



COMMISSIONED BY:



EXAMINING AND OPTIMIZING REMOTE WORK FOR
STATE AND LOCAL GOVERNMENTS

OCTOBER 2020

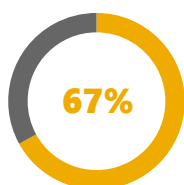


About The Survey

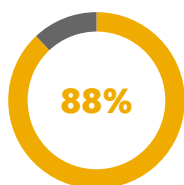
The unprecedented changes brought by the COVID-19 pandemic impacted state and local governments across the country, forcing workers to manage critical new responsibilities with less support staff and fewer resources. Months into the pandemic, all signs indicate that remote work will continue for the foreseeable future. However, the processes and policies for sustained remote work are not yet optimized, despite valiant efforts on the part of state and local government employees working on the front lines of the pandemic.

For these reasons, **SAP Concur commissioned Wakefield Research to conduct a survey of 500 decision makers at state and local government finance and administrative offices** to explore how best to support these offices in the new normal.

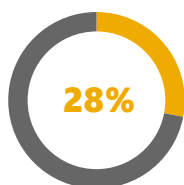
Key Findings



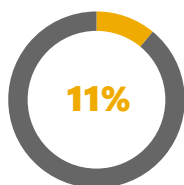
Government finance and administrative departments accepted unprecedented responsibilities during the COVID-19 outbreak. 67 percent accepted three or more new responsibilities, with local government finance and administrative departments being stretched even further.



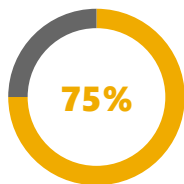
Many back-end operations cannot be managed remotely. Finance and administrative processes do not reflect current realities of remote work. Accessing project-related information and tools to do the job (88 percent) were top challenges of transitioning to remote work.



Decision makers doubt remote work is sustainable. On average, only 28 percent of finance and administrative department staff could continue to work from home without decreasing productivity when states fully reopen.



State and local governments are not equipped with the technology to support long-term remote work. For example, only 11 percent have a fully automated platform that allows employees to track travel and expenses.



COVID-19 has accelerated investments in cloud-based solutions. Seventy-five percent of departments have accelerated investments in cloud-based solutions to change how they manage budgets.

MONUMENTAL TASKS: STATE AND LOCAL GOVERNMENTS FACED UNPRECEDENTED CHALLENGES DUE TO COVID

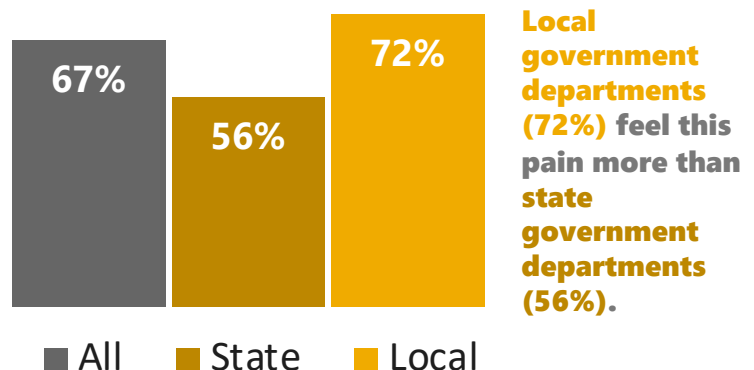
The shift to near universal remote work due to COVID was a shock to office workers around the world, but nowhere was continuity of operations more important than in the finance and administrative offices of state and local governments. As the backbone of every community, state and local governments touch the everyday lives of Americans. But practically overnight, these decision makers, who are elected officials or civil servants with financial decision-making authority, found themselves doing more work with fewer resources as they worked on the front lines of their community's pandemic response.

DOING MORE WITH LESS

The majority of state and local government decision makers have three or more new job responsibilities due to COVID-19. Today, more than two-thirds (67 percent) of finance and administrative staff are managing three or more additional work tasks. The pain is even more acute in local government finance and administrative offices, where resources are stretched even thinner; nearly three-quarters (72 percent) of decision makers at the local level are now managing three or more new tasks. State and local governments are on the front lines of both a health and an economic crisis while facing unprecedented job losses, estimated to be around 1.5 million to date¹. Those losses haven't negated the crisis in front of them nor their responsibility to the public, including the delivery of public health services, unemployment insurance, public education, and numerous support programs, as well as ensuring trash is picked up, roads are safe, telecom infrastructure is in place and staff are available to answer an increasing number of questions from concerned citizens. Many state and local agency staff are feeling the weight of longer days and less work life balance.

COVID-19 upended government operations at the state and local level, forcing decision makers to retool priorities in real time to focus on the most critical tasks. In fact, more than half (55 percent) of state and local governments had the added responsibility of redirecting funding for essential services. In other words, state and local government decision makers were forced to deprioritize or delay all other non-critical government services to ensure the most important government services could get done.

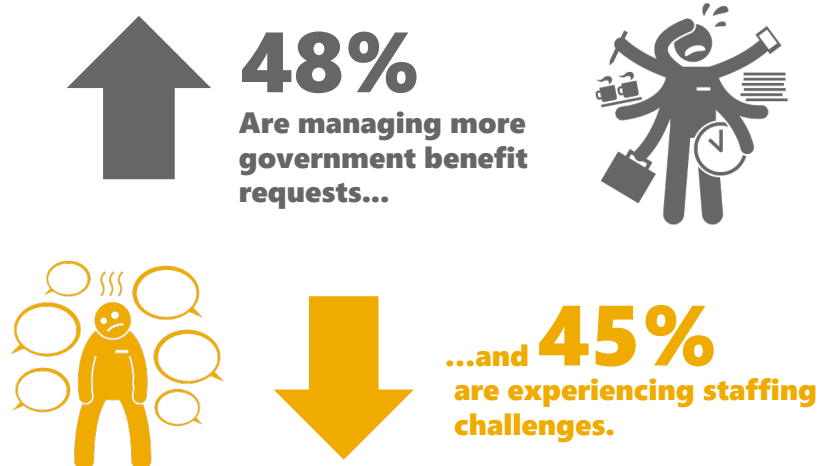
The Impact of COVID-19 on Workload:
More Than Two-Thirds of Departments
 Now Manage 3 or More Additional
 Responsibilities.



The unprecedented volume of unplanned expenses and new spend categories due to COVID-19 overwhelmed the capabilities of government finance and administrative offices.² For example, agencies had to quickly adapt to a remote work force that required spending for things such as at-home printers, office supplies, broadband connectivity, land line phone installations and postage accounts, as well as health and safety equipment. Department staff managed the back-end processes but were very much on the front lines of their community's pandemic response: more than two-thirds (68 percent) report that their office was thrust into managing new spend or unexpected expenses in the wake of the pandemic.

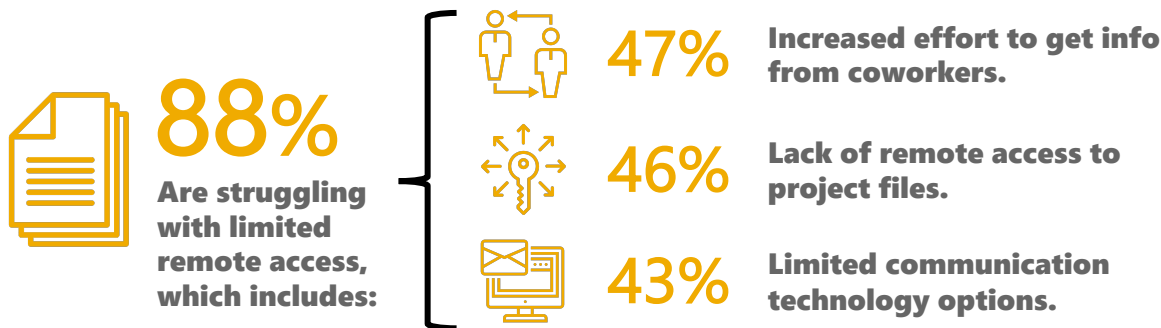
On top of these new responsibilities, the economic devastation wrought by COVID-19 has reverberated throughout government finance and administrative offices. As Americans continue to lose jobs at a rate never before seen in our history, keeping up with the massive increase in requests for government benefits was a challenge cited by nearly half (48 percent) of state and local governments. For example, with unemployment applications reaching nearly 900,000 in early October 2020,³ many states struggled to keep up with processing, as well as stave off massive fraudulent attacks on both domestic and international fronts. States such as California had to halt processing of new claims to clear backlogs in applications; other states like Texas, Florida, Oklahoma and Washington state had to work to recover fraudulently obtained funds.⁴

While state and local government workloads increased, the combined impact of an unprecedented public health and economic crisis made it challenging to maintain staffing levels.



OLD POLICIES DON'T WORK IN THE NEW REALITY

The world changed because of COVID-19, but within the halls of state and local governments, traditional policies have not changed to account for these unprecedented circumstances and new work realities. Despite the fact that nearly all government finance and administrative department staff have now been working remotely for an extended period of time, many back-end operations still cannot be managed from a distance. As a result, key functions can experience delays, creating problems for offices and the publics they serve.



In the remote paradigm ushered in by COVID-19, manual and offline processes present real challenges for many state and local government decision makers (42 percent). Finance and administrative offices around the country are struggling with accessing project-related information and tools remotely (88 percent). The biggest challenges include the ability of employees to get what they need from co-workers (47 percent), the lack of remote access to project files (46 percent), and limited communication technology options (43 percent)—all routine, daily exercises that should be frictionless for finance and administrative office employees working to serve their constituencies.

All signs point to state and local government finance and administration departments functioning offsite for the foreseeable future. To do this effectively will require an embrace of policies that allow staff to conduct the business of government from anywhere - either physically within a government office building or remotely.

COMPLIANCE IS NOW MORE DIFFICULT

While office workers around the world faced many similar process challenges, state and local government finance and administrative offices have a unique challenge to reckon with: compliance and reporting. Nearly half (48 percent) felt complying with required state and federal reporting policies was a major challenge due to delays in carrying out these processes remotely. This illustrates the convergence of unique challenges faced by state and local governments—despite the heroic efforts of these offices to hold the line, issues with reduced collaboration, communication, and access to project files and tools, combined with a distributed remote workforce result in delays in key functions that ultimately impact compliance.

For example, some agencies with manual processing are faced with establishing a centralized cost center, which means the capture and identification of costs related to COVID-19 falls to the finance department for reporting requirements.⁵ This is both time consuming for finance departments and problematic for program offices, as it removes fund allocation authority from the program in which it occurs, such as public health or transportation. A better solution would include an end-to-end system that allows agencies to track COVID-19 costs with manual adjustments, regardless of where the invoice or expense was generated.

48% Of decision makers say transitioning their departments to remote work creates state and federal compliance challenges.



DOLLARS AND SENSE: THE COST OF COVID AND IMPACT OF SUSTAINED REMOTE WORK

COVID-19 dealt a blow to world economies. Businesses were shuttered, jobs were lost, and the financial security of the nation floundered in the face of so many unknowns. But work at state and local government offices soldiered on, despite decimated budgets, staffing shortages and widespread remote work issues. Although the nation is ready to move past a pandemic that has no exit date, it is clear government budget shortfalls are expected to present challenges for the foreseeable future. States have been forced to take actions to offset the impact of COVID-19 on operating budgets, including re-directing budgets to essential services, cutting non-emergency spending, and deploying rainy day funds. Many agencies have reduced employment of new and current staff. Some states are already anticipating cuts based on projections for FY2021, for example Georgia's suggested cuts to K-12 and disability programs, Maryland's cuts to higher education institutions, and Florida's cuts including behavioral health, substance abuse and homeless programs.⁵

COVID-19 HIT STATE AND LOCAL BUDGETS HARD

While their efforts to date have been commendable, state and local governments are nonetheless facing serious budget shortfalls due to falling sales tax and personal income tax revenues. The one-two punch of new COVID-related expenses combined with dramatic drops in revenue has led to stark choices and uncertainty for state and local government decision makers.

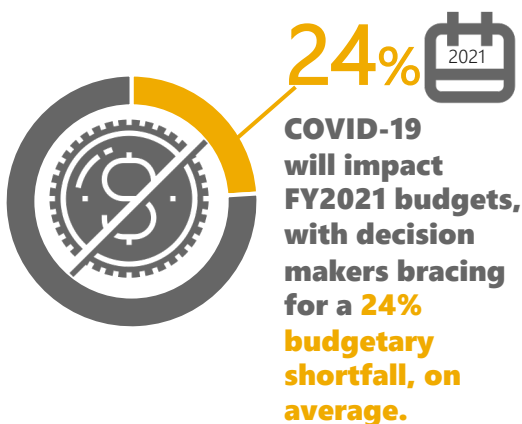
71%

Of decision makers have already cut staff and non-emergency spending to offset the impact of COVID-19...

92%

But nearly all say their actions won't be enough to avoid FY2020 budget shortfalls...

The effects of COVID-19 are far from over, and already 71 percent of finance and administrative departments have cut staff or non-emergency spending. Current projections indicate this is unlikely to improve quickly: the overwhelming majority (92 percent) of state and local government decision makers believe actions taken to date will not be enough to offset FY2020 budget shortfalls.



Indeed, decision makers expect that this shortfall will continue into the next fiscal year, to the tune of an average 24 percent in FY2021. This is significant; among state governments only, the projected state government shortfall for FY2021 is much deeper than the shortfalls faced in any year of the Great Recession,⁶ and underscores the dramatic and far-reaching impact of this pandemic. The losses from sales and income taxes will fall short of January projects by roughly \$105 billion, and in total, the combined shortfalls for all state and local government revenue streams is approximately \$240 billion for FY2021.⁷

FAST FORWARD: OPTIMIZING THE FUTURE OF WORK FOR STATE AND LOCAL GOVERNMENTS

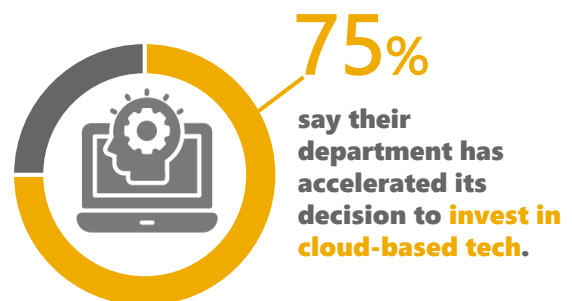
Even with budget shortfalls and a global pandemic, state and local governments need to continue to carry out their mission—the job now is to optimize the current remote work paradigm for success. State and local government decision makers have made valiant strides to transition to a remote workforce and are continuing to navigate these transitions throughout the spring and summer. However, state and local government decision makers are not confident their departments can maintain this new status quo without negatively impacting productivity. Only 28 percent of department staff, on average, could continue to work from home without decreasing productivity when states fully open back up.

SYSTEM UPGRADES NEEDED

In order to guarantee continuity of services at the state and local government level, it is critical to assess the remote work landscape for employees. At this moment in time, state and local governments simply do not have the full suite of technology they need to support long-term remote work. As an example, the overwhelming majority (89 percent) do not yet have a fully automated platform for employees to track travel and expenses. In fact, close to two in five (39 percent) have not yet made any investments in expense and travel-related technology at all, leaving these offices in danger of decreased productivity and efficiency moving forward.

GETTING AHEAD OF THE CURVE

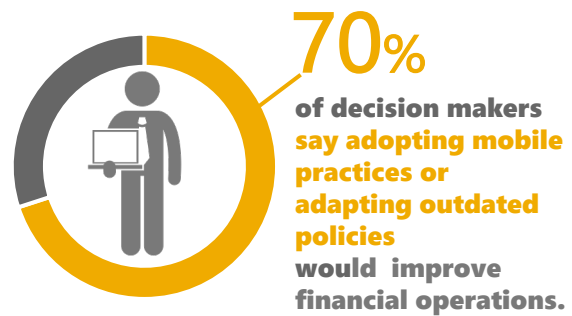
While the job is far from done and some offices are in danger of falling behind, many state and local governments are already making investments in travel, expense, and invoice-related technology. In many cases, decision makers say COVID-19 was the driver for these upgrades. Three in four (75 percent) decision makers say the pandemic accelerated their department's decision to invest in cloud-based budget management solutions, with local governments even more likely (80 percent) to adopt these new technologies due to COVID-19.



Because expense and invoice management is a critical back-end office operation, more than half (51 percent) of state and local governments took steps even before COVID-19 to invest in this type of tracking technology platform. This is a part of business operations that has been historically rigid across all sectors, requiring paper receipts, hand-signed checks and other last century carry-overs that are not practical in today's remote work environment. COVID-19 has now forced decision makers to quickly adapt and as such, a significant number of offices without travel and expense reporting capabilities are now planning to make this investment (29 percent).

THE PANDEMIC REBOOT

COVID-19 has presented an opportunity to adapt policies with an eye toward optimizing this new way of work and meeting the needs of this unique environment. A critical aspect of working effectively in the new normal is improving mobile capabilities and integrating more paperless processes to allow state and local government departmental staff to carry out the business of government in a remote or hybrid work setting.



A wide majority of state and local government decision makers (70 percent) acknowledge that adopting mobile practices or adapting outdated policies to allow for remote compliance would give departments a better handle on financial operations in the future if all or a portion of their staff worked remotely. Chief among those practices are automating expense reimbursements or automating invoice processing (69 percent) and access to real-time expense information and data or visibility into spending trends across their organization (75 percent).

ACCELERATING THE FUTURE OF WORK

COVID-19 has laid bare the need for a new and improved work paradigm—one in which nimble processes, seamless collaboration and updated policies enable frictionless remote work for employees of state and local government finance and administrative offices. The profound changes brought by COVID-19 have forced decision makers to accept that the future of work has arrived sooner than they may have accepted.

State and local government are ready and willing to adapt, and they see real promise in partnering with private industry, who have historically been at the forefront of technological innovation. Decision makers believe private industry would be particularly effective in helping implement enterprise-wide tracking, collaboration, and automation. Specifically, 31 percent see promise in a joint effort to develop a work execution platform to track processes end to end or to integrate digital collaboration across departments and agencies. One in four decision makers (25 percent) say private industry could help them with automation or real time data analytics capabilities.

IN CONCLUSION

State and local governments have boldly risen to the challenge of serving the public since the outbreak of COVID-19, but navigating the business of government during a public health and economic crisis has not been without its stumbling blocks. To date, many processes are still not optimized for remote work and decision makers do not believe that their finance and administrative offices are set up to succeed in an ongoing remote work paradigm.

New technologies that offer cloud-based solutions will help free finance and administrative offices of the many manual processes that have so often been the cause for delays in this unique work environment. Automation of expense and invoice processing, and real time visibility of spend across the department will bring much needed efficiencies to many back-end operations. The resulting benefit is finance and administrative staff that are now better able to direct their energies to the complex departmental issues that need solving.

While steps have been taken to update expense and invoice technology, state and local government decision makers are open to partnering with private industry to digitally transform finance and administrative operations. A promising path forward to meet these new needs could be achieved through partnerships with private industry that have a proven track record of success in implementing enterprise-side digital transformation.

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METHODOLOGICAL NOTES

The SAP Concur SLG Survey was conducted by Wakefield Research (www.wakefieldresearch.com) among 500 US State and Local Government (SLG) Decision Makers, which includes elected officials and senior civil servants who have financial decision-making authority, between July 20th and August 7th, 2020, using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 4.4 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

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