CHAPTER 11
Budgeting

CHAPTER OBJECTIVES

■ Understand the twin roles of budgeting: steering the economy and making political choices
■ Chart the steps in the budgetary process
■ Explore the challenges to budgeting
■ Compare federal versus state and local government budgeting

Air travelers across the country were furious in 2013 when furloughs of air traffic controllers slowed down traffic at airports across the country, including here in Atlanta. The Federal Aviation Administration won an exemption from the sequestration, but many other federal employees were furloughed throughout the rest of the fiscal year.
If decision making is the central administrative act, budgeting is the fundamental administrative decision. Bold rhetoric is important, but ideas are nothing without the money to back them up. Budgets both set and embody the basic priorities. To know what an organization—or a government—truly values, look at how the money is spent. Likewise, to change an organization’s priorities, change the budget. According to an old saying, attributed to many insiders, “Grab them by their budgets, and their hearts and minds will follow.” Most of the big battles in government—and in public administration—sooner or later become budgeting battles. That, in turn, makes budget making perhaps the most central political act in public administration.

Budget decisions are both important and political because they frame the focus on three central questions that have recurred throughout history.1

First, what should government do? Budgeting is, at its core, the fundamental decision about the use of scarce resources from the people. There are always more good ideas than there is money to fund them. Just how big should government be? Which public programs most deserve the public’s support: highways or health care, weapons or welfare? Budgetary politics is enmeshed in perpetual conflict because it involves the toughest, most central questions that societies must answer.

Second, who in government should decide these questions? Throughout the history of the United States, the balance of financial power has shifted between the national and subnational governments, and between the legislature and the executive. The budgetary arena has been the continuing forum for broad policy disputes and pitched battles over not only who should benefit from governmental programs but also who should decide the fate of those programs. Charting the who of budgets also provides a strong guide to sources of real governmental power.

Finally, how should citizens and public officials make these decisions? In 1940 political scientist V. O. Key Jr. framed the classic problem: “On what basis shall it be decided to allocate x dollars to activity A instead of activity B?”2 Budgeting is about scarcity, and there are always more claims on budget dollars than there is money to spend. Budget makers always face the challenge of deciding which claims are funded—and which are not. In part, this is a question about process. In part, it is about analysis and what defines the best way of making decisions, as we saw in Chapter 10. In part, it is about politics and the battles over the public’s money. And in part, it is about basic values about how decisions should be made. In fact, note how often the word should appears in discussions about budgeting. That provides a hint about the big value debates that are never far from any budgetary discussion.

This chapter explores these questions in sorting out the functions and processes of budgeting. It begins with an examination of the far-reaching economic and political roles of the budget. It continues by probing the basic parts of the budgetary process: budget making, budget appropriation, and budget execution. Finally, it concludes by reviewing the relationship between budgetary politics and public administration. State and local governments vary tremendously in the way they budget and account for their money, and trying to describe the full range of their practices would fill another book this size. So this chapter will focus heavily on the federal government’s budget strategies and tactics to explore the basic issues that stretch across the budgetary issues for all governments.
THE BUDGET’S TWIN ROLES

All budgets are about financial decisions. At the federal level, the budget plays an additional role, because of how the budget shapes the national economy. Because these decisions affect the allocation of resources among competing claimants, the budget has important political effects as well. After exploring these broad economic features, we’ll turn to the issues affecting budgets at the federal, state, and local levels.

The Economic Role

The very size of the government’s financial activity inevitably makes it a strong player in the national economy. That role is reciprocal: the budget has enormous impact on the economy, and the economy plays a strong role in shaping the budget. That leads, not surprisingly, to the conclusion that because the budget can be used to steer the economy, it should do so.

The Budget’s Effect on the Economy

Let’s start with the basics. Governments do their accounting by their budget calendar, known as the fiscal year. They can run a surplus (where revenues exceed expenditures) or a deficit (where expenditures exceed revenues). Governments can borrow money in the short term and repay it in the long term. This is debt. At the federal level, the government borrows money to finance deficits, and the accumulated deficits over time produce the national debt. Federal surpluses have been relatively rare, so most of the debate hinges on the role of deficits and the management of the national debt. At the state and local level, both constitutional restrictions and good economic practice require balanced budgets. State and local governments borrow money—that is, they incur debt—but the basic principle is that they ought to borrow money over the long term only to pay for items that have long lives, and borrow money only for the life of the project. For example, if a state wants to build a bridge that will last twenty-five years, it would borrow money by issuing a twenty-five-year bond. If a local government wants to buy a new school building that will last twenty years, it would issue a twenty-year bond. Sound practice, and in many cases the law, prohibit state and local governments from borrowing money for long periods to fund short-term expenses, like salaries and program expenses.

At least since the Great Depression in the 1930s, economists and government officials have recognized that government taxation and spending, known as fiscal policy, affect the economy. (The word fiscal is Old French in origin and appears to have roots in the Latin word for “treasury” or “basket,” terms which, put together, sum up the topic well.) British economist John Maynard Keynes argued that government can—and should—use the budget to steer the economy: to boost employment, to cut inflation, to improve the nation’s balance of trade abroad, and to keep the value of the dollar secure. That theory has grown into the cornerstone of macroeconomics and the study of the broad interactions between government’s economic activity and the behavior of the economy. Belief in the power of fiscal policy to steer the economy reached its zenith with the Kennedy tax cut, passed in 1964 after John F. Kennedy’s assassination to spur economic growth. Since then, presidents and economists
alike have tangled over the relationship between taxes, spending, and the economy, and what combination would produce the best long-run economic growth.

Economists have long recognized that the economy goes through cycles of growth and recession. Keynesian economics preaches that the government can use its taxing and spending powers to moderate those cycles, to offset the dangers of both too-rapid growth (inflation) and recession (unemployment). The theory suggests that in good times, the government ought to run a surplus to keep the economy from expanding too quickly; in bad times, it should run a deficit to keep the economy from becoming sluggish. Because state and local budgets must be balanced, and because no individual state or local budget is big enough to steer the national economy, this is a tool exclusive to the federal budget. And it inevitably creates temptations to use the budget’s steering forces for political advantage.  

Although the basic Keynesian model retains a strong hold on economists and budgeters, in practice it has lost most of its power. The federal government has fallen into an overwhelming pattern of deficits; since 1973, the federal budget has been in surplus only four times, between 1998 and 2001. In fact, as Figure 11.1 shows, deficits have been the rule for most of our recent history. Using the budget to steer the economy requires making decisions that can shift the

---

**FIGURE 11.1** Federal Deficits as a Share of the Economy, 1973–2012

![Graph showing federal deficits as a share of the economy from 1970 to 2015.](Source: Congressional Budget Office, Historical Budget Data—February 2013, http://www.cbo.gov/publication/43904.)

---

Copyright ©2014 by CQ Press, an imprint of SAGE Publications, Inc. This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.
budget from surplus to deficit and back again; the overwhelming sea of red ink has the budget's engines stuck in one direction, constantly pumping stimulus into the economy. That, in turn, has left most of the work of steering the economy to the Federal Reserve, which has used its power to manage interest rates and the money supply (called monetary policy). As deficits have become a near-permanent condition of fiscal policy, the Fed and its monetary policy have become the only game in town. In fact, when the collapse of the financial markets crippled the national—and the global—economy in 2008, it was the Fed and its central bank partners around the world that provided most of the tools to cushion the fall.

Most economists agree that continued huge deficits are unsupportable. The more money the government borrows, the less there is left for private investment (and thus to feed future growth). They argue that big deficits over the long run make inflation worse than it would otherwise be. They contend that large deficits would tie the federal government's hands in fighting future recessions, since there would be limited ability to increase spending and thus stimulate the economy. Finally, they conclude that deficits over the long run would worsen the nation's international trading position by eroding the value of the dollar. In the short run, deficits can help the government negotiate through difficult economic problems, but budget deficits over the long run are dangerous. The larger the deficit, the more the federal budget must be devoted simply to paying interest. The more money paid in interest, the less money that is available for the things, from new roads to new weapons, that public officials really want to spend money on.

Over the years, the share of the budget devoted to interest has dropped, from more than 15 percent in 1996 to 6 percent in 2012. Even the smaller percentage in 2012, however, amounted to $222 billion that could not be spent on other programs. Moreover, large interest payments give elected officials little maneuvering room, since interest always has to be the first expense paid from a government budget. (Why? If governments miss interest payments, no one will want to lend to them in the future.)

**The Economy's Effect on the Budget**

If the budget has become a less useful tool in managing the economy, the economy's performance has become a much more important force in shaping the budget. In general, a strong economy helps lower the budget deficit by increasing revenues. In the first part of 2013, for example, the projected federal deficit shrank by $200 billion—not because any federal official did anything different but because the economy performed better than expected, which increased federal tax collections. Budget officials can often find their estimates swinging by enormous amounts without changing anything. In general a strong economy shrinks deficits, as revenues go up (a product of better economic growth) and expenditures go down (with fewer individuals receiving benefits tied to income); a weaker economy drives deficits up.

Budget making, at all levels of government, depends critically on estimating the likely levels of economic growth, unemployment, inflation, and interest rates. Minor errors in the estimates can have huge effects. Very small errors in economic forecasts can have huge effects on the deficit. Moreover, these effects tend to build on themselves over time, with relatively modest forecasting errors swamping painful political compromises. Imagine, for example, making a decision to increase taxes or cut spending by $200 billion in a single year, only to
have changes in the economy swamp these decisions. That in turn tempts budget analysts to choose economic forecasts that makes their job easier. As Rudolph G. Penner, former head of the Congressional Budget Office, and Alan J. Abramson, explain,

> Changing a deficit estimate by $10 billion by changing an economic forecast is a minor statistical event. Changing policies sufficiently to alter a deficit estimate by $10 billion is a significant political event. This asymmetry creates an enormous temptation to achieve a given target deficit reduction by adopting optimistic economic assumptions rather than by cutting programs or raising taxes.  

That can make it possible for deficits to shrink or even evaporate in the long run. It also helps explain why that hopeful long-run day never seems to arrive. As former Citicorp President Walter Wriston put it, “A government budget deficit is the intersection of two wild guesses [on expenditures and revenues] a year from now.”

These crosscurrents—the effect of the budget on the economy and the effect of the economy on the budget—have taken on greater importance through the years. The federal budget is far greater than the sum of the government’s expenditures and revenues: it is a statement of the government’s relationship with the rest of the economy and of political officials’ attempts to influence economic performance. The crosscurrents have, in addition, affected the way the budget is made. The technique and politics of forecasting have taken on a far larger role, and this in turn has opened a new arena in which fundamental budget battles are fought. Finally, the crosscurrents have enhanced the role of the staff members who run the computer models that produce the economic estimates.

### The Political Development of the Budgetary Process

Budgeting is, of course, much more than an economic decision about how to allocate citizens’ wealth among governmental programs. Budgeting embodies fundamental political choices, both about values—which programs get funded and which do not—and institutions, especially the relative sway of the legislative and executive branches of government.

Forecasts of low economic growth, or even a recession, can prove especially difficult for policymakers. A slow economy drives up spending, shrinks tax revenue, and increases the deficit. It is little wonder, therefore, that top officials shy away from forecasts of a slow economy, because they make budgeting even more painful. In the Carter administration, Alfred Kahn, adviser on inflation and later chairman of the Council on Wage and Price Stability, got into trouble with the president’s political advisers for talking too much about the risks of a recession. He continued to insist on speaking his mind, but he changed his language. In briefings, he substituted the word “banana” for “recession” and discussed the risk that the economy might encounter a banana. For politicians, as Clinton political strategist James Carville was fond of pointing out, “It’s the economy, stupid.” The economy always has enormous political implications for political campaigns—and big effects on the budget. It’s little wonder that the economics and politics of the budget are so closely intertwined.
First Steps

Americans have always distrusted public officials’ dealing with their money. The Boston Tea Party was about the king’s effort to tax the colonists. When the new country came to life, there were big debates about how best to organize the country’s financial operations. Although there was little question that the State and War departments would each be headed by a single secretary, Congress considered putting the Treasury under the control of a board (so that no single person could become too powerful) and keeping the board under its own tight control (so that the legislative branch could closely oversee how the executive spent money). Although the Constitution clearly granted the executive branch the power to wage war and make treaties, it gave Congress the power to coin money, levy taxes, and appropriate money. The Constitution explicitly requires that all tax measures originate in the House of Representatives, the body that the founders believed would be the “people’s house,” to make sure that citizens had a voice in their own taxation. Ever since, budgetary politics has been a forum for sharp competition between the president and Congress.11 Two different national banks collapsed under populist pressure—and the Internal Revenue Service has long been one of Americans’ least favorite agencies.

For America’s first century, federal budgeting was mostly a congressional function. The so-called budget submitted to Congress by the executive branch, in fact, was little more than the Treasury Department’s assembly of agency and departmental requests. Congress was the central force in budgeting.

The Rise of Presidential Power

At the beginning of the twentieth century, the Progressive movement increased citizens’ concern about the management of government at all levels. Budgetary reform swept state and local government as part of the broader trend toward strengthened executive powers.12 By the end of World War I, the congressionally dominated system had proved inadequate for managing the federal government’s vastly expanded fiscal functions, and the budget-reform movement launched in the states and cities bubbled up to the federal level.

The culmination of this movement was passage in 1921 of the Budget and Accounting Act, which revolutionized federal budgeting. For the first time, the president was to submit an annual budget to Congress. A Bureau of the Budget was created in the Treasury Department (and later moved to the president’s own executive office) to assemble and adjust, if necessary, the department’s requests to conform to the president’s program.13 Meanwhile, the Treasury Department’s auditing functions were transferred to Congress’s new General Accounting Office (GAO, which was renamed the Government Accountability Office in 2004). By gaining the authority to produce their own budget, presidents acquired leverage over both the executive branch departments and agencies—which first had to bargain with the president before having their requests sent to Congress—and Congress itself, because the document submitted by the president would frame the terms of debate.

The 1921 act thus divided the traditional budget functions into areas of executive and legislative supremacy: budget preparation and execution in the executive branch, budget appropriation and post-audit in the legislative branch, and shared executive-legislative authority over budget control.14 The division has always been sloppy, but the act nevertheless put the president into a position of preeminence not previously known.
Moreover, the growing pressure of the federal deficit steadily enhanced the power of the president and budget makers, especially within the executive branch. The budgetary process produced strange twists and turns, sometimes with the budget makers’ own peculiar vocabulary and complex recordkeeping. As the budgetary process limped along, the short-term bargains that kept it alive required central oversight within the executive branch of each agency’s spending patterns, and performing that task in turn enhanced the role of the Office of Management and Budget (OMB), which grew out of the president’s Bureau of the Budget.15

The Budget and Accounting Act of 1921 proved a significant advance in presidential power—in many ways, it marked the emergence of the modern presidency. It was the beginning of fifty years of steadily growing presidential dominance over Congress in the budgetary process. While Congress has tried, especially since the mid-1970s, to regain its earlier preeminence in the budgetary process, the president has held the upper hand over most of the years since.16 These struggles between the branches have played themselves out in the arenas of budget making, budget appropriation, and budget execution. (Chapter 14 deals with a related part of the budgetary process, post-audit and performance measurement.)

Do Rising Sea Levels Threaten Cities?

Superstorm Sandy’s 2012 assault on the northeastern United States sent shudders down the spines of local planners. With roads, bridges, water, sewer, and even New York City’s fabled subway system crippled, did the region face more superstorms in the future?

A paper in the Proceedings of the National Academy of Sciences painted a bleak picture: climate change, said author Benjamin Strauss, threatened the stability of more than 1,400 towns and cities—including New Orleans, Miami, Atlantic City, and Virginia Beach—up the coast. Carbon emissions to date, he warned, will put parts of 316 cities underwater. A continuation of current patterns of global warming could threaten an additional 1,100 cities, which could find themselves under water at high tide.

Of course, not all scientists agree with Strauss, and even some scientists who have concluded that the threat is real worry that looking so far down the road can distract planners in local governments who need to make decisions in the next few decades. But Sandy’s ravage made the issue inescapable. The future is uncertain, but some of the implications, thanks to Sandy, are already clear. Some of the long-term effects are difficult to predict, but waiting until they’re clear could make it impossible to react in time. Some decisions require national—and global—action, but local officials can make some decisions that could help their own communities. What should local government officials do now? How can they best ensure the welfare of their citizens in the face of uncertainty?

BUDGET MAKING

We now turn to the basic steps for budgets at all levels of government. The first step is preparation of the budget: a set of spending and revenue plans combined in a single document. While the details vary around the country, the process typically includes both top-down and bottom-up features.

Budgeting: Top-Down

A government's budget is not simply a collection of agencies' spending requests. Instead, each government's executive—whether mayor, city manager, county administrator, governor, or president—sets broad targets for overall spending and revenues. These broad targets are the product of estimates made by the executive's budget staff: how expected changes in the economy will affect revenues and expenditures (will the economy's growth bring more tax collection, or will its slump put higher demands on welfare?); how demographic changes are likely to affect existing programs (will more school-age children require the school board to hire more teachers?); and how major planned program changes will affect spending (how much money will be required to launch a new defense system?).

Budget preparation is virtually nonstop, with the process pegged to the start of the fiscal year. (At the federal level, the fiscal year begins on October 1. Most state and local governments have a July 1 start for their fiscal years.) Well before the beginning of the fiscal year, economic forecasters estimate the revenue that will likely be available. They also calculate the likely costs of decisions made in the past, such as a multiyear legislation (a five-year job training program that might be in year two) and automatic programs (such as spending for Social Security and Medicare, which are based on formulas including the number of eligible individuals and the likely cost of the services). This produces a three-part package of spending, revenue, and economic estimates, which form the basis for the executive's initial decisions. These decisions produce targets that go out to agency heads, who then break down the targets into subtargets for their operating units. Budget proposals, including requests for new money for new programs, then flow back up the chain to the budget director, with final appeals going to the executive in the weeks before the budget is officially submitted to the legislature (Congress, state legislature, county board, or city council) for review and action.

Preparing the federal budget thus begins nearly a full year before the finished document is submitted to Congress, more than a year and a half before the fiscal year begins, and two and a half years before the fiscal year's end. Getting the numbers right requires an especially good crystal ball—and it makes constant tinkering inevitable. At any given time, administrators must deal with three different sets of figures: executing the current fiscal year's budget, defending the next year's requests before the legislature, and making budget estimates for the year after that. Any year's budget battle is thus actually part of interlocking skirmishes that stretch over many years.

Budgeting: Bottom-Up

The top-down snapshot is the big picture, full of worries about the size of the budget deficit, the budget's role in macroeconomic policy, and large-scale policy changes such as the
introduction of new defense systems, new schools, or new highways. From the point of view of lower-level administrators, however, the picture is much different.

The central theory (both descriptively and prescriptively) of bottom-up budgeting is incrementalism, originally put forth by Aaron Wildavsky. It builds on the theory of incremental decision making explored in Chapter 10, and it captures the twin threads of the theory: incrementalism, he argues, is both the best description of how budgeting works and the best prescription for how it should work. How much should an agency official request in the budget preparation process? How should it answer V. O. Key’s basic question about how resources are to be allocated? Wildavsky’s answer was that officials do, and should, begin with their budget base and ask for a “fair share” increase. “The base is the general expectation among the participants that programs will be carried on at close to the going level of expenditures,” Wildavsky explained. The increments are relatively small increases over the existing base that reflect the agency’s share of changes in the budgetary pie.

In budgeting, incrementalism thus has two important implications. First, no one really considers every amount for every item in the budget. The package is too big for anyone to examine everything, so it is far easier and, Wildavsky argues, more rational to focus on changes. Second, the political battles focus on the size of an agency’s increment—and of the increment’s size compared with those received by other agencies. Budgeting is a battle fought on the margins, with the sharpest struggles focused on changes in the distribution of the government’s pie.

Incremental theory, both as a description of how budgeting operates and as a primer on how agency officials should behave, has dominated the budgeting debate since the first publication of Wildavsky’s work in 1966. Many theorists have taken sharp issue with his view, for three reasons. First, incremental budgeting begins with the budget base, but the definition of that concept is anything but clear. It can be the current estimate of spending in the previous year, although that estimate constantly changes as legislators act on the budget and agencies carry out their programs. It can be the cost of continuing current activities at the same level, which includes increases for inflation and population shifts and decreases for improved productivity. Finally, it can be a spending level set by law, which often can be a different amount from the first two.

Second, budget experts do not always make changes from the existing level of spending in small increments. On average, budgeting does appear incremental, but the averages hide the rich politics of budgeting: aggressive program managers seeking to build budgets, budget officials seeking to keep a ceiling on total spending, and executives and their staffs seeking to pursue new initiatives. Big changes sometimes do occur. In the turbulent weeks after the September 11, 2001, terrorist attacks, the Bush administration led an effort to federalize all airport screeners in a single, massive shift of responsibility from the private sector.

Third, the real focus of budgetary politics is not changes in agencies’ budgets but changes in their programs’ budgets. At the agency level, budgets and politics are usually rather stable. “Yet within departmental and agency boundaries (and occasionally between them . . .), there is a constant struggle by program directors, lobbyists, congressmen, state and local politicians, and White House personnel to fund new ideas and to continue the funding of old ones,” analysts conclude. The competitive success of alternative programs, not changes in the budgets of agencies, occupies budget makers, and in that arena it is the power of the policy entrepreneurs who can build the strongest political case for their ideas that makes the difference.
In short, the incrementalism model has many shortcomings, from areas such as fair-share increases to the budget base. It nevertheless continues to have a very powerful force on budgeting. Most budgeters tend to think about their budgets as a search for increases over their base. Most reporters focus on those debates. And there’s a powerful momentum in the system toward the model, even if it doesn’t always capture budgeting reality. Despite its weaknesses, incrementalism tends to capture the way most people think about budgeting—how it works and even how it ought to work.

**Attempts to Reform Incrementalism**

Especially since the mid-1960s, chief executives have experimented with different budget reform techniques to secure greater control over budget preparation. Most notable was Lyndon Johnson’s Planning-Programming-Budgeting System (PPBS), which Chapter 10 discussed. During the Nixon administration, OMB attempted a different strategy, management by objectives (MBO), which was intended to strengthen the ability of managers to manage. Agency heads and their principal executives would fix on quantified objectives to be attained in the coming year and then break down each objective into targets for achievement in, say, each quarter year; this process would then be repeated in turn for each subordinate. MBO had a mixed record: in some departments and bureaus it made a significant contribution; in many others it failed and was quickly abandoned. As with PPBS, there has been “a noticeable disenchantment with MBO as a panacea in the government.”

When Jimmy Carter took office in 1977, he brought with him the zero-base budgeting (ZBB) approach that he had used as governor of Georgia. ZBB was an assault on incrementalism from a different perspective, but it was not, despite the name, budgeting from a zero base. Instead, budgeters began from a certain level of spending (say, 80 percent of current expenditures); they then assembled “decision packages” (consisting of different ways of increasing the level of services) and then ranked them. In this way, decision makers could set priorities for spending increases. ZBB seemed attractive at first, but it encouraged agency budget makers to play games with the process (for instance, by ranking very low a project they knew would never be cut, in the hope that they could win funding for other programs at the same time). These tactics, combined with ZBB’s paperwork burden, led to a short life at the federal level. At the state and local levels, however, many governments continued to find the process a helpful one for making choices within their smaller budgets.

Since then, executives have tried a variety of performance-based tools to get greater leverage over the budgetary process. Bill Clinton had his National Performance Review, which managers used to devise strategies for improving government operations while setting top-down targets for reducing the number of government employees. George W. Bush instituted a new Program Assessment Rating Tool (PART) and sought to integrate measures of agency performance with budgetary decisions. Barack Obama used a more decentralized management agenda designed to improve the cross-boundary management of government programs. Similar strategies have emerged at the state and local levels of government. But from this remarkable cauldron of innovation, two conclusions have emerged. First, every chief executive now feels obliged to launch a major reform in analysis and management to
improve control over the budget. Second, few of these reforms endure, because they rarely give executives real leverage over decisions that are inevitably political.

**The Rise of the Uncontrollables**

Even more important, more government spending has become dictated by past policy decisions, especially at the federal level. At the federal level, budgeters encounter the stark reality of *uncontrollable expenditures*, which are dictated by mandatory formulas for programs like Social Security and Medicare. As Figure 11.2 shows, discretionary spending—the share of the budget not locked in by these mandatory formulas or by interest in the debt—fell from 67 percent in 1962 to 36 percent in 2012. At the same time, mandatory spending (including entitlement programs, like Social Security and Medicare, where recipients are entitled to benefits by law) grew from 32 percent to 63 percent. Even with “discretionary” programs, however, government officials often have little real discretion. Having signed contracts for new weapons systems, defense planners don’t want to walk away from their investment. It wouldn’t be easy to shut down federal prisons and national parks, and no one wants to send the armed forces home without pay. In any given year, the share of the budget over which the

---

**FIGURE 11.2** Changes in the Composition of Federal Spending, 1962–2012

---

*Source: Congressional Budget Office, Historical Budget Data, various years.*
president and Congress have any real control is thus very, very small. It’s little wonder, therefore, that as controllable spending has shrunk, budgetary politics has become more intense. When members of Congress tried to make good on the Tea Party movement’s pledge to slash spending in 2011, debates raged about cutting funding for National Public Radio and reducing the pay of federal workers.

State and local governments do not tend to measure uncontrollables as explicitly as the federal government does. But many state governments find that formula-based spending for many programs, from aid to local schools to money for highways, takes up a growing share of their budgets. Moreover, years of tight budgets and taxpayer resistance to higher taxes have dramatically reduced the flexibility of state and local officials for reshaping their budget decisions. Although they are not constrained by entitlements in the same way as the federal budget, the political implications for state and local budgets are much the same.

BUDGET APPROPRIATION

Although the submission of the executive budget is always an event of great theater, the budget is in the end only a set of estimates and recommendations. Under the American system of government, the legislative branch must approve taxes and spending. The process of legislative approval is thus enormously important for determining the outcome of the budget game. Executives know that they propose while the legislative branch disposes, so they adjust their budgets in two ways. First, they behave according to the rule of anticipated reactions and adapt their estimates and recommendations to fit their perceptions of how legislators will react to them. A budget maker who expects legislators to cut the agency’s spending by 10 percent may submit a request 15 or 20 percent higher. Legislators, of course, understand this classic ruse. They estimate how much padding they think has been built into the budget and cut accordingly. The result is an intricate chess match.

Second, executives facing the prospect of big cuts sometimes propose severe cuts from the previous year’s levels—but they focus those cuts in programs with strong legislative support, with the bet that the legislators won’t dare cut them. This is a maneuver so classic that it even has a name: the Washington Monument ploy: when pressed to make tough budget decisions, agencies offer to cut their most popular programs (which, for the National Park Service, would be closing the Washington Monument), in the full knowledge that legislators
will never allow such cuts to take effect (see Case Study 11.2 for the background on the Washington Monument ploy and for a recent example of how budgeters use it). The executive may also propose new taxes to bring the budget into balance, and then leave to legislators the tough decision to reject the taxes or risk a deficit. Veteran budgeters have a long catalog of games they’ve become especially skilled at playing.

**Congressional Budget Decisions**

With the Congressional Budget Act of 1974, Congress launched major reforms of the budget process. The act shifted the start of the fiscal year from July 1 to October 1 to give Congress more time to complete its work on the budget. It also mandated that the president each year present a “current services budget” projection: an estimate of the cost of continuing in the new fiscal year all the previous year’s programs, at the same level and without policy changes. Members of Congress thus hoped to separate debate over program changes from proposals for continuation of existing programs—that is, to force the president to identify increments, and decrements, in the budget. The act also created new budget committees in each house and instituted a three-part legislative process to accompany them:

1. **Setting the totals.** For the first time, Congress obligated itself to prepare a legislative budget: an estimate of total expenditures and revenues—and thus of the deficit. To do the job, the 1974 act established a new Committee on the Budget in each house. Early each year, each congressional committee reports to the budget committee of its respective chamber about the cost of bills it anticipates passing. Each house’s budget committee then revises these requests and combines them into a single resolution that sets estimates of revenues and ceilings on expenditures. Supporting this work was the creation of the Congressional Budget Office, to provide staff support and a counterweight to the president’s Office of Management and Budget.

2. **Authorizing programs.** Next, the subject-area committees create authorizations for programs under their purview. These authorizations, approved by both houses of Congress and signed by the president, can be for one year (including much of the government’s routine operations); for several years (including many defense programs); or for permanent programs (including Social Security), which remain in effect until the basic law is changed. These authorizations set ceilings on the money that Congress can spend on programs or, in the case of permanent authorizations, define the standards by which benefits are to be paid.

3. **Appropriating money.** While authorizations create the programs, appropriations provide the money to fund them. Congress can authorize a program without providing any appropriations for it, and it often authorizes higher spending than can be covered by the appropriations it is willing to provide. The reverse, of course, does not happen, since appropriations cannot exceed the original authorization. Like authorizations, appropriations can last for varying lengths of time. The appropriations committees in each house decide how much money should actually be spent by recommending budget authority.
This three-step process, however, does not precisely define the items that get the most attention: how much revenue the government actually collects, the money it actually spends, and the level of the deficit (which is the amount by which spending exceeds revenues). Revenues and spending depend heavily not only on Congress’s authorizations and appropriations, but also on the level of spending in automatic programs like entitlements as well as the state of the economy and how fast administrators can spend money (which sometimes proves far harder than one might imagine, given the complexity of government’s processes). So to get a fix on the deficit, congressional analysts must produce estimates of revenues as well as how much money the government will actually spend, which is known as outlays.

As Figure 11.3 shows, estimating outlays (and, therefore, the deficit) is a complicated process: analysts must determine how much budget authority from past years will be used in a given fiscal year, how much new budget authority will be created and spent, how much previous budget authority will expire at the end of its time limit, and how much budget authority will be carried over into subsequent years. For some uncontrollable spending, such as Medicare, the outlays depend on how many people get sick and what kinds of treatment they require. Outlays can vary according to the rate of unemployment or the progress in building a new fighter at an aircraft plant or how many natural disasters strike. Thus, no matter how close a watch Congress keeps on its books, it has only a loose rein on outlays in any given year. Hard-fought congressional deficit battles, which revolve around budget authority

![Figure 11.3](image-url)
levels, can be undone when outlay totals do not cooperate—if, for example, economic growth proves sluggish, interest rates rise, or unemployment surges.

**Bumps in the Federal Budget Process**

The 1974 federal congressional budget reforms have struggled since the beginning, but in recent years the challenges have grown to the breaking point. First, more of the budget is classified, and this black budget does not receive the same oversight as other kinds of federal spending. As one aviation policy analyst put it, “The Pentagon’s ‘black’ budget for secret programs is a riddle wrapped in a mystery inside an enigma, taped up in a Wheaties box and locked in a safe that has then been built into a bridge abutment adjacent to the one containing the mortal remains of Jimmy Hoffa,” the union leader who mysteriously disappeared in 1975.32 The only people in government who know what or how much is in this black budget cannot tell, and the size and scale of these secret projects are hidden from all but a handful of members of Congress. Some projects have secret code names, such as “Tractor Rose” or “Retract Larch,” while others are funded by vague appropriations that do not describe what the money buys. The black budget hides the size of the Central Intelligence Agency’s budget, estimated at $40 billion, and there is no way to tell how much the government spends for its spy satellites, intelligence gathering, and research and development of top-secret weapons programs. One estimate put the Defense Department's black budget at $57.8 billion in fiscal year 2011, with billions more hidden in other agencies.33 The Clinton administration used the black budget to pay for spy satellites, and the second Bush administration expanded it to support its so-called war on terrorism as well as the wars in Afghanistan and Iraq. The entire process, one author wrote, has long been plagued by a “bewildering babble of classified code words and nicknames” that made effective spending control impossible.34 Officials who work in the programs often sport embroidered patches. One for “Project Zipper” shows a smiling face with sunglasses and a zipped mouth and the motto “We make threats not promises.” Another has a mushroom on a dark background—mushrooms are grown in the dark—and the motto Semper en Obscurus (always in the dark). A third quotes the first-century Roman emperor Caligula with Oderint Dum Metuant, which means “let them hate so long as they fear.”35 The growing size of the black budget pulls more defense and intelligence spending out of regular review through the congressional budget process. Following Edward Snowden’s leak in 2013 of an enormous quantity of classified information, including reports on the black budget itself, the entire process came under much tougher scrutiny.

Second, although the shift in the start of the federal fiscal year from July 1 to October 1 was designed to give Congress more time to finish its work, Congress has fallen further and further behind in its schedule. As noted budget expert Philip G. Joyce has found, Congress managed to get its work done on time just three times since 1977 (in fiscal years 1989, 1995, and 1997).36 When Congress can’t complete its work,
it has resorted to passing **continuing resolutions**, which allow the government to continue operating until Congress passes a budget—or another continuing resolution. Sometimes (as in 1979) Congress has operated the entire year on a single continuing resolution. At other times, it has passed a flurry of continuing resolutions, with the record at 21 in 2001, Joyce found. Congress sometimes has failed to pass a continuing resolution, and since 1980 that has had draconian consequences. That year, Attorney General Benjamin Civiletti took a tough view on Article I, Section 9 of the Constitution, which states that “No Money shall be drawn from the Treasury, but in Consequence of Appropriations Made by Law.” In practice, that meant that if appropriations expire, no federal agency can spend money. As Joyce has pointed out, “the consequences of failed budgets became much more real after 1980.”

For example, fierce battles between the Clinton administration and Republican House Speaker Newt Gingrich led to a five-day shutdown in November 1995, followed by a twenty-one-day shutdown stretching from late December 1995 through early January 1996, which was then capped by an epic blizzard that further crippled the capital. During such shutdowns, essential employees (like air traffic controllers and federal prison guards) can continue to work, but other employees must go home—and not even touch their government-issued smartphones.

Third, in an effort to force a budget agreement, Congress in 2011 invoked a process called **sequestration**. In 1985, Congress passed the Gramm-Rudman-Hollings Deficit Reduction Act, named after the three Senators who sponsored it. It was intended to increase budgetary discipline. Under the budget process, Congress passed an overall budget resolution, setting a target for spending, and then individual appropriations bills. If the appropriations bills exceeded the amount that Congress agreed to in the overall resolution, then automatic spending cuts would kick in to bring spending back to the total in the resolution. No one really expected the automatic cuts would take place—it was aimed at creating political leverage—and many parts of the budget, including Social Security, were not subject to the automatic cuts. The idea was to create a device whose implications were so unthinkable that it would increase congressional discipline. And, for years, Congress managed to steer around sequestration's consequences.

Until 2013, that is. In August 2011, the federal government hit the ceiling on the debt that Congress authorized it to issue. (A reminder: the debt is the total of past deficits, and the federal government borrows money from investors, at home and abroad, to finance it. But the debt is issued for fixed periods, and the debt limit prevented the federal government from borrowing new money to keep finances afloat.) Barack Obama and the Republican Congress struggled for days over a “grand bargain” to bring down the deficit in the long run, but they could not reach a deal. They decided instead on a mixed plan: an increase in the debt ceiling, agreement to keep the government going through a continuing resolution through the end of 2012, and a loaded gun to force warring Democrats and Republicans to the table: a sequestration that would force automatic across-the-board cuts covering almost all the federal government, except a handful of programs like Social Security and veterans care. The plan was simply this: create consequences so dire, with deep cuts in programs that Republicans and Democrats supported, that failure to reach agreement would be unthinkable.

Except that the unthinkable happened. As the December 31, 2012, deadline approached, Congress and the White House found itself deadlocked. They stretched the deadline one more time until early March but, in the end, couldn’t agree on a deficit-reduction plan. The sequestration kicked in, with automatic cuts in both defense and domestic programs as well...
as days off without pay, called furloughs for many federal employees. Several cuts, for inspectors in meat-processing facilities and for air traffic controllers, did prove so dire that lobbyists appealed to Congress for relief, and these programs received exemptions from the sequestration. For most of the rest of government, however, deep cuts came, with two big consequences. One was the cuts themselves. From federally funded Meals on Wheels programs, which provided food for the elderly, to guides who gave tours of the White House, the sequestration brought real reductions in service. The other was the uncertainty that the process created. It took a very long time for top executive branch officials to determine how best to implement the sequestration, more time for agency-level officials to transmit the guidance to their employees, and more months for the cuts to kick in. The White House had issued dire warnings about the harm sequestration would bring, but a Washington Post story concluded, “They said the sequester would be scary. Mostly, they were wrong.” Republican conservatives discovered that they were able to impose larger cuts than they had imagined, but the executive director of the National Head Start Association called the process a “meat cleaver.”

But that was only the first phase of what became perhaps the biggest constitutional crisis of recent times. Congress and the Obama administration maneuvered through the spring and summer of 2013 with a continuing resolution. On October 1, however, that short-term spending authority expired and, without appropriations to keep the federal government running, much of it shut down. “Essential” federal employees, like air-traffic controllers, border patrol agents, the Secret Service, and the Capitol Police were told to continue to come to work. Other employees, including employees at the Environmental Protection Agency, NASA, and the Library of Congress stayed home, and they were told they could not use their government-issued Blackberries or check their government email accounts. As the shutdown developed, the definition of who was “essential” changed. At first, the Pentagon announced that the armed
forces football teams could not play, but a later ruling held that the games could go on as sched-
uled. Most of the Pentagon’s civilian workers were originally told to stay home, but part way
through the shutdown they were told they were essential enough they could come to work.

Several headline-grabbing stories soon demonstrated the tensions of the government shut-
down. Three days into the shutdown, the Secret Service and the Capitol Police found them-
selves in a tense car chase. A dental hygienist from Stamford, Connecticut, tried to ram her
car into barriers protecting the White House, struck a Secret Service agent, and then raced her
car at speeds of 80 miles per hour down Pennsylvania Avenue to the Capitol. She led federal
officers on a wild chase around the building until they cornered her car against a barricade and
the shot her when she tried to bolt from the car. Nervous members of Congress were caught
inside the Capitol as the building was locked down. In guarding the White House and Capitol,
the Secret Service and Capitol Police were surely essential employees—and they put their lives
on the line even though they weren’t being paid. Meanwhile, hundreds of miles above them,
the International Space Station was circling with two American astronauts on board. Not only
were they not being paid, Karen Nyberg and Mike Hopkins couldn’t share what they saw with
Americans below because NASA’s website was dark because of the shutdown. They sent back
some remarkable photos, but they had to use their personal Twitter accounts.40 (The NASA
and contractor workers ensuring their safety, of course, were “essential.”)

The shutdown ricocheted around the nation and around the world. Visitors to the
American cemetery in France, where soldiers stormed the Normandy beaches during World
War II, discovered that the gate was locked and the American flag wasn’t flying. The scenic
roads through the Great Smoky Mountains National Park in Tennessee were closed, at the
peak autumn foliage season. The state government, along with two county governments that
had seen tourist income evaporate, provided their own funds of their own to get the park
reopened. In New York, the state government paid to reopen the Statue of Liberty. The fami-
lies of four soldiers killed in action in Afghanistan were told that the government could not
pay for their funerals or provide death benefits, until the Pentagon worked out a deal with the
Fisher House Foundation to make the payments until the government could reimburse them
later. As the shutdown stretched on into a second week, such stories continued to accumu-
late. Public disgust, directed especially at members of Congress, soared.

Conservative Republicans in the House of Representatives insisted they would not vote to
fund the government unless the agreement defunded the money needed to pay for Obamacare,
the president’s signature health care reform. The White House and congressional Democrats
refused. They pointed out that Congress has passed the program, the president had easily won
reelection afterwards, and the Supreme Court had upheld its constitutionality. Democrats bet
that public opposition to the shutdown would force the Republicans to back down. Two weeks
into the shutdown, a second crisis emerged. On October 17, the Treasury would not have
enough money to fund the federal government’s debt, and experts warned that defaulting
on those obligations would cause financial chaos. Members of Congress had set the expiration
of the continuing resolution on purpose, with each side calculating that the deadline would
give them an advantage. The October 17 deadline to raise the debt ceiling made the stakes
even higher. The debt of the United States government has long been considered by inves-
tors to be the safest in the world, and financiers had long assumed that no matter what else
happened the federal government could be counted on to repay the money it borrowed. That
turned up the heat even higher as the debt deadline approached.
Conservative “Tea Party” Republicans in the House refused to budge, and many openly speculated that the government could maneuver around the debt ceiling by selectively paying some bills and not others. Both government and private-sector financial managers replied that was impossible. International investors got increasingly nervous, and the Chinese news agency used the impasse to suggest “it is perhaps a good time for the befuddled world to start considering building a de-Americanized world.” House Speaker John Boehner (R-Ohio) tried to put together a deal that his party could support but it crumbled, leaving the government in shutdown and at the edge of default. Senate leaders Harry Reid (D-Nev.) and Mitch McConnell (R-Ken.) finally reached a last-minute agreement to fund the government for three months, extend the debt ceiling, create a committee to work out a long-term deal, and provide back pay to federal employees. The White House said it would sign the deal, the Senate quickly passed it, and House Democrats joined with enough House Republicans to make it law. The agreement reopened the government on October 17 after a 16-day shutdown, averted an even bigger crisis but, as so often proved the case, Congress postponed discussion of the big issues about the nation’s long-term financial stability yet again.

The battle even more deeply split an already polarized federal government. Congressional Republicans were in disarray. Sen. McConnell said that, for his fellow Republicans, the shutdown was like the kick of a mule. There wouldn’t be another shutdown, because “I think we have fully now acquainted our new members with what a losing strategy that is.” He warned his colleagues, “There is no education in the second kick of a mule.” President Obama chided the Republicans and said they have to “understand that how business is done in this town has to change,” but no one had a plan to escape the ongoing brinksmanship.

The fierce politics of the shutdown reminded us, yet again, that tough politics inevitably surrounds big decisions—and few decisions are bigger than those about taxing and spending. The issues of substance driving the politics were surprising, however. Although conservative Republicans decided to make Obamacare their line in the sand, senior Republican leaders quietly warned them there was no chance the White House would budge on that signature issue. Meanwhile, the conservatives’ preoccupation with defunding the plan distracted them and the media from the immense problems that surrounded the launch of Obamacare on the same day the government shut down, and they missed a big chance to wound the president. Behind these health care battles, however, there was one overriding truth: the disputes that shut the government down had very little to do with the big questions of entitlement spending and taxes that were central to the ongoing deficit debate.

The shutdown also seriously damaged the congressional budget process, and close observers wondered if the federal budget process had broken down completely. Lurching from one crisis to the next, with funding supplied through short-term continuing resolutions, was making it ever more difficult for federal managers to plan anything. Federal managers were spending an inordinate amount of time trying to understand and cope with the uncertainties, for their own paychecks and for the operations they were responsible for managing. The real decisions on the budget were becoming increasingly disconnected from the formal process of submitting, debating, and approving the budget, and the short-term battles were increasingly separate from the fundamental long-term budgetary issues. Critics complained that the budgetary process was no longer accountable to the public—or to anyone else, for that matter. Even the most optimistic Washington observers concluded that budgeting had run amok.
One analyst warned of a budgetary “ice age”—with the process locked in “a frozen mass of spending priorities that no one has really chosen and that no one really likes.” Proposals surfaced to reform the budget, including creating a budget that would last two years instead of one and passing a constitutional amendment to require a balanced budget. None of the procedural fixes, however, offered much hope for resolving what, at their core, were political problems. In 1987, Sen. Mark O. Hatfield (R-Ore.) captured the problem with an analysis that still rings true: “We are not going to work our way out of federal deficit difficulties with procedural gimmicks. There is nothing wrong with our present system if we summon the will to make it work. And if we do not have will, no new procedures will work any better.” Carol G. Cox, president of the Committee for a Responsible Federal Budget, agreed: “These are not economic problems. They are not analytical problems. They are political problems.”

Of course, budget battles between the president and Congress are as old as the Republic, but the battles have unquestionably become more fierce since the mid-1960s. Divided party control of the executive and legislative branches accounts for some of the conflict. So too does the rise of entitlements, which focus more political attention on a smaller share of the budget. Even more fundamentally, the nation is in the midst of profound debate about how big government ought to be and what it ought to do. These big questions shape the process and the politics of the federal budgetary process.

**BUDGET EXECUTION**

Once the executive and legislature agree on a budget, the challenge falls to the executive to, well, execute the spending plan. The authority derives fundamentally from the Constitution, and the president’s constitutional obligation to “take Care that the Laws are faithfully executed.” While the importance of this stage of the budgetary process might seem self-evident, Allen Schick has noted that executive practices are a “dark continent” of budgeting. The budget execution process is a delicate balance between ensuring that a program’s legislative goals are served and providing adequate flexibility for administrators to do their work.

For legislators, it’s a dual problem: making sure that executive branch officials do not exceed their authority to spend money and making sure that they implement the programs that legislators have approved. Either problem—doing more than the legislature approved or not doing all that the legislature expects—proves enormously frustrating to legislators.

Presidents from Franklin D. Roosevelt to Lyndon B. Johnson had claimed and exercised authority to **impound**: the refusal by the president to spend money appropriated by Congress. Richard Nixon was especially aggressive in asserting the impoundment power and, as Louis Fisher, the leading authority on impoundment, put it, Nixon’s actions “were unprecedented in their scope and severity.” Congress responded by drafting statutes more narrowly, to deprive the president and agency heads of discretion in implementing programs. Congress now increasingly votes “The Secretary shall . . . ,” instead of the traditional “The Secretary is authorized to. . . .” As the impoundment strategy receded, presidential signing statements arose to replace it, especially in the George W. Bush administration, as we will see in Chapter 14.

A critical piece of budget execution is management control, and “follow the money” is its basic commandment. The flow of money throughout the bureaucracy provides a valuable tool for controlling the implementation of governmental programs, and it provides
important leverage on administrators’ activities. First, the money trail demonstrates who is doing what. It is very difficult for administrators to do much without spending any money. The flow of cash doesn’t tell us much about the quality of an agency’s work, but it does tell us whether work is taking place. The same is true for the activities of contractors and grantees who produce much of government’s work.

Second, by controlling the flow of money, the executive can control the direction and pace of governmental activity. Managers sometimes presume that everyone within an organization is working toward the same goal, only to be surprised later by employees’ actions that are grossly out of line with the organization’s goals. The flow of money is important symbolically because it signals the goals an organization considers important. It is important managerially because it helps to secure a match between the broader goals of the organization and the individual goals of workers.

Finally, the flow of money is important for reporting and evaluating an agency’s performance. It can help managers to identify the “hot spots” that need attention, either because a unit is spending too much money too quickly or, paradoxically, because it is spending too little. More broadly, it provides important raw materials for program evaluation. By measuring what the money goes for, managers can take a first step toward determining a program’s, and thus an agency’s, efficiency and effectiveness.

“With rare exceptions,” Robert N. Anthony and David W. Young explain, “a management control system is built around a financial structure.” This structure, in turn, is constructed with the building blocks of accounts—for functions or agencies, for subunits within those functions or agencies, and on to the individual components of an agency. In most governmental accounting systems—federal, state, and local—every expenditure is tagged with an account number. Account number 3-45983-6803, for example, might identify precisely the source and use of the money: the first 3 might mean that the money comes from a particular funding source, such as an excise tax on gasoline; the 45983 might mean that the money is allocated to the field unit in charge of repairing roads in the southern part of the state; and the 6803 might mean that the money is going to purchase asphalt patching material. Thus, by means of computers, government managers can monitor the status of all their activities, separated into whatever components they desire, and link them back to the appropriation that authorized the activity.

Weak accounting systems have sometimes cost the government millions of dollars. GAO, for example, discovered that eighteen federal agencies paid 25 percent of their bills late, costing the government millions of dollars in penalties. Another 25 percent of the bills were paid too early, which meant that the government often had to borrow money, costing it $350 million annually in interest. The Department of Defense, meanwhile, could not account for over $600 million that foreign customers had forwarded for the purchase of weapons. Many agency accounting systems are “antiquated,” GAO concluded. “As a result, billions of dollars are not being adequately accounted for, managed or financially controlled.”

Different governments operate by different systems, but they all rely on management control systems built on accounts. While the intricacies of such fund accounting often seem boring to those worrying over broad legislative-executive conflicts and the politics of deficit reduction, they provide the ultimate control on the government’s money. Management control gives executive branch officials important information about the behavior of those who...
implement governmental policies, both within and outside government. Through routine auditing functions, it provides the mechanism for discovering problems and correcting them before they become large. Most important, effective management control provides important leverage over the activities of government officials, contractors, and grantees, and thus improves the chances for effective and efficient provision of public services.

One especially intriguing initiative to improve the connection between budgeting and results, inputs and outputs, is the movement in federal, state, and local governments toward performance management. Governments at all levels have increasingly introduced results-oriented management, built around strategic planning, to define more carefully an organization’s goals; performance measurement, to develop clear indicators of program outcomes; and the development of new management systems, especially information and human resource systems, to support the broader movement. Such cities as Sunnyvale, California, have moved to focus management more on results—such as the condition of local parks. Oregon launched a long-term effort to define state goals, from success in school to the cleanliness of the environment, and to measure the state’s performance against these goals.52

Congress passed the Government Performance and Results Act in 1993, and expanded it in 2011, to require all federal agencies to prepare annual performance plans and to report annually on the agencies’ actual performance. These reforms mirrored even more far-reaching strategies launched in Great Britain, Australia, and New Zealand. (We return to this and other performance-based techniques in later chapters.) The reforms have had sweeping implications. They require radically different skills and approaches for government managers, who must focus much more on outputs (such as program outcomes) instead of inputs (such as the budget). The information they produce offers greater potential leverage for such central management agencies as OMB. Indeed, OMB was one of the Government Performance and Results Act’s most enthusiastic supporters.

The evidence both from the American states and from abroad is that performance management is extremely difficult to develop and use. It imposes daunting measurement and management problems. Moreover, legislators have frequently made limited use at best of the great volumes of information such processes produce, in part because finding consensus on what goals ought to be measured is difficult, and in part because legislators often focus much more on attacking problems by passing laws and appropriating money than on overseeing results (as Chapter 13 discusses). Nevertheless, the evidence from both foreign and American experiments is that managers often have found results-oriented management useful in focusing agency staff on high-priority goals and for surviving in the increasingly stringent fiscal environment in which they find themselves. The federal government’s effort, however, is the largest such experiment in the world, and observers are looking carefully at whether it will offer real promise or will go the way of such previous reforms as PPBS, MBO, and ZBB.53

**BUDGETING FOR STATE AND LOCAL GOVERNMENTS**

There are as many strategies for state and local government budgeting as there are state and local budgets. But they do share several common features. First, unlike the federal budget, state and local governments must balance their budgets. The federal government can print
money and engage in long-term borrowing to cover its operating deficits. State and local
governments cannot. If they suffer a temporary shortage, they can slide deficits over into
the next fiscal year, dip into rainy day funds, or engage in short-term borrowing, but they
cannot engage in the long-term patterns of debt that shape so much of federal budgeting.

Second, state and local governments draw fundamental distinctions between their operat-
ing budget (to cover the cost of day-to-day functions) and capital budgets (to cover the cost
of long-term expenses for equipment and facilities). Although GAO has long campaigned
to create a capital budget for the federal government, state and local governments have used
them for generations. In general, state and local governments borrow to fund capital expendi-
tures. The basic principle of capital budgeting is that the term of the loan ought to match the
life of the equipment or facility. A state or local government might issue a twenty-year bond to
pay for a sewage treatment plant expected to last two decades or a ten-year bond for a new fire
engine. Taxes pay for operating expenses, like the salaries of firefighters and police officers.

Third, in some states, like Wisconsin, state activities continue automatically at the same
level if the legislature and the governor cannot agree on a new budget before the start of a
new fiscal year. But in most states, failing to pass a budget means that the authority to spend
money expires and shutdowns, from closing state campgrounds to laying off employees, is
both fiscal reality and political theater. In the recent economic downturn, many state and
local government employees found themselves subject to furloughs as their governments

FIGURE 11.4

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
<th>2045</th>
<th>2050</th>
<th>2055</th>
<th>2060</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonhealth care expenditures</td>
<td>0.0</td>
<td>2.0</td>
<td>4.0</td>
<td>6.0</td>
<td>8.0</td>
<td>10.0</td>
<td>12.0</td>
<td>10.0</td>
<td>8.0</td>
<td>6.0</td>
<td>4.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Health care expenditures</td>
<td>0.0</td>
<td>2.0</td>
<td>4.0</td>
<td>6.0</td>
<td>8.0</td>
<td>10.0</td>
<td>12.0</td>
<td>12.0</td>
<td>10.0</td>
<td>8.0</td>
<td>6.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>


Note: Data for 2012 are estimates; data for 2013 to 2060 are projections.
struggled to balance their budgets. And in Detroit, the accumulation of a generation of a shrinking economy and budget problems led the city to declare bankruptcy in 2013, the largest municipal bankruptcy in the nation’s history. The bankruptcy filing led to debates on questions ranging from whether the city could walk away from its pension obligations to retired employees to whether it should sell art by masters like Matisse that were owned by its municipal museum.

Utah has long set the standard by which state and local governments’ budgets are judged. It has fully funded its pension system. Many other governments have counted on long-term borrowing or future taxpayers to pay for the pensions of retired government employees. Utah has funded its infrastructure needs and kept its debt under control. As the Government Performance Project found in 2008, Utah has avoided the traps that have so often bedeviled other states.

However, the long-term fiscal picture for state and local governments raises many of the same big questions facing the federal budget. Health care expenditures are rising rapidly and, GAO projects, will equal all other state expenditures by 2060 (see Figure 11.4). The rise of these expenditures, coupled with the ongoing struggle of state and local governments to

---

**FIGURE 11.5** Projected State and Local Deficits in the Long Term

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Surplus (Positive balance)</td>
</tr>
<tr>
<td>2006</td>
<td>-2</td>
</tr>
<tr>
<td>2007</td>
<td>-4</td>
</tr>
<tr>
<td>2008</td>
<td>-6</td>
</tr>
<tr>
<td>2009</td>
<td>-8</td>
</tr>
<tr>
<td>2010</td>
<td>-10</td>
</tr>
<tr>
<td>2011</td>
<td>-12</td>
</tr>
<tr>
<td>2012</td>
<td>-14</td>
</tr>
<tr>
<td>2013</td>
<td>-16</td>
</tr>
<tr>
<td>2014</td>
<td>-18</td>
</tr>
<tr>
<td>2015</td>
<td>-20</td>
</tr>
<tr>
<td>2016</td>
<td>-22</td>
</tr>
<tr>
<td>2017</td>
<td>-24</td>
</tr>
<tr>
<td>2018</td>
<td>-26</td>
</tr>
<tr>
<td>2019</td>
<td>-28</td>
</tr>
<tr>
<td>2020</td>
<td>-30</td>
</tr>
<tr>
<td>2021</td>
<td>-32</td>
</tr>
<tr>
<td>2022</td>
<td>-34</td>
</tr>
<tr>
<td>2023</td>
<td>-36</td>
</tr>
<tr>
<td>2024</td>
<td>-38</td>
</tr>
<tr>
<td>2025</td>
<td>-40</td>
</tr>
<tr>
<td>2026</td>
<td>-42</td>
</tr>
<tr>
<td>2027</td>
<td>-44</td>
</tr>
<tr>
<td>2028</td>
<td>-46</td>
</tr>
<tr>
<td>2029</td>
<td>-48</td>
</tr>
<tr>
<td>2030</td>
<td>-50</td>
</tr>
<tr>
<td>2031</td>
<td>-52</td>
</tr>
<tr>
<td>2032</td>
<td>-54</td>
</tr>
<tr>
<td>2033</td>
<td>-56</td>
</tr>
<tr>
<td>2034</td>
<td>-58</td>
</tr>
<tr>
<td>2035</td>
<td>-60</td>
</tr>
<tr>
<td>2036</td>
<td>-62</td>
</tr>
<tr>
<td>2037</td>
<td>-64</td>
</tr>
<tr>
<td>2038</td>
<td>-66</td>
</tr>
<tr>
<td>2039</td>
<td>-68</td>
</tr>
<tr>
<td>2040</td>
<td>-70</td>
</tr>
<tr>
<td>2041</td>
<td>-72</td>
</tr>
<tr>
<td>2042</td>
<td>-74</td>
</tr>
<tr>
<td>2043</td>
<td>-76</td>
</tr>
<tr>
<td>2044</td>
<td>-78</td>
</tr>
<tr>
<td>2045</td>
<td>-80</td>
</tr>
<tr>
<td>2046</td>
<td>-82</td>
</tr>
<tr>
<td>2047</td>
<td>-84</td>
</tr>
<tr>
<td>2048</td>
<td>-86</td>
</tr>
<tr>
<td>2049</td>
<td>-88</td>
</tr>
<tr>
<td>2050</td>
<td>-90</td>
</tr>
<tr>
<td>2051</td>
<td>-92</td>
</tr>
<tr>
<td>2052</td>
<td>-94</td>
</tr>
<tr>
<td>2053</td>
<td>-96</td>
</tr>
<tr>
<td>2054</td>
<td>-98</td>
</tr>
<tr>
<td>2055</td>
<td>-100</td>
</tr>
<tr>
<td>2056</td>
<td>-102</td>
</tr>
<tr>
<td>2057</td>
<td>-104</td>
</tr>
<tr>
<td>2058</td>
<td>-106</td>
</tr>
<tr>
<td>2059</td>
<td>-108</td>
</tr>
<tr>
<td>2060</td>
<td>-110</td>
</tr>
</tbody>
</table>


Note: Data for 2012 are estimates; data for 2013 to 2060 are projections.
modernize their tax systems to fit the twenty-first century economy, threatens to drive their budgets deeper into the red in the coming years (see Figure 11.5). These challenges will strain their budgets—and their budgetary policies and politics.

CONCLUSION

Few things capture the central issues of the politics of the administrative process better than budgeting: the effect of government taxing and spending on the economy, the effect of the economy on the budget, and the use of the budgetary arena for fighting out (if not always resolving) battles between the legislative and executive branches. Budgeting is the arena that most fundamentally shapes public policy decisions. By putting dollars together with often ambitious, and sometimes conflicting, goals, policymakers provide the resources needed to bring programs to life. While the budgetary process varies greatly at all levels of government, the basic issues remain. Nothing is more important than V.O. Key’s basic question: “On what basis shall it be decided to allocate x dollars to activity A instead of activity B?”

The decision-making models discussed in Chapter 10 laid out the basic issues. This chapter demonstrates, however, that decisions reached and formalized at one stage of a multistage process may be superseded and reshaped by decisions made at later stages, by elected officials and administrators alike. The decision-making process, then, is considerably more complex than is suggested by theories focused on how one person or one organizational unit makes choices among alternatives at a single point in time. In fact, many such processes operate simultaneously in government, sometimes at cross-purposes. But nothing is more basic than the allocation of financial resources to support government activities.

The next question, of course, is how the administrative process acts on those decisions: how it adapts, refines, and sometimes even reshapes the results of the legislative-executive contests. That is the process we call implementation, to which we turn in the next chapter.

CASE 11.1

Going Black: The United States’ “Black Budget” Intelligence Operations

The movie “Zero Dark Thirty” won an Oscar for its portrayal of the daring raid on terrorist mastermind Osama bin Laden in 2011. The movie peels back just a bit of the secret intelligence world that made the raid possible. But the reality is a far larger and more sophisticated world than most Americans—in fact, most members of Congress—realized. For example, as SEAL Team Six was on the ground, they had help from incredibly sophisticated satellites overhead that picked up intelligence as the commandos broke into the compound. Before the SEAL team hit the ground, the federal National Reconnaissance Office had collected more than 387 high-resolution images of the compound, and a special outfit called the Tailored Access Operations group installed spyware and tracking devices on phones and computers used inside the al Qaeda network. A special stealth drone, the RQ-170, flew over Pakistan to...
pick up information. All this helped intelligence analysts determine they had zeroed in on their target. Afterwards, managers managed to dig up an extra $2.5 million in money for overtime and extra computers to sift through all the intelligence that the SEALs brought out with them on their helicopters.¹

All this came out of the federal government’s “black budget,” hidden in super-secret compartments of the national security budget. Only a handful of members of Congress know the details of what’s inside the “black” part of the defense budget and, until very recently, almost no one outside the intelligence community even knew how large it was. Until, that is, former National Security Agency analyst Edward Snowden leaked top-secret documents to The Washington Post and Britain’s Guardian newspapers. From those materials came a first-ever portrait of the government’s clandestine world.

As Figure 11.6 shows, the “black” budget is $52.6 billion in fiscal year 2013, with the CIA receiving the largest share. Close behind are the National Security Agency, which intercepts foreign electronic signals to analyze intelligence, and the National Reconnaissance Office, which operates reconnaissance satellites. Two smaller operations round out the top 5 of the “black” world: the National Geospatial-Intelligence Program, which develops imagery and mapping, and the General Defense Intelligence Program, which assesses foreign intelligence and capabilities. Together these 5 agencies account for over 85% of total “black” budget spending.

And who works inside this secret world? The leaked documents reveal that the intelligence community has almost 84,000 civilian employees, in the United States and abroad (with the CIA accounting for the largest share, at more than 21,000). Military officials account for 23,400 employees, two-thirds of whom are in the National Security Agency. And as Figure 11.7 shows, about 17% of the total, 21,800, are full-time contractors—like Edward Snowden (who worked for the NSA in Hawaii, after receiving his security clearance after a review by employees working under contract).

---

**FIGURE 11.6** Top Five Recipients of Black Budget Spending

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Billions of U.S. Dollars (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Intelligence Agency</td>
<td>$14.0</td>
</tr>
<tr>
<td>National Security Agency</td>
<td>$12.5</td>
</tr>
<tr>
<td>National Reconnaissance Office</td>
<td>$10.0</td>
</tr>
<tr>
<td>National Geospatial Intelligence Program</td>
<td>$8.0</td>
</tr>
<tr>
<td>General Defense Intelligence Program</td>
<td>$6.0</td>
</tr>
</tbody>
</table>


*Note:* The top 5 recipients amount to approximately $45.1 billion of a total $52.6 billion (about 85.7%) in black budget spending. The remaining recipients include the Department of Justice, Office of Director of National Intelligence, Specialized Reconnaissance Programs, Department of Defense Foreign Counter-Intelligence Program, Department of Homeland Security, and Department of Energy.
The bin Laden raid is only part of the huge “black” world. In 2011, the Post learned, the intelligence community undertook 231 offensive cybersecurity operations. In an operation under the code name GENIE, American exerts hacked into foreign computers to allow the government to monitor their operations and control them from afar. Special targets were China, Iran, North Korea, and Russia, the top-secret documents said. And in an elite operation known as “the ROC” (short for the Remote Operations Center), elite NSA hackers ran a sophisticated effort to discover and exploit defenses in foreign computers.

Questions to Consider

1. Are you surprised by the dimensions of the “black budget” and the people paid by it? What, if anything, surprises you most?
2. Consider the issues of accountability. Given the competing demands for transparency and oversight, do you believe that the “black budget” is sufficiently accountable?
3. Now consider the future of cybersecurity and “black ops” programs. They’re sure to increase, as pressures mount about information security and terrorism. No intelligence official will want to manage programs through the pages of the Washington Post or the Guardian. What would you recommend for the future of budgeting for these programs?
As a Southeastern Pennsylvania Transportation Authority (SEPTA) bus passed Independence Hall in Philadelphia, negotiators haggled over how best to support the mass transit system. SEPTA daily carried half a million people throughout the region.

For years, customers of Philadelphia's mass-transit system could hardly get through their daily commute without bumping into a sign advertising the system's motto: "We're getting there." Disgruntled commuters asked, "When?"

Cynics couldn't help but point out a double meaning: "We're getting there" was meant to suggest progress, but it also implied that SEPTA had a long, long way to go. Full buses often drove right past impatient commuters waiting at the stops. Long delays left trolley riders fuming. Fares continued to rise, and patrons continued to complain about the service.

By many measures, SEPTA's troubles shouldn't even have existed. Philadelphia has one of the nation's best mass-transit systems, due in large part to its long history and its prime location along the busy New York–Washington corridor. In contrast to cities such as Washington, D.C., that have squeezed their mass-transit lines into already fast-growing suburbs, Philadelphia's suburbs grew up along preexisting mass-transit routes. Despite those advantages, SEPTA has faced chronic...
budget deficits, and those deficits in turn have created bigger and bigger service problems.

Toward the end of 2004, the system faced a $62 million budget deficit, which SEPTA officials said could lead to a 25 percent fare hike, a 20 percent reduction in service (including the elimination of all weekend service), and a cut of 1,400 jobs. One plan even raised the possibility of boosting the $2 fare to $3, which would have resulted in one of the highest fares in the nation. “This is the worst crisis to face SEPTA in its 36-year history,” system chairman Pasquale T. Deon Sr. said. SEPTA’s general manager, Faye Moore, added, “The impact of these measures on the lives of our customers, businesses in the region, as well as my fellow SEPTA employees, would be devastating.”

In November of that year, the system’s budget woes exploded into a statewide issue. SEPTA organized busloads of riders, system managers, and union members for a bus trip to the state capitol in Harrisburg to lobby for state help. These activists pleaded with the governor for aid, and they warned state legislators of the economic crisis that would befall the region if the aid did not arrive in time.

Those who followed Pennsylvania politics recognized that a SEPTA budget crisis was a recurring drama. Every two years, as its budget came up for debate in the state legislature, SEPTA presented a forecast full of red ink. Every two years, it warned riders and employees that, without more state support, the system would face big cutbacks. Every two years, the state provided additional support. And then, by the next year, the whole process began again.

The recurring budget crises made some state officials, both Democrats and Republicans, suspect that the threats of service cuts were SEPTA’s version of the “Washington Monument ploy.” This was a strategy invented by George B. Hartzog, who directed the National Park Service during the Nixon years. In 1969, the administration cut the service’s budget. Hartzog responded by closing all national parks, including the Washington Monument and Grand Canyon, for two days each week. “It was unheard of,” he recalled later. “Even my own staff thought I was crazy.” He complied with the letter of the policy but created such a political storm that Congress and the administration soon restored the funding. Other leaders copied his lesson and responded to threats of budget cuts by offering up cuts that were politically unacceptable. But it also made policymakers cynical and suspicious, for it became difficult to tell which problems were real and which were just clever budget tricks. In SEPTA’s case, a spokesperson for House Majority Leader Samuel H. Smith suggested that “SEPTA creates these budgets to create a crisis.”

But the head of the Pennsylvania Public Transit Association, Michael Imbrogno, insisted that the 2004 crisis was real. The implications, he warned, could stretch from Philadelphia to Pittsburgh, which had the state’s other large mass-transit system, and from there to “nearly all the systems, including community services that impact senior citizens, the disabled and transit-dependent workers.” The system’s advocates contended that the spillover effects on the state’s economy would be huge, since so many people without cars relied on the system and that, without a good system, traffic in key transportation corridors would become hopelessly clogged. The chairman of the SEPTA board put it more bluntly, warning that if the agency did not get state help, “The ship is really going down this time.”

Whether real or manufactured, SEPTA’s critics concluded, the transit system’s perpetual crisis was in large part a symptom of deeply rooted management problems. Providing more aid each year gave the system no incentive to fix them. If the state caved in again, they warned, SEPTA would only learn once again just how well its budget strategy worked.

For their part, SEPTA officials claimed that the deepening budget problems were a symptom of
the state’s failure to provide a firm foundation for the system’s financial operations. They never knew how the budget battles would come out, so they could never plan ahead. Because the state provided inadequate support, these officials argued, they had little choice but to divert funds intended to build the system’s future to pay for this year’s emergency maintenance. As a result, they were forced to delay maintenance that needed to be done and to squeeze riders with higher fares, less service, and more unpredictable trains and buses and trolleys.

SEPTA officials argued that the problem could be fixed once and for all if the state would provide a predictable flow of revenue to the system from a dedicated funding stream (that is, a revenue source whose proceeds would flow automatically to SEPTA). They suggested that a higher gasoline tax would do the trick: it would keep money within the transportation system, it would nudge the cost of gas higher and thus create incentives for riders to switch to more fuel-efficient mass transit, it would get SEPTA out of the battle for other state revenues, and it would allow system officials to make long-term plans for a more reliable system.

Unfortunately, that proposal was not very popular in Harrisburg, where the Republicans who controlled both houses of the legislature were not eager to drive up the price of gasoline for their constituents and then ship the revenues off to Democratic Philadelphia. That city’s legislators tried to build a broader coalition with the moderate Republicans who represented the suburbs around the city, but raising taxes was never an easy sell for them. The Philadelphia legislators also hoped for help from Governor Ed Rendell, a Democrat who had previously been mayor of Philadelphia, but he had no love for SEPTA, and other battles he needed to fight with the Republican legislators made him wary about engaging them on this front.

The Republicans, for their part, saw real value in the biennial fight to save SEPTA. It was a must-win issue for their Democratic colleagues from Philadelphia—and every must-win issue created opportunities to extract votes from them on other issues that mattered to legislators elsewhere in the state.

No one really wanted SEPTA to go down the drain—or even to eliminate weekend service—but no one was sure exactly how to fix its chronic problems. Meanwhile, keeping the budget game going worked, sometimes in subtle ways, for many of the players in the state budgetary process.

Questions to Consider

1. How does the “Washington Monument ploy” work? Do you believe it is likely to be an effective strategy? Will players in the process catch on after an agency has tried it once or twice?
2. How does the regular nature of SEPTA’s budget battles affect its ability to plan and operate in the long term?
3. What lessons does the biennial budget game teach about the incentives for those who play it?
4. What options might policymakers consider for “fixing” SEPTA? What would you recommend?

NOTES

1. See the system’s website: http://www.septa.org.
Jonathan Walters is a long-time journalist and a veteran firefighter. He’s president of Ghent Fire Company Number One in upstate New York. He’s a Class A interior-attack qualified firefighter, which means that if your home or building catches fire, he’s trained to come inside and save you. He’s been a volunteer for fifteen years in his fire company and, as he jokes, he’s used “to things getting hot around me.”

He’s also an expert on performance management in government. He worries about basic questions: “in the face of constrained budgets, is my fire company amassing and deploying resources in the smartest, most sophisticated way possible?” His conclusion, he says, “is that we in the fire service have a long way to go when it comes to using performance metrics to drive what we do. We like to talk about our annual run rate, response times, crew sizes, etc., but not about how many of our calls are real, or what they consist of, or how we performed once we got to the scene. As I tell my guys all the time, our image as local heroes isn’t going to inoculate us forever from tough questions about what we cost versus what we do.”

Firefighters do have an image as local heroes. Which of us, after all, would stir from a sound sleep, leap onto a truck, and run into a burning building that could collapse around us? But as local budgets across the country suffered hard hits in the Great Recession, calls have come for wage give-backs and cuts in pensions. “Painting firefighters as something of a pampered class,” he wrote, “would have been unheard of just a few years ago. Today, it’s a widespread practice.”

Lowell, Massachusetts, relies on mutual aid from surrounding communities in case of big fires. Baltimore firefighters faced the tough choice of five to eight furlough days—days off, without pay—or losing 100 positions. San Diego officials created “rolling brownouts,” which closed firehouses on a rotating basis to save money. As Tom Wieczorek, director of the International City/County Management Association’s Center for Public Safety Management noted, “It’s one of the most challenging times I’ve ever seen.”

As local fire departments are facing these realities, they’re also being forced to confront the nature of their work. In many communities, fire departments respond both to fires and to medical emergencies. In the typical community where the department handles both, 80 percent of the calls are for EMS and just 20 percent for fires. Many fire calls are for small fires or false alarms. In San Jose, a call for a medical emergency gets a response with a pumper and four firefighters. In Fargo, North Dakota, the chief says the department has moved away from that approach. Fire trucks are dispatched, says Chief Bruce Hoover, if “there’s bleeding, breathing complications, or trauma.” That, in turn, has “cut our run count back by 1,000 a year, and has kept apparatus and manpower in place for real emergencies.”

That step, however, is a big one for most local governments, where that shift would challenge long-standing practice. The alternative, Wieczorek says, could be far worse. “Don’t get caught up in the hysteria trap of believing that if you pursue things like brownouts and budget cuts that children are going to die and senior citizens will burn up,” he argued. “That might
happen, but only if we keep doing business in the same old ways.”

Questions to Consider

1. What do you make of Walters’s argument that fire departments need to move to better performance measures as a strategy for dealing with tight budgets?
2. If you agree with this approach, what barriers do you see standing in the way? What would you do to break these barriers? If you disagree, what alternatives would you suggest?
3. Consider Wieczorek’s argument that the real threat to public safety lies not in restructuring fire departments but in failing to do so—and risking that tight budgets will lead to larger and harder-to-manage budget cuts. Do you agree?
4. This is an issue that always provokes sharp public debate. How would you deal with citizens as such a debate literally catches fire?

NOTES

2. Ibid.
4. Ibid.
5. Ibid.
6. Ibid.

KEY CONCEPTS

appropriations 311
authorizations 311
black budget 313
budget authority 311
capital budgets 321
continuing resolutions 314
debt 300
deficit 300
fiscal policy 300
fiscal year 300
furloughs 315
impound 318
legislative budget 311
management by objectives (MBO) 308
monetary policy 302
national debt 300
National Performance Review 308
outlays 312
Program Assessment Rating Tool (PART) 308
rule of anticipated reactions 310
sequestration 314
surplus 300
uncontrollable expenditures 309
Washington Monument ploy 310
zero-base budgeting (ZBB) 308
FOR FURTHER READING


SUGGESTED WEBSITES

A rich amount of information about the federal budget is available on the Internet. An excellent place to start is the Office of Management and Budget (OMB) website, www.whitehouse.gov/omb, which contains each year's budget as proposed by the president, voluminous supporting information, and historical tables to track the budget's long-term trends. Several databases can be downloaded from this website into spreadsheet programs, which makes analysis and charting easy.

The Congressional Budget Office's website, www.cbo.gov, contains a wide variety of studies and analyses. In addition, its historical tables provide useful information that often break down government spending and income differently than OMB's data, which often can be useful in considering long-term trends, especially for entitlement, discretionary, and uncontrollable spending.

The president's Council of Economic Advisers publishes analyses at www.whitehouse.gov/cea, as does the Board of Governors of the Federal Reserve at www.federalreserve.gov.

Copyright ©2014 by CQ Press, an imprint of SAGE Publications, Inc. This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.