

Budget Evaluation Project from Dr. Charles Coe of North Carolina State University

Budget Evaluation Project

The purpose of the project is to apply classroom information to the real world, systematically evaluating the budget process of a governmental or nonprofit agency. Properly cite all sources including interviews (person, title, and date), newspaper articles (author, paper, date, pages), and governmental documents. By October 21, indicate whom you will interview.

Areas to cover that are suggestive but not inclusive include:

LOCAL UNITS

The Political Setting

- What have been the population trends over the last five years?
- What key policy issues face the organization?
- What are the educational and experiential backgrounds of the CEO? Characterize the relationship between the board and the CEO?
- How much water and sewer capacity is available on paper; how much is available adding capacity currently permitted; and how much will be needed in the future?

Resources

- News Directory of NC Papers www.newsdirectory.com/news/press/
- The CEO's letter in the budget(s) and the capital improvement program (CIP)
- Interviews with CEOs, budget analysts, governing board members, members of the press.

Fiscal Condition

What is the organization's fiscal condition? Using the organization's financial report, analyze the fiscal condition discussing at least five indicators including fund balance and the tax collection rate. Using the website: <http://ncdst-web2.treasurer.state.nc.us/lgc/units/unitlistjs.htm>

- Compare the agency to like-sized units.
- What is the organization doing well? What should be improved?

Budget Evaluation

Budgeting Process

- What type of budgeting system is used?
- If measures are used, what type of measures predominate and why?
- What budgetary request forms are used? Attach a copy of each?
- What revenue forecasting method(s) is used?
- Is the budget recognized by GFOA? Is the audit a CAFR? If not in either case, why not?

Revenue Analysis

- What is the property tax mix (residential v. commercial/industrial)?
- Examining the history of revenues in constant dollars over at least three years, explain significant changes in major revenue sources, e.g., property tax, sales tax, intergovernmental, etc.?
- How high relatively are the property tax, property tax collection, garbage collection, water, and sewer rates? What types (e.g., descending, ascending block) of utility rates are used?
- How are user fees set? Is there a user fee policy?

Expenditure Analysis

- Analysis of expenditures. Putting expenditures over at least three years in constant dollars, explain significant changes in expenditures at the departmental level.
- How much general obligation debt is outstanding relative to other local units or states?

Capital Analysis

- Does the unit have a CIP? If so, what is the dollar limit for a capital project?
- What major infrastructure issues face the organization?
- How successful has the agency been in getting bond issues approved?
- How much of outstanding debt is in COPs and IPs and how does it compare to like-sized units?
- What is the agency's bond rating? If too small to have a bond rating, what is its rating from the NC Municipal Council?

NON-PROFIT AGENCY

The Political Setting

- What are the political persuasions/views/ideologies of the nonprofit board members? How many members are on the board? How are they selected? What is their term of office? Which board members have the most influence over the budget process? Why?
- What are the educational and experiential backgrounds of the CEO? Characterize the relationship between the board and the CEO?
- What key policy issues face the organization? How do key stakeholders view these issues?
- Evaluate the CEO's leadership skills with respect to the best practices found by Herman in "An Investigation of Leadership Skill Differences in Chief Executives of Nonprofit Organizations."
- Evaluate the effectiveness of the Board with respect to the best practices found by Herman in "Board Practices of Especially Effective and Less Effective Local Nonprofit Organizations."

Resources

- News Directory of NC Papers www.newsdirectory.com/news/press/
- Interviews with CEO, budget analysts, board members, and staff members.
- The CEO's letter in the budget(s)

Fiscal Condition

- What is the organization's fiscal condition? Using the organization's financial reports or 990, analyze the fiscal condition, computing ratios and trends. Compute at least five ratios. Refer to *Financial Analysis: A Few Diagnostic Tools*, which is on reserve
- What is the organization doing well? What should be improved?

Budget Evaluation

Budgeting Process

- What type of budgeting system is used?
- If measures are used, what type predominates and why?
- What budgetary request forms are used? Attach a copy of each?
- What revenue forecasting method(s) is used?

Revenue Analysis

- What are the most important revenues?
- Examining the history of revenues in constant dollars over at least three years, explain significant changes?
- Explain *each* major revenue source—its legal basis, amount, and its reliability in the future.
- How are user fees set?

Expenditure Analysis

- Analysis of expenditures. Putting expenditures over at least three years in constant dollars, explain significant changes in expenditures at the departmental level.
- What major policy issues face the organization?
- What major infrastructure issues face the organization?

Budget Execution

- Who administers the budget and how?

STATE AGENCIES

The Political Setting

- What state legislators have the most influence over the budget process? Why?
- What key policy issues face the agency that you are analyzing? How do key stakeholders view these issues?

Resources

- Interviews with state budget analyst, fiscal research budget analysts, and the agency budget analyst.
- John Locke Foundation www.johnlocke.org/index.html
- North Carolina Budget and Tax Center www.ncjustice.org/btc1
- The Common Sense Foundation www.common-sense.org
- News Directory of NC Papers www.newsdirectory.com/new/press
- The Governor's letter in the budget(s)

Fiscal Condition

- Using the state's financial report, analyze the fiscal condition, computing ratios and trends.
- Based on your analysis, what is NC doing well? What should be improved?

Resources

- *Fiscal Facts*. NC General Assembly Fiscal Research Division
- *NC Comprehensive Annual Financial Report, June 30, 2000*
www.osc.state.nc/financial
- *State of NC: Summary of Financial Condition, June 30, 2001*
- *NC State Budget* [http: www.osbpm.state.nc.us/index.html/](http://www.osbpm.state.nc.us/index.html/)

Budget Evaluation

Budgeting Process in a Particular State Agency

- What type of budgeting system is used?
- What types of measures are predominately used and why? How could the use of measures be improved?
- What budgetary request forms are used? List them.
- What is the process within the agency? What role does the agency budget analyst play in preparing the budget?

Revenue Analysis

- Examining the history of revenues by source explain significant changes? Alternatively, analyze significant changes in the agency's most important revenues.

Expenditure Analysis

- Analysis of Expenditures. Putting agency expenditures by program in constant dollars, which programs have been budgetary winners and losers? Based on interviews, explain the variation in success.
- Based on interviews with agency, state budget, and fiscal research budget analysts, how successful has the agency been in getting expansion requests funded over the last four years? If successful, how and why? If not successful, why not?
- What major infrastructure issues face the agency? How successful has the agency been getting capital funding?

SCHOOL SYSTEMS

The Political Setting

- What are the political persuasions/views/ideologies of the school governing board members?
- Characterize the relationship between the board and the Superintendent generally and regarding budget development and approval?
- What key policy issues face the school system? How do key stakeholders view these issues?
- What role does the principal play in budgeting versus central administration?

Resources

- News Directory of NC Papers www.newsdirectory.com/news/press/
- Interviews with the Superintendent, budget analysts, governing board members, members of the press.
- The CEO's letter in the budget(s)

Fiscal Condition

- What is the organization's fiscal condition? Using the organization's financial reports, analyze the fiscal condition, computing ratios and trends.
- What is the organization doing well? What should be improved?

Resources

- For financial reports, see: www.treasurer.state.nc.us/lgc

Budget Evaluation

Budgeting Process

- What type of budgeting system is used?
- If measures are used, what type predominates and why?
- What budgetary request forms are used? Attach a copy of each?
- What revenue forecasting method(s) is used?
- If a CIP is prepared, how is a project defined?
- What roles (e.g., watchdog, advocates, etc.) do analysts play in reviewing budgets?
- Is the budget recognized by GFOA? Is the audit a CAFR? If not in either case, why not?

Revenue Analysis

- What are federal funding sources? State? Local?
- Examining the history of revenues in constant dollars over at least three years, explain significant changes?
- How high relatively is the county's property tax rate?
- What is the amount of the local supplement? How does it compare to similarly sized school systems?

Expenditure Analysis

- Putting expenditures over at least three years in constant dollars, explain significant changes. Based on interviews, explain the variation in success.
- How much general obligation debt is outstanding relative to other counties?
- How successful has the school system been in getting bond issues approved?
- What is the county's bond rating?
- What major infrastructure issues face the school system?

Budget Execution

- What do analysts do after the budget has been adopted? How active are they in preparing policy and management studies?

SPECIAL PROJECT

Some public professionals work in agencies in which they have, and will have, virtually no relationship with the budgetary process. In which, case propose to the instructor a project either on some financial aspect in your agency or on a general policy issue with fiscal implications. The paper should carefully document and reference the sources used including interviews, the Internet, public documents and **studies**.