

A Framework of Sound Principles, Concrete Practices

Review by Maureen Berner

Public budgeting [is] the allocation of expenditures among different purposes so as to achieve the greatest return.

—Public administration theorist V. O. Key, Jr., 1940

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

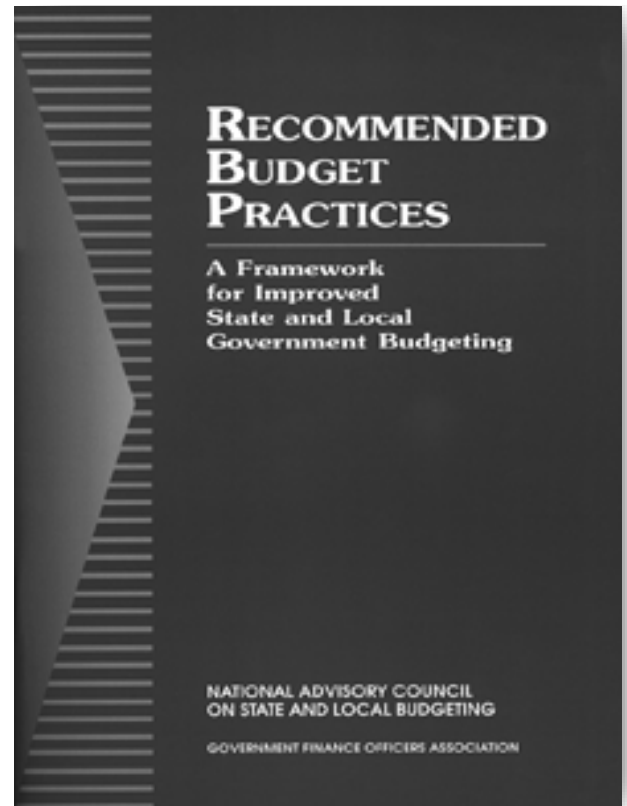
—National Advisory Council on State and Local Budgeting, 1998

The concept of what budgeting is and what budget officials do is evolving. Budget officials now play the roles of negotiator, manager, analyst, and evaluator. Some might argue that they always have played these roles, but the widely accepted view of what budgeting involves has broadened significantly in the past decade. The new framework for budgeting recently presented by the National Advisory Council on State and Local Budgeting reflects this larger vision. The framework is the result of a three-year effort by eight organizations (see the sidebar on page 40) to provide tools, principles, and guidelines for governments to improve their budgeting processes, and to promote the use of those tools, principles, and guidelines. The Government Finance Officers Association served as the lead organization in the effort and published the resulting report.

Budgeting is no longer an isolated annual process in local government management. For many managers it represents a continuing strategic planning process, bringing together planning, funding, implementation, and evaluation of services. The National Advisory Council's report does an excellent job of presenting this current vision in an organized, straightforward manner. Even more valuable to readers are the accompanying examples from

state and local governments and school and special districts on a companion CD-ROM. Seeing concrete examples, and knowing that behind each example is a jurisdiction willing to answer questions about how it put a recommendation into action, is extremely helpful.

The organization of the book reflects the current emphasis in public administration on local governments measuring how well they provide services to citizens. After setting forth a definition of and a mission for the budgeting process, the National Advisory Council identifies the process's four main principles, and under each principle it identifies several elements, or subprinciples. For example, one of the four main principles is "Establish broad goals to guide government decision-making," and a subprinciple under it is "Assess community needs, priorities, challenges and opportunities" (p. 5). (For a complete list of principles and subprinciples, see the sidebar on page 41.) Up to this point in the report, all the principles and subprinciples are vague. But then, for most subprinciples the report identifies several supporting practices—that



Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting, by the National Advisory Council on State and Local Budgeting.

Government Finance Officers Association, 1998.

78 pages.

\$10 paperback.

Accompanying CD-ROM, \$25.

Maureen Berner is an Institute of Government faculty member who specializes in public administration and budget policy and process.

Sponsoring Organizations

The organizations sponsoring development of *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*, and their Web sites, are as follows:

Association of School Business Officials International

<http://www.asbointl.org>

Council of State Governments

<http://www.csg.org>

Government Finance Officers Association

<http://www.gfoa.org>

International City/County Management Association

<http://www.icma.org/othersites>

National Association of Counties

<http://www.naco.org>

National Conference of State Legislatures

<http://www.ncsl.org>

National League of Cities

<http://www.nlc.org>

U.S. Conference of Mayors

http://www.usmayors.org/uscm_projects_services/management_improvement

For a copy of the report or to preview the CD-ROM on best practices, visit the Web site of the Government Finance Officers Association.

is, “procedures that assist in accomplishing a principle and element of the budget process” (p. 6). These practices are more concrete. The report then presents rationales for the practices, and it defines the outputs of the practices, or the tangible results. To extend the example started earlier, under the subprinciple “Assess community needs, priorities, challenges and opportunities” is the practice “Identify stakeholder concerns, needs and priorities” (p. 10). The rationale for identifying them is that the basic purpose of government is to try to meet the needs of the citizens. Government cannot do so without knowledge of what those needs are. The report then presents the output of this practice—a brief description of what government can do to understand what the needs are, such as using surveys, holding public hearings, and conducting workshops. Many of the descriptions of practices also include a Notes section offering more detailed advice or background information.

If this recommended framework seems loaded with jargon, readers should take heart. It actually provides an excellent road map to specific, well-grounded, and well-rounded advice on

fifty-eight budget practices. The practices are specific enough to provide concrete guidance but general enough not to be overly prescriptive—the National Advisory Council did not want to recommend specific tools or techniques, leaving those up to the jurisdictions to determine.

From the beginning, it is clear that this is not a how-to textbook on budgeting. In fact, the report is clearly targeted at budgeters, and that is almost a disservice. State and local government officials often are too busy with the day-to-day demands of governing to think about an overall framework for what they do. But much of the framework presented in this report is as vital and as applicable to city and county managers, elected officials, and department heads as it is to budget staff. Of the twelve subprinciples of budgeting identified by the report (see sidebar), only those under the third broad principle, “Develop a budget consistent with approaches to achieve goals” (p. 5), are clearly under the sole purview of the budget office. The other sub-principles, and their supporting practices, intricately involve staff and elected officials across local govern-

ments. For example, under the second general principle of budgeting, “Develop approaches to achieve goals,” the report lists the subprinciple “Adopt financial policies” (p. 5). The governing board must adopt those policies, with the input of the manager and related staff, including legal and financial counsel. A listed practice under “Adopt financial policies” is “Develop a policy on debt issuance and management” (p. 19). This might be an explicit policy on the level of debt that the jurisdiction wishes to carry at any time. In most cases (although certainly not in all cases, especially in small jurisdictions), developing such a policy would involve many people beyond the budget staff. It might even include people at the North Carolina Local Government Commission, which provides advice and assistance to local governments on debt issuance, or at local financial institutions.

The framework explicitly recognizes that the final budget represents fundamental decisions about what the government does and how the government does it. The framework takes budgeting out of the technical box of timelines and forms, and places it in the larger

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context of gathering information, making decisions based on that information, and evaluating previous decisions in preparation for making new ones.

Two of the recommended practices are good examples of the overall combination of broad management goals and a narrower budgeting focus. Under the principle “Develop approaches to achieve goals” and the subprinciple “Develop programmatic, operating and capital policies and plans” (p. 5) is the practice “Prepare policies and plans to guide the design of programs and services” (p. 27). Although budget staff

may draw up some of the specifics, these policies and plans will closely involve department staff and must be adopted by the governing body. The next practice under the same principle and subprinciple is “Prepare policies and plans for capital asset acquisition, maintenance, replacement and retirement” (p. 28). This practice, which is much more familiar to budget office or finance department staff, might involve something as specific as a timetable for replacement of vehicles. A third recommended practice in the same area is “Develop programs and evaluate delivery mechanisms” (p. 29). For this practice the report recommends that programs and services be consistent with policies and plans. Governments should consider alternative delivery mechanisms to ensure that they select the best approach for delivery. For example, might a contractor provide a service better than a traditional government agency or department provides it? This is very pertinent to areas such as solid waste disposal. The advice is as applicable to department heads as it is to budget officials. Indeed, budget staff are more likely just to review department decisions regarding programs and delivery mechanisms than to take on primary responsibility for these tasks.

The report reflects two new trends in public administration: focusing on results and making a concentrated effort to involve stakeholders. In this sense the report is clearly taking budgeting in new directions. Essentially, budgeting remains a management function, and some managers guard it zealously. But by tying it to larger institutional goals and by focusing on communication and the need to evaluate program results, the National Advisory Council is trying to move budgeting beyond its traditional limits. This is evident in the report’s mission statement for the budget process: “The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process” (p. 3).

By making performance-based budgeting one of the four fundamental principles, the National Advisory Council explicitly supports it. Under performance-based budgeting, the fo-

cus is to relate dollar appropriations to the amount or the quality of service provided, the needs met, or the goals and the objectives achieved. Performance measures assess the extent to which goals and objectives are achieved. For example, in reviewing the proposed budget for municipal tax collection, decision makers may consider such measures as the number of citizens served through telephone inquiries and walk-ins, the correctness of responses to inquiries, the quality of the service given to citizens, the percentage of property tax levy collected by June 30, and citizens’ overall satisfaction with the tax office. Decision makers also may consider how well the tax office is doing in comparison with a benchmark (that is, a standard) for a particular measure. Although many governments, from the local to the federal level, have at least started to gather performance data, they still do not link most measures to budgeting. The report emphasizes the importance of doing so. Performance measures are developed in line with particular goals and objectives. Therefore, if there are different goals for a particular program (such as providing services to certain clients), the budget office (such as avoiding tax increases), and the finance department (such as maintaining a particular bond rating), the performance measures used also will be different. The report recommends developing performance measures and benchmarks, and then monitoring, measuring, and evaluating program, budgetary, and financial performance, including stakeholders’ satisfaction.

Under performance-based budgeting, a government incorporates goals and their associated performance measures into the annual budget process. The report recommends taking similar steps with capital improvement programs. It also recommends understanding external factors that might affect a government’s ability to achieve its goals. A recent example of an external factor significantly affecting governance in North Carolina is the flooding brought on by Hurricane Floyd.

Bringing the process full circle, the report ends by suggesting periodic reexamination and change (if needed) of the broad goals that have served as the guide for all department decisions.

Principles and Subprinciples of the Budget Process

1. Establish broad goals to guide government decision-making.
 - Assess community needs, priorities, challenges and opportunities.
 - Identify opportunities and challenges for government services, capital assets, and management.
 - Develop and disseminate broad goals.
2. Develop approaches to achieve goals.
 - Adopt financial policies.
 - Develop programmatic, operating and capital policies and plans.
 - Develop programs and services that are consistent with policies and plans.
 - Develop management strategies.
3. Develop a budget consistent with approaches to achieve goals.
 - Develop a process for preparing and adopting a budget.
 - Develop and evaluate financial options.
 - Make choices necessary to adopt a budget.
4. Evaluate performance and make adjustments.
 - Monitor, measure and evaluate performance.
 - Make adjustments as needed.

Note: From NATIONAL ADVISORY COUNCIL ON STATE AND LOCAL BUDGETING, RECOMMENDED BUDGET PRACTICES: A FRAMEWORK FOR IMPROVED STATE AND LOCAL GOVERNMENT BUDGETING at 5 (Chicago: Government Finance Officers Association, 1998).

Accountability to and inclusion of citizens and other stakeholders are now, at least in part, responsibilities of budget officials.

The report's emphasis on communication and citizen involvement is refreshing. Being responsive to citizens' needs and interests is a fundamental responsibility of government. Elected officials, who reap the rewards or bear the costs of how effectively they perform that responsibility, know this well. Traditionally, local government line man-

agers have focused on their assigned duties. But the trend in budgeting, perhaps in public administration in general, seems to be one of taking a broader perspective, with managers expected to work on issues outside their traditional purview. For example, accountability to and inclusion of citizens and other stakeholders are now, at least in part, responsibilities of budget officials.

Who are the new stakeholders in the budget process? The report suggests that, at a minimum, they are citizens, customers, elected officials, management, employees and their representatives, businesses, other governments, and the media. In another example of how this report goes beyond the budget office, these probably are the same

stakeholders for most other government service areas. The report recommends consultation with stakeholders throughout the budgeting/governing process, and many of the specific practices suggest sharing plans, policies, and decisions with them.

A jurisdiction large enough to have both a manager and a budget officer should order two copies of this report. It belongs on the bookshelf of any city or county manager, not just on the desk of a budget officer. It provides both broad guidelines for and specific examples of good budgeting and management. The eight national associations that sponsored the report should be proud of the result of their multiyear collaboration.

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For information, contact

Ann C. Simpson, Associate Director for Development

Telephone: (919) 966-9780

E-mail: simpson@iogmail.iog.unc.edu



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