

Public Capital Budgeting and Finance

Annie Millar, "Selecting Capital Investment Projects for Local Governments," *Public Budgeting & Finance* (Autumn, 1988): 63-77.

Faced with burgeoning infrastructure needs and circumscribed capital revenues, local governments must perforce set priorities among competing capital projects submitted by their operating agencies. This process involves value choices and political resolutions in addition to technical considerations. This article finds current priority-setting procedures in need of improvement and suggests a framework for local government assessment and selection of capital investment projects.

Bunch, Beverly S. "Current Practices and Issues in Capital Budgeting and Reporting," *Public Budgeting and Finance* v16, n2 (Summer 1996): 7-25.

Budgeting and accounting professionals, as well as other interested parties, are currently examining ways to improve governmental capital budgeting and reporting. Although progress has been made, major policy issues are still being analyzed and debated. This article provides an overview of current practices and the major policy issues that are being addressed. The discussion incorporates related ideas and observations made by Jesse Burkhead four decades ago. The author concludes that many of Burkhead's insights in the area of capital budgeting and reporting are still relevant and useful today.

Forrester, John P., "Municipal Capital Budgeting: An Examination," *Public Budgeting and Finance* v13, n2 (Summer 1993): 85-103.

Posner, Paul L. ; Lewis, Trina V. ; Laufe, Hannah, "Budgeting for Federal Capital," *Public Budgeting and Finance* v18, n3 (Fall 1998): 11-23.

This article examines the issues involved in federal investment budgeting and planning for the acquisition of federally-owned assets. It describes the unique role of the federal government and examines the different issues and reforms prompted by differing types of capital and investment sponsored at the federal level. It suggests that meaningful changes can be instituted in our budgeting practices that can make a difference for our budgetary choices without adopting a full-scale capital budget. It also presents a framework for improving federal agency capital decision-making based on a study of practices used by leading state and local and private sector organizations. The article is based on testimony delivered before the President's Commission to Study Capital Budgeting.

Bland, Robert L. ; Nunn, Samuel "The Impact of Capital Spending on Municipal Operating Budgets" *Public Budgeting and Finance* v12, n2 (Summer 1992): 32-47.

Peter Lufkin, Anand Desai and Jay Janke, "Estimating the Restoration and Modernization Costs of Infrastructure and Facilities," *Public Works Management & Policy* 10:1 (July 2005): 40-52.

Underspending for the maintenance of public facilities and infrastructure is a well-known issue. At least part of the problem can be attributed to our poor understanding of precisely what funding is required. Methodological limitations diminish the credibility of budget estimates that for many agencies, are based on ad

hoc approximations or historical trends. Estimates based on physical inspections are more defensible but are expensive and more useful for defining remedial projects than estimating future budget requirements. Carefully defining facility restoration and modernization (R&M) requirements yields a collection of determinants—including obsolescence, changing uses, and extraordinary damage—closely related to the concept of economic depreciation. Once this link is made, the methods of economic capital theory are available for understanding R&M needs. More specifically, R&M costs can be estimated using depreciation rates defined by Hulten and Wykoff (1980) and later adapted by the U.S. Bureau of Economic Analysis—an approach useful for any large organization requiring credible R&M cost estimates but unable to bear the costs of frequent physical inspections. The U.S. Department of Defense will begin using the approach as the basis for projecting R&M funding requirements beginning in fiscal year 2008. Among other uses, the depreciation model can provide long-term recapitalization targets for complying with Executive Order No. 13327, requiring real property asset management plans from all major federal agencies.

Michael Pagano, “Municipal Capital Spending During the ‘Boom’,” *Public Budgeting & Finance* (Summer 2002): 1-21.

This article analyzes municipal governments, capital spending, and revenue-raising decisions between 1993 and 2000, an era of unprecedented economic growth. It finds that, as anticipated, greater-than-expected revenues allowed many cities to advance projects from their capital improvement plans to their capital budgets. Moreover, the article concludes that growth in cities' own-source-revenue-generating capacity and transfers from carryover or ending balances from earlier years, rather than debt issuances and intergovernmental aid, seem to be the most important fuel for the remarkable growth rate in capital spending.

James Fossett, “On Confusing Caution and Greed: A Political Explanation of the Flypaper Effect,” *Urban Affairs Quarterly* 26 (1990): 95-117.

W. Bartley Hildreth and C. Kurt Zorn, “The Evolution of the State and Local Government Municipal Debt Market over the Past Quarter Century,” *Public Budgeting & Finance* 25: 4s 25th Anniversary Issue (December 2005): 127-153.

Much has happened in the municipal bond market during the past 25 years. This article provides a retrospective of some of the significant developments in the market during that period of time. These developments include passage of the Tax Reform Act of 1986, innovations in the market in response to changing economic and social conditions, and the regulation, increase in disclosure requirements, and proliferation of credit enhancements that renewed the efficacy of municipal securities for American state and local governments.

C. Kurt Zorn and Shah Towfighi, "Not All Bond Banks Are Created Equal" *Public Budgeting & Finance* 6:3 (Autumn 1986): 57-69.