

# Table of Contents

|                       |                                                                 |           |
|-----------------------|-----------------------------------------------------------------|-----------|
| Preface.....          |                                                                 | ix        |
| Acknowledgments ..... |                                                                 | xiii      |
| <b>Chapter 1</b>      | <b>Introduction .....</b>                                       | <b>1</b>  |
|                       | Distinctions Regarding Public Budgeting .....                   | 2         |
|                       | Responsible Government and Budgeting .....                      | 7         |
|                       | Budgets and Budgeting Systems .....                             | 14        |
|                       | Information and Decision Making .....                           | 18        |
|                       | Summary .....                                                   | 21        |
|                       | Notes.....                                                      | 21        |
| <b>Chapter 2</b>      | <b>The Public Sector in Perspective.....</b>                    | <b>25</b> |
|                       | Relative Sizes of the Private and Public Sectors .....          | 25        |
|                       | The Magnitude and Growth of Government .....                    | 31        |
|                       | Sources of Revenue and Purposes of Government Expenditures..... | 38        |
|                       | Summary .....                                                   | 43        |
|                       | Notes.....                                                      | 43        |
| <b>Chapter 3</b>      | <b>Government, the Economy, and Economic Development.....</b>   | <b>47</b> |
|                       | Measuring the Size of the Economy .....                         | 47        |
|                       | The United States and the World Economy.....                    | 50        |
|                       | Objectives of Economic Policy .....                             | 55        |
|                       | Anticipating Economic Conditions .....                          | 75        |
|                       | Tools Available to Affect the Economy.....                      | 80        |
|                       | Putting It All Together: Fiscal and Monetary Policy             |           |
|                       | Actions to Combat the 2007–2009 Recession .....                 | 94        |
|                       | Equity and Government Economic Policy .....                     | 105       |
|                       | Summary .....                                                   | 110       |
|                       | Notes.....                                                      | 111       |



|                   |                                                                                          |            |
|-------------------|------------------------------------------------------------------------------------------|------------|
| <b>Chapter 4</b>  | <b>Budget Cycles .....</b>                                                               | <b>117</b> |
|                   | The Budget Cycle.....                                                                    | 117        |
|                   | Scrambled Budget Cycles .....                                                            | 127        |
|                   | Summary .....                                                                            | 130        |
|                   | Notes.....                                                                               | 131        |
| <b>Chapter 5</b>  | <b>Budgeting for Revenues: Income Taxes, Payroll Taxes,<br/>and Property Taxes .....</b> | <b>133</b> |
|                   | Principles of Taxation .....                                                             | 133        |
|                   | Income, Payroll, and Property Taxes.....                                                 | 139        |
|                   | Summary .....                                                                            | 161        |
|                   | Notes.....                                                                               | 161        |
| <b>Chapter 6</b>  | <b>Budgeting for Revenues: Transaction-Based Revenue Sources .....</b>                   | <b>165</b> |
|                   | Retail Sales and Other Consumption Taxes.....                                            | 165        |
|                   | User Charges.....                                                                        | 174        |
|                   | Lotteries, Casinos, and Other Forms of Gambling .....                                    | 178        |
|                   | Summary .....                                                                            | 181        |
|                   | Notes.....                                                                               | 182        |
| <b>Chapter 7</b>  | <b>Budget Preparation: The Expenditure Side .....</b>                                    | <b>187</b> |
|                   | Early Developments.....                                                                  | 187        |
|                   | Structuring the Request Process .....                                                    | 189        |
|                   | Systems of Budgeting.....                                                                | 200        |
|                   | Summary .....                                                                            | 224        |
|                   | Notes.....                                                                               | 225        |
| <b>Chapter 8</b>  | <b>Budget Preparation: The Decision Process .....</b>                                    | <b>233</b> |
|                   | Decisions on Budget Requests .....                                                       | 233        |
|                   | Budget Documents .....                                                                   | 253        |
|                   | Summary .....                                                                            | 268        |
|                   | Notes.....                                                                               | 269        |
| <b>Chapter 9</b>  | <b>Budget Approval: The Role of the Legislature .....</b>                                | <b>273</b> |
|                   | Constraints on Legislatures.....                                                         | 274        |
|                   | The Legislative Budget Process.....                                                      | 282        |
|                   | Legislative Oversight .....                                                              | 293        |
|                   | Summary .....                                                                            | 298        |
|                   | Notes.....                                                                               | 298        |
| <b>Chapter 10</b> | <b>Budget Approval: The U.S. Congress.....</b>                                           | <b>303</b> |
|                   | Evolution of the Federal Budget Process.....                                             | 304        |
|                   | The Resulting Congressional Timetable .....                                              | 312        |
|                   | From Deficit to Surplus to Deficit, 1991–2012 .....                                      | 318        |
|                   | Proposed Reforms and Their Prospects .....                                               | 326        |
|                   | Summary .....                                                                            | 335        |
|                   | Notes.....                                                                               | 336        |

|                   |                                                                                   |            |
|-------------------|-----------------------------------------------------------------------------------|------------|
| <b>Chapter 11</b> | <b>Budget Execution .....</b>                                                     | <b>341</b> |
|                   | Budget Office and Agency Relations .....                                          | 341        |
|                   | Tax Administration and Debt Collection .....                                      | 354        |
|                   | Cash Management .....                                                             | 359        |
|                   | Procurement .....                                                                 | 368        |
|                   | Risk Management .....                                                             | 384        |
|                   | Summary .....                                                                     | 386        |
|                   | Notes.....                                                                        | 387        |
| <b>Chapter 12</b> | <b>Financial Management: Accounting, Reporting, and Auditing .....</b>            | <b>397</b> |
|                   | Governmental Accounting.....                                                      | 398        |
|                   | Financial Reporting .....                                                         | 425        |
|                   | Governmental Auditing .....                                                       | 437        |
|                   | Summary .....                                                                     | 443        |
|                   | Notes.....                                                                        | 444        |
| <b>Chapter 13</b> | <b>Capital Assets: Planning and Budgeting, Analysis,<br/>and Management .....</b> | <b>451</b> |
|                   | Capital Planning and Budgeting.....                                               | 451        |
|                   | Capital Project Analysis .....                                                    | 469        |
|                   | Asset Management.....                                                             | 479        |
|                   | Summary .....                                                                     | 484        |
|                   | Notes.....                                                                        | 485        |
| <b>Chapter 14</b> | <b>Capital Finance and Debt Management.....</b>                                   | <b>489</b> |
|                   | Types of Finance .....                                                            | 490        |
|                   | State and Local Debt Financing.....                                               | 491        |
|                   | Debt Capacity and Management.....                                                 | 516        |
|                   | Private Equity Financing for Public Capital Assets.....                           | 526        |
|                   | Summary .....                                                                     | 535        |
|                   | Notes.....                                                                        | 536        |
| <b>Chapter 15</b> | <b>Intergovernmental Relations.....</b>                                           | <b>543</b> |
|                   | Structural and Fiscal Features of the<br>Intergovernmental System.....            | 543        |
|                   | Patterns of Interaction Among Levels of Government.....                           | 557        |
|                   | Types of Fiscal Assistance .....                                                  | 581        |
|                   | Homeland Security: A Case Study in<br>Intergovernmental Relations.....            | 588        |
|                   | Restructuring Patterns of Intergovernmental Relations .....                       | 593        |
|                   | Summary .....                                                                     | 607        |
|                   | Notes.....                                                                        | 608        |
|                   | <b>Concluding Remarks .....</b>                                                   | <b>617</b> |
|                   | <b>Bibliographic Note .....</b>                                                   | <b>625</b> |
|                   | <b>Index .....</b>                                                                | <b>633</b> |