



## **What do leaders in local government think about the budget?**

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## **About CivicPulse**

CivicPulse is a nonprofit organization that runs national surveys of local officials across the United States. CivicPulse is committed to three core values: nonpartisanship, transparency, and respect for survey participants. Nonpartisanship means ensuring objectivity and avoiding partisan bias in surveys. Transparency means that the organization's processes, findings, and funding sources will always be made publicly available. Respect for survey participants means respecting the time, feedback, and confidentiality of all survey-takers.

Since its founding in 2018, the organization has five major surveys that have contributed to a variety of different research projects. Its surveys consistently sample a diverse representation of policymakers from all 50 states and both major political parties. Because of the commitment to promoting shared knowledge and non-intrusive survey respondent experience, over 80 percent of first-time survey respondents have agreed to join the organization's ongoing survey panel.

## Introduction

The most pressing issue facing local policymakers, according to a CivicPulse (CP) poll, is the budget. In a survey conducted in August 2018 asking what the largest issue facing their area was, more officials cited “budgetary concerns” as problematic for their office than any other issue.

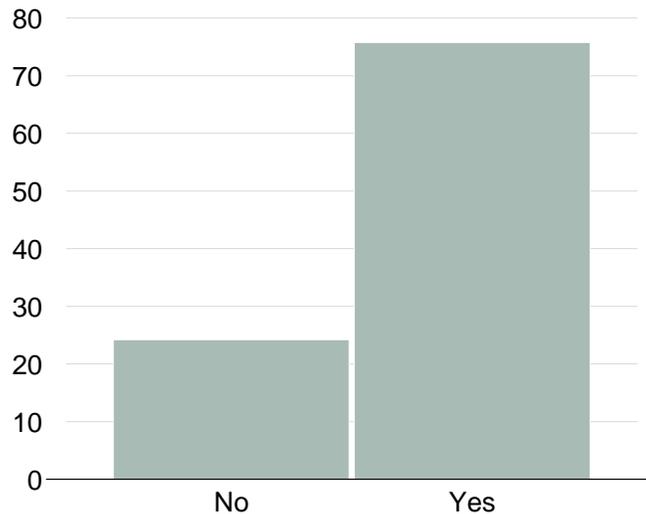
In a second CP survey, we investigated this topic further and asked policymakers to share their opinions on why financing local governments is so challenging and how they meet those challenges. The survey was conducted in March 2019 and included 2,361 local leaders from across all regions of the United States, representing a range of town, city, and county governments from rural and urban locations. This report summarizes the key findings from the survey.<sup>1</sup>

## Who thinks that the budget is an issue?

Strikingly, about 76 percent of the survey-takers expressed budgetary concerns. This proportion of officials did not significantly change based on whether or not they were from an urban or rural location, or a low-population or high population location.

### Budget Woes

*Would you consider the budget a pressing issue in your area?, %*



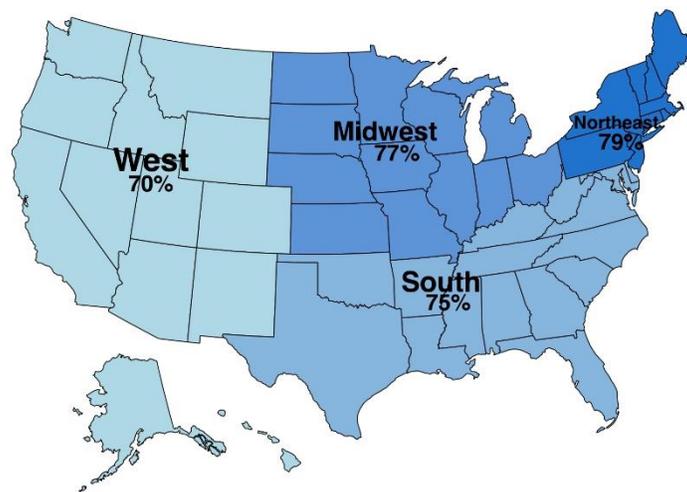
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<sup>1</sup> More information about the survey sample and questionnaire is in the document Appendix.

There were, however, some differences among regions of the United States and levels of government. Budget challenges were most widespread in the Northeast (about 79 percent), while they were least prevalent in the West (about 70 percent). Respondents in the Midwest and the South fared somewhere in between. When examining different levels of government, about 83 percent of *county* government officials saw the budget as an issue, while 73 to 75 percent of *township* and *municipal* officials shared the same opinion.

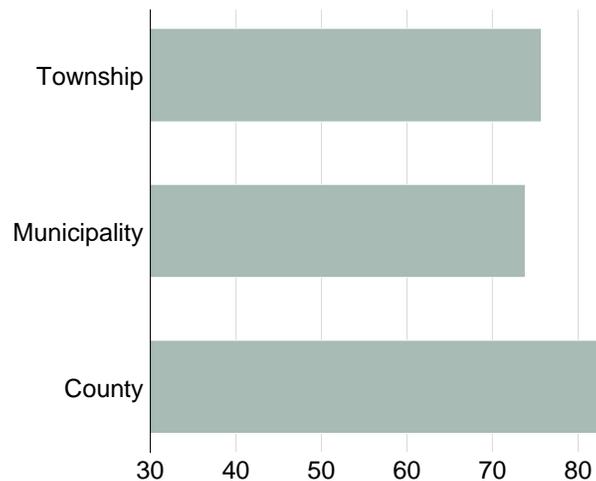
### From Sea to Shining Sea

*Officials who considered the budget a pressing issue by U.S. region*



### Taking it to the Next Level

*Officials who considered the budget a pressing issue by level of government, %*

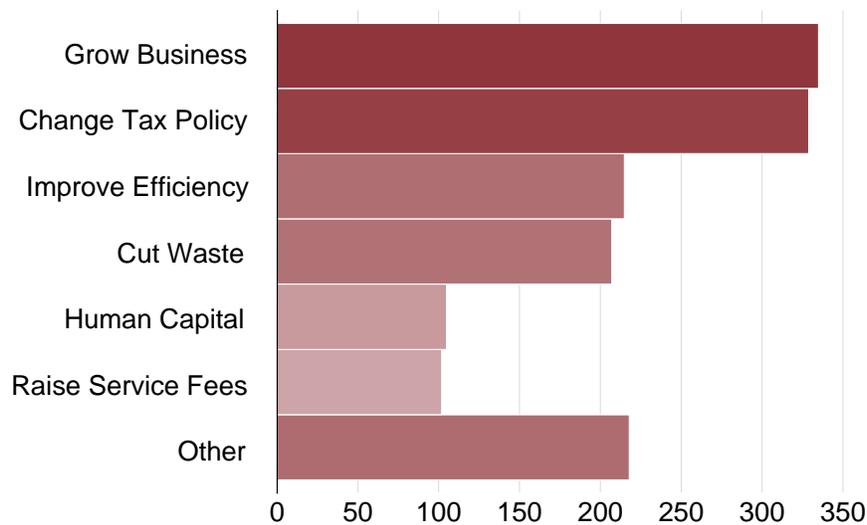


## Fixing the budget

We asked the policymakers who expressed budgetary concerns what they thought needed to be done to fix the problem. To raise revenue, 335 of those responding cited the need to support business development. One official from a town in Massachusetts, for example, said that “We need to build a stronger commercial base, which would increase revenue and hopefully reduce the [property tax] burden on homeowners.”

### Officials facing Budget Problems Suggest Solutions

*Mentions of different solutions in an open interview question, #*



*\*Answered by 1,789 local officials. Some did not provide a reply. A single response may mention multiple categories.*

Changing tax policies was another common response, and 329 officials stated that revising tax policies could also help the budget. Property and sales taxes were frequently proposed, but other types of taxes were referenced as well. An Arizona official, for example, argued for increasing taxes on gasoline and corporations. In contrast, other survey-takers believed that taxes would hurt local business and thus should not be increased.

The next most popular solutions were to improve the efficiency of government programs and cut wasteful spending (just over 200 responses each). Efficiency and waste concerns addressed program spending but also worker and contractor productivity. Next, just over 100 policymakers discussed the need to boost human capital by providing job training and supporting education, among other citizen-centered policies. A similar number of survey-takers encouraged raising service and utility fees.

Do you think the appropriate solution [to the budget] is cutting spending or raising revenue?

Category	Sample Quotes
<i>Grow Business</i>	<p>“I think increasing revenue...allows for reinvestment back into the municipality...The best method for new revenue is development.”</p> <p>“Revenue needs to be increased by business recruitment and enhancing the tax base.”</p>
<i>Change Tax Policy</i>	<p>“Increase revenue via tiered tax system which increases taxes rates on households at or above 20x the Federal poverty guidelines”</p> <p>“We are looking at creative ways to increase [revenue], such as marijuana tax, solar tax agreements, etc. we cannot keep increasing taxes on our property owners.”</p> <p>“Increase revenue by restoring previous corporate tax levels for large businesses and corporations.”</p>
<i>Improve Program and Service Efficiency</i>	<p>“Cutting spending. Eliminating non-essential programs and reducing funding in areas not statutorily required; reducing workforce if possible without reducing services”</p> <p>“Cutting spending by creating a prioritization plan for all projects and adhering to it...[and] eliminate unnecessary staff positions and hire outside services where needed.</p>
<i>Cut Wasteful Spending</i>	<p>“I'm a fiscal conservative and feel that budgets should be carefully reviewed for unnecessary expenses and those expenses should be removed.”</p> <p>“Controlling spending by not being wasteful, e.g. being frugal with our taxpayers' money.”</p>
<i>Support Human Capital</i>	<p>“Increase revenue by working to bring more people to town (we have great employment opportunities)”</p> <p>“Safe living with visible police protection. Great school system.”</p>
<i>Raise Service Fees</i>	<p>“Both are important. Revenue can be increased in several ways: 1) property tax increases; 2) enterprise rate increases; 3) Park &amp; Recreation fee increases (both in town and out of town); 4) vehicle registration fee increases, and 5) various developer fees.”</p> <p>“Cities are service industries. We either have to offer no expanded services or increase fees in relation to cost.”</p>

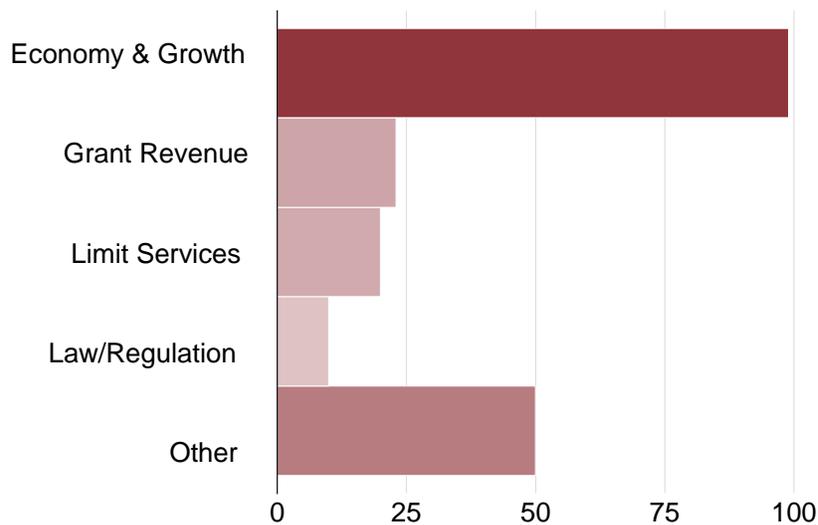
\*Quotes may belong to more than one category.

We also asked the policymakers who did not express budgetary concerns to explain how their office has managed to avoid the problem. A majority of those who responded cited economic and growth factors (99 respondents). For instance, one survey respondent from Texas said that due to being in a “high growth area...we have been able to maintain our tax rate for 11 years and yet have revenue growth.” Meanwhile, others mentioned how business and population growth contributes to tax revenue.

Other factors have also allowed governments to keep their budgets under control. Twenty-three policymakers mentioned the usefulness of seeking grant revenue. Twenty respondents from cities and towns, but not counties, said that having limited public services under their purview also helped with budget concerns. A handful of officials also mentioned the role of laws and regulations. For example, one person said that “Florida law requires us to have a balanced budget.”

### Officials without Serious Budget Issues Explain Why

*Mentions of different reasons in an open interview question, #*



*\* Answered by 572 local officials. Some did not provide a reply. A single response may mention multiple categories.*

## How have you and your colleagues maintained a balanced budget?

Category	Sample Quotes
<i>Economy and Growth</i>	<p>“We have had consistent and steady growth. We have made new investments while maintaining a frozen property tax rate by using various different financing and economic development strategies.”</p> <p>“We have the benefit of being in a high growth area...It is always a concern but fortunately we have been able to maintain our tax rate for 11 years and yet have revenue growth”</p>
<i>Grant Revenue</i>	<p>“The Town of [REDACTED] has reduced spending for the last 4 years by using higher sales tax revenue, Chips, and grants.”</p> <p>“Economic development; growth in population; careful but futuristic spending/budgeting; and focus on grants.”</p>
<i>Limit Services</i>	<p>“Out sourced City functions to qualified provides offering higher level of service at lower costs”</p> <p>“We provide minimum services in our community. Most of "extra" projects are funded by our sales tax.”</p> <p>“Yes we have a balanced budget we are a small township without any services.”</p>
<i>Laws and Regulations</i>	<p>“At the County level we must submit a balanced budget every two years.”</p> <p>“Cause we work together, we are bound by Charter to keep a balanced budget”</p>

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*\*Quotes may belong to more than one category.*

## Inter-Governmental Relations and the Budget

In discussing the budget, 231 or about 10 percent of respondents mentioned inter-governmental relations with a higher level of government, such as the state government. Some people viewed these relationships as having a positive impact on their budget. For example:

- “Our state also has a very generous bridge aid program (80/20), so, we've been able to make application, present our plan and qualify for bridge improvement with the state. We're rehabbing our 4th bridge in 8 years as a result of our budgetary planning.”
- “We made budget adjustments during recessions, only use financing/bonds for capital projects and make sure we are taking full advantage of State and Federal grants and matching programs.”

Other policymakers did not view inter-governmental interactions so optimistically. Below are quotes from respondents who saw additional requirements from state governments as adding to their budget challenges:

- “All mandates passed down from the state to the 67 counties should be fully funded. AT ALL TIMES. (No reduced funding.)”
- “At our local government level we have cut spending until there is nowhere left to cut. Unfunded pension liabilities are a biggest challenge followed by unfunded mandates continuously being handed down by primarily the state. The state of California needs to quit passing responsibilities to the counties without the funds to pay for them, fix the pension issue and give us more flexibility at the local level.”
- “Biggest problem is state action in the form of mandates or just incidental additional spending requirements. Extremely difficult to manage those as we have little voice in state legislature.”

## Summary

- 76 percent of respondents stated that the budget was a concern. The share of officials concerned about the budget did not vary based on the size of the population that they served or how urban their area is.
- The most popular solutions were growing business, changing tax policies, improving government efficiency, and cutting wasteful spending.
- For those suggesting changes to tax policy, some officials wanted to increase taxes or broaden the types of taxes, while others wanted to decrease taxes to encourage business growth.
- The health of the local economy was cited as being very important for officials who did and did not have concerns about the budget.

Local government leaders face many complex issues, but one cross-cutting concern that affects all governments is the budget. When asked about how to improve the budget situations for their area, local officials cited a variety of possible solutions. Many of these were tied to the local economy, while others focused on areas that the governments could affect directly, such as changing tax policies, improving government services or cutting spending. Future research could focus more on specific solutions and how governments have implemented them in their local context. Even common solutions may look very different depending on the areas where they are implemented.

## Appendix A: Sample Characteristics

The survey was fielded online in March 2019 to 2,361 policymakers serving local governments in all 50 U.S. states.

### Sample Representativeness Compared to Population

Township Officials, N = 412

	Sample Mean (std. dev)	Population Mean (std. dev)
Proportion Urban	0.438 (0.405)	0.329 (0.388)
Proportion College-educated	0.347 (0.160)	0.263 (0.145)
Population Size	13,800 (21,600)	8,790 (21,200)

Municipal Officials, N = 1,553

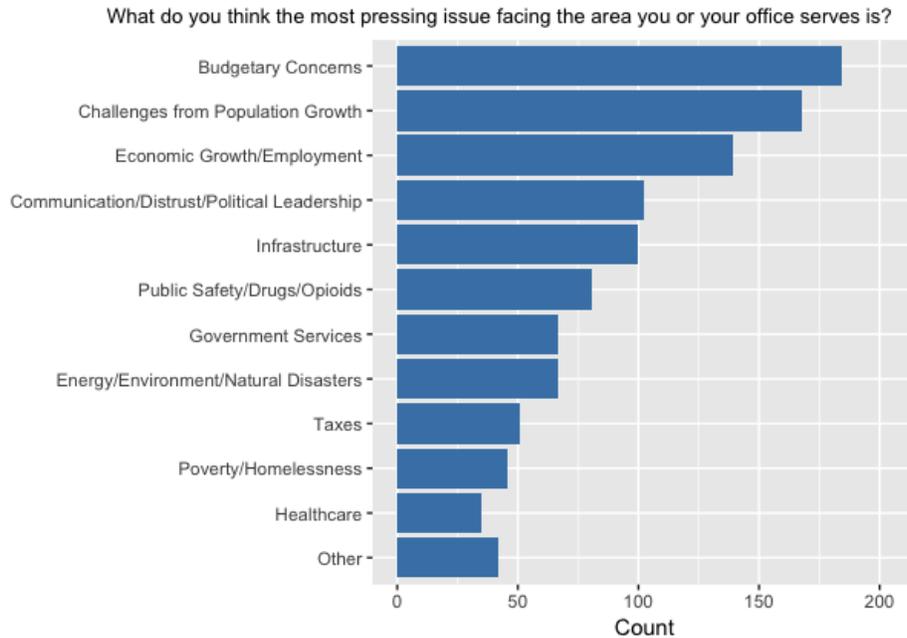
	Sample Mean (std. dev)	Population Mean (std. dev)
Proportion Urban	0.862 (0.306)	0.749 (0.404)
Proportion College-educated	0.317 (0.177)	0.255 (0.158)
Population Size	44,600 (330,000)	30,100 (246,000)

County Officials, N =396

	Sample Mean (std. dev)	Population Mean (std. dev)
Proportion Urban	0.544 (0.305)	0.437 (0.304)
Proportion College-educated	0.248 (0.0964)	0.215 (0.0927)
Population Size	173,000 (363,000)	120,000 (356,000)

## Appendix B: Survey Questions

One of our goals at CivicPulse is to generate and share knowledge among local government officials that might be useful in their own communities. In our previous survey, we asked respondents to identify the most pressing issue that their communities were facing. Here is what we found:



1) As you can see, the most common answers were related to the budget. Would you consider the budget a pressing issue in your local area?

- Yes
- No

2) *(display if: “Yes” is selected in response to “Would you consider the budget a pressing issue in your local area?”)*

You indicated the budget is a pressing issue in your area. Do you think the appropriate solution is cutting spending or increasing revenue? If spending, how should spending be decreased? If revenue, how should revenue be increased? (Please limit your response to a few sentences.)

3) *(display if: “No” is selected in response to “Would you consider the budget a pressing issue in your local area?”)*

You indicated that the budget is not a pressing issue. How have you and your colleagues managed to maintain a balanced budget? (Please limit your response to a few sentences.)