

BUDGET THEORY IN LOCAL GOVERNMENT: THE PROCESS-OUTCOME CONUNDRUM

Janet M. Kelly and William C. Rivenbark*

ABSTRACT. Local government budget processes have changed substantially since the early 1990s, due in part to an expanded emphasis on performance accountability and the availability of information technology. We present evidence that local government budget outcomes also have changed over the same time period when disaggregated at the functional level. Though we do not assert a causal relationship between the two, our findings indicate that the normative-descriptive gap in budget theory described by Rubin (1990) deserves new scholarly attention. Our profession's attraction to incrementalism may have blurred the success of budget reform in local government.

INTRODUCTION

Drawing on evidence collected approximately 20 years ago, Rubin (1990) concluded that planning was merging with budgeting. Based on this observation, she predicted that the gap between normative and descriptive budget theory would close over the coming decade. Normative theory traces its roots to the emergence of public budgeting at the turn of the 20th century. There have been variations, but only one theme. Budgeting should include planning for service provision, which entails setting service targets and allocating resources to achieve them. It is a rationalistic approach—so there is little surprise that theme variations have produced different forms of rationalism. Some have emphasized planning (planning-

**Janet M. Kelly, Ph.D., is a Distinguished Lecturer in public administration, Department of Political Science, and a Faculty Associate at the Howard H. Baker, Jr. Center for Public Policy, University of Tennessee. Her research interest is state and local government finance. William C. Rivenbark, Ph.D., is an Associate Professor in the School of Government at the University of North Carolina at Chapel Hill. His research interest is performance and financial management.*

programming-budgeting-systems), some the level of service (zero-based budgeting), and some the alignment of resources with objectives (management-by-objectives). The variation that characterizes our current reform has elements of all three and is generally called performance accountability. Like its predecessors, it departs from the strictly line-item format of inflows and outflows and includes performance measures of efficiency and effectiveness.

We can employ descriptive theory to assess the extent to which the tools of performance accountability have been adopted in local government based on self-reporting surveys. Evidence from previous research suggests that Rubin (1990) was correct when she predicted that the gap between calls for performance accountability and adoption of innovation would narrow. However, we are left to deal with the conundrum familiar to every budget theorist. Did adoption of budget process reforms change budget outcomes? There is no way to answer that question definitively because we cannot isolate budget outcomes from governments that have adopted process reforms from governments that have not adopted them and test for differences in their spending patterns, at least in this exploratory research. Our goal is to explore changes in budget outcomes during an era in which local governments embraced performance accountability.

LITERATURE REVIEW

Normative and Descriptive Budget Theory

The difference between normative and descriptive budget theory may be as simple as the difference between what should work and what works. It has been complicated in our field by the difference in perspectives that sometimes characterize academics and practitioners. Normative theory is usually associated with reformers, and reformers usually come from the policy or academic community. It may be built on limited observations and guided by values. Descriptive theory is typically built on multiple observations, often through surveys, and guided by observation of practitioners as they go about the job of making budget decisions. There have been times when normative and descriptive theory converged.

The most tenacious reform of all time was line-item budgeting in an executive-controlled system with clear lines of accountability. Credited to the New York Bureau of Municipal Research in the early

part of the 20th century, this model characterizes most contemporary budgeting systems. Stability was a logical by-product of a control-based system, yet the next wave of reforms was targeted to address the imperviousness of incrementalism by imposing rational decision systems. Some scholars, most notably Aaron Wildavsky (1964), advanced the idea that incrementalism closed the normative-descriptive gap. But the call for a more rational set of decision rules for making allocation decisions persisted, and the gap between normative and descriptive theory varied between wide and wider.

Forrester and Adams (1997) offered a more expansive way to think about budget theory. Normative theory is a theory *of budgeting*, while descriptive theory is a theory *about budgeting*. The former asks which budget process is the best or most theoretically correct, and the latter asks whether the budget process employed actually helped the government achieve its goals and objectives. Theories of budgeting are more associated with changes in budget process mandated from outside the organization, reflecting the opinion of experts or higher-level decision-makers about what will serve the organization's interest. Theories about budgeting permit the organization to develop the capacity for change as the change is implemented, not as a prerequisite, and evaluate the success of the change as improvements in making decisions about who gets what based on organizational priorities and constraints.

The Incremental Perspective

Few fields of public administration rely on a single paradigm more than budgeting relies on incrementalism (LeLoup, 1978). It is versatile enough to explain how thousands of complex and competing decisions are made during budget preparation and enactment. It is comprehensive enough to explain how policy decisions are made in the absence of a rational framework. It is adaptable enough to serve three masters simultaneously—an administration, an elected body, and a citizenry—seeking system stability above all other objectives (Dempster & Wildavsky, 1979). White (1994, p. 115) summarized that incrementalism is particularly attractive as a budget theory because it captures “the realm on limits, inevitable dissatisfaction, and ... imperfect choice.” Others, perhaps even Wildavsky, did not see incrementalism as a theory at all (Jones & McCaffrey, 2005).

Incrementalism has been used to describe budgeting in various ways. First, it refers to budget processes built on the analysis of historical appropriations. Second, it refers to budget outcomes that vary only slightly from the base budget. Third, it refers to the impact of process on outcome, where simple rules are applied to complex allocation decisions (Boyne, Ashworth & Powell, 2000). If one wished to assert that incrementalism is a theory, it could be argued as both normative and descriptive (Cox, Buck, and Morgan, 1994). It can describe a foundation for political consensus rather than institutional competition, which can minimize conflict over who gets what. It also can characterize a budgeting system that reinforces existing power relations, which weakens the role of analysis in the budgetary process (Schick, 1988). For our purposes, we stick to a definition of incrementalism that traces its roots back to Herbert Simon (1945)—that it can be recognized by stable spending patterns over time.

Budget Reform in Local Government

A survey of municipal budget and finance officers in medium-sized cities asked for major trends in budgeting in the 1980s (Botner, 1991). Changes in intergovernmental revenue were the expected and realized first response. However, there were some unexpected results, including the “meteoric rise of computerization” (p. 447), better revenue and expenditure forecasting, program and multi-year budgeting, and increasing emphasis on performance and productivity. In some sense, all the lesser trends can be explained by the first two, the fiscal stress caused by loss of shared revenue and the capacity to make better decisions aided by affordable computers and accessible software.

Fiscal stress and analysis capacity are important to understanding the adoption of performance measurement and performance budgeting in local government. Exhortation to reform is not likely to be heeded when the capacity for decision-making that is required is absent. Schick (1990) made this case often to explain why the promise of planning-programming-budgeting-systems was unfulfilled. Mullins and Pagano (2005) pointed out that calls for rational-based systems of resource allocation are loudest when the budgetary system is stressed. However, fiscal stress is an almost constant in local government, whether in the form of economic conditions or taxpayer resistance. Responses to fiscal stress may

include implementation of a rationality-based budgeting system like performance budgeting.

Adoption of performance measures in local government is common (Berman & Wang, 2000), but how they are used for budget preparation and enactment is not yet clear (Tigue & Strachota, 1994). Approximately 38 percent of municipalities with populations 25,000 and above adopted a performance measurement system (Poister & Streib, 1999), a number comparable to the adoption rate in counties of approximately 34 percent (Berman & Wang, 2000). About one-third of chief executives surveyed from municipalities with populations over 50,000 believed that performance measures influenced council allocation decisions (Wang, 2002). A subsequent survey of finance directors in municipalities with populations of 2,500 and above found that 28 percent of the respondents used performance measures to evaluate departmental budget requests (Rivenbark & Kelly, 2006). Ho and Ni (2005) concluded that clear progress toward outcome-oriented performance measurement was evident from their content analysis of large city budget documents.

Performance budgeting is not a new reform idea and is commonly found in both normative and descriptive studies. From the normative side, the focus on efficiency and effectiveness is presumed to improve the quality of allocation decisions. From the descriptive side, practitioners are adopting performance measurement systems and using the results in the budget process. As Ho (2003) noted, the decision to measure performance and use the results to guide budgetary decisions is not unilateral in local government. Managers may recommend and elected officials demur, especially when the measures might be used more for tactical advantage than illumination. Kearney and Scavo (2001) noted that city managers are frequently policy entrepreneurs in matters of administrative reform, but their success depends on the community, governmental, and political environment.

Indeed, multiplicity of purposes in budgeting explains the variation in adoption of reform and may also explain why some middle ground between incrementalism and rational-based reforms has yet to emerge. "After all, the budgetary process is widely expected to fulfill a number of potentially contradictory goals, including preventing insolvency, making efficient allocations of the government's limited financial resources, approaching inter-

governmental equity, contributing to fiscal stabilization, and being responsive to public demands. A normative model will not be widely accepted unless most participants in the process reach a rough agreement about the priority of these goals” (Meyers, 1996, p. 175). Normative theory based on performance accountability seems targeted to efficiency and effectiveness more than stability, solvency, or equity.

We examine changes in local government budget outcomes at the aggregate and functional levels over the time period when normative theorists were consistently calling for a performance accountability approach to budgeting. We acknowledge, like Rubin (2006), that no one theory will ever be adequate to describe a budget process that has been characterized more by externally-driven pendulum swings than by steady implementation of innovation. However, the challenge for us is to assess the extent to which budget outcomes continue to be incremental in local government given the substantial changes in budget processes chronicled by the descriptive theorists.

METHODOLOGY

The starting point of the new budget is the base budget. It provides for the continuation of the policies contained in the current year’s budget, often with an inflationary adjustment. It also may be adjusted to reflect changes in service populations, such as the number of children eligible for reduced school lunch or the number of elderly requiring residential care. To ignore the base budget is impossible, but to assume that it explains everything is untenable. Early work on development of the base budget (Lauth, 1987) suggested that the process was more sophisticated than “last year, plus or minus,” but there has been little attention to the concept of base budgeting since. Rubin (2006) maintained that failure to understand the nature of the base budget, and especially how it changes, is a gap in the budgeting literature.

We start with the assumption that the base budget is stable and is revenue driven. We move to the next question: does aggregate local government spending show variation from the base budget that cannot be explained by rising costs or rising demand? Local government expenditure data from all fifty states were obtained from the U.S. Census Bureau in five-year intervals (FY 1993–94, FY 1998–99, and 2003–04) and analyzed to explore how budget outcomes

changed over the 10-year period. An advantage of using data from the U.S. Census Bureau is that duplicative intergovernmental transactions are excluded, resulting in revenues raised and expended only at the local level. Local government expenditures were converted to 1994 constant dollars to control for inflation and analyzed on a per capita basis to control for demand-based spending created by population growth. Controlling for population growth is particularly important to account for changes in nondiscretionary spending, which is often beyond the control of local decision-makers.

It has been suggested that using budget authority rather than actual expenditure data would be a more appropriate testing methodology given that the focus of most studies is on budget outcomes. Berner (2005) addressed this issue when studying budget outcomes at the federal level between 1962 and 1995, concluding that there are tradeoffs with either approach. However, she used expenditure data because of the availability of information and because expenditure data are preferable for documenting actual impact. It also could be argued that expenditure data are a strong proxy for budget authority in local government given the legal and administrative controls over budget-to-actual variances.

FINDINGS

Table 1 shows local government per capita expenditures for the three periods by state, along with the annual percent change over the 10-year period. The positive annual percent change in local government per capita expenditures across forty-nine states, ranging from .5 percent to 3.8 percent, demonstrates that incrementalism is alive and well, at least in the aggregate. The only exception is Hawaii, which had an annual incremental decrease of approximately 2 percent. A simple time-series regression analysis also was used to explore the role of incremental revenue decisions. Indeed, changes in local government revenues over the same time period explained about 98 percent of the variation in local government expenditures.

Table 1 also shows the 5-year percent change in local government per capita expenditures between FY 94 and FY 99 and between FY 99 and FY 04, revealing that the rates of change for these two time periods were very different for most states. One plausible explanation for this outcome would be the growth in the

TABLE 1
Local Government Per Capita Expenditures by State in 1994
Constant Dollars

State	Per Capita Expenditures			Percent Change		
	FY	FY	FY	Annual	5-Year	5-Year
	1993-1994	1998-1999	2003-2004	FY 1994-2004	FY 1994-1999	FY 1999-2004
Alabama	1,553	1,945	2,136	3.8%	25.3%	9.8%
Alaska	2,714	3,033	2,846	0.5%	11.7%	-6.2%
Arizona	1,966	2,173	2,239	1.4%	10.5%	3.0%
Arkansas	1,262	1,560	1,610	2.8%	23.7%	3.2%
California	2,686	2,884	3,390	2.6%	7.4%	17.5%
Colorado	2,398	2,285	2,661	1.1%	-4.7%	16.5%
Connecticut	2,023	2,147	2,266	1.2%	6.1%	5.6%
Delaware	1,591	1,691	1,957	2.3%	6.3%	15.8%
Florida	2,058	2,359	2,548	2.4%	14.6%	8.0%
Georgia	1,943	2,210	2,365	2.2%	13.7%	7.0%
Hawaii	1,019	791	812	-2.0%	-22.4%	2.6%
Idaho	1,667	2,063	2,098	2.6%	23.8%	1.7%
Illinois	1,961	2,387	2,616	3.3%	21.7%	9.6%
Indiana	1,836	2,079	2,244	2.2%	13.3%	7.9%
Iowa	1,999	2,320	2,323	1.6%	16.1%	0.1%
Kansas	1,955	2,090	2,236	1.4%	6.9%	7.0%
Kentucky	1,261	1,487	1,499	1.9%	17.9%	0.8%
Louisiana	1,654	2,002	2,170	3.1%	21.0%	8.4%
Maine	1,601	1,817	1,967	2.3%	13.5%	8.2%
Maryland	1,886	2,054	2,217	1.8%	8.9%	7.9%
Massachusetts	1,740	1,993	2,184	2.6%	14.6%	9.6%
Michigan	2,117	2,525	2,802	3.2%	19.3%	11.0%
Minnesota	2,640	2,796	2,885	0.9%	5.9%	3.2%
Mississippi	1,574	2,019	2,106	3.4%	28.3%	4.3%
Missouri	1,541	1,966	2,125	3.8%	27.6%	8.1%
Montana	1,709	1,717	1,832	0.7%	0.5%	6.7%
Nebraska	1,940	2,082	2,376	2.2%	7.3%	14.1%
Nevada	2,490	2,737	2,753	1.1%	9.9%	0.6%
New Hampshire	1,576	1,788	2,083	3.2%	13.5%	16.5%
New Jersey	2,427	2,498	2,707	1.2%	2.9%	8.4%
New Mexico	1,721	2,046	2,132	2.4%	18.9%	4.2%
New York	3,476	3,543	3,867	1.1%	1.9%	9.1%
North Carolina	1,800	2,223	2,167	2.0%	23.5%	-2.5%
North Dakota	1,557	1,981	2,001	2.9%	27.2%	1.0%

TABLE 1 (Continued)

State	Per Capita Expenditures			Percent Change		
	FY	FY	FY	Annual	5-Year	5-Year
	1993-1994	1998-1999	2003-2004	FY 1994-2004	FY 1994-1999	FY 1999-2004
Ohio	1,977	2,324	2,734	3.8%	17.5%	17.6%
Oklahoma	1,604	1,770	1,812	1.3%	10.3%	2.4%
Oregon	2,208	2,537	2,446	1.1%	14.9%	-3.6%
Pennsylvania	1,762	2,189	2,418	3.7%	24.2%	10.4%
Rhode Island	1,628	1,735	2,051	2.6%	6.5%	18.3%
South Carolina	1,617	1,895	2,034	2.6%	17.1%	7.4%
South Dakota	1,580	1,812	1,874	1.9%	14.7%	3.4%
Tennessee	1,564	1,967	1,926	2.3%	25.8%	-2.1%
Texas	1,854	2,135	2,319	2.5%	15.2%	8.6%
Utah	1,685	1,896	1,866	1.1%	12.5%	-1.6%
Vermont	1,569	1,791	2,038	3.0%	14.2%	13.8%
Virginia	1,807	2,072	2,304	2.8%	14.7%	11.2%
Washington	2,206	2,514	2,598	1.8%	13.9%	3.3%
West Virginia	1,408	1,562	1,597	1.3%	10.9%	2.3%
Wisconsin	2,480	2,791	2,840	1.5%	12.5%	1.8%
Wyoming	2,787	3,057	3,736	3.4%	9.7%	22.2%

national economy that occurred between FY 94 and FY 99, where the rates of change in local government per capita expenditure tended to be much higher as shown in Table 1. But what about states like California, Colorado, Delaware, and Rhode Island where the trend is reversed?

One answer would be non-incremental budgetary decisions are being made, resulting in significant changes in budget allocations. To explore this possibility, we followed the approach taken by Reddick (2003) and disaggregated the expenditure data. Table 2 shows the annual percent change in local government per capita expenditures over the same 10-year period for the following functional areas: education, social services, transportation, public safety, environment and housing, and general administration. It also shows the annual percent change between FY 1994 and FY 1999 and between FY 1999 and FY 2004.

TABLE 2
Annual Percent Change in Local Government Per Capita Expenditures
by Functional Area in 1994 Constant Dollars

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
Alabama			
Education	4.41%	8.38%	0.30%
Social Services	2.92%	-1.46%	7.88%
Transportation	1.02%	1.85%	0.17%
Public Safety	3.36%	5.06%	1.33%
Environment & Housing	5.49%	7.16%	2.82%
General Administration	2.96%	7.34%	-1.03%
Alaska			
Education	0.86%	1.41%	0.29%
Social Services	-2.59%	-2.03%	-3.50%
Transportation	-0.62%	6.45%	-5.82%
Public Safety	1.05%	2.67%	-0.49%
Environment & Housing	2.26%	6.11%	-1.22%
General Administration	-0.93%	2.28%	-3.72%
Arizona			
Education	0.51%	1.62%	-0.56%
Social Services	1.15%	-2.00%	4.77%
Transportation	3.88%	6.42%	1.01%
Public Safety	2.72%	3.01%	2.12%
Environment & Housing	2.62%	2.83%	2.11%
General Administration	0.83%	3.42%	-1.51%
Arkansas			
Education	3.80%	5.04%	2.05%
Social Services	-4.69%	1.30%	-10.02%
Transportation	1.05%	6.90%	-3.56%
Public Safety	5.98%	7.52%	3.23%
Environment & Housing	3.20%	2.12%	3.87%
General Administration	2.17%	5.60%	-0.98%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
California			
Education	5.39%	4.74%	4.88%
Social Services	0.54%	-2.74%	4.44%
Transportation	2.06%	2.96%	1.01%
Public Safety	1.79%	1.84%	1.60%
Environment & Housing	0.93%	-0.49%	2.41%
General Administration	1.14%	1.35%	0.88%
Colorado			
Education	2.59%	3.62%	1.32%
Social Services	0.46%	-5.79%	9.45%
Transportation	-4.07%	-10.42%	4.77%
Public Safety	2.99%	3.32%	2.28%
Environment & Housing	3.39%	1.71%	4.68%
General Administration	3.85%	2.02%	5.16%
Connecticut			
Education	2.47%	2.09%	2.58%
Social Services	-4.82%	-8.95%	-1.23%
Transportation	0.28%	3.78%	-2.71%
Public Safety	-0.24%	0.44%	-0.89%
Environment & Housing	-0.34%	-1.20%	0.55%
General Administration	0.75%	7.44%	-4.33%
Delaware			
Education	2.31%	1.63%	2.77%
Social Services	4.03%	2.36%	5.10%
Transportation	0.50%	1.94%	-0.87%
Public Safety	2.28%	2.09%	2.24%
Environment & Housing	1.69%	-2.40%	6.58%
General Administration	6.99%	5.35%	6.81%
Florida			
Education	2.32%	3.77%	0.74%
Social Services	1.82%	-0.48%	4.22%
Transportation	3.01%	2.98%	2.65%
Public Safety	2.15%	2.13%	1.96%
Environment & Housing	2.65%	4.18%	0.93%
General Administration	2.93%	2.48%	3.01%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
Georgia			
Education	3.08%	4.65%	1.22%
Social Services	-1.71%	-4.52%	1.43%
Transportation	3.03%	3.87%	1.84%
Public Safety	2.74%	2.85%	2.31%
Environment & Housing	4.81%	7.02%	1.92%
General Administration	3.17%	6.05%	0.22%
Hawaii			
Education	-10.00%	-14.77%	-20.00%
Social Services	6.20%	12.72%	-0.20%
Transportation	6.99%	14.74%	-0.43%
Public Safety	0.15%	0.72%	-0.41%
Environment & Housing	-2.35%	-6.51%	2.69%
General Administration	-6.00%	-10.84%	-2.50%
Idaho			
Education	2.14%	4.45%	-0.14%
Social Services	3.79%	5.97%	1.24%
Transportation	1.62%	3.08%	0.13%
Public Safety	4.19%	6.03%	1.81%
Environment & Housing	3.04%	6.57%	-0.36%
General Administration	1.78%	2.26%	1.17%
Illinois			
Education	4.22%	6.39%	1.55%
Social Services	0.69%	-0.12%	1.51%
Transportation	2.32%	2.30%	2.10%
Public Safety	2.82%	2.97%	2.33%
Environment & Housing	2.82%	3.09%	2.22%
General Administration	3.15%	2.25%	3.64%
Indiana			
Education	2.26%	2.45%	1.84%
Social Services	1.79%	2.33%	1.11%
Transportation	2.53%	3.99%	0.90%
Public Safety	3.26%	4.38%	1.76%
Environment & Housing	1.75%	2.28%	1.10%
General Administration	2.44%	2.66%	1.96%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
Iowa			
Education	2.40%	3.57%	1.04%
Social Services	2.49%	3.79%	1.00%
Transportation	-1.76%	2.83%	-5.56%
Public Safety	3.17%	4.09%	1.86%
Environment & Housing	-0.08%	1.18%	-1.26%
General Administration	0.43%	1.87%	-0.92%
Kansas			
Education	1.14%	0.78%	1.44%
Social Services	1.80%	2.30%	1.17%
Transportation	-1.51%	-0.53%	-2.56%
Public Safety	3.68%	4.11%	2.70%
Environment & Housing	3.22%	4.00%	2.04%
General Administration	2.63%	1.12%	3.92%
Kentucky			
Education	1.97%	3.31%	0.54%
Social Services	-1.24%	-1.89%	-0.65%
Transportation	2.37%	10.18%	-3.61%
Public Safety	5.48%	6.24%	3.59%
Environment & Housing	0.21%	1.12%	-0.67%
General Administration	3.19%	7.58%	-0.88%
Louisiana			
Education	2.35%	3.65%	0.89%
Social Services	1.58%	4.94%	-1.43%
Transportation	4.44%	7.25%	1.20%
Public Safety	4.51%	5.48%	2.78%
Environment & Housing	5.00%	1.59%	7.80%
General Administration	5.15%	6.02%	3.29%
Maine			
Education	2.76%	2.45%	2.73%
Social Services	1.00%	2.28%	-0.26%
Transportation	0.68%	4.62%	-2.65%
Public Safety	2.43%	1.56%	3.07%
Environment & Housing	1.14%	2.55%	-0.25%
General Administration	2.82%	5.07%	0.45%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
Maryland			
Education	2.16%	2.56%	1.56%
Social Services	2.46%	-0.37%	5.38%
Transportation	1.39%	2.07%	0.65%
Public Safety	2.75%	2.64%	2.52%
Environment & Housing	0.34%	-0.78%	1.53%
General Administration	0.09%	1.09%	-0.87%
Massachusetts			
Education	3.53%	4.56%	2.03%
Social Services	-0.35%	-10.78%	21.87%
Transportation	-1.24%	1.54%	-3.74%
Public Safety	1.07%	2.57%	-0.38%
Environment & Housing	2.72%	3.64%	1.52%
General Administration	3.76%	3.28%	3.65%
Michigan			
Education	3.07%	4.37%	1.46%
Social Services	4.31%	2.31%	5.66%
Transportation	2.74%	3.02%	2.14%
Public Safety	3.27%	1.93%	4.20%
Environment & Housing	4.07%	6.16%	1.52%
General Administration	2.05%	3.11%	0.86%
Minnesota			
Education	0.80%	1.55%	0.04%
Social Services	-0.91%	-3.10%	1.50%
Transportation	2.85%	3.45%	1.91%
Public Safety	2.87%	3.85%	1.58%
Environment & Housing	1.12%	2.78%	-0.47%
General Administration	1.97%	2.15%	1.61%
Mississippi			
Education	3.03%	5.04%	0.81%
Social Services	1.60%	5.15%	-1.56%
Transportation	4.67%	6.13%	2.45%
Public Safety	7.53%	12.69%	1.45%
Environment & Housing	4.58%	2.09%	6.40%
General Administration	5.01%	8.94%	0.75%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
Missouri			
Education	3.33%	5.00%	1.33%
Social Services	5.88%	8.15%	2.57%
Transportation	5.65%	11.95%	-0.41%
Public Safety	3.23%	5.18%	1.01%
Environment & Housing	3.23%	1.69%	4.39%
General Administration	4.73%	4.76%	3.79%
Montana			
Education	-0.05%	-0.42%	0.33%
Social Services	1.76%	0.18%	3.30%
Transportation	0.56%	-1.80%	3.20%
Public Safety	5.19%	6.68%	2.77%
Environment & Housing	1.43%	-1.92%	5.30%
General Administration	1.26%	3.40%	-0.76%
Nebraska			
Education	0.96%	0.32%	1.57%
Social Services	2.08%	0.61%	3.44%
Transportation	3.73%	2.71%	4.18%
Public Safety	5.49%	6.83%	3.10%
Environment & Housing	6.06%	3.74%	7.06%
General Administration	3.03%	2.14%	3.53%
Nevada			
Education	1.79%	4.44%	-0.71%
Social Services	-0.13%	0.38%	-0.63%
Transportation	0.30%	-2.24%	3.19%
Public Safety	2.96%	3.49%	2.07%
Environment & Housing	0.60%	0.83%	0.36%
General Administration	-1.19%	0.72%	-3.00%
New Hampshire			
Education	3.60%	2.17%	4.53%
Social Services	0.24%	-0.74%	1.27%
Transportation	1.62%	10.40%	-4.71%
Public Safety	2.63%	1.45%	3.56%
Environment & Housing	4.62%	3.84%	4.53%
General Administration	3.97%	3.82%	3.46%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
New Jersey			
Education	2.34%	0.91%	3.61%
Social Services	-4.08%	-2.47%	-6.50%
Transportation	1.78%	4.91%	-1.09%
Public Safety	1.01%	0.46%	1.53%
Environment & Housing	0.70%	0.56%	0.82%
General Administration	-1.39%	-0.27%	-2.55%
New Mexico			
Education	4.27%	5.72%	2.20%
Social Services	-3.76%	2.17%	-8.75%
Transportation	-2.87%	-1.54%	-4.55%
Public Safety	3.77%	4.68%	2.32%
Environment & Housing	0.56%	0.93%	0.19%
General Administration	2.60%	1.19%	3.78%
New York			
Education	2.28%	1.79%	2.54%
Social Services	-0.97%	-2.14%	0.22%
Transportation	1.04%	-1.24%	3.53%
Public Safety	1.86%	3.79%	-0.06%
Environment & Housing	0.73%	-1.58%	3.29%
General Administration	0.77%	-0.05%	1.59%
North Carolina			
Education	1.65%	3.77%	-0.40%
Social Services	2.39%	8.67%	-2.72%
Transportation	3.20%	2.35%	3.62%
Public Safety	2.26%	2.49%	1.81%
Environment & Housing	2.51%	4.53%	0.40%
General Administration	2.29%	2.49%	1.86%
North Dakota			
Education	2.56%	2.50%	2.33%
Social Services	3.60%	3.87%	2.80%
Transportation	3.77%	6.50%	0.78%
Public Safety	3.57%	5.12%	1.61%
Environment & Housing	2.58%	17.61%	-6.62%
General Administration	2.91%	4.84%	0.79%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
Ohio			
Education	3.85%	3.14%	3.94%
Social Services	4.82%	3.74%	4.96%
Transportation	3.75%	5.64%	1.45%
Public Safety	3.47%	3.93%	2.52%
Environment & Housing	2.84%	1.94%	3.41%
General Administration	3.92%	5.73%	1.64%
Oklahoma			
Education	0.81%	2.03%	-0.38%
Social Services	-0.65%	1.51%	-2.60%
Transportation	2.58%	-0.60%	5.93%
Public Safety	3.26%	2.80%	3.26%
Environment & Housing	1.97%	4.62%	-0.55%
General Administration	4.97%	1.76%	7.52%
Oregon			
Education	0.23%	1.40%	-0.89%
Social Services	3.86%	7.20%	0.39%
Transportation	-1.54%	1.58%	-4.32%
Public Safety	3.56%	4.93%	1.76%
Environment & Housing	2.33%	6.05%	-1.06%
General Administration	2.69%	4.77%	0.48%
Pennsylvania			
Education	3.74%	5.83%	1.28%
Social Services	8.47%	6.51%	7.88%
Transportation	0.37%	1.08%	-0.31%
Public Safety	3.29%	3.06%	3.05%
Environment & Housing	2.79%	4.35%	1.01%
General Administration	1.09%	1.09%	1.03%
Rhode Island			
Education	2.64%	2.07%	2.91%
Social Services	-6.47%	-13.68%	2.35%
Transportation	6.96%	4.86%	7.28%
Public Safety	3.68%	1.98%	4.89%
Environment & Housing	1.18%	-1.37%	4.00%
General Administration	3.44%	0.20%	6.61%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
South Carolina			
Education	3.21%	4.39%	1.67%
Social Services	-0.06%	0.30%	-0.41%
Transportation	6.34%	6.87%	4.32%
Public Safety	3.01%	3.61%	2.04%
Environment & Housing	2.03%	3.13%	0.80%
General Administration	5.12%	5.06%	4.14%
South Dakota			
Education	1.40%	2.70%	0.09%
Social Services	-0.21%	0.83%	-1.19%
Transportation	2.41%	5.89%	-0.82%
Public Safety	4.66%	3.71%	4.74%
Environment & Housing	2.61%	0.69%	4.37%
General Administration	1.55%	4.11%	-0.84%
Tennessee			
Education	2.69%	5.49%	-0.08%
Social Services	2.70%	3.03%	2.06%
Transportation	-0.96%	5.93%	-6.06%
Public Safety	3.83%	5.44%	1.75%
Environment & Housing	0.59%	5.49%	-3.38%
General Administration	3.26%	6.76%	-0.18%
Texas			
Education	2.87%	4.14%	1.33%
Social Services	1.24%	0.22%	2.23%
Transportation	3.22%	0.60%	5.66%
Public Safety	1.68%	2.62%	0.66%
Environment & Housing	2.79%	3.71%	1.58%
General Administration	1.91%	0.87%	2.83%
Utah			
Education	0.31%	1.10%	-0.46%
Social Services	-0.02%	2.67%	-2.40%
Transportation	-1.12%	-1.91%	-0.37%
Public Safety	3.99%	9.36%	-0.94%
Environment & Housing	4.73%	6.14%	2.53%
General Administration	1.31%	4.60%	-1.60%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
Vermont			
Education	3.78%	3.23%	3.73%
Social Services	2.51%	4.95%	0.06%
Transportation	0.20%	0.05%	0.34%
Public Safety	2.89%	0.56%	5.09%
Environment & Housing	1.26%	2.04%	0.44%
General Administration	1.96%	8.32%	-3.10%
Virginia			
Education	2.75%	3.11%	2.07%
Social Services	4.24%	3.75%	3.98%
Transportation	2.16%	3.10%	1.05%
Public Safety	2.70%	2.55%	2.52%
Environment & Housing	2.31%	2.39%	2.00%
General Administration	2.29%	2.20%	2.14%
Washington			
Education	0.29%	0.89%	-0.29%
Social Services	4.79%	5.15%	3.53%
Transportation	2.77%	7.28%	-1.28%
Public Safety	2.56%	3.74%	1.16%
Environment & Housing	4.56%	5.29%	3.03%
General Administration	0.57%	0.60%	0.52%
West Virginia			
Education	1.28%	2.03%	0.48%
Social Services	-1.01%	3.65%	-4.79%
Transportation	-2.17%	0.89%	-5.00%
Public Safety	4.28%	4.49%	3.32%
Environment & Housing	2.89%	1.27%	4.24%
General Administration	3.15%	1.50%	4.47%
Wisconsin			
Education	1.53%	3.30%	-0.21%
Social Services	0.43%	-0.58%	1.48%
Transportation	2.30%	3.46%	0.98%
Public Safety	2.40%	3.17%	1.41%
Environment & Housing	0.94%	1.03%	0.81%
General Administration	1.34%	3.86%	-0.99%

TABLE 2 (Continued)

State	Annual Percent Change		
	FY 94-04	FY 94-99	FY 99-04
Wyoming			
Education	1.31%	0.35%	2.23%
Social Services	6.06%	3.65%	7.17%
Transportation	5.90%	1.40%	9.72%
Public Safety	5.36%	3.36%	6.31%
Environment & Housing	5.78%	5.45%	4.79%
General Administration	6.39%	5.59%	5.62%

The findings reveal that incrementalism is still present in the annual percent change over the 10-year period, even when the expenditure data are disaggregated. However, significant variations in spending among functional areas were evident when the annual percent changes between FY 1993–94 and FY 1998–99 were compared with the annual percent changes between FY 1999 and FY 2004. For example, local government per capita expenditures increased by 5 percent or more for four of the six functional areas in Alabama between FY 1994 and FY 1999. In contrast, local government per capita expenditures increased by less than 5 percent for five of the six functional areas between FY 99 and FY 2004. The one exception is social services, which increased on an annual basis of approximately 8 percent. Therefore, non-incremental shifts in resources were being made during both periods of time.

Another example is Vermont, where per capita expenditures for general administration increased at a rate of approximately 8 percent between FY 94 and FY 99 and decreased at a rate of approximately 3 percent over the next five years. Per capita expenditures for public safety, on the other hand, increased on average by less than 1 percent during the first period and increased on average at a rate of approximately 5 percent over the second period. The significance of these changes is that both functional areas represent discretionary spending, where the changes in social services (Alabama) could be attributed to nondiscretionary spending or changes in policy at the state level.

Based on studies of budget process reform in local government by both normative and descriptive theorists and with our evidence of inter-functional outcome variation, we conclude that recorded changes in local government budget processes since the early 1990s correspond to a time period that shows non-incremental changes in local government budget outcomes. However, our research does not demonstrate that normative theory's emphasis on accountability, along with the availability of information technology, is responsible for the variation in spending across functional categories. It does affirm Rubin's (1990) position that non-incremental changes in local government spending are likely to be revealed only when data are disaggregated functionally.

The Process-Outcome Conundrum

We continue to struggle with the process-outcome conundrum. That is, if budget processes have changed then we should expect to see changes in budget outcomes. There are at least two problems with this approach. The first is simple; absent evidence that resources were misallocated prior to the reform, there is no reason to expect them to be allocated differently after the reform. The second is the well recognized problem of measurement error. Changes in budget outcomes may not be noticeable at the macro-level where data are often collected and reported, but may manifest at the micro-level where resources are reallocated within agencies and departments. Examining process reforms at the micro level produces a case study, which is not an attractive research design to many scholars.

Our measurement choices shape our understanding of budget reform. Once a reform is adopted, the normative nature of its introduction tends to be undervalued (Rubin, 1990). On the other hand, descriptive theory is complicated when there is great variation in the object of our interest across observations, as in the case of local government. Rubin (1990) called the lack of descriptive theory at the local level "acute," noting that policy and budget decisions were not separate as most incrementalists assumed.

We have accustomed ourselves to accepting reform failures when the truth may be closer to a reform success and a measurement failure. Premchand (1981) suggested that reforms may produce qualitative successes that are missed by our desire to capture quantitative effects. They are about budget process reform, rather

than budget outcome, and are adopted to meet the needs of the organization as determined by actors within the organization. They are predicated on learning and adaptation of existing processes and require attention to the psychological and the political setting of budget reform. They require leadership and vision to be successful and may change the organizational culture in important ways that are rarely captured in quantitative treatments of budget outcomes. Reforms in budget processes like performance measurement may have revolutionized the approach that managers and decision-makers take to the endeavor without creating profound changes in outcomes at the macro-level.

CONCLUSION

This manuscript has not marshaled one iota of evidence that change in budget outcomes were driven by a closing gap between normative and descriptive theory. A knowledgeable observer of local government budgeting could point to external factors that changed the budgetary environment to explain the variation we have presented, and credibly refute an argument that they are independent of both a theory of budgeting and a theory about budgeting. However, three conclusions are warranted. First, non-incremental spending outcomes are evident at the functional level since the early 1990s. Second, normative theory has emphasized performance budgeting or other accountability-driven budgetary reforms over the same time period. Third, descriptive theory suggests that local budgeting systems were being modified to meet the government's need to strategically direct resources according to its priorities. Technology was certainly a factor in process change, but so is an emphasis on performance accountability, as survey research indicates.

One challenge for an emerging budget theory is to reconsider Premchand's (1981) charge to seek qualitative successes in budget theory armed with the knowledge that years of quantitative efforts have supplied. We could judge budget process reform by the extent to which it enabled organizations to achieve their goals and objectives, and seek quantitative evidence at the interdepartmental or even intradepartmental level. We should acknowledge that outside experts are important voices in the reform agenda, but not assume that budget reform has succeeded or failed based on the criteria they

offer. We also should consider that citizens have an important role in determining budget outcomes (Ebdon & Franklin, 2006).

While it might be useful to explore the gap between normative and descriptive theory by examining budget outcomes, new scholarship is needed that explores the gap from the context of organizational change. Rubin (1990) noted that the most important omission in descriptive budget theory at the local level has been the link between the policy process and the budget process. Because it is impossible to explore this link without context, some professional misgivings about the utility of case studies may need to be revisited. If we can agree that the measure of success of a budget process reform is whether it changed the organization rather than whether it redirected resources, then we must learn to operate in a methodology suited to inquiry about organizational change. The old question for descriptive theory was whether the government adopted the reform. The old question for normative theory was whether budget outcomes changed after adoption or not. The new question for an integrated budget theory is whether the change in the budget process met the strategic needs of the organization.

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