

MUNICIPAL BUDGETING: POSITIVES, PITFALLS, AND POLITICS

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ABSTRACT

In this era of plunging municipal revenues, it has become imperative for city governments to use their financial resources effectively and efficiently. Available city resources must be channeled towards satisfying the critical needs of citizens with minimal wastage. Proper budgeting and its effective implementation can play a vital role in this endeavor. A challenge regarding municipal budgets is that municipal budgeting requires spending public monies based on decisions made by individuals in their roles as mayor, council or board member, administrator, finance director, head of an operational department, and (sometimes) citizens. These people may also have personal agendas, which could lead to conflicts of interest and the ensuing problematic issues of information asymmetry and moral hazard.

This paper discusses several approaches to municipal budgeting, including incremental, performance-based, participatory, zero-based, and hybrid approaches. We also discuss the benefits of municipal budgeting as a control mechanism and communication tool, as well as the effects of GASB #34 on the budget process. In addition, we provide an analysis of potential politics, gaming by various participants, and pitfalls in the budgeting process. Finally, there will be a list of recommendations to ensure the development of an effective and efficient municipal budget.

INTRODUCTION

Budgets are the link between resources and objectives, and are monetary records of the goals to be achieved and the resources allocated to accomplish them. Municipal budgeting is a highly complex enterprise that calls for simplification (Ibrahim and Proctor, 1992). In this era of plunging municipal revenues, it has become imperative for municipal governments to use their financial resources effectively and efficiently. Available municipal resources must be channeled towards satisfying the critical needs of citizens as efficiently as possible; proper budgeting and its effective implementation can play a vital role in this endeavor. Municipal budgeting requires spending public monies based on decisions made by individuals in their roles as mayor, council or board member, administrator, finance director, head of an operational department, and (sometimes) citizens. These actors may also have personal agendas, which could lead to conflicts of interest and the ensuing problematic issues of information asymmetry and moral hazard.

This article discusses several approaches to municipal budgeting, including incremental, performance-based, participatory, zero-based, and hybrid approaches. There is also a discussion of the benefits of municipal budgeting as a control mechanism and communication tool, as well as the effects of GASB #34 on the budget process. In addition, the paper provides an analysis of potential politics, gaming by various actors, and pitfalls in the budgeting process. Finally, there is a list of recommendations to ensure the development of an effective and efficient municipal budget.

ROLE PLAYERS IN MUNICIPAL BUDGETING

In most municipalities, the relevant role players include the mayor, members of the city council, city administrators, city finance officers, city department heads, and voters who are also taxpayers. Ibrahim and Proctor (1992, p14) have made a distinction between “spending department officers” and “treasury department officers.” Spending department officers seek to provide better service and greater funding for their areas, whereas treasury department officials and policy makers (primarily mayors, council members and city administrators) are basically “guardians” who have to ensure that available monies are not exceeded (ibid, p14). Thus, there is an inherent conflict between the spenders and the guardians. It is also well-known that there is a tendency on the part of spenders to incorporate “slack” into their budget requests.

It is human nature for each and every budget actor to possess biased agendas, notions of untouchable sacred cows, favorite or disliked projects and municipal services, individual political constraints or desires, and at times a tendency to use public monies that do not impinge on their own personal finances. It is imperative that budget actors are cognizant of and use the ethical precepts embedded in the theories of agency costs, agency responsibilities and moral hazard, and the role of information asymmetry in their decisions and advocacies, so as not to misuse city resources. In the case of private goods, consumers have an economic incentive to protect their investments while maximizing private utility. This is not the case where public goods (like municipal services and projects) are involved. Public contracting always involves “moral hazard”, which arises in any transaction in which the best economic interest of at least one of the parties may be better served by dereliction of duty or outright dishonesty. To ensure that various budget actors are properly playing their prescribed roles as agents of the taxpayers, some mechanism of accountability has to be established and enforced. This process leads to the incurrence of costs defined as “agency costs.” These costs trend upwards as budget actors violate their legal, moral, and fiduciary duties. Finally, city department heads, financial officers, and city administrators possess inside information not available to mayors, council members, and taxpayers. This leads to the phenomena of “information asymmetry.” Those budget actors possessing superior information should not exploit it for their unfair purposes.

Approaches to Municipal Budgeting

There are many ways to approach budgeting for governments such as cities, towns, counties, states, and the federal government. Several of the most common approaches to budgeting for municipalities will be discussed and analyzed in the following paragraphs. The primary emphasis in this paper is on cities, rather than county, state or federal units.

Incremental

When budgets are prepared based on what was budgeted or spent in the previous fiscal period as a starting point, the budgeting approach is often termed "incremental" budgeting (Franklin & Carberry-George, 1999). In other words, a proposed budget may be prepared using the previously budgeted (or actual) amount as a starting point, then adjusting the budget up or down from the base amount. Such small increases or decreases to the previous budget are based on present circumstances, such as any new statutory mandates or changes in statutory mandates, budgeted revenues, efficiencies achieved, the overall economy, etc.

Incremental budgeting usually follows a "bottom-up" approach, where the budget is prepared by department heads, then sent to the city or county administrators for review and analysis (Franklin & Carberry-George, 1999). The municipal administrators then make budget recommendations to the finance committees of the municipality, who in turn make budget recommendations to the full board or town council of the municipality. The budget process is usually iterative, in that meetings may be held with the department heads, budget adjustments made by negotiation or arbitrarily changed, budgeted amounts may be changed, etc.

Ibrahim and Proctor (1992) quoted incremental theorists who consider that social and political decision making (for example, developing municipal budgets in which a number of vested parties with conflicting agendas play important roles) is usually highly complex. Incrementalism can be used as a method of simplifying this decision process by restricting budget options to a few which differ marginally from their precedents. There is a "base" that remains at the core and incremental analysis leads to relatively small adjustments from that base. Lindblom (1975), quoted in Ibrahim and Proctor (1992), opined that it would require constructing a program ordering function that would contain all values relevant to developing a budget. In the case of municipal budgeting, it would take the form of a social welfare function that encompasses all the desires of all relevant budget actors and an economic function that explicates the costs and benefits of each and every option, and all of this in the presence of limited information. Further, municipal administrators and finance officers face not only the enormous task of solving a very complex problem, but also the constraints of limited resources and limited time. Thus, practicality often dictates the use of a simplified and not overly expensive approach to budgeting, such as incrementalism.

An advantage of incremental budgeting is that it is relatively easy to implement. Another advantage of incrementalism is that it is more amenable to conflict resolution among budget actors and less painful compared to other budgeting approaches. It can provide a workable process to resolve the conflict between spenders and guardians. The spenders enjoy a sense of continuity for their base programs because the increases and decreases in their allocations are marginal. The guardians are assured that there is a ceiling on the growth of spending, if any (Ibrahim and Proctor, 1992). However, a disadvantage of the incremental approach is that certain programs or services may become entrenched and just be carried over from year to year without sufficient scrutiny.

Performance-Based

Another budgeting approach, which is based on allocating resources (via budgets) to desired levels of support for government programs or services, is called performance budgeting, or performance-based budgeting. Rivenbark & Kelly (2006, p. 36) state that "Performance budgeting occurs when performance results are used to inform decisions during budget preparation and adoption." Or, performance budgeting may attempt to identify desired levels of specific outcomes and then allocate funds to the program or service based on a per unit cost allocation (Franklin & Carberry-George, 1999). Performance measures may be used to inform budget decisions and allocation of funds when the budget request is new or significantly expanded from prior periods (Rivenbark & Kelly, 2006).

Ideally, performance budgeting should lead to greater accountability because it deals with quantifiable performance metrics which can be measured and actual results can be compared to what was included in the budget preparation. Those performance metrics that cannot be quantified are expressed in clear terms regarding the desired outcomes, and accomplishments can again be compared to expectations. Rivenbark and Kelly (2006) suggest that each municipal program should have service delivery goals and quantifiable measures based on its service mission. Quantified performance measures can be employed to monitor progress. It is important to stress that merely developing performance measures is not enough. These performance measures must be integral inputs in determining budget requests and utilizing them during budget deliberations (Rivenbark and Kelly, 2006). The implementation of performance budgeting entails the constant use of performance information in the development, implementation, and evaluation phases of the budget.

Proponents of performance budgeting argue that this budgeting approach can improve the effectiveness of a department or organization and improve the overall quality of budget deliberations and decision making (e.g., Rivenbark & Kelly, 2006). However, performance-based budgeting has been criticized for being difficult to implement in practice. In addition, some governmental services are mandated by statute, and may not lend themselves to a "per unit" or other performance analysis. Finally, political considerations may inhibit municipal administrators and finance officers from using this approach if sacred cows would get gored in the process.

Rivenbark and Kelly (2000) conducted a survey of selected finance officers and found that departmental expenditures, not performance measures, were the primary factors considered by city administrators and city councils in budget development and appropriation. Anecdotal evidence from individual finance officers input suggested that department heads were often resistant to the use of performance measures, city administrators were at times loath to provide financing for this activity, and that it was possible that using a performance based system may lead to escalated expenditures.

Participatory

There is often a feeling among taxpayers that budgetary processes are more or less merely politics resulting from stasis rivalries, voter apathy, and interest groups haranguing and leading to the success of the politically powerful over those less powerful (Franklin & Carberry-George, 1999). Another commonly held belief is that is that the most critical decisions involving the use of public funds are made behind closed doors in "executive sessions" that exclude the participation of those stakeholders who do not have access to the most powerful political players (ibid.).

One suggested antidote to this critical problem is to utilize "participatory budgeting," which can also be termed a "community values" or "citizen participation" approach (Ebdon & Franklin, 2006; Franklin & Carberry-George, 1999). The fundamental philosophy of participatory budgeting is that levels of government services are guided by the views and attitudes of the citizens residing in the community (Franklin & Carberry-George, 1999). Citizens served by a municipality could participate in the budget process by answering surveys, selectively being included in focus groups or other strategic planning sessions, participating in public hearings, etc. (Ebdon & Franklin, 2006). The authors suggest the use of existent and developing communication multimedia capabilities to seek public input on matters critical to municipal budgeting and governance. However, citizens participating in the municipal budget process may not be representative of the community. Further, Ebdon & Franklin (2006) contend that in practice, citizen participation in the budgetary process is minimalist and yields few, if any, directly observable results. Also, Ebdon (2000) has noted that participatory budgeting is dependent on the culture and structure of municipalities and may not be a panacea for a particular municipality if it does not possess the requisite traits. It should also be noted that citizens who participate in budgeting decisions may only consider their own desires, not what is best for the majority of the constituency.

Zero-Based Budgeting

As previously noted, in incremental budgeting what has already been spent in previous years is in effect sanctioned; department managers justify increases over the previous year's budget, or argue against incremental decreases. In contrast, in zero-based budgeting, all departmental functions are reviewed on a comprehensive basis, and ALL expenditures must be approved, not just increases. In other words, zero-based budgeting requires that each budget request be justified by each department manager starting from the zero-base. When zero-based budgeting is used, all expenses must be justified for each new fiscal period; every function within a department or organization and the cost of providing the activity or service is analyzed for its continued need .

Zero-based budgeting can potentially lower costs by carefully reviewing the need for expenditures. However, a fundamental criticism of zero-based budgeting is that it is unrealistic to believe that all programs can be effectively analyzed from zero (e.g., Wildavsky, 1979). Further, zero-based budgeting is a very time-consuming process that takes much longer than more traditional budgeting processes, such as incremental budgeting. And, as previously noted, many governmental services and activities are mandated by statute at the local level, giving further credence to the argument that not all programs start at zero.

Hybrid Approach

Many municipalities use a *combination* of two or more budgeting frameworks in their approaches to budgeting, a contention supported by a study performed by Franklin and Carberry-George (1999). For example, a local governmental unit may primarily rely on an incremental budgeting approach, but also has input from citizens through budget hearings. In fact, budget meetings or hearings that are open to the public are often mandated by statute.

And some municipalities may collect performance measures without adopting a formal performance measurement system; for example, public safety departments usually monitor call volumes and/or response times, but may not directly tie those measures to the budget process (Rivenbark & Kelly, 2006).

A summary of approaches to municipal budgeting is provided in Table 1.

Table 1
Summary of Approaches to Municipal Budgeting

Budget Framework	Characteristics	Factors to Consider
Incremental	Small changes are made to the previous budget, based on current circumstances	Easy to implement; however, budgeted amounts may not be subjected to sufficient scrutiny
Performance-Based	Resources are allocated based on desired performance levels of specific programs or services	Difficult to implement in practice; many municipal services are mandated by statute regardless of whether they are "efficient"

Participatory	Levels of services are guided by the views and attitudes of local citizens	Difficult to implement in practice; citizens participating may not be representative of the community and/or may only consider their own desires, not what is best for the majority
Zero-Based	Each departmental budget request must be justified, starting from a zero-base	A very time-consuming budget process; many programs or services are mandated by statute, making a zero-base unrealistic
Hybrid Approach	A combination of two or more budgeting frameworks	Municipal officials can use the best characteristics of selected methods or those methods that best match the needs and capabilities of the constituency

EFFECTS OF GASB 34 ON BUDGETING

Prior to 1989 the primary focus of accounting for state and local governments was the collection of revenues and the spending of those resources in accordance with budget authorizations. Since the budget of a governmental unit is enacted into law, the municipality cannot make expenditures that are not included in the budget. Thus, the focus of the accounting model was the comparison of actual expenditures against the budget authorization (appropriation) to make the expenditures. The accounting did not necessarily allocate expenditures to the time periods that benefited from the expenditures. In addition, prior to 1989, the financial statements of the governmental funds did not record fixed assets or depreciation.

That focus of the accounting model was in effect necessary because of the legal ramifications of a governmental unit’s budget being enacted into law; however, the accounting model created an environment where the budget process could lead to less than prudent management. For example, in times of tight resources administrators had an incentive to cut expenditures in certain areas so they would not adversely affect the financial statements. There could be temporary or permanent delays in replacing fixed assets or in periodic maintenance of fixed assets so that more resources were available to provide basic governmental services to the general public. This incentive against prudent management was especially troubling in the area of infrastructure assets such as roads, bridges, sewer systems, etc. As a direct consequence, the infrastructure assets of many governmental units - especially in older cities - were allowed to fall into serious disrepair.

In 1989 the Governmental Accounting Standards Board (GASB) issued GASB Statement 34 (GASB 34), which made radical changes in the accounting model for state and local governments. GASB 34 kept most of the elements of the pre-1989 accounting model intact. GASB 34 requires the issuance of governmental fund financial statements that measure the current financial resources available to the governmental unit to provide basic governmental services to the general public. These statements focus on the collection of resources and the expending of those resources in accordance with budget authorization. In addition, GASB 34 required the issuance of a second set of financial statements, called government-wide financial statements. The governmental-wide financial statements measure all of the economic resources available for the governmental unit. The government-wide financial statements are

consolidated financial statements for the governmental unit. These statements are prepared under the accrual basis and thus record fixed assets and depreciation [See endnote]. In addition, the government-wide financial statements accumulate costs by the various programs that the governmental unit provides. Thus, governmental units are forced to measure the total cost of their various programs and indicate the portion of the total cost of these programs that is being subsidized out of general revenues.

Arguably, these changes in the accounting model should improve the budget process for governmental units. Further, the accounting model should provide better information about the total cost of the various programs provided by the governmental unit. Administrators and board or council members can use this information to evaluate the various programs and to set priorities for the use of limited resources.

Potential Positive Aspects of the Budgeting Process

1. Like any formal process, budgeting activities force city management and individual departments to confront the future and plan for it.
2. If a truly participative budgeting process is employed, it can encourage cooperation and coordination not only in resource allocation, but also in operations.
3. Budgeting can help in communicating the core objectives of the city council and administration to its employees and the community.
4. Budgeting can be an effective tool in compelling individual departments to make more rational resource allocation choices by asking them to justify their requests. Zero-Based Budgeting, if feasible, may lead to optimal budgets.
5. City budgeting can be an important internal control tool. External auditors evaluate the internal controls based on various factors, including a review of the budgeting process and the budget itself. According to GASB 34, auditors must review budgets as part of the annual audit. They test for compliance and then use analytics to find and highlight areas of variances.
6. While investigating budget variances, auditors may require description and clarification of the processes utilized in developing budgeted numbers. This may force departments to use more rational and justifiable methods in future budget requests.

PITFALLS IN CITY BUDGETING

In budgeting, cities may use “Base Budget Additions,” where money is added every year to each category rather than using the Zero Based Budgeting approach in which every program and expenditure has to be justified each year. This could lead to unnecessary expenditures. Another potential pitfall is that individual city departments may not be well-trained in the budgeting process. They might not approach the process analytically, which often leads to irrational requests for expense line items. They may look at the total dollar and not the underlying components of expenses. Usually they look at previous numbers and build on them without justifying future expenses. They are either not fully cognizant or intentionally ignore the relevant

cost drivers and their magnitudes. Further, it may be argued that city departments rarely use effective metrics in determining their budget requests.

Most city administrators and other public officials are trained professionals who do a highly competent job of managing resources. However, in some cases city departments may not try to optimize costs and benefits because of vested interests. There is often a determined effort to spend to the last budgeted dollar. This behavior may result from the fear that if funds are left unspent, they may be penalized in the future with lower budget allocations. Cities often do not provide performance incentives to departmental heads for reduction of waste, and there might not be penalties for inefficient resource usage. Often, individual city departments become silos that compete inefficiently against each other, rather than working effectively as part of the same entity to optimize results.

POLITICS IN CITY BUDGETING

The budgets of local governmental units are usually highly influenced by municipal council members and department heads. Each individual may have pet projects or peeves that may lead to inefficient resource allocation and outright misuse of municipal assets. Personal ego gratification and satisfying vested parties may hinder the goal of effective and efficient municipal governance. Further, municipal council members or county board members, in general, are usually not formally trained to make sound financial resource allocation decisions. Individual municipal department heads are often not well-trained in the budgeting process either. They may not approach the process analytically, which in turn could lead to irrational requests for expense line items.

BUDGET GAMING

City management and other participants, at times, are not completely honest and forthcoming with the taxpayers about the monies available, potential costs of their favored programs, and current and future implications of their decisions. Thus, they resort to playing budget games, some of which are listed below.

1. City budgeters manipulate numbers so that the tax rate per dollar of assessed value remains the same so that taxpayers may have a misperception that their taxes are not increasing. In an era of increasing assessed property valuations (which has not happened in the last few years due to the debacle in the housing market), the total taxes levied also increase on an absolute basis.
2. Cities often use financing vehicles which are end-loaded in terms of when the payment of monies is due. This may create the false impression for current taxpayers that they have lower future liabilities than they actually do. If taxpayers do move away, they do not have to pay the later higher taxes, but if they stay, they will be burdened with their share and the additional interest.
3. Cities may misclassify the funds from which the payments for projects and activities will actually be paid. Cities, by law, are required to use fund accounting and reporting. They obtain revenues through

taxes, fees, levies, and grants for specific funds and activities. At times, in contravention of legal requirements, monies from one fund or for one specific project are used to subsidize others that are unauthorized.

4. Cities might knowingly misestimate the true costs of their operational and capital decisions.
5. Cities might unnecessarily speed up or delay projects, hiring, and operations to avoid taxpayer pressures and complaints.
6. City departments often maintain slush funds outside of the purview of the budgeting officers. This can arise through misuse of city funds appropriated for legitimate activities by department managers, unlawful sale of city assets, and non-recording of monies that belong to the city. These slush funds are often used for personal benefit or on activities of managers and employees that are not sanctioned by the city or its rules.

PREVENTIVE AND POSITIVE RECOMMENDATIONS

A review of the literature and personal interviews conducted with several municipal officials have yielded the following recommendations for helping municipalities control their expenditures in these harsh economic times and to facilitate the ponderous budget process:

1. A very substantial amount of city expenditures is related to the workforce. The inefficiencies and wastage of resources caused by employee incompetence is often hidden from city councils and the public to avoid city management looking bad. This often results in lack of punitive action or disciplining of department heads and employees. This state of affairs is probably acceptable from management's perspective because it is not their personal wealth that is being affected and they do not have to face the stress of enduring guilt or negative reactions from the incompetent. One solution is to develop personnel performance evaluation models based on performance metrics. These policies should be clearly explicated to each employee with clear rules for rewards and penalties. Most medium and large cities already have such policies. The weakness lies in lack of enforcement. City administrators themselves should be disciplined for not winnowing out the dead weight. If they fail to make these decisions, they should be forced to develop the courage, fortitude, and ethics to face this unpleasant but crucial part of their jobs.
2. In a similar vein, city administrators often protect favorite managers and employees who are incompetent and ineffective. Other city employees are sacred cows because of their personal or political affiliations and are not fired because city administrators are afraid of offending mayors, city council members, unions, or non-city individuals with political and economic clout. Yet other incompetent employees are retained because city administrators are afraid of lawsuits that may be filed by members of protected groups like middle aged females and religious and ethnic minorities. This is a political problem. The solution lies with the electorate because it has to vote for mayors and city council members who not only enable city administrators to make the right penalty and reward decisions regarding managers and employees, but also force them to do the right thing.
3. Elimination of slush funds: Penalties. City departments, at times, may be able make economic transactions off the books and keep the monies for departmental use rather than conveying the funds to the treasury department. Cases can include kickbacks from vendors or service providers, sale of assets like scrap metal or fully depreciated equipment. For example, one public works department sold scrap metal and fully depreciated equipment for tens of thousands of dollars each year. The department maintained a secret bank account unknown to finance personnel. The money was used,

without authorization, for departmental lunches, dinners, and other personal expenditures. All monies belonging to the municipality should be handled only through the finance department.

4. Proper training of departmental employees in preparing budget proposals and departmental budgets can significantly reduce the time and effort spent by budgeting officers. Departmental employees putting together their departmental budgets, do not, at times, properly understand that there are specific relationships between individual funds, sources of funds, authorizations, allowable and unallowable expenditures, earmarks, etc. This results in departmental budget requests that do not comply with all the constraints and regulations, leading to budget officers having to redo the work to bring affairs into compliance.
5. Creation of proper ethos (culture of openness, awareness of moral hazard, goal congruence, structure, policies and compliance thereto, honesty, morality) throughout city government. Openness with mayor, city council, press, and voters.
6. Creation of performance metrics based evaluation system.
7. Use of communication multimedia: The rapidly increasing growth in the use of communication media like Facebook, Linked-in, Twitter, Flickr, etc. can be effectively used by city administrators to obtain public input relatively easily on a timely basis on the desirability of programs, projects, services, tax policies, and other critical matters related to municipal governance.
8. The GFOA (2003) recommends linkage among planning, budgeting, and performance measurement activities.
9. The GFOA (2003) recommends that municipalities should clearly define and clarify the mission and roles of the central budget office. In the absence of this clarification, it is almost certain that there will be dissatisfaction and turf wars among various stakeholders. Municipalities should clarify and institutionalize the mission and roles of the budget office, emphasizing that its primary role is to provide objective analysis and numbers which can be used by decision makers in funding and resource allocation decisions.
10. The GFOA (2003) recommends that municipalities should procure the optimal budget software. An effective and efficient software should not only allow the budget document to be prepared, but also help to facilitate analysis, improve workflow, and eliminate shadow systems. Further, it should mesh seamlessly with accounting, financial, and other operational systems throughout the municipality. It should enable the proper linkage of planning, budgeting, and performance measurement activities.
11. Use of Activity Based Costing (ABC): Serritzlew (2006) has recommended the use of ABC in public budgeting. ABC usage is prevalent in managing businesses and its proper use is a critical success factor for many companies. The usage of ABC can identify value-added (VA) and non-value-added (non-VA) activities and functions, leading to elimination or minimization of non-VA activities. The linking of activities and budgets can enable effective cost management and/or service goal optimization. It requires that a municipality has an existing ABC information database because the development of an initial ABC system is very time consuming and expensive.

CONCLUSION

Not surprisingly, a majority of municipalities use incremental budgeting, or a hybrid combination of budgeting procedures that includes incremental budgeting as the foundation for

the budgeting process. Since many activities and services provided by local governments are either mandatory or essential (Ibrahim & Proctor), the use of performance-based, participatory, or zero-based budgeting processes may be both unrealistic and unduly cumbersome. For instance, police and fire departments must be staffed for public safety, and citizens expect their garbage to be picked up and their streets to be maintained and cleared of snow. The budgeting approach or combination of approaches used by a particular municipality should be based on the capabilities of department heads, the capabilities of budgetary personnel, and the budget sophistication of the citizenry and their willingness to participate in the process.

In spite of the mandatory nature of the preponderance of municipal expenditures, the analysis shows that great improvements can be made in their effective usage to accomplish municipal goals. It is important to create a culture in which each participant in the budgetary process is willing to sacrifice his or her personal narcissistic biases and do what is best for the municipality. This requires that budget participants be aware of the moral hazards and avoid them. But when dealing with human beings deciding to spend money that is not their own, this goal is difficult to accomplish. Franklin & Carberry-George (1999), incorporating the views of other researchers in the area, stated that "It has been rather cynically noted that budgetary processes are nothing more than politics, the result of stasis rivalries, voter apathy and interest groups haranguing, leading to the success of the politically powerful over those less powerful" (p 31). As Bunch and Straussman (1993) argued, a common goal in budgetary creation is to incorporate a set of recommended policies and financial limits that are considered politically realistic. Hopefully, avoiding the problems identified and using the recommendations suggested can lead to greater achievement of municipal goals and citizen satisfaction.

Endnote

Due to the difficulty in capitalizing infrastructure costs that were incurred years ago and the difficulty in choosing an appropriate life over which to depreciate the infrastructure assets, GASB 34 created a modified approach for reporting infrastructure assets. Under the modified approach governmental units do not have to depreciate infrastructure assets. All expenditures for the repair and maintenance of infrastructure assets are expensed when incurred. All expenditures for new infrastructure assets and for the improvement of existing infrastructure assets are capitalized. To be eligible for the modified approach, governmental units must maintain an asset management system that keeps an inventory of infrastructure assets, that assesses the condition of the infrastructure assets, and that estimates each year the cost to maintain and preserve the infrastructure assets at the condition level established and disclosed by the governmental unit. In addition, the governmental unit must document that the infrastructure assets are being preserved at or above the established condition level. These changes to the accounting model should reduce incentives to defer periodic maintenance on infrastructure assets.

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