

Chapter 3

BUDGET CYCLES

Public budgeting systems, which are devices for selecting societal ends and means, consist of numerous participants and various processes that bring the participants into interaction. As described in preceding chapters, the purpose of budgeting is to allocate scarce resources among competing public demands so as to attain societal goals and objectives. Those societal ends are expressed not by philosopher kings but by mortals who must operate within the context of some prescribed allocation process—namely, the budgetary system.

This chapter provides an overview of the participants and processes involved in budgetary decision making. First, the phases of the budget cycle are reviewed. Any system has some structure or form, and budgetary systems are no exception. As will be seen, the decision-making process has several steps. Detailed discussions of these steps are presented in subsequent chapters. The second topic is the extent to which budget cycles are intermingled within government and among governments.

The Budget Cycle

To provide for responsible government, budgeting is geared to a cycle. The cycle allows the system to absorb and respond to new information and, therefore, allows government to be held accountable for its actions. Although existing budget systems may be less than perfect in guaranteeing adherence to this principle of responsibility, the argument stands that periodicity contributes to achieving and maintaining limited government. The budget cycle consists of four phases: (1) preparation and submission, (2) approval, (3) execution, and (4) audit and evaluation.

54 Chapter 3: Budget Cycles

Preparation and Submission

The preparation and submission phase is the most difficult to describe because it has been subjected to the most reform efforts. Experiments in reformulating the preparation process abound. Although institutional units may exist over time, both procedures and substantive content vary from year to year.

Chief Executive Responsibilities. The responsibility for budget preparation varies greatly among jurisdictions. Budget reform efforts in the United States have pressed for executive budgeting, in which the chief executive has exclusive responsibility for preparing a proposed budget and submitting it to the legislative body. At the federal level, the president has such exclusive responsibility, although many factors curtail the extent to which the president can make major changes in the budget. In parliamentary systems, the prime minister (chief executive) typically has responsibility for budget preparation and submits what is usually called the “government budget” to the parliament.

Preparation authority, however, is not always assigned to state governors and local chief executives. While a majority of governors has responsibility for preparation and submission, some share budget-making authority with other elected administrative officers, civil service appointees, legislative leaders, or some combination of these parties. In parliamentary systems, if a coalition of several parties is necessary to form a government, and the coalition is held together by each of the main parties in the coalition controlling one or more ministries, the prime minister may have very little control over budget preparation. Such was the case with the first government under the Iraq constitution adopted in 2005.

At the municipal level, the mayor may or may not have budget preparation powers. In cities where the mayor is strong—has administrative control over the executive branch—the mayor normally does have budget-making power. This is not necessarily the case in weak-mayor systems and in cities operating under the commission plan where each councilor or commissioner administers a given department. Usually, city managers in council-manager systems have responsibility for budget preparation, although their ability to make budgetary recommendations may be tempered by their lack of independence. City managers are appointed by councils and commonly lack tenure. Even in a city in which the mayor or chief executive does not have budget preparation responsibility, this duty is still likely to be in the hands of an executive official such as a city finance director. Thus, a majority of cities follows the principle of executive budget preparation.

Location of Budget Office. Budget preparation at the federal level is primarily a function of a budget office that was established by the Budget and Accounting Act

of 1921.¹ That legislation established the Bureau of the Budget (BOB), which became a unit of the Treasury Department. With the passage of time, the role of the BOB increased in importance. In 1939, it became part of the newly formed Executive Office of the President. Given that the BOB was thought to be the “right arm of the president”—a common phrase in early budget literature—the move out of the Treasury, a line department, into the Executive Office of the President placed the BOB under direct presidential supervision. In 1970, President Nixon reorganized the BOB, giving it a new title, the Office of Management and Budget (OMB). The intent of the reorganization was to bring “real business management into Government at the very highest level.”²

Information about professional personnel in state budget offices is presented in **Table 3–1**. As of 2005, most professional staff at least had a baccalaureate degree

Table 3–1 Education of Personnel in State Budget Offices, 2005

	Percent
Level of Education	
High school	2
Two years	1
Baccalaureate	38
Master's	54
Doctorate	4
Total (n = 41 states)	100
University Degree Major	
Public administration	31
Business administration	24
Accounting	13
Economics	8
Other social sciences	8
Other professional majors	6
Mathematics/sciences	3
Liberal arts	3
Humanities	2
Other	2
Total (n = 35 states)	100

Source: Compiled from Burns, R.C. (2006). Unpublished data from Survey of State Budget Offices, 2005. Morgantown, WV: Recreation, Parks, and Tourism Program, University of West Virginia.

56 Chapter 3: Budget Cycles

and over half had a master's degree or higher. The largest degree field was public administration (31%) followed by business administration and accounting. The professional staff size varied from 5 to 278 employees, with the mean being 30 and the median 20.³

Steps in the Preparation Stage. In the federal government, budget preparation starts in the spring, or even earlier for large agencies. Agencies begin by assessing their programs and considering which programs require revision and whether new programs should be recommended. At approximately the same time, the president's staff makes estimates of anticipated economic trends to determine available revenue under existing tax legislation. The next step is for the president to issue general budget and fiscal policy guidelines, which agencies use to develop their individual budgets. These budgets are then submitted in late summer to the OMB. Throughout the fall and into the later months of the year, OMB staff members review agency requests and hold hearings with agency spokespersons. Not until late in the process, usually in November, December and into January, does the president become deeply involved in the process. It culminates in February with the submission of a proposed budget to Congress.

At the state and local levels, a similar process is used where executive budgeting systems prevail. The central budget office issues budget request instructions, reviews the submitted requests, and makes recommendations to the chief executive, who decides which items to recommend to the legislative body. In jurisdictions not using executive budgeting, the chief executive and the budget office play minor roles. In this type of system, the line agencies direct their budget requests to the legislative body.

Political Factors. The preparation phase, as well as the other three phases in the budget cycle, is replete with political considerations, both bureaucratic and partisan, in addition to policy considerations. Each organizational unit is concerned with its own survival and advancement. Line agencies and their subunits attempt to protect against budget cuts and may strive for increased resources. Budget offices often play negative roles, attempting to limit agency growth or imposing agency budget cuts. Budget offices always are fully conscious of the fact that the chief executive (the governor or mayor, for example) can overrule whatever they propose. All members of the executive branch are concerned with their relationships with the legislative branch and the general citizenry. The chief executive is especially concerned about partisan calculations: Which alternatives will be advantageous to his or her political party? Of course, there is concern for devel-

oping programs for the common good, but this concern plays out in a complicated game of political maneuvering.⁴

Fragmentation. One complaint about the preparation phase is that it tends to be highly fragmented. Organizational units within line agencies tend to be concerned primarily with their own programs and frequently fail to take a broad perspective. Even the budget office may be myopic, although it will be forced into considering the budget as a whole. Only the chief executive is unquestionably committed to viewing the budget in its entirety in the preparation phase.

Approval

Revenue and Appropriation Bills. The budget is approved by a legislative body, whether Congress, a state legislature, a county board of supervisors, a city council, or a school board. The important role of the legislature in the United States traces back to the American rebellion against “taxation without representation.” For this reason, the “power of the purse” is considered to be a crucial responsibility of the people’s representatives. The legislature reviews the executive’s budget recommendations and often has access to the original agency budget requests, which enables it to make comparisons. Congress is normally not privy to original budget requests, although ways are often found to obtain this information, such as questions being put to agency representatives in committee hearings. The fragmented approach to budgeting in the preparation phase is not characteristic of the approval phase at the local level. A city council may have a separate finance committee, but normally the council as a whole participates actively in the approval process. Local legislative bodies may take several preliminary votes on pieces of the budget but then adopt the budget as a whole by a single vote.

States, in contrast, separate tax and other revenue measures from appropriations or spending bills. Some states place most or all of their spending provisions in a single appropriation bill, whereas others create hundreds of appropriation bills. Most state legislatures are free to augment or reduce the governor’s budget, but some are restricted in their ability to increase the budget. Likewise, many parliamentary systems allow the parliament to modify—but not increase—the government’s budget proposal.

At the federal level, the revenue and appropriation processes have been markedly fragmented and involve numerous committees and subcommittees. Not only have revenue raising and spending been treated as separate processes, but the expenditure side is handled in many different major appropriation bills instead of being treated as a whole. Reforms introduced in 1974 attempted to integrate these

58 Chapter 3: Budget Cycles

divergent processes and pieces of legislation, but the system had numerous flaws.⁵ Chapter 9 discusses in detail efforts at reforming the congressional budget process.

The legislature holds a series of hearings at which the central budget office and the individual agencies testify. These hearings can be lovefests in which the committees that oversee agencies are eager to recommend increased appropriations for the agencies' programs. Conversely, tensions are common in such hearings. An executive may emphasize the need to restrain expenses, while legislators may seek expansion of various programs and corresponding increases in expenditures. Tensions sometimes are particularly keen between Congress and the president's budget director, especially during periods of divided government in which the president is of one party and the Congress is controlled by the other.

In both the preparation and the approval phases, one or two issues often dominate budget deliberations. If a state government is projecting a major decline in revenues due to a weakening of the economy, closing the gap between low revenues and higher expenditures will be a major concern. At the federal level, wrestling with a huge budget deficit was a primary focus in budgeting from the 1980s until the mid-1990s and may be again with the return of large budget deficits that started in the early 2000s.

Since September 11, 2001, both the president and Congress have been deeply concerned with fighting terrorism on a global scale and increasing domestic security. The result has been huge outlays without comparable revenue increases, turning the budget surpluses of the 1990s into record-breaking deficits. With the budget so badly out of balance, budget proposals considered of highest priority, particularly proposals to fight terrorism and continue the ongoing wars, have been placed in a favored position relative to other priorities in the budget, although there has been little evidence of major cutbacks or the elimination of programs by either the White House or the Congress in any part of the budget.

Executive Signature or Veto Powers. The final step of the approval stage is signing the appropriation and tax bills into law. The president, governors, and, in some cases, mayors have the power to veto. A veto sends the measure back to the legislative body for further consideration. Most governors have item-veto power, which allows them to veto specific portions of an appropriation bill but still sign it. In no case can the executive augment parts of the budget beyond that provided by the legislature. The president was given a form of item veto that took effect in 1997, but it was invalidated by the Supreme Court the following year (see Chapter 9).

Execution

Apportionment Process. Execution, the third phase, commences with the beginning of the fiscal year—October 1 for the federal government and July 1 for most state

governments. Some form of centralized control during this phase is common at all levels of government and is usually maintained by the budget office. Following congressional passage of an appropriation bill and its signing by the president, agencies must submit to the OMB a proposed plan for apportionment (see Chapter 10). This plan indicates the funds required for operations, typically on a quarterly basis. The apportionment process is used in part to ensure that agencies do not commit all their available funds in a period shorter than the 12-month fiscal year. The intent is to avoid the need for supplemental appropriations from Congress.

The apportionment process is substantively important in that program adjustments must be made to bring planned spending into balance with available revenue. Because an agency most likely did not obtain all the funds requested, either from the president in the preparation phase or from Congress in the approval phase, plans for the coming fiscal year must be revised. To varying degrees, state and local governments also use an apportionment process.

Impoundment. The chief executive may assert control in the apportionment process through an informal item veto known as “impoundment,” which is basically a refusal to release some funds to agencies. Thomas Jefferson often is considered the first president to have impounded funds. President Nixon impounded so extensively that it stimulated legislative action by Congress. The 1974 legislation, in a sense, was a treaty between Congress and the White House allowing limited impoundment powers for the president. As will be discussed later, these limited impoundment powers have resulted in very little reduction in spending.

Allotments. Once funds are apportioned, agencies and departments make allotments. This process grants budgetary authority to subunits such as bureaus and divisions. Allotments are made on a monthly or quarterly basis, and, like the apportionment process, the allotment process is used to control spending over the course of the fiscal year. Control often may be extensive and detailed, requiring approval by the department budget office for any shift in available funds from one item to another, such as from travel to wages. Some transfers may require clearance by the central budget office.

Preaudits. Before an expenditure is made, a form of preaudit is conducted. Basically, the preaudit ensures that funds are committed only for approved purposes and that an agency has sufficient resources in its budget to meet the proposed expenditure. The responsibility for this function varies widely, with the budget and/or accounting office being responsible for it in some jurisdictions and independently elected comptrollers being responsible for it in others. Later, after approval is granted and a purchase is made, the treasurer or other responsible official writes a check or makes an electronic fund transfer for the expenditure.

60 Chapter 3: Budget Cycles

Execution Subsystems. During budget execution, several subsystems are in operation. Taxes and other debts to government are collected. The Internal Revenue Service (IRS) in the Treasury Department is responsible for this set of tasks at the federal level. Cash is managed in the sense that monies temporarily not needed are invested. Supplies, materials, and equipment are procured, and strategies are developed to protect the government against loss or damage of property and against liability suits. Accounting and information systems are in operation. For state and local governments, bonds are sold and the proceeds are used to finance construction of facilities and the acquisition of major equipment.

Audit and Evaluation

The final phase of the budgetary process is audit and evaluation. The objectives of this phase are undergoing considerable change, but initially the main goal was to guarantee executive compliance with the provisions of appropriation bills, particularly to ensure honesty in dispensing public monies and to prevent needless waste. In accord with this goal, accounting procedures are prescribed and auditors check the books maintained by agency personnel. In recent years, the scope of auditing has been broadened to encompass studies of the effectiveness of government programs.

Location of the Audit Function. In the federal government, considerable controversy was generated concerning the appropriate organizational location of the audit function. In 1920, President Woodrow Wilson vetoed legislation that would have established the federal budget system on the grounds that he opposed the creation of an auditing office answerable to Congress rather than to the president. Nevertheless, the General Accounting Office (GAO) was established in 1921 by the Budget and Accounting Act and made an arm of Congress, with the justification being that an audit unit outside of the executive branch should be created to provide objective assessments of expenditure practices.

GAO over the years underwent a gradual and major set of changes that led to its name being changed in 2004 to the Government Accountability Office.⁶ It obviously retained its initials of "GAO."

GAO Functions. The GAO is headed by the comptroller general, who is appointed by the president, upon the advice and consent of the Senate, for only one term of 15 years. The comptroller general can only be removed by Congress by impeachment or joint resolution. There has never been such an effort, and as of 2006, there had only been seven people in this position since its creation in 1921.

Despite the GAO's title, the organization does not maintain accounts, but rather audits the accounts of operating agencies and evaluates their accounting

systems. With major reforms in accounting and auditing undertaken by the executive branch at the direction of Congress and especially with the creation of independent inspectors general within executive departments and agencies, GAO conducts far fewer audits than it once did.

The GAO provides a variety of other services. It gives Congress opinions on legal issues, such as advising on whether a particular agency acted within the law in some specific instance under consideration. It also resolves bid protests over the awarding of government contracts.

Where GAO has gained major responsibility is in the arena of assessing the results of government programs. Comptroller General David Walker has said that the GAO's "activities [are] designed to determine what programs and policies work and which ones don't. This also involves sharing various best practices and benchmarking information. It means looking horizontally across the silos of government and vertically between the levels of government."⁷ This responsibility for evaluating government programs has sometimes led to criticism of the GAO. In particular, some members of Congress have claimed that the office has lost its neutrality and become a policy advocate.

In 2002, the General Accounting Office engaged in a historical conflict with the White House. President George W. Bush had created the National Energy Policy Development Group (NEPDG) to recommend a new energy policy for the government. Vice President Dick Cheney chaired the group. After the group completed its work, the GAO asked to see important records. Of particular concern was the list of companies and individuals from industry had supplied advice. The energy giant, Enron, had collapsed, leaving many stockholders with huge losses and company employees without retirement benefits. Some suspected that Enron, which had close ties to President Bush before he left Texas for Washington, had exerted undue influence on the design of the energy policy.

The White House refused to release the requested documents, which prompted the GAO to file suit in U.S. district court against Vice President Cheney and the NEPDG.⁸ This move marked the GAO's first suit in its history against a high-ranking government official. The GAO contended that taxpayers' dollars were used by the group, and consequently the GAO had a right to know how those dollars were spent. The White House's position was that it had a right to obtain information and advice on a confidential basis and should not be required to release the documents. A U.S. district court ruled that the comptroller general had not been harmed by the withholding of information and therefore lacked standing, namely the right to bring suit.⁹ The GAO decided not to appeal the ruling.

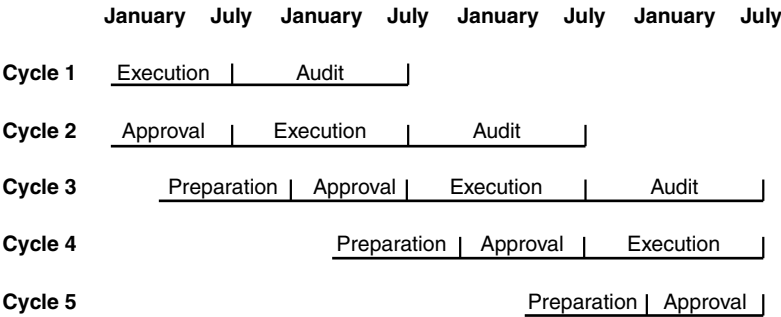
62 Chapter 3: Budget Cycles

State and Local Auditors. At the state and local levels, the issue of organizational responsibility for auditing has been resolved in different ways. The alternatives are to have the audit function performed by a unit answerable to the legislative body, to the chief executive, to the citizenry directly, or to some combination of these. The use of an elected auditor is defended on the grounds that objectivity can be achieved if the auditor is independent of the executive *and* legislative branches. The opposing arguments are that the electorate cannot suitably judge the qualifications of candidates for auditor and that the election process necessarily forces the auditor to become a biased rather than an objective analyst. States primarily use elected and legislative auditors.

Sample Cycle

Figure 3–1 is a sample budget cycle. It is the one used in Pennsylvania where the fiscal year, like most states, begins July 1. As can be seen, preparation begins with budget instructions being issued in August. Pennsylvania also issues Program Policy Guidelines (PPGs), which provide substantive policy guidance to agencies when preparing their budget requests. Submission by the agencies occurs in October followed by budget office analysis and the governor’s decisions from October through January. The governor submits the budget to the legislature in February, which deliberates through the spring. The budget is adopted by the legislature by July 1, the beginning of the new fiscal year. Agencies then submit to the budget office what Pennsylvania calls a “rebudget.” This is a reworking of their budget requests to reflect what the legislature approved as distinguished from what the agencies requested. The diagram does not show the audit phase that begins at the end of the fiscal year.

Figure 3–1 Budget Cycle in Pennsylvania



Source: Reprinted from Office of the Budget (2006). *Governor's executive budget, 2006-2007*. Harrisburg, PA: Commonwealth of Pennsylvania, xx.

Scrambled Budget Cycles

Although it is easy to speak of a budget cycle, no single cycle actually exists. Instead, a cycle exists for each budget period, and several cycles are in operation at any given time. The decision-making process is not one that simply proceeds from preparation and submission to approval, execution, and, finally, audit. Decision making is complicated by the existence of several budget cycles for which information is imperfect and incomplete.

Overlapping Cycles

A pattern of overlapping cycles can be seen in **Figure 3–2**, which shows the sequencing of five budget cycles typical of a large state. Only cycle 3 in the diagram displays the complete period covering 39 months. The preparation and submission phase requires at least nine months, approval six months, execution 12 months, and audit 12 months. The same general pattern is found at the federal level, except that the execution phase begins on October 1, giving Congress approximately eight months to consider the budget. As indicated by the diagram, three or four budget periods are likely to be in progress at any point in time.

Budget preparation is complicated particularly by this scrambling or intermingling of cycles. In the first place, preparation begins perhaps 15 months before the budget is to go into effect. Moreover, much of the preparation phase is completed without knowledge of the legislature’s actions in the preceding budget period.

Federal Experience. At the federal level, this problem has proved especially thorny. Congress has historically been slow to pass appropriation bills, and the approval phase was rarely completed by the start of the fiscal year when it began July 1. The usual procedure was to pass a continuation bill permitting agencies to spend at

Figure 3–2 Scrambled Budget Cycles

	January	July	January	July	January	July	January	July
Cycle1	Execution		Audit					
Cycle2	Approval		Execution		Audit			
Cycle3			Preparation	Approval	Execution		Audit	
Cycle4					Preparation	Approval	Execution	
Cycle5							Preparation	Approval

64 Chapter 3: Budget Cycles

the rate of the previous year's budget while Congress continued to deliberate on the new year's budget. Although the budget calendar adopted in the 1970s gave Congress an additional three months, which was expected to permit completion of the approval phase, agencies' preparation problems for the following year's budget request persisted. In any given year, an agency begins to prepare its budget request during the spring and summer, even as Congress deliberates on the agency's upcoming budget. Despite the additional time granted to Congress to act on the budget, work on the budget was completed on time in only three out of thirty years from the time the new budget calendar went into effect through 2005.¹⁰ This obviously compounds the problem of scrambled budget cycles.

Links Between Budget Phases. While a budget is being prepared, another one is being executed. The budget being executed may be for the immediately preceding budget year, but it can be for the one before. As can be seen in Figure 3–2, in the early stages of preparation for cycle 4 the execution phase is in operation for cycle 2. Under such conditions, the executive branch may not know the effects of ongoing programs but is nevertheless required to begin a new budget, recommending changes upward or downward. Sometimes a new program may be created, and an agency must then recommend changes in the program for inclusion in the next budget without any opportunity for assessing its merits.

Length of Preparation Phase. The cycle, particularly the preparation phase, may be even longer than indicated above, especially when agencies must rely upon other agencies or subunits for information. For example, in preparing the education component of a state budget, a department of education will require budget information and requests from state universities and colleges early to meet deadlines imposed by the governor's budget office. The reliability and validity of data undoubtedly decrease as the lead time increases. Therefore, the earlier these schools submit their budget requests to the state capital, the less likely it is that such requests will be based on accurate assessments of future requirements.

Other Considerations

Besides the factors already mentioned, other issues further complicate budget cycles—most notably, intergovernmental considerations and the timing of budget years.

Intergovernmental Factors. Another problem arises from intermingled budget cycles because the three main levels of government are interdependent. For the federal government, the main problem is assessing needs and finding resources to meet these needs. A state government must assess its needs and those of local governments and must then search for funds by raising state taxes, providing for new forms of taxa-

tion by local governments, or obtaining federal revenues. In preparing budgets, governors take into account whatever information is available on the likelihood of certain actions by the president and Congress. For instance, the president may have recommended a major increase in educational programs that would significantly increase funds flowing to the states, but considerable doubt will exist as to whether Congress will accept the recommendation. In such a case, how should a governor shape the education portion of the state budget? The problem is even worse at the local level, which is dependent on both the state and federal governments for funds.

Budget Years. Budget cycles are further complicated by a lack of uniformity in the budget period. Although most state governments have budget years beginning July 1, four states do not: New York's begins April 1; Texas's begins September 1; and Alabama's and Michigan's begin the same day as the federal fiscal year—October 1. Consistency does not even exist within each state. It is common for a state to begin its fiscal year on July 1 but to have to deal with local governments operating with different start dates, such as January 1, April 1, or September 1.

A case can be made for staggering the budget year for different levels of government. This practice might assist decision makers at one level by providing information about action taken at other levels. For example, the federal government might complete action on its budget by October 1. States could then begin a budget year on the following April 1 and local governments on July 1. Under such an arrangement, states could base their budgetary decisions on knowledge of available financial support from Washington. Local governments, in turn, would know the aid available from both Washington and their respective state capitals.

Rearranging the dates for fiscal years is no panacea, however. Information about financial support from other governments is only one of many items used in decision making. Also, any slippage by the legislature in completing its appropriations work by the time a fiscal year begins would void the advantages of staggered budget cycles. In addition, there is no direct translation from appropriations to aid to other governments. Money does not automatically flow to states and communities as soon as Congress passes an appropriation bill. Instead, state and local governments must apply for assistance, a process that typically requires many months.

Annual and Biennial Budgets. Not only is there inconsistency in the date on which budget years begin, but the length of the budget period also varies. Whereas the federal government and most local governments operate under annual budgets, 23 states have biennial (two-year) budgets.¹¹ Under these systems, a governor typically submits the budget in January, and legislative action is supposed to be completed by June 30. The execution phase runs for 24 months beginning July 1. Such

66 Chapter 3: Budget Cycles

a system violates the once-standard principle of annuality.¹² The argument is that annual budgets allow for careful and frequent supervision of the executive by the legislature and that this approach serves to promote greater responsibility in government. The problem with the annual budget, however, is that little breathing time is available. Both the executive and legislative branches are continuously in the throes of budgeting. The biennial approach, on the other hand, relieves participants of many routine budget matters and may allow greater time for more thorough analysis of government activities.

The 1993 National Performance Review recommended that the federal government adopt biennial budgeting as a means of eliminating “an enormous amount of busy work.”¹³ The idea continues to hold interest for some reformers (see Chapter 9).¹⁴

One of the greatest dangers of a biennial system is that it may obstruct—if not prohibit—a prompt response to new conditions. The costs of not being able to adjust to changing conditions may far outweigh any benefits accruing from time saved. This consideration may explain why most of the more populous states are on annual budget systems and why many states with biennial budgets make provision for “reopening” the two-year budget at midpoint.

Still another consideration is whether under “normal” conditions sufficient amounts of new information become available to warrant annual systems. If program analysis were a well-established part of the budgetary process, then conceivably new insights into the operation of programs would continually occur. In such instances, an annual process might be preferable. In other cases, in which decision makers operate one year with virtually the same information as was available the preceding year, there seems to be little need for annual budgets. Partially for this reason, proposals have been made for selectively abandoning the annual budget cycle. Under such a system, new programs or proposed changes in existing programs would be submitted in any given year for legislative review, whereas continuing programs would be reviewed only periodically.

Summary

The four phases of the budget cycle are preparation and submission, approval, execution, and audit and evaluation. In general, the first and third phases are the responsibility of the executive branch, and the second is controlled by the legislative branch. The fourth phase in the federal system is directed by the GAO, which is answerable to Congress and not the president, and a set of independent auditors known as inspectors general. Auditing at the state and local levels is normal-

ly the responsibility of either independently elected officials or officials who report directly to the legislature.

A standard criticism of budgeting, especially at the federal level, is that the budget is seldom considered in its entirety during its preparation phase. Within the executive branch, only the president and his or her immediate staff view the budget as a whole. Agencies are primarily concerned only with their own portions of the total. The same disjointed approach has been characteristic of the approval phase at the federal level.

Budget cycles are intermingled. As many as four budget cycles may be in operation at any time in a single government. This phenomenon complicates decision making. For example, budget preparation often is forced to proceed without knowledge as to what action the legislature will take on the previous year's budget. Moreover, the interdependent nature of the three levels of government contributes to a scrambling of cycles. One possibility would be conversion to biennial budgets, a practice that is common at the state level.

Notes

1. Budget and Accounting Act (1921). Ch. 18, 42 Stat. 20.
2. Nixon, R. M. (1970). *New York Times*, June 11; Dawes, C.G. (1923). *The first year of the budget of the United States*. New York: Harper and Brothers.
3. Burns, R.C. (2006). Unpublished data from Survey of State Budget Offices, 2005. Morgantown, WV: Recreation, Parks, and Tourism Program, University of West Virginia.
4. Wildavsky, A. & Caiden, N. (2004). *The new politics of the budgetary process*. (5th ed.). New York: Longman.
5. Congressional Budget and Impoundment Control Act (1974). P.L. 93–344.
6. Human Capital Reform Act (2004). P.L. 108–271.
7. Walker, D.M. (2002). The role of GAO and other government auditors in the 21st century. Address to the 14th Biennial Forum of Government Auditors, Providence, RI, 2002. Retrieved September 1, 2006 from www.gao.gov/cghome/14thbf.html; see Walker, D.M. (2004). Evolving role of public service auditors. Retrieved September 1, 2006 from www.gao.gov/cghome/erpsa/.
8. U.S. General Accounting Office (2002). *Decision of the Comptroller General concerning NEPDG litigation*. Retrieved September 1, 2006 from www.gao.gov/cgdecnepdg.pdf#search=%22%22concerning%20NEPDG%20litigation%22%22.
9. *Walker v. Cheney* (2002). 230 F. Supp. 2d 51 (D.D.C.).
10. Streeter, S. (2006). *Continuing appropriations acts: brief overview of recent practices*. Washington, DC: Congressional Research Service, 6.

68 Chapter 3: Budget Cycles

11. Von Behren, G. & Korfona, P. (2002). *Budget processes in the states*. Washington, DC: National Association of State Budget Officers, 1.
12. Sundelson, J.W. (1935). Budgetary principles. *Political Science Quarterly*, 50, 236–263.
13. National Performance Review (1993). *From red tape to results: creating a government that works better and costs less*. Washington, DC: U.S. Government Printing Office.
14. U.S. General Accounting Office (2000). *Budget process: biennial budgeting for the federal government*. Washington, DC: U.S. Government Printing Office.