
To be effective in modern government organizations, budget analysts need to possess the right combination of personality traits, analytical and communication skills, and knowledge of government finance and operations.

The Budget Analyst: Skills, Training, and Compensation

By R. Gregory Michel

Increasing demand for public safety and social services, the weak economy, and a “no new taxes” political environment have placed many governments between a rock and hard place. Although elected officials are ultimately responsible for making difficult budget balancing decisions, they could not make informed decisions without the analytical skills, political savvy, and creativity of the budget analysts working behind the scenes. Fortunately, budget analysts today are better trained, employ more sophisticated techniques, and have more powerful technology at their disposal than ever before.

Adapted from a new GFOA publication entitled *Organization and Design of an Effective Budget Function*, this article takes a rare look at the job of one of the most critical players in public budgeting: the budget analyst. The first part of the article discusses the evolution of state and local government budgeting and identifies the skills, knowledge, and abilities that budget analysts should possess in order to succeed in today’s environment. The section that follows addresses the related issues of training and retention, and the article concludes with a discussion of compensation for local government budget analysts.

Changes in State and Local Government Budgeting

Public budgeting has undergone several dramatic changes in the past 40 years. During this period, the complexity of budgeting has changed, the tools and methods of budgeting have changed, and even the types of people doing the budgeting have changed. This section describes five major changes in state and local government budgeting over the years and how these changes have affected the work of budget analysts.

Advances in Technology

Not long ago, budget office staff spent much of their time retyping budget drafts, performing monotonous manual calculations, and rechecking numbers. Advances in computer hardware, network computing, spreadsheet software, and word processing software have eliminated much of the clerical work that used to be performed in the budget office. Analysts now have more time and better tools for analysis than ever before. At the same time, technology has increased expectations of what the budget office can do. One veteran finance officer observed that despite the expectation that computers would make tasks easier and employees more productive, the computer has not reduced work, but rather expanded it. Because of advances in technology, there is no limit on the perceived analytical capabilities of budget analysts.¹

Expanded Scope and Complexity of Government

Since World War II, local governments have experienced a dramatic expansion in the size and scope of their responsibilities. From 1957 to 1992, state and local government expenditures per capita increased 153 percent even after adjusting for inflation.² In addition, local government’s scope of responsibility has expanded from police, fire, and streets to tackling complex human services issues, coordinating economic development projects, and managing cultural and recreational facilities. The increased size and scope of local government directly affects the complexity of the budgeting function. Budget staff now oversee larger budgets and more programs, and perform more complex analyses.

“No New Taxes” Political Environment

Although the responsibilities of state and local government have grown, the potential resources available to budget analysts have shrunk. Because of a change in the political climate, elected officials (and the voters they represent) are increasingly resistant to tax increases. This “no new taxes” political environment has created a demand for budget analysts who are not only technically proficient, but also politically savvy and creative. This type of budget analyst has the creativity to locate new, politically acceptable sources of revenue and to find ways of doing more with less through privatization, alternative service delivery, and increased efficiency.

New Methods of Budgeting

Innovations in budgeting methods, such as program budgeting, performance budgeting, and zero-based budgeting, have changed the way budgeting is performed. These methods have shifted the focus of public budgeting from financial control and accountability to analyzing alternatives and achieving performance objectives. About half of local governments now use one of these methods or a hybrid thereof.³

Another important development in the past 40 years has been the introduction of national guidelines for good budgeting. The GFOA Budget Awards program sets criteria for an exemplary budget document. The National Advisory Council on State and Local Budgeting’s recommended budget practices provide a comprehensive set of processes and procedures that define a good budget process. Although neither of these programs mandates compliance, they greatly influence the sophistication and quality of local government budgeting. Moreover, they have raised expectations for the quality and quantity of work performed by budget officials.

Highly Trained Budget Analysts

Not only have the tools, techniques, and challenges of public budgeting changed, but also the skills and qualifications of budget office personnel. The introduction of graduate programs in public policy and public administration in the 1960s and 1970s has generated a pool of trained analysts. This has significantly increased the sophistication and quality of analysis that many budget offices are able to perform. For example, cost-benefit analysis, which has frequent application in budgetary work, has become a common part of graduate school curricula.

A Modern Budget Analyst's Job Description

In many governments, budget analysts are responsible for a wide range of activities spanning the entire budget process—from the analysis and goal setting that occurs before the written budget document is published, through the preparation of the budget document, to the monitoring and evaluation that occurs after the budget is adopted. During the preparation phase of the budget process, a budget analyst may project revenues and expenditures; review and evaluate budget requests; generate ideas to improve programs and balance the budget; and prepare a proposed budget document. The budget analyst's work does not end when the budget is approved. At this stage, the budget analyst monitors and analyzes accounts and budget variances; approves and disapproves special expenditure requests and budget transfers; performs year-end reconciliations; and performs site visits to operating departments. This section identifies the personality traits, skills, knowledge, and abilities of a successful modern budget analyst.

Personality Traits

Successful budget analysts generally possess particular personality traits. For starters, they are thorough and accurate in their work. They are creative and can generate innovative solutions. They are organized, capable of juggling many tasks, and have the ability to follow through with commitments. Finally, they possess sound judgment and know how to prioritize important issues from both a fiscal and a political/policy perspective.

Interpersonal and Communication Skills

The budget process involves not only numbers and data, but also people. Thus, budget analysts should have strong "people skills." They need to understand the politics of public budgeting and how people behave in that environment. In addition, they should possess a broad array of communication skills, including persuasion skills, negotiation skills, interviewing skills, and oral and written communication skills. Exhibit 1 lists interpersonal and communication skills germane to budget analysts, as well as the financial and policy analysis skills discussed below.

Financial and Policy Analysis Skills

Budget analysts should be able to think analytically. In other words, they should be able to break a complex problem into its component parts, look for patterns in data, and identify the distinguishing characteristics of various alternatives. Budget analysts should understand key analytical concepts, such as inflation, the time value of money, unit cost, and sunk cost. Analysts also should be proficient in important analytical tools and techniques, including cost-benefit analysis, net present value analysis, performance measurement, and sensitivity analysis.

Knowledge of Government Finance and Operations

Budget analysts should have knowledge of the processes and financial structure of their government. They should understand their government's budget process, accounting system, revenue and expenditure structure, debt policy, goal setting and policy setting process, and financial management system. They should be familiar

Exhibit 1

KEY SKILLS OF BUDGET ANALYSTS

Interpersonal and Communication Skills

- Cooperation
- Networking
- Persuasion
- Political savvy
- Negotiation
- Conflict resolution
- Interviewing
- Listening
- Oral and written communication

Financial and Policy Analysis Skills

Analytical concepts:

- Inflation
- Time value of money
- Sunk cost
- Opportunity cost
- Fixed versus variable cost
- Differential cost
- Marginal cost
- Basic statistics

Analytical tools and techniques:

- Decision tables
- Expected value tables
- Weighted score tables
- Decision trees
- Break-even analysis
- Net present value analysis
- Return on investment analysis
- Cost-benefit analysis
- Fiscal impact analysis
- Cost-effectiveness analysis
- Sensitivity analysis
- Expenditure and revenue analysis and forecasting
- Budget variance analysis
- Financial condition analysis
- Performance measurement
- Performance auditing
- Program evaluation
- Management analysis
- Capital improvement programming
- Cost accounting and cost analysis

with the mission, financial structure, programs, strengths, constraints, organization, and personalities of the operating departments for which they are responsible. They also should be knowledgeable about the laws and ordinances pertaining to the government's budget process, revenues, expenditures, and debt issuance.

Knowledge of Innovations in Budgeting

Budget analysts should be familiar with best practices and innovations in state and local budgeting. Three of the most important sources of best practices in the field of government budgeting include the NACSLB's recommended budget practices, the GFOA Budget Awards program, and GFOA's recommended practices on budgeting. Budget analysts also should be familiar with alternative budget formats (i.e., program, performance, zero-base, etc.) and planning techniques (i.e., strategic planning, long-term financial planning, multi-year budgeting, etc.)

Turnover and Personnel Retention

A high rate of turnover among budget analysts is a concern for many budget offices. Turnover can be caused by the “pull” of other job opportunities or by the “push” of a poor work environment (i.e., a poorly designed job, insufficient compensation, lack of non-material incentives, etc.). The factors that affect turnover rates can be divided into three categories: economic and labor market conditions, work environment, and individual factors. Economic and labor market conditions refer to the state of the economy and the supply and demand for budget analysts. Work environment refers to issues such as morale, job design, and promotional opportunities. Individual factors refer to career or lifestyle changes such as retirement, relocation, and career changes. Of these three factors, the most important for career professionals tends to be economic and labor market conditions.

There are substantial financial and nonfinancial incentives managers can use to retain (and recruit) good employees.⁴ The most obvious financial incentive is a higher salary. Job security, pension benefits, and health care benefits are also significant financial incentives. Although financial incentives are important, nonfinancial incentives are sometimes even more important. Examples of nonfinancial incentives include prestige, influence, recognition, sense of purpose, and social interaction. The physical work environment and the structure of the work itself also represent powerful nonfinancial incentives. A spacious office, high-quality computer (office) equipment, well-defined responsibilities, regular feedback—all of these things can increase overall job satisfaction.

The broad organizational involvement and skill set of experienced budget professionals makes them highly sought after by other departments within their government and by other organizations both public and private. Because of the turnover that naturally results from such a situation, it is imperative that budget offices have a high-quality training and development program. Training and professional development can at least partially compensate for the negative consequences of a high-turnover office environment staffed by a high percentage of new employees. Training and development also can help prevent future turnover by minimizing employee frustration and ensuring that employees have the knowledge and skills necessary to be successful. The following is a list of training and development strategies for budget analysts:

- **Internal training.** Internal training is training conducted by the organization itself on the processes, procedures, forms, and responsibilities specific to the government. An example of this form of training is an orientation program for new analysts. For training to be effective, it should be accompanied by written instructions such as an orientation manual or a budget procedures manual.
- **External training.** Conducted by individuals outside the organization, external training tends to be more general in scope than internal training. External training may teach topics such as general analytical skills, oral and written communication skills, governmental accounting, and best practices. This type of training is necessary for analysts to enhance their skill sets and acquire the analytical tools necessary to perform policy and program analysis. Exhibit 2 lists GFOA training seminars that are applicable to the work of budget analysts.
- **Training budget.** Earmarking funds specifically for training ensures that employees receive the training they need and demonstrates that professional development is an organizational priority. A tuition reimbursement policy is another effective way to encourage and support professional development.
- **Formal mentoring system.** Although some employees may seek a mentor on their own, a formal system should be established to ensure that all new employees benefit from a mentor.
- **Professional conferences.** Conferences are an excellent way to survey the latest developments in the field of budgeting.

Exhibit 2

GFOA TRAINING AND DEVELOPMENT RESOURCES FOR BUDGET ANALYSTS

Training Seminars

- Budgeting for Budget Analysts
- Financial Planning and Forecasting
- Designing Performance Measurement Systems (Introduction)
- Costing Government Services
- Capital Budgeting and Finance
- Implementing Performance Measurement Systems (Advanced)

Publications

- *Decision Tools for Budgetary Analysis*
- *Priority-Setting Models for Public Budgeting*
- *Benchmarking and Measuring Debt Capacity*
- *Revenue Analysis and Forecasting*
- *The Operating Budget: A Guide for Smaller Governments*
- *An Elected Official's Guide to Performance Measurement*

To register for GFOA training seminars or purchase GFOA publications, call 312/977-9700 or visit the e-Store at www.estoregfoa.org.

- **Publications.** Handbooks and textbooks are an effective and inexpensive way for budget analysts to learn about budget principles, processes, and practices and to learn important skills. Exhibit 2 lists GFOA publications that are applicable to the work of budget analysts.

Compensation

According to the U.S. Department of Labor's Bureau of Labor Statistics, the average annual salary for a local government budget analyst is \$48,290. The BLS defines budget analysts as those who “examine budget estimates for completeness, accuracy, and conformance with procedures and regulations.”⁵ The average annual salary for a similar position, management analyst, is \$52,510. The BLS defines management analysts as those who “conduct organizational studies and evaluations, design systems and procedures, conduct work simplifications and measurement studies, and prepare operations and procedures manuals to assist management in operating more efficiently and effectively.”⁶ Exhibit 3 summarizes the BLS data.

Unfortunately, the BLS does not collect data on total compensation, and it does not break down the data based on the size and location of the local government. However, GFOA collected data at this level of detail in a 1985 study on the compensation of local government finance officers.⁷ To paint a rough picture of what the 1985 data might look like today, the author converted the 1985 dollars to 2002 dollars. Comparing the two data sets yields some interesting findings.

First, larger governments tend to compensate budget analysts better than smaller governments. Budget analysts working for local governments with populations of less than 25,000 reported a median compensation that was about \$10,000 less than budget analysts working for local governments with populations of more than 50,000. Budget analysts working for local governments with populations between 100,000 and 500,000 reported the highest median compensation (\$51,201).

Second, budget analysts working for different governments earn

very different salaries. In fact, there is a large variance even among budget analysts working for governments of similar sizes. For example, budget analysts in local governments with a population of 50,000 to 100,000 reported total compensations that varied from \$24,863 to \$81,084 with a standard deviation of \$13,161.

Finally, the compensation of budget analysts differs by region. Budget analysts in the western states had the highest median total compensation (\$53,221), while budget analysts in the southern states had the lowest median total compensation (\$38,651)—a difference of almost \$15,000. The relatively smaller standard deviation in the compensation of budget analysts in the northeastern and southern states suggests that compensation varies less among local governments in these regions.

These results should be treated with caution because they assume that budget analysts' real compensation has not changed in the past 15 years, which is unlikely. In fact, it appears that budget analysts' salaries have been increasing at a rate faster than inflation. The recent BLS survey reported a mean salary that was about \$4,000 higher than a similar figure collected by GFOA in 1985 and adjusted for inflation. The BLS reported a mean salary of \$48,290 for local government budget analysts in 2000. The GFOA reported a mean total compensation of \$27,551 in 1985 dollars. This figure increases only to \$44,220 when adjusted to 2000 dollars. The mean total compensation should be *higher*, not lower, than the mean salary because the total compensation includes employer contributions for salary, pension, health, and Social Security. Thus, the inflation adjusted results presented here probably underestimate budget analysts' total compensation.

Conclusion

The increasing complexity of public management in general and budgeting in particular have elevated the importance of the budget analyst. Although they are rarely seen or heard in the media, elected officials and senior administrators lean heavily on the input of these skilled professionals. Advances in the methods and tools of public budgeting over the years have improved the analytical capabilities of budget analysts and raised expectations for their work. To live up to these expectations, analysts need to possess the right combination of personality traits, analytical and communication skills, and knowledge of government finance and operations. In turn, governments can retain highly qualified budget staff by offering com-

Exhibit 3

SALARIES AND WAGES FOR LOCAL GOVERNMENT BUDGET ANALYSTS AND MANAGEMENT ANALYSTS

Position	Budget Analysts	Management Analysts
Number employed	5,040	11,620
Median hourly wage	\$22.69	\$24.76
Mean hourly wage	\$23.22	\$25.24
Mean annual salary	\$48,290	\$52,510

Source: U.S. Bureau of Labor Statistics, "2000 National Industry-Specific Occupational Employment and Wage Estimates - SIC 903 Local Government," www.bls.gov/oes/2000/oesi3_903.htm.

petitive financial and nonfinancial incentives, including quality training and development programs. ■■

NOTES

- ¹ Anthony Rainey, "The Technology Fast Track: Anticipating and Coping with Change," GFOA Conference: The Finance Officer and The Communities of Tomorrow, June 2, 1997.
- ² "State of Minnesota, Office of the Legislative Auditor, Program Evaluation Division, "Trends in State and Local Government Spending," Report No. 96-03 (February 13, 1996): 14.
- ³ A survey of 510 GFOA members found that 51 percent of the respondents use a line-item format, 35 percent use a hybrid format, 10 percent use a program budget format, 3 percent use a performance-based budget format, and 2 percent use a zero-base budget format.
- ⁴ This list is based on Chester Barnard's classic book, *The Functions of the Executive* (Cambridge, Massachusetts: Harvard University Press, 1968).
- ⁵ Definition taken from the BLS website: www.bls.gov
- ⁶ The BLS definition of management analysts includes program analysts and management consultants, but excludes computer systems analysts and operations research analysts. Definition taken from the BLS Web site: www.bls.gov.
- ⁷ J. Petersen, P. Watt, and P. Zorn, *Organization and Compensation in Local Government Finance*, (Chicago: GFOA, 1986): 97.

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