Rockefeller College
of Public Affairs & Policy
University at Albany State University of New York

Department of Public Administration & Policy
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Basics of Government budgeting

PAD 642

Gang Chen

Required readings

- Chapter 1 :
  - pp. 1–6: Key distinctions in public budgeting
  - pp. 9–10: Expenditure control, management, and planning
  - pp. 12–15: Budgets and budgeting systems
- Chapter 4: Budget cycles
  - pp. 105-116 Full chapter
- Total required reading pages: 24 pages

What is public budgeting?

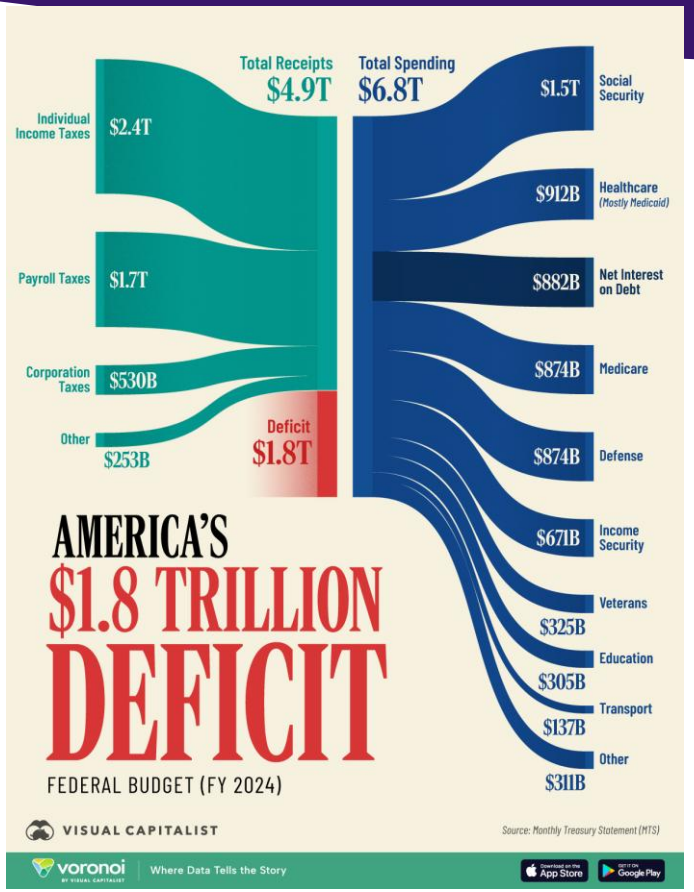


National Debt Clock



Government shutdown in 2025

Federal budget



Deficit in the federal budget

House Republicans advance their budget after appeasing hard-liners

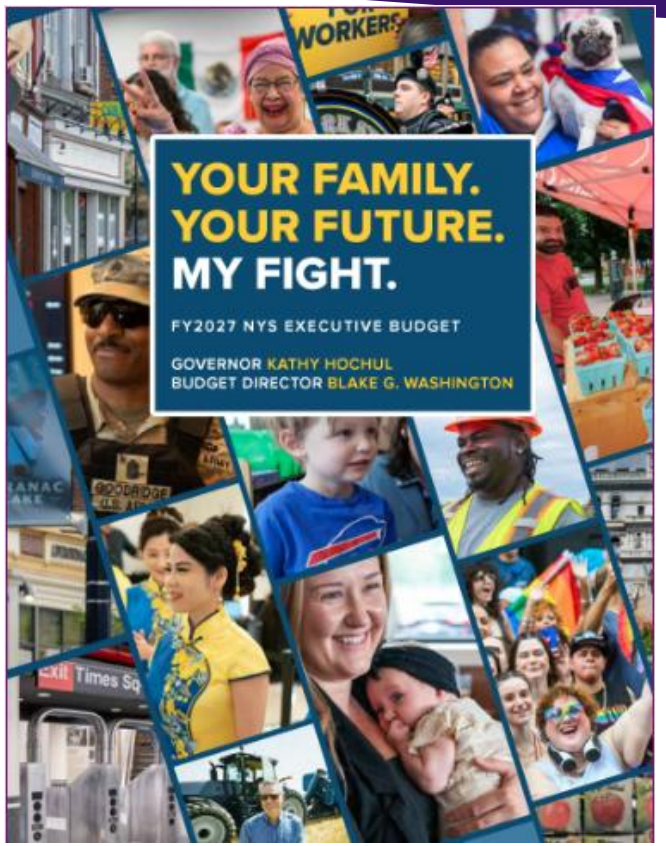
The House Budget Committee adopted a budget resolution Thursday as GOP leaders work to unlock the power to enact major Republican priorities along party lines.



Jodey Arrington (center), flanked by Brendan Boyle (left) and Ralph Norman (right), speaks as House Republicans work on a budget plan to advance many of Donald Trump's top domestic priorities on Capitol Hill in Washington on Feb. 13, 2025. | J. Scott Applewhite/AP

Budgeting process

New York state budget

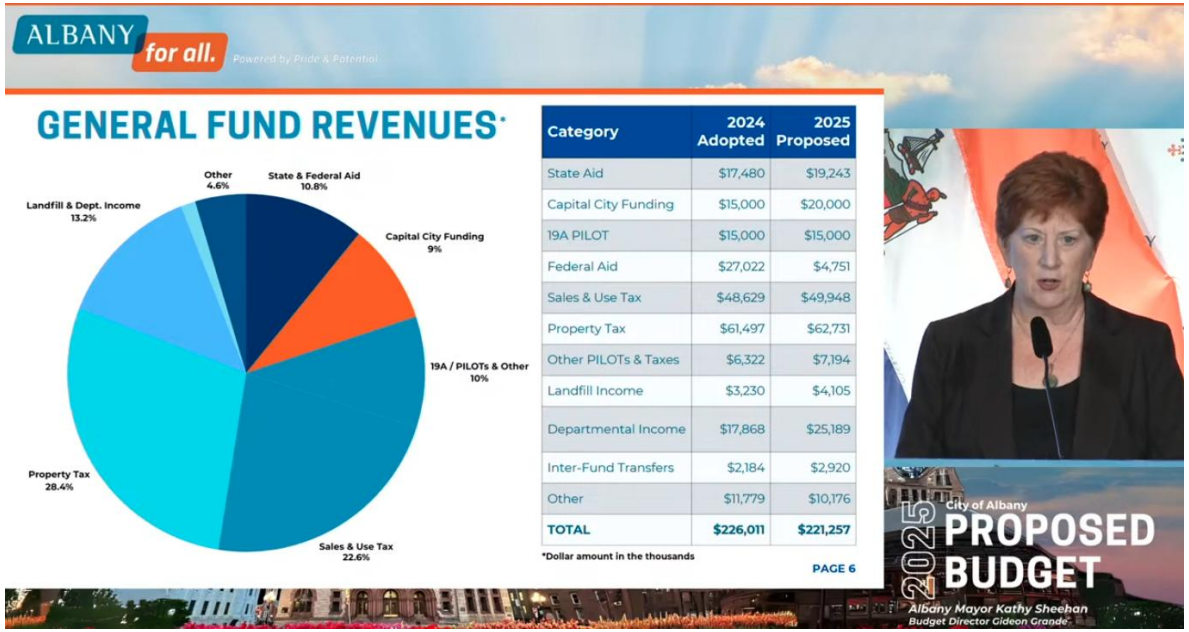


The Executive Budget Briefing Book



Governor's budget presentation

Local government budgeting

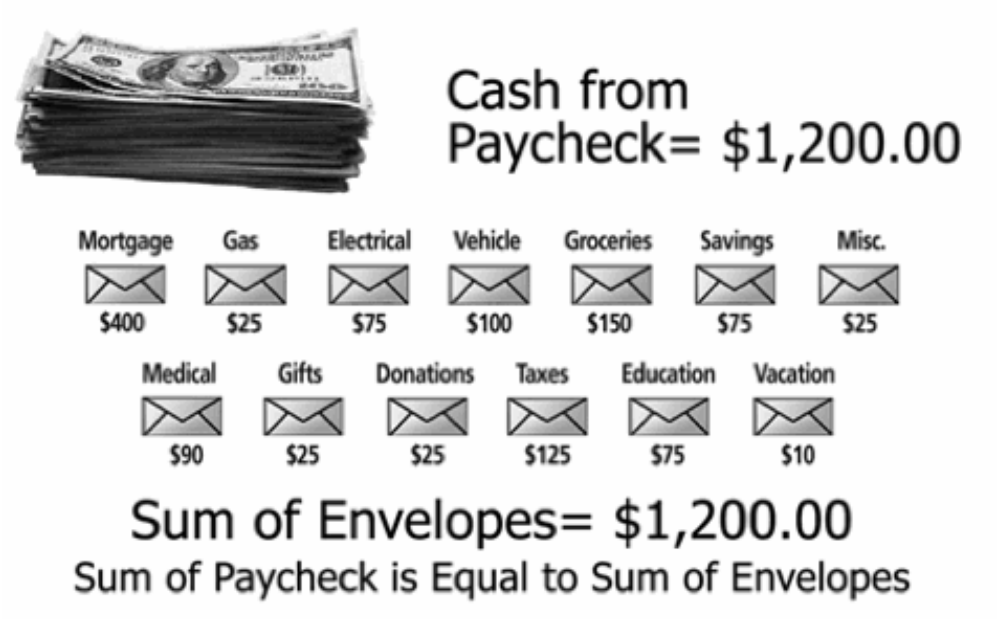


Albany City's proposal budget for 2025



Municipal budgeting process in Acton MA

A Household budget



Old school envelope budget

Monthly income and spending planning	
Sept 2025	
Income	
Income 1	
Income 2	
Income 3	
Other Income	
Total Income	$0.00
Spending	
Housing (Mortgage/rent)	
Groceries	
Telephone/cellphone	
Electric / Gas	
Water / Sewer / Trash	
Cable TV / Netflix / etc.	
Internet	
Maintenance / Repairs	
Childcare / after-school programs	
Tuition	
Pets	
Transportation	
Personal Care	
Insurance	
Credit Cards payment	
Loans payment	
Taxes	
Gifts	
Holiday spending	
Vacation spending	
Investments (529, IRA, etc.)	
Other spending	
Total Income	$0.00
Surplus/deficit	**$0.00**

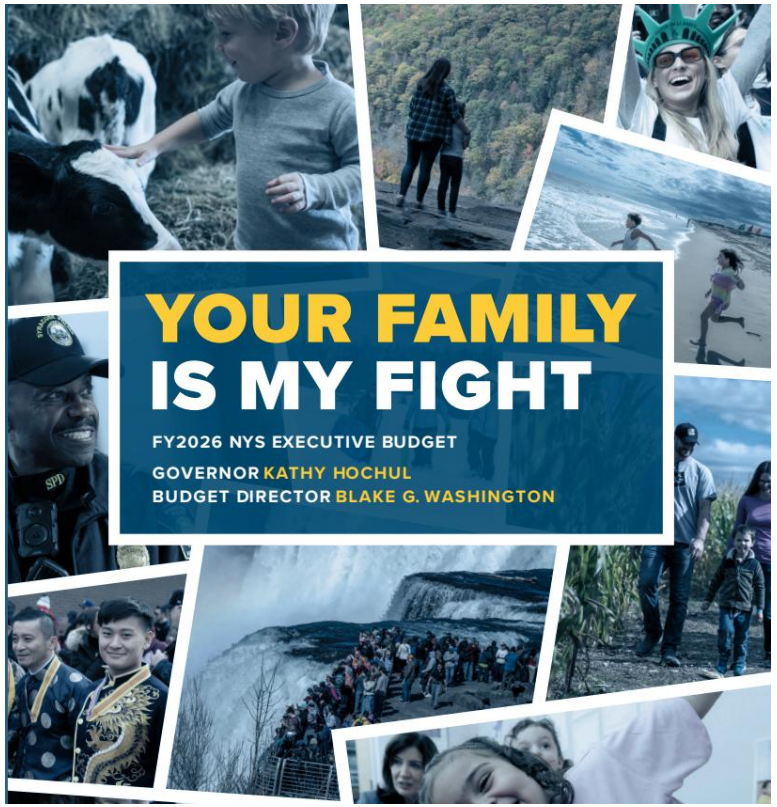
Monthly budget PAD 501 students created

Documents for New York State Budget

- Governor's budget presentation
- Executive Budget
  - Briefing Book
  - Five-year Financial Plan
  - Five-Year Capital Program and Financing Plan
  - Economic and Revenue Outlook
- Agency Presentations
- Budget Legislation

  State Operations; Legislature and Judiciary; Debt Service;

  Aid to Localities; Capital Projects
- Open budget website



Documents for a local budget



FY 2025 City of Albany Proposed Budget



FY 2025 City of Albany Adopted Budget

Public Budgeting: Purpose & Functions

What is Public Budgeting?

- The process by which governments acquire revenue (taxes, fees, grants, etc.) and allocate expenditures (programs, services, infrastructure, etc.).
- A tool for selecting goals (ends) and determining policies and programs (means) to achieve them.
- A mechanism for collective decision-making on financial resource allocation to balance public needs and fiscal constraints.

Why do we need a budget?

Key Functions of a Budget

- Control – Ensures accountability and compliance with legal and financial constraints.
- Management – Guides efficient resource use and program implementation.
- Planning – Establishes priorities, forecasts needs, and aligns financial resources with long-term policy goals.

Control in Public Budgeting

- What is Control?
  - The process of ensuring operating officials adhere to policies and plans set by leadership.
  - Maintains fiscal discipline and prevents unauthorized or inefficient spending.
- Key Mechanisms for Control
  - Annual Budgeting Process: Requires agencies to justify funding needs and align expenditures with approved policies.
  - Line-Itemization & Justifications: Breaks down spending into specific categories (e.g., salaries, supplies) to enhance transparency and accountability.
  - Balanced Budget Requirements: Mandates that expenditures do not exceed revenues, ensuring fiscal sustainability.
  - Tax & Expenditure Limitations: Imposes legal constraints on revenue collection and spending growth to prevent excessive taxation or government expansion.

Examples of Tax and Expenditure Limitations in New York State

- Local Property Tax Cap (guidelines)
  - Tax Levy Growth Limit: limits annual property tax levy increases for local governments and school districts to 2% or the rate of inflation, whichever is lower.
  - Override Provision: A 60% supermajority vote by the governing body or, for school districts, by voters, can override the cap.
- Balanced Budget Requirement: The NYS Constitution mandates that the Governor submits a balanced budget each fiscal year, ensuring that proposed expenditures do not exceed anticipated revenues.
- New York State Debt Management Policies (Debt Reform Act of 2000)
  - Debt outstanding is limited to 4 percent of State personal income
  - Debt service is limited to 5 percent of governmental receipts.

Budgeting as a management tool

- Management in Budgeting
  - The process of translating approved goals into specific projects, activities, and organizational structures to effectively implement programs.
  - Involves staffing, resource procurement, and operational planning to ensure efficiency and effectiveness.
  - Ensures that budget allocations align with strategic priorities and service delivery needs.
- Mechanisms for management
  - Linking strategic planning to budgeting: Aligns funding with government priorities and uses multi-year planning to anticipate future needs.
  - Incorporate performance measurements into budgeting: Allocates funds based on measurable outcomes and evaluates efficiency through key performance indicators (KPIs).
  - Budgeting and policymaking: Ensures fiscal decisions reflect policy goals and supports data-driven resource allocation.

Budgeting as a planning tool

- Defines objectives, evaluates alternative actions, and authorizes selected programs to achieve policy goals.
- Ensures fiscal sustainability by aligning resources with priorities and long-term needs.
- Mechanisms for planning
  - Economic Outlook & Revenue Forecasting: Analyzes economic trends and projects future revenues to guide budget decisions.
  - Medium-Term Budgeting: Establishes multi-year financial plans to ensure fiscal stability and predict future funding needs.
  - Capital Improvement Planning & Capital Budgeting: Plans for long-term infrastructure investments and major projects.
  - Budget Stabilization (Rainy-Day) Funds: Reserves funds to manage economic downturns and unexpected fiscal shortfalls.

The distinctions between Public and Private Sectors

- Private sector budgeting
  - Spending is limited by available resources.
  - There is a clear goal to pursue profit (and, in some cases, corporate social responsibility goals).
  - There is usually a clear relationship between what we pay and what we receive.
  - Prices can serve as signals.

- Government budgeting
  - Focuses on public services, not profits. Quality of services is not easily defined.
  - Spending is not strictly bounded by available resources. Government can raise taxes and can also run deficits and borrow.
  - There is no clear one-to-one relationship between taxes paid and services received.
  - There are multiple stakeholders with different goals, including citizens and their representatives, interest groups, and bond buyers.