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**Chapter: Chapter 01 - Quiz**

**Multiple Choice**

1. In the United States, who led the way in the establishment of formal budget procedures?

A) The federal government

B) Local governments

C) State governments

D) Major universities

Ans: B

Complexity: Easy

Ahead: Distinctions Regarding Public Budgeting

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2. What is the term for the most significant of early public budget reforms, where a governor or mayor would be responsible for preparing a proposed budget document and include all of the operating agencies of the jurisdiction?

A) Executive budget

B) Program budgeting

C) Short ballot

D) Administrative management

Ans: A

Complexity: Easy

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**True/False**

1. True or false? The major political factors prompting U.S. budget reform in the 20th century were the expanded scope of government programs, growing deficits, and especially concern about waste and corruption in government finance.

Ans: True

Complexity: Easy

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2. True or false? Because business practices were not particularly exemplary at the turn of the 20th century, public management reforms were largely invented in the public sector rather than being transferred into government from the outside.

Ans: True

Complexity: Easy

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3. True or false? Performance management begins with setting objectives, then publicly reporting on results and redefining programs based on citizen response to the measured results.

Ans: True

Complexity: Easy

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4. True or false? While most state and local governments employ formal capital budgeting techniques, federal agencies typically do not.

Ans: True

Complexity: Easy

Ahead: Responsible Government and Budgeting

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5. True or false? Limited or bounded rationality as a theory of decision making asserts that “real” decision making involves a conflict of organizational and individual interests and a corresponding clash of information that results in the accommodation of diverse partisan political interests through bargaining.

Ans: False

Complexity: Easy

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6. True or false? Public budgeting is characterized by a series of five logical steps: First, all of a community’s goals are ranked according to priority. Second, all possible alternatives are identified. Third, the costs of each alternative are compared with anticipated benefits. Fourth, judgments are made as to which alternative comes closest to satisfying the relevant needs or desires. Fifth, the alternative with the highest payoff and/or least cost is chosen.

Ans: False

Complexity: Easy

Ahead: Information and Decision Making

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7. True or false? Public budgetary decisions are necessarily political.

Ans: True

Complexity: Easy

Ahead: Information and Decision Making

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Title: Introduction

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8. True or false? Public budgetary decisions are necessarily political.

Ans: True

Complexity: Easy

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**Essay**

1. Briefly describe at least three activities that are included in the term “budgeting.”

Ans: Any three of the following:

a. setting goals and objectives;

b. allocating the resources necessary to achieve those objectives;

c. monitoring the expenditure of those resources;

d. measuring progress in achieving objectives;

e. identifying weaknesses or inadequacies in organizations; and

f. controlling and integrating these activities carried out across numerous subunits within and across organizations, both public and private.

Complexity: Difficult

Ahead: Distinctions Regarding Public Budgeting

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2. What is a budget?

Ans: A budget is a document that outlines the future plans of an organization, including information on revenues, expenditures, activities, and goals.

Complexity: Difficult

Ahead: Budgets and Budgeting Systems

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3. What is the single most important difference between public and private sector budgets?

Ans: The private sector is characterized by the profit motive, whereas public agencies undertake many services that are financially unprofitable.

Complexity: Difficult

Ahead: Distinctions Regarding Public Budgeting

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4. According to budgeting scholar Allen Schick, budget reforms focusing on accountability in U.S. budgeting had gone through three stages by the 1960s. What were the concerns or emphases in each stage?

Ans: 1) Concern for tight control over government expenditures.

2) Holding administrators accountable for the efficiency of their activities.

3) The planning function served by budgets.

Complexity: Difficult

Ahead: Responsible Government and Budgeting

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5. Name and describe two analysis and planning tools that have become important in improving public budgeting systems since the 1960s.

Ans: 1) Performance measurement (or management) (measuring the performance results of budget expenditures)

2) Financial management (measuring and/or managing the financial health of governmental entities or the entire government)

3) Fixed asset management (reporting on and managing the fixed assets built or acquired by governments)

Complexity: Difficult

Ahead: Responsible Government and Budgeting

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6. What is meant by the term *public goods* in the context of public budgeting?

Ans: Public goods are goods or services, such as national defense, that are of value to society as a whole. Once provided, it is provided to all members of society (no one is excluded from the good or service—nonexcludability). In addition, one person’s use of the service doesn’t diminish its use by other people (nonrivalness). Note: Student may or may not be required to include the technical terms nonexcludability and nonrivalness, at the discretion of the instructor.

Complexity: Difficult

Ahead: Distinctions Regarding Public Budgeting

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7. What are the three most common budget documents employed by state and local government entities, and what is contained in each?

Ans: 1) An operating budget, which describes the bulk of ongoing revenues and expenditures for the day to day, week to week, etc., operations of government).

2) A capital budget, which covers long-lasting fixed assets and major new projects that will produce or reconstruct long-lasting assets, such as roads, water systems, and buildings.

3) A series of enterprise or special purpose funds that cover programs with their own specific revenue sources, such as a municipal parking garage that pays for itself with parking fees.

Complexity: Difficult

Ahead: Responsible Government and Budgeting

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8. What is the one responsibility that most sharply differentiates federal budget decisions from state and local budget decisions?

Ans: The federal government’s responsibility for the overall state (health) of the economy.

Complexity: Difficult

Ahead: Responsible Government and Budgeting

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9. Discuss what is meant by this statement: “Public budgeting involves the selection of ends and the means to reach those ends.” Include the major characteristics of public budgeting versus private sector budgeting, and describe the role of information in budgetary decision making.

Ans: Public sector budgeting involves selection of ends that are societal in nature; private sector budgeting involves the selection of ends that are specific to the private sector entity. Public sector resources are much more extensive than any one private sector entity; resources available to a private sector entity are at least in the short run relatively fixed. Motives generally are different between the public and private sectors. The typical private sector entity (excluding charitable and non-profit organizations) has profit as a primary motive; the business of government is not about making a profit.

Complexity: Difficult

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10. Briefly describe the three predominant theories of decision making discussed in the chapter and the main emphasis in each that differentiate one from another theory.

Ans: *Rational Decision Making theories* describe a process of selecting and prioritizing societies goals, exploring all possible alternative strategies (or means) for achieving those ends, evaluating the costs and benefits among those strategies or means, and selecting the strategies that come closest to satisfying selected ends. *Limited or bounded rationality* recognizes that perfect information is not available, there are many unknowns that likely cannot become knowable during the timeframe for decision making, and all decision-making takes places within a limited timeframe. Extensive analysis and investigation comes into play only when large forces are marshalled for change. Normally, most decisions are made as incremental adjustments to policies in place as a result of previous decisions. *Incrementaliism*  describes a more purely political process in which decisions are less the result of deliberate research and analysis and more the outcome of complex political bargaining among different interests. Most of the time, only modest changes are made to previously negotiated political bargains during an annual decision making process, such as public budgeting. All of the theories are understood to be more general frameworks that explain how decisions are made, and not ideal types that are fully descriptive of human decision making behavior.

Complexity: Difficult

Ahead: Information and Decision Making

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11. “Most of the major reforms, whether attempted or proposed, in public budget systems have been intended to reorganize existing information and to provide participants with new and greater quantities of information.” (Introduction, page 16).

Describe the two types of information that have been the focus of budget reform and explain the differences between the two in terms of what they emphasize about public budgeting decision making. Hint: What does each type of information tell you about the budget?

Ans: The two types of information that are the targets of most major public budget reforms are *program* and *resource*. Budget reforms usually stem from a feeling that decision makers need more and/or better information about what results public programs achieve and what it costs to achieve those results.

Complexity: Difficult

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