State of Local Government Survey

December 2020

OPENGOV

OpenGov State of Local Government Survey
Cloud Adoption Outpacing Technology Strategy in 2020

Local governments have done commendable work addressing the most urgent challenges to the way they work and serve their communities during the pandemic while facing revenue shortfalls, according to our 2020 State of Local Government Survey.

The goal of the survey was to learn where towns, cities, and counties across the U.S. are investing now and what gaps they perceive across their technology, processes, and talent. Survey respondents represent 501 local governments, including 113 elected officials and executive-level public leaders, 238 public finance leaders, and 149 public finance staffers from across the U.S.

Over half are taking important steps to modernize processes and technology to meet the first-order needs of enabling remote work and virtual meetings. Many are also adopting cloud-based workflows in areas like permitting, licensing, code enforcement, and grant management to protect revenue and keep their local economies open for business.

The data reveal an urgent demand for investments in modern technology and processes to support the changing needs and realities of local governments. At the same time, we see an "initiative gap" where strategies and investments are not aligned to long-term needs.

To meet the next series of challenges, and take advantage of state and federal grants, local governments must move quickly to meet evolving needs and build a strategic vision for upgrading their technology, processes, and talent.
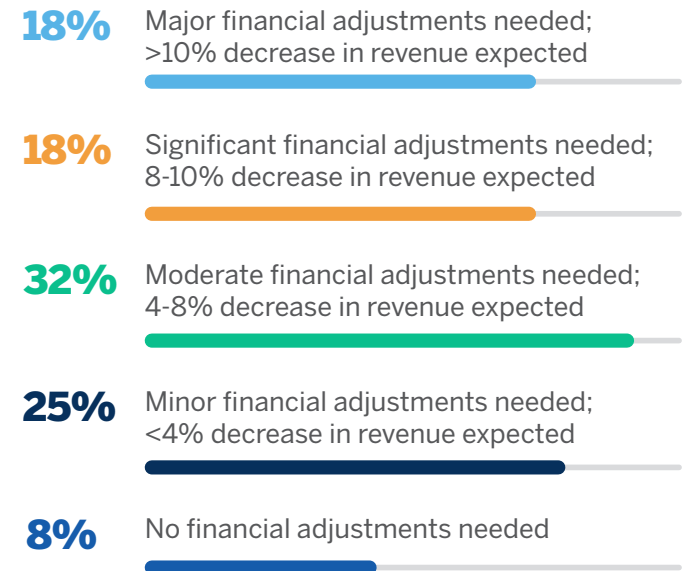
Nearly All Face Revenue Shortfalls

From small counties to large cities, COVID-19 has landed a one two punch of both a health crisis and an economic one.

Sixty-eight percent of governments see major to moderate effects on revenues today, with fewer than 10% reporting that no financial adjustments have been needed.

The sources of revenue most impacted by the pandemic were fees/fines and sales tax, followed by permitting and licensing fees and TOT/'bed tax'.

What financial impact do you foresee from the ongoing pandemic?

18% Major financial adjustments needed; >10% decrease in revenue expected

18% Significant financial adjustments needed; 8-10% decrease in revenue expected

32% Moderate financial adjustments needed; 4-8% decrease in revenue expected

25% Minor financial adjustments needed; <4% decrease in revenue expected

8% No financial adjustments needed

Which sources of revenue have been impacted by the coronavirus pandemic?

47% Sales Tax

48% Fees / Fines

31% TOT / "bed tax"

15% Income tax

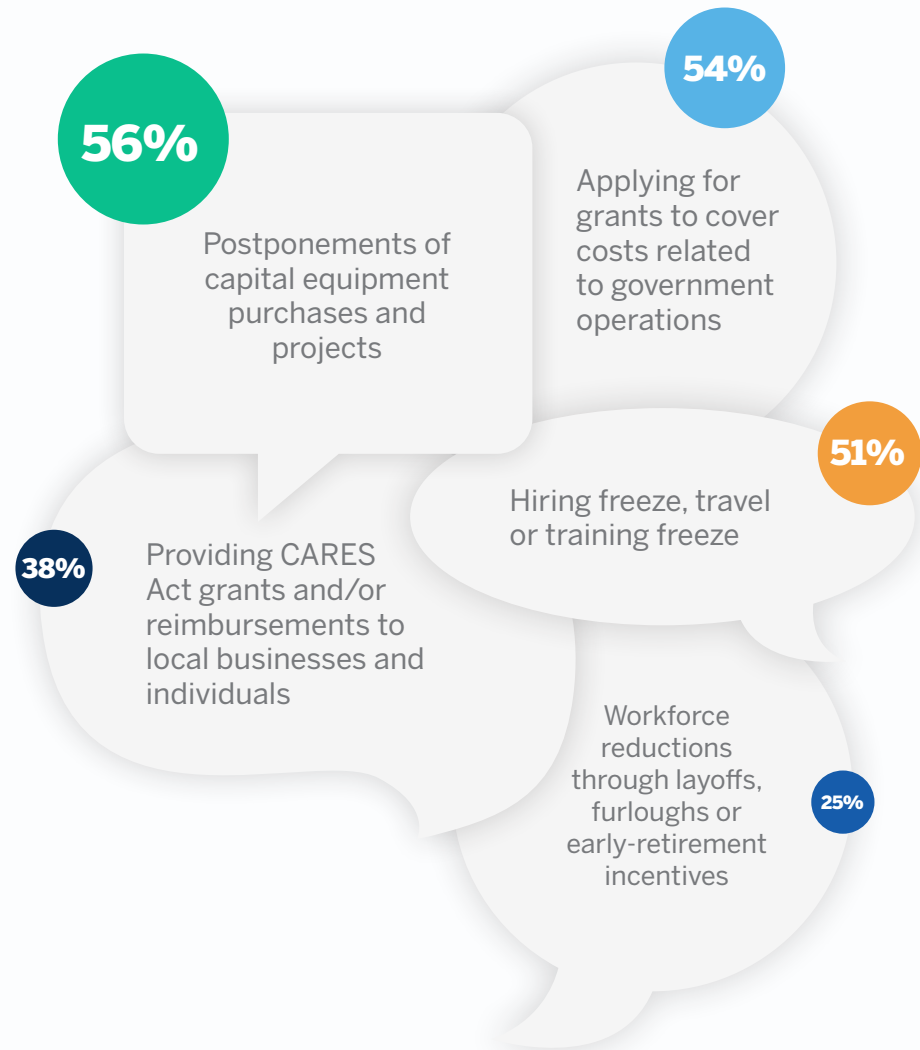**24%** Property tax

34% Permitting and licensing fees
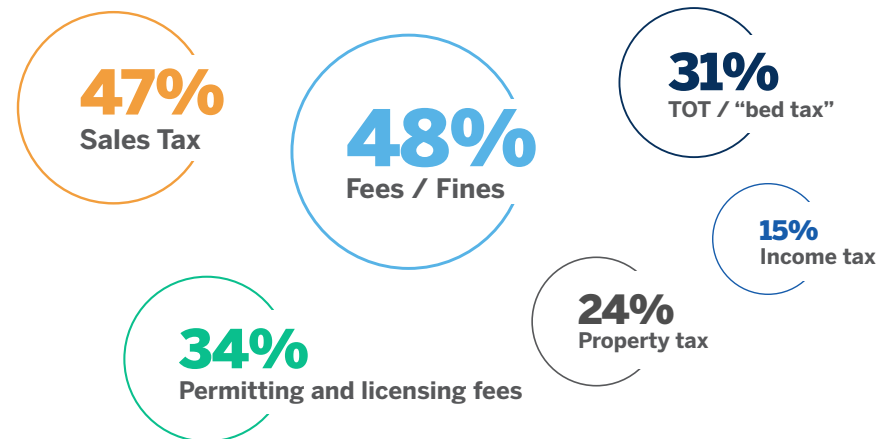
Some Mitigation Measures Are Not Strategic

Local governments are focused on short-term solutions to bridge revenue gaps. The data reveal a preference for postponing investments, freezing travel and hiring, and applying for grants to mitigate or offset losses.

So far, only a quarter report that they were using furloughs and more permanent workforce reduction measures.

While some are necessary, the measures do not help local governments improve their productivity or rebuild their economies.

What steps are your government taking to **mitigate or offset revenue losses?**

56% Postponements of capital equipment purchases and projects

54% Applying for grants to cover costs related to government operations

51% Hiring freeze, travel or training freeze

38% Providing CARES Act grants and/or reimbursements to local businesses and individuals

25% Workforce reductions through layoffs, furloughs or early-retirement incentives

# First-Order Needs Focused on Getting Back to Work Virtually

From arming staff with laptops and remote access to do their jobs, to going virtual with Council and Board meetings, a majority of local governments have a shared purpose around first-order needs.

Over half the governments represented are implementing hardware and software to enable their teams to shift to remote work, and three-quarters report that they are adopting software to enable virtual Council, Board and Committee meetings, and one-third say they have an initiative around making these meetings virtual on a permanent basis.

What changes are your government investing in to **improve your ability to do your work?**

62%
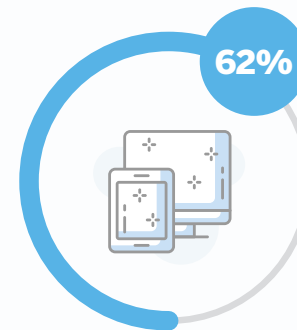
Hardware and software to enable remote work

51%
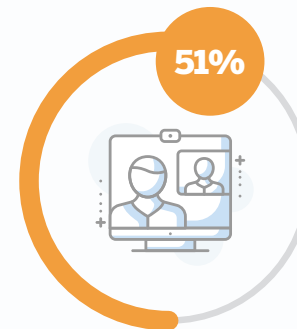
Technology to enable virtual Council, Board, and Committee meetings

Next-Order Transformation Is Reopening (for) Business

Many local governments are adopting cloud-based workflows in areas like permitting, licensing, code enforcement, and grant management to protect revenue streams and keep their local economies open for business.

82% of cities, towns, and counties say permitting and licensing fees and fines have been negatively impacted by the pandemic, and nearly half saw a decline in service levels.

In response, 31% have launched or expanded virtual permitting, licensing, and code enforcement, and 50% report having initiatives to move more services online to support their business community and residents, which protects fee revenues.

Governments are focused on staying open for business and protecting revenues

82%
Lost revenues from fees and fines

38%
Reduced service levels

50%
Moving more services online

31%
Going virtual with permitting and inspections

Grants Help Lower the Hurdle on Long-Term Investments

As governments look to protect revenue and invest in digital infrastructure, state and federal grants are lowering the financial hurdle for many.

Over 60% are using grants to upgrade their technology to better serve their community and improve workforce productivity, or are currently considering this option.

Local governments must move quickly to align around initiatives if they want to take advantage of federal and state grant funding that's available now to make critical investments.

Are you considering using or have you already used CARES Act funding (or other funding) to upgrade your technology to better serve your community or improve staff productivity?

Yes
39%

No
31%

I don't know
**9%**

We are exploring this option
22%
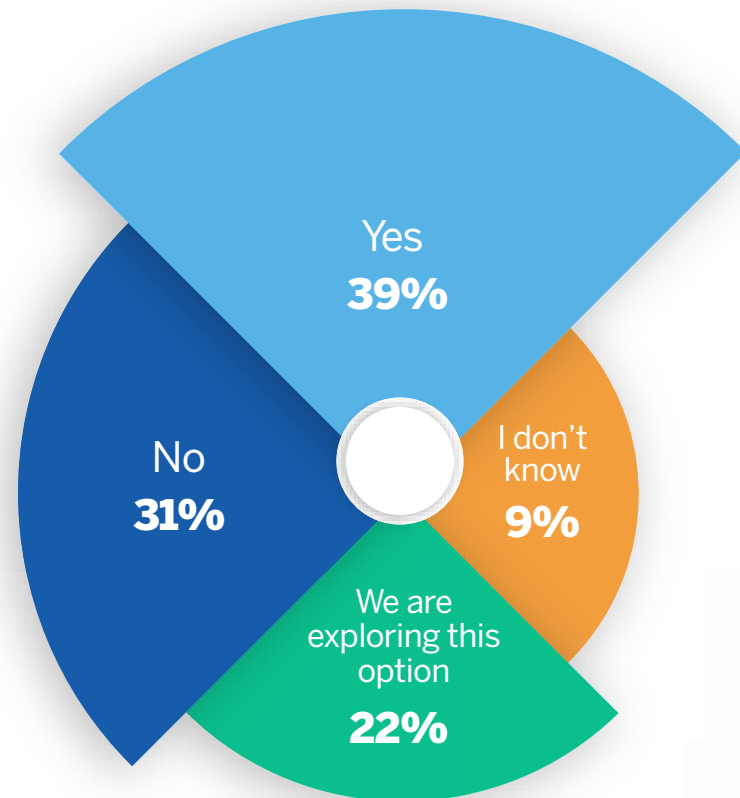
From First-Order Fixes to Next-Order Needs

Beyond supporting continuity, remote accessibility, and improving online customer experience for their residents, there are a number of next-order priorities that require significant investment and strategic alignment to accomplish.

Remote accessibility, data sharing, and automation are examples of investments that are enabled by investment in cloud-based technologies.

As you think about the technologies you would like to adopt, **where are you prioritizing investments in the next 1-2 years?**
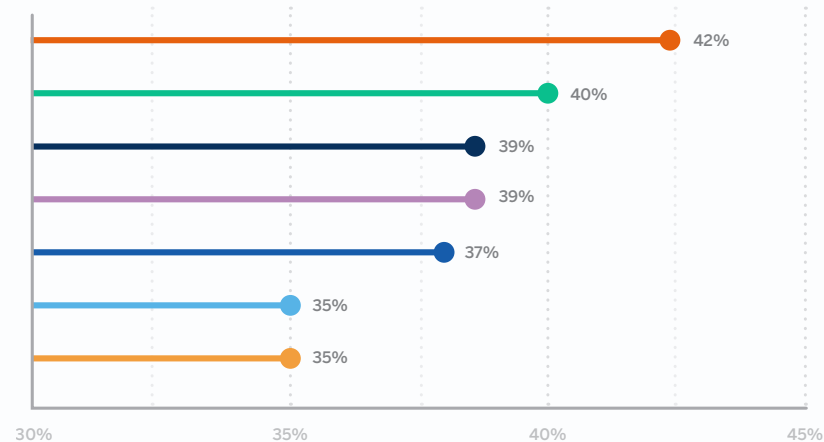
42% Ensure continuity and remote accessibility

40% Improve citizen services

39% Improve financial management and planning

39% Automate repetitive tasks and manual workflows

37% Improve cross-department collaboration and data sharing

35% Bring efficiency to budgeting

35% Automate daily, monthly, and quarterly reports

A Will But Not a Way for Change

Local governments have done commendable work addressing the most urgent challenges to the way they work and serve their communities. What remains to be seen is if governments will meet the growing demand for further investment.

Areas of misalignment show that there is a **will** to invest in digital infrastructure, but without consensus there may not be a **way** to overcome initiative gaps.

Technology

Data/Analytics
Reporting
Integrations
Modern Cloud ERP

Process

Automation
Continuity
Manual Work Reduction
Public Engagement

Talent

Retirements
Training
Recruiting
Remote Work

Technology

1

Demand is strong for better data and accessibility, automation to reduce manual work, and integrations to enable cross-functional collaboration.

Few report that their current financial management and accounting (ERP) system supports these needs.

Despite these shortcomings, only around one-fifth report a willingness to update core systems to support needed workflow upgrades.

Current Financial Management and Accounting (ERP) systems are **not stacking up...**

How could technology better serve your needs?

75% Better data accessibility and reporting*

74% Automation to reduce manual work*

65% Integrated solutions to enable remote and cross-functional work*

Core financial and accounting (ERP) platform

29% Ideal for data and reporting needs

24% Reduces manual work

15% Integrates with other applications

... but few governments are looking to **make a change**

Willingness to Change

21% Compelled to upgrade based on needs

*Top answer options consolidated in this analysis

Process

2

We see a gap between the need to automate manual processes and the investment in technology to meet demand.

A similar gap emerges around financial transparency needs and initiatives. While more than half report an uptick in the public's digital engagement, only fifteen percent are investing to improve financial communications.
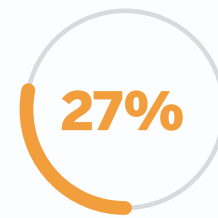
Process Needs

75%

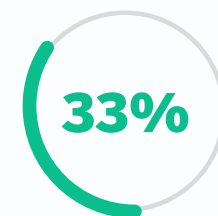Need to improve productivity and service levels

52%

Need to meet greater demand for financial information online

Process Investments

27%

Investing in workflow automation

33%

Investing to improve digital financial communications and transparency

Talent

3

Even as nearly two-thirds of respondents and their colleagues continue to work remotely, only 12% say their government could support full-time remote work on a more permanent basis.

Governments may have to get more creative about how they bridge talent gaps, as they do face risks to functional competencies as retiring workers leave.

There are significant training and recruitment gaps that need to be bridged in order to upskill and backfill for key functions.

Governments still working to close technology and process gaps to **support remote work**

Will members of your team/department be working remotely one or more days a week for the foreseeable future?

64% Yes
36% No
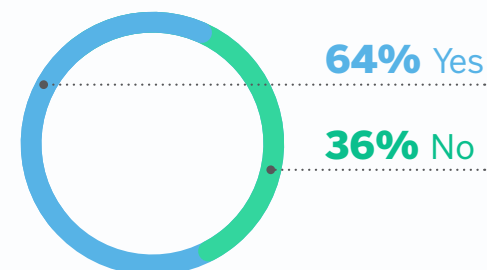
Could your government support full-time remote work to keep talented employees and attract new talent?

12% Yes
48% No
40% Partially
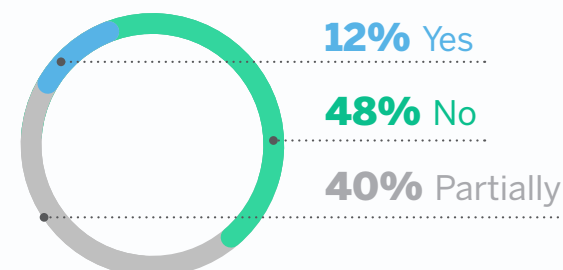
Governments must also overcome talent gaps
that sow doubt about functional competency

66%
Doubt recruiting will fill talent gaps

72%
Doubt training will bridge talent gaps

Conclusion:

A New Needs Hierarchy for Local Government

To all the local government leaders and staff who are reading this, we salute you. You reacted quickly to meet the mission-critical needs of your teams, stakeholders, and community amidst a series of unprecedented, concurrent crises.

The digital cloud transformation accelerated in 2020 with revenue-generating components being rapidly moved online. Permitting, licensing, and code enforcement are harbingers of the increasing shift to modern, cloud based technology.

Despite these improvements, the survey reveals a clear divide between the need for digital infrastructure and the development of a long term strategy to meet that need. Technology upgrades must be incorporated into the long-term planning process to ensure that local governments can meet evolving workflow and data needs of their employees and the digital expectations of their community.

With looming uncertainty, 2021 offers an opportunity to forge a stakeholder alliance across elected officials, executives, and staff. Use this crisis as a watershed moment to come back even stronger -- develop shared plans and initiatives to build the talent, process, and digital infrastructure needed to modernize local government operations.

To address talent gaps, ensure that training is facilitating a knowledge transfer ahead of the leadership "brain drain." Empower people managers with the time and technology to develop effective training and succession planning. In terms of process improvements, automate manual workarounds and enable collaborative work to close emerging talent gaps.

Technology
Meet the next-order needs of your teams with a modern cloud ERP

Process
Facilitate data sharing and automation with integrated, best-in-class solutions

Talent
Seek suppliers who are partners in enabling your team with training and best practices

Demographics
for the 501 survey respondents

Sample Characteristics		Valid Percent*
Sample size		100
Age	18-49	29
	50+	71
Years Working in Government	Less than 1 year	3
	1 – 5 years	13
	6 – 10 years	15
	11 – 15 years	16
	More than 15 years	54
Type of Local Government	Village	10
	Town	16
	City	43
	County	22
	District	9

Sample Characteristics		Valid Percent*
Sample size		100
Population Size	Less than 1,000	4
	1,000 – 5,000	15
	5,001 – 10,000	9
	10,001 – 50,000	38
	50,001 – 100,000	16
	100,001 – 250,000	10
	250,001 – 500,000	5
	500,001 – 1,000,000	2
	More than 1,000,000	1
Annual Budget	Tier 0 ($5B+)	2
	Tier I A ($2.5-5B)	2
	Tier I B ($1-2.5B)	2
	Tier II A ($750M-1B)	1
	Tier II B ($500-750M)	2
	Tier III A ($300-500M)	6
	Tier III B ($100-300M)	19
	Tier IV A ($60-100M)	12
	Tier IV B ($20-60M)	25
	Tier V A ($10-20M)	10
	Tier V B ($0-10M)	20

*Percentages may not equal 100% due to rounding.

About the Study

On behalf of OpenGov, independent polling and research firm Zogby Analytics conducted an online survey of 501 local government finance leaders across the US.

Each invitation was password coded and secure so that one respondent could only access the survey one time.

Based on a confidence interval of 95%, the margin of error for 501 is +/- 4.4 percentage points. This means that all other things being equal, if the identical survey were repeated, its confidence intervals would contain the true value of parameters 95 times out of 100.

For media inquiries and access to the underlying data, please contact **pr@opengov.com**

About OpenGov

OpenGov is the leader in modern cloud ERP software for our nation's cities, counties, and state agencies. On a mission to power more effective and accountable government, OpenGov serves more than 1,000 agencies across the U.S. Built exclusively for the unique budgeting, financial management, and citizen services needs of the public sector, the OpenGov ERP Cloud enables organizations to plan more strategically and collaboratively, streamline mission-critical processes, and communicate with stakeholders more transparently.