A new approach to budgeting and financial management

Lyndon G. Furst
Review

A new approach to budgeting and financial management


Developing a rational basis for budgeting has long been a problem for educational organizations as well as other government operations. For a time PPBS seemed to be the best solution. However, this attempt at financial accountability seemed to cause more difficulties than it solved. Financial managers in education would do well to consider zero-base budgeting as a process to solve many of the tough problems faced in developing budgets where a scarcity of resources prevails.

Peter Phyrr appears eminently qualified to write the book Zero-Base Budgeting: A Practical Management Tool for Evaluating Expenses. He guided the process in its initial stages for both Texas Instruments, Inc. and the state of Georgia. He has written in a straightforward manner resisting the temptation to be evangelistic about this new approach. The book includes step by step descriptions of each phase of the process and includes many examples from both government and industry.

In traditional practice budgets are developed with primary reference to the previous year's expenditures. The only amounts that receive real scrutiny are increases over the past year. The basic concept of zero-base budgeting is that all budgeted amounts are open to careful review. Every program of the organization must be defended just as if it were being considered for the first time.

The first chapter gives a general overview of the zero-base budgeting process. The development and ranking of decision packages are the two basic steps. A decision package describes a specific activity or grouping of work along with the costs and alternative courses of action. Different levels of effort for each activity must be identified. The minimum level is the least amount of effort needed to keep the organization in operation. Additional levels are identified in separate decision packages along with the total costs involved.

Once decision packages for all the activities of an organization are developed they must be ranked in order of priority. This process requires input from administrators at all levels in the organization. It ensures that vital activities will be funded while those of lower priority will be included only if resources are available.

Chapter two briefly outlines the problems and benefits of implementing zero-base budgeting. The primary problem is the inherent resistance to any new procedure in an organization. The technical aspects of developing decision packages sometimes requires expertise that may be lacking. Ranking process problems also must be dealt with. The author gives specific suggestions for minimizing the problems that inevitably occur. The major benefits of zero-base budgeting include improved planning, follow on benefits, and improved development of the management team.

Chapters three and four describe the development of decision packages in much greater detail. The example of the Georgia Air Quality Laboratory provides an illustration of the budgeting process. The laboratory tests air samples collected throughout the state of Georgia. Three decision packages for different levels of effort were developed. Package A (the minimum) provided for testing of air samples covering 70 percent of the population; package B provided for 80 percent of the population, and package C for 90 percent. Costs were identified for each package. The decision-making process is described in detail along with the format and content of the decision packages.

The very difficult problem of ranking the decision packages is dealt with in chapter five. Unless care is taken this can grow into an impossible task. The initial ranking takes place at the level where the packages are developed. Higher levels of management concentrate on the lower priority packages as the top priority packages would automatically be funded. The author provides a detailed description of various approaches to the ranking process with sufficient illustrations to enable the reader to grasp this complex procedure.

While the first half of the book discusses the specific details of zero-base budgeting, the second half (chapters 6-10) deals with the budgeting process as a part of the management of the organization. A number of policy issues are discussed. In general the author does an excellent job of outlining a specific management problem, listing alternatives, and providing observations to be considered in arriving at a viable solution. In some instances a specific policy is suggested as the best way to do it. In other cases several alternatives are explored with no specific recommendation. Throughout, organizational and management pitfalls are highlighted.

Since program budgeting was once considered as a solution to budgeting problems in education, it is only natural that PPBS and zero-base budgeting be compared. While program budgeting does have distinct advantages over the traditional approach, there are definitely gaps in the system. Phyrr suggests that zero-base budgeting can fill these gaps. He proposes a merger of the two systems to provide a truly effective management tool.

In complex organizations such as urban school districts, zero-base budgeting will inherently develop problems of volume. The total amount of paper work could become an overwhelming burden. Properly utilized, the computer can help solve many of these volume-oriented problems. In addition to data storage, the computer can aid in the analysis of decision packages and the ranking process.

Even though the book is filled with numerous
Review

Legal rights of the gifted

Ernest E. Singletary, Gary D. Collings, and H. Floyd Dennis

Law Briefs on Litigation and the Rights of Exceptional Children, Youth, and Adults

There is little doubt that the recent expressions of concern focused upon appropriate education for exceptional children have brought about significant changes. Although legislation and litigation involving the identification and education of exceptional children are not recent phenomena, events of recent vintage, particularly the 1970's, record an exponential increase in progress toward the goal of fulfilling the needs of exceptional children. Foremost among such developments is the enactment of Public Law 94-142, The Education for All Handicapped Children Act of 1975. Like many other major pieces of legislation, most of the provisions of P.L. 94-142 have their genesis in case law. In light of efforts to provide appropriate education for exceptional children, including the provisions of P.L. 94-142, Law Briefs on Litigation and the Rights of Exceptional, Youth, and Adults should prove to be an especially timely and useful exposition of legal precedents.

The work is organized in seven major divisions: 1) right to an education; 2) testing, placement, and labeling; 3) commitment and treatment procedures: civil; 4) commitment and treatment procedures: criminal and quasi-criminal; 5) administration; 6) nonpublic and state schools; and, 7) finance. Each division is ordered into dimensions with each dimension reflecting not only the chronological development of the chapter topic, but also the progressive development of the chapter content. (pp. ii-iii) For example, the division relating to testing, placement, and labeling is ordered into four dimensions.

The authors brief cases in the first dimension wherein rulings do not recognize consumers in the labeling process. Second dimension cases deal with abolition of "tracking" or ability grouping. The cases in the third dimension question the use of standardized tests, generally I.Q. tests, for placement in special classes. Finally, the fourth dimension case specifically outlines the necessary steps for insuring that mentally retarded children are afforded an appropriate education. The fourth dimension case culminates a logical sequence beginning with the absence of consumer influence upon labeling, and progressing through the use of ability grouping and standardized tests to the delineation of specific steps required for placement.

Although the use of the dimensional format generally provides a logical and progressive structure of development in each of the seven dimensions, there are instances where the authors have apparently strained to develop dimensions simply to maintain some degree of symmetry of commonality among the divisions. The division entitled "Nonpublic and State Schools" illustrates this point. The first dimension consists of "background information from a descriptive nonpublic school case," and an examination of provisions of a New York statute relating to the use of "nonpublic schools as an alternative education. (p. 404)" The question in the "descriptive case" focuses upon the use of public aid for the education of exceptional children at a private institution. The cases in the second dimension involve basically the same question. Payment of "tuition" rather than "aid" in some of the second dimension cases marks the greatest distinction between the two dimensions in regard to the substance of the question. Cases in the third dimension settle questions relating to residency requirements, aid to sectarian schools, and tax deductions.

Despite the obvious difficulties of attempting to force the content into predetermined molds, Singletary, Collings, and Dennis have compiled a veritable storehouse of valuable and accessible information. The divisions on commitment and treatment exemplify both the scope and detail afforded topics throughout the book. The authors present detailed briefs of nearly a hundred cases covering both civil and criminal and quasi-criminal aspects of commitment and treatment procedures. The cases address a considerable breadth of questions ranging from "right to treatment" to "least restrictive environment." Specific sections of selected cases are quoted in order to provide clarity in several issues.

In addition to the numerous court cases presented, sections describing court structure, court jurisdiction, legal precedent, and state and federal legislation are included. A handy reference to case law containing specific questions and a table of landmark cases located immediately following the table of contents add to the overall value of the book as an excellent source for those concerned with the education of exceptional children. The novice as well as the experienced educator will find this book a particularly useful reference for assistance in the determination of appropriate and legal educational applications.

Carvin L. Brown
Assistant Professor
Educational Administration
University of Georgia, Athens