Chapter 11

Information Management for Public Budget Decision Making:
Insights from Organization and Budget Theories

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ABSTRACT

Information is very important throughout the government budgetary process which consists of budget preparation, budget appropriations, budget execution, and auditing and evaluation. When their budgets are prepared, agencies need various sources of data including those related to all types of government revenues and expenditures, economic conditions, agency needs, and services to provide. In each phase of the budgetary process, data are needed for decision making concerning the amount of money to allocate, the programs to establish, outputs to measure, performance to evaluate, and goals and objectives to accomplish. In the United States, these data have been provided via various types of budgetary techniques, including line-item budgeting, program budgeting, planning-program budgeting systems, performance budgeting and zero-based budgeting.

INTRODUCTION

After a budget is adopted or approved, it is implemented or executed and different types of information are needed, including monthly financial information. Then, in the final phase of the budgetary process, financial data are audited,

and other data are used for program evaluation and auditing and evaluation data or information are fed into the first three phases of the process. Figure 1 shows information that flows to each phase of the budgetary process.

As the budget preparation and budget appropriations phases require critical decisions, for the purpose of this chapter, we merge these two

Figure 1. Information Used in the Budgetary Process
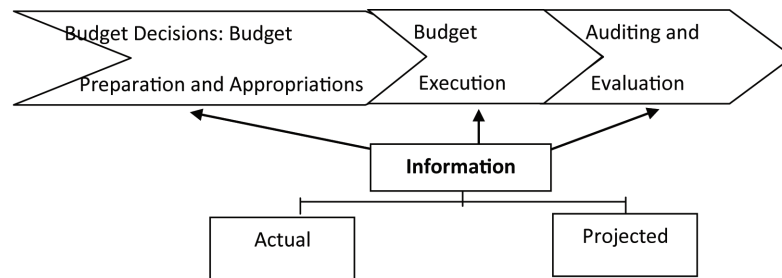
phases into one, that is called the budget decision phase. In the budget decision process, the executive branch "proposes" a budget, but the legislative "disposes" it. In other words, the executive branch submits a budget request after carefully preparing it; and the legislative branch has the power of the purse, and makes final budget allocations for the entire government. Historical developments of budgetary theories, have proved that

1. When preparing budgets, the executive branch tends to provide necessary information supporting its budget requests. Indeed, as explained later in this chapter, various budgetary approaches, from line-item budgeting to the current new performance budgeting, have provided various types of information supporting its budget requests.
2. When reviewing budget requests submitted by the executive branch, and making final budget decisions, legislators examine information provided in budget requests but also weigh factors other than information. Legislative budget decisions are driven by legislators' and voters' preferences, which may not be based on a rational basis as justified in budget requests. This has led to the existing perception of fiscal bias.

From the perspective of sound budget decisions, all relevant information needs to be collected and used for rational decisions. In reality, however, it is mostly a myth that a rational individual or an organization can make decisions completely in a logical manner. As shown in Figure 1, there are two types of information: actual information such as actual expenditures, actual revenues, and actual number of retirees who receive annual social security benefits; and projected information such as estimated revenues, estimated expenditures, and projected number of retirees who will receive social security benefits in future years, projected costs and projected benefits of a new program. Information based on a projected future faces future uncertainties. Moreover, it is very difficult to project or measure, in monetary terms, public program benefits and costs due to many reasons, including external costs and benefits. Consequently, those policy makers who favor a public program or policy tend to project lower costs and higher benefits; and those who oppose it tend to project higher costs and lower benefits. Finally, the information for budget decisions is complex and relates to a great number of factors, such as the chief executive's main goals, current programs, new services to provide, new goods to produce, groups of people who have various demands and interests, personal and non-personal costs, prices and inflation, increase or decrease of intergovernmental grants, goods and services to be purchased, increase or decrease of tax resources and other revenue, tax expenditures, debt, and indicators of performance. In addition, budget decision makers who represent different groups of people and political parties, have distinct interests in budget decisions.

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