Or the actors with less budget power may try to change the budget process so that they have a better chance of influencing the outcomes.

The Separation of Payer and Decider

The second feature of public budgeting is that decisions about how money will be spent are made not by those providing the money but by their representatives. The payers and the deciders are two distinct groups. The payers are not given a choice about whether they want to pay or how much they want to pay. The power of the state may force them to pay. They may protest if they do not like how their money is being spent, and elect new representatives. They cannot, generally, take their money and do something else with it.

The distinction between the payers and the deciders leads to two crucial characteristics of public budgeting: public *accountability* and political *acceptability. Accountability* means to make sure that every penny of public money is spent as agreed, and to report accurately to the public on how money was spent. *Acceptability* means that public officials who make budget decisions are constrained by what the public wants. Sometimes they will do precisely what they think the public wants, even if the results are inefficient or inequitable, and sometimes they will present the budget so that it will be accepted by the public, even if they have not precisely followed public will. This effort may involve persuasion or deception.

Since public demands may not be clearly expressed, and since different segments of the public may make different and competing demands, and since public officials themselves may have priorities, officials may not be able or willing to be bound tightly to public opinion. Nevertheless, if politicians knowingly make decisions that differ from what the public wants, there is pressure to present the budget in a way that makes it appear acceptable. That pressure creates a tension between accountability, which requires nearly complete openness, and acceptability, which sometimes involves hiding or distorting information or presenting it in an unclear fashion.

The Budget Document and Accountability

Because of the separation of payer and decider, the budget document itself becomes an important means of public accountability. How did the public's representatives actually decide to spend taxpayer money? Did they waste it? Did they spend it on defense or police or on social services? The streets are in terrible shape—how much money did they spend on street repair? Citizens do not typically watch the decision making, but they and the press have access to the budget document and can look for the answers. They can hold the government accountable through the budget, to see that what officials promised them was actually delivered.

But budgets do not always present a complete and accurate picture. One example of how budgets can lose information happened recently in a state university. A university president decided to expand the big-time sports program, in an environment of overall financial scarcity. While some faculty members undoubtedly favored the action, many would have opposed it if they had been asked. The president did not ask their opinions, however; instead, the full costs of the program were disguised to make the budget appear acceptable. Because of progressive underestimates of costs in the sports program, some pundits labeled the sports program the case of the disappearing budget.

To obscure the real costs, the president broke up the costs for the program and scattered them among different portions of the budget. To complicate the picture further, he drew on different pockets of revenue, including student athletic fees, bond revenues, and voluntary donations. When asked, he said money going to the athletic programs was earmarked and could not be spent on other programs, so that professors trying to get more money to teach history or biology would look elsewhere than to sports. The amount of money showing as costs in the athletic program remained constant every year, although the program costs were expanding. Fearing conflict and disapproval, the president hid the costs in the budget.

The more complicated the budget, the more different activities and accounts, the greater the discretion of the administrators. As one university president offered, "Not a day goes by when we do not wish we had a more complex budget." The complexity allows for choice of where to report expenditures, and which revenues to use, to highlight some expenditures and gloss over others.

It would be misleading to suggest that the tension between accountability and acceptability always leads to more distortion or more secrecy. Sometimes the balance tends toward more accountability and budgets become clearer and more representative of true costs. The federal budget, for example, has moved toward clearer and more comprehensive portraits of public expenditures in recent years. But the tension is always present, and each budget represents some degree of selectivity about what it will present and how. The art of selective revelation is part of public budgeting.

Openness to the Environment

Public budgets are open to the environment. The environment for budgeting includes a number of different factors including the over-all level of resources available (the amount of taxable wealth, the existing tax structure, current economic conditions); the degree of certainty of revenues; and a variety of emergencies such as very heavy snowfall, tornadoes, wars, bridge collapses, droughts, chemical explosions, and water pollution. The environment also includes rigidities resulting from earlier decisions, which may now be embodied in law. For example, rapid inflation in housing prices in California resulted in a citizen referendum to protect themselves from rapidly rising property taxes. The result of the referendum was incorporated in the state constitution, limiting the taxing options of local government. Constitutional restrictions to maintain a balanced budget or limit expenditures or put a ceiling on borrowing operate in a similar manner. Prior borrowing creates a legal obligation for future budgets, an obligation that may press other possible expenditures out of consideration or require higher levels of taxation. The environment in this sense may frame policy issues and limit alternatives. Public opinion is also part of the budgetary environment, and the perception of change in public opinion will be reflected in changing budgets.

The intergovernmental system is also a key part of the environment for budget actors. The legal sources of revenues, limits on borrowing, strings attached to grants, and mandated costs are but a few of the budgetary implications of the intergovernmental system. The requirement that some grants be spent on particular items or that a recipient match expenditures on grants may result in a pattern of spending different from what the state or local government would have preferred.

Budget Constraints

Openness to the environment creates the need for budgets to be flexible. Public officials have to be able to adapt quickly, reallocating funds to meet emergencies, spending more now and making up the difference later, cutting back expenditures during the year to meet sudden declines in revenues or increases in expenditures. But the same openness to the environment that creates the need for flexibility may simultaneously subject budgeting to numerous constraints.

For example, in California, a statewide referendum limited the rate of growth of local assessments, restraining the growth of property tax revenues. Federal grants provide budgetary constraints when they can be spent only on particular programs. The courts may create budgetary constraints by declaring programs inadequate or taxes illegal. Legal obligations to repay debt and maintain public businesses separate from the rest of the budget also create constraints.

The need for flexibility and the number of budgetary constraints contest with one another, creating patterns typical of public budgeting. For example, local officials may press for home rule, which gives more independence and autonomy to local governments to manage their own affairs and adapt to changing conditions. But state officials may erode home rule through continually mandating local costs. State universities may try to squirrel away contingency funds outside those appropriated by the legislature so that they can respond to emergencies; the legislature may then try to appropriate and hence control this new local source of revenues.