PRINCIPLES OF MUNICIPAL BUDGETING?

A REEXAMINATION OF THE DEBATE OVER THE PRINCIPLES AND PROVERBS OF PUBLIC ADMINISTRATION

by

David J. Helpap

A Dissertation Submitted in

Partial Fulfillment of the

Requirements for the Degree of

Doctor of Philosophy

in Political Science

at

The University of Wisconsin-Milwaukee

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ABSTRACT

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David J. Helpap

The University of Wisconsin-Milwaukee, 2012
Under the Supervision of Professor John Bohte

Over 70 years ago a number of management principles were published that, according to their advocates, had the potential to lead to greater organizational performance and efficiency. Although generally supported, several scholars successfully argued that contradictions and ambiguity among the principles made them nearly impossible to implement in practice. As a result, they have received scant attention and applications of the concept to contemporary public administration have been limited. Nonetheless, various public management organizations recently have developed guidelines to encourage certain activities or decision rules. In particular, a comprehensive set of guidelines to define a good and accepted public budget process for state and local governments was developed in 1998. The purpose of this dissertation is to determine the degree to which local government practices correspond to these guidelines. Extensive and consistent use of the guidelines could indicate that management principles are present in certain aspects of public management. Conversely, general disregard for the guidelines could indicate disconnects between theoretical concepts and practice. Data to address this question is obtained from an original survey submitted to a random sample of municipal budget and finance officials across the United States. Two particular aspects of the framework and budget process are examined— the adoption of financial policies and the development and evaluation of financial options. A review of the survey responses indicates significant use of the guidelines among local governments. However, deviations are present across guidelines and municipalities. As a result, a number of potential explanations are explored that receive support from previous research and comments provided by respondents. Departmental leadership and municipal characteristics such as resources and population appear to explain, at least partially, the degree to which local governments utilize practices consistent with established guidelines. Overall, the study fills a research gap within public budgeting literature, supports the conclusions of previous scholarship, and illustrates the need for additional research on management guidelines, particularly those that address the budget process.

Major Professor | 6-15-12
Date

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Although only one name appears at the outset of this dissertation, its completion would not have been possible without advice and support from countless family members, friends, colleagues, and mentors. Whether or not they know it, this document is as much their accomplishment as it is mine. As a result, no amount of thanks could adequately convey my appreciation. Nevertheless, the following paragraphs represent my humble attempt.

To begin, I would like to thank the political science faculty members at the University of Wisconsin-Milwaukee. This document is a product of the training and guidance that I have received from these individuals. Joel Rast, Doug Ihrke, and Marc Ethridge require specific thanks. My interests in both political science and public administration have been defined by the classes and direction they offered. I also have had the privilege to work with, and learn from, Kathy Dolan and John Bohte in the classroom. Observing their teaching philosophies and student interactions has been invaluable as I have attempted to refine my own approach.

As my major professor, the thanks I owe to Professor Bohte extend beyond his role as a mentor to a freshly minted teaching assistant. This dissertation, and its focus on public management and finance, largely is a result of his continuous direction and motivation over the last several years. Additionally, he has served as my advisor for the majority of my tenure at UWM. In doing so, he has provided me with essential advice that has helped me through each stage of graduate school. I am, and will continue to be, very grateful for the quality and thoroughness of his guidance.

It is also imperative to note that graduate school and my enrollment at UWM would not have occurred without the constant encouragement offered by Professor Terri Johnson at the University of Wisconsin-Green Bay. Once I began the process, our continued conversations always made the mountain of graduate school seem so much smaller. I am proud to still refer to myself as one of her students.

Graduate school has a way of forging close friendships and my experience was no different. Aaron, Tim, and Zach helped me through coursework dilemmas, frustrations in the classroom, and a few pints following long weeks and exams. Aaron, in particular, agreed to be my roommate for two years. While I am sure he probably regretted his decision on more than one occasion, I know the quality of my work and experiences would not have been the same without his friendship, advice, and perspective. My friends outside of graduate school deserve thanks as well. In particular, the friendship provided by Ryan, Matthew, Jeremy, Troy, and Erin throughout this endeavor has been invaluable.

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Chapter I.
Principles, Practices, and the Municipal Budget Process

Introduction

An edited volume compiled by Luther Gulick and Lydal Urwick in 1937 included among its selections an essay written by Gulick himself. Reflecting a common agenda of public administration scholars at the time (Hammond 1990), Gulick largely focused on the relationship between the structure of an organization and its performance (i.e., efficiency). More specifically, the essay contained a collection of principles that outlined proper organizational design and its potential benefits. Gulick believed, "like physics and chemistry…administration was governed by principles. The object of the administrative principles was the accomplishment of the work at hand with the least expenditure of people and material" (Naidu 1996, 70). For example, according to one principle, labor should be divided based on specific tasks. This allows workers to develop specialization and, therefore, greater efficiency. Another principle suggests a manager should be responsible for a limited number of employees because of time, energy, and knowledge limitations. Managers, therefore, are more effective when the number of employees under their control is small rather than large. As a whole, "implementation of these and related principles would result in organizations characterized by an almost mechanical efficiency" (Meier and Bohte 2000, 116).

Given their focus on efficiency and their level of support among prominent scholars, the principles were appealing (Meier and Bohte 2000, 116). However, less than a decade after their publication they became the subject of a direct and permanently damaging review by Herbert Simon (1946). According to Simon, the principles were relatively limited for reasons that included contradictions across the prescriptions and a lack of details (Simon 1946). Properly applying the principles to practice, therefore, was nearly impossible. The effect of the criticism was significant. Not only did administrative principles appear less useful, but the critiques almost completely shifted public administration research from organizational structure to decision-making (Hammond 1990). Other than additional criticism or discussion within a historical context, management principles have received scant attention and research applying them to current topics has been limited. However, when the principles have been explored in greater detail, their relevance to current organizations has been supported (Meier and Bohte 2000) and additional research appears warranted (Meier 2010; Hammond 1990).

As a consequence of this neglect, a number of potentially important questions have received little attention. For example, relatively few attempts have been made to determine if certain principles actually affect organizational performance (but see Meier and Bohte 2000). Additionally, no research has attempted to apply the concept of principles beyond organizational structure. This is particularly unfortunate because, similar to the organizational scholars mentioned above, a number of public management organizations have developed various guidelines, prescriptions, or best practices to encourage certain activities or decision rules.[1] If these practices are being utilized extensively, whether organically or because of external encouragement, the concept of principles, similar to those advocated by Gulick (1937) and others, may be alive and well in other aspects of public management. Conversely, a lack of adherence to such guidelines may indicate disconnects between what is developed in theory and what can be effectively applied in practice (Simon 1946). Regardless of the circumstance, the

[1] Examples of organizations that promote the use of best practices include the International City/County Management Association, the International Economic Development Council, the National League of Cities, and the U.S. Conference of Mayors, among many others.

historic contributions of both authors—Luther Gulick and Herbert Simon—necessitate a modern extension of their commentary. In response, the research I produce here examines the potential application of public administration principles to one particular aspect of public management—municipal budgeting.

The Importance of Local, Public Budgets

When compared to other political science or public administration topics, the attention given to public budgeting is somewhat limited. However, this does not mean its importance has been entirely lost on scholars. In fact, most other political or public management issues cannot be discussed without also accounting for budget and financial considerations (NACSLB 1998). More specifically, budgets, and the processes used to obtain them, frame the agendas and activities of public institutions. For example, according to one set of observers, a "budget outlines a government's scope of responsibilities, defines its relationship with citizens, and reveals how the government plans to extract resources from private citizens to fund what services and to achieve what goals" (Franklin et al 2009, 52). In sum, public budgets determine "which policies will be implemented and which social values will prevail" (Clynch and Lauth 1991, 1).

The importance of public budgeting is not limited to a single type or level of government. This is reflected by the diverse array of research that has addressed the topic. For instance, research has ranged from the growth patterns of the national government's budget (Jones and Baumgartner 2005) to the budget processes utilized by states and local governments (see, for example, Rubin 1998; 1992; Rubin and Stein 1990). Within this range, however, budgeting among local governments is of particular interest here. Over the last several decades, the importance of examining the budgeting and financial management techniques of these governments has been illustrated repeatedly. For example, in 1975 severe fiscal problems almost bankrupt New York City—the largest city in the United States. Assistance from the State of New York and the national government was needed to correct a long-standing disregard for state requirements, proper accounting techniques, and good budgeting practices. Stated another way, "despite [a state] requirement, the city used obsolete and confusing budgeting and accounting systems that included [several] financial gimmicks" (Dunstan 1995, 2). Although the circumstances that occurred in New York City highlighted the need for proper budgeting practices, countless other municipalities have been forced to confront their own financial challenges. Exacerbated by a significant economic downturn, local governments have been faced with steady declines in revenue and a general increase in demand for services (Cooper 1996). Because municipal budgets are the financial plans that dictate how and where money will be allocated (Solano 2004), it is the budget process that determines how these conflicting trends are reconciled.

The role of local governments and the budgeting and financial challenges they face also cannot be trivialized. For example, in 2011 elected officials in New York City and Chicago approved budgets of $65.9 billion and $6.3 billion, respectively. Even local governments with populations below 30,000 require budgets that exceed $15 million. Expenditures detailed in these budgets provide fire and police protection, infrastructure and park maintenance, health services, job creation programs, and economic development efforts. In short, local governments control substantial resources that are used to provide services that impact the daily lives of citizens across the country. The impact of local budgeting, therefore, is significant.

Despite this importance, the processes used by local governments to develop their budgets have been subject to significant criticism. In fact, they have been described as inconsistent, unprofessional, and varied (Rivenbark and Allison 2003)—in spite of the circumstances faced by New York City and others. Additionally, guidance for public officials seeking to improve their budgeting processes has been limited (Gross 1998). The consequence of this realization, as the following section will indicate, has created a potential connection between management principles and local, public budgeting.

Principles of Public Budgeting?

Following a call for improved budget practices among state and local governments, the National Advisory Council on State and Local Budgeting (NACSLB)—a group of stakeholders composed of budget practitioners, elected officials, labor representatives, academics, and members of professional organizations—produced a document entitled *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (Gross 1998). The purpose of the document was to establish a series of practices and procedures that, when taken together, define a good and accepted budget process (NACSLB 1998). The resultant practices were supported by practitioners (Gross 1998), academics (Kelly and Rivenbark 2003), and professional associations such as the International City/County Managers Association (ICMA) and Government Finance Officers Association (GFOA). In the case of the GFOA, significant organizational resources were dedicated to the creation and endorsement of the practices. More recently, a survey of public budget and finance practitioners identified the practices as a core competency that should be highlighted in public administration graduate curriculum (Peddle and Thurmaier 2011). Overall, the merits of the practices have been well documented by both practitioners and academics.

Although these practices were formally published in 1998, discussion of the framework has been limited to largely supportive commentaries. Additionally, little systematic research has focused on the use of these practices among local governments. While this is a regrettable oversight for several reasons, one of the most significant is the potential connection between these budgeting practices and the management principles advocated by Luther Gulick (1937) and his likeminded contemporaries. Similar to the management principles, the budgeting practices have received extensive support and are largely assumed to be useful. As the initial section illustrated, however, a more careful examination of management guidelines and practices often is needed. While established prescriptions may be useful in theory, their actual application to practice may be limited or largely impractical (Simon 1946). In short, depending on the degree to which the NACSLB practices are utilized, the guidelines may represent a modern variation of Gulick's principles of public management. On the other hand, limited use may indicate the need for a more critical review of the practices, similar to Simon's commentary on the principles of public administration. Neither of these potentially influential conclusions can be reached, however, without appropriately directed research.

Given the number of best practices, guidelines, and recommendations that have been recently developed and promulgated by public managers and professional organizations, similar research has not been ignored entirely. For example, the use of best practices related to the management of information (Rocheleau 2000), human resources (Coggburn and Hays 2004), service quality (Folz 2004), and emergencies (Henstra 2010) has been the subject of previous scholarship. Even practices that address a limited number of public budgeting activities have been examined (Coe 2008; Duncombe and Searcy 2007; Justice et al 2006). Nonetheless, this research represents the first attempt to examine the use of a set of practices that structures the budget process in its entirety. Research on other management guidelines and best practices also has been silent about the potential connection between the historical concept of management principles and more recently developed practices and guidelines. The research I present below will attempt to address both of these oversights.

Research Questions

Prior to exploring these topics in earnest, a set of formal research questions is needed to guide the project. After revisiting the commentaries of Luther Gulick and Herbert Simon and, subsequently, the more recent budgeting recommendations developed by the NACSLB, the initial and overriding research question follows.

1. To what degree can the budget practices developed by the NACSLB be considered principles of public budgeting?

In order to answer this question, however, certain information is needed. Essentially, if the NACSLB budgeting practices have become the foundation for principles of public budgeting, their use needs to be consistent and nearly universal across municipalities. Deviations from the practices would be indicative of potential limitations to their application in practice—similar to the critiques leveled by Simon (1946) against the principles of organizational structure. Therefore, the answer to a more basic research question is needed to properly address the initial question.

2. To what degree do the budgeting practices utilized by municipalities correspond to those developed by the NACSLB and promoted by the GFOA?

If the practices utilized by municipalities consistently correspond to those contained in the budgeting framework, the existence of budgeting principles would appear very plausible. Conversely, a lack of adherence to the practices would represent significant evidence against such a possibility. The answer to this question, therefore, will directly inform the first.

While answering each of the above questions certainly has the potential to contribute to existing budgeting and management research by providing a more detailed examination of the budgeting practices utilized by local governments, the potential for a third question naturally develops. In short, if the number of utilized guidelines varies across local governments, what accounts for this variation? While complete and universal adherence would preclude the need for this question, the number and variety of municipal budget reforms that have occurred over the last century indicate, to some degree, that deviations among the general practices utilized by local governments should not be surprising. As a result, a third research question is included here.

3. What explains the degree to which local governments adhere to the practices detailed in the NACSLB budgeting framework?[2]

[2] Given the attention that has been given to explaining why certain budget reforms are adopted by some local governments and not others (see, for example, Lu and Facer 2004; Rubin 1991; 1992; 1998), this type of question is not without precedent among public budgeting and management scholars. As subsequent chapters will illustrate, scholars also have examined why certain municipalities utilize various sets of guidelines or best practices that address topics such as performance measurement (Lindblad 2006) and procurement (Duncombe and Searcy 2007).

In order to inform each of these questions, quantitative and qualitative research methods will be used to analyze the responses to a nation-wide survey developed and implemented for this project specifically.

Potential Implications

By addressing each of the above questions, the research presented here is poised to contribute to existing research and practice in multiple ways. For example, from an academic perspective, there are several potential implications. First, and most broadly, the research will provide a clearer picture of the practices utilized by local governments to develop their budgets. While previous research has focused on large reforms, little consideration has been given to the basic activities of practitioners as they progress through the budget process. Second, the research addresses a specific set of budgeting guidelines that have not been subjected to review by the academic community. Although the practices have been published for nearly 15 years, only anecdotal evidence exists to support their importance and usefulness. Similar research has been conducted on other guidelines and best practices utilized by public administrators, but nothing addresses the practices developed by the NACSLB. Also, if variation exists across local governments, it is the responsibility of academic research to determine what accounts for the variation and what, if any, implications stem from such conclusions.

Finally, the research has the potential to put a modern twist on a historic debate among public administration scholars. Uncovering consistent and universal use of these practices by local governments may be the first step toward illustrating the development of budgeting principles. On the other hand, a lack of use would illustrate a potential disconnect between theory and practice. This is particularly interesting given the significant commentary on the separation that has occurred between the research of public administration scholars and the needs of practitioners (Gibson and Deadrick 2010; Posner 2009; Kuhn 2002; Streib et al 2001). At a minimum, it would be misguided—given this well documented divide—to assume established and well-respected practices are being utilized by practitioners without a closer examination. The Gulick-Simon debate illustrates this point well.

From the perspective of practitioners, several implications also are apparent. First, the research examines the use of recommendations supported by a leading professional organization in public budgeting. Research findings should help to determine which aspects of the framework are most or least used and the reasons behind the use or non-use. With this information municipalities should be able to benchmark their budget process against other municipalities and, perhaps more importantly, against an established group of "best-practices." Depending on their degree of use, these conclusions also may provide feedback to those considering the development of new or revised budgeting guidelines. Second, the conclusions developed below may be relevant for those instructing future public administrators. While some have concluded that knowledge of NACSLB budgeting practices should be a prerequisite for public finance officials (Peddle and Thurmaier 2011), the results of a much larger analysis should serve to either substantiate or refute these suggestions. Finally, local governments continue to face difficult financial decisions caused by declining tax bases, reduced assistance from other governments, and the most recent economic recession. Any clarification on practices that may produce a better or more efficient budget process should be helpful as budgets, and the priorities they established, receive increasingly high levels of scrutiny from administrators, elected officials, and citizens.

Organization

In the following chapters I attempt to address the three research questions presented above by undertaking a close examination of the budgeting practices utilized by local governments. Chapter 2 begins this process by first exploring previous research that has addressed public budgeting, established management principles and practices, and the NACSLB budgeting framework. Although a research gap is be emphasized, the exercise serves to position this project within an ever-increasing set of literature. As a result, the project is rooted in techniques utilized in past efforts. The project's design, method, and support for potential explanations are, among other aspects, drawn from previous research.

Utilizing the information obtained from past scholarship, I outline the project's scope, design, and method in Chapter 3. The chapter begins by narrowing the research focus from the entire budgeting framework to specific practices that address two elements of the budget process—the adoption of financial policies and the development and evaluation of financial options. Following this process, I utilize previous research to justify surveys as the most appropriate research method for the project. A detailed discussion of the survey instrument and its implementation is included as well. I conclude the chapter with a brief discussion of initial survey results that include municipal, departmental, and respondent characteristics. Overall, municipalities that completed the survey largely are representative of the entire sample that received the instrument.

Chapter 4 and Chapter 5 review responses to survey questions that explicitly asked municipalities about their use of individual NACSLB budget practices. Chapter 4 is dedicated to 17 guidelines associated with the adoption of financial policies while Chapter 5 is dedicated to 21 guidelines associated with the development and evaluation of financial options. The reactions of respondents to each practice are explored in detail. Both chapters illustrate that local governments largely utilize budget practices that correspond to those developed by the NACSLB. However, variation exists across practices and municipalities. As a result, I explore the open-ended comments provided by respondents to uncover, in an initial and qualitative fashion, why variations exist across governments.

As expected, the degree of variation uncovered in Chapters 4 and 5 necessitate an exploration of the third and final research question. I dedicate Chapter 6 to these efforts. Using previous research on public budgeting and public administration more broadly, I explore a number of potential variables capable of explaining why certain municipalities adhere to NACSLB budgeting practices while others deviate from them. Variables addressing leadership, professionalism, political pressure, and municipal location are included to account for both internal and external characteristics of municipalities. Three models are dedicated to specific groups of practices and a fourth model examines use of the framework more broadly. I conclude the project in Chapter 7 by highlighting a number of potential implications associated with the research findings and offer suggestions on the potential trajectory of future research.

Chapter II.
Municipal Budgeting, Practices, and Guidelines: An Assessment of Research and Practice

Introduction

Prior to engaging the research questions presented in Chapter 1 in earnest, it is important to first examine previous research focused on public budgeting. Past scholarship provides a foundation on which to develop new research questions, direct potential answers, and construct an appropriate research design. However, when compared to other areas of political science and public administration, previous literature explicitly focused on public budgeting is somewhat smaller. This does not mean that research has ignored the topic entirely. In fact, as the subsequent sections will illustrate, a wide variety of issues related to national, state, and local budgeting have been addressed. Topics such as budget reform, performance budgeting, and citizen participation have become very well-developed over the last several decades. While no efforts have been made to directly address the questions under consideration here, closely related research will be used to provide a reasonable foundation from which to expand.

This chapter begins by defining the role of public budgeting and continues by examining a variety of budgeting topics considered by past scholarship. Given the nature of this project and its questions, the review explores practical budgeting research topics such as reforms and public participation as well as its theoretical basis. Also, since the primary research question inquires about the potential development of principles among budget practitioners, the larger, historic debate between Luther Gulick and Herbert Simon is explored as well. The chapter concludes by examining the development and structure of the NACSLB budgeting framework, its connection to previous research, and its primary role in the research design developed in Chapter 3.

The Scope and Role of Public Budgeting

Although public budgeting has received less attention when compared to other political science and public administration topics, the budget process is no less important to either field. This is illustrated by the large number of statements that have been used to describe the various aspects of budgets and their development. For example, according to Hildreth, "Citizens expect their governments to do needed activities but within fiscal constraints. Financial management seeks to carry out this fiscal imperative" (1996, 320). Referencing Kahn, Franklin et al (2009) suggest, a "budget is government in miniature—a budget outlines a government's scope of responsibilities, defines its relationship with citizens, and reveals how the government plans to extract resources from private citizens to fund what services and to achieve what goals" (52).[3] Highlighting the connection between budgeting and the political process, Solano (2004) suggests, "A public budget—a financial plan prepared for a given period—is an instrument that allows government officials to allocate monies for personnel, goods, and services to achieve politically determined goals" (155). Lynch expresses the political aspects of budgeting even more forcefully. "The budgetary process is a political process conducted in the political arena for political advantage. The process is complex and often the complexity obscures the significance of the accompanying political battles. Politics in its best and sometimes worst sense is a part of budgeting" (1979, 2).

Finally, some commentators have highlighted specific levels of government when developing a definition of budgeting. For example, Clynch and Lauth (1991) direct

[3] Kahn, Jonathan. 1997. *Budgeting Democracy*. Ithaca, NY: Cornell University Press

attention to state budgets. Budgeting "represents a central activity in state government. Budget decisions determine not only how much will be available for state spending, but also which policies will be implemented and which social values will prevail in state governance" (Clynch and Lauth 1991, 1). Similarly, Luehlfing (1996) highlights and defines budgeting at the local level. "Municipal budgets represent a benchmark or threshold regarding the nature and scope of constituent group consumption. In essence, the municipal budget defines those policies that are implementable by the municipality" (Luehlfing 1996, 188). In short, the comments displayed here support a definition of budgeting developed by the NACSLB in 1998. "A good budget process is far more than the preparation of a legal document that appropriates funds for a series of line items. Good budgeting is a broadly defined process that has political, managerial, planning, communication and financial dimensions" (NACSLB 1998, 3).

While the above comments only represent a fraction of those that describe the role and importance of budgets, the selection is illustrative, nonetheless. At a minimum, the remarks demonstrate public budgets are much more than simple documents listing revenues and expenditures; they contain both political and applied aspects that affect administrators, elected officials, and citizens. The importance of the budget process to every level of government also is illustrated. For instance, municipalities, among the smallest units of government in the United States, have expended significant effort to create, refine, or reform their budgeting methods. When the current level of services provided by many local governments is considered, it appears these efforts are well justified. For example, in 2011 elected officials in New York City, Chicago, and Houston approved budgets of $65.9 billion, $6.3 billion, and $1.8 billion, respectively. Even smaller cities such as College Park, Maryland and De Pere, Wisconsin, where populations do not reach 35,000, have approved budgets that approach or exceed $15 million.[4] Regardless of the level or size of the government under consideration, the budgets of general purpose governments allocate resources that contribute to the protection and general well-being of their citizens. There is little doubt that budgets and their development warrant the growing practical and academic discussion highlighted in the research cited below. This also means, however, that any gaps in previous research should be carefully considered and addressed to ensure a clear picture of public budgeting, particularly at the local level.

The Current State of Budgeting Research

Given the importance of public budgets and the processes used in their development, what can be said about the current state of budgeting scholarship? First, even a cursory review of past budgeting research illustrates the breadth of public finance and budgeting topics that have been examined to this point. Of these topics, several have received significant and sustained attention. For example, a longstanding discussion among budgeting scholars, particularly those focused on national and state budgets, has addressed the growth of budgets over time and the patterns they exhibit. At the outset of this debate, incrementalism was considered the dominant explanation used to describe budgetary development. Promoted by Wildavsky (1964) and others (Davis et al 1966), incrementalism suggests budgets are never completely reevaluated. Instead, a budget developed in a current year is based on budgets established in previous years. Despite its initial popularity, however, incrementalism was quickly criticized by subsequent

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[4] According to the 2010 U.S. Census, the population of College Park, Maryland is 30,413 and its approved 2012 budget is approximately $14 million. The 2010 population of De Pere, Wisconsin, according to the U.S. Census is 23,800 and its approved 2012 budget is $16 million.

scholarship that questioned its explanatory power (Wanat 1974) and inherent assumptions such as budget stability (Natchez and Bupp 1973; Gist 1977) and others (Bailey and O'Connor 1975; Kamlet and Mowery 1980). More recently, scholars have successfully argued that both national (Jones et al 1998; Jones and Baumgartner 2005; True 2000) and state (Jordan 2003) budget allocations do change—sometimes dramatically.

While budget growth and allocations have been active areas for research, their application to local governments has been relatively limited when compared to other levels of government. This is not the case, however, in other areas of research. For instance, one specific niche has attempted to examine how cities have utilized various budgeting strategies and reforms to cope with increasingly challenging fiscal conditions. These reforms have been detailed by Irene Rubin (1991; 1992; 1998) and others (Rubin and Stein 1990; Cooper 1996, Tyer and Willand 1997) through case studies of major cities across the United States. In some instances, the case studies have included highly descriptive historical accounts of the development of budget methods and strategies (Rubin 1998). Cities such as New York City (Stein 1976), Dayton, Phoenix, Rochester (NY), Boston, St. Louis, Tampa (Rubin 1991; 1992), Milwaukee (Hendrick 2000), and Philadelphia (Shubik et al 2009) have been highlighted.[5] As a whole, the studies illustrate how time, municipal institutions, and political necessity have moved cities toward various budget reforms such as line-item budgeting, zero-based budgeting, and performance-based budgeting.

Surveys also have been employed to determine the extent to which various budget and management tools are utilized by local governments. For example, using contact

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[5] Prior to Rubin's analysis of budget reform in six cities (1992), St. Louis was the focus of a similar study two years prior (Rubin and Stein 1990).

information obtained from the ICMA, several scholars have examined the use of budget and financial management reforms (e.g., zero-based budgeting, target-based budgeting, and performance measurement) with quantitative methods (Botner 1989; Poister and McGowan 1984). Subsequent surveys expanded to include tools such as revenue and expense forecasting, financial trend monitoring, and program budgeting (Poister and Streib 1989; Poister and Streib 1994). State-specific surveys have examined financial trend monitoring, multi-year budgeting, multi-year revenue and expense forecasting, program/performance budgeting, line item budgeting, zero-based budgeting, and activity-based accounting (Mandell 1991, 1997).[6] Because similar surveys have been repeated over several decades, the results, similar to those provided by case studies, provide a relatively clear picture of the budgeting reforms and strategies adopted by local governments over time. Given the benefits of each method, both are be explored when the research design is developed in Chapter 3.

Among the reforms mentioned above, extensive commentary and research has addressed topics such as zero-based budgeting (Schick and Hatry 1982; Sherlekar and Dean 1980; Moore 1980; Cowen and Dean 1979; Dirsmith and Jablonsky 1979) and target-based budgeting (Goertz 1993; Rubin 1991; Wenz and Nolan 1982). However, the more recent wave of attention given to performance measurement in the budget process is particularly relevant to this project.[7] Used in an effort to increase the effectiveness of both management and accountability techniques (Behn 2003), performance measures

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[6] For Mandell's research projects, both in 1991 and 1997, North Carolina was the state under consideration. However, the studies were designed to replicate, at least partially, the surveys utilized by Poister and McGowan (1984), Streib and Poister (1989) and Positer and Streib (1994).

[7] The sources cited regarding both zero-based and target-based budgeting do not represent a comprehensive review of the literature on the two reforms. The selected research simply samples scholarship as these topics are not central to the questions examined in this research.

have been integrated with a variety of budget reforms such as program, zero-based, and target-based budgeting (Kelly and Riverbark 2002) at nearly every level of government. At its most basic, governments that adopt the technique select a variety of indicators or metrics that are used to measure the performance of an agency or program (Wang 2000). Depending on agency or programmatic performance, future budget allocations can be adjusted in an attempt to better achieve organizational goals.

In response to the initial popularity of the reform, research has focused on the degree to which municipalities actually use performance measures in a meaningful way when constructing budgets or making management decisions (see, for example, Grizzle 1987; Palmer 1993; de Lancer Julnes and Holzer 2001). The conclusions developed by the scholars have been instructive. Despite a general agreement about their importance and support from a variety of professional organizations, the results of a case study and survey conducted by Kelly and Rivenbark lead the authors to conclude, "budget officers primarily used line-item expenditures and historical data to construct the budget, using performance data only as a secondary informational source" (2002, 232).

Although focused on performance measurement and budgeting, the application of these studies to this project is apparent. Similar to the use of performance measures in the budget process, general budgeting guidelines are theoretically satisfying and supported by a large and generally respected professional organization. However, as Kelly and Rivenbark (2002) demonstrate, conceptual popularity and organizational support for certain practices do not necessarily mean they are being used in a meaningful and consistent manner. This conclusion, as an ensuing review of Herbert Simon's (1946) commentary illustrates, is not entirely novel to students of public administration.

Finally, in addition to examining budget allocations, reforms, and the historical development of the budgeting process in American cities, some studies have examined specific normative questions related to municipal budgeting and its practitioners. For example, the role of citizen participation in the budget process has been the focus of a wide variety of research questions (see, for example, Ebdon 2002; Franklin and Ebdon 2005; Ebdon and Franklin 2006; Kweit and Kweit 1981; Miller and Evers 2002; Thomas 1995). For example, is citizen participation in the budget process valuable? Why do citizens participate? What makes participation effective? What factors promote citizens participation? How should the process be designed to promote citizen participation (Wilson 1983; Simonsen and Robbins 2000)? Despite an extensive focus on these types of questions, however, Ebdon and Franklin (2006) argue that "in many ways, this is a wide-open area. Much has been written on the importance of participation in the government process, but we have relatively little generalizable empirical knowledge about the use of participation in budgeting" (445). Once again it appears that even a topic informed by a large number of research efforts can remain unsettled.

While the full extent of past budgeting scholarship cannot be explored here, the topics discussed above illustrate some of the primary areas of research related to budgeting and its practical applications. The review indicates that the volume of scholarship dedicated to the subject has continued to increase. However, even among active topics, research gaps remain. Additionally, some questions have not been addressed at all. For example, despite some related efforts (Kelly and Rivenbark 2002), previous research provides little indication that scholars have considered the extent to which budgeting guidelines and recommendations promulgated by organizations like the

GFOA are actually utilized by municipal governments. Answering the questions posited in Chapter 1 will provide the first step toward filling this particular gap.

A Theory of Public Budgeting?

In spite of the expanding nature of research dedicated to public budgeting, the above review reveals a somewhat less complementary characteristic of budgeting scholarship—its theoretical foundations are rather weak. This criticism is not new to students of public budgeting and management. Writing in 1940, V.O. Key provided his assessment of budgeting scholarship and it remains one of the most often cited comments on the subject (Neuby 1997). According to Key, "Nevertheless, the absorption of energies in the establishment of the mechanical foundations for budgeting has diverted attention from the basic budgeting problem (on the expenditure side), namely: On what basis shall it be decided to allocate *x* dollars to activity A instead of activity B?" (1940, 1138). In short, Key argued that little theory had been developed that properly explained the public budgeting process.

Despite being written over 70 years ago, few scholars have provided evidence to correct this observation. In fact, the sentiment has been repeated in more recent commentaries. For example, "Theories are found in nearly every subfield of political science and public administration, yet budgeting, as an integral part of both or perhaps a subfield in its own right, is basically devoid of theoretical guidance" (Neuby 1997, 131). Neuby (1997) continues by suggesting that general scholarly agreement on budget processes, theories, methods, and overall efforts has been limited. In spite of this skepticism, several theories of budgeting have been promoted. Incrementalism, for example, often has been mentioned as a theory of public budgeting. Schick (1983) begins an analysis of incrementalism with this perspective.

> For almost two decades (since the publication of Wildavsky's The Politics of the Budgetary Process), incrementalism has been the preeminent theory of budgeting. It is the leading explanation of how the budget process works, and for many scholars and participants, it is also a prescription for how the process should work (1).

Nonetheless, Schick (1983), and others (see, for example, Bozeman and Straussman 1982; Gist 1977; Rubin 1990) either have augmented incrementalism or have provided significant resistance to its theoretical status.[8]

In response to these conclusions, Gibran and Sekwat (2009) suggest budgeting theory should be guided by certain aspects of open systems theory. Budget development, according to the authors, is part of an interactive policy process that can be influenced by both internal and external forces. This framework, they conclude, may provide a better perspective when considering how, when, and why budgeting is completed. Since the suggestions are largely descriptive, the authors leave further development and comprehensive testing of the theory for subsequent researchers. Consequently, it appears Key's (1940) statements remain an accurate assessment of budgeting theory.

Overall, public budgeting—at all levels of government—has provided a fertile area for both practical and academic research. Although no comprehensive theory has been developed, the efforts have illustrated the dynamic and often complex nature of public budgeting. By examining the guidelines and practices utilized by practitioners while developing municipal budgets, the goal of this research is to provide additional clarity to yet another aspect of this topic. However, since the implications of this research

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[8] With the addition of their concept of punctuated equilibrium (agenda setting, attention allocation, and information processing), Jones and Baumgartner (2005) suggest the incremental approach remains useful as a theory of budgeting.

may relate to the historical debate over principles and proverbs of public administration, it is also important to examine this exchange and its connection to this project.

Principles and Proverbs of Public Administration

In its early years as a distinct field of research, public administration scholars were focused on similar themes. According to Hammond, "Prior to the 1950s, students of public administration had found questions about the design and reorganization of organizational structures to be among the most vital and stimulating in their field" (1990, 144). Among these studies was an edited volume compiled by Luther Gulick and Lydal Urwick in 1937 that contained an essay written by Gulick himself. In the essay, Gulick (1937) advocated for a collection of principles focused on organizational structure which would lead to the improvement of organizational performance. These principles addressed concepts such as the division of labor, span of control, unity of control, homogeneity, and departmentalization. Each principle was intended to provide a specific benefit. For example, the division of labor allowed workers to develop specialization and, therefore, greater efficiency. Similarly, according to the "span of control" principle, managers could be more effective when the number of employees under their control was small rather than large. In short, "management scholars claimed that the implementation of these and related principles would result in organizations characterized by an almost mechanical efficiency" (Meier and Bohte 2000, 116).

In spite of their initial popularity, it did not take long before the principles were challenged. Less than a decade after their publication they were subjected to their most direct and damaging affront. Detailed in an article written by Herbert Simon in 1946, the commentary suggested the principles were relatively limited for several reasons. First, the principles contradicted each other. "A fact about proverbs that greatly enhances their quotability is that they almost always occur in mutually contradictory pairs" (Simon 1946, 53). For example, Simon argued that unity of command inherently conflicted with specialization. Essentially, if a person with one specialization is supervised by a person with a different specialization he or she may find it difficult to receive help on technical job-related questions. The supervisor would not have the knowledge to assist the employee and a request for assistance from another department would violate the unity of command principle. Simon further illustrated the limitations of the principles by relating them to a science of administration. "It is not that the propositions expressed by the proverbs are insufficient; it is rather that they prove too much. A scientific theory should tell what is true but also what is false" (Simon 1946, 53).

According to Simon (1946), another major limitation was that many of the principles and their component terms were vague and, as a result, created a multitude of problems. This was particularly significant with regard to Gulick's discussion of organization based on purpose, process, clientele and place (but see Hammond 1990). Simon argued that Gulick (1937) provided little clarification of the four terms which blurred their distinctions. "It is clear that this principle is internally inconsistent; for purpose, process, clientele, and place are competing bases of organization, and at any given point of division the advantages of three must be sacrificed to secure the advantages of the fourth" (Simon 1946, 58). In short, ambiguity created significant latitude for interpretation. Criticisms related to ambiguity also were directed at terms and concepts embedded in the specialization and unity of command principles. Overall, the effect of Simon's critique was significant. Not only did administrative principles appear less useful, but the critiques almost completely shifted public administration research from organizational structure to decision-making (Hammond 1990).

In spite of the criticisms leveled against the principles, recent research with a focus on the topic has shown that the ideas of Gulick and other likeminded scholars may still be relevant. Examining the debate in detail, several scholars have defended the principles against Simon's critiques and expressed regret about the theoretical shift in public administration after Simon's commentaries (Meier 2010; Hammond 1990). Additionally, Meier and Bohte (2000) have found that the span of control—a key principle—among public school personnel can influence student performance. Based on these more recent conclusions, it appears a reexamination of the topic is not without precedent or relevance. While this project does not focus on organizational structure and, therefore, does not approach the debate directly, consistent and uniform use of practices, such as those described here, could indicate the development of principles in others areas of the public administration field.

Practices, Budgeting, and the GFOA

While debate over the series of organizational principles advocated by Gulick and his contemporaries largely has been absent from recent public administration scholarship, research has focused on the development of related, but less concrete concepts such as recommended practices or "best practices". According to Coggburn and Hays (2004),

> One of the most enduring themes of management is the relentless search for a better way of doing things. In fact, schools of organizational theory are usually based on the premise that there is a "best" way of accomplishing generic management tasks if only it (they) could be identified and understood (433).

The observation made by the authors is supported when the scope of research dedicated to these prescriptions is considered. For example, early discussions of recommended guidelines were directed toward topics such as the use of consultants by public managers (Bowen and Collett 1978) and the merits of policy evaluation (Bozeman and Massey 1982). More recent examinations of "best practices" have focused on topics that range from information management (Rocheleau 2000) and human resources management (Coggburn and Hays 2004) to benchmarking municipal service quality (Folz 2004) and emergency management (Henstra 2010). Local public finance topics such as procurement (Duncombe and Searcy 2007), the use of e-government during the budget process (Justice et al 2006), and the prevention of local fiscal crises (Coe 2008) have been examined as well. The development of best practices (Overman and Boyd 1994) and guidelines for researching the topic (Bretschneider et al 2005) also have been considered.

Discussions related to recommended and best practices have not been confined to academic journals. In many cases, practitioners and professional organizations either have commented on the use of best practices or contributed to their development. For example, professional organizations such as the ICMA, the International Economic Development Council (IEDC), the International Institute of Municipal Clerks (IIMC) and the GFOA have helped to develop, publish, and promote recommended or best practices related to their specific fields. While none of these organizations espouse their recommendations or practices as concrete principles, their use is encouraged as a means to potentially improve organizational performance, nonetheless. However, only a small amount of research has examined the degree to which governments adhere to these types of recommendations. If these prescriptions consistently match the practices utilized by governments, certain practices may, in fact, be better classified as principles—similar to those promoted by Gulick. In short, principles within public administration may be more prevalent and helpful than both current and previous research appears to suggest. Given the important role of public budgeting, this project will dedicate its focus to the GFOA and the guidelines and practices it promotes.

Evolving from its establishment in 1906, the Government Finance Officers Association (GFOA) has become a prominent professional organization with the purpose of promoting good budget practices among state and local governments in the United States and Canada. Commentators suggest the GFOA has been instrumental in increasing the level of professionalism with regard to financial management and reporting among municipalities (Rivenbark and Allison 2003). The organization has offered awards, seminars, programs and training sessions in order to further promote certain financial practices. Additionally, and most important for this project, the GFOA has developed a broad array of recommendations, advisories, and best practices to provide "members and other state and local governments more guidance on sound financial management practices" (GFOA 2010).

This type of guidance was solidified when the GFOA began developing a set of recommended budgeting practices for state and local governments. The process began in 1990 when a GFOA committee produced a white paper indicating a need for improved public budgeting practices. A subsequent symposium consisting of government officials and budget and finance practitioners confirmed the need identified by the committee (Gross 1998). In response these conclusions, the GFOA, state and local budgeting practitioners, labor organizations, elected officials, and academics formed the National Advisory Council on State and Local Budgeting (NACSLB) to develop recommended practices that specifically addressed state and local budgeting (Gross 1998). Following a three year process, a series of recommended budgeting practices was released in December 1997 and a document entitled *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* was published in 1998.

The framework contained in the document is composed of four principles that address the various stages in the budget process.[9] For example, the first principle suggests governments develop broad goals to guide budgetary decision making. The second principle continues through the process by suggesting governments develop policies, plans, programs, and strategies to identify how they will achieve the long-term goals developed through the use of the first principle. Because of their general nature, however, each of these principles is composed of increasingly specific elements, practices, and outputs. Twelve elements are divided across the four principles, 59 practices are divided across the twelve elements and each practice is associated with a number of identifiable outputs.[10] The outputs, developed to illustrate the tangible results of successful implementation, represent the most specific and fundamental recommendations in the framework. In sum, the elements describe the activities needed to achieve the principles while the practices and outputs describe the activities needed to achieve the elements and thus the principles. Figure 2.1 illustrates the basic structure of the framework and includes the titles of each principle and element. A more complete version, that includes the titles of each practice, is presented in Appendix A.[11]

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[9] Though the broadest categories in the NACSLB budgeting framework are called principles, the document does not, in any way, suggest the term is tantamount to the principles promoted by Gulick (1937).

[10] Although the outputs associated with each practice are displayed in a paragraph format, it is relatively easy to separate each output paragraph into individual output statements.

[11] Given the number of specific outputs associated with each practice, they are not presented until Chapter 3, when the focus of the project becomes more clearly defined.

Figure 2.1 Basic Structure of the NACSLB Budgeting Framework

Principle 1: Establish Broad Goals to Guide Government Decision Making	**Principle 2:** Develop Approached to Achieve Goals	**Principle 3:** Develop a Budget Consistent with Approaches to Achieve Goals	**Principle 4:** Evaluate Performance and Make Adjustments
Element 1: Assess Community Needs, Priorities, Challenges and Opportunities Practice 1.1 Practice 1.2 **Element 2:** Identify Opportunities and Challenges for Government Services, Capital Assets, and Management Practice 2.1 Practice 2.2 Practice 2.3 **Element 3:** Develop and Disseminate Broad Goals Practice 3.1 Practice 3.2	**Element 4:** Adopt Financial Policies Practice 4.1 Practice 4.2 Practice 4.3 Practice 4.3a Practice 4.4 Practice 4.4a Practice 4.5 Practice 4.6 Practice 4.7 **Element 5:** Develop Programmatic, Operating and Capital Policies and Plans Practice 5.1 Practice 5.2 **Element 6:** Develop Programs and Services That Are Consistent with Policies and Plans Practice 6.1 Practice 6.2 Practice 6.3 Practice 6.4 Practice 6.4a **Element 7** Develop Management Strategies Practice 7.1 Practice 7.2 Practice 7.3	**Element 8:** Develop a Process for Preparing and Adopting a Budget Practice 8.1 Practice 8.2 Practice 8.3 Practice 8.4 Practice 8.5 **Element 9:** Develop and Evaluate Financial Options Practice 9.1 Practice 9.2 Practice 9.2a Practice 9.2b Practice 9.2c Practice 9.2d Practice 9.3 Practice 9.4 Practice 9.5 Practice 9.6 **Element 10:** Make Choices Necessary to Adopt a Budget Practice 10.1 Practice 10.1a Practice 10.1b Practice 10.1c Practice 10.1d Practice 10.1e Practice 10.1f Practice 10.1g Practice 10.2	**Element 11:** Monitor, Measure, and Evaluate Performance Practice 11.1 Practice 11.1a Practice 11.2 Practice 11.3 Practice 11.4 Practice 11.5 **Element 12:** Make Adjustments as Needed Practice 12.1 Practice 12.2 Practice 12.3

Since its development, the framework has been referenced by a number of municipal budgeting scholars (Ervin 2001; Hendrick 2002), some of which have highlighted its benefits extensively (Gross 1998; Peddle and Thurmaier 2011). For example, according to Gross (1998), there are three ways the NACSLB guidelines assist governments. First, they illustrate good budgeting practices that can be used to improve the budget process. Second, they divide the budget process into specific steps which allows it to be examined more easily. Third, and most specifically, "they make clear what good budgeting is" (1998, 11). As a result, it appears the use of these principles and their components can provide significant benefits to local governments (Rivenbark and Allison 2003; Calia et al 2000; Gross 1998).

The benefits described in these commentaries provide support for a more systemic assessment of the guidelines. As examinations of different public management practices have uncovered (Simon 1946; Kelly and Rivenbark 2002), it is inappropriate to assume well supported guidelines can be applied to practice in a straightforward, practical manner. Answering the research questions developed in Chapter 1 should explicitly illustrate whether governments take certain liberties or if the framework is used as a much more binding document in order to achieve the greatest number of benefits. Stated more simply, the research will determine the degree to which municipalities adhere to, or deviate from, these types of recommendations. The process needed to achieve this goal is detailed Chapter 3.

Conclusions

The budgets of local governments, regardless of their size, allocate resources that contribute to the daily protection and general well-being of their citizens. As a result, the processes utilized to develop budgets can involve complex decisions that have the potential to produce significant consequences. Budgets, therefore, have become much more than simple lists of revenues and expenditures. As the NACSLB concluded nearly 15 years ago, "A good budget process is far more than the preparation of a legal document that appropriates funds for a series of line items. Good budgeting is a broadly defined process that has political, managerial, planning, communication and financial dimensions" (1998, 3).

In response to this importance, a variety of research has been undertaken to examine public budgets and their development more closely. Though the volume of research on the topic continues to expand, the current scope of the literature is significant. For example, financial trends (Wildavsky 1964; Davis et al 1966, Jones et al 1998; Jones and Baumgartner 2005) budgetary reforms (Rubin 1998; Rubin and Stein 1990; Cooper 1996, Tyer and Willand 1997), performance measures (Palmer 1993; de Lancer Julnes and Holzer 2001; Kelly and Rivenbark 2002), citizen participation (Ebdon 2002; Franklin and Ebdon 2005; Ebdon and Franklin 2006) and theoretical developments (V.O. Key 1940; Neuby 1997; Gibran and Sekwat 2009) have, and continue to be, prominent budgeting topics in the fields of public administration and political science. However, as public budgeting continues to develop as an important aspect of both disciplines, a closer examination is needed to determine if any significant research gaps remain unaddressed.

As this chapter has illustrated, one important gap is the limited attention given to the practices and guidelines utilized by practitioners throughout the budget process. While some research has addressed recommended or best practices related to specific topics, a comprehensive analysis of budgeting practices has been limited. In particular, no previous research has examined the use of the guidelines published in 1998 by the NACSLB with support from the GFOA—one of the most prominent professional organizations dedicated to public budgeting among states and local governments. This is a missed opportunity, as the document contains a large number of specific guidelines that cover the budget process in its entirety. Consequently, the project developed in the following chapters will address this gap by determining the degree to which the NACSLB guidelines are utilized among local governments in the United States. Chapter 3 begins this process by discussing the development of an appropriate research design and data collection process.

Chapter III.
Assessing the Budget Practices of Local Governments

Introduction

With the development of guiding research questions in Chapter 1 and a review of relevant literature in Chapter 2, attention can be directed to the scope and design of the project under consideration here. Chapter 3 is dedicated to this purpose. However, given the exploratory nature of this project and the general lack of data related to the use of budgeting practices by local governments, the chapter also includes a discussion of the efforts needed to collect necessary data. In order to justify various approaches and decisions, the extant literature explored in Chapter 2 is referenced throughout the chapter as well. Overall, the process largely conforms to the methods utilized by previous research, although some innovations were made to accommodate the project's scope and its population of interest.

The chapter begins by exploring the NACSLB budgeting framework in greater detail. Because of the size of the framework and the number of guidelines it contains, the focus for this particular project is narrowed dramatically. A thorough discussion of the advantages and disadvantages of potential research methods follows. Once survey research is justified as the appropriate method, subsequent portions of the chapter discuss development and implementation. The chapter concludes with an initial examination of the survey results, with a particular focus on the characteristics of respondents and their municipalities and departments. The remaining chapters are dedicated to applying the data produced here to the questions developed in Chapter 1.

Setting the Parameters

When Herbert Simon published his commentary on the principles of public administration in 1946, a repeated criticism of the principles was their ambiguity. According to Simon, concepts embedded in several principles were too vague and, therefore, nearly impossible to implement in a consistent manner by practitioners in the field (Simon 1946). For example, although greater specialization was recommended as a means to increase efficiency, the principle did not describe how specialization could be implemented and defined (Simon 1946). In short, if the principles were difficult to apply on a consistent basis, they could not be defined as "principles" in practice.

In contrast to the management principles, the guidelines contained in the budgeting framework developed by the NACSLB are explained, in detail, in a 78 page document. There are certainly benefits to this level of specificity, especially for practitioners. Finance and budget administrators are able to examine the document and determine, with relative ease, what actions are needed to successfully adhere to the framework. However, for research attempting to examine the use of the document among practitioners, the exceptional detail creates a unique challenge. With four principles defined by 12 elements, 59 practices, and an even greater number of individual outputs, a proper assessment of the entire document in a single, detailed analysis is nearly impossible. This is particularly true for the NACSLB framework because implementation of each of the broad principles is based on the implementation of more specific elements, even more specific practices, and finally, the achievement of individual outputs. If the implementation of the overall framework requires engaging in specific practices, the use of these practices and their component outputs must be examined in detail as well. As a result, detailed research examining the entire framework would require obtaining information on the use of hundreds of specific outputs. For example, between two and three individual output statements, at a minimum, are associated with each of the 59 practices. More than a dozen individual statements are associated with others.

Although such a study would produce an incredible amount of useful information, it is problematic for several reasons. First, a proper examination of each output would produce such a large amount of data that it would be extremely difficult to address in a single study. Even a book length document would not be able to dedicate enough space to properly address each piece of the framework in detail. Second, acquiring information on the use of each practice and output would require significant effort from research participants. Responding to such an inquiry would require a time and resource commitment that few municipal employees would be able to provide. Furthermore, and similar to scholars in other subfields of political science and public administration, students of public budgeting have concluded that there is a significant trade-off between response rate and the length of an interview or survey (de Lancer Julnes and Holzer 2001). In short, it would be extremely difficult to complete a proper analysis of the NACSLB principles if each specific guideline was examined in a single project.

One potential solution to this dilemma involves shifting the focus of the research from the 59 practices and their corresponding outputs to the 12 elements. This would allow the research to focus on a smaller number of broad recommendations rather than several hundred specific activities. A more detailed discussion could then be dedicated to each of the 12 elements. Additionally, because the 12 elements represent the entire framework and, thus, the entire budget process, no section would be excluded from the analysis. In spite of these benefits, however, there is one significant disadvantage to using this approach. An examination of the 12 elements largely creates the same problem faced by supporters of Gulick's principles—ambiguity. For example, Element 7 is titled "develop management strategies". The element, without its component practices or outputs, does not discuss what type of strategies need to be developed, the number of strategies, or the details associated with each strategy. In short, like Gulick's principles, the elements themselves are vague, allow significant room for interpretation and, therefore, could create significant inconsistency during implementation.

A second potential solution involves examining the practices and outputs, but only from a portion of framework. The most obvious disadvantage to this approach is that certain portions of the framework would not be included in the analysis. This would limit any conclusions to the sections given explicit attention in the research. The remaining pieces of the framework would need to be the focus of future research projects. Nonetheless, only examining a portion of the NACSLB budgeting document provides several significant advantages. First, the individual statements associated with each of the practices can be examined in greater detail. As previously mentioned, the use of these statements, the most specific in the framework, provides the best indication of the framework's use among practitioners. Second, less information will be required from municipalities, which should increase the willingness of staff members to participate in the project (de Lancer Julnes and Holzer 2001). It appears, therefore, that this approach provides the best opportunity to complete an initial analysis of the NACSLB budgeting guidelines without neglecting their most important and specific aspects.

Research Focus

The next logical step in the research process is to determine which sections will be the focus of this analysis. While the GFOA supports the use of the entire NACSLB document, the structure of the framework allows it to be divided in a relatively straightforward manner (Gross 1998). As the previous chapter illustrates, each of the principles and elements—and their component practices and outputs—discuss a specific part of the overall budget process. For example, Principle 3 is entitled "Develop a Budget Consistent with Approaches to Achieve Goals". As a result, the elements, practices, and outputs associated with Principle 3 specifically detail the budget creation and adoption process. However, each principle is associated with between two and four elements, seven to 24 practices and an even larger number of individual outputs. Consequently, even an examination of a single principle and its individual recommendations would be vulnerable to the analytical and data collection challenges discussed above. A potential solution to this problem is to narrow the scope of the research even further. For instance, if the research were to focus on specific elements, rather than principles, the research only would need to focus on the practices and outputs associated with the specific elements. Given these benefits, the project's scope will be confined to a set of elements.

The next set of questions requiring consideration becomes obvious—how should the elements be chosen and, once answered, which of the 12 elements in the budgeting framework should be the focus of the project? One potential answer to the first question is to randomly select from the 12 possible choices. This method gives each of the elements an equal opportunity to be selected and follows established research conventions. The problem is that this type of method may not necessarily be the most appropriate to meet the objectives of this project. As mentioned above, the primary goal of the research is to determine the degree to which budgeting guidelines are utilized by practitioners. However, budget and finance officials are not necessarily instrumental in every part of the process. In fact, in many instances the framework includes guidelines that primarily involve the decisions of elected officials and the actions or opinions of municipal citizens, various municipal departments, or other stakeholders. For example, the first practice associated with Element 1 is titled "Assess Government Management Systems, and Identify Issues, Opportunities, and Challenges". According to the NACSLB framework, the following outputs should be associated with the practice:

> A process should be instituted to routinely identify, analyze, and address issues related to a government's organization and management systems and the environment in which these systems operate. This process includes an examination of strengths and weaknesses of the organizational structure, interdepartmental communication and cooperation, communication of goals and directives, motivation of staff, conflict management, and provision of other internal needs and support systems. The review also should include an assessment of management policies, procedures, and systems that support achievement of goals. These reviews should involve stakeholders, as appropriate, including legislative bodies; government managers, employees and/or their representatives; and business and community leaders (NACSLB 1998).

Based on the statement included in paragraph it is obvious that proper implementation of the practice involves the participation of individuals beyond those in the budget or finance department. Similarly, the final practice associated with Element 10 is titled "Adopt the Budget". This practice, though clearly instrumental to the budget process, cannot be completed by the chief financial officer or municipal budget analysts; the budget must be formally adopted by a municipality's legislative body. In short, determining the elements most closely associated with the activities of practitioners will allow this project to isolate the activities of practitioners and permit future research to further explore adherence to the framework by other stakeholders such as elected officials and citizens.

Given the focus on budget and finance officials, several principles and their elements can be eliminated at the outset. For example, Principle 1 is titled "Establish Broad Goals to Guide Government Decision Making". As would be expected, the principle and its component elements, practices, and outputs discuss the need for municipal officials and other stakeholders to determine the concerns, needs, and priorities of the community. While these activities certainly are useful during the budget process, the successful implementation of the principle and its components is a function of a wide array of groups that exist outside of a budget or finance department. Similarly, many of the elements and practices associated with Principle 4—"Evaluate Performance and Make Adjustments"—involve the actions of other groups, either within the local government or the larger community, and not the direct actions of finance or budget employees. Based on these conclusions, the guidelines associated with Principle 1 and Principle 4 will be reserved for future research projects.

Setting aside the above principles and their elements, seven of the 12 elements remain as potential choices. However, in order to keep the research focused and practical, the list needs to be reduced yet again. Following an examination of the practices associated with the remaining elements, two elements—Element 4 and Element 9—appear to be the most appropriate for the present research project. The elements contain practices largely under the purview of municipal budget or finance departments. All of the practices associated with Element 4, for example, address the development of specific financial policies that require budget or finance officials for creation and proper implementation. Similarly, Element 9 addresses topics such as financial evaluations, preparations, and planning—activities largely undertaken by a municipal finance or budget department.[12] Table 3.1 displays the selected elements and their component practices.

Table 3.1 Element 4 and Element 9 and their Component Practices

Element 4—Adopt Financial Policies	
Practice 4.1	Develop policy on stabilization funds
Practice 4.2	Develop policy on fees and charges
Practice 4.3	Develop policy on debt issuance and management
Practice 4.3a	Develop policy on debt level and capacity
Practice 4.4	Develop policy on use of one-time revenues
Practice 4.4a	Evaluate the use of unpredictable revenues
Practice 4.5	Develop policy on balancing the operating budget
Practice 4.6	Develop policy on revenue diversification
Practice 4.7	Develop policy on contingency planning
Element 9—Develop and Evaluate Financial Options	
Practice 9.1	Conduct long-range financial planning
Practice 9.2	Prepare revenue projections
Practice 9.2a	Analyze major revenues
Practice 9.2b	Evaluate the effect of changes to revenue source rates and bases
Practice 9.2c	Analyze tax and fee exemptions
Practice 9.2d	Achieve consensus on a revenue forecast
Practice 9.3	Document revenue sources in a revenue manual
Practice 9.4	Prepare expenditure projections
Practice 9.5	Evaluate revenue and expenditure options
Practice 9.6	Develop a capital improvement plan

There are several additional benefits associated with using Element 4 and Element 9. First, the elements represent two separate principles, Principle 2 and Principle 3. Because each principal describes distinct steps in the budget process, the research will not be confined to a single stage. Second, the topics of the selected elements are very diverse. Element 4 primarily addresses the creation of specific budgeting policies while Element 9 primarily addresses specific budgeting activities such as evaluation, preparation, and

[12] This does not mean that the remaining elements and practices are not important to the budget process and budgeting-related research. These choices simply represent the initial focus of what will become a much larger research agenda that will examine the remaining portions of the framework more specifically and the roles played by additional stakeholders.

planning. If the practices associated with these elements are utilized at different rates, the research may help to determine if different priorities are given to different portions of the framework. Finally, because the two elements are associated with 19 individual practices and, subsequently, an even greater number of specific outputs, the breadth of the topics are more than adequate to be the focus of a single, yet comprehensive, research project.

Research Method

Because this research is attempting to fill a void in an existing set of literature, there are numerous research methods that could be replicated for this project. However, unlike other areas of political science and public administration, there is no existing database that indicates the degree to which local governments adhere to the specific set of guidelines under consideration here. Therefore, in order to properly examine the use of NACSLB recommendations, original data must be acquired. As the scholarship examined in Chapter 2 illustrates, there are a variety of possible research tools that can be used to gather the requisite information.

One potential method, the in-depth case study, has been the choice for numerous studies focused on specific budgeting activities and broad reforms (see, for example, Franklin and Ebdon 2005; Rubin 1992; 1998). Cities such as Boston, St. Louis, Tampa (Rubin 1992), New York City (Stein 1976), and Philadelphia (Shubik 2009), among others, have provided useful cases. This approach certainly offers a variety of benefits. For example, case studies allow individual cities or reforms to be examined in greater detail than a large-N study normally would allow. Additionally, specific causal mechanisms can be examined that could be hidden if other methods were used. For instance, case studies can be used to determine, in detail, why specific budgeting reforms have been implemented by some cities and not others (Rubin 1992).

Despite their benefits and use in past budgeting scholarship, case studies may not be the most appropriate method for this project. If the budgeting principles are to be considered "principles" in the way Gulick used the term in his commentary on public management, they need to be used in a large number of cases. While a case study may find that a single city uses the principles regularly, it would be inappropriate to generalize the level of use to other cities. In short, because the use of these principles must be examined in a large number of municipalities, in-depth case studies would be an impractical primary research method for the purposes needed here.[13]

Given the need for information from a large sample, the use of surveys becomes an obvious alternative method. There is no question that survey research has been popular among political science and public administration scholars. For example, students of public administration have utilized surveys to examine topics that range from privatization (Dilger, Moffett, and Struyk 1997) and the use of management tools (Poister and McGowan 1984) to contract management (Brown and Potoski 2003) and the adoption of e-government (Holden, Norris, and Fletcher 2003).[14] In many instances, the surveys are conducted and endorsed by the ICMA—one of the most prolific professional organizations for public managers and employees. Additionally, public budgeting research has employed surveys to explore general budget reforms (see, for example,

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[13] This does not mean that case studies would be completely unhelpful when considering the potential existence of budgeting "principles". In fact, the final question in the resultant survey asked respondents they if would be willing to participate in a more in-depth interview about the NACSLB budgeting guidelines to support additional research.

[14] In political science for example, the voting behavior subfield makes extensive use of the American National Election Survey (ANES), the General Social Survey (GSS), and Gallup Polls, among others.

Mandell 1997; Poister and Streib 1994; Botner 1989; Poister and McGowan 1984) performance measurement (Kelly and Rivenbark 2002; Melkers and Willoughby 2005; Poister and Streib 1999) and citizen participation in the budget process (Berner 2004).

Similar to case studies, however, survey research has both benefits and drawbacks. One drawback is that it is very difficult to create dynamic surveys. Once a survey is distributed to a sample, it cannot be changed to account for trends or unanticipated responses revealed in early returns. Additionally, while a quantitative analysis can be used to explore survey results and determine statistical relationships, a more detailed analysis often is required to determine why such relationships exist. In spite of these drawbacks, surveys permit a researcher to obtain information from a large population in a uniform and relatively efficient manner. Survey questions also can be designed to obtain a standard set of responses (e.g., agree, disagree) or more unique, open-ended responses. Finally, a survey instrument can be disseminated through a variety of methods such as mail, telephone, or email. This allows the delivery method to be customized based on the population of interest. Based on these advantages, the precedent set by past scholarship, and the nature of questions under consideration here, a survey will be utilized as the primary research method for this project.

The Survey

When Luther Gulick published his thoughts on bureaucratic organizations and the potential relationship between structure and performance, it was obvious that bureaucrats themselves would be at the center of any changes and their cooperation would be a requirement for implementation. If the principles were going to be implemented properly, expertise needed to be developed, managers needed to limit the number of employees under their direction, and departments needed to be properly organized (Gulick 1937). In sum, the activities of practitioners were integral to Gulick's strategy for greater organizational performance. When examining the NACSLB budgeting guidelines, the actions of public budget and finance practitioners are no less instrumental. Although the guidelines address the entire budget process and its numerous stakeholders, the recommendations require participation, either directly or indirectly, from municipal finance or budget departments.

The essential role played by budget and finance practitioners in the budget process is important to note when considering the practitioners of interest for the surveys. Within any community a variety of groups or officials can have intimate knowledge of the budget process. As a consequence, a number of potential respondents exist in a local government beyond budget or finance officials. For example, mayors, council members, city administrators, clerks, and department managers generally are familiar with either part or all of their municipal budgets. Nonetheless, it would be difficult to justify using the responses of these individuals over those of personnel specifically designated to oversee and direct the development of municipal budgets. Previous research on local public budgeting has reached similar conclusions (Kelly and Rivenbark 2002; Berner 2004; de Lancer Julnes and Holzer 2001).[15] Therefore, because of their responsibilities and knowledge of the budget processes in their municipalities—particularly with regard to the potential use of guidelines such as those established by the NACSLB—budget and

[15] Many of the surveys implemented by the ICMA, though often primarily concerned with city managers, include responses submitted by municipal finance officials such as chief financial officers, finance directors, or treasurers.

finance officials can be safely selected as the primary individuals of interest for this project.[16]

To address the research questions developed in Chapter 1, much of the survey will need to address the sections of the NACSLB budgeting document selected for consideration here—Element 4 and Element 9. In order to properly address these aspects of the framework, each element's component practices and outputs need to be considered. If municipalities want to adhere to the NACSLB elements, and thus, the principles, they need to adhere to the outputs. For example, Practice 4.1—part of Element 4—is entitled "develop policy on stabilization funds" and its output paragraph states:

> The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used. Development of a policy on minimum and maximum reserve levels may be advisable. Policies on stabilization funds should be publicly available and summarized in materials used in budget preparation. They also should be identified in other government documents, including planning and management reports (NACSLB 1998, 17).

Based on these recommended outputs, it becomes apparent that a municipality must provide stabilization fund policies to the public and they should be identified in a wide array of reports and materials if the practice is followed correctly. As an additional example, Practice 9.1—part of Element 9—is entitled "conduct long-range financial planning". According to the output paragraph:

> The planning process results in the preparation of a financial plan consisting of various components such as an analysis of financial trends; an assessment of problems or opportunities facing the jurisdiction and actions needed to address these issues; and a long-term forecast of revenues and expenditures that uses alternative economic, planning, and policy assumptions. The financial plan identifies key assumptions and choices related to achievement of goals. The plan may be summarized in the budget document or in a separate report. It should be available to decision makers for their review in making choices and decisions related to the budget process. It should also be shared with stakeholders for their input (NACSLB 1998, 43).

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[16] As other areas of the framework are explored beyond the sections selected here, it will be important to include other stakeholders such as elected officials, municipal administrators, and community members so their roles in the use of budgeting guidelines can be better explored.

Based on these recommendations, long range plans need to include a variety of elements such as an analysis of financial trends, problem and opportunity assessments, and alternative assessments based on alternative assumptions. Additionally, the plan must be made available to both decision makers and stakeholders for their review and input. The practices and outputs associated with both elements are displayed in Appendix B.

As the above examples illustrate, the outputs associated with each practice are formatted into paragraphs. However, the paragraphs are organized so specific outputs can be easily identified and separated into individual statements. In order to reconstruct the output paragraphs into individual outputs more appropriate for a survey-based research method, each paragraph was separated into specific outputs which were then rephrased into statements rather than recommendations. For example, two statements were derived from Practice 4.1 shown above.

1. Stabilization policies have been developed that establish when stabilization funds are created.
2. Stabilization policies have been developed that identify how stabilization funds should be used.

Similarly, two statements were derived from Practice 9.1—the second example shown above.

1. Long-range financial planning, which can include components such as an analysis of financial trends, an assessment of problems or opportunities, and a description of necessary actions to address any issues, has been completed.
2. Long-range financial plans include a description of long-term revenue and expenditure forecasts using alternative economic, planning, and policy assumptions.

The examples also show, however, that additional outputs can be derived from each paragraph. For example, additional outputs associated with Practice 4.1 could be:

1. Policies on stabilization funds have been made publicly available and are summarized in materials used in budget preparation.
2. Stabilization policies are identified in other government documents; including planning and management reports.

Similarly, additional outputs associated with Practice 9.1 could be:

1. Long range financial plans are available to decision makers for their review in making choices and decisions related to the budget process.
2. Long range financial plans are shared with stakeholders for their input.

The problem with including every individual output associated with each practice is that, even though the scope of the research was reduced to two elements and their component practices and outputs, the total number of output statements would be nearly impossible to include in a single survey. As consequence, output statements were selected that best represented their corresponding practices. Using this process for the remaining 17 output paragraphs resulted in 38 individual statements, 17 related to Element 4 and 21 related to Element 9. The number of statements associated with each output paragraph ranged from one to five, with two statements being the most frequent. [17]

Once the output statements were developed for each of the practices, each statement was paired with five potential options from which the respondent could choose: agree, somewhat agree, somewhat disagree, disagree, and don't know. While agree-disagree questions can be problematic in some instances (Fowler 2002); an explicit set of respondent instructions was developed and placed immediately prior to the 38 statements in the survey to ensure accurate responses. The instructions briefly explained the statements and the response categories. The instructions, while included with the survey displayed in Appendix C, are replicated in Table 3.2 as well.[18]

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[17] Although the selection of the outputs may appear somewhat arbitrary, the number of statements would have increased exponentially if all of the potential outputs were utilized in the survey. The reader is invited to examine the survey instrument in Appendix C and compare the derived statements with the output paragraphs shown in Appendix B.

[18] Another benefit of providing instructions to the respondent prior to the budgeting statements was to reduce social desirability effects. Although the instructions at the beginning of the survey stress the confidentiality of the responses, the sentence "the practices described in the document may be used by some budget departments and may not be used by others" was added to reinforce the idea that disagreement or a lack of knowledge is not necessarily negative.

Table 3.2 Respondent Instructions

In 1998 the National Advisory Council on State and Local Budgeting (NACSLB) developed a document entitled, "Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting".

The following statements are practices derived from this document. The practices described in the document may be used by some budget departments and may not be used by others. Regardless of your knowledge or use of this specific document and the budgeting framework it describes, please indicate the extent to which your department either engages in, or does not engage in, the following practices using the scale shown below.

Agree—indicates complete and/or annual compliance with the statement.
Somewhat agree—indicates frequent but not complete compliance with the statement.
Somewhat disagree—indicates irregular compliance with the statement.
Disagree—indicates non-compliance with the statement.
Don't know—indicates you are unsure if there is compliance or non-compliance with the statement.

If somewhat disagree or disagree are selected, please indicate why this is the case in the space provided, if possible.

The "don't know" response option included among the potential responses has been heavily discussed by scholars who utilize survey research. With regard to public opinion polls more generally, Berinsky (2004) discusses the response and how it can lead to a biased picture of the preferences being considered. However, for this survey, and similar to the like-dislike scale, the "don't know" response was explained in the instructions to ensure respondents knew what they were indicating if it was selected. By providing this type of information to the respondents, more accurate conclusions can be drawn about respondents who "don't know" about a particular statement. Based on the instructions, respondents who answer "don't know" are simply unsure about the degree to which their municipality adheres to the listed statement. This type of response is particularly important when considering the research questions being addressed. Limited knowledge of a municipality's adherence to a statement by a respondent would not support the idea that the budgeting framework contains commonly accepted and utilized principles of public budgeting.

While the ordinal agree-disagree scale provides important information about the use of portions of the NACSLB framework, there is certain information that this type of question cannot ascertain. Most specifically, respondents do not have the ability to indicate why a certain response was selected. This can be a significant limitation, especially for those who select somewhat disagree or disagree. If respondents do not adhere to the recommendations in the budgeting framework, the next and most obvious question to explain is why. In order to obtain this type of information, respondents were invited, at the end of each statement, to provide an open-ended explanation if a "somewhat disagree" or "disagree" response was selected. The final statement of the instructions provides this information to respondents. By creating questions with this type of structure, the benefits of both open and closed questions can be obtained.[19] In short, a standardized set of information is obtained from the respondents but each respondent is able to provide unique answers to explain why certain answers were chosen.

Although the survey was designed to be largely composed of the specific guidelines derived from the NACSLB budgeting framework, several additional questions were asked of the respondents. At the outset of the survey, prior to the specific budgeting questions discussed above, questions were included to obtain information about the respondent, the respondent's municipality and department, and the general budgeting strategies utilized by the respondent's municipality.[20] These questions were designed to develop a more complete picture of the respondents, their municipalities, and the basic

[19] For a detailed discussion of the benefits and drawbacks to open and closed questions, see, for example, Fowler (2002).

[20] In order to obtain the most accurate information from respondents, the initial welcome message and instructions highlighted the confidential nature of some of responses. Because respondents were asked to provide the name of their municipality and their title, the message was designed to ensure respondents that their name, municipality, and contact information would not be revealed or connected to their individual responses.

budgeting practices being utilized. One question in the group also asked respondents about their familiarity with the NACSLB budgeting framework. Following the opening set of questions and the questions derived from the budgeting framework, a final set of questions concluded the survey. Respondents were asked about their use of the framework more broadly and their overall opinions of the guidelines it contains. Because the specific budgeting questions derived from the NACSLB document could only address a certain portion of the framework, the concluding questions were designed to obtain respondent's evaluations of the framework in its entirety. A copy of the entire survey, as alluded to above, is included in Appendix C.

Sample

According to the U.S. Census, there are over 36,000 municipalities and townships in the United States. Though this project is an attempt to determine if certain budgeting guidelines are widely accepted and utilized by local governments across the United States, it would be nearly impossible to contact budget and finance practitioners in every municipality. The time and resource requirements would be enormous and, in some cases, local governments do not employee individuals dedicated to budgetary and finance activities. In order to narrow the population of municipalities to a more manageable scope, a sample was selected from the population of local governments in the United States. The population was developed by compiling the names of incorporated places and minor civil divisions in each state.[21] The lists were obtained from annual population estimates developed by the U.S. Census Bureau.

[21] Depending on their classification in each state, the incorporated places and minor civil divisions lists included local governments with titles such as city, village, town, township, or borough.

For this project, local governments with populations less than 10,000 were excluded from the population and, therefore, selection into the sample. As mentioned above, some local governments, because of size and resource limitations, do not employ full-time staff members or services are contracted to nearby governments (e.g., counties). Because the focus of this research is the use of budgeting practices among budget and finance practitioners, a population floor appeared appropriate to ensure the sample largely consisted of municipalities that employ staff dedicated to budget and finance issues. As this portion of the project occurred prior to the completion of the 2010 U.S. Census, the population floor was based on 2009 population estimates developed by the U.S. Census Bureau. Following the removal of municipalities with a population less than 10,000, over 3,600 local governments remained.

While the number of municipalities is reduced dramatically, the ability to contact nearly 4,000 local governments for a preliminary project also would be a difficult and lengthy process. As a result, a random sample of 1,000 municipalities was selected from the sample frame of 3,600. The final size of the initial sample was selected because it was feasible for this study yet large enough to encompass a wide variety of municipalities across the country—a characteristic needed to properly address the research questions and meet the requirements for appropriately designed research. The frame was placed into STATA statistical software and the program's random sample generator was utilized to draw a random sample. The population of the cities selected in the sample ranged from over 8 million to 10,008, with a mean of 55,879.

Implementation

One of the benefits of using a survey-based research design is the number of methods that can be used to distribute the survey. For example, surveys can be delivered to potential respondents by an interviewer, either by phone or in-person. The ANES survey utilized by a large number of political scientists is an example of this type of survey. If an interviewer is not used, a survey can be self administered by respondents which can be provided through standard mail, e-mail, or a dedicated website. As Fowler (2002) explains, there are benefits and drawbacks to each of these methods. Personal interviews, for example, allow the interviewer to obtain clarification and follow-up responses to unclear answers. However, the method is costly and can be very time consuming. In contrast, telephone-based interviews are cheaper and faster but response rates tend to be lower. Similarly, self-administered mail and internet surveys tend to be less costly but obtaining clarification to responses is challenging and reliable mailing or email addresses can be difficult to acquire in some cases. Overall, the choice, as Fowler (2002) concludes, "depends very much on the particular study situation" (75).

The population of interest for this project consists of budget and finance administrators employed by municipalities across the United States. At the outset, this population presents significant challenges for a personal interview strategy. The resources and the time required to employ this method would be significant and the information obtained from a less resource-intensive method would be very similar. Because of the public nature of budget and finance administrators, the remaining three methods share a significant advantage—contact information such as telephone numbers, mailing addresses, and email addresses can be obtained easily. Of these methods, mail and telephone-based surveys have certainly been the convention for many research projects completed in the past. More recently however, commentaries identifying internet-based surveys as an appropriate research method have increased. For example, when compared to telephone-based surveys, Berrens et al (2003) find:

> In terms of survey administration, [the internet] offers several advantages relative to the telephone: dramatically lower marginal costs of producing completed surveys, superior capability for providing information, including visual displays, to respondents and for asking complex questions, and the minimization of interviewer bias. Its primary weakness involves the nature of the samples that it can currently provide. One problem, which current trends are making much less important, is the incomplete penetration of Internet use among U.S. adults. The other, more serious, problem is the difficulty of drawing representative samples from among Internet users (2).

The primary advantage for this study is that the drawbacks of internet-based surveys, as described by Berrens et al (2003), are largely mitigated. In contrast to the larger U.S. population, the use of the internet and email has become prevalent among local governments. With publically available email addresses now largely assigned to most municipal staff members, the problems of incomplete penetration and representativeness are nearly eliminated for this group of individuals. Furthermore, the information obtained through the method can be considered similar in quality to that which would have been obtained through other methods (Berrens et al 2003). For these reasons, an email-based survey emerged as the most practical method to obtain information for this project.

A variety of methods are available to provide email-based surveys to potential respondents. For example, a survey can be attached to an email sent to the entire sample. The completed document can then be returned to a predetermined email address established by a researcher. Another method involves sending an email with a link to a customized website containing the survey. The responses are recorded automatically and can be viewed by a researcher as they are received. Finally, a web-based survey, the method selected for this project, can be utilized. A number of platforms, including Survey Monkey, QuestionPro, and Qualtrics, are available. However, the Qualtrics instrument was selected for a number of reasons. In particular, Qualtrics is affiliated with the University of Wisconsin-Milwaukee. The university maintains a contract with Qualtrics to provide a uniform survey instrument to its faculty and staff members and, therefore, enables its user to have access to UWM logos and website banners that can be incorporated into the survey design. Additionally, for respondents, the process required to complete the survey is relatively straightforward. An email is received by respondents in the sample that briefly describes the project, provides a few initial instructions, and presents a link that immediately forwards the individual to the survey and a set of customized instructions. Once the survey is completed, the respondent receives a customized "thank you" message and the responses are automatically entered into a database for immediate review.

In order to distribute the surveys with the Qualtrics instrument, email addresses were obtained from the websites of municipalities in the sample. When available, the primary email address of interest was that of the municipality's primary budget or finance official (e.g., chief operating officer, finance director, budget director, or director of administrative services). As would be expected, however, the email address of every director or officer in the sample could not be obtained. Of the 1,000 municipalities included in the sample, addresses for 824 primary budget or finance officials were acquired. When this type of contact information was not available, the next option was to utilize a finance or budget department email address. Thirty-four department email addresses were utilized. If a department email address was not available, other public officials such as municipal administrators, treasurers, or clerks were contacted in lieu of a budget or finance official. Twenty-eight emails were sent to these officials. In some cases, when no individual or departmental email addresses were available, a general municipal email address was listed or a contact form was imbedded within the municipal website. Thirty-two municipalities were contacted via general email address and 51 municipalities were contacted through a contact form.[22] Finally, when no email-based options were available, municipalities were sent a paper version of the survey through standard mail. In the initial distribution of the survey, only 42 paper surveys were required. Regardless of the contact method, the initial instructions included the following statement:

> If you are not the primary individual responsible for preparing the annual budget or for the day-to-day financial management of your municipality, please forward this survey to the most appropriate individual.

In short, municipal staff members who received the survey that were not related to the budget or financial activities in the municipality would know to forward the survey to the most appropriate staff member.

The initial email was sent to the sample in January 2011. In order to maximize the number of responses, a schedule was developed for two additional emails reminding respondents of the survey. The first reminder was sent 12 days after the initial email and the second reminder was sent approximately two weeks after the first reminder. In some cases the initial emails were undeliverable for a variety of reasons. When this occurred the survey was sent to different officials or through other contact methods such as an imbedded contact form or through the mail. The survey process concluded in March

[22] In some cases it was possible to send the contact form directly to a budget or finance official while in other cases the form was sent to a more general municipal email account.

2011, although several mail surveys were received after the Qualtrics instrument was disabled. At the conclusion of the process, every municipality in the sample was contacted through at least one of the methods described above.

Initial Results: Respondents and their Municipalities

Of the 1,000 contacted municipalities, 278 completed surveys were returned through the Qualtrics instrument or standard mail.[23] This results in a response rate of nearly 28%. When compared to other surveys conducted by public budgeting scholars, the response rate is somewhat lower (see, for example, Kelly and Rivenbark 2002). However, unlike many previous studies, the sample was nationwide rather than regional (Berner 2004; Kelly and Rivenbark 2002) and no data was used from surveys conducted by the ICMA (Poister and Streib 1999) or other professional organizations with established membership lists. The nature of the research questions under consideration also required a somewhat longer survey than would normally be used. As a result, the length of the survey may have influenced the response rate, as other public budgeting scholars have noted (de Lancer Julnes and Holzer 2001). Nonetheless, a lower response rate is not unprecedented when a specific or "elite" population is being examined. For example, in Furlong's (1997) analysis of interest group influence on agency rulemaking, 178 interest groups completed a survey submitted to 2,114 groups. In spite of this turnout rate, Furlong concluded that the responses provided a largely adequate representation of his population of interest. As the discussion below illustrates, this is believed to be the case for this project as well.

Municipalities that returned the survey represent 45 of the 50 states. Only Alaska, Montana, North Dakota, West Virginia, and Wyoming did not receive representation

[23] Of the 278 survey responses, eight were paper versions received through standard mail.

among the responding municipalities.[24] Overall, as Table 3.3 illustrates, the distribution across the states is largely similar to the distribution in the sample.[25] For example, as would be expected, California had the largest number of municipalities in the sample. Similarly, among those who responded, the largest number of local governments was located in California. Illinois, the state with the second largest number of municipalities in the sample, also had the second largest number of responding municipalities. However, several states were either overrepresented or underrepresented. New Jersey, for example, was the most underrepresented state with 67 municipalities in the sample and only three responses. New York also was somewhat underrepresented with municipalities totaling approximately 2% of the sample but less than half a percent of the responses. Overrepresentation was slightly less common with Colorado, Washington, and Wisconsin being the most pronounced examples. In the case of Wisconsin, the overrepresentation may be attributed to the survey originating from the University of Wisconsin-Milwaukee. With regard to population, the municipalities that returned completed surveys had a mean of approximately 56,414, very similar to the 55,879 mean population of the sample as a whole.[26]

[24] Only seven municipalities represented Alaska, Montana, North Dakota, West Virginia, and Wyoming in the sample. In comparison, 103 municipalities were included from California.

[25] One municipality that returned the survey did not provide enough information to determine its state of origin. As such, the number of municipalities in Table 3.3 is listed as 277 rather than 278.

[26] The municipality with the lowest population level in the sample had a population of 10,008 while the municipality with the largest had a population of 1,547,297.

Table 3.3 State Representation: Sample and Responses

	Sample		Responses			Sample		Responses	
	Total	%	Total	%		Total	%	Total	%
Alabama	23	2.30	6	2.17	Montana	1	0.10	0	0.00
Alaska	1	0.10	0	0.00	Nebraska	4	0.40	2	0.72
Arizona	13	1.30	6	2.17	Nevada	3	0.30	2	0.72
Arkansas	7	0.70	1	0.36	New Hampshire	11	1.10	4	1.44
California	103	10.30	24	8.66	New Jersey	67	6.70	3	1.08
Colorado	15	1.50	10	3.61	New Mexico	7	0.70	3	1.08
Connecticut	32	3.20	5	1.81	New York	19	1.90	1	0.36
Delaware	1	0.10	1	0.36	North Carolina	23	2.30	8	2.89
Florida	50	5.00	14	5.05	North Dakota	2	0.20	0	0.00
Georgia	19	1.90	1	0.36	Ohio	48	4.80	17	6.14
Hawaii	1	0.10	1	0.36	Oklahoma	15	1.50	4	1.44
Idaho	12	1.20	4	1.44	Oregon	10	1.00	6	2.17
Illinois	69	6.90	21	7.58	Pennsylvania	65	6.50	15	5.42
Indiana	18	1.80	4	1.44	Rhode Island	7	0.70	3	1.08
Iowa	11	1.10	4	1.44	South Carolina	13	1.30	3	1.08
Kansas	6	0.60	4	1.44	South Dakota	4	0.40	2	0.72
Kentucky	5	0.50	1	0.36	Tennessee	12	1.20	4	1.44
Louisiana	8	0.80	1	0.36	Texas	55	5.50	12	4.33
Maine	8	0.80	2	0.72	Utah	10	1.00	5	1.81
Maryland	6	0.60	4	1.44	Vermont	3	0.30	2	0.72
Massachusetts	45	4.50	10	3.61	Virginia	9	0.90	2	0.72
Michigan	51	5.10	12	4.33	Washington	25	2.50	12	4.33
Minnesota	26	2.60	10	3.61	West Virginia	2	0.20	0	0.00
Mississippi	11	1.10	2	0.72	Wisconsin	23	2.30	11	3.97
Missouri	20	2.00	8	2.89	Wyoming	1	0.10	0	0.00

Beyond state representation and population estimates, other characteristics of the municipalities can be determined as well. First, the majority of local governments are incorporated cities or villages. In fact, slightly more than 83% of the responding governments are cities or villages. Although definitions vary by state, these types of governments usually are associated with a type of home rule authority and protection against annexation by neighboring municipalities. The remaining governments, slightly more than 16%, are unincorporated towns, townships, and certain types of boroughs. The majority of these local governments are concentrated on the east coast and in the Midwest where the form of government remains prevalent. Although the populations of towns and townships are usually smaller than cities or villages, there are several in the sample that maintain populations well above the sample mean.

In addition to government type, a large majority of the responding municipalities employ some type of municipal administrator or manager. In fact, nearly 82% of the responding municipalities maintain this type of position. This does not mean, however, that 82% of municipalities consider themselves council-manager governments. In many cases municipalities employ a manager or administrator in addition to a relatively powerful elected executive (e.g., mayor, village president). Nonetheless, past research has uncovered a variety of differences in budgeting practices between municipalities with administrators or managers and municipalities without (Rubin 1998). In an effort to add to this particular discussion, the relationship also is highlighted in subsequent chapters.

In addition to the characteristics of the municipalities, some of the initial questions in the survey also provide us with information about the budget and finance departments within the municipalities. For example, the average number of staff members employed by budget or finance departments in the sample is approximately eight employees. The number of employees associated with budgeting and financial activities range from a low of one to a high of seventy. The general budget process utilized by the municipalities varies as well. When asked to describe their department's approach to budgeting, over 27% of respondents indicated that some form of zero-based budgeting was the method being utilized—the most prevalent of any approach. The second and third most utilized approaches were target-based budgeting, representing 24% of the responses, and performance budgeting, representing over 16% of responses. The remaining approaches offered by the respondents in the open-ended question ranged from incremental budgeting and line-item budgeting to a hybrid or unspecified approach.

With respect to the professional organization under consideration here, many of the respondents indicated that their departments have some type of relationship with the GFOA. For example, nearly 85% of the represented departments employ at least one staff member who is a member of the GFOA. Almost 25% of the represented departments employ three or more staff members who are members of the GFOA. Additionally, over half of the represented departments have received some type of an award from the GFOA.[27] For some departments, multiple awards have been an annual occurrence for decades. Finally, when asked about their familiarity with the document containing the NACSLB budgeting framework, nearly 75% of the respondents indicated at least some knowledge. Therefore, although the represented departments vary with regard to size and budgeting approaches, a large majority have at least some experience with the GFAO and the budgeting guidelines it promotes.

Finally, beyond the characteristics of the municipalities and their budgeting and finance departments, several questions in the survey also provide us with information about the respondents themselves. For instance, a large majority of the respondents can be considered the most responsible for budgeting or financial management within their municipalities. Seventy-one percent of respondents listed their title as budget or finance director, chief administrative officer, or director of administrative services. Additionally, nearly 10% of respondents listed their title as budget or finance officer or manager. The titles of the remaining respondents ranged from budget analyst, controller, or accountant,

[27] The awards provided by the GFOA are not based on adherence to the NACSLB budgeting framework. Award categories address topics such as budget presentation, comprehensive annual financial reporting, and leadership or innovations in public budgeting.

to treasurer, municipal manager, or clerk. The respondents also are well educated. Over 95% of respondents have received a bachelor's degree and over 40% have a more advanced degree. Respondents also are well connected in their profession. Nearly 80% of respondents are members of the GFOA and almost 95% of respondents are members of some type of professional organization. These organizations range from the ICMA and state based public management associations to a variety of associations representing public accountants or finance officers. As a whole, respondents largely are educated and well-connected to their occupation. Subsequent chapters illustrate, however, that this does not necessarily mean that their opinions about budgeting or established guidelines are equally as strong or unified.

Conclusions

The research project discussed above is an attempt to provide a closer examination of local governments and their use of budgeting guidelines, specifically those developed by the NACSLB and promoted by the GFOA. In order to undertake such an analysis, however, proper research techniques must be utilized. Because this type of an analysis has not been completed in the past, a comprehensive discussion of the chosen research method becomes even more important. Chapter 3 provides this discussion.

Overall, the research techniques utilized here do not deviate from convention to a significant degree. The most noteworthy departure from previous research, in either political science or public administration, is the use of an internet-based survey method. However, the characteristics of the population of interest largely mitigated the method's drawbacks and permitted its use, even when compared to established survey techniques such as in-person interviews or mail-based surveys. While the response rate was somewhat lower when compared to surveys utilized by other scholars of public budgeting, the respondents provide a relatively accurate representation of the sample as a whole. Additionally, the surveys largely were completed by the primary budget and finance officials within each municipality. As a result, the data produced by the survey can be used, with a high degree of confidence, to address this project's primary research questions. While this chapter included a discussion of municipal, departmental, and respondent characteristics derived from completed surveys, the following two chapters focus on the responses to survey questions that directly address the specific budget practices included in the NACSLB budgeting framework. Chapter 4 begins this process by examining the degree to which responding municipalities adhere to the guidelines associated with Element 4.

Chapter IV.
Element 4: Adopt Financial Policies

Introduction

In response to a need for additional research on the practices utilized by local governments during their budget process, the previous chapter detailed the development and implementation of an internet-based survey submitted to local governments across the United States. The survey was designed to determine the degree to which municipalities adhere to specific guidelines contained in two sections of the NACSLB budgeting framework, Element 4 and Element 9. Respondents were asked to indicate the degree to which their municipalities adhere to 38 specific statements and comment on the framework more broadly. Respondents also were given the opportunity to explain, in their own words, any deviations from the framework. This chapter, in addition to Chapter 5, will make extensive use of the collected data. The 17 statements associated with Element 4 will be the focus here, while Element 9 will be addressed in Chapter 5.

The chapter begins with a brief discussion of Element 4 and its practices and outputs. A thorough examination of survey responses to the output statements follows. Summary statistics for each statement are provided and general trends are discussed. The analysis reveals significant variation across Element 4 practices and outputs. Furthermore, certain municipalities adhere to a large majority of the guidelines while others do not. Because of these deviations, the chapter concludes by examining the open-ended explanations provided by respondents in an initial attempt to explain why such variation exists. Chapter 6 will compliment this analysis—and a similar examination in Chapter 5—by using respondent, departmental, municipal, and state-specific characteristics to further explain the variation.

Element 4

As Chapter 3 illustrates, the large amount of details contained in the NACSLB budget framework required narrowing the focus of this project from the entire framework to two elements and their component practices and outputs. Element 4, the first of these elements, is a component of the framework's second broad principle. Principle 2 is entitled "Develop approaches to achieve goals". According to the GFOA, the elements associated with Principle 2 are designed to help governments attain goals established earlier in the budget process. According to the GFOA (2000),

> [Principle 2] provides for the establishment of specific policies, plans, programs, and management strategies necessary for the government to achieve its long- term goals. While broad goals set the general direction of a government, it is the policies, plans, and programs that define how the government will go about accomplishing these goals. As such, the development of policies and programs must explicitly consider how they contribute to the achievement of the government's broad goals. Policy and program goals should relate, where appropriate, to broad goals. Measures should be developed to determine the progress being made by the government in achieving goals.

In short, the elements should help determine how governments will achieve the larger goals they establish for their communities. Principle 2 and its component elements are displayed in Table 4.1.[28]

Table 4.1 Principle 2 and its Elements

Principle 2—Develop Approaches to Achieve Goals
Elements
4. Adopt financial policies
5. Develop programmatic, operating and capital policies and plans
6. Develop programs and services that are consistent with policies and plans
7. Develop management strategies

Entitled "adopt financial policies", it is apparent from the GFOA's description of Element 4 that it represents an instrumental segment of the budget process.

> A government should develop a comprehensive set of financial policies. Financial policies should be consistent with broad government goals and should be the outcome of

[28] Although not the focus of this research, the remaining elements and their practices discuss the development of the plans, programs, services, and management strategies referenced above.

> sound analysis. Policies also should be consistent with each other and relationships between policies should be identified. Financial policies should be an integral part of the development of service, capital, and financial plans and the budget. All other adopted budgetary practices of a government should be consistent with these policies (GFOA 2000).

Stated another way, the financial policies developed by governments are critical to achieving their larger goals. Unfortunately, the element, when considered on its own, does not provide much guidance about the establishment of financial policies. For example, questions about the number and content of the policies are not addressed. When the nine component practices associated with Element 4 are considered, however, some additional clarity is provided. As displayed in Table 4.2, each of the practices highlights specific policies that should be developed.[29] The policies address topics that range from stabilization funds and one-time revenues to revenue diversification and contingency planning. Two topics, debt management and inconsistent revenues, are highlighted by multiple practices.

Table 4.2 Element 4 and its Component Practices

Element 4—Adopt Financial Policies
Practices
4.1 Develop policy on stabilization funds
4.2 Develop policy on fees and charges
4.3 Develop policy on debt issuance and management
4.3a Develop policy on debt level and capacity
4.4 Develop policy on use of one-time revenues
4.4a Evaluate the use of unpredictable revenues
4.5 Develop policy on balancing the operating budget
4.6 Develop policy on revenue diversification
4.7 Develop policy on contingency planning

While the practices associated with Element 4 reveal the types of policies that should be considered and developed, they remain somewhat vague, nonetheless. However, output paragraphs listed with each of the practices in the NACSLB document

[29] Two of the practices, Practice 4.3a and Practice 4.4a, address topics that are similar to their related practices—Practice 4.3 and Practice 4.4, respectively.

provide much more detail. These paragraphs, as Chapter 3 indicates, contain a number of specific and actionable outputs. Consequently, adherence to the entire framework requires general adherence to these outputs. As the foundation of the budgeting framework, the outputs were selected as the basis for survey questions provided to budget and finance officials. The challenge, however, was that the output paragraphs provide so much detail that when every individual output was isolated from each of the paragraphs there were too many to practically include in a single survey. Because of this unique dilemma, outputs were selected that best described their corresponding practice. Once this process was completed for each practice, 17 specific output statements were derived from the nine practices in Element 4.

Table 4.3 provides a list of the 17 statements. Because the output paragraphs vary by both length and content, the number of statements derived from each paragraph also varies. For example, the output paragraph associated with Practice 4.5 is three times longer than the paragraph associated with Practice 4.4. Stated another way, some practices are defined by a large number of output statements, while others are not. As a result, three of the practices are associated with one output statement, five practices are associated with two statements, and one practice is associated with four statements. Rather than develop an equal number of output statements for each practice, the content of each paragraph determined the number of statements that were developed and, therefore, used in the survey.

Table 4.3 Element 4 Practices and Output Statements

Practice 4.1 Develop policy on stabilization funds

1. Stabilization policies have been developed that establish when stabilization funds are created.
2. Stabilization policies have been developed that identify how stabilization funds should be used.

Practice 4.2 Develop policy on fees and charges

1. Policies on fees and charges have been developed that address aspects such as the level of cost recovery for services, the reason for subsidies, and the frequency with which cost-of-service studies will be undertaken.

Practice 4.3 Develop policy on debt issuance and management

1. Policies on debt issuance and management have been developed that include elements such as the purposes for which debt may be issued; matching of the useful life of an asset with the maturity of the debt; limitations on the amount of outstanding debt; types of permissible debt; structural features; refunding of debt; and investment of bond proceeds.
2. Debt policies include legal or statutory limitations on debt issuance.

Practice 4.3a Develop policy on debt level and capacity

1. Policies on the use of debt such as general obligation debt, special assessment bonds, tax increment financing bonds, and short-term debt have been developed.

Practice 4.4 Develop policy on use of one-time revenues

1. One-time revenues and their allowable uses are explicitly defined by a formal policy.

Practice 4.4a Evaluate the use of unpredictable revenues

1. Policies have been developed that discuss unpredictable revenues and their use if they generate revenue higher or lower than projected.
2. Policies related to unpredictable revenues are used in budget decision making.

Practice 4.5 Develop policy on balancing the operating budget

1. A policy has been established that provides clear definition as to how budgetary balance will be achieved.
2. Definitions of items to be counted as operating resources (e.g., revenues) and operating resource uses (e.g., expenditures) are explicitly identified.
3. The policy on balancing the operating budget discusses and explains relevant constitutional, statutory, or case law provisions that impose a balanced budget requirement upon the government.
4. The policy on balancing the operating budget identifies the circumstances when deviations from a balanced budget may occur.

Practice 4.6 Develop policy on revenue diversification

1. A policy has been developed that can be used to improve revenue diversification.
2. In order to implement a revenue diversification policy, an analysis of each particular revenue source was completed.

Practice 4.7 Develop policy on contingency planning

1. A policy has been developed that identifies types of emergencies or unexpected events and the way in which these situations are to be handled from a financial management perspective.
2. A contingency planning policy considers operational and management impacts.

The list illustrates that, although each practice discusses a distinct aspect of the budget process, the practices can be grouped together by topic. For example, two of the practices discuss the development of policies related to debt and debt management. Practice 4.3 focuses on debt issuance and management and Practice 4.3a focuses on debt level and capacity. Similarly, four of the practices discuss the development of policies related to revenue. Practice 4.2 addresses fees and charges, Practice 4.4 addresses one-time revenues, Practice 4.4a addresses unpredictable revenues, and Practice 4.6 addresses revenue diversification. The remaining practices discuss stabilization funds (Practice 4.1), balancing the operating budget (Practice 4.5), and contingency planning (Practice 4.7). The ability to group the practices in this manner is important to note at the outset of the analysis because of the usage trends that are uncovered and highlighted in subsequent portions of the chapter.

As Chapter 3 discusses, survey respondents were presented with the output statements and five potential responses—agree, somewhat agree, somewhat disagree, disagree, and don't know. Instructions displayed prior to the statements provided budget and finance officials with clear definitions of each potential response. An agree response indicated complete or annual adherence to the statement, somewhat agree indicated frequent but not complete adherence, somewhat disagree indicated irregular adherence, and disagree indicated a complete lack of adherence. Finally, a "don't know" response indicated uncertainty about the degree to which the municipality adheres to the statement.

The implications of these responses to the research questions developed in Chapter 1 also warrant a brief review prior to examining the results in detail. A majority of agree or somewhat agree responses would indicate that NACSLB practices are being used consistently and across a wide range of municipalities. Such results would, therefore, also support the hypothesis of strong adherence to a common set of principles in budgeting. In contrast, a significant percentage of somewhat disagree and disagree responses would indicate deviations from the practices and, thus, more qualified conclusions about whether NACSLB budgeting practices are widely accepted principles among practitioners. Don't know responses would indicate a limited knowledge of municipal budget practices by respondents and, potentially, limited knowledge of the practices contained in the framework. Similar to somewhat disagree and disagree responses, a large number of don't know responses generally would not support the idea of consistent and accepted principles within the public budgeting arena.

The Adoption of Financial Policies: Universal, Partial, or Complete Disregard?

In order to provide an initial insight into the use of budgeting guidelines among budget and finance officials—and address this project's primary research questions—this section displays the output statements and the percentage of respondents that selected each of the potential responses. The statements are displayed with their associated practice. For example, Table 4.4 includes the two statements derived from Practice 4.1 while Table 4.5 includes the single statement derived from Practice 4.2. A brief discussion of the responses follows each table, though a larger discussion of the results and their implications for the research questions conclude the chapter.

Practice 4.1, the first practice associated with Element 4, recommends the development of policies related to stabilization funds. From the output paragraph in the NACSLB budget document, two statements were derived. The first statement indicates that municipalities have developed stabilization policies that establish when stabilization funds are created. The second statement indicates that municipalities have developed policies that identify how stabilization funds should be used. Table 4.4 displays the percentage of respondents by category.

Table 4.4 Develop Policy on Stabilization Funds (Practice 4.1)

Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
1. Stabilization policies have been developed that establish when stabilization funds are created.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
20.51%	29.30%	7.69%	19.41%	23.08%
2. Stabilization policies have been developed that identify how stabilization funds should be used.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
19.39%	29.66%	6.84%	21.67%	22.43%

Question 1 N=273; Questions 2 N=263

The table indicates that significant variation exists among survey respondents and their municipalities. Of the 273 responses to the first statement, less than 50% of respondents indicated that stabilization policies have been established that specify when stabilization funds should be created. In contrast, 27% of respondents indicated a lack of adherence with the statement, either in part or completely. Similarly, over 23% of respondents did not know the degree of their municipality's adherence. The responses to the second statement related to Practice 4.1 are nearly identical to those of the first statement. Approximately 49% of respondents indicated that stabilization policies have been developed that specify how funds should be used. In this case, over 28% of responses indicated limited or no adherence with the statement. Finally, over 22% of respondents were unsure of policy usage within their municipalities.

Overall, approximately half of the municipalities represented in the sample have developed stabilization policies that adhere to the guidelines in the NACSLB budgeting document. Over one quarter of the municipalities do not have fully-developed stabilization policies and nearly another quarter employ budget and finance officials with limited knowledge of the statements. Although Practice 4.1 and its outputs are the first to be examined here, there is no question that variation exists among municipalities when stabilization fund policies are considered.

The second practice associated with Element 4 addresses the development of policies related to fees and charges. In this case, the NACSLB suggests policies on fees and changes cover a variety of topics. However, the output mentions three topics specifically, the level of cost recovery for services, the reason for subsidies, and the frequency with which cost-of-service studies are undertaken. Table 4.5 displays the responses to this statement.

Table 4.5 Develop Policy on Fees and Charges (Practice 4.2)

1. Policies on fees and charges have been developed that address aspects such as the level of cost recovery for services, the reason for subsidies, and the frequency with which cost-of-service studies will be undertaken.

Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
25.09%	43.27%	12.73%	13.82%	5.09%

N=275

Of the 275 responses, slightly more than 25% indicated their municipalities adhere to the statement. Additionally, more than 43% of respondents indicated at least partial adherence. Stated another way, approximately 43% of the municipalities in the sample have developed policies that address at least one of one of the aspects, but not all of them. When agree and somewhat agree responses are combined, more than 68% of municipalities adhere to the statement, either fully or in part. Although this is a significant increase when compared to Practice 4.1, over 26% of respondents also indicated a lack of adherence to the statement. An additional 5% of the respondents did not have enough knowledge about their municipality's practices to make an assessment.

Therefore, in addition to a nearly 70% rate of adherence, budget and finance officials also are more certain about the use of these policies within their municipalities.

The third practice included in the budgeting document under Element 4 recommends the development of policies related to debt issuance and management. The output paragraph associated with Practice 4.3 is extensive and detailed. In brief, the paragraph lists a variety of elements appropriate for policies on debt issuance and management. For example, the policy should include aspects that discuss the purpose for which debt is issued, matching the life of an asset with the maturity of the debt, limitations on the amount of outstanding debt, types of permissible debt, structural features, the refunding of debt, and the investment of bond proceeds. The first output statement reflects this variety. Additionally, the output paragraph also recommends debt policies include legal or statutory limitations on debt issuance. This recommendation is reflected in the second output statement derived from Practice 4.3. The responses to these statements are displayed in Table 4.6.

Table 4.6 Develop Policy on Debt Issuance and Management (Practice 4.3)

1. Policies on debt issuance and management have been developed that include elements such as the purposes for which debt may be issued; matching of the useful life of an asset with the maturity of the debt; limitations on the amount of outstanding debt; types of permissible debt; structural features; refunding of debt; and investment of bond proceeds.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
53.82%	27.64%	7.27%	8.00%	3.27%
2. Debt policies include legal or statutory limitations on debt issuance.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
72.53%	14.29%	3.30%	6.59%	3.30%

Question 1 N=275; Question 2 N=273

Of the 275 responses to the first statement, over 53% of respondents indicated complete adherence to the guidelines included in the debt issuance and management policies. Additionally, nearly 28% of respondents indicated at least partial adherence. The high percentage of agree responses is particularly interesting when compared to the percentage of somewhat agree responses, given the large number of components listed in the first statement. It appears that a majority of municipalities include nearly all of the components in their policies on debt and debt management. Because of the high percentage of agree and somewhat agree responses, only 15% of respondents indicated a lack of adherence to the statement and only 3% indicated that they were uncertain about the degree of adherence by their municipalities.

The responses to the second statement also are significantly skewed toward adherence. Over 86% of respondents indicated that their municipality's debt policies include or discuss legal or statutory limitations to some degree. Fewer than 10% of respondents provided a somewhat disagree or disagree response and only 3% indicated that they were unsure of their municipality's use of the policy. Of the practices examined to this point, the highest level of adherence is associated with debt issuance and management. Adherence, either complete or partial, reached at least 80% for each of the statements. A majority of municipalities appear to have developed policies related to debt issuance and management that conform to NACSLB recommendations.

The fourth practice associated with Element 4 also addresses the topic of debt. Practice 4.3a recommends that policies related to debt level and capacity be developed. Slightly broader than Practice 4.3, this practice suggests policies should be developed that address different forms of debt. The output paragraph lists a variety of types that include general obligation bonds, special assessment bonds, tax increment financing bonds, and short-term debt. One statement was derived from the output paragraph and the various types of debt were included to provide a reference for respondents. Table 4.7 displays the responses to this statement.

Table 4.7 Develop Policy on Debt Level and Capacity (Practice 4.3a)

1. Policies on the use of debt such as general obligation debt, special assessment bonds, tax increment financing bonds, and short-term debt have been developed.

Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
51.28%	28.94%	5.49%	10.62%	3.66%

N=273

Similar to the statements associated with Practice 4.3, the responses indicate a large majority of municipalities in the sample have developed debt level and capacity policies for different forms of debt. Slightly more than 80% of respondents indicated their municipalities adhere, at least partially, to the output statement. Approximately 5.5% of the municipalities in the sample indicated limited adherence, while over 10% do not adhere to the statement at all. Only 3% of respondents could not indicate the level of adherence within their municipalities. Coupled with the results from Practice 4.3, it appears that municipalities have developed policies related to a variety of debt-related topics. Based on the relatively low number of “don’t know” responses, it also appears that budget and finance officials are well aware of debt policies that either exist or have not yet been developed by their municipalities.

The fifth practice shifts from topics related to debt—as discussed in Practice 4.3 and Practice 4.3a—to topics related to revenues. The practice recommends municipalities develop policies on the use of one-time revenues. As the budget document discusses, one-time revenues should not be used to fund ongoing expenditures. In order to prevent these types of activities, the output paragraph simply suggests that one-time revenues and their allowable uses be explicitly defined by a formal policy. Significantly shorter and less detailed than other output paragraphs, the recommendation does not provide any details beyond the creation of a formal policy. As such, one output statement was derived from the paragraph. The statement, and the percentage of respondents that selected each response, is displayed in Table 4.8.

Table 4.8 Develop Policy on Use of One-Time Revenues (Practice 4.4)

1. One-time revenues and their allowable uses are explicitly defined by a formal policy.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
19.93%	31.52%	12.32%	30.80%	5.43%

N=276

In contrast to the debt-related practices discussed above, fewer municipalities have established formal policies on one-time revenues. In fact, less than 20% of respondents indicated complete adherence to the statement. When combined with the percentage of respondents who selected somewhat agree, approximately 51% of municipalities adhere, at least partially, to the statement. In contrast, over 43% of respondents indicated, to varying degrees, a lack of adherence to the statement. In fact, when compared to the previously examined practices, no other practice elicited a higher percentage of disagree responses. The percentage of "don't know" responses also increased. Consequently, in spite of the vague nature of the practice and output statement, it appears that fewer policies related to the use of one-time revenues have been created when compared to other budgeting topics—especially debt and debt management.

The sixth practice included under Element 4 also addresses revenues and is similar to the one-time revenues discussed in Practice 4.4. While Practice 4.4 recommends caution when dealing with one-time revenues, similar caution is suggested with unpredictable revenues in Practice 4.4a. Like one-time revenues, unpredictable revenues are not a reliable means to pay for normal expenditures. If unpredictable revenues do not materialize or are lower than expected, alternative revenue sources may be needed to compensate. The output paragraph discusses these potential fluctuations and their impact on budgeting decisions. The first statement derived from the paragraph states that policies specify what happens if unpredictable revenues are lower or higher than expected. Because policies are only useful if they are utilized when making decisions, the paragraph also recommends that the created policies be used to inform decisions during the budget process. The second statement derived from the output paragraph reflects this recommendation. Both statements, and the reactions provided by survey respondents, are displayed in Table 4.9.

Table 4.9 Evaluate the Use of Unpredictable Revenues (Practice 4.4a)

1. Policies have been developed that discuss unpredictable revenues and their use if they generate revenue higher or lower than projected.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
12.55%	36.16%	8.86%	36.53%	5.90%
2. Policies related to unpredictable revenues are used in budget decision making.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
19.27%	33.82%	12.73%	29.09%	5.09%

Question 1 N=271; Question 2 N=275

The reactions to Practice 4.4a and its outputs largely are similar to those given in response to Practice 4.4. Although more than 48% of municipalities have developed policies on unpredictable revenues, only 12% completely adhere to the statement. In comparison, approximately 9% of respondents indicated limited adherence while more than 36% indicated no adherence. Finally, more than 5% of respondents were unable to determine the status of policies related to unpredictable revenues.

The responses to the second statement, while somewhat less skewed toward a lack of adherence, are similar. More than 53% of responding municipalities utilize, at least partially, policies on unpredictable revenues during the budget process while use among nearly 42% of municipalities was limited or nonexistent. Similar to the first statement, more than 5% of respondents indicated limited knowledge about the use of such policies during the budget process. When considered together, policies related to both one-time revenues and unpredictable revenues are developed and utilized at much lower rates than those related to debt. This is particularly interesting because, in contrast to stabilization policies, nearly 95% of respondents had enough knowledge of the topics to definitively comment on the policies and their use.

Of the nine practices associated with Element 4, the seventh practice is given the most attention by NACSLB. The practice recommends the development of policies related to balancing the operating budget and provides significant details about the content of the policies. The output paragraph discusses topics that range from techniques and definitions to restrictions and deviations. Given its importance to the NACSLB and the budgeting guidelines it developed, four output statements were derived from the output paragraph in order to properly address its primary recommendations.

The first identifiable statement in the paragraph is the most direct. The statement recommends the development of a formal policy that explains how a municipality will balance its budget. In short, what actions, strategies, or techniques will be used to ensure a balanced budget? Second, the paragraph suggests that items in the budget such as revenues and expenditures be explicitly defined and identified. Third, because many local governments are subject to various budgetary restrictions, the paragraph recommends policies discuss any constitutional, statutory, or law provisions that require a balanced budget.[30] Finally, the paragraph suggests the development of a policy that identifies the circumstances under which potential deviations may occur. Table 4.10 lists the four statements and the respondents' reactions to each.

Table 4.10 Develop Policy on Balancing the Operating Budget (Practice 4.5)

Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
1. A policy has been established that provides clear definition as to how budgetary balance will be achieved.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
43.48%	28.99%	8.33%	16.67%	2.54%
2. Definitions of items to be counted as operating resources (e.g., revenues) and operating resource uses (e.g., expenditures) are explicitly identified.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
58.61%	27.84%	6.96%	5.86%	0.73%
3. The policy on balancing the operating budget discusses and explains relevant constitutional, statutory, or case law provisions that impose a balanced budget requirement upon the government.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
44.00%	23.27%	6.18%	19.64%	6.91%
4. The policy on balancing the operating budget identifies the circumstances when deviations from a balanced budget may occur.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
27.31%	29.89%	8.86%	29.15%	4.80%

Question 1 N=276; Question 2 N=273; Question 3 N=275; Question 4 N=271

In contrast to the statements related to revenue in Practice 4.4 and Practice 4.4a, deviations from policies on a balanced operating budget are relatively limited. In fact, more than 65% of respondents indicated at least partial adherence to three of the four statements. The policies discussed in two of the four statements are utilized by an even greater number of municipalities. When considering the first statement, 72% of respondents indicated that policies have been developed that define, to some degree, how a balanced budget will be achieved. Similarly, when considering the second statement—the development of policies that define revenues and expenditures—more than 86% of

[30] In Wisconsin, for example, the state requires all local government to maintain a balanced budget on an annual basis.

respondents indicated at least partial adherence by their municipalities. Although lower when compared to the first two statements, more than 67% of respondents consider balanced budget restrictions in their policies. Finally, slightly more than 57% of respondents have developed policies that address potential deviations from a balanced operating budget—the lowest rate of adherence among the four statements.

Overall, municipalities have developed policies that relate to balancing their operating budgets. These policies discuss the ways in which budgets will be balanced, definitions, and limits imposed by local legislation or other levels of government. Although policies that relate to deviations from balanced budgets are developed at much lower rates, these types of policies may not be needed if deviations are not legally permissible. Given that none of the statements elicited more than 7% of the respondents to select "don't know", it appears budget and finance officials are well aware of these types of policies, even if they are not utilized.[31]

Similar to Practice 4.4 and 4.4a, the eighth practice also discusses policies related to revenue. For this practice, however, the NACSLB recommends that policies be developed to improve revenue diversification. These types of policies are significant because "a diversity of revenue sources can improve a government's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services" (NACSLB 1998, 25). The output paragraph suggests that, in addition to the development of a policy, an analysis of each revenue source be completed. Two statements were derived from the paragraph to reflect these recommendations. The

[31] The percentage of respondents that selected "don't know" for the second output statement, approximately .73%, was the lowest of any output statement derived from Element 4.

statements and the responses provided by budget and finance officials are displayed in Table 4.11.

Table 4.11 Develop policy on revenue diversification (Practice 4.6)

1. A policy has been developed that can be used to improve revenue diversification.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
9.52%	28.94%	13.19%	38.46%	9.89%
2. In order to implement a revenue diversification policy, an analysis of each particular revenue source was completed.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
13.28%	23.62%	9.23%	39.85%	14.02%

Question 1 N=273; Question 2 N=271

Similar to the previous practices that directly address revenue topics, the responses are skewed toward a lack of adherence when compared to other, non-revenue policies. In fact, only 38% or respondents indicated that their municipalities have developed policies designed to increase revenue diversification. In contrast, over 51% provided somewhat disagree or disagree responses. When asked about the completion of an analysis concerning revenue sources—the second statement—less than 37% of respondents indicated complete or partial adherence, while nearly 50% indicated limited or no adherence. As a result, the two statements are associated with the lowest rates of adherence when compared to the other outputs derived from Element 4. Additionally, they are also associated with a high number of "don't know" responses, second only to the stabilization policies discussed in Practice 4.1. Therefore, not only do municipalities not develop policies on revenue diversification, but a significant number of budget and finance officials are unsure if the policies even exist.

The ninth and final practice recommends the development of policies related to an entirely different budgeting topic—contingency planning. According to the NACSLB, policies should be developed that help local governments deal with financial emergencies or other unexpected events. Natural disasters such as floods, tornados, and hurricanes are obvious examples of disasters but unexpected drops in revenue as well as unexpected and significant capital repairs are cited as additional examples of financial disasters. To better prepare for these types of events, the output paragraph recommends the development of a policy that identifies potential emergencies and the ways in which they will be handled from a financial perspective. The paragraph also suggests that the policy consider the operational and management impacts of a disaster on the government and its finances. These aspects of the paragraph were developed into two output statements and are displayed in Table 4.12 with the reactions of budget and finance officials.

Table 4.12 Develop Policy on Contingency Planning (Practice 4.7)

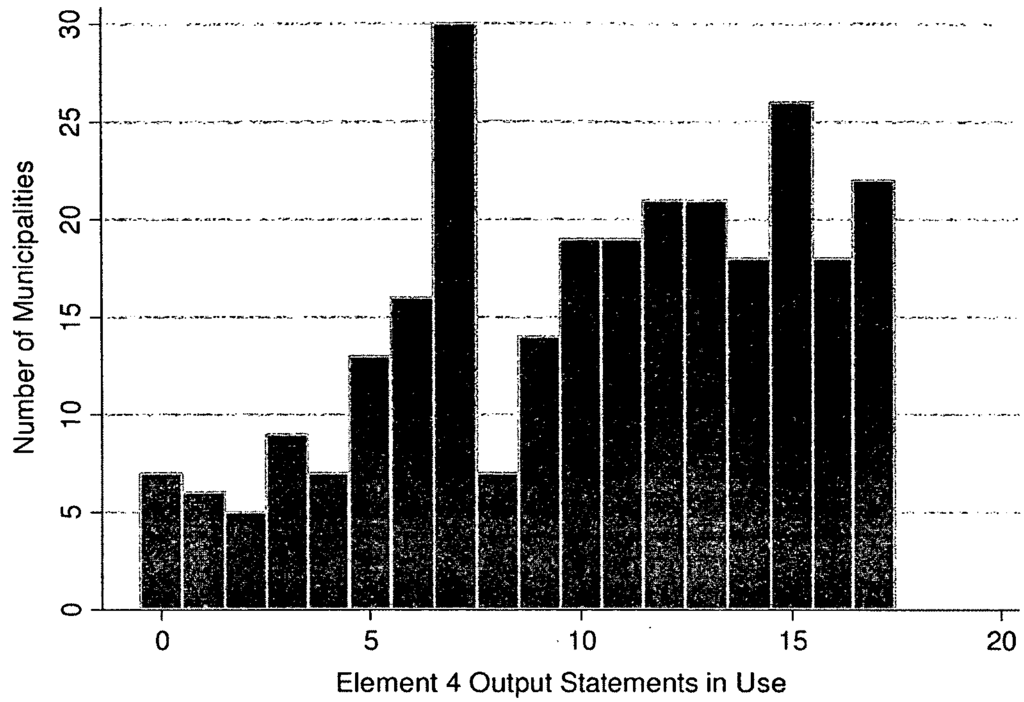
1. A policy has been developed that identifies types of emergencies or unexpected events and the way in which these situations are to be handled from a financial management perspective.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
25.55%	29.93%	13.50%	27.01%	4.01%
2. A contingency planning policy considers operational and management impacts.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
27.47%	33.33%	8.06%	24.91%	6.23%

Question 1 N=274; Question 2 N=273

As the table illustrates, there is significant variation among municipalities. While more than 55% of municipalities have developed some type policy that identifies potential emergencies and corresponding responses, more than 43% of municipalities in the sample have not taken significant steps toward policy development. An additional 4% of the respondents were unaware if policies had been developed. The distribution of responses to the second statement is across response categories as well. Approximately 60% of municipalities have developed, at least partially, contingency policies that consider the operational and management impacts of potential emergencies while 32% have not given much attention to the development of this type of policy. More than 6% of respondents were unable to determine if such a policy had been developed. It appears that while a majority of municipalities have developed some type of contingency management policy, a significant minority have yet to develop policies that correspond to those in the NACSLB framework.

Finally, while the above paragraphs detail variation across statements, it is no less important to explicitly consider variation across municipalities themselves. For example, when considering the element and its practices and outputs, seven municipalities indicated a lack of adherence to all of the element's 17 specific output statements. In contrast, 22 municipalities reported at least partial adherence to all of the listed statements. On average, 10 statements are utilized by municipalities in the sample. Figure 4.1 displays the complete distribution with the y-axis representing the number of municipalities and x-axis representing the individual output statements in use. As a whole, the distribution is skewed toward the right, indicating a bias toward adherence.

Figure 4.1 Use of Element 4 Output Statements across Municipalities



Municipalities and their Financial Policies: Observations and Trends

According to the NACSLB budgeting document, the development of financial policies is an important piece of the budget process because established policies can help local governments achieve the long-term goals they set for themselves. The document includes nine different practices that address different budgeting policies ranging from stabilization funds and revenue to contingency planning and debt. In the survey developed for this project, budget and finance officials were asked to determine the degree to which their municipalities adhere to these practices and the policies they describe. The results displayed above are their responses to 17 outputs derived from the nine practices and their explanations. While a careful analysis of the responses to each practice and output is important to this project and its conclusions, the responses also can be organized into several themes that highlight important trends.

First, the highest rates of complete or partial adherence among municipalities in the sample were associated with the practices that recommend various debt-related policies. These practices, Practice 4.3 and Practice 4.3a, were represented by three output statements. The percentage of respondents that selected the "agree" response did not fall below 50% for any of the statements. When "somewhat agree" responses were included, adherence increased to at least 80% for each of the statements. Over 86% of the municipalities indicated at least partial adherence to the second statement associated with Practice 4.3—the highest of any output statement. Respondents also were relatively familiar with debt policies in their municipalities. The percentage of respondents that selected "don't know" did not reach 4% for any of the statements. In short, debt policies that consider various types of debt, as well as issuance, management, and limitations have been adopted by municipalities and largely correspond to NACSLB recommendations.

Second, while debt-related policies have been developed at higher percentages than others in the budget document, revenue-related policies have been developed at the lowest rates. Although revenue policies are addressed by four practices and six outputs statements, only policies related to fees and charges have been widely adopted among municipalities in the sample. Adherence to the remaining three practices and their five output statements has been limited at best. The percentage of respondents that indicated complete adherence did not reach 20% for any of these statements. In fact, the percentage of respondents that consistently analyze their revenue sources—the first output statement associated with Practice 4.6—did not reach 10%. Furthermore, of the five revenue-related output statements, more than 40% or respondents selected either "somewhat disagree" and "disagree" for each statement. The output statements associated with

Practice 4.6 were the most skewed, with nearly 40% of respondents indicating a lack of adherence. Overall, it appears that revenue policies, with the exception of policies related to fees and changes, receive relatively little attention by the municipalities in the sample. It would, therefore, be very difficult to conclude that the revenue policies recommended by the budgeting document have become principles of public budgeting.

Third, surveyed budget and finance practitioners had the least knowledge of Practice 4.1 and its stabilization fund policies. Of the 17 outputs statements derived from Element 4 practices, the two statements associated with Practice 4.1 received the highest percentage of "don't know" responses. Nearly 25% of respondents were unfamiliar with stabilization fund policies in their municipalities. While this trend does not mean municipalities deviate from the recommendations associated with the practice, it does suggest that the policies, if they exist, are not very familiar to those tasked with their implementation. This appears to indicate that stabilization fund policies are not prominent within a significant minority of municipalities in the sample—a trend that also would seem to be counterintuitive to the idea of consistently utilized budgeting principles.

The fourth and potentially most significant theme that can be derived from responses to the individual statements is the existence of variation across practices and municipalities. In many cases, the variation is significant. For example, each of the five potential responses associated with the first statement under Practice 4.6 was selected by at least 9% of respondents. The category with the highest percentage of responses was "disagree" with 38%. The statement that received the highest percentage of "agree" responses (Practice 4.3, statement 2) also was largely disregarded by nearly 10% of respondents and, potentially, by another 3% that did not have enough knowledge to indicate a more concrete response than "don't know." However, while no practice is used universally, no practice or output is completely disregarded. Approximately 40% of respondents indicated complete deviation from the second practice associated with Practice 4.6—the highest percentage of any statement—but 37% of respondents indicated at least some degree of adherence to the same statement. Furthermore, while some municipalities do not adhere to any individual guidelines, others adhere to all of them.

The deviations from the NACSLB budgeting document uncovered in this chapter lead to an important question—one that was discussed at the outset of this project. What accounts for the variation in use among municipalities? While Chapter 6 will answer this question more directly, the following section attempts to provide a partial answer using one particular source of information—the views of practitioners themselves.

Explaining Deviations from the Framework: Views of Practitioners

In the survey provided to local budget and finance officials, respondents were asked to provide explanations if they selected either the "somewhat disagree" or "disagree" responses. By utilizing this question format, respondents essentially were able to describe, in their own words, why their municipalities do not adhere to the output statements. On average, approximately 38 respondents per statement utilized this opportunity when considering the Element 4 outputs. While some respondents simply stated that policies had not been developed, others provided more telling and detailed explanations. Although these individuals do not account for every "somewhat disagree" or "disagree" response, their explanations provide an important perspective on why some municipalities adhere to the NACSLB practices and others do not.

When respondents were asked to indicate why their municipalities had not developed policies on stabilization funds—Practice 4.1—responses to the two output statements were relatively similar. One of the most frequently cited reasons for deviations across both statements was the use of informal, unwritten policies in lieu of formal policies. Another frequently cited explanation was the lack of need for such policies. Essentially, if stabilization funds are not utilized, there is no need to develop corresponding policies. Other explanations, although not mentioned as frequently, provide interesting insights into the realities of public budgeting. A few respondents indicated a lack of support for policies among elected officials while others indicated that such policies were too specific and theoretical. As a result, the policies were not useful in practice. For example, according to one respondent "It's nice to think that this can happen, but reality doesn't work that way." Similarly, another respondent suggested, "We don't believe in policies that are way too specific—policies are guidelines and directional points, not procedures."

When compared to Practice 4.1, the output statement derived from Practice 4.2 received a similar number of explanations as well as several similar responses. For example, the most frequently cited explanation for the lack of policies on fees and charges was the use of informal policies rather than formal policies. Additionally, limited support from municipal managers, elected officials, or citizens was cited by several respondents. One respondent suggested that the policies were not needed in a small municipality and another indicated that time or resource constraints limited the development of these types of policies.[32]

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[32] Resource constraints indicate that the respondent mentioned limitations caused by minimal staff support or a lack of financial resources.

Respondents, when presented with statements concerning the development of debt issuance and management policies in Practice 4.3, indicated significant adherence and, therefore, provided fewer explanations. However, similar to the practices discussed above, the use of informal policies was mentioned by numerous respondents while others indicated that policies were in the process of being developed. Multiple respondents also indicated the use of a case-by-case approach to debt and others stated that their municipalities did not carry debt and, therefore, did not need policies related to its use. Limitations imposed by states, elected officials, and a lack of resources prohibited the development of debt policies in several municipalities as well. For example, one respondent stated that "we would like to establish policies in the future but a lack of resources [has] inhibited the process."

Also focused on debt, Practice 4.3a suggests the development of policies on various types of debt (e.g., general obligation debt, special assessment bonds, and tax increment financing bonds) that includes a discussion of debt level and capacity. Respondents consistently mentioned one of four common explanations in response to their deviations from this practice. First, informal policies were used in lieu of formal policies. Second, formal policies were in the process of being developed. Third, state policies or restrictions limited the degree to which the municipality could implement its own policy. Fourth, the municipality is unable to legally carry debt. The use of a case-by-case approach to debt, the size of the municipality, and time and resource constraints also were mentioned by several respondents.

Practice 4.4 asked respondents about policies on the use of one-time revenues. The most frequently cited reason for deviations for this policy—by the large margin—

was the use of informal policies that replaced the need for formal policies. Several respondents also indicated that one-time revenues were handled on a case-by-case approach, which also limited the need for formal policies. In one case, a respondent indicated that policies had not been developed because one-time revenues were being used to balance the operating budget.

Responses to the development of policies on unpredictable revenues discussed in Practice 4.4a largely were comparable to those provided for Practice 4.4. Again, one of the comments mentioned often was the use of informal policies rather than formal policies. For many municipalities, excess revenues are simply applied to other funds or subsequent budgets without a formal policy. Similar to Practice 4.4, a case-by-case approach often is employed to determine the use of unpredictable revenues. Finally, comments concerning municipal size, time and resource constraints, and the political nature of policy creation were each mentioned as well.

Practice 4.5—the longest and most detailed practice associated with Element 4—was divided into four output statements that addressed policies related to balancing the operating budget. Although the topics of these policies ranged from methods and definitions to limitations and deviations, many respondents who indicated a lack of adherence provided similar responses. While the use of informal policies was cited by several respondents for each of the statements, the most frequently mentioned reason was limited need. In many cases, policies are not required because a balanced operating budget is required by elected officials, a municipal charter, or state statutes. For these municipalities a balanced budget is an imposed requirement which removes the need for internal policies. Finally, similar to comments on other practices, the case-by-case approach was mentioned at least once for three of the output statements.

Although Practice 4.6 recommends the development of revenue diversification policies, the reasons for limited adherence were similar to those provided for Practice 4.5. For example, one of the most frequently mentioned comments for both of the practice's output statements was state imposed restrictions. In addition to the use of informal policies, some respondents also indicated that the small size of their municipalities limited revenue diversification and, therefore, the need for a policy. For example, according to one respondent, "As a small city we don't need a lot of extra policies to tell us to do something—there is no one to pass the information onto since the same people who write policy are the same who must implement [it]. Things like this don't fall through the cracks like big organizations who can point fingers." Several respondents indicated that time or resource constraints limited their ability to develop policies and one respondent mentioned that elected officials were opposed to revenue diversification.

Finally, Practice 4.7—the last practice associated with Element 4—recommends that policies on contingency planning be developed. The use of informal policies was, yet again, one of the most frequently mentioned reasons for a lack of adherence to the outputs. Respondents also indicated that contingency planning, and the emergencies it addresses, is completed on a case-by-case basis. Several respondents stated that contingency planning was the responsibility of the municipal manager or elected officials. Similar to previous policies, a few respondents also referenced the small size of their municipality and time or resource constraints as explanations for deviations.

In sum, although each of the Element 4 practices addresses different topics and policies, the reasons provided by respondents for deviations are somewhat similar across the practices and outputs. For example, the use of informal policies in lieu of formal policies was one of the most frequently mentioned responses across all of the practices and outputs. For some practices, especially those associated with debt, a balanced operating budget, and revenue diversification, restrictions from state statutes or municipal leaders were referenced often. Other explanations, although mentioned on a less frequent basis, were listed for many of the practices. These explanations often involved municipal size, time constraints, resource limitations, political hindrance, and a general distaste for "theoretical" or textbook policies. In some cases respondents indicated that their municipalities were in the process of developing budgeting policies that conform to those described in the NACSLB budgeting document.

Use of Element 4 Practices among Local Governments: Implications

Although this research only examines a portion of the NACSLB framework and the focus of this chapter is Element 4 in particular, the results are informative nonetheless. Overall, responses to the survey submitted to budget and finance officials indicate that municipalities across the United States adhere to many of the guidelines described in Element 4. Municipalities have developed policies that address stabilization funds, revenue, operating budgets, and debt, among others. The development of these policies, however, has not been universal. For example, while nearly 90% of survey responses indicated that their municipalities have developed policies that correspond, at least partially, to certain aspects of the budgeting framework, only 37% of survey responses indicated at least partial adherence to others. Additionally, nearly 40% of respondents indicated a lack of adherence to several statements and "don't know" responses approached 25% in other cases. The answer to the second research question, therefore, is that while many municipalities have developed policies that correspond to those recommended by the NACSLB and the GFOA, others deviate from the recommendations or employ officials who are unaware of the policies developed by their municipalities. In some instances, deviations and low levels of knowledge are significant.

Based on these results, what are the implications for the first and primary question concerning the potential existence of principles of public budgeting? As a whole, it would seem that the use of Element 4 varies significantly across practices and local governments, which makes it difficult to classify the entire piece of the framework as a set of budgeting principles. However, when more specific aspects of the element are analyzed individually, the classification may be more realistic in some cases. For example, all of the debt-related policies associated with Element 4 have been developed to some degree by more than 80% of the municipalities represented in the sample. While these guidelines only represent a small portion of the complete NACSLB budgeting framework, outputs and practices associated with this rate of adherence cannot easily be ignored. Once the practices and outputs associated with Element 9 are examined in Chapter 5, the results will be combined with these findings to develop more concrete conclusions.

Although these findings are, on their own merits, contributions to public budgeting and public administration literature, the next logical research question becomes immediately relevant. Since deviations from the framework, particularly Element 4, have been uncovered, what explanations account for the variation across municipalities? While deviations were not fully expected at the outset of this research, the potential dictated that such a question be included with the two primary inquires. Since the survey asked respondents to explain their responses if they indicated that deviations occurred, this question can be answered, though only partially, in this chapter. Based on the comments provided by the respondents it is clear that one of the primary reasons municipalities have not adopted the formal policies recommended in Element 4 is that informal, unwritten polices have been developed and utilized instead. Deviations also can be explained by municipal size, time constraints, resource limitations, state laws, and political opposition. In short, a variety of factors have limited the ability of municipalities to conform to the policies espoused in the budget framework. Reflecting the conclusions of previous authors, it appears that applying theory to practice may be challenging or unnecessary for some local governments (Kelly and Rivenbark 2002; Simon 1946). Following Chapters 5 and 6, additional explanations will be combined with those uncovered here to formulate a more complete explanatory picture in Chapter 7.

Conclusions

In an attempt to examine public budgeting guidelines and the potential development of budgeting principles, a survey was submitted to municipal budget and finance officials across the United States. The primary purpose of the survey was to determine the extent to which municipalities adhere to budgeting guidelines contained in a framework developed by NACSLB. While the survey included broad questions concerning the use of the framework in its entirety, the majority of the questions focused on the specific practices and outputs associated with two of the elements in the framework—Element 4 and Element 9. The survey results, specifically those related to Element 4, were presented and discussed in this chapter.

As a whole, municipalities across the country have developed budgeting policies that correspond to the practices and outputs contained in the NACSLB budgeting document. In fact, nearly 90% of respondents indicated that their municipalities adhere to several outputs mentioned in the survey. Outputs associated with debt policies often were associated with this level of adherence. However, adherence to the remaining outputs was lower. For example, the percentage of municipalities that adhere to a number of outputs did not reach 40%. In other cases, respondents were unable to determine the degree to which their municipalities adhere to the statements. Nearly one quarter of all respondents was unable to provide a concrete response concerning stabilization fund policies, for instance. Thus, while policies certainly have been developed that correspond to NACSLB recommendations, the development has not been consistent or universal.

Since the results of the survey indicated significant deviations from the practices and outputs, the next step in the research process was to determine if any systematic explanations could account for the variation among municipalities. In order to begin answering this question, explanations for the deviations were examined from one specific source—the budget and finance officials themselves. According to respondents, one of the primary reasons for limited adherence was the use of informal or unwritten policies in lieu of the formal policies recommended by the NACSLB. Other explanations involved municipal size, time constraints, resource limitations, state laws, political opposition, and disconnects between theory and reality. While these responses are individual and context specific, they illustrate an interesting perspective that supports, at least partially, the conclusions of past commentary and research. For the purposes of this project, the responses also will be used to supplement the explanations explored through a more quantitative approach in Chapter 6. Prior to undertaking this exercise, however, the practices and outputs associated with Element 9 require an examination similar to that afforded Element 4 here.

Chapter V.
Element 9: Develop and Evaluate Financial Options

Introduction

In order to begin informing the questions developed in Chapter 1, Chapter 4 displayed and discussed the results from a survey sent to budget and finance officials across the United States concerning their use of one portion of the NACSLB budgeting framework—Element 4. Overall, the results were somewhat mixed. For example, a large majority of respondents indicated that their municipalities adhere, at least partially, to the debt policies recommended in the framework. However, municipalities were much less likely to adhere to policies related to revenues and nearly one quarter of respondents was unsure if their municipalities had developed stabilization fund policies that correspond to NACSLB recommendations. Furthermore, a number of local governments adhere to all of the recommendations, while others do not adhere to any. In short, adherence to the framework largely is dependent on the recommendations and local governments under consideration. As a consequence, individual recommendations may be better classified as principles, but applying the label to the entire element would appear, at this point, to be inappropriate.

In spite of these initial conclusions, the practices and outputs associated with Element 4 only comprise one portion of the NACSLB budgeting framework. To better gauge adherence to the guidelines across the budget process, the survey questions provided to officials also focused on the practices and outputs associated with Element 9. While Element 4 primarily addresses the creation of specific budgeting policies, Element 9 addresses the evaluation, preparation, and planning activities that occur as a budget is being developed.

This chapter begins with a brief discussion of the element, its practices and outputs, and its place in the NACSLB budgeting framework. Similar to Chapter 4, a thorough examination of survey responses to the output statements follows. Summary statistics for each statement are provided and trends are discussed. The analysis reveals that guideline use continues to vary across statements and municipalities but, when compared to the results from Chapter 4, the variations are much lower. Nonetheless, explanations provided by respondent are presented, once again, as a partial effort toward explaining the variations. The chapter concludes with a comparison of Element 4 and Element 9 and the trends uncovered by the survey.

Element 9

As Chapter 3 explains, a complete and detailed analysis of the NACSLB budget framework and its use among budget officials in a single study would be nearly impossible given its size and the number of specific recommendations it contains. However, Chapter 4 begins the process by examining Element 4 and its practices and outputs. Grouped under Principle 2, the element and its practices recommend the adoption of policies that focus on topics that range from stabilization funds and one-time revenues to debt management and revenue diversification. This chapter continues the examination of the budget guidelines by utilizing a portion of the survey provided to budget officials that focuses on another section of the budgeting framework—Element 9.

In contrast to Element 4, Element 9 is located under the third broad principle. Principle 3 follows the natural sequence of the previous two principles. Principle 1 suggests governments establish goals to guide decision making, Principle 2 suggests governments develop approaches to achieve the goals, and Principle 3, following this progression, suggests governments develop a budget consistent with the approaches to achieve established goals. According to the GFOA (2000),

> [Principle 3] provides for the preparation of a financial plan, a capital improvement plan, and budget options. Development of a long-range financial plan is essential to ensure that the programs, services, and capital assets are affordable over the long run. Through the financial planning process, decision makers are able to better understand the long-term financial implications of current and proposed policies, programs, and assumptions and decide on a course of action to achieve its goals. These strategies are reflected in the development of a capital improvement plan and options for the budget.

In short, Principle 3 and its components guide the budget and financial process by recommending the development of plans and budget options that are consistent with a government's needs and goals. Table 5.1 displays the three elements included under Principle 3.

Table 5.1 Principle 3 and its Elements

Principle 3—Develop a Budget Consistent with Approaches to Achieve Goals
Elements
8. Develop a process for preparing and adopting a budget
9. Develop and evaluate financial options
10. Make choices necessary to adopt a budget

Entitled "develop and evaluate financial options", it is apparent from the GFOA's description of Element 9 that it represents a key segment of the budget process. According to the organization's description,

> A government should develop, update, and review long-range financial plans and projections. The information obtained from these plans and projections is used in determining the resource and expenditure options available for the budget period and the implications of those options. This element does not address decisions on a specific set of programs and services to be funded through the budget (GFOA 2000).

Stated another way, governments should engage in long-range planning and projections in order to better determine the resources available for near-term budgets. While the element and its descriptive paragraph are relatively brief, long-term planning and evaluating can be a significant process involving a government's revenues, expenditures, and capital projects. As a result, the element, even when considered with the descriptive paragraph quoted above, does not provide much detailed guidance. However, the practices associated with Element 9 address specific aspects of the development and evaluation process. Displayed in Table 5.2, the element includes 10 practices, the most of any element in the NACSLB budgeting framework.[33] The practices begin by suggesting governments engage in long-range financial planning and continue by focusing on specific forecasts and projections. Six of the ten practices address various aspects of revenue, while the remaining practices address expenditures, capital projects, and other related, but more general topics.[34]

Table 5.2 Element 9 and its Component Practices

Element 9—Develop and Evaluate Financial Options
Practices
9.1 Conduct long-range financial planning
9.2 Prepare revenue projections
9.2a Analyze major revenues
9.2b Evaluate the effect of changes to revenue source rates and bases
9.2c Analyze tax and fee exemptions
9.2d Achieve consensus on a revenue forecast
9.3 Document revenue sources in a revenue manual
9.4 Prepare expenditure projections
9.5 Evaluate revenue and expenditure options
9.6 Develop a capital improvement plan

Similar to Element 4 practices, those associated with Element 9 provide guidance but generally remain vague. However, once again, each practice includes an output paragraph that specifies concrete actions needed to successfully implement the practice. As previous chapters explain, proper implementation of the practices and, therefore, the

[33] Element 4 and Element 9 are each associated with nine practices, while the number of practices associated with the remaining elements in the framework range from two to six.

[34] Revenue topics receive considerable attention in this element because Practice 9.2 "Prepare revenue projections" is associated with the four subsequent practices as indicated by their numbers—Practice 9.2a, Practice 9.2b, Practice 9.2c, and Practice 9.2d. Each of these practices discusses specific aspects of the revenue projection process. For example, Practice 9.2a recommends the analysis of major revenues while Practice 9.2b recommends the evaluation of changes to revenue source rates and bases.

larger elements and principles, requires municipalities to adhere to the specific outputs. Consequently, the outputs, as the foundation of the budgeting framework, were selected as the basis of the survey questions associated with Element 9. Following the strategy developed in Chapter 3 and utilized in Chapter 4, output statements were selected from each paragraph that best described the corresponding practice.

Table 5.3 displays a list of 21 statements that were derived from the output paragraphs. Similar to Element 4, the output paragraphs vary by both length and content and, as a result, the number of specific statements derived from each paragraph also varies. Four of the ten practices are associated with one output statement, three practices are associated with two output statements, two practices are associated with three outputs statements and one practice is associated with five output statements.

Table 5.3 Element 9 Practices and Output Statements

Practice 9.1 Conduct long-range financial planning

3. Long-range financial planning, which can include components such as an analysis of financial trends, an assessment of problems or opportunities, and a description of necessary actions to address any issues, has been completed.
4. Long-range financial plans include a description of long-term revenue and expenditure forecasts using alternative economic, planning and policy assumptions.

Practice 9.2 Prepare revenue projections

2. Revenue projections developed for financial planning purposes extend over a period of at least three years.
3. Updated projections are available during the budget period to avoid unintended deviation from balanced-budget requirements.

Practice 9.2a Analyze major revenues

3. An analysis of major revenues that identifies factors that have influenced historical collections, forecasting assumptions, and any problems or concerns, has been completed.
4. Revenue trends and their stability (i.e. elasticity) have been identified.
5. Significant changes to major revenue sources—projected or actual—are highlighted in the budget document.

Practice 9.2b Evaluate the effect of changes to revenue source rates and bases

2. An analysis of the effect of pending or potential changes to revenue sources has been undertaken as part of the budget process or as warranted.

Practice 9.2c Analyze tax and fee exemptions

2. Routine analyses and reports that identify each tax and fee exemption and an estimate of foregone revenues have been completed.

Practice 9.2d Achieve consensus on a revenue forecast

3. The process for producing the revenue forecast is clear, open, and consistent (i.e. it does not engender controversy).
4. The process developed to achieve consensus on revenue forecasts among stakeholders recognizes where problems are likely to emerge and is structured accordingly.

Practice 9.3 Document revenue sources in a revenue manual

5. Documentation of revenue sources in the form of a revenue manual has been completed. In lieu of a revenue manual, documentation of major revenue sources has been included in the budget document.

Practice 9.4 Prepare expenditure projections

3. Expenditure projections extend at least three years into the future.
4. Fund level and government-wide expenditure projections have been prepared and documented.
5. Fund level and government-wide expenditure projections have been integrated into overall financial projections.
6. Expenditure projections identify service level assumptions and key issues that affect actual expenditures.
7. Expenditure assumptions are described in relation to revenue assumptions.

Practice 9.5 Evaluate revenue and expenditure options

3. A process has been established for undertaking a comprehensive review of options for program and service levels and projected funding amounts. The review includes components such as beginning and ending fund balances, changes in fund balances at a fund level, and outstanding debt levels.

Practice 9.6 Develop a capital improvement plan

1. A process exists for evaluating proposed capital projects and financing options.
2. A long-range capital improvement plan has been developed that includes both capital and operating costs (i.e. their impact on the operating budget).
3. A long-range capital improvement plan projects at least five years into the future.

Although these practices highlight an array of topics related to the development of financial plans and options, several themes are apparent. For example, six of the ten practices largely are focused on revenue. In fact, four of the practices are closely associated with Practice 9.2, which discusses the preparation of revenue projections. Practice 9.2a discusses the analysis of major revenues, Practice 9.2b highlights the evaluation of changes to revenue source rates and bases, Practice 9.2c addresses the analysis of tax and fee exemptions, and Practice 9.2d discusses the achievement of a consensus on revenue forecasts. Additional practices discuss the documentation of revenue sources in a revenue manual (Practice 9.3) and the evaluation of revenue and expenditure options (Practice 9.5). The remaining four practices address expenditures, capital projects, and broader financial planning and evaluating issues. Of the 21 output statements derived from the element, 11 address topics not directly related to revenue. Despite a significant emphasis on revenue, the element and its practices and outputs address many of the components that are needed to develop financial plans and options—in both short and long-terms.

As previous chapters have explained, survey respondents, when viewing each statement, were presented with five potential responses—agree, somewhat agree, somewhat disagree, disagree, and don't know. An agree response indicated complete or annual adherence to the statement, somewhat agree indicated frequent but not complete adherence, somewhat disagree indicated irregular adherence, and disagree indicated a complete lack of adherence. Finally, a "don't know" response indicated uncertainty about the degree of adherence. For the purposes of this project, a majority of "agree" or "somewhat agree" responses indicate the NACSLB practices are being used consistently and across a wide range of municipalities. Such results would support the hypothesis that principles of public administration are present within the public budgeting field. In contrast, "somewhat disagree", "disagree", or "don't know" responses indicate deviations from the practices or a lack of knowledge about the framework. More qualified conclusions about the use of the NACSLB budgeting framework, and budgeting guidelines more broadly, would be associated with these types of responses.

The Development and Evaluation of Financial Options: Universal, Partial, or Complete Disregard?

Following the format established in Chapter 4, this section displays the output statements and the percentage of respondents that selected each of the potential responses. The statements are displayed with their corresponding practice and are listed in the order they were presented in the survey and NACSLB budgeting framework. For example, Table 5.1 includes the two statements derived from Practice 9.1 while Table 5.2 includes the single statement derived from Practice 9.2. A brief discussion of the responses follows each table, though a larger discussion of the results, and their implications for the research questions, is presented near the conclusion of the chapter. Overall, the examination provides an additional insight into the use of budgeting guidelines among budget and finance officials beyond the initial conclusions developed from the analysis of Element 4 in the previous chapter.

Practice 9.1, the first practice associated with Element 9, recommends municipalities conduct long-range financial planning. Because long-range financial planning can include a variety of components, two output statements were derived from the output paragraph provided in the NACSLB document. The first statement reflects the broad nature of long-range planning and recommends that a plan include key components such as an analysis of financial trends, an assessment of problems or opportunities, and a description of necessary actions to address issues. The second statement recommends long-range financial plans include revenue and expenditure forecasts using alternative economic, planning, and policy assumptions—an additional component beyond those addressed in the first statement. Table 5.4 displays the percentage of respondents that selected each of the potential responses.

Table 5.4 Conduct long-range financial planning (Practice 9.1)

1. Long-range financial planning, which can include components such as an analysis of financial trends, an assessment of problems or opportunities, and a description of necessary actions to address any issues, has been completed.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
41.54%	29.41%	8.82%	15.07%	5.15%
2. Long-range financial plans include a description of long-term revenue and expenditure forecasts using alternative economic, planning and policy assumptions.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
36.86%	32.85%	8.03%	16.06%	6.20%

Question 1 N=272; Questions 2 N=274

Of the 272 responses to the first statement, more than 70% of respondents indicated that long-range planning has been completed and includes at least some of the components detailed in the statement. In contrast, approximately 24% of respondents indicated a lack of adherence to the statement, either completely or in part. Additionally, 5% of respondents were unaware of their municipality's long-range planning efforts. The responses to the second statement were nearly identical to the first. Slightly less than 70% of respondents indicated long-range planning efforts in their municipalities included, to some degree, a description of long-term revenue and expenditure forecasts using alternative assumptions. Approximately 24% of respondents indicated a lack of adherence to the recommendation, and 6% were unsure if the planning efforts in their municipalities included the appropriate components. When considered together, municipalities largely engage in long-term planning efforts that meet, at least partially, the requirements established by the NACSLB. However, reflecting the analysis of Element 4 practices, adherence is not universal.

The second practice continues the focus on long-term planning and recommends municipalities prepare revenue projections. Two specific aspects of the practice were derived from its output paragraph. The first output statement suggests municipalities develop revenue projections for financial planning purposes that extend over a period of at least three years. The NACSLB also recommends updated projections be available during the budget process to avoid unintended financial challenges. This recommendation is reflected in the second output statement. The statements, and the responses provided by budget and finance officials are displayed in Table 5.5.

Table 5.5 Prepare Revenue Projections (Practice 9.2)

1. Revenue projections developed for financial planning purposes extend over a period of at least three years.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
53.68%	21.32%	6.62%	16.18%	2.21%
2. Updated projections are available during the budget period to avoid unintended deviation from balanced-budget requirements.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
55.68%	28.94%	4.40%	4.40%	6.59%

Question 1 N=272; Question 2 N=273

Over half of the respondents indicated their municipalities prepare revenue projections that extend at least three years into the future. With the addition of respondents who indicated partial adherence, 75% of municipalities in the sample adhere, at least partially, to the statement. However, more than 22% of respondents indicated a lack of adherence to the statement and 2% of respondents were unable to determine the length of revenue projections in their municipalities. The second statement, when compared to the first, is characterized by much less variation. Nearly 85% of municipalities update their revenue projections to some degree during the budget period while less than 9% of municipalities do not update their projections in a meaningful fashion. When compared to the first statement, a greater number of respondents have limited knowledge concerning the frequency with which revenue projections are updated. Overall, adherence to these NACSLB recommendations is somewhat mixed. Revenue projections may not extend over a period of three years for some municipalities, but a large majority of governments in the sample update their available projections.

Practice 9.2a, the third practice associated with Element 9, examines another aspect of revenue and the long-term financial planning process. Since revenue changes can have a significant impact on a government and the services it provides, the NACSLB details several specific recommendations to ensure stable and largely predictable revenues. For example, municipalities should analyze major revenues and identify factors that have influenced collections and forecasts, as well as any potential problems. Municipalities also should identify revenue trends and their stability and highlight any revenue changes, whether projected or actual, in the budget document. These recommendations were divided into three output statements and are displayed, with corresponding responses, in Table 5.6.

Table 5.6 Analyze Major Revenues (Practice 9.2a)

1. An analysis of major revenues that identifies factors that have influenced historical collections, forecasting assumptions, and any problems or concerns, has been completed.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
62.50%	26.10%	2.21%	6.99%	2.21%
2. Revenue trends and their stability (i.e. elasticity) have been identified.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
57.76%	33.21%	2.89%	4.69%	1.44%
3. Significant changes to major revenue sources—projected or actual—are highlighted in the budget document.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
69.20%	23.19%	1.45%	5.07%	1.09%

Question 1 N=272; Question 2 N=277; Question 3 N= 276

When considered together, the activities of a large majority of local governments correspond to the recommendations. More than 88% of respondents indicated their municipalities analyze major revenues to some degree, 90% of municipalities have identified, at least partially, revenue trends and their stability, and 92% of municipalities document, at least in part, projected or actual changes to their major revenue sources in the budget document. Nine percent of respondents do not, to any significant degree, analyze major revenues—the highest percentage of the three statements. Regardless of the degree to which municipalities adhere to the statements, nearly every respondent knew enough about the statements to avoid selecting "don't know." In sum, municipalities analyze their major revenues and, even when an analysis does not occur on a significant or consistent basis, respondents are aware of the revenue analysis efforts in their municipalities.

Practice 9.2b, similar to the previous two practices, focuses on revenue. In particular, the practice notes that revenue sources can change for various reasons. Whether because of internal political decisions or external factors such as economic conditions or decisions made by state or federal officials, the NACSLB recommends municipalities consider and evaluate potential changes to revenue sources. The output paragraph associated with the practice suggests municipalities analyze the effect of pending or potential changes to revenue sources as part of the budget process or as warranted. This recommendation is reflected in the output statement displayed in Table 5.7. The responses provided by survey respondents are displayed as well.

Table 5.7 Evaluate the Effect of Changes to Revenue Source Rates and Bases (Practice 9.2b)

1. An analysis of the effect of pending or potential changes to revenue sources has been undertaken as part of the budget process or as warranted.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
63.27%	33.09%	1.09%	2.18%	0.36%

N=275

Nearly every municipality represented in the sample adheres, at least partially, to this recommendation. In fact, more than 96% of municipalities conduct, to some degree, an analysis of changes to revenue sources as part of their budget processes. Approximately 3% of respondents indicated that their municipalities do not analyze changes or, if changes are considered, the practice does not occur consistently. Of the practices examined to this point, whether connected to Element 4 or Element 9, Practice 9.2b is associated with the highest rate of adherence by a large margin. It appears, therefore, that most municipalities agree with the NACSLB—changes to revenues can have a significant impact on municipal operations and any potential changes, whether positive or negative, warrant significant attention.

Practice 9.2c, the fifth practice associated with Element 9, continues the element's focus on revenue. The practice recommends municipalities routinely analyze their tax and fee exemptions. Since exemptions have an impact on the revenue a municipality receives, a periodic review of exemptions can help determine if current exemptions are needed or if they should be altered. Given a brief output paragraph, only one statement was needed to reflect the practice. The statement suggests municipalities routinely identify and analyze tax and fee exemptions and estimate forgone revenues.[35] The statement, in addition to respondent reaction, is displayed in Table 5.8.

Table 5.8 Analyze Tax and Fee Exemptions (Practice 9.2c)

1. Routine analyses and reports that identify each tax and fee exemption and an estimate of foregone revenues have been completed.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
26.28%	35.40%	14.23%	18.61%	5.47%

N=274

In a relatively dramatic change from the previous revenue-focused practices, the percentage of municipalities that adhere, at least partially, to the practice is less than 62% and there is significant variation across the response categories. No response choice was selected by more than 36% of respondents and, excluding the "don't know" category, no category was selected by less than 14% of respondents. With over 32% of respondents indicating a lack of adherence to the statement, the practice is one of the least used among Element 9 practices. In addition, approximately 5% of respondents were unaware of tax and fee exemptions in their municipalities. It appears that tax and fee exemptions are considered less often when compared to other aspects of revenue planning and management.

Practice 9.2d concludes the series of practices related to Practice 9.2. Also focused on the revenue, the practice recommends municipalities achieve consensus on a revenue forecast. Since a revenue forecast is an estimate of the resources that are available for a budget, a consistent process for developing the forecast can make the budget process more efficient and less controversial (NACSLB 1998). The output paragraph provides several broad recommendations. First, the process producing a

[35] Although the output paragraph is relatively brief when discussing the process municipalities should use when analyzing tax and fee exemptions, the paragraph does caution municipalities about the politically sensitive nature of changing or removing certain exemptions.

revenue forecast should be clear, open, and consistent. Second, the process should be structured to minimize potential controversies or problems. These aspects of the paragraph are reflected in the two output statements developed from Practice 9.2d. The statements, and the responses provided by budget and finance officials, are displayed in Table 5.9.

Table 5.9 Achieve Consensus on a Revenue Forecast (Practice 9.2d)

Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
1. The process for producing the revenue forecast is clear, open, and consistent (i.e. it does not engender controversy).				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
55.15%	36.03%	3.31%	3.68%	1.84%
2. The process developed to achieve consensus on revenue forecasts among stakeholders recognizes where problems are likely to emerge and is structured accordingly.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
36.86%	44.53%	3.65%	9.85%	5.11%

Question 1 N=272; Question 2=274

When comparing the two statements, municipalities adhere to the first at higher rates than the second. Over 91% of respondents have developed, at least partially, a process for producing a revenue forecast that is clear, open, and consistent. Less than 7% of respondents indicated a lack of adherence to the statement and fewer respondents, approximately 2%, did not have enough knowledge to provide a definitive response. Although utilized at lower rates than the first statement, a large majority of municipalities have developed a process to achieve consensus on revenue forecasts that is designed to minimize controversies or problems. Over 80% of municipalities adhere, at least partially, to the statement while less than 14% of respondents indicated a lack of adherence. Similar to several other Element 9 practices, approximately 5% of respondents could not provide a concrete response. When the statements are considered together, municipalities generally adhere to the NACSLB guidelines concerning revenue forecasts, though some aspects are utilized more than others.

While not directly focused on revenue projections like the five prior practices, Practice 9.3 focuses on an additional component of revenue. In short, the NACSLB recommends the documentation of revenue sources in a revenue manual. Particularly informative for stakeholders and new staff members in the budget department, a manual lists revenues in an organized and accessible manner (NACSLB 1998). In lieu of a revenue manual, documentation can be included in the budget document. A single output statement was derived from the paragraph to reflect this recommendation. Table 5.10 displays the statement and the responses of budget and finance officials.

Table 5.10 Document Revenue Sources in a Revenue Manual (Practice 9.3)

1. Documentation of revenue sources in the form of a revenue manual has been completed. In lieu of a revenue manual, documentation of major revenue sources has been included in the budget document.

Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
51.09%	28.62%	4.35%	14.13%	1.81%

N=276

The responses to the statement, similar to others associated with Element 9, largely are skewed toward adherence. Nearly 80% of municipalities represented in the sample document major revenue sources in a revenue manual or budget document to some degree. Approximately 18% of municipalities do not document revenue sources consistently or do not adhere to the recommendation at all. An additional 2% of municipalities were represented by respondents who were unable to determine the degree to which revenue sources are documented. While the recommendation provided by Practice 5.7 is not utilized at the rates of other revenue practices, an adherence rate near 80% represents a large majority of the municipalities in the sample, nonetheless.

The eighth practice shifts the focus from revenue to expenditures. In particular, Practice 9.4 recommends municipalities prepare expenditure projections. Although it is the only practice to explicitly address expenditure projections, its output paragraph is much longer and more detailed than any other Element 9 practice. Topics discussed in the paragraph include the length of projections, preparation, integration into larger financial projections, and connections to revenue assumptions. Because of the extensive and detailed content included in the paragraph, five output statements were developed to represent the practice.

At the outset, the paragraph suggests municipalities extend expenditure projections at least three years into the future. Second, the paragraph suggests municipalities prepare and document fund level and government-wide expenditures. Third, the projections discussed in the second statement should be integrated into overall financial projections. Fourth, the expenditure projections prepared by municipalities should identify service level assumptions and key issues that affect actual expenditures. Finally, the paragraph suggests municipalities describe expenditure assumptions in relation to revenue assumptions. Table 5.11 displays these recommendations and respondents' reactions to each.

Table 5.11 Prepare Expenditure Projections (Practice 9.4)

1. Expenditure projections extend at least three years into the future.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
44.93%	20.29%	8.33%	25.00%	1.45%
2. Fund level and government-wide expenditure projections have been prepared and documented.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
59.85%	25.55%	4.74%	8.03%	1.82%
3. Fund level and government-wide expenditure projections have been integrated into overall financial projections.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
58.55%	27.27%	4.73%	8.36%	1.09%
4. Expenditure projections identify service level assumptions and key issues that affect actual expenditures.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
51.44%	34.89%	3.24%	6.83%	3.60%
5. Expenditure assumptions are described in relation to revenue assumptions.				
Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
40.44%	42.65%	5.15%	9.19%	2.57%

Question 1 N=276; Question 2 N=274; Question 3 N=275; Question 4 N=278; Question 5 N=272

Of the five statements derived from Practice 9.4, adherence to the first is the lowest. Approximately 65% of municipalities extend expenditure projections at least three years into the future somewhat consistently, while nearly 34% of municipalities do not. Although the percentage of municipalities that adhere to the statement remains over 50%, adherence to the four subsequent recommendations is much higher and more consistent. For example, 85% of municipalities in the sample prepare and document fund level and government-wide expenditure projections, 85% of municipalities integrate the projections into overall financial projections, 86% of municipalities identify service level assumptions and key issues in their expenditure projections, and 83% of municipalities describe expenditure assumptions in relation to revenue assumptions. The percentage of respondents that indicated a lack of adherence also was similar, ranging from 10% to

14%. When the statements are considered together, it appears municipalities prepare expenditure projections in ways that largely correspond to NACSLB recommendations.

Practice 9.5, the ninth practice associated with Element 9, provides a natural extension of previous practices. Following long-range planning and the preparation of revenue and expenditure projections, the practice recommends municipalities evaluate their revenue and expenditure options. The output paragraph recommends the establishment of a process that provides a comprehensive review of options for program and service levels and projected funding amounts. The review can include elements such as beginning and ending fund balances, changes in fund balances at a fund level, and outstanding debt levels. One statement was derived from the output paragraph that highlights these aspects of the review process. The statement, and the percentage of budget and finance officials who selected each response, is provided in Table 5.12.

Table 5.12 Evaluate Revenue and Expenditure Options (Practice 9.5)

1. A process has been established for undertaking a comprehensive review of options for program and service levels and projected funding amounts. The review includes components such as beginning and ending fund balances, changes in fund balances at a fund level, and outstanding debt levels.

Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
46.57%	33.57%	6.14%	11.55%	2.17%

N=277

Similar to the statements associated with Practice 9.4, responses indicate municipalities have established a review process that corresponds to the recommendation. Over 46% of respondents indicated that their municipalities completely adhere to the statement while an additional 34% adhere in part. Less than 18% of respondents indicated a lack of adherence and approximately 2% of respondents were unable to assess the review process employed by their municipalities. In short, a large majority of localities move beyond the projection process to evaluate both revenue and expenditure options using methods similar to those highlighted in the NACSLB budgeting document.

Practice 9.6, the final practice associated with Element 9, addresses another aspect of financial planning—capital spending. The practice recommends the development of a capital improvement plan. Because most municipalities have identified a number of potential capital projects that require significant financial investment, this type of plan assists governments by making the selection process easier and more efficient. As a result, the output paragraph suggests municipalities develop a process for evaluating proposed capital projects as well as potential financing options. The paragraph also suggests long-range capital improvement plans include both capital and operating costs and address projects at least five years into the future. Three statements, displayed in Table 5.13 with the responses of budget and finance officials, reflect these recommendations.

Table 5.13 Develop a Capital Improvement Plan (Practice 9.6)

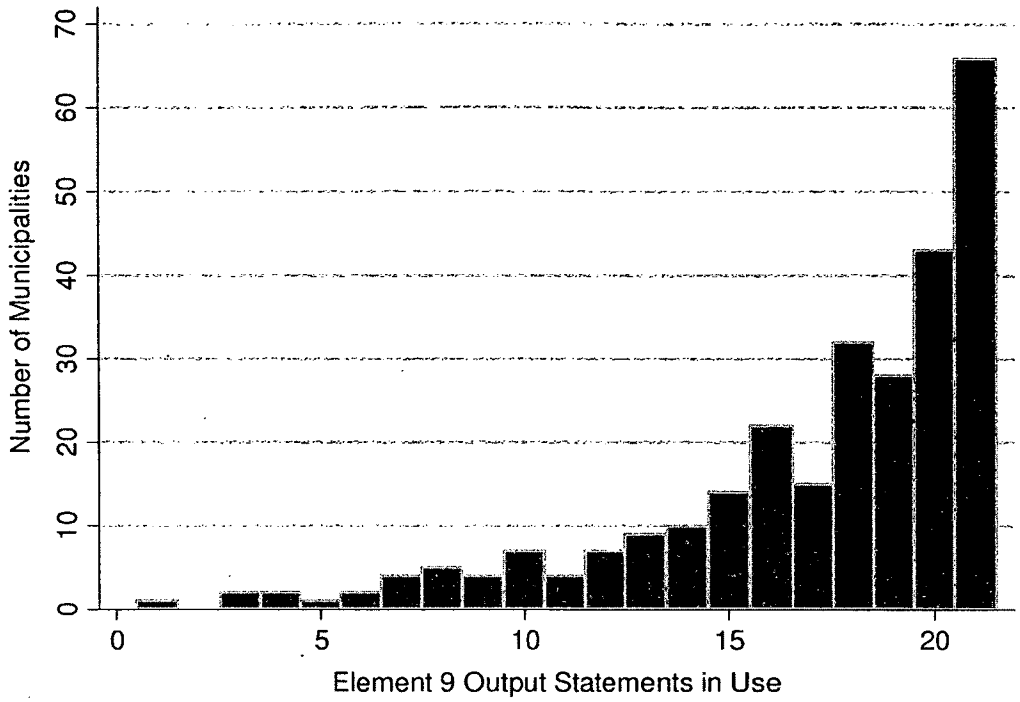
Statement	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Don't Know
1. A process exists for evaluating proposed capital projects and financing options.	68.59%	23.83%	2.89%	2.89%	1.81%
2. A long-range capital improvement plan has been developed that includes both capital and operating costs (i.e. their impact on the operating budget).	54.91%	31.64%	4.00%	8.00%	1.45%
3. A long-range capital improvement plan projects at least five years into the future.	68.84%	17.03%	5.07%	6.88%	2.17%

Question 1 N=277; Question 2 N=275; Question 3 N=276

The responses to each of the statements are notably skewed toward adherence. Over 68% of municipalities have developed a process for evaluating capital projects and financing options, nearly 55% of municipalities have developed a long-range capital improvement plan that includes both capital and operating costs, and nearly 69% of municipalities have developed capital improvement plans that project at least five years into the future. When "somewhat agree" responses are included, overall adherence increases to 92% for the first statement, 86% for the second, and 85% for the third. Twelve percent of respondents indicated a lack of adherence to the second statement, but this was the highest rate among the three statements. It appears, therefore, that capital improvement plans developed by local governments largely correspond to NACSLB recommendations.

Finally, in addition to variation across statements, variation across municipalities is present as well. For example, 66 municipalities indicated at least partial adherence to all of the element's 21 output statements. However, six municipalities do not adhere to more than five statements and 28 municipalities do not adhere to more than ten. Nonetheless, every municipality in the sample adheres to at least one Element 9 output statement. Overall, 17 statements, on average, are used by municipalities in the sample. By examining the complete distribution provided in Figure 5.1, a bias toward adherence is explicitly illustrated, though, as mentioned above, it is not universal.

Figure 5.1 Use of Element 9 Output Statements across Municipalities



Municipalities and their Financial Practices: Observations and Trends

According to the NACSLB budgeting document, an important piece of the budget process involves governments engaging in long-range planning and projections in order to better determine the resources available for near-term budgets. The document includes ten different practices that address topics such as revenue, expenditures, capital financing, and general planning. While the above section provides a necessary discussion of each individual output and the reactions provided by survey respondents, the responses can be organized into several important themes as well.

First, the highest rates of complete or partial adherence among municipalities in the sample are associated with practices that address the revenue planning and evaluating process. More than 96% of the municipalities evaluate the effect of changes to revenue source rates and bases to some degree. As a result, approximately 3% of respondents indicated a lack of adherence to the statement and less than 1% of respondents did not have the required information to develop a conclusion. Furthermore, approximately 92% of the municipalities highlight, to some degree, significant changes to revenue sources in a revenue manual or budget document. In sum, and as would be expected, nearly all municipalities in the sample appear concerned with revenues and any potential changes to the status quo. As the NACSLB recommends, the impact of changes are evaluated and, subsequently, documented in the budget document on a consistent basis.

Second, although the most utilized recommendations associated with the element involve revenue, the least utilized recommendation focuses on revenue as well. Slightly less than 62% of municipalities analyze tax and fee exemptions and estimate foregone revenues—the recommendation provided in Practice 9.2c. While a lack of tax and fee exemptions would preclude their use, nearly 33% of respondents indicated a lack of adherence to the statement and approximately 5.5% of respondents were unsure of the practice within their municipalities. While the practice is somewhat of an anomaly when revenue-related practices are considered as a whole, rates of adherence to statements that address other aspects of financial planning and evaluation were similar. For example, approximately 65% of municipalities extend expenditure projects at least three years into the future and less than 70% of municipalities consistently develop long-range financial plans that include forecasts using alternative assumptions. It appears municipalities deviate from certain statements more than others, regardless of the planning and evaluation topics under consideration.

Third, the second statement derived from Practice 9.2 recommends municipalities provide and utilize updated revenue projections during the budget process to avoid unintended deviations from balanced-budget requirements. However, approximately 6.5% of respondents, the highest percentage of any Element 9 statement, did not have enough information to determine the degree to which their municipalities adhere to the statement. In contrast, only 2% of respondents did not know if revenue projections extend over a three year period—the first statement derived from Practice 9.2. Though it appears respondents are aware of the length of their municipalities' revenue projections, fewer officials know if projections are utilized during the budget process. While this trend does not mean municipalities deviate from the second statement, it does suggest the guideline may not be highlighted during the budget process in some municipalities.

Fourth, revenue-related practices largely are utilized at higher rates than those explicitly focused on expenditures or capital projects. For example, of the ten revenue-related statements derived from Element 9, five are associated with adherence rates higher than 88%. Of the five statements, four are associated with adherence rates higher than 90%. None of the five expenditure-related statements reached 88% and only one of the three capital finance statements reached the threshold. Of the practices described in Element 9, it appears those related to revenue receive priority among municipal governments.

Finally, local governments largely develop and evaluate financial options in a manner that corresponds to NACSLB recommendations. At least 70% of municipalities adhere entirely, or in part, to 18 of the 21 statements and over 90% of municipalities adhere to five of the statements to some degree. Furthermore, 66 municipalities indicated at least partial adherence to all of the element's 21 output statements. However, similar to Element 4, adherence is not universal. In fact, more than 30% of respondents indicated a lack of adherence when considering two Element 9 output statements. Additionally, at least 10% of respondents selected either "somewhat disagree" or "disagree" when considering 11 of the element's 21 statements. As a consequence, and to partially address the third research question, the focus of this chapter shifts to exploring potential explanations for these deviations. Following the format established in Chapter 4, explanations provided by respondents are examined below, prior to a more systematic analysis in Chapter 6.

Explaining Deviations from the Framework: Views of Practitioners

In the survey provided to local budget and finance officials, respondents were asked to assess the degree to which their municipalities adhere to various statements derived from practices contained in the NACSLB budgeting document. In addition to choosing from different degrees of adherence, respondents also were asked to provide explanations if they selected either the "somewhat disagree" or "disagree" responses. On average, approximately 13 respondents per statement provided comments to explain a lack of adherence.[36] Although a number of respondents did not provide an explanation when prompted, the explanations still provide an important perspective on why some local governments adhere to the guidelines and others do not. The following paragraphs explore the explanations associated with each specific output statement detailed above.

When respondents were asked to indicate why their municipalities had not conducted long-range financial planning consistent with Practice 9.1, the responses to both output statements were somewhat similar, though a greater variety of reasons was provided in response to the first statement. Addressing a lack of general long-range

[36] Approximately 38 respondents per statement utilized this opportunity when considering the Element 4 practices and outputs. However, when compared to Element 4, adherence to Element 9 statements was much higher and, therefore, explanations for deviations were much lower.

financial planning, several respondents cited time and resource constraints as an explanation for deviations. For example, according to one respondent, "Due to limited accounting and finance staff, there has not been an attempt to perform long-range financial planning." A lack of support from elected officials also was highlighted when a respondent suggested, "Selectmen are notoriously short-sighted. They only care about this year's property tax rate, not what next year will hold. Ours are no different." Respondents also indicated the use of informal policies, economic challenges and municipal size as reasons for a lack of adherence. Regarding the second statement, informal financial planning was again cited as an alternative to long-range financial plans that include a description of forecasts using alternative assumptions. Several other respondents indicated that policies similar to the recommendation were being developed.

According to the first statement derived from Practice 9.2, revenue projections developed for financial planning purposes should extend over a period of at least three years. For most respondents who provided a written explanation, the time period was the biggest reason for a lack of adherence. One year, 18 months, and two years were common alternatives to the three year projection period recommended by the NACSLB. Several respondents indicated that three year projections were not practical while others cited a lack of political support as the primary reason for limited or no adherence. Finally, one respondent cited time and resource limitations while another referenced economic challenges as the primary reason for deviating from the statement. The second statement derived from Practice 9.2 suggests municipalities update projections for use during the budget period, but several respondents were adamant that updated projects only be available at certain times—which may or may not coincide with the budget period. A lack of data and legal limitations imposed by state governments comprised additional explanations.

Respondents, when presented with statements concerning the analysis of major revenues in Practice 9.2a, indicated significant adherence. Because of this, fewer explanations were provided when compared to other statements. For example, the first statement recommends that an analysis of major revenues identify factors that have influenced historical collections, forecasting assumptions, and any problems or concerns. One respondent indicated that the process to analyze major revenues was being developed; a second respondent indicated that revenues were the responsibility of elected officials, and a third cited time and resource constraints. The second statement, suggesting revenue trends and their stability be identified, received a single useable response.[37] According to the respondent, the guideline was not appropriate for small municipalities. The third statement recommends municipalities highlight significant changes to major revenue sources in the budget document. Four specific explanations were provided. One respondent stated that adherence would be forthcoming, another suggested changes were highlighted in a different document, a third stated changes were discussed informally with elected officials, and a fourth indicated that the state did not require the information in the budget and it was, therefore, not needed.

As highlighted above, over 96% of respondents indicated at least partial adherence to Practice 9.2b and its recommendation that an analysis of the effect of pending or potential changes to revenue sources be undertaken as part of the budget

[37] In many cases, including this statement, respondents provided a written explanation but the responses simply stated that the statement was not being followed without any additional explanation. These types of responses did not provide any additional information that could not be obtained from the selection of either "somewhat disagree" or "disagree" from the closed-ended response options.

process, or as warranted. Of the nine respondents who indicated limited or no adherence to the statement, only two offered written explanations and neither response provided insight into their deviation from the statement.

The statement derived from Practice 9.2c recommends municipalities complete routine analyses and reports that identify each tax and fee exemption and an estimate of foregone revenues. In contrast to Practice 9.2b, slightly more than 61% of respondents indicated complete or partial adherence—the lowest percentage of any statement derived from Element 9. As expected, the most frequently cited reason for deviating from the statement involved a lack of tax and fee exemptions. A municipality cannot identify and analyze tax and fee exemptions if exemptions do not exist. Other frequently cited explanations suggest the use of informal analyses and a lack of time or resources as factors that contribute to a lack of adherence. Some respondents indicated analyses were completed, but on an irregular basis. Explanations such as the small size of the respondent's municipality and the idea that such analyses would be "overkill" also were mentioned. For example, according to one respondent, "no detailed analyses of these types are generated. We have a good sense of the level of foregone revenues, but do not waste tax dollars and time to generate more reports and create more bureaucracy."

In contrast to Practice 9.2c, adherence to the two statements derived from Practice 9.2d at the time of the survey was much higher. More than 91% of local governments have, to some degree, a clear, open, and consistent process for producing a revenue forecast. Although relatively few respondents provided written explanations, the available responses are informative. For example, several respondents indicated revenue uncertainty limits the ability to develop forecasts through a noncontroversial process.

Another respondent remarked that budgets are political and, therefore, always engender controversy to some degree. The second statement, suggesting the process developed to achieve consensus on revenue forecasts among stakeholders recognize where problems are likely to emerge and is structured accordingly, received a slightly higher number of explanations. The most frequently cited response to the statement was that stakeholders usually have not been included in the process. Others indicated that their municipalities or groups of decision makers were too small to necessitate such a process. Finally, one respondent indicated that "consensus is not the objective—accurate forecasts are."

Also related to revenue, the single practice derived from Practice 9.3 suggests municipalities document their revenue sources in a revenue manual or budget document. One of the most frequently mentioned responses to the statement involved the documentation of revenue sources in a location other than a revenue manual or the budget document. Several others suggested documentation occurs, but not frequently. Finally, one respondent indicated a similar practice was being developed and another indicated that state government provides specific documentation guidelines that do not necessarily correspond to those in the NACSLB budgeting framework.

Practice 9.4—the longest and most detailed practice associated with Element 9—was divided into five output statements that address the preparation of revenue projections. Because of the diversity of the statements, responses tended to vary based on each statement's topic. For example, the first statement recommends expenditure projections extend at least three years into the future. Similar to the statement regarding revenue projections, the explanation provided most frequently involved the use of an alternative time period such as one year, eighteen months, or two years. Other respondents indicated projections only are developed for capital budgets while several others noted a lack of support from elected officials. The second statement recommends governments prepare and document fund level and government-wide expenditure projections. For most respondents who provided an open-ended response, deviations occurred because expenditure projections only are prepared at the fund level. Respondents also expressed a lack of need for entity-wide projections, suggesting the process has little value. For example, one respondent stated, "we don't care about entity-wide accounting. It's just a required practice that bears no discernable value." The third statement recommends governments integrate fund level and government-wide expenditure projections into overall financial projections. Similar to the second statement, the majority of respondents that indicated a lack of adherence cited a focus on fund or area-specific projections rather than government-wide projections. The usefulness of entity-wide expenditure projections also was questioned by a respondent when considering the statement.

The fourth statement derived from Practice 9.4 recommends expenditure projections identify service level assumptions and key issues that affect actual expenditures. Although written explanations associated with this statement were limited, one respondent indicated that inflation assumptions had been identified in lieu of service level assumptions and another suggested service level assumptions were in the process of being identified. The final statement associated with the practice prompted a greater and more varied number of responses. For example, one respondent suggested matched assumptions were not relevant to the budget; another indicated revenue and expenditure assumptions were not directly correlated; a third argued timing issues made the matching process challenging and a fourth respondent concluded that a "poorly trained staff limits [our] ability to match the assumptions."

The statement derived from Practice 9.5 recommends municipalities develop a process for undertaking a comprehensive review of options for program and service levels and projected funding amounts. The review, according to the statement, can include a variety of components. Although explanations provided by respondents were varied, the most frequently cited reason was the use of informal guidelines in lieu of a formal process. One respondent suggested that, "once again, [this is] a theoretical question while the practicality is that we deal with these issues in day-to-day operations" and another indicated that "it is more about who the budget committee and selectmen like, or don't like. Actual need doesn't often enter the equation." Other respondents suggested their review process was limited to certain areas or components and, as a result, did not adequately correspond to the recommendation.

Finally, Practice 9.6—the last practice associated with Element 9—recommends municipalities develop a capital improvement plan based on the recommendations in three specific statements. The first statement recommends the development of a process for evaluating proposed capital projects and financing options. For several municipalities, a process—often in need of improvement—exists, though it is not used consistently. Others indicated the use of an informal process in lieu of a formal process. The second statement suggests municipalities develop a long-range plan that includes both capital and operating costs. Although adherence to the statement generally was high, some respondents indicated that their plans were not tied to operating costs. Similar to the first statement, several respondents indicated the need for an improved plan and another respondent indicated that capital projects have been limited. The third and final statement recommends capital improvement plans project at least five years into the future. Once again, the open-ended responses indicate certain municipalities do not meet the five year recommendation. In one instance, three years was offered as the alternative time period.

In sum, although each of the practices associated with Element 9 address different topics, the reasons provided by respondents for deviations from the statements and their recommendations are somewhat similar. For example, the use of informal practices in lieu of formal practices, municipal size, time and resource constraints, limited support from elected officials, uncertain financial conditions, and negative opinions toward "theoretical" recommendations were cited as explanations for deviations across practices and output statements. When asked about projections, whether related to revenues, expenditures, or capital projects, the most frequent response cited alternative time periods that were shorter than those referenced in the statements. Although explanations were not provided by every respondent that selected either "somewhat disagree" or "disagree", the available responses help illustrate why certain municipalities deviate from Element 9 in the NACSLB budgeting framework.

Use of Element 9 Practices among Local Governments: Implications

Based on the above analysis of Element 9 and its use among public budget and finance practitioners, results of the research can be applied to the questions posited at the outset of this project. In fact, the conclusions derived from this chapter address, at least partially, each of the three individual questions. Overall, survey responses provided by budget and finance officials indicate municipalities across the United States largely adhere to many of the practices and outputs described in Element 9—an answer to the most basic research question developed in Chapter 1. The majority of municipalities represented in the sample conduct long-range financial planning, prepare revenue projections, analyze major revenues and exemptions, prepare expenditure projections, evaluate revenue and expenditure options, and develop capital improvement plans in ways that meet the requirements contained in the NACSLB budgeting framework. In fact, at least 50% of respondents indicated at least partial adherence to every Element 9-based statement listed in the survey. Fifteen of the 21 statements are associated with partial or complete adherence rates over 80% and five of the statements are associated with adherence rates over 90%. Over 96% of municipalities in the sample adhere, at least partially, to the statement derived from Practice 9.2b. Additionally, 66 municipalities indicated at least partial adherence to all of the element's 21 output statements. However, it also needs to be noted that several output statements prompted adherence rates lower than 70%. Less than 62% of municipalities adhere to Practice 9.2c, the lowest of any Element 9 statement. Furthermore, five statements prompted at least 5% of respondents to select the "don't know" response category.

Based on these results, what can be said about the first and primary question concerning the potential existence of principles of public budgeting? As a whole, the degree to which the framework is utilized varies across practices and municipalities. However, in many cases variation is limited. Consequently, it appears Element 9 and its components cannot be discounted when considering the existence of budgeting principles. While it would be difficult to classify the entire element as a set of principles, adherence to a large majority of individual guidelines appears consistent and widespread, hallmarks of management principles. While the guidelines only represent a portion of

Element 9 and, therefore, an even smaller portion of the larger framework, additional research examining the remaining portions of the framework appears warranted in order to refine these initial conclusions.

Although the findings provide initial answers to the first two research questions, the deviations, although small in some cases, cannot be ignored. As a result, the latter portion of this chapter was dedicated to determining what accounts for the variation among local governments. When given the opportunity, respondents indicated municipal size, time and resource constraints, limited support from elected officials, uncertain financial conditions, and negative opinions toward "theoretical" recommendations were reasons for deviations from the practices. In some cases, informal practices were used in lieu of the formal practices and processes advocated by the GFOA. Additionally, deviations from projections often occurred because municipalities utilize time periods shorter than those recommended in the framework. In short, these responses indicate that a variety of explanations account for deviations from the NACSLB budgeting framework. The explanations are internal to municipalities (e.g., a lack of political or staff support) and external (e.g., challenging financial conditions or state restrictions). The comments also lend some support to research that has illustrated the difficulties of applying theoretically satisfying guidelines to practice (Simon 1946, Kelly and Rivenbark 2002). Some respondents explicitly highlighted these challenges while others simply referenced the benefits of informal practices. These implications, as well as those developed in Chapter 4, are further explored at the conclusion of this project in Chapter 7.

Policy Creation or Planning and Evaluation: A Comparison of Element 4 and Element 9

To this point in the analysis, the two portions of the NACSLB budgeting framework considered here have been examined separately. Element 4 was the primary focus of Chapter 4 and Element 9 has been the primary focus of this chapter. Following an examination of both elements, however, several significant trends have emerged that have significant consequences, not only for the following chapter, but for future research that also considers the use of budgeting guidelines. As a result, a brief comparison of the trends and conclusions developed in both chapters is required before any further analysis can be completed.

At the outset, the most obvious and significant difference between the two elements is their degree of use across local governments. Respondents indicated much greater adherence to the statements derived from Element 9 when compared to those derived from Element 4. For example, at least 80% of respondents indicated at least partial adherence to four of the 17 statements derived from Element 4. In contrast, at least 80% of municipalities adhere, at least partially, to fifteen of the 21 statement derived from Element 9. Over 90% of respondents indicated at least partial adherence to five Element 9 statements while no statement derived from Element 4 reached this level of adherence. Additionally, over 40% of respondents selected either "somewhat disagree" or "disagree" when considering six Element 4 statements. In contrast, approximately 30% of respondents selected either "somewhat disagree" or "disagree" when considering two Element 9 statements—the highest deviation rates associated with the element.

In addition to higher rates of adherence, budget and finance officials also have a higher level of familiarity with the practices described in Element 9. For example, at least 5% of respondents selected "don't know" when considering five of the 21 statements derived from Element 9. The highest percentage of respondents that selected "don't know" was 6.59%. In contrast, at least 5% of respondents selected "don't know" when considering 10 of the 17 statements derived from Element 4. The highest percentage of respondents that selected "don't know" was 23.08%. As a result, it appears respondents have much greater knowledge of financial planning and evaluation activities in their municipalities when compared to financial policies.

Overall, when the two stages of the budget process are compared, it is apparent that municipalities and their budget and finance practitioners are much more concerned about financial planning and evaluation than creating financial policies. Given these distinctions, it appears appropriate to examine the elements separately, even when quantitative models are developed in Chapter 6. As the structure of the NACSLB budgeting framework suggests, the budget process can, and should, be divided into relatively distinct stages.

Finally, although municipalities deviate from the elements and their components at much different rates, the reasons for deviating provided by respondents were relatively similar across the two elements. State-level influence, municipal size, time constraints, resource limitations, political hindrance, the use of informal policies, and a general distaste for "theoretical" or textbook policies were often cited explanations. As a result, defining a similar set of explanations across the elements in a more systematic analysis of the deviations appears warranted—a conclusion not lost in the following chapter.

Conclusions

In 1998 the NACSLB developed a series of recommendations designed to improve the budgeting guidelines available to state and local budget and finance officials. Fourteen years later this project represents an attempt to determine the extent to which municipalities adhere to, or deviate from, the budgeting guidelines contained in the framework. In order to accomplish this goal a survey was submitted to municipal budget and finance officials across the United States. While the survey included broad questions concerning the use of the framework in its entirety, the majority of the questions focused on the specific practices and outputs associated with two of the elements in framework—Element 4 and Element 9. The survey results, specifically those related to Element 9, were presented and discussed in this chapter.

As a whole, municipalities across the country engage in the financial planning and evaluating activities described in the NACSLB budgeting document. Although various percentages of municipalities deviate from the recommendations, at least 70% of municipalities adhere, at least partially, to 18 of the element's 21 statements and over 90% of municipalities engage in activities that correspond to five of the statements. When compared to Element 4, municipalities appear to assign greater importance to the planning and evaluating practices described in Element 9. In fact, when considering the high rates of adherence across the element's practices, it is difficult to discount the potential existence of budgeting principles, similar to the concept described by Luther Gulick. In contrast, Element 4 contains only a few individual recommendations that could be considered in a similar discussion. Overall, it appears the primary research question under consideration can be answered, with qualifications, in the affirmative.

Though an analysis of Element 9 has produced several encouraging findings, deviations, while not large in many cases, remain. As a result, and in response to the third and final research question, explanations provided by budget and finance officials were examined. According to these respondents, municipal size, informal practices, time constraints, resource limitations, state laws, and political opposition inhibit adherence to the recommendations. Excluding several statement-specific responses, the explanations associated with Element 9 are similar to those offered in response to Element 4 and its components. These responses, although individual and context specific, illustrate an interesting perspective that will inform and supplement the explanations uncovered through a more quantitative approach in Chapter 6.

Chapter VI.
The Next Step: Explaining Deviations from the NACSLB Budgeting Framework

Introduction

Based on the responses to surveys sent to municipal budget and finance directors, Chapters 4 and 5 have illustrated that, as a whole, the budgeting practices used by municipalities across the country largely correspond to those developed by the NACSLB. However, the correlation between the NACSLB practices and those used by local governments is not perfect. Variation exists across the practices and across municipalities. For example, adherence to certain guidelines is nearly universal while less than 40% of surveyed local governments adhere to others. It appears, therefore, that a number of guidelines are firmly established among local governments as either implicit or explicit principles of budgeting, while others are either not used or are unknown to survey respondents. Consequently, it is inappropriate to assume that NACSLB budget guidelines are being utilized consistently and universally by local governments despite the significant support provided by various scholars, practitioners, and professional organizations.[38]

While these findings certainly add to extant budgeting and management research by providing a more detailed examination of the budgeting practices utilized by local governments, the variation illustrated above invariably leads to the third research question developed in Chapter 1—what explains the degree to which local governments utilize practices that correspond to those developed by the NACSLB? To some extent, this question is not unique to Chapter 6. In Chapters 4 and 5, open-ended comments provided by respondents to explain their lack of adherence to the framework's practices

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[38] As mentioned at other points throughout this analysis, the GFOA, ICMA, and various state-level professional associations have indicated support for the NACSLB budgeting practices.

provide some initial answers. However, the responses are specific to the opinions of respondents or the conditions within their municipalities. Stated another way, these explanations are not necessarily generalizable to other municipalities represented in the sample. Therefore, in order to develop a more complete picture of local budgeting practices, additional explanations are explored here. Plausible explanations are drawn from previously completed research on both public budgeting and public administration more broadly. This exercise represents, to this author's knowledge, the first attempt to systematically explain why municipalities vary in their adherence to NACSLB recommended budget practices.

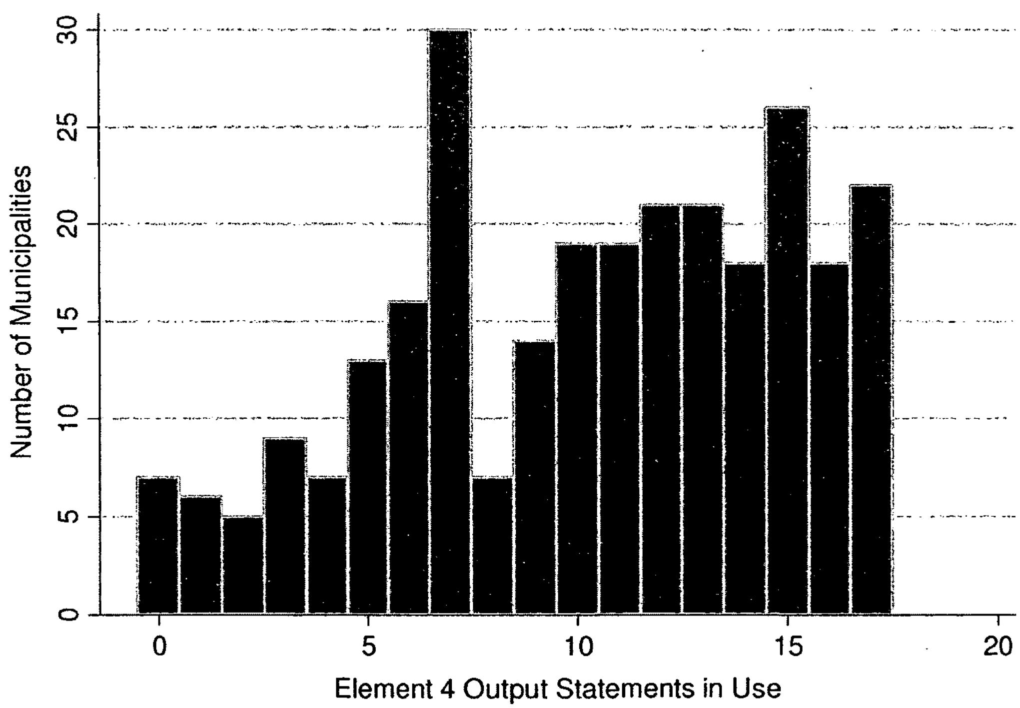
In order to begin this process, the following section reviews the use of NACSLB budgeting practices across municipalities. In addition to a summary of the specific practices explored in the survey, the section also includes a discussion of responses to a survey question that asked respondents to indicate the degree to which their municipalities adhere to the budgeting framework more broadly. Subsequent sections provide a brief overview of explanations derived from open-ended responses as well as those derived from previous research. A variety of statistical techniques, including Mokken scaling, OLS regression, and ordered logit are then used to analyze the data discussed earlier in the chapter. The chapter concludes with an analysis of the models and a brief discussion of the results.

Use of the NACSLB Budgeting Framework and its Components

In the previous two chapters a large amount of attention was given to the variation in use that exists across specific practices and output statements. No less important, however, is the degree to which variation exists across municipalities. Because the focus of this chapter shifts to this variation, a brief but more detailed review of the practices and their use across municipalities will be instructive.

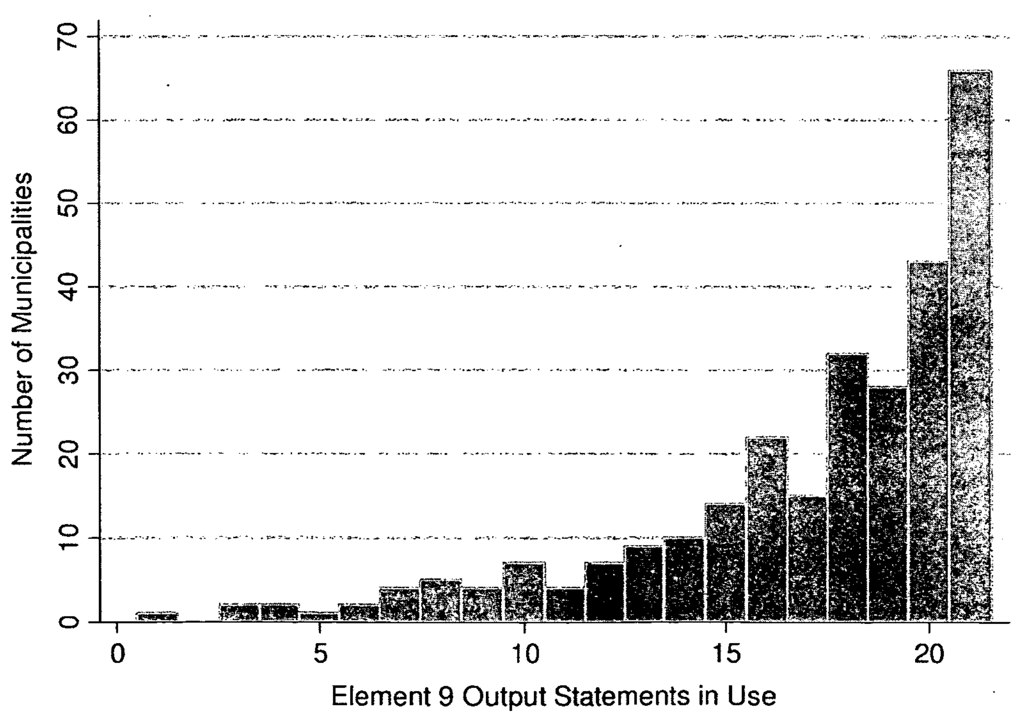
When considering Element 4 practices and outputs, 22 municipalities reported at least partial adherence to all of the listed statements. However, seven municipalities indicated a lack of adherence to all of the element's 17 specific output statements. Overall, 10 output statements, on average, are utilized by municipalities in the sample. Figure 6.1 displays the complete distribution with the y-axis representing the number of municipalities and the x-axis representing the number of individual output statements in use. As a whole, the distribution illustrates the variation that exists across municipalities but, because of its skew toward the right, the figure also illustrates a bias toward adherence.

Figure 6.1 Use of Element 4 Output Statements across Municipalities



When the output statements derived from Element 9 are examined in a similar fashion a comparable, yet more distinct trend emerges. In contrast to Element 4, 66 municipalities indicated at least partial adherence to all of the element's 21 output statements. However, six municipalities do not adhere to more than five statements and 28 municipalities do not adhere to more than ten. Nonetheless, every municipality in the sample adheres to at least one Element 9 output statement. Overall, 17 statements, on average, are used by these municipalities. By examining the complete distribution provided in Figure 6.2, the variations across local governments is illustrated but, once again, a bias toward adherence is displayed as well. When the use of these practices is compared to the Element 4 practices shown in Figure 6.1, it is apparent that municipalities adhere to Element 9 practices at much higher rates. However, similar to Element 4, adherence is not universal.

Figure 6.2 Use of Element 9 Output Statements across Municipalities



It becomes obvious, therefore, that while certain guidelines receive near universal support among local governments, the majority of municipalities do not adopt specific portions of the framework in their entirety. In fact, using an additional survey question, this conclusion can be extrapolated even further. Near the end of the survey, respondents were asked about the degree to which their departments adhere to the entire budgeting framework developed by the NACSLB. One of five potential responses could be selected: always, frequently, occasionally, seldom, and never. Table 6.1 displays the survey question and the percentage of officials that chose each response.

Table 6.1 Adherence to the Entire NACSLB Budgeting Framework

Overall, with what frequency does the budget department to which you belong adhere to the entire budgeting framework created by the NACSLB?

Always	Frequently	Occasionally	Seldom	Never
0.75%	21.80%	22.93%	19.92%	34.59%

N=266

Based on 266 responses to the question, less than 25% of local governments utilize the framework in its entirety, always or frequently. In contrast, nearly 50% of the municipalities represented in the survey seldom use the entire framework or do not use it at all. Approximately 23% of respondents indicated occasional use. In short, it appears most local governments have developed policies and practices that correspond to certain prescriptions in the NACSLB document but most deviate, at least partially, from entire groups of practices and, to a greater degree, the entire framework. In response to these conclusions, the remainder of this chapter will be dedicated to explaining this variation.

Explaining Limited Adherence: A Review of Practitioner Opinions

In each of the two previous chapters, discussion largely focused on the degree to which municipalities either adhere to, or deviate from, individual practices or groups of practices. However, each chapter also included a section highlighting the thoughts and opinions of respondents regarding the practices contained in the survey. Respondents were asked to provide a written explanation following a somewhat disagree or disagree response (i.e., lack of adherence) to an output statement. Approximately 38 written comments, on average, were associated with each Element 4 statement and approximately 13 written comments were associated with each Element 9 statement.

The importance of these responses is twofold. First, and as previous chapters have highlighted, they illustrate, at least partially, why certain municipalities do not adhere to the NACSLB budgeting practices. For example, in response to a statement regarding the development of policies on fees and changes, one official remarked that a recommendation has been made repeatedly but it has not received support from the village manager. Although comments like these are unique to the opinions of the respondents and the circumstances in their municipalities, it is important to reiterate the frequency with which certain explanations were mentioned. By categorizing comments based on their content, a number of trends were uncovered. In response to Element 4 statements, for example, the use of informal policies in lieu of formal policies was one of the most frequently mentioned explanations for limited adherence. Other explanations included limitations due to municipal size, a lack of time, reduced resources, political hindrance, and a general distaste for "theoretical" or textbook policies. In general, Element 9 practices elicited similar explanations, although the responses to long-term and capital planning practices largely were unique. The use of informal practices in lieu of formal practices, municipal size, time and resource constraints, limited support from elected officials, uncertain financial conditions, and negative opinions toward "theoretical" recommendations were cited as explanations for deviations.[39] In short, the explanations provided by respondents illustrate a reasonable, though not entirely generalizable, set of characteristics associated with municipalities that reported a lack of adherence to the budgeting guidelines.

The second benefit of the responses is their remarkable similarity to explanations that have been explored by previous scholarship focused on similar public budgeting and management research questions. For example, when Lindblad (2006) examined the use of performance measurement in local economic development efforts, explanatory variables included pressure from stakeholders such as elected officials and citizens. Kelly and Rivenbark (2002), while also examining support from key municipal officials, also considered time and resource constraints in their analysis of performance measurement in the budgetary process. Additionally, when considering the use of recommended procurement practices among local school districts in New York—a particular type of local government—the size of the school district was found to be a significant determinant of use.[40] In sum, many of the explanations provided by survey respondents support those examined when other important questions in local budgeting and management have been considered.

Explaining the Use of Budget Practices and Guidelines

While the explanations provided by survey respondents certainly produce important insights into the budget processes of local governments, the statements, as

[39] When asked about specific, long-term projections, whether related to revenues, expenditures, or capital projects, the most frequent response involved alternative time periods that were shorter than those referenced in the statements. For example, Practice 9.4 recommends expenditure projects extend at least three years into the future. A common trend among open-ended explanations was to indicate a shorter time period such as one or two years.

[40] Similar to the practices examined here, the practices examined by Duncombe and Searcy (2007) were developed by professional organizations. In their case, the organizations included the National Association of State Purchasing Officials and the National Institute of Government Purchasing.

discussed earlier, are based on opinions or rationales specific to individual governments. Even when the responses are categorized based on content, they do not fully account for all of the nearly 280 municipalities represented in the survey. Because it would be inappropriate to generalize these responses to every municipality in the sample, additional explanations need to be considered.

In many cases, potential explanations often can be derived from similar, previously completed research. However, this is somewhat problematic in this instance because no scholarship has directly examined the use of NACSLB budget guidelines across local governments. Additionally, no research on the public budget process has examined the use of guidelines more broadly. As a consequence of this gap in research, it is challenging to derive a coherent set of additional explanations from existing literature. Nonetheless, other research has examined the use of recommended practices associated with different areas of public administration. These topic areas have included, for example, information management (Rocheleau 2000), human resources management (Coggburn and Hays 2004), procurement (Duncombe and Searcy 2007), e-governance (Justice et al 2006), and emergency management (Henstra 2010). When the explanations derived from these studies are coupled with other important and often researched aspects of public administration—organizational structure and leadership, for example—a number of potential explanations emerges.

One of the most frequently examined explanations associated with the use of certain practices or recommendations involves the support, or lack thereof, from community stakeholders such as elected officials, administrators, citizens, or organized groups (Duncombe and Searcy 2007; Lindblad 2006; Lu and Facer 2004; Kelly and

Rivenbark 2002). In fact, when finance directors were asked why performance measures had not been incorporated into their budget processes, the most common explanation was a lack of support from city council members (Kelly and Rivenbark 2002). In addition to elected officials, Lu and Facer (2004) conclude, "major factors that influence a government's ability to change the budget system include the behavior of key community groups" (89). As a result, the need to examine the impact of political or community support is apparent. In order to address this possibility, the survey developed for this project included a question that asked respondents if political forces (e.g., elected officials, unions, public/citizen opinion) have ever subverted or prevented attempts to implement budgeting practices such as those developed by the NACSLB. Based on previous research, the directional expectation is straightforward. A lack of support from other stakeholders should result in a lower degree of adherence to the guidelines examined here. Approximately 27% of respondents indicated at least some type of resistance to the implementation of specific budget practices.

While placing a spotlight on the influence of stakeholders involved in the budget process certainly is warranted, previous research indicates a need to address a specific type of stakeholder more directly. The characteristics of an organization's leaders can have a substantial impact on the direction and performance of that organization. For example, according to Van Wart (2003),

> In organizations, *effective* leadership provides higher-quality and more efficient goods and services; it provides a sense of cohesiveness, personal development, and higher levels of satisfaction among those conducting the work; and it provides an overarching sense of direction and vision, an alignment with the environment, a healthy mechanism for innovation and creativity, and a resource for invigorating the organizational culture (214).

For Fernandez and Pitts (2007) organizational leadership is particularly important because of its role in policy change and implementation. "Managerial leaders often play a key role in organizational change by initiating a transformation and by taking steps to facilitate its implementation" (Fernandez and Pitts 2007, 336).[41] In short, knowledgeable leaders can affect the characteristics of an organization while also implementing new or revised policies and programs. These policies and innovations often are developed through a specific mechanism—the exchange of information across agency officials in other governments (Jackson and Lapsley 2003; Teodoro 2009; Mintrom and Vergari 1998; Mintrom and Vergari 1996). Research has repeatedly found that new policies, programs, or management innovations are disseminated across governments and agencies as organizational leaders or policy entrepreneurs form formal and informal policy networks. As Mintorm and Vergari (1998) suggest, "although an innovation can be communicated in a variety of ways, interpersonal contacts have been found to be critical for facilitating the exchange of information about new ideas" (128).

Given the important role played by leadership and networks in organizational structure and change, it appears leaders and the information they disseminate need to be considered. Since the focus of the project is the on the policies and activities of municipal finance and budget departments, leadership will be measured via the views and activities of departmental leaders such and budget and finance directors, chief financial officers, budget officers, treasurers, or controllers.[42] Two questions were included to directly explore this organizational role. One question asked respondents to indicate their degree of familiarity with the NACSLB budgeting documents; the other asked respondents about

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[41] Although the focus of the research project prohibits an extended review of leadership literature, both Van Wart (2003) and Fernandez and Pitts (2007) extensively discuss the history of leadership research as well as its current trajectory.

[42] Depending on the size and structure of the municipality, the title of the primary budget and finance official could range from budget and finance director to treasurer, clerk, municipal administrator, or controller.

the frequency with which they have discussed the NACSLB budgeting practices with budget/finance directors or staff in other municipalities. Based on the literature referenced above, higher levels of knowledge and more frequent networking should correspond to greater adherence. Survey results indicate that while nearly 75% of officials have at least some knowledge of the NACSLB budget document, only one-third have discussed the practices with their peers.

Although this project is focused on the budgeting guidelines developed by the NACSLB, the role of the GFOA cannot be ignored. As mentioned previously, the GFOA originally uncovered the need for budgeting guidelines and, subsequently, supported the effort with resources, staff support, and input (NACSLB 1998). As a result, the GFOA is prominently mentioned in the document and the association continues to support its use. Since the association boasts a large number of municipal budget and finance directors as members, the need to examine the connection between the GFOA and survey respondents becomes obvious. If a municipality employs budget and finance officials that are members of the GFOA, the likelihood of that municipality adhering to guidelines developed and promoted by the association should increase.

In order to account for this possibility, the survey asked respondents about their GFOA membership status and the approximate number of staff members with memberships. The survey also asked if the municipality had ever received any of the multiple awards sponsored by the GFOA.[43] Again, this type of connection should indicate knowledge of the association and the practices it advocates. Approximately 80% of respondents indicated membership in the GFOA and the mean number of staff members

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[43] As mentioned in Chapter 3, the awards provided by the GFOA are not based on adherence to the NACSLB budgeting framework. Award categories address topics such as budget presentation, comprehensive annual financial reporting, and leadership or innovations in public budgeting.

with a GFOA membership was nearly 1.8. Approximately 56% of municipalities have received at least one award from the GFOA.

Beyond staff and departmental characteristics, previous research indicates a need to examine characteristics of municipalities and their governments more broadly. For example, the size of a government (Duncombe and Searcy 2007; Lindblad 2006; Lu and Facer 2004; Moon 2002; Moon and deLeon 2001) and its available financial resources (Lindblad 2006; Lu and Facer 2004; Moon and deLeon 2001) have been used to explain the use of a wide variety of management and budgeting activities. The effect of government size is straightforward. "A large municipal government might have more stakeholders and be more sensitive to the external pressure to make government efficient than would a small municipal government" (Moon and deLeon 2001, 341). Similarly, municipalities characterized by better economic conditions (i.e., more resources) are better able to adopt new policies and programs (Moon and deLeon 2001).

Using these conclusions as a guide, the following models include measures of both government size and available resources. Municipal population is used as a measure of government size while, similar to Moon and deLeon (2001), municipal per capita income is used as a measure of municipal resources. Based on the relationships discussed above, high values of either characteristic should correspond to greater adherence to management and budgeting practices.[44] Of the municipalities that completed the survey, the mean population was approximately 56,414 while the mean per capita income was approximately $27,300.[45]

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[44] Population and per capita income data was obtained from the U.S. Census in 2011.
[45] The mean population of local governments in the United States with populations above 10,000 is approximately 50,000 and the mean per capita income of all U.S. residents is approximately $27,334.

Previous research also has focused on municipal and departmental professionalization as potential explanations for guideline use among local governments (Teodoro 2009; Lu and Facer 2004; Moon 2002). For example, when examining budget changes, Lu and Facer (2004) conclude "the form of government may affect budget changes because both commission-manager and commission-administrator forms of government provide the government with the professional expertise to initiate and to implement budget changes" (89). Similarly, according to Moon's (2002) examination of e-government practices and their use among local governments,

> City managers, who are often professional chief administrators, may be more proactive in introducing technological innovations to the public sphere because their professionalism tends to value innovativeness and efficiency more than mayors, who are elected officials and thus tend to hold political values (430).

While the presence of a public manager is a commonly used indicator of government-wide professionalization, other research has focused on the professional distinctions between government types such as cities and unincorporated towns or townships (see, for example, Johnson 2005; Stephens 1989). Since more than 16% of local governments represented in the sample are unincorporated, similar considerations appear warranted here as well. Finally, in addition to examining broad government professionalization, past research also has highlighted the professional nature of the individual departments under consideration. For instance, the technical capacity of budget staff has been used as a predictor of budget changes and reform (Lu and Facer 2004).

Given the attention provided to these characteristics, the explanatory models developed here incorporate several measures of professionalism. First, to account for government structure, the models include a variable distinguishing between governments that employ a municipal manager or administrator and those that do not. Of the local governments represented in the sample, approximately 80% employ this type of official. Second, in order to examine departmental capacity and professionalization, a survey question asked respondents to provide the number of staff members employed by their budget or finance department. On average, approximately eight staff members contribute to budget and finance functions for the local governments considered here. Finally, to account for distinctions between incorporated and unincorporated governments, the models include a variable indicating the legal status of each government. Based on the research conclusions highlighted above, higher levels of government and departmental professionalization should be associated with greater adherence to management and budgeting practices.[46]

Finally, evidence also suggests that the location of a municipal government can affect the budget and management practices it utilizes. For example, the political culture of a region appears to have a significant impact on the tax rates, aggregate spending levels, budget priorities, and general tax policies of its local governments (Koven 1999).[47] States with traditionalistic political culture (i.e., southern states), for instance, are distinct because of their low levels of spending and taxes when compared to other cultures. Similar regional differences are uncovered when the use of economic development practices among municipalities is examined. Lindblad (2006) concludes, "These findings illustrate a strong regional effect where southern cities were less likely to use [performance measurement]" (663). According to a number of explanations provided

[46] Several scholars have found that the presence of a professional manager or administrator actually may limit the ability of departments to innovate or utilize specialized policies (see, for example, Teodoro 2009; Feiock et al 2003; Feiock and West 1993). However, unlike the research of Lu and Facer (2004), the innovations and practices were not related to budgeting. As consequence, the directional hypothesis developed and supported by Lu and Facer (2004) is utilized here.

[47] In his analysis Koven divides the country based on Elazar's (1966) seminal typology consisting of three specific cultures: moralistic, individualistic, and traditionalistic.

by survey respondents, state characteristics, in additional to region, may matter as well. For example, states, through a number of methods, are able to restrict the finance and budgeting practices of their local governments.

Two specific measures are utilized to account for these explanations. First, because previous research has repeatedly acknowledged cultural and practical distinctions among different regions of the country, the models distinguish between southern states and those in other regions of the country.[48] Given the limited use of economic development performance measures among local governments in the south (Lindblad 2006), this research assumes a similar directional hypothesis. Approximately 20% of responding municipalities are located in southern states. As an initial measure of state restrictions on local budgeting practices, municipalities located in states that have adopted the popular initiative are distinguished from municipalities located in states that have not. Since the initiative process can be used to limit the financial and budgetary flexibility of local governments (e.g., California), established management practices such as those included in the NACSLB budgeting framework may not be needed. Alternatively, their use may be preempted by contradictory practices imposed by state policies. In sum, municipalities located in states that have adopted the popular initiative should be less likely to utilize NACSLB budgeting practices.

Each of the explanations mentioned above are used as independent variables in subsequent models. A summary of these explanations, their construction, and their

[48] Southern states are classified as those that were members of the former Confederacy. States include: South Carolina, Mississippi, Florida, Alabama, Georgia, Louisiana, Texas, Virginia, Arkansas, North Carolina, and Tennessee.

hypothesized impact on the use of budgeting practices is provided in Table 6.2. Each variable was coded to reflect the discussions provided above.[49]

Table 6.2 Variable Summary and Proposed Expectations

Variable	Construction	Relationship
Stakeholder Support		
Pressure*	One indicates negative pressure; zero otherwise	-
Leadership		
Knowledge	Higher values indicate higher levels of knowledge	+
Networking	Higher values indicate greater networking	+
GFOA Connection		
Respondent membership*	One indicates respondent membership; zero otherwise	+
Staff memberships	Higher values indicate more staff memberships	+
Received awards*	One indicates award(s) received; zero otherwise	+
Municipal Characteristics		
Size (population)	Higher values indicate greater population	+
Wealth (per capita income)	Higher values indicate greater municipal resources	+
Professionalism		
Professional administrator*	One indicates a manager/administrator; zero otherwise	+
Municipal status*	One indicates unincorporated; zero otherwise	-
Budget/finance employees	Higher values indicate a higher number of employees	+
Location		
Region (South)*	One indicates southern municipality; zero otherwise	-
State (popular initiative)*	One indicates popular initiative state; zero otherwise	-

*Dichotmous variable, one indicates the presence of a characteristic, zero otherwise.

[49] The highest level of correlation between the 13 independent variables was .5304, indicating a general lack of correlation.

Distinguishing Among Budgeting Practices: A Mokken Scale Analysis

To this point, Chapter 6 largely has focused on developing and defining a number of independent variables capable of explaining why certain municipalities adhere to budgeting practices and others do not. However, in order to create a proper explanatory model, adequate attention must be given to the construction of potential dependent variables as well. This is particularly important for this analysis because 38 specific guidelines across two separate stages of the budget process are being considered. At the outset, this structure appears to provide at least two possible options for dependent variables. One option, for example, could involve using each statement as an individual dependent variable. Alternatively, individual statements could be grouped into two large additive categories, one representing the degree of adherence to Element 4 statements and the other representing adherence to Element 9 statements. Each approach is associated with certain advantages and disadvantages that warrant additional discussion.

Using the first method, 38 separate models would be produced and groups of potentially unique explanations would be uncovered for each guideline. While this is certainly an acceptable option, there are some notable disadvantages to the approach. First, 38 individual models will, invariably, generate more error than a smaller number of models—a potentially unnecessary consequence if other options are available. Second, not only would the models generate more error than other approaches, they could require potentially complex explanations. Clear trends across the models certainly would be ideal. However, significant variations or contradictory results across 38 separate models could hinder the development of any general conclusions.

The second option involves combining each element's practices into additive indices—one composed of the 17 Element 4 statements and one composed of the 21 Element 9 statements. When considering Element 4 practices, municipalities would receive a value ranging from zero to 17. A value of 17 would indicate a municipality adheres, at least partially, to all of the element's guidelines while a zero would indicate a complete lack of adherence. The Element 9 index would range from zero to 21. This approach addresses some of the drawbacks associated with the first option. By using an additive index the number of models is reduced to two, providing less potential for error, and only two sets of conclusions remain, each specific to substantively similar budgeting practices. However, in order to construct dependent variables in this manner, one has to assume some type of underlying structure associated with all of the statements included in each index. If this type of structure does not exist, it would be inappropriate to group the practices. Since the NACSLB framework already divides practices and outputs into substantively distinct stages, it would appear such an assumption should not be problematic. However, the specific guidelines are not entirely similar. For example, Element 4 describes policies that could be divided by their focus on either revenues or expenditures and Element 9 contains a distinct set of guidelines that address long-term financial planning activities such as capital projects. As a result, more information is needed to determine if a single underlying trait exists across each element's outputs.

One potential method to address the above uncertainty is to employ a cumulative scale analysis. At their most basic, scales "are employed to determine whether qualitative distinctions…can be represented adequately by a quantitative model—that is, a set of ordered scale scores" (Schneider et al 1997, 244). The results of the analysis indicate which items—guidelines in this case—group together based on a cumulative structure. The scales also rank the guidelines based on difficulty (i.e., degree of use). Essentially, if a municipality indicates adherence to the guideline assigned the greatest difficulty, the probability of adherence to all easier guidelines is high. For the purposes of this project, the resulting scales would indicate the degree to which practices can be grouped together and used as additive indices for dependent variables. Moreover, since the guidelines are ranked based on their difficultly, more detailed conclusions could be developed about individual practices and their potential use among practitioners. Based on these benefits, a scaling procedure, the Mokken scale analysis in this case (Mokken 1971), is used to examine the guidelines associated with each element in greater detail.[50]

Table 6.3 displays the output statements derived from Element 4 based on difficulty, with the easiest statements at the top and the most difficult at the bottom.[51] As would be expected, policies focused on exceptional circumstances such as one-time or unpredictable revenues are used less often by municipalities while those focused on frequently discussed topics such as debt limitations are used more often. Additionally, based on the Leovinger's H coefficient, a goodness-of-fit measure, and the guidelines established by Mokken (1971), 16 of the 17 guidelines meet the minimum standard for a proper scale.[52] As a result, the 16 statements are combined into an additive index and constitute the dependent variable for the Element 4 model discussed below.[53]

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[50] Although other potential scaling procedures (e.g., Guttman) are available, the version developed by Mokken is associated with a number of unique characteristics. For example, the method is probabilistic (i.e., accounts for response errors) rather than deterministic.
[51] The results were produced with the "msp" command in STATA statistical software.
[52] Loevinger's H usually varies between zero and one. According to the guidelines provided by Mokken (1971), values less than .30 indicate a nonscalable set of items; H values from .30 to .40 indicate a weak scale; values from .40 to .50 indicate a moderate scale; and values over .50 indicate a strong scale. The H value for the scale as a whole was .482—a moderate to strong scale.
[53] Practice 4.6, statement 2 was not included in the scale and will not be discussed further (Jacoby 2000).

Table 6.3 Mokken Scale Analysis of Element 4 Practices

Practice (Item)	N	Ease	H
Practice 4.3, statement 2: Debt policies include legal or statutory limitations on debt issuance.	264	.8977	.5659
Practice 4.5, statement 2: Definitions of items to be counted as operating resources (e.g., revenues) and operating resource uses (e.g., expenditures) are explicitly identified.	271	.8708	.4239
Practice 4.3, statement 1: Policies on debt issuance and management have been developed that include elements such as the purposes for which debt may be issued; matching of the useful life of an asset with the maturity of the debt; limitations on the amount of outstanding debt; types of permissible debt; structural features; refunding of debt; and investment of bond proceeds.	266	.8421	.5098
Practice 4.3a, statement 1: Policies on the use of debt such as general obligation debt, special assessment bonds, tax increment financing bonds, and short-term debt have been developed.	263	.8327	.5474
Practice 4.5, statement 1: A policy has been established that provides clear definition as to how budgetary balance will be achieved.	269	.7435	.4567
Practice 4.5, statement 3: The policy on balancing the operating budget discusses and explains relevant constitutional, statutory, or case law provisions that impose a balanced budget requirement upon the government.	256	.7227	.3821
Practice 4.2, statement 1: Policies on fees and charges have been developed that address aspects such as the level of cost recovery for services, the reason for subsidies, and the frequency with which cost-of-service studies will be undertaken.	261	.7203	.4257
Practice 4.7, statement 2: A contingency planning policy considers operational and management impacts.	256	.6484	.4647
Practice 4.1, statement 1: Stabilization policies have been developed that establish when stabilization funds are created.	210	.6476	.4207
Practice 4.1, statement 2: Stabilization policies have been developed that identify how stabilization funds should be used.	204	.6324	.4739
Practice 4.5, statement 4: The policy on balancing the operating budget identifies the circumstances when deviations from a balanced budget may occur.	258	.6008	.4269
Practice 4.7, statement 1: A policy has been developed that identifies types of emergencies or unexpected events and the way in which these situations are to be handled from a financial management perspective.	263	.5779	.4839
Practice 4.4a, statement 2: Policies related to unpredictable revenues are used in budget decision making.	261	.5594	.4731
Practice 4.4, statement 1: One-time revenues and their allowable uses are explicitly defined by a formal policy.	261	.5441	.5070
Practice 4.4a, statement 1: Policies have been developed that discuss unpredictable revenues and their use if they generate revenue higher or lower than projected.	255	.5176	.6183
Practice 4.6, statement 1: A policy has been developed that can be used to improve revenue diversification.	246	.4268	.5927

One practice (item) remaining: Practice 4.6, statement 2

Based on these results, it appears combining Element 4 practices into a single index is, with the exception of one practice, an appropriate way to construct the needed dependent variable. However, results from a similar analysis of Element 9 practices indicate greater complexity. Instead of combining into a single scale, similar to Element 4, the scaling procedure divides the individual guidelines into two distinct scales. The first scale, including 14 output statements, is displayed in Table 6.4. Again, the guidelines are listed based on their difficulty (i.e., degree of use) with the most used statements at the top and the least used at the bottom. In this case, many of the statements assigned the highest levels of adherence do not require extensive resources to implement. In contrast, the statements associated with a higher degree of difficulty potentially require greater staff resources, time, or more detailed amounts of information. As a result, fewer municipalities may be willing adhere to such guidelines after these additional costs are considered. As a whole, the practices included in the cumulative scale address a wide variety of general financial planning activities. However, if Table 6.4 is carefully compared to the complete list of Element 9 practices provided in Chapter 5, it becomes apparent that one notable group of guidelines is absent.

Table 6.4 Mokken Scale Analysis of Element 9 Practices (Scale 1)

Practice (Item)	N	Ease	H
Practice 9.2a, statement 3: Significant changes to major revenue sources—projected or actual—are highlighted in the budget document.	273	.9341	.4481
Practice 9.2d, statement 1: The process for producing the revenue forecast is clear, open, and consistent (i.e. it does not engender controversy).	267	.9288	.4871
Practice 9.2a, statement 2: Revenue trends and their stability (i.e. elasticity) have been identified.	273	.9231	.4809
Practice 9.2a, statement 1: An analysis of major revenues that identifies factors that have influenced historical collections, forecasting assumptions, and any problems or concerns, has been completed.	266	.9060	.4810
Practice 9.4, statement 4: Expenditure projections identify service level assumptions and key issues that affect actual expenditures.	268	.8955	.4707
Practice 9.4, statement 2: Fund level and government-wide expenditure projections have been prepared and documented.	269	.8699	.4090
Practice 9.4, statement 3: Fund level and government-wide expenditure projections have been integrated into overall financial projections.	269	.8699	.4090
Practice 9.2d, statement 2: The process developed to achieve consensus on revenue forecasts among stakeholders recognizes where problems are likely to emerge and is structured accordingly.	260	.8577	.4349
Practice 9.4, statement 5: Expenditure assumptions are described in relation to revenue assumptions.	265	.8566	.4492
Practice 9.5, statement 1: A process has been established for undertaking a comprehensive review of options for program and service levels and projected funding amounts. The review includes components such as beginning and ending fund balances, changes in fund balances at a fund level, and outstanding debt levels.	271	.8192	.4213
Practice 9.3, statement 1: Documentation of revenue sources in the form of a revenue manual has been completed. In lieu of a revenue manual, documentation of major revenue sources has been included in the budget document.	271	.8118	.3632
Practice 9.1, statement 1: Long-range financial planning, which can include components such as an analysis of financial trends, an assessment of problems or opportunities, and a description of necessary actions to address any issues, has been completed.	258	.7481	.4609
Practice 9.1, statement 2: Long-range financial plans include a description of long-term revenue and expenditure forecasts using alternative economic, planning and policy assumptions.	257	.7432	.4644
Practice 9.2c, statement 1: Routine analyses and reports that identify each tax and fee exemption and an estimate of foregone revenues have been completed.	259	.6525	.4461

Table 6.5 displays the second cumulative scale. Of the six statements included in the scale, five directly focus on long-term planning activities. In particular, three of the

guidelines focus on either capital project evaluation or capital improvement plans.[54] For example, Practice 9.6, statement 3, recommends capital improvement plans extend at least five years into the future. Additionally, two of the remaining statements address concrete, long-range time periods by recommending revenue and expenditure projections extend over a period of at least three years. In short, the scaling procedure confirms a noticeable distinction among the prescriptions. Practitioners view general evaluation and planning activities differently than those with a long-term focus. [55] Given this distinction, two dependent variables are developed, one focused on general financial planning (scale 1) and the other focused on long-term planning (scale 2).[56] Finally, it is interesting to note the greater difficulty assigned to the prescriptions that include finite time periods such as three or five years. The specific details contained in the guidelines may limit room for interpretation by those utilizing the practices and, therefore, make even partial adherence more difficult—a conclusion supported by several open-ended explanations discussed in Chapter 5.

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[54] The H values for the scales were .441 and .492, respectively—both moderately strong scales (Mokken 1971).
[55] The final guideline included in the scale, while not focused on capital financing or projections, requires an analysis of pending changes to revenue sources—a process that could require a long-term vision as well.
[56] Similar to Element 4, one guideline (Practice 9.2, statement 2) was not included in either of the scales and, as a result, will not be considered further (Jacoby 2000).

Table 6.5 Mokken Scale Analysis of Element 9 Practices (Scale 2)

Practice (Item)	N	Ease	H
Practice 9.2b, statement 1: An analysis of the effect of pending or potential changes to revenue sources has been undertaken as part of the budget process or as warranted.	274	.9672	.4064
Practice 9.6, statement 1: A process exists for evaluating proposed capital projects and financing options.	272	.9412	.4570
Practice 9.6, statement 2: A long-range capital improvement plan has been developed that includes both capital and operating costs (i.e. their impact on the operating budget).	271	.8782	.4661
Practice 9.6, statement 3: A long-range capital improvement plan projects at least five years into the future.	270	.8778	.4495
Practice 9.2, statement 1: Revenue projections developed for financial planning purposes extend over a period of at least three years.	266	.7669	.5209
Practice 9.4, statement 1: Expenditure projections extend at least three years into the future.	272	.6618	.5747

One practice (item) remaining: Practice 9.2, statement 2

Modeling Adherence to the NACSLB Budgeting Framework

Given the nature of the dependent variables constructed above, OLS regression is utilized for the models that address specific aspects of the framework (i.e., Element 4 and Element 9). The first of these models examines Element 4 guidelines and is presented in Table 6.6. When the influence of individual variables is examined, the impact of one set of variables becomes immediately apparent. Of the 13 potential explanations explored in the model, the two variables that reach statistical significance reflect the characteristics of departmental leadership. As hypothesized, greater knowledge of the NACSLB budgeting framework among respondents (e.g., budget and finance officials) corresponds to greater adherence to the framework's component practices and statements. Similarly, if respondents discuss the framework with other budget and finance officials, the likelihood of adherence increases as well. In sum, adherence to budgeting policies consistent with those promoted by the NACSLB and GFOA is, to a certain degree, a function of the knowledge and activities of departmental leadership. Although focused on specific budgeting and management practices, these results largely confirm the importance assigned to organizational leadership (see, for example, Fernandez and Pitts 2007; Van Wart 2003) and networking (Jackson and Lapsley 2003; Teodoro 2009; Mintrom and Vergari 1998; Mintrom and Vergari 1996) by previous scholars of public administration. Moving beyond the effect of individual variables, the model as a whole explains approximately 10% of the variation in the dependent variable. While encouraging, the explanatory power of the model certainly provides an opportunity for complementary research and additional hypotheses.

Table 6.6 Explaining the Use of NACSLB Budgeting Practices-Element 4

Independent Variables		
Stakeholder Support		
Pressure	0.898	(0.623)
Leadership		
Knowledge	0.896	(0.338)*
Networking	0.896	(0.317)*
GFOA Connection		
Respondent membership	0.772	(0.846)
Staff memberships	-0.200	(0.261)
Received awards	-0.536	(0.661)
Municipal Characteristics		
Size-population (log)	-0.043	(0.370)
Wealth-per capita income	0.000	(0.000)
Professionalism		
Professional administrator	-0.354	(0.771)
Municipal status	-0.954	(0.805)
Budget/finance employees (log)	0.378	(0.416)
Location		
Region-south	0.777	(0.759)
State-popular initiative	-0.160	(0.618)
Constant	16.011	(4.107)
Adjusted R2	0.093	
Number of observations	245	

Notes: Standard errors are in parentheses

Significance levels: $*p \leq 0.05$, all one-tailed tests

Based on the model presented above, departmental leadership contributes to the use of budgeting and management practices by local governments. However, the prescriptions used to construct the model's dependent variable focus on one specific aspect of the budget process—the development and adoption of financial policies. Consequently, it certainly would be premature and inappropriate to generalize these conclusions to the remaining aspects of the framework. In response, a similar analysis of Element 9, and its discussion of financial planning and evaluating, provides some additional information. Table 6.7 displays the models directly addressing Element 9 and its component guidelines. As the results of the scaling analysis dictate, two separate models are presented. One model, displayed in the first column, highlights general financial planning guidelines while the other model, shown in the second column, highlights long-term planning and evaluation guidelines. As would be expected, the potential explanations explored in these models directly correspond to those used in the Element 4 model.[57]

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[57] This decision was supported by the similar open-ended explanations provided by responses across each element. Beyond several practice-specific explanations, very little variation was displayed across the two different elements.

Table 6.7 Explaining the Use of NACSLB Budgeting Practices-Element 9

Independent Variables	General Planning Model		Long-term Planning Model	
Stakeholder Support				
Pressure	0.206	(0.445)	-0.068	(0.179)
Leadership				
Knowledge	0.363	(0.241)	0.166	(0.097)*
Networking	0.413	(0.226)*	0.221	(0.091)*
GFOA Connection				
Respondent membership	-0.158	(0.604)	0.362	(0.243)
Staff memberships	-0.214	(0.186)	-0.075	(0.075)
Received awards	-0.374	(0.472)	-0.085	(0.190)
Municipal Characteristics				
Size-population (log)	0.486	(0.264)*	0.324	(0.106)*
Wealth-per capita income	0.000	(0.000)*	0.000	(0.000)*
Professionalism				
Professional administrator	0.381	(0.551)	0.609	(0.222)*
Municipal status	0.026	(0.575)	0.502	(0.231)*
Budget/finance employees (log)	0.538	(0.297)*	0.084	(0.120)
Location				
Region-south	0.161	(0.543)	-0.249	(0.218)
State-popular initiative	0.100	(0.442)	-0.317	(0.178)*
Constant	6.893	(2.935)	1.441	(1.180)
Adjusted R2	0.061		0.179	
Number of observations	245		245	

Notes: Standard errors are in parentheses
Significance levels: $*p \leq 0.05$, all one-tailed tests

Examining the results of the general financial planning model, four independent variables reach statistical significance. Supporting the results of the previous model, departmental leadership contributes to the use of general financial planning practices. However, in this case, only the networking variable is significant. Beyond the effect of leadership, municipal characteristics also are significant predictors of adherence. In fact, both measures, population and wealth, meet the statistical significance requirements utilized here. Confirming a priori expectations, larger and wealthier municipalities are more likely to adhere to established budget and finance practices. Finally, one measure of professionalism, the number of budget and finance employees employed by a municipality, is significant in the expected direction. These results impact the Element 4 model in two ways. First, they further confirm the importance of leadership despite the reduced influence from respondent knowledge. Second, they highlight other explanations such as municipal characteristics and professionalism. As a consequence, it appears a combination of internal and external factors dictate adherence to certain NACSLB guidelines, a result that supports the comments made by many respondents in their open-ended explanations.

Shifting the focus to long-term financial planning guidelines specifically, the results shown in the second column of Table 6.7 are equally instructive. Reflecting the positive relationships uncovered by previous models, leadership is important to the use of long-term financial planning practices as well. In contrast to general financial planning, however, both measures of leadership are significant and positively related to adherence. Additionally, municipal characteristics—population and resources—also are important when this subset of practices is considered. Similar to the general planning model and the directional hypothesis developed from previous research, larger populations (Duncombe and Searcy 2007; Lindblad 2006; Lu and Facer 2004; Moon 2002; Moon and deLeon 2001) and greater resources (Lindblad 2006; Lu and Facer 2004; Moon and deLeon 2001) correspond to higher levels of adherence. Furthermore, several measures of professionalism attain statistical significance. In contrast to the general planning model, the presence of a professional administration and municipal status are significant predictors of adherence. As expected, incorporated local governments (e.g., cities, villages) and those that employ a professional administrator or manager adhere to a greater number of NACSLB practices when compared to municipalities without the characteristics. Finally, the location of a municipality impacts adherence to long-term financial practices. Local governments that do not face potential budget and finance restrictions from the electorate through the initiative process are better able to align their practices with those promoted by the NACSLB and GFOA. As a whole, the model accounts for nearly 18% of the variation in the dependent variable.

In addition to examining specific aspects of the NACSLB budgeting framework, a separate model attempts to explain why municipalities either adhere to, or deviate from, the framework as a whole. In this case, the dependent variable is based on responses to a survey question that asked officials to indicate how frequently the framework as whole is utilized by their municipalities. The five response options, as mentioned earlier, ranged from always to never. Admittedly, the level of adherence uncovered by this question relies on self-reported responses to a very direct and broad question which may increase the potential for response bias. In time, this problem should be remedied as additional survey data is collected on the specific guidelines detailed in the remaining portions of the framework. Nonetheless, to compliment the element-specific models presented previously and to provide an initial reference point for future research, an ordered logit model examining use of the entire NACSLB framework is presented in Table 6.8.[58]

[58] In contrast to the previous models, the dependent variable in this case is a five category scale that indicates various degrees of adherence. As consequence, ordered logit was the method selected to account for the ordinal nature of the dependent variable.

Table 6.8 Explaining the Use of NACSLB Budgeting Practices-Entire Framework

Independent Variables		
Stakeholder Support		
Pressure	-0.114	(0.279)
Leadership		
Knowledge	0.330	(0.158)*
Networking	1.367	(0.169)*
GFOA Connection		
Respondent membership	-0.252	(0.397)
Staff memberships	0.087	(0.118)
Received awards	-0.087	(0.298)
Municipal Characteristics		
Size-population (log)	-0.447	(0.172)*
Wealth-per capita income	0.000	(0.000)
Professionalism		
Professional administrator	-0.202	(0.359)
Municipal status	0.337	(0.365)
Budget/finance employees (log)	-0.101	(0.194)
Location		
Region-south	-0.583	(0.359)
State-popular initiative	-0.209	(0.286)
Constant	-	-
Pseudo R2	0.200	
Number of observations	242	

Notes: Standard errors are in parentheses
LR chi2(13)=135.63; Prob>chi2=0.000; logL=-271.456
Significance levels: $*p \leq 0.05$, all one-tailed tests

Despite the broader focus of this model and the unique structure of the dependent variable, the results largely confirm general conclusions derived from the previous element-specific models. Once again, departmental leadership accounts for adherence to the budgeting framework. The amount of knowledge and discussions dedicated to budget guidelines by these officials increases the probability that the entire framework will be used more frequently. Additionally, and also reflective of the element-specific models, municipal characteristics impact the use of established budget practices. The coding of the dependent variable produces a negative sign in front of the population coefficient but the general relationship between the two variables remains the same as in previous models. Municipalities with larger populations are more likely to adhere to the budgeting framework developed by the NACSLB. As a whole, the model explains approximately 20% of the variation in the dependent variable.

Discussion

Although Chapter 7 summarizes this project and its potential implications in significant detail, some initial observations addressing the third research question and the above models are instructive here as well. First, when the four presented models are compared, a number of trends are immediately apparent. For example, at least one measure of leadership is significant in every model; both measures are significant in three of the four models. In addition, at least one municipal characteristic is significant in three of the four models and both measures—population and resources—are significant in each of the Element 9 models. Adherence to Element 9 practices also appears to be influenced by the level of professionalism associated with a municipality. In short, municipalities with larger populations, more resources, active and knowledgeable leadership and, in some cases, professional governments, have a greater probability of adhering to budgeting and management practices than municipalities that do not possess these characteristics.

These trends are particularly interesting because of the unique focus associated with each model. The first model addresses the financial polices discussed in Element 4; the second considers general financial planning; the third addresses long-term financial planning; finally, the fourth considers the framework as a whole. Although future research will be needed to examine other aspects of the framework in greater detail, it appears at this point that a number of internal and external determinants of adherence to budgeting and management practices may be robust across the framework and its components.

Second, although some general conclusions can be made about what explains adherence to various aspects of the NACSLB budget framework, it is also important to note that some important differences are present across the models as well. For instance, the only variables to reach statistical significance in the Element 4 model are those associated with leadership characteristics. In contrast, a variety of significant internal and external determinants are associated with the Element 9 models. More extensive differences are evident in the long-term financial planning model. In this case, seven variables, including two measures of professionalism and one measure of location, reach statistical significance. While these results are different from the models that address Element 4 practices and the framework more generally, they also are different from those uncovered in the general financial planning model. In short, even subsets of practices derived from the same stage in the budget process can be associated with different determinants. As a consequence, specific distinctions within and across individual stages cannot be ignored as research on this topic continues—despite the potential trends highlighted above.

Third, in addition to the trends exhibited by statistically significant explanations, it is also instructive to consider the explanations that were not highlighted in the empirical models. For example, despite being supported by open-ended comments and previous research (Duncombe and Searcy 2007; Lindblad 2006; Lu and Facer 2004; Kelly and Rivenbark 2002), support, or lack thereof, from other community stakeholders such as political officials or citizens did not research significance in any of the four models. The results were similar for the various measures of association with the GFOA. Because of the role played by the GFOA in developing and supporting the budgeting framework, it was assumed that municipalities with a close relationship to the organization would adhere to the practices it promotes. However, it appears these municipalities are no more or less likely to adhere to the practices than municipalities without close relationships. Nonetheless, given the support associated with each of these potential explanations it would be remiss to neglect them entirely in future studies.

Finally, the results from the quantitative models provide excellent justification for additional research on the topic. When attempting to explain the degree to which municipalities utilize these practices, a number of significant explanations have been uncovered. However, a considerable amount of variation is not explained by the models. As a result, continuing the focus on this topic would not be conducted in vain. The research questions developed here have yet to be answered in their entirety and several new questions uncovered by this analysis require further clarification as well.

Conclusions

At the outset of this project three research questions were developed. The first two questions focused on the degree to which local governments utilize the budgeting principles and practices developed by the NACSLB in 1998. The third question focused on potential explanations for any variation that was uncovered. Given the range of adherence revealed by survey respondents, this chapter has been fully dedicated to informing, at least partially, why variation exists. To some degree, this question has been addressed by previous chapters. Chapters 4 and 5 both included sections dedicated to exploring the open-ended explanations provided by survey respondents. However, the limited generalizability associated with these explanations necessitated the search for additional determinants.

Utilizing previous research as a guide, a number of potential explanations appeared particularly relevant to the topic under consideration here. Subsequently, 13 specific explanations were selected and grouped into six categories: stakeholder support, leadership, GFOA connection, municipal characteristics, professionalism, and location. In order to ensure the development of proper models, a careful analysis of appropriate dependent variables was conducted as well. Based on the results of a scaling analysis, a single additive index was developed from Element 4 guidelines and two indices were constructed from Element 9 guidelines—one addressing general financial planning and the other addressing long-term financial planning. A final dependent variable was constructed from a survey question to examine adherence to the entire NACSLB budget framework.

All four of the models highlighted departmental leadership characteristics as important determinants of guideline adherence and three of the models highlighted municipal characteristics as well. Each model also produced a number of unique findings. This provides further confirmation that, in addition to exploring the framework more broadly, research must explore its individual aspects as well. Unfortunately, a number of potentially important explanations such as stakeholder support and GFOA connections did not reach statistical significance in any of the models. Additional research certainly will be needed to further confirm these initial findings. When considered with the conclusions developed in previous chapters, the findings presented here are relatively novel, as they deal with questions that have not been widely examined in past research on public management and budgeting. The following chapter concludes this initial project by exploring a number of potential implications and, finally, discussing the need for additional research.

Chapter VII.
Principles of Municipal Budgeting? Conclusions and Implications

Introduction

Prior to 1946, the focus of public administration research largely was directed toward the structure of organizations (Hammond 1990). Included among these efforts was an essay written by Luther Gulick (1937) that contained a number of organizational and administrative principles. Gulick and his likeminded contemporaries argued that organizations with characteristics such as a clear hierarchy and specialization would be defined by superior efficiency and performance. As a result, "the principles of management were viewed by some as intuitively appealing guidelines for how to manage organizations" (Meier and Bohte 2000, 116). However, nine years after their publication, Herbert Simon (1946) contended that contradictions and ambiguity among the principles made them nearly impossible to implement in practice. Consequently, management principles have received little additional attention and applications of the concept to contemporary public administration have been limited (but see Meier and Bohte 2000).

In spite of past skepticism surrounding management principles, various public management organizations have developed guidelines, prescriptions, and best practices to encourage certain activities or decision rules. In particular, the NACSLB developed a comprehensive set of guidelines to define a good and accepted public budget process (NACSLB 1998). The guidelines have been supported by practitioners (Gross 1998), academics (Kelly and Rivenbark 2003), and professional organizations such as the GFOA and ICMA. The purpose of this project has been to determine the degree to which local government practices correspond to these guidelines. It was argued that extensive and consistent use of the guidelines could indicate management principles, as conceptualized by Gulick (1937), are present in certain aspects of public management. Conversely, general disregard for the guidelines could indicate disconnects between theoretical concepts and practice (Kelly and Rivenbark 2002; Simon 1946). In short, the project was designed to represent a modern twist on a classic debate that has been largely neglected for some time.

In order to address this research gap, three guiding questions were developed. Most fundamentally, to what degree do the budgeting practices utilized by municipalities correspond to those suggested and developed by the NACSLB? Based on the conclusions from the above question, to what degree can the budget practices developed by the NACSLB be considered principles of public budgeting? Finally, if deviations were uncovered, what explains the degree to which local governments adhere to the recommended practices? Because of the significant number of individual guidelines contained in the framework, the scope of the project was narrowed to address two specific stages of the budget process—the adoption of financial policies (e.g., Element 4) and the development and evaluation of financial options (e.g., Element 9).

Data for the project was obtained from an original survey sent to a random sample of 1,000 municipal budget and finance officials across the United States. The survey was designed to examine individual guidelines, broader budgeting strategies, and, if necessary, explanations for deviations from the framework. As the following sections illustrate, the data obtained from the survey was able to inform, at least partially, each of the primary research questions.

NACSLB Budgeting Guidelines: Adherence and Deviation

When survey respondents were asked to consider 17 specific statements that addressed the adoption of financial policies, the responses were mixed. Over 86% of municipalities have developed, at least partially, debt policies that include legal or statutory limitations on debt issuance. However, less than 10% of municipalities have developed policies that can be used to improve revenue diversification. Additionally, nearly 25% of respondents were unsure if a policy had been developed that establishes when stabilization funds should be created. The average rate of at least partial adherence across the 17 statements was approximately 60%. Adherence across municipalities was equally varied. Twenty-two municipalities in the sample indicated at least partial adherence to all of the statements while seven indicated a lack of adherence to all of the statements. On average, local governments indicated adherence to 10 statements.

When respondents were asked to consider 21 statements that addressed the development and evaluation of financial options, a significant level of adherence was uncovered. For example, more than 96% of municipalities evaluate, to some degree, the effect of changes to revenue source rates and bases and approximately 92% highlight, at least partially, significant changes to revenue sources. However, these rates of adherence were not consistent across all of the statements. Contrary to NACSLB guidelines, approximately 33% of municipalities indicated a lack of routine tax and fee exemption analyses or expenditure projections that extend at least three years into the future. Additionally, approximately 6.5% of respondents were unable to determine if revenue projections are provided and utilized during the budget process. The average rate of at least partial adherence across the 21 statements was approximately 83%. Sixty-six municipalities indicated at least partial adherence to all of the element's 21 output statements and every municipality in the sample indicated some degree of adherence to at least one of the statements. However, adherence was limited to no more than five statements for some and no more than 10 for others. Local governments in the sample indicated at least partial adherence to an average of 17 statements.

When municipalities were asked about the degree to which the entire framework was being used, responses also varied. Less than one percent of respondents selected always, nearly 45% selected frequently or occasionally, approximately 20% selected seldom, and approximately 35% selected never. Stated another way, approximately half of the local governments represented in the sample consider the entire framework, to some degree, when structuring their budget process; adherence is sporadic, selective, or entirely nonexistent for the remaining municipalities.

As a whole, there is little doubt that many of the budgeting practices utilized by local governments correspond to the guidelines contained in the NACSLB budgeting document. However, as reviews of the survey responses indicate, adherence is not consistent or universal. While a number of specific practices are associated with near perfect rates of adherence, municipalities deviate from individual sections of the framework and, to a greater degree, the framework as a whole. Furthermore, deviations are not consistent across stages of the budget process. Local governments are much more likely to develop and evaluate financial options consistent with NACSLB guidelines than they are to adopt equally consistent financial policies. Nonetheless, the rate of adherence associated with each element remains higher than that for the entire framework.

Principles of Public Budgeting?

After completing an examination of the practices and output statements associated with both Element 4 and Element 9, attention can be directed toward developing a more complete conclusion about the degree to which management principles are present within public budgeting—the first and primary research question posited in Chapter 1. If the NACSLB budgeting practices have become the foundation for principles of public budgeting, their use needs to be consistent and nearly universal across municipalities. Deviations from the practices would be indicative of potential limitations to their application in practice—similar to the critiques leveled by Simon (1946) against Gulick's principles. As the above section illustrates, neither the entire framework nor its component elements were associated with complete or consistent adherence. As a result, it would be inappropriate to classify the complete framework, and even specific components, as principles of public budgeting.

While it is difficult to classify groups of practices as broad principles of public budgeting at this point, over 90% of municipalities engage in activities that correspond to five of the statements derived from Element 9 and at least 80% of respondents indicated at least partial adherence to four of the statements derived from Element 4. Additionally, nearly 70 municipalities in the sample indicated at least partial adherence to all Element 9 statements and over 20 municipalities indicated at least partial adherence to all Element 4 statements. Consequently, the initial conclusions developed at the conclusion of Chapter 5 can be repeated here. The rate of use associated with a number of specific NACSLB guidelines seems to indicate their value to local governments across the country. While a general threshold of use has not been established to classify guidelines as principles, it appears there are a number of potential candidates for future research to consider.

Explaining Deviations from the Framework

Despite the high rate of adherence associated with several individual recommendations, none of the statements had universal or consistent adherence. This possibility was the impetus for the third research question that directed this project toward explaining potential deviations. Two different, yet complimentary strategies were used to address the question. First, if survey respondents selected either "somewhat disagree" or "disagree" in response to a specific statement they were prompted to provide an open-ended explanation. These responses were analyzed in Chapters 4 and 5. Overall, the responses were similar across the practices. The use of informal practices in lieu of formal practices, municipal size, time and resource constraints, limited support from elected officials, uncertain financial conditions, and negative opinions toward "theoretical" recommendations were the explanations cited most frequently.

These responses were taken into consideration as other, more generalizable explanations were derived from previous research. Thirteen specific explanations were selected and grouped into six categories: stakeholder support, leadership, GFOA connection, municipal characteristics, professionalism, and location. These explanations were included in four models—one that addressed Element 4 guidelines, two that addressed Element 9 guidelines, and one that addressed the use of the entire framework. All four of the models highlighted leadership characteristics as important determinants of guideline adherence and three of the models highlighted municipal characteristics such as population and resources. These results support the explanations provided by survey respondents and, as will be discussed below, those explored by research focused on explaining the use of other management strategies, best practices, and guidelines.

By addressing, at least in part, the three research questions developed in Chapter 1, two additional questions naturally develop. First, what implications are associated with these conclusions and, second, what is the potential trajectory for future research? Since the nature of the research represents an examination of practical events from an academic perspective, the following sections will explore implications associated with each sphere of public administration. Based on these implications, the final section will address the need for additional research and its potential scope and trajectory.

Academic Implications

From an academic standpoint, one of the primary implications associated with this project is that it addresses several gaps within public budgeting research. First, and most broadly, the research provides a relatively detailed picture of the practices utilized by local governments to develop their budgets. While previous research has given extensive attention to large reforms (Rubin and Stein 1990; Rubin 1998; 1992) that include zero-based budgeting (Schick and Hatry 1982; Cowen and Dean 1979; Dirsmith and Jablonsky 1979), target-based budgeting (Goertz 1993; Rubin 1991; Wenz and Nolan 1992) and performance budgeting (Willoughby and Melkers 2000; Wang 2000; Lu 1998) less consideration has been given to the basic activities of practitioners as they progress through the budget process.[59] Since the result of the budget process is a financial plan that dictates how and where money will be allocated (Solano 2004), its importance cannot be

[59] Research that addresses the use of performance measures and citizen participation highlight the budget process to some degree.

understated. In order to obtain the clearest picture of local public budgeting, attention must be given to daily practices as well as more fundamental reforms.

Second, the research addresses a specific set of budgeting guidelines that, until this point, had not been subjected to review by the academic community. Given the number of stakeholders involved in their development, this should be considered an exceptional oversight. Practitioners, labor organizations, elected officials, academics, and members of the GFOA contributed to the NACSLB and the guidelines it produced. Since the guidelines contained in the framework, when taken together, define a good and accepted budget process (NACSLB 1998), confirming the use of corresponding practices by state and local governments would be an important development within public budgeting. Similarly, a lack of use would be equally instructive. The research conducted here provides part of the requisite analysis needed to advance these discussions.

The project also represents a natural extension of research that has examined the use of other guidelines and practices available to public administrators. For example, scholars have explored the use of practices that address the management of information (Rocheleau 2000), human resources (Coggburn and Hays 2004), service quality (Folz 2004) and emergencies (Henstra 2010). Local public finance topics such as procurement (Duncombe and Searcy 2007), the use of e-government during the budget process (Justice et al 2006), and the prevention of local fiscal crises (Coe 2008) have been examined as well. However, no research has directly examined established practices that encompass the budget process in its entirety. Additionally, since deviations from the framework were uncovered here, many explanatory variables utilized by these projects also were considered as potential explanations in this case. Results from subsequent models indicate that determinants used to explain the use of performance measures (Lindblad 2006; Kelly and Rivenbark 2002), procurement guidelines (Duncombe and Searcy 2007) and general budget reforms (Lu and Facer 2004) appear to be robust across the use of daily budgeting and financial practices as well.[60]

In addition to gaps in public budgeting research, repeated references have been made to the historic debate between Luther Gulick (1937) and Herbert Simon (1946) familiar to many public administration scholars. The conclusions derived from this project speak to both participants in the exchange. For example, the research represents an attempt to apply the concept of management principles to public administration outside of an organizational context. Similar attempts, as other chapters highlighted, have been limited at best—an unfortunate consequence of Simon's (1946) critiques. Survey results indicate the practical value provided by a number of guidelines contained in the NACSLB budgeting framework. Consequently, whether they have developed organically or because of support from the GFOA, it would appear appropriate to classify a number of specific guidelines as principles of public budgeting.

However, deviations from the guidelines indicate limitations to this classification. It appears, therefore, that Simon's (1946) warning also is correct. Although a set of intuitive guidelines may receive significant support from practitioners (Peddle and Thurmaier 2011; Calia et al 2000; Gross 1998) and academics (Rivenbark and Allison 2003), their application to practice may not be necessary or even possible. As Kelly and Rivenbark (2002) demonstrate, conceptual popularity and organizational support for certain practices do not necessarily mean they are used in a meaningful and consistent

[60] Future research will need to note that determinants are not the same across the specific groups of practices. Unique sets of determinants appear, at this point, to be associated with different stages or aspects of the budget process.

manner. As a result, this research continues to support the idea that, at a minimum, management guidelines and their use in practice require objective attention.

Practical Implications

From the perspective of public administration practitioners, this project also produces a number of implications. First, the research examines the degree to which local governments use guidelines supported and developed by a leading professional organization in public budgeting. Because survey responses indicated both adherence and deviation, municipalities should be able to benchmark their budget process against nearly 300 other local governments across the United States. Additionally, the results should allow local governments to benchmark their current practices against an established group of "best-practices" that was developed by a wide variety of public budgeting and finance stakeholders. For governments considering the adoption of the NACSLB budgeting practices, the results also may provide valuable guidance since the survey and its subsequent analysis indicate which guidelines are most used and which appear to be the easiest to implement. Regardless of a local government's circumstance, additional information about such guidelines can only be helpful as the public budget process is given greater attention by citizens, elected officials, and public administrators.

Second, in addition to practitioners themselves, the research has the potential to influence professional organizations dedicated to public budgeting and finance. As previous chapters have illustrated, the most obvious organization with a significant investment in the guidelines is the GFOA. Results from the survey may be helpful if a new or revised budgeting framework is considered. For example, practices that appear difficult to implement could be changed or removed from the framework entirely.

Conversely, more attention and resources could be directed toward helping local governments implement useful, yet resource intensive practices. This type of feedback also should be helpful because the GFOA recommends a number of individual best practices and advisories on a regular basis. Feedback associated with the framework could help structure the direction and scope of these prescriptions as well.

Third, the conclusions developed below may be relevant for those instructing future public administrators. While some have concluded that knowledge of NACSLB budgeting practices should be a prerequisite for public finance officials (Peddle and Thurmaier 2011), the use of these practices has been previously unexplored. At this point, it appears certain practices are valuable to local governments and should, as a result, be promulgated in academic programs. However, since other practices are used less, curriculum could address challenges associated with implementation or highlight the importance of less used practices. Greater training also would have the potential to increase the connection between theoretical guidelines and practice—one of the most significant barriers to the development of principles of public budgeting.

Finally, this research represents an attempt to bridge the commonly lamented divide between those who research public administration and those who practice it (see, for example, Gibson and Deadrick 2010; Posner 2009; Kuhn 2002; Streib et al 2001). According to one commentator, reconstituting this connection is imperative. "While theory can be self-contained, the impact of our research and teaching arguably finds its most compelling and highest audience when it addresses the agenda items and concerns of practitioners" (Posner 2009, 13). Nonetheless, the debate continues about the nature of public administration research (Streib et al 2001). Should research be entirely removed from practice or should attention, as Posner (2009) suggests, largely focus on the issues that directly impact the activities of practitioners? This project is an attempt to balance these contrasting views by exploring the practice of public budgeting officials within the context of larger theories of public administration. After all, "enhancing the linkage between academics and practice not only reinforces the traditional strengths of the field, but also strengthens all aspects of the public administration enterprise" (Streib et al 2001, 523). With proper direction, subsequent research in the area can do the same.

Future Research

Although this project represents the first attempt to examine previously unaddressed municipal budgeting practices that have implications for both academics and practitioners, it should not be the last. In fact, the project should illustrate the need for additional research on a wide variety of public budgeting and management topics. For example, the research questions developed in Chapter 1 can only be partially addressed here because the focus was limited to a small portion of the NACSLB budgeting framework. Consequently, the most natural extension of this research would be a similar project that examines different stages of the budget process. Elements 5 and 8, for example, could be potential components for an additional study that would primarily focuses on the activities of budget and finance practitioners. However, this focus should not preclude future research from examining other stages of the budget process where the activities and opinions of other stakeholders have greater roles. Surveys of elected officials, citizens, and organized interests will be needed to determine if their participation in the budget process matches the guidelines described by the framework.

Because the budget process and the NACSLB framework necessitate their participation, such information is no less important than what was gathered here.

The consequences of using this framework should be considered as well. Essentially, are there positive consequences associated with municipalities that adhere to the framework and negative consequences associated with those that do not? Positive consequences could, for example, range from a better performing and efficient budget process—as the NACSLB framework suggests—to potential financial benefits such as high fund reserves, low annual deficits, or stable credit ratings. Completing this extension would require utilizing the dependent variables in this analysis as predictors of either positive or negative consequences. Given the current budget challenges facing many local governments, additional attention to potentially beneficial budgeting practices, or budgeting more broadly, has the potential to be helpful. Similar to the research presented here, implications derived from this type of project would be relevant to both practitioners and academics.

This project also continues to direct scholarly attention toward local governments and their use of best practices, recommendations, and prescriptions more broadly. Although the use of some of these guidelines has been considered by past research, there are many that have yet to be examined. For example, the U.S. Conference of Mayors has compiled, and advocated for, a number of best practices associated with brownfield redevelopment and reclamation. However, a careful examination of their use or effectiveness in practice has yet to be addressed by academia. Research would provide important steps toward determining the value of the guidelines for practitioners and the organizations that expend resources for their development and advancement. This focus, as might be expected, underscores the lesson that has been highlighted throughout this project. As Simon (1946) and others have illustrated, the value of recommendations and principles should not be accepted without careful consideration and analysis.

Finally, although the significance of Simon's commentary is illustrated here, his perspective does not receive complete support. Given the degree to which certain NACSLB guidelines are utilized by local governments, an appreciation for Gulick and his concept of management principles has been highlighted as well. Research utilizing this perspective and applying it to current public administration topics has been limited and, consequently, it appears a number of potential applications have been missed. Recent research, including this project, demonstrates that revisiting, reshaping, and applying public administration principles to the modern era would not be inappropriate or without supportive precedent (Meier 2010, Meier and Bohte 2000).

As the above paragraphs indicate, it is my hope that this project has served as an introduction to additional research on the budgeting practices used by local governments. Although often given less attention than other aspects of both public administration and political science, the budget process is an integral part of both fields. Research gaps, as a result, need to be addressed in order to develop the clearest picture of budgets and their development. For public administration scholars, this is particularly true. Practitioners and academics have dedicated time and resources to developing and promoting guidelines that highlight efficient budget processes and management practices more broadly. Fewer resources, in contrast, have been dedicated to determining their practical value. History, nonetheless, tells us this is a worthwhile pursuit as well.

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Appendix A: NACSLB Budgeting Framework

Principle 1 Establish Broad Goals to Guide Government Decision Making

Element 1 Assess Community Needs, Priorities, Challenges and Opportunities

Practices

1.1 Identify stakeholder concerns, needs, and priorities

1.2 Evaluate community condition, external factors, opportunities and challenges

Element 2 Identify Opportunities and Challenges for Government Services, Capital Assets, and Management

Practices

2.1 Assess services and programs, and identify issues, opportunities, and challenges

2.2 Assess capital assets, and identify issues, opportunities, and challenges

2.3 Assess governmental management systems, and identify issues, opportunities, and challenges

Element 3 Develop and Disseminate Broad Goals

Practices

3.1 Identify broad goals

3.2 Disseminate goals and review with stakeholders

Principle 2 Develop Approaches to Achieve Goals

Element 4 Adopt Financial Policies

Practices

4.1 Develop policy on stabilization funds

4.2 Develop policy on fees and charges

4.3 Develop policy on debt issuance and management

4.3a Develop policy on debt level and capacity

4.4 Develop policy on use of one-time revenues

4.4a Evaluate the use of unpredictable revenues

4.5 Develop policy on balancing the operating budget

4.6 Develop policy on revenue diversification

4.7 Develop policy on contingency planning

Element 5 Develop Programmatic, Operating and Capital Policies and Plans

Practices

5.1 Prepare policies and plans to guide the design of programs and services

5.2 Prepare policies and plans for capital asset acquisition, maintenance, replacement, and retirement

Element 6 Develop Programs and Services That Are Consistent with Policies and Plans

Practices

6.1 Develop programs and evaluate delivery mechanisms

6.2 Develop options for meeting capital needs and evaluate acquisition alternatives

6.3 Identify functions, programs, and/or activities of organizational units

6.4 Develop performance measures

6.4a Develop performance benchmarks

Element 7 Develop Management Strategies

Practices

7.1 Develop strategies to facilitate attainment of program and financial goals

7.2 Develop mechanisms for budgetary compliance

7.3 Develop the type, presentation, and time period of the budget

Principle 3 Develop a Budget Consistent with Approaches to Achieve Goals

Element 8 Develop a Process for Preparing and Adopting a Budget

Practices

8.1 Develop a budget calendar

8.2 Develop budget guidelines and instructions

8.3 Develop mechanisms for coordinating budget preparation and review

8.4 Develop procedures to facilitate budget review, discussion, modification, and adoption

8.5 Identify opportunities for stakeholder input

Element 9 Develop and Evaluate Financial Options

Practices

9.1 Conduct long-range financial planning

9.2 Prepare revenue projections

9.2a Analyze major revenues

9.2b Evaluate the effect of changes to revenue source rates and bases

9.2c Analyze tax and fee exemptions

9.2d Achieve consensus on a revenue forecast

9.3 Document revenue sources in a revenue manual

9.4 Prepare expenditure projections

9.5 Evaluate revenue and expenditure options

9.6 Develop a capital improvement plan

Element 10 Make Choices Necessary to Adopt a Budget

Practices

10.1 Prepare and present a recommended budget

10.1a Describe key policies, plans and goals

10.1b Identify key issues

10.1c Provide a financial overview

10.1d Provide a guide to operations

10.1e Explain the budgetary basis of accounting

10.1f Prepare a budget summary

10.1g Present the budget in a clear, easy-to-use format

10.2 Adopt the budget

Principle 4 Evaluate Performance and Make Adjustments

Element 11 Monitor, Measure, and Evaluate Performance

Practices

11.1 Monitor, measure, and evaluate program performance

11.1a Monitor, measure, and evaluate stakeholder satisfaction

11.2 Monitor, measure, and evaluate budgetary performance
11.3 Monitor, measure, and evaluate financial condition
11.4 Monitor, measure, and evaluate external factors
11.5 Monitor, measure, and evaluate capital program implementation

Element 12 Make Adjustments as Needed

Practices

12.1 Adjust the budget
12.2 Adjust policies, plans, programs and management strategies
12.3 Adjust broad goals, if appropriate

Appendix B: Element 4 and Element 9: Practices and Outputs

Principle 2 Develop Approaches to Achieve Goals

Element 4 Adopt Financial Policies

Practice 4.1 Develop policy on stabilization funds

Outputs

The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used. Development of a policy on minimum and maximum reserve levels may be advisable. Policies on stabilization funds should be publicly available and summarized in materials used in budget preparation. They also should be identified in other government documents, including planning and management reports.

Practice 4.2 Develop policy on fees and charges

Outputs

Policies may address a requirement to review all fees and charges, the level of cost recovery for services and the reason for any subsidy, and the frequency with which cost-of-services studies will be undertaken. Stakeholders should be given an opportunity to provide input into formulation of these policies. Policies on fees and charges should be publicly available and summarized in materials used in budget preparation. They should also be identified in other government documents, including planning and management reports.

Practice 4.3 Develop policy on debt issuance and management

Outputs

Elements of policies on debt issuance and management include: purposes for which debt may be issued; matching of the useful life of an asset with the maturity of the debt; limitations on the amount of outstanding debt; types of permissible debt; structural features, including payment of debt service and any limitations resulting from legal provisions or financial constraints; refunding of debt; and investment of bond proceeds. Legal or statutory limitations on debt issuance should be incorporated into debt policies. Debt policies should be made available to the public and other stakeholders. Because these policies are essential to budget decision making, particularly capital budgets, they should be reviewed during the annual budget process and summarized in the budget document. The legislative body should formally adopt debt policies and compile them with other financial policies.

Practice 4.3a Develop policy on debt level and capacity

Outputs

A government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita. Policies on debt level and capacity should be incorporated into other debt policies and adopted by the legislative body.

Practice 4.4 Develop policy on use of one-time revenues

Outputs

One-time revenues and allowable uses for those revenues should be explicitly defined. The policy should be publicly discussed before adoption and should be readily available to stakeholders during the budget process. The policy, and compliance with it, should be reviewed periodically.

Practice 4.4a Evaluate the use of unpredictable revenues

Outputs

For each major unpredictable revenue source, a government should identify those aspects of the revenue source that make the revenue unpredictable. Most importantly, a government should identify the expected or normal degree of volatility of the revenue source. For example, revenues from a particular source may fluctuate, but rarely, if ever, fall below some predictable minimum base. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generate revenues substantially higher or lower than projected. The plans should be publicly discussed and used in budget decision making.

Practice 4.5 Develop policy on balancing the operating budget

Outputs

The policy should provide clear definition as to how budgetary balance is to be achieved. Definitions of items to be counted as operating resources (e.g., revenues) and operating resource uses (e.g., expenditures) should be explicitly identified. All funds should be included. Statutory and other legal "balanced" budget requirements should be met, but this practice recommends additional policies and practices, if necessary, to achieve and report on structural balance. The policy should explicitly note and, if necessary, explain the relevant constitutional, statutory, or case law provisions that impose a balanced budget requirement upon the government. The policy also should identify the circumstances when deviation from a balanced budget may occur. The policy should be written in nontechnical language or have a nontechnical summary. Because of its importance in budget decisions, it should be readily available to stakeholders and publicly discussed at key points in the budget process. Compliance with the policy should be reviewed and disclosed during each budget period.

Practice 4.6 Develop policy on revenue diversification

Outputs

The policy should identify approaches that will be used to improve revenue diversification. An analysis of particular revenue sources is often undertaken in implementing the policy. This analysis should address the sensitivity of revenues to changes in rates, the fairness of the tax or fee, administrative aspects of the revenue source, and other relevant issues. The policy and the approach to implementation should be periodically reviewed.

Practice 4.7 Develop policy on contingency planning

Outputs

This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts. The policy should be publicly discussed and reviewed periodically.

Principle 3 Develop a Budget Consistent with Approaches to Achieve Goals

Element 9 Develop and Evaluate Financial Options

Practice 9.1 Conduct long-range financial planning

Outputs

The planning process results in the preparation of a financial plan consisting of various components such as an analysis of financial trends; an assessment of problems or opportunities facing the jurisdiction and actions needed to address these issues; and a long-term forecast of revenues and expenditures that uses alternative economic, planning, and policy assumptions. The financial plan identifies key assumptions and choices related to achievement of goals. The plan may be summarized in the budget document or in a separate report. It should be available to decision makers for their review in making choices and decisions related to the budget process. It should also be shared with stakeholders for their input.

Practice 9.2 Prepare revenue projections

Outputs

Revenue projections developed for financial planning purposes should extend over a period of at least three years into the future or longer if necessary to evaluate how revenues may change over time, to isolate non-recurring revenues, or to understand the impact of revenues when fully phased in. A government may produce a single revenue projection or projections under alternative scenarios; alternatively, the forecast may be stated in terms of a range of values. Major assumptions should be prominently identified. Projections should be available to participants in the budget process before budgetary decisions are made. One or more updated projections should be available during the budget period to avoid unintended deviation from balanced-budget requirements.

Practice 9.2a Analyze major revenues

Outputs

An analysis of major revenue sources should identify factors that have influenced historical collections, forecasting assumptions, and any problems or concerns. Any trends should also be identified, along with an analysis of whether or not the trend is likely to continue. The analysis can be summarized in a separate document or used as an input into an overall revenue projection. Significant changes to major revenue sources – projected and actual – should be highlighted in the budget document

Practice 9.2b Evaluate the effect of changes to revenue source rates and bases

Outputs

Analyses of the effect of pending or potential changes to revenue sources may be undertaken as part of the budget process or as warranted. The results of these analyses should be available to stakeholders. In any event, they should be presented as part of any proposed decision on changes to revenue source rates and bases.

Practice 9.2c Analyze tax and fee exemptions

Outputs

Outputs include routine analyses and reports that define each exemption and estimate foregone revenues. It is important to make the results of analysis publicly available. Tax and fee exemptions tend to be politically sensitive issues and often involve highly vocal, well-established interests. An appropriate context and venue for the release should be determined that provides an opportunity for review, discussion, and decision making, while minimizing unproductive discord between competing views.

Practice 9.2d Achieve consensus on a revenue forecast

Outputs

To achieve consensus, the process for producing the forecast must be trusted by all parties and be clear, open, and consistent. Governments may need to reach consensus within one branch of government, across branches of government, or across different governments (e.g., in cases involving intergovernmental coordination on budgetary decisions). The process developed to achieve consensus should recognize where problems are likely to emerge and be structured accordingly.

Practice 9.3 Document revenue sources in a revenue manual

Outputs

Documentation of revenue sources in the form of a revenue manual that uses a consistent format for each revenue source is suggested. Major revenue sources are the most important to document. The budget document may also include documentation of major revenue sources, either as summary material or in lieu of a revenue manual. The revenue manual or other documentation should be made available to all interested parties. It should be reviewed and updated at least every budget period.

Practice 9.4 Prepare expenditure projections

Outputs

Expenditure projections should extend several years into the future. A period of at least three years (or longer if necessary) is recommended to evaluate how costs may change over time, to isolate non-recurring costs or savings, and to understand the implications of costs once fully phased in. Fund level and government-wide expenditure projections should be prepared and documented so that they may be linked with the accounting system and integrated into overall financial projections. All expenditure projections should identify service level assumptions and key issues that may affect actual expenditures. Expenditure assumptions should also be described in relation to revenue assumptions. A single expenditure projection may be prepared based on one set of assumptions (covering multiple periods); or, multiple projections using alternative sets of assumptions may be prepared to more clearly identify the impact of different scenarios.

Practice 9.5 Evaluate revenue and expenditure options

Outputs

A process should be established for undertaking a comprehensive review of options for program and service levels and projected funding amounts. The review should also include beginning and ending fund balances; changes in fund balances at a fund level, for the government as a whole, and for major programs; and outstanding debt levels. Financial information, both actual and projected, and assumptions used for preparing projections should be documented using appropriate technology to aid this process. At least a summary of the key materials should be incorporated into formal budget documents. Such a summary is often included in sections of the budget document highlighting key issues.

Practice 9.6 Develop a capital improvement plan

Outputs

A process should exist for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that integrates projects, time frames, and financing mechanisms. The plan, including both capital and operating costs, should project at least five years into the future and should be fully integrated into the government's overall financial plan. The process for developing the plan should allow ample opportunity for stakeholder involvement in prioritizing projects and review. The capital improvement plan should be included in a budget document, either in a single document describing both the operating and capital budgets or in a separate document describing the capital improvement plan and capital budget. The plan should be approved by the governing body.

Appendix C: Survey Instrument

Welcome!
Thank you for taking the time to complete this survey and for providing your valuable responses. You are being contacted because of your position as a municipal budget director, finance director, treasurer, auditor, or primary budget official. **If you are not the primary individual responsible for preparing the annual budget or for the day-to-day financial management of your municipality, please forward this survey to the most appropriate individual.**

The results of this survey will be used as the basis for a doctoral dissertation being completed for the Department of Political Science at the University of Wisconsin-Milwaukee. The focus of the dissertation is on municipal budgeting techniques and policies. In particular, the dissertation will examine a variety of guidelines or practices that may be used during the budgeting process. The following survey will focus on broad budgeting concepts as well as on specific guidelines or practices. Depending on your responses, the survey should take approximately 15-20 minutes to complete. Simply circle or write in your responses and place the survey in the provided envelope.

The responses should accurately reflect practices within your municipality. Neither this survey, nor the dissertation with which it is connected, is associated with any of the professional associations mentioned in the survey or any similar organizations. **At no time will the names of respondents, their municipalities, or their contact information be revealed or associated with individual responses. Identifying information will be kept confidential; it will not be provided or sold to any third party group(s) or entities.** Your completion of this survey will signify your consent to participate.

If you have any questions regarding this survey or the dissertation please contact the study's author, David Helpap at djhelpap@uwm.edu.

---

1. Please indicate your job title as provided by your municipality.

   ____

2. What is the name of municipality by which you are employed?

   ____

3. Please indicate the highest educational degree you have obtained. If other, please specify.
   a. High school diploma
   b. Bachelors degree
   c. Master of Public Administration (MPA)
   d. Master of Arts or Master of Science (non MPA)
   e. Doctorate (Ph.D.)
   f. Other ______________________________________

4. Please indicate any professional organizations of which you are a member. If other, please specify.
   a. Government Finance Officers Association (GFOA)
   b. A state based government finance officers association
   c. International City/County Management Association (ICMA)
   d. A state based municipal/county management association
   e. I do not belong to any professional organizations.
   f. Other______________________________________

---

1. Please indicate the number of municipal staff members—including yourself—who are employed in the budget [finance] department/treasurer's office to which you belong?

____

2. Please indicate the annual budget of the budget [finance] department/treasurer's office to which you belong.

____

3. Please indicate—to the best of your knowledge—the number of staff members within the budget [finance] department/treasurer's office to which you belong who have obtained the following as their highest degree. If other, please specify.
   a. ______ High school diploma
   b. ______ Bachelors degree
   c. ______ Master of Public Administration (MPA)
   d. ______ Master of Arts or Master of Science (non MPA)
   e. ______ Doctorate (Ph.D.)
   f. ______Other____

4. Please indicate the approximate number of staff members—including yourself—within the budget [finance] department/treasurer's office that are members of the GFOA.

____

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1. Please describe the budget process utilized by your department/municipality (e.g. zero-based budgeting, target-based budgeting, performance budgeting).

____

____

2. Has your department ever received any awards from the GFOA? If yes, please indicate the name and year of the award(s).
   a. Yes____

   ____
   b. No

3. To what degree are you familiar a document entitled "Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting" and the budgeting framework it describes?

   a. Very familiar   b. Familiar   c. Somewhat familiar   d. Not familiar at all

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Respondent Instructions
In 1998 the National Advisory Council on State and Local Budgeting (NACSLB) developed a document entitled, "Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting".

The following statements are practices derived from this document. The practices described in the document may be used by some budget departments and may not be used by others. Regardless of your knowledge or use of this specific document and the budgeting framework it describes, please indicate the extent to which your department either engages in, or does not engage in, the following practices using the scale shown below.

Agree—indicates complete and/or annual compliance with the statement.
Somewhat agree—indicates frequent but not complete compliance with the statement.
Somewhat disagree—indicates irregular compliance with the statement.
Disagree—indicates non-compliance with the statement.
Don't know—indicates you are unsure if there is compliance or non-compliance with the statement.

If somewhat disagree or disagree are selected, please indicate why this is the case in the space provided, if possible.

Stabilization Fund Policy

1. Stabilization policies have been developed that establish when stabilization funds are created.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

   ____
   ____
   ____

2. Stabilization policies have been developed that identify how stabilization funds should be used.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

   ____
   ____
   ____

Fees and Charges Policy

1. Policies on fees and charges have been developed that address aspects such as the level of cost recovery for services, the reason for subsidies, and the frequency with which cost-of-service studies will be undertaken.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

   ____
   ____
   ____

Debt Issuance and Management Policy

1. Policies on debt issuance and management have been developed that include elements such as the purposes for which debt may be issued; matching of the useful life of an asset with the maturity of the debt; limitations on the amount of outstanding debt; types of permissible debt; structural features; refunding of debt; and investment of bond proceeds.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

   ____

2. Debt policies include legal or statutory limitations on debt issuance.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Debt Level and Capacity Policy

1. Policies on the use of debt such as general obligation debt, special assessment bonds, tax increment financing bonds, and short-term debt have been developed.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Policy on Use of One-Time Revenues

1. One-time revenues and their allowable uses are explicitly defined by a formal policy.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Use of Unpredicted Revenues

1. Policies have been developed that discuss unpredictable revenues and their use if they generate revenue higher or lower than projected.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. Policies related to unpredictable revenues are used in budget decision making.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Policy on Balancing the Operating Budget

1. A policy has been established that provides clear definition as to how budgetary balance

will be achieved.

a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. Definitions of items to be counted as operating resources (e.g., revenues) and operating resource uses (e.g., expenditures) are explicitly identified.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

3. The policy on balancing the operating budget discusses and explains relevant constitutional, statutory, or case law provisions that impose a balanced budget requirement upon the government.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

4. The policy on balancing the operating budget identifies the circumstances when deviations from a balanced budget may occur.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Revenue Diversification Policy

1. A policy has been developed that can be used to improve revenue diversification.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. In order to implement a revenue diversification policy, an analysis of each particular revenue source was completed.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Contingency Planning Policy

1. A policy has been developed that identifies types of emergencies or unexpected events and the way in which these situations are to be handled from a financial management perspective.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. A contingency planning policy considers operational and management impacts.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Long-Range Financial Planning

1. Long-range financial planning, which can includes components such as an analysis of financial trends, an assessment of problems or opportunities, and a description of necessary actions to address any issues, has been completed.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. Long-range financial plans include a description of long-term revenue and expenditure forecasts using alternative economic, planning and policy assumptions.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Preparation of Revenue Projections

1. Revenue projections developed for financial planning purposes extend over a period of at least three years.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. Updated projections are available during the budget period to avoid unintended deviation from balanced-budget requirements.

a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Analysis of Major Revenues

1. An analysis of major revenues that identifies factors that have influenced historical collections, forecasting assumptions, and any problems or concerns, has been completed.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. Revenue trends and their stability (i.e. elasticity) have been identified.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

3. Significant changes to major revenue sources—projected or actual—are highlighted in the budget document.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Changes to Revenue Source Rates and Bases

1. An analysis of the effect of pending or potential changes to revenue sources has been undertaken as part of the budget process or as warranted.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Analysis of Tax and Fee Exemptions

1. Routine analyses and reports that identify each tax and fee exemption and an estimate of foregone revenues have been completed.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Achievement of Consensus on a Revenue Forecast

1. The process for producing the revenue forecast is clear, open, and consistent (i.e. it does not engender controversy).

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. The process developed to achieve consensus on revenue forecasts among stakeholders recognizes where problems are likely to emerge and is structured accordingly.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Documentation of Revenue Sources in a Revenue Manual

1. Documentation of revenue sources in the form of a revenue manual has been completed. In lieu of a revenue manual, documentation of major revenue sources has been included in the budget document.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Preparation of Expenditure Projections

1. Expenditure projections extend at least three years into the future.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. Fund level and government-wide expenditure projections have been prepared and documented.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

3. Fund level and government-wide expenditure projections have been integrated into overall financial projections.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

4. Expenditure projections identify service level assumptions and key issues that affect actual expenditures.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

5. Expenditure assumptions are described in relation to revenue assumptions.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Evaluation of Revenue and Expenditure Options

1. A process has been established for undertaking a comprehensive review of options for program and service levels and projected funding amounts. The review includes components such as beginning and ending fund balances, changes in fund balances at a fund level, and outstanding debt levels.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

Development of a Capital Improvement Plan

1. A process exists for evaluating proposed capital projects and financing options.

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

2. A long-range capital improvement plan has been developed that includes both capital and operating costs (i.e. their impact on the operating budget).

   a. Agree b. Somewhat Agree c. Somewhat Disagree d. Disagree e. Don't Know

3. A long-range capital improvement plan projects at least five years into the future.

   a. Agree   b. Somewhat Agree   c. Somewhat Disagree   d. Disagree   e. Don't Know

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1. If you indicated that any of the above statements apply or partially apply to your budgeting department/municipality, please indicate, to the best of your knowledge, if they are used because of the NACSLB document and the GFOA or if they are used because of some other reason(s). If other, please specify.

2. How helpful do you find budgeting practices and guidelines such as those developed by the NACSLB?

   a. Very helpful   b. Helpful   c. Somewhat helpful   d. Not helpful at all

3. How frequently do you, or have you in past, discuss(ed) the budgeting practices and guidelines developed by the NACSLB with budget/finance directors or staff in other municipalities?

   a. Very Frequently   b. Frequently   c. Occasionally   d. Seldom   e. Never

4. How frequently do you personally promote the use of budgeting practices or guidelines developed by the NACSLB throughout the budgeting process?

   a. Always   b. Frequently   c. Occasionally   d. Seldom   e. Never

5. Overall, with what frequency does the budget department to which you belong adhere to the entire budgeting framework created by the NACSLB?

   a. Always   b. Frequently   c. Occasionally   d. Seldom   e. Never

6. Have pressures from political forces (e.g. elected officials, unions, public/citizen opinion) ever subverted/prevented attempts at implementing budget practices similar to those mentioned in this survey?

   a. Yes   c. No

7. If you answered yes to the previous question (Question 6), please expand/provide examples, if possible.

8. Is there anything else you would like to mention about the budgeting practices within your department/municipality?

9. Would you be willing to participate in a more in-depth phone or email interview regarding budgeting practices within your municipality?
    a. Yes-phone
    b. Yes-email ______________________________
    c. No

Thank You

Thank you for taking the time to participate in this survey and discuss the budget practices within your municipality. Your responses are extremely valuable to the dissertation being completed. Again, if you have any questions, please do not hesitate to contact me.

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EDUCATION

University of Wisconsin-Milwaukee
Ph.D. Political Science — August 2012
Areas of Interest: state and local government; municipal budgeting; urban politics; public policy; research methods; public management
Dissertation: "*Principles of Municipal Budgeting?: A Reexamination of the Debate over the Principles and Proverbs of Public Administration*"

University of Wisconsin-Milwaukee
M.A. Political Science — May 2008
Masters Paper: "*The Town Debate: Annexation, Growth, and Charter Townships*"

University of Wisconsin-Green Bay
B.S. Political Science — May 2006
Minors: Economics; Business Administration
Magna Cum Laude

WORKSHOPS

Helen Bader School of Social Welfare at University of Wisconsin-Milwaukee — June 2010
Introduction to R

TEACHING EXPERIENCE

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Introduction to American Government and Politics

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Teaching Assistant (Discussion Leader) — Fall 2009-Spring 2011
Introduction to American Government and Politics
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State Politics
Faculty Member: Dr. John Bohte

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Introduction to American Government and Politics
Faculty Member: Trevor Rubenzer

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Urban Government and Politics
Faculty Member: Dr. Joel Rast

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Teaching Assistant — Fall 2005
American Government and Politics
Faculty Member: Dr. Terri Johnson

PROFESSIONAL EXPERIENCE

Public Policy Forum — April 2010-present
Milwaukee, WI
Researcher

Public Policy Forum — June 2009-October 2009
Milwaukee, WI
Research Intern

Village of Richfield, WI — April 2007-January 2009
Administrative Intern

Wisconsin Towns Association — May 2006-October 2006
Contract Researcher

POLICY PAPERS AND RESEARCH REPORTS

Helpap, David, Rob Henken, and Joe Peterangelo. November 2011. "Assembling the Parts: An examination of Milwaukee's economic development landscape." Public Policy Forum

Henken, Rob, David Helpap, Vanessa Allen, Melissa Kovack. 2010. "Local Government Indicators: How is local government performing?" Public Policy Forum

Henken Rob, Vanessa Allen, Doug Day, David Helpap. 2010. "Should It Stay or Should It Go?: Exploring the potential for structural reform in Milwaukee County government." Public Policy Forum
Winner of the 2011 Government Research Association "Most Effective Education" Category

Helpap, David, and Jeff Schmidt. 2009. "Public Schooling in Southeastern Wisconsin: 2008-2009."Public Policy Forum

Helpap, David. 2008. "Village of Richfield Comprehensive Park, Outdoor Recreation and, Open Space Plan." Village of Richfield, Wisconsin

Helpap, David. 2006. "Annexation Protection and Town Growth: A Comparison of Annexation

Policies in Wisconsin and Michigan." Wisconsin Towns Association

CONFERENCE PRESENTATIONS

"Municipal Budgeting during Challenging Economic Conditions: Assessing the Use of Recommended Practices and Guidelines"
Paper presented at the Midwest Political Science Association National Conference, Chicago 2012

"It's the Economy Mr. Mayor?: Examining Retrospective Economic Voting and Mayoral Elections"
Paper presented at the Midwest Political Science Association National Conference, Chicago 2010

"The Michigan Town Debate: Annexation Protection, Growth, and Charter Towns"
Paper presented at the Midwest Political Science Association National Conference, Chicago 2008

DISCIPLINE, DEPARTMENTAL, AND UNIVERSITY SERVICE

Political Science Graduate Student Association at University of Wisconsin-Milwaukee
Treasurer — Fall 2009-present

International City/County Management Association Annual Conference
Conference Volunteer — September 2011

Wisconsin Political Science Association Conference
Conference Planner — Spring 2008

PROFESSIONAL MEMBERSHIPS

American Political Science Association
Midwest Political Science Association
Wisconsin Association of Municipal/County Assistant Managers
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Computing Skills: Stata, SPSS, R

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