

# TEACHING PUBLIC BUDGETING AND FINANCIAL MANAGEMENT: A SYMPOSIUM

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## INTRODUCTION

Public budgeting and financial management (PBFM) has come of age. In an era of no-growth or zero-sum society, tax revolts, and spending limits, the PBFM practices of all levels of government are undergoing intense scrutiny. PBFM is considered one of the major factors contributing to financial health of a government. (Groves, 1980; Petersen, 1978) In recent surveys of public administration professionals about the worth to them of various courses in their current jobs, PBFM courses are rated very favorably and considered extremely important by all professional groups. (Murray, 1976; Henry, 1979; Kerrigan and Hinton, 1980)

Coastal community of 2,300 year round population. Seeks town manager, Municipal Budget:\$75,000...*Good financial skills a plus.* (author's emphasis)

The above statement is a typical advertisement for a local government manager. Is there any MPA program in the United States providing the "good financial skills" necessary for a town or city manager? Moreover, is there any agreement among academicians and practitioners on the meaning of "financial skills"? A survey conducted by Henry (1978) revealed that PBFM, "the single most relevant course area for Master's Degree in Public Administration (M.P.A.) graduates, is among the least required in the nation's M.P.A. programs."

Apparently, there is a genuine gap between the needs of practitioners and the courses in the PBFM area offered by university public administration programs. Moreover, both academicians and practitioners currently criticize the apparent lack of research and teaching interest in certain financial management elements by schools and programs of public administration. Brown and Craft (1980:264), for instance, clearly identify the gap in auditing by stating that "the schools of public administration have not played a major role in the development of public sector auditing." Mansfield (1979:161) also mentions the lack of concern for governmental accounting and financial reporting by schools and colleges of public administration across the country.

Ironically, despite its importance, PBFM is probably the most neglected area of training in professional education, judging from current teaching activities in those schools that are expected to offer training for PBFM-MPA programs and Masters in Business Administration (MBA) programs.

## **PROBLEMS OF TEACHING PBFM IN MPA PROGRAMS**

The National Association of Schools of Public Affairs and Administration's (NASPAA) "Standards for Professional Masters Degree Programs in Public Affairs and Administration" lists accounting, budgeting, and financial management as one of thirteen common curriculum components to be covered by prerequisite and required courses. Actually, the NASPAA guidelines in section 4.22 state: "a basic understanding and ability (implying a good exposure to the subject) to deal with ... introductory accounting, budgeting, and financial management systems." (NASPAA, 1978:2) While there is no doubt that these standards will promote positive changes in the course offerings in those schools that ascribe to the standards, the minimum NASPAA standard appears to be one to insure a moderate degree of competence for the public management generalist, rather than the PBFM specialist. Although little information about actual MPA prerequisites and required courses has been documented, no one should expect that more than the equivalent of a one-semester course would be offered for each of

the thirteen components due to credit hour limits faced by MPA programs. (On the average, about thirty-nine of forty-five semester credit hours are required by an MPA program.) Therefore, one can estimate that the extent of knowledge required in PBFM is less than a semester course. If an MPA student does not take any course in PBFM as an area of specialization or as an "advanced curriculum component," that student probably fails to deal with the material necessary for any PBFM job. (NASPAA, 1978:8)

When one analyzes the courses that MPA programs actually require students to take, it becomes clear that current teaching of PBFM in MPA programs is actually less than that which is recommended by NASPAA. Most of the required courses cover only budgeting rather than the whole scope of PBFM. (Thai, 1981) Moreover, most of the budgeting courses and textbooks still tend to emphasize the appropriations process of "who gets what, when, and how" and give little attention to how to prepare a budget. In some way, that focus is understandable since public budgeting is often viewed as the heart of the policy-making process in American government. (Brown and Craft, 1980:239) Practitioners, however, need to know such basics as how to prepare the budget and how to get more and better financial information. (Lodal, 1979:2; Oatman, 1979:19) Unfortunately, "graduate schools in public administration produce thousands of students each year who have never even read a balance sheet, cannot distinguish between cash and accrual methods, and have never seen an audit report." (Schick, 1981:3)

In brief, the current delivery system of educational services for instruction in PBFM seems woefully inadequate in most MPA programs, if we desire that graduates have anything but the most basic understanding. Even a basic understanding usually means a mere rudimentary awareness of budgeting, with no attention to the other salient areas of financial management.

## **PROBLEMS OF TEACHING PBFM IN BUSINESS SCHOOLS**

Not surprisingly, most business schools direct their instruc-

tional resources to private finance and thus the scope of their treatment of public sector financial management has been both shallow and narrow. Government's role is discussed as a regulator of business activities, but rarely is attention directed toward actual financial operations of government. Moreover, for all of the resources devoted to finance and accounting by the business schools, very few have been directed toward governmental accounting. (Fox, 1977)

Most business programs have indicated that they expect to expand their graduate offerings in public administration in the future. (Holder, 1978) This development could have negative consequences on those expansion-minded or even status quo-oriented MPA programs since the business programs would be competing for the same territory as the public administration programs. In fact, some business schools already offer degrees in the field of PBFM, but they tend to focus mainly on public accounting. Fox (1977), for instance, deplors the AICPA (American Institute of Certified Public Accountants) model program for accounting specialization which contains over thirty semester hours of specialized accounting subjects but with none devoted to governmental planning, programming, budgeting or fund accounting. Therefore, "many accountants and auditors working within the public sector are unfamiliar with the information needs of public officials." (Schick, 1981:3) Moreover, even though the business schools appear to offer courses in governmental accounting, the accounting education establishment itself is not meeting public sector needs due largely to the lack of institutional funding and the absence of qualified faculty. (Fox, 1977; Holder, 1978; Engstrom, 1979)

## WHAT SHOULD BE TAUGHT IN PBFM?

The previous sections have suggested that, despite their importance, PBFM knowledge and skills are apparently not adequately taught by public administration and business programs. What should we do to improve education for PBFM? To discuss matters of professional education intelligently, certain ultimate values should be clarified. Is public adminis-

tration a profession or merely an extension of the liberal arts tradition which encompasses a broad selection of useful knowledge with only general agreement on what is "useful"? One of the criteria essential to the concept of profession is that a profession must acquire a set of "recognized skills." (Waldo, 1980:62) Does the holder of the MPA degree satisfy this criterion? If one analyzes the thirteen public administration common components recommended by the National Association of Schools of Public Affairs and Administration, one will notice that NASPAA does not require a specific number of credit hours for each of the required components. Therefore, there exists a flexibility in determination by MPA programs of credit hours required for those thirteen components. Moreover, there is much diversity in the scope and content of the courses offered by the MPA programs in the U.S. The extent of this diversity, as will be analyzed in other articles of this symposium, is exemplified in the area of PBFM.

On the other hand, the MBA degree is a known entity in this area; one usually understands the knowledge in financial management acquired by individuals holding these degrees. The American Assembly of Collegiate Schools of Business recommends a minimum number of credit hours in accounting, marketing, and finance. On the average, an MBA degree holder has at least two courses in accounting, excluding finance and marketing. Moreover, the scope and content of accounting courses are very similar for each institution. What kind of knowledge in PBFM does an MPA degree holder get? No one can answer this question in spite of NASPAA's guidelines. The most recent survey reveals that (a) 81.20 percent or 108 out of 133 responding MPA programs required minimum skills in PBFM (not 100 percent as in business schools), (b) on the average, only three semester-credit hours are required in PBFM, and (c) different kinds of knowledge are "thrown in" PBFM. (Thai, 1981)

In the strict sense, therefore, due to the lack of a recognized body of minimum knowledge requirements, public administration currently is not a profession, at least when one considers PBFM as one of its common components. To be considered a profession, public administration should be a known entity with

a set of recognized skills. The core MPA curriculum should be relatively similar for each institution offering the degree. The courses should be designed to help the prospective professional do a better job as a professional public manager.

The same argument is applied to education for PBFM, a common component or a specialized area of PA. There should be a great deal of similarity among PBFM course or courses being taught so that PBFM means roughly the same at each school offering those courses. Thus the product being produced---the professionally educated student---ought to be an individual with recognized knowledge and skills so that an employer can rely upon that knowledge and skills.

### **INTERDISCIPLINARY NATURE OF PBFM**

It is very difficult, however, for the schools of public administration and affairs to provide the MPA degree holder with a set of recognized knowledge and skills in PBFM because this component of public administration is very broad in scope. The Government Finance Research Center, for instance, lists seventeen major categories of public budgeting and financial management (PBFM) excluding an unclassified category. These categories range from public finance theory to voter and opinion studies and productivity improvement. Each major category also includes a variety of topics. (Petersen, Spain, and Laffey, 1978:179) The relevant topics in PBFM reflect a synthesis of several disciplines which contribute to the development of PBFM.

Among the social sciences, political science contributes most significantly to PBFM. This is understandable since a budget is the result of a political decision. Political science encompasses the descriptive theory of political institutions, behavior of social groups, the electoral process, and the legal process. For the most part, political science is primarily concerned with explaining "who gets what and how."

Economics is both a pure and an applied science that can be drawn upon for PBFM. Applied economics entails knowledge of how to "economize or optimize the utilization of scarce resources. Pure economics encompasses economic institutions

and human behavior and ways to direct it. The contributions of pure economics to PBFM include knowledge of local, regional, and national economics, knowledge of the structure and nature of commercial and industrial activities, and knowledge of public finance dealing with the relation of taxation and public expenditures to population characteristics and economic policy.

Public administration as a discipline concentrates on the machinery for implementation of a public policy including the budget. It encompasses theories of public organization, behavior of public servants, and, increasingly, methods of resource allocation, execution, and review. Of course, the execution phase is an important stage for any successful budget plan. Hence, public administration makes useful contributions to PBFM. Also in the sphere of implementation, business administration, which mingles with public administration (Waldo, 1980:164), has made some basic contributions to PBFM. Its well-developed financial management and accounting knowledge and skills help strengthen the underdeveloped stage of our model.

Other disciplines, such as sociology, psychology, law, and philosophy, contribute to other dimensions of PBFM in such areas as mass attitude change and public opinion formation, theories of individual and small group decision processes, work-motivation, and questions of equity implicit in finance distribution formulas.

In general, the social sciences have provided PBFM with descriptive knowledge about environments and behavior. The needs of PBFM for prescriptive and quantitative research, however, are met by the management sciences which include decision science, systems analysis, information theory, and a series of quantitative techniques such as linear programming and benefit-cost analysis. Although politics is very important in budget decisions, the role of rationality is still very significant in human decision-making and the managing of day-to-day operations in any public-oriented organization.

## **PURPOSE OF THIS SYMPOSIUM**

The purpose of this symposium is to explore what is currently

taught in PBFM and what, assuming there exists a serious pedagogic deficit in public administration education for PBFM, should be done to improve education for PBFM. This is not an easy task because PBFM, as defined in this symposium, is a very underdeveloped area of study in the public sector and hence its scope is still ambiguous. In general, this symposium is built on a PBFM model outlined in Thai and Taylor's article, "Toward a Paradigm for Public Budgeting and Financial Management." In this article, the authors analyze the scope of PBFM by utilizing a paradigm and then suggest a model curriculum for PBFM which consists of five major components: environments, public budgeting, public financial management, governmental accounting and financial reporting, and auditing including evaluation. These five components will be explored in five consecutive articles. Recognizing that the computer is a major tool for PBFM, an article on computer utilization is also added. The theme for all of the above articles is to address the following questions:

1. Why is each of the above components important for education for PBFM?
2. What is currently taught in each PBFM component?
3. What should be taught in each PBFM component?

Since there are some radical proposals in this symposium, its editor expects to receive many comments from scholars and practitioners.

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