JOHN L. MIKESELL

# Fiscal Administration

Analysis and

Applications

for the

Public Sector



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# Analysis and Applications for the Public Sector

**FOURTH EDITION** 

John L. Mikesell Indiana University



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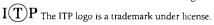
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#### About the Author

John L. Mikesell is professor of public and environmental affairs at Indiana University. He holds a B.A. from Wabash College and both M.A. and Ph.D. in economics from the University of Illinois. His work on government finance has appeared in such journals as the National Tax Journal, Public Finance Quarterly, Public Finance/Finances Publiques, Public Budgeting and Finance, Public Choice, Land Economics, and Public Administration Review. He is coauthor (with John F. Due) of Sales Taxation, State and Local Structure and Administration (Johns Hopkins Press). He has worked on fiscal studies for several states, including New York, Minnesota, Indiana, and Hawaii, and has served on the Revenue Forecast Technical Committee of the Indiana Budget Agency for more than a dozen years. He also has been visiting scholar at the Congressional Budget Office. He has served on the executive committees of the National Tax Association and of the Association for Budgeting and Financial Management, including service as chair of the latter.

### Preface

Public finance and budgeting is characterized by change. That is true whether one is interested in attitudes about the proper role of government; whether one considers government spending, government revenue, or the gap between the two; whether the focus is federal, state, or local government in the United States or the finances of some other nation; whether one is concerned with theory or practice; whether the observer is a neophyte or a seasoned hand. No part of the field is constant for long, but the age-old questions of how much to allocate for what and where to obtain the resources necessary to cover the allocation always remain, even as the answers to them change. Indeed, if one sticks to the field long enough, old answers pop up as new people enter the field, rediscover the old answers, and proclaim them new!

As did the earlier editions, this volume sticks to two distinguishing principles. First, a public affairs student must have an idea of where the money comes from, not just sort of, but really. As an earlier preface observed, "If armies move on their stomachs, then certainly governments crawl on their purses!" That is no less true for the 1990s than it was for the 1980s; those lacking an understanding of revenue options, systems, and policies will miss out on much of the fun. The second principle is that learning public financial administration and budgeting requires running the numbers. Most questions and exercises at the end of the chapters are not speculative in nature but require the student to develop an intimate relationship with pencil and paper, calculator, or computer. That emphasis is absolutely intentional.

Several specific revisions need to be noted. First, there is a new chapter that looks specifically at federal and state—local budget processes. Material about the specific processes, institutions, and the like that were scattered about in other chapters, in previous editions, on budget cycles and methods have been gathered and expanded here. Special attention is given the differences between federal and state—local processes, constraints, and institutions. Second, all materials have been updated to include the most recent fiscal data now available and to include federal changes through the Revenue Reconciliation Act of 1993. Third, many international comparisons have been added, to provide more contrasts between the public sector of the United States and that of our major trading partners. Fourth, material has been added on several topics of current concern, including new performance budgeting, public pension—fund management, mandates, internal control, value-added taxes, privatization, and state-supported gaming. Finally, several new cases and exercises have been added, and the bibliography of sources for additional reading has been updated and expanded.

I would like to thank the reviewers of this edition for their helpful comments: W. Bartley Hildreth, Louisiana State University; Hugh Hinton, University of Toledo; Fred A. Kramer, University of Massachusetts, Amherst; and James K. Shaw, University of San Francisco.

#### x Preface

As with other editions, my students and colleagues at Indiana University continue to enjoy pointing out errors and misinterpretations in the book, as well as in other areas of my professional life. Their attention to detail and efforts to keep me current with the field are deeply appreciated. I also thank the Congressional Budget Office. While serving as visiting scholar there, I learned much about the federal budget and how that process works, an education that permitted several improvements to the book. Finally, I could not have written this book without the capable and efficient secretarial support I have had. For this, I thank Becky Howard, Becky Neal, and Maggie Pearson who pitched in to help and, most especially, Kathy Haney, who made sure that everything got done right. Couldn't have done it without you!

John L. Mikesell

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