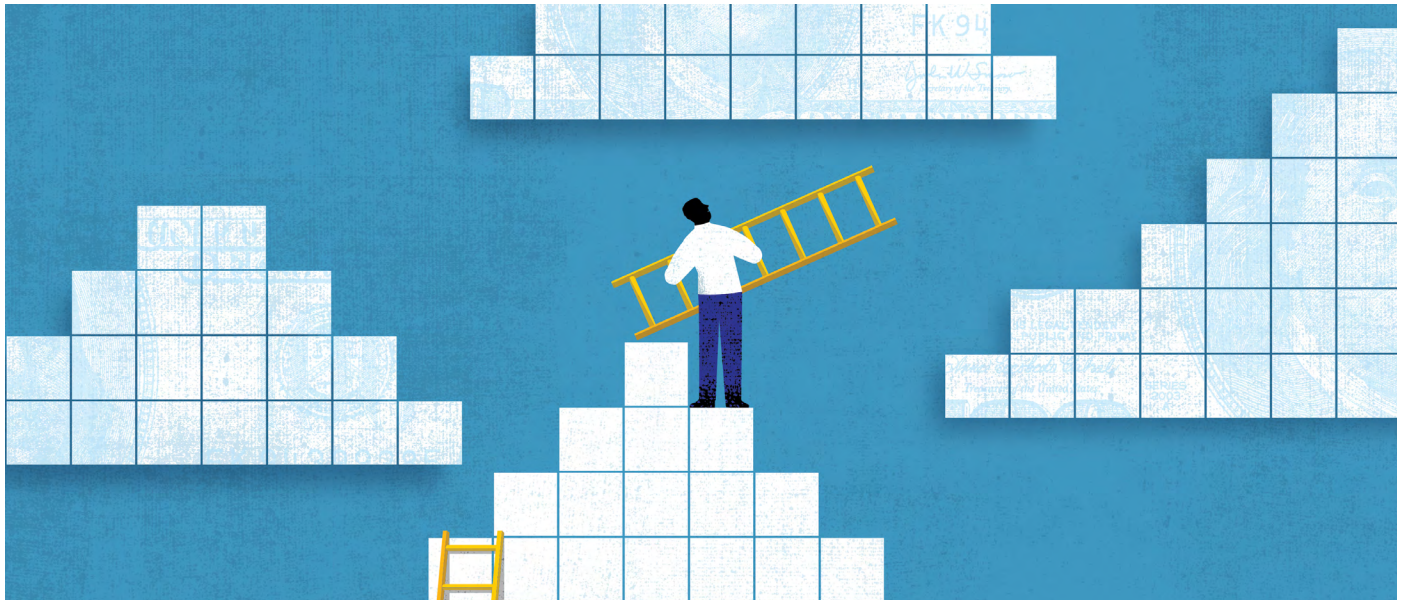
In this part of the survey, we asked respondents to first rate how important a given budget practice is and then how well they think they are doing at it. The goal was to find where the biggest gaps exist.

Exhibit 7.1 compares the average importance scores and average performance scores for various budgeting practices, highlighting gaps between perceived importance and execution. Regular budget monitoring and gathering input from staff received the highest importance ratings (4.5 and 4.3, respectively) and showed relatively strong performance. However, making contingency plans to manage budgetary risks and conducting periodic inventories of programs and services exhibited the largest importance-performance gaps (1.0), indicating areas where improvement is needed. Using data in budgeting and gathering input from the public were rated lower in importance and showed performance shortfalls, with public input receiving the lowest performance rating (2.3). Governments recognize the value of these practices. Still, many face challenges implementing them — especially in budgetary risk management, program

evaluation, and public engagement.

Finally, we asked an open-ended question: “If you could change anything about your budgeting process, what would it be and why?”

A total of 136 respondents provided substantive feedback. The most frequently mentioned theme was “Public Engagement & Transparency” (mentioned 34 times), with respondents emphasizing the need for greater citizen participation, earlier involvement of elected officials, and increased transparency in decision-making. “Technology & Efficiency” was another key concern (29 mentions), with many advocating for a transition from spreadsheets to specialized budgeting software and cloud-based solutions. “Staffing & Decision-Making” appeared in 26 responses, as respondents highlighted the need for additional staff, better training for decision-makers, and improved understanding of financial constraints. “Long-Term & Strategic Planning” was raised 24 times, with calls for multiyear financial planning, strategic budgeting, and a shift from reactive to proactive financial management. Lastly, “Better Prioritization & Fiscal Discipline” were a concern for 23 respondents, who pointed to the need for clearer prioritization of expenditures, improved forecasting, and aligning spending with key priorities. Local government finance officials see room for improvement in several areas. These include engagement, efficiency, and strategic planning to enhance the budgeting process.




## Making contingency plans to manage budgetary risks and conducting periodic inventories of programs and services exhibited the largest gaps, indicating areas where improvement is needed.

These findings provide direction to GFOA both for new research and for placing greater emphasis on existing research that speaks to the concerns raised by the survey.

### Where do we go from here?

The first Fiscal Pulse survey revealed several opportunities for GFOA to hone the support it provides to local government. Here are some leading examples.

- Just over half of local governments engage in some form of strategic planning. GFOA could support these efforts by offering simplified priority-setting exercises designed specifically to guide budgeting. A “lighter footprint” approach could serve as a good entry point into strategic planning. It may offer enough guidance for the budget process on its own.
- Slightly fewer than half of governments engage in long-term financial planning. Here, too, GFOA could support these efforts by focusing on entry points or “light touch” versions. These could add value to decision-making with minimal effort. The lack of plans for managing budgetary risks also signals an area where many local governments could benefit from additional guidance.
- Respondents cited several barriers to public engagement that existing GFOA research could help with. GFOA can work to more widely distribute this information to local governments.
- Making contingency plans for managing budgetary risks had, perhaps, the most notable gap between the importance of the practice and actual performance.<sup>5</sup>
- GFOA could provide better information on how to engage operating departments in the budget process, and how to shift budget conversations toward the results that spending will produce, rather than just how much will be spent. 

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<sup>1</sup> It becomes possible to evaluate whether the money spent has helped the government make progress toward its goals. This is impossible to do if those goals have not been articulated.

<sup>2</sup> Or 40% full, to be precise.

<sup>3</sup> Unfortunately, GFOA's surveys from that time have been lost, but one author recalls that the figure was about 10%.

<sup>4</sup> For open-ended response questions, ChatGPT was used to find common themes among the large number of responses.

<sup>5</sup> Where “notable” accounts for both the absolute size of the gap and the importance assigned to the item.