A new approach to budgeting and financial management

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Review

A new approach to budgeting and financial management

Peter A. Pyhrr, Zero-Base Budgeting: A Prac
tical Management Tool for Evaluating Ex-
penses, John Wiley & Sons, New York, 1973,
228 pp.

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 ac-
countability 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 Pyhrr 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 man-
ner resisting the temptation to be evangelistic about this
new approach. The book includes step by step descrip-
tions 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 pack-
age describes a specific activity or grouping of work
along with the costs and alternative courses of action. Dif-
ferent 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 ad-
ministrators 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 ex-
pertise 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 sam-

dles 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 ex-
cellent job of outlining a specific management problem,
listing alternatives, and providing observations to be con-
sidered 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. Pyhrr 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
ilustrations and examples, two appendices are presented with further aids for practical application. The first is a sample zero-base budgeting manual which is provided for managers who will be developing decision packages. The second is a list of decision package topics taken from both government and industry.

Peter Fyhr has given a detailed account of a complex process. His book is written for managers in both government and industry who are involved in financial decision-making. There is a minimum of theory and a heavy emphasis on practical application. The author has been honest in pointing out the problems to be encountered, and resisted the temptation to overstate the possible benefits. The major disappointment is the lack of information regarding budgeting in the public schools. Maybe this will be the topic of a future book.

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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; 4) commitment and treatment procedures; 5) administration; and, 6) finance. Each division is organized in order with each dimension reflecting not only the chronological development of the chapter topic, but also depicting the progressive development of the chapter content. For example, the division relating to testing, placement, and labeling is organized 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 statue 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 site 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.

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