Week 9

Recap: PA's response to Plunkitt will be to bridge the gap between bureaucracy and democracy by building new organizations. Those organizations will suffer from bureaucratic rigidity, vague goals, diffusion of implementation responsibility, penetration of the task environment, limited managerial power over employees. We must respect the right to privacy even as we use sensitive information to pursue important objectives such as security. We also know that, in addition to being honest and avoiding any hint of corruption, we are now expected to be highly productive, efficient, and effective, even though many public sector activities involve hands-on service work that is not very susceptible to large improvements in productivity. We recognize that, in spite of that fact, we will be pressured to adopt private sector productivity techniques and increasingly to contract out public sector work to private companies, even though contracting is an area where corruption is often rampant.

Prefatory Notes for Chapter 8: This chapter deals with some of the biggest problems faced by governments at all levels and by the citizens who provide revenue and receive services: how expensive is government, what are its sources of revenue, what are the purposes of government taxing and spending, and what techniques are there for controlling government spending? Two issues are especially important. First, how equitable is the revenue collection system? That is, to what extent is the way that we collect money fair? Certainly in the State of Florida we have decided (just as they did in California in 1978 with Proposition 13) that property taxes are burdensome and unfair and should therefore be reduced. Sales taxes are an alternative, but they are accompanied by a long list of exemptions that Florida has placed on sales taxes. User fees are also an alternative: paying a fee every time you use a government service. In a sense, this seems fair: you pay for only the services you use and not for those you do not use. But take this to its logical conclusion: schools would be paid for only by the parents of children who attend them; courts would be paid for by the plaintiffs and defendants; public transportation would be paid for entirely by its riders. On whom would the burden of government fall if we continue to go this way? If pursued rigorously, would government be any different from business? The second intriguing issue in this chapter is described by Henry in this way: "Democracies are unable to avoid burying future generations in debt due to the need of elected policymakers to be elected and reelected." All the techniques that have been tried to gain control of the budgetary process will only result in very modest changes, in other words, because the driving force behind the process (getting reelected) will always drain the public treasury. Does this mean that responsiveness is bound to undermine itself through overspending? That is, will the demand for lower taxes and more services ultimately sink government? Is there a solution to this problem that is not "undemocratic"? Is this just a fancy, modern way of describing the problem posed by Plunkitt? That is, Plunkitt wanted to reward his supporters, but the way he did it made it seem unsavory and vaguely unethical. A modern politician dresses up the same approach as a policy and its associated programs and trumpets them during election time so that we vote for them; as long as they are not engaging in graft, isn't this more or less the same thing as Plunkitt was doing?

"The budget is the skeleton of the state," it was once said. The budget tells you a great deal about the priorities of the government. Since the budget is about choices, it is necessarily political. But the ever rising cost of government has meant that there has been a constant search for ways to reduce public expenditures, and this chapter, like the previous one, details that long history of attempts to control public spending through administrative techniques. Those techniques have, in many ways, made public budgeting more transparent. But because public decisions remain full of conflict, the budgetary system is not entirely clear and efforts to restrain spending have not been very successful. There have been successful efforts to reduce taxes, but without commensurate cuts in spending, reduced taxes necessarily lead to great debt. And this is the most important measure of the essential problem of budgeting that remains with us to this day.

For Tweed and Plunkitt, was it important that the budgetary process be clear and transparent? If not, why not? What was gained by a lack of understanding of the budgetary system? Do you think that the administrators in the ICMA-TV videos look upon budgeting in the same way? What is the likely cost of all those expertly delivered public services?

Chapter Eight

THE PUBLIC TROUGH: FINANCING AND BUDGETING GOVERNMENTS

CHAPTER OVERVIEW

American government, including its administration, policies, and programs, are funded via various revenue and tax structures. Public finance, taxation, borrowing, and spending are addressed as well as economic policy at the federal and state levels of government. The many forms that public budgeting has assumed in the United States is emphasized, paying particular attention to the legacy of each system.

CHAPTER OBJECTIVES

1. Identify and explain public finance, focusing on revenue and expenditures at all levels of government.
2. Understand the impacts of the Congressional Budget and Impoundment Control Act of 1974.
3. Define and describe the various tax structures employed by the national, state, and local levels of government.
4. Identify and understand the different forms of federal economic policy.
5. Understand the elements, limitations, and legacy of: Line-Item Budgeting; Program/Performance Budgeting; Planning-Programming-Budgeting; Budgeting-by-Objectives; Zero Base Budgeting; Target Base Budgeting; and Budgeting for Results.

CHAPTER OUTLINE

PUBLIC FINANCE: PAYING FOR PUBLIC POLICY

Taxing and Borrowing
An Aside on Supply-Side Economics
Forms of Federal Economic Policy
Fiscal Policy
Monetary Policy

OLD BUDGET SYSTEMS NEVER DIE…
ACQUIRING BUDGETS: AGENCIES AND ARGUMENTS
Standing Strategies for Securing Budgets
Find, Serve, and Use a Clientele for the Services You Perform
Establish Confidence in the Mind of the Reviewer That You Can Carry Out the Complicated Program (Which He or She Seldom Understands) Efficiently and Effectively
Capitalize on the Fragmentary Budgetary Review Process
Opportunistic Tactics for Securing Budgets
Guard Against Cuts in Old Programs
Inch Ahead with Old Programs
Add New Programs
LEGISLATING BUDGETS
Congress and Budgets: Precedents
The Congressional Budget and Impoundment Control Act of 1974
Comprehensive Budget Committees
Concurrent Budget Resolutions
Reconciliation
A Budget-Making Timetable
Improved Spending Controls
The Congressional Budget Office
Congress Gets Into the Act
The Demise of Concurrent Budget Resolutions and Reconciliation
A Tardy and Terrible Timetable
From Incrementalism to Economic Forecasting
Budget Brawls
The Rise of the Office of Management and Budget
Legislating Budgets at the Grass Roots Level
Forecasting at the Grass Roots: Briefer but Better
Tensions, but No Meltdowns
A Withering of the Governors' Budget-Making Powers?
The Rise of State Budget Offices

KEY CONCEPTS/TERMS
public finance
revenue
expenditures
outlays
general fund
general purpose revenue
general revenue
general fund expenditures

discretionary spending
general tax
special funds
user fees
entitlements
relatively uncontrollable outlays
mandatory and related programs
other-than-general revenue
insurance trusts
charges
customer payments
special-purpose governments
general-purpose governments
municipal bond
general obligation bonds
revenue bonds
grants-in-aid
personal income tax
individual income tax
social insurance and retirement receipts
insurance contributions
corporate income tax
excise tax
payments for individuals
intergovernmental revenue
own source revenue
sales tax
pass-through grants
property tax
efficiency costs
simplicity
transparency
administrability
equity
progressive income tax
proportional income tax
flat tax
regressive income tax
compulsory payroll tax
national retail sales tax
value-added tax
circuit breaker
homestead exemptions
money supply
supply-side economics
fiscal policy

monetary policy
open-market operations
discount rate
federal funds rate
reserve requirement
line-item veto
rescission
off-budget entities
deficit
debt
gross federal debt
public debt
budget
line-item budget
consolidated executive budget
objects-of-expenditure budget
program/performance budget
program budget
performance budget
planning-programming-budgeting (PPB)
PPB System
budgeting-by-objectives (BBO)
management-by-objectives (MBO)
zero base budgeting (ZBB)
target base budgeting (TBB)
fixed-ceiling budgeting
top-down budgeting
cutback management
hiring freeze
undifferentiated budget cuts
across-the-board budget cuts
alternative methods of service delivery
budgeting for results
results budgeting
mission budgeting
entrepreneurial budgeting
performance-based budgeting
standing strategies
opportunistic tactics
Congressional Budget Act
Congressional Budget Office (CBO)
deeming resolution
continuing resolution
forecasting