

*Department of Business Administration*  
*Business Administration Student Research*

---

Tennessee State University

Year 2008

---

The Effects of Unpredictable Energy  
Costs on the Public Budget

Alan Enzo  
Tennessee State University, aenzo@comcast.net

# **The Effects of Unpredictable Energy Costs on the Public Budget**

by:

Alan Enzo, M.B.A. and Ph.D. Student  
Tennessee State University

Prepared for:

Dr. William H. Kraus  
PADM 6230: Public Budgeting  
Spring 2008

### Introductory comparative study of private versus public budgeting:

Most enterprises, private or public, have to deal with several powerful variables in their quest to balance the budget. Some costs and line items are very straight forward and easily predictable year to year. Some budget items are so nebulous that they seem to defy the ability to forecast altogether, such as gasoline and maintenance costs for a fleet of vehicles in year 20XX.

In the private sector business accounting, normally the convention used in working with contestable budget variables is to simply calculate the variable in the same way that it has always been done by the company, with as little variation as possible. Senior managers actively support accounting staff that excel at following long-established procedures to the letter. Those who rock the boat by trying to improve on long-established and politically-driven budget procedures can find themselves isolated, and marked for demotion to a cubicle in the basement. On the other end of the private-sector-spectrum, there are companies that provide cash incentives to workers whose ideas save the company money. It has historically been easier for private companies to “cook the books” in order to achieve a desired image, for instance, an image of liquidity or value, in the public eye. It is also much easier for a private company (versus a public agency) to reallocate resources or re-work a budget quickly, in a year beset with unexpected costs.

The fact that private-sector budgets are just that (private), means that there may be little or no outside scrutiny resulting from a given budget proposal or deficit. Transparency simply does not exist, even in many publicly-traded companies. They report publicly only those pieces of information that the laws force them to report. For this reason, an individual privately-held company's process for financial decision-making and budgeting ranges from the "good-old-stand-by" accounting method of throwing darts at a paper Excel spreadsheet with various numbers on it to complex mathematical budget analyses using historical data and business enterprise software programs that magically produce CPA-approvable forecasted figures. In the private sector, investors are expected to "assume" to a large degree, that the numbers made public are a true reflection of the company's operations. As a result of this assumption, there is more risk associated with operations of a private company versus the risk inherent in the operations of a government agency. For this reason, investors in the private equity markets are rewarded with higher returns, and those who choose to invest in municipal bonds are willing to receive lower returns in favor of what they perceive as a "safer" investment.

The public budget, on the other hand, is subject to a higher degree of transparency. Consensus on the budgeting process where tricky variables such as fuel costs or war funding exist may be hard to come by. How do we go about determining these numbers for budget planning purposes? Where does the financial analysis end and the political battle for budget dollars begin?

Regarding the calculation of budget items, the average citizen should be correct in his expectation that public officials incorporate a high degree of ethical responsibility when forecasting numbers that eventually end up as a budget line item, and an encumbrance against the taxpayers. Knowing the fact that you have been entrusted with helping to determine where funds from all those individual citizens will be used, along with the ever-present threat of public scrutiny into your decision-making process, should drive efficiency and foster good decision making in the public budgeting process. On the federal-level, much of the budget analysis, forecasts and estimates are provided by the Congressional Budget Office. These are highly-qualified public accountants and researchers who do work almost exclusively for Congress to help them in their decision-making and policy creation. However, even given expert information and forecasts, politicization of the process at every level means that a complex web of political favors, pay-backs and influence-peddling exists over top of the network of all those important budget decisions and allocations that need to be made.

#### The Inherited Budget:

“States and localities dealing with balanced budget requirements sometimes use budget gimmicks not only to react to deficits but to obscure or minimize them. If the deficit is small or defined away, they will not have to act to raise taxes or cut services, both of which are politically unpopular.” (Irene S. Rubin, *The Politics of Public Budgeting*, p. 210)

As a new administration arrives on post for the first time, they may discover more than the budgetary problems they anticipated before taking office. They may discover some existing “internal” financial irregularities that will need to be addressed immediately as a first-order-of-business when taking over or “inheriting a budget”. In-coming officials should intently review all that they may have inherited, reporting any irregularities found at the outset. Imagine inheriting a deficit-ridden and tampered-with budget in a year when something like Hurricane Katrina hits, or at any time when gasoline prices (or other costs) rise uncontrollably due to fears and market speculation about supply. Officials inheriting a *flawed* budget can be damned before they have even begun their tenure. Knowing what booby-traps exist in your inherited budget can be vital to the success of the incumbent, the party and the future career of those involved. In the case that the prior administration has put off expenditures or moved up revenues to artificially balance the budget, adjustments should be made (over time if necessary) to correct the situation and publicly announce the correction. If a public entity chooses to adopt major accounting procedure changes or if they have used accounting methods other than the Governmental Accounting Standards Board, the changes will appear on the yearly independent audit of the agency or municipality under the financial footnotes.

It makes inherent sense to most of us why we should not put off tough budget decisions into the future, because the effects of any delay in some cases could degrade our financial position exponentially in the future. Practices such as borrowing against future revenues, delaying payments to local governments, or delaying tax refunds can be obscured or hidden from obvious view. These are strictly political maneuvers intended

to make the numbers look better than they actually are. Again, it is much easier to fool Wall Street by using some fancy accounting moves, than it is to fool the US government and the taxpayers. Although the goal of balancing the budget may have been reached, the use of questionable means to arrive at the goal means risking serious financial trouble for the public entity in the future.

Dealing with a “clean-up” of the financial “mistakes” of prior administrations can prove to be a crippling challenge:

“Accountability does not happen by itself; budgets do not wade into crowds and draw around them circles of admiring readers. Budgets have to be interpreted, and someone has to tell a good story to the readers involved. This is where newspapers come in, but reporters are not necessarily knowledgeable, and newspapers are not necessarily neutral. The inherited budget may be booby-trapped in a variety of ways, precisely because time is an element in budgeting, and expenditures can be put off or revenues moved up.” (Irene S. Rubin, *The Politics of Public Budgeting*, p. 210)

#### Case Study: The effects of rising fuel prices on public budgeting after Hurricane Katrina

We saw earlier how the public budgeting process can be made more difficult by inheriting deficits or flawed budgets. By taking a look at what happened to energy prices after hurricane Katrina, and by learning what actions some States and local governments took to deal with the problem, we can learn the correct methods (as well

as what methods not to use) when unexpected price increases threaten the balance of the public budget and the processes involved in public budgeting.

The heavy economic impact that hurricane Katrina had on US citizens and businesses was felt most immediately through the rising fuel prices including crude oil, gasoline and their many derivative products. US crude oil production in the Gulf of Mexico area came to a halt and some off-shore operations suffered severe damages from the Hurricane. Some important inland crude oil refineries were also damaged and US Gulf Coast crude oil refinery inputs decreased significantly.

In the weeks and months after the hurricane, the international crude oil markets reacted with speculation. The reduction in the worldwide supply of crude oil caused a short-term rise in the prices of all petroleum-related products. Increased fuel prices caused commodity prices to increase in response. As markets reacted to the increase in commodity prices, we witnessed increased prices for a wide range of products, and prices for US exports increased. We can see that as fuel prices increase, naturally prices for many other products increase. It is intuitive that any goods requiring fuel to produce them, and those requiring transportation by land, sea or air should be priced to reflect any increase in fuel prices.

As we saw in late 2005 when fuel prices increased dramatically, federal, state and local governments, along with everyone else, were all forced to work within a new financial framework. Budgets were squeezed (and may have been thrown into deficits) as



businesses and public entities adapted to the new environment. Following Hurricane Katrina, many businesses found that by simply incorporating their increased fuel costs into the prices they charged for products or services, they risked losing their competitive position in the marketplace. As more industries struggled with increased fuel costs, the costs were passed-down to consumers in the form of higher-priced products. Now not only was fuel becoming more expensive, but to the average consumer, and for all public entities, almost all goods and products were becoming more expensive including food and basic materials. Consumer behavior and small business operations changed as people were forced to adapt in response to price increases on a wide array of products. Budgets and forecasts created prior to Hurricane Katrina were necessarily scrapped. Unfortunately, the process of adjusting to such an unexpected budgetary hit is much more difficult and time-consuming for public entities. Although many state and public agencies enjoy the advantage of getting gasoline at reduced-rates (about half what the public has to pay), public entities do not enjoy the luxury of being able to pass down a given increase in costs to the consumer. When fuel prices rise uncontrollably, the public agencies must either ask for additional financial help from the federal level, or cut spending internally somewhere else to make up for the deficit.

Examples from the field of how states and public agencies deal with budgeting problems related to unpredictable fuel costs and other difficult variables:

**Example 1:**

**Federal** - An officer at a branch of the U.S. Department of Defense reports that technology (along with other purchasing) initiatives will be an even lower priority in 2006 than they were in 2005. The agency spends most of its budget on weapons and fuel. When fuel costs soar, operating costs soar. The impact of Katrina and higher oil prices has created more than a one-time blip in spending expectations. This is the lowest expectation for future 12-month spending since we started tracking it ... in the beginning of 2004. The most recent drops are most likely a reaction to the reality of permanently higher oil prices. (Computerworld: How oil prices affect your IT budget. Mitch Betts, 11/23/05 -

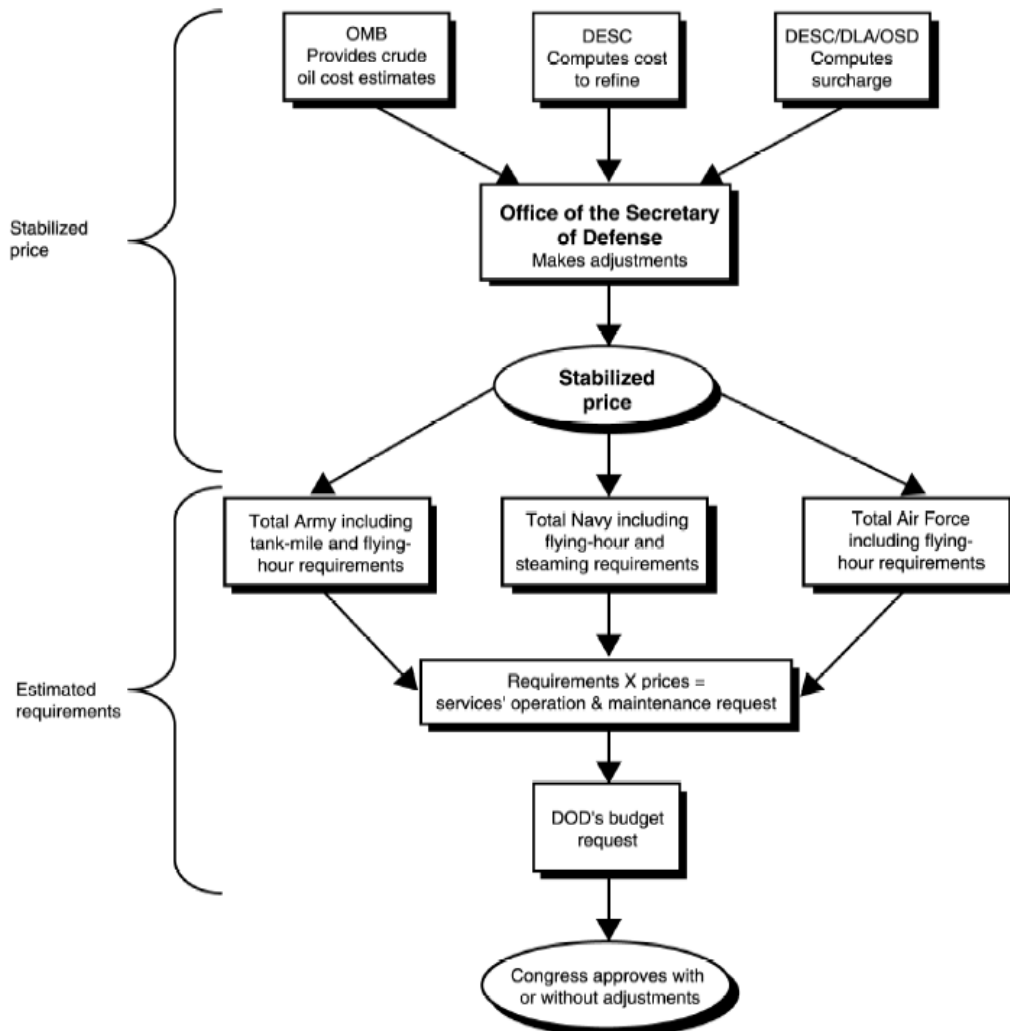
<http://www.computerworld.com/blogs/node/1352>)

Department of Military budgeting has become an extremely complex exercise for our public officials nationwide. In addition to severe cost overruns in some areas such as fuel and general services, there are unpredictable disasters and wars adding to their budgeting and forecasting difficulties. There are surpluses here and deficits there, but the bureaucracy and time involved in changing these decisions, make any quick reactionary measures to achieve a budget balance impossible. Unpredictable energy prices may cause huge deficits for an agency like the Tennessee Emergency Management Agency (Where I was Asst. Director of Finance and Programs), all while millions of dollars are coming in the other side in the form of Homeland

Security Grants to the States and local counties. The “admin” allowable expenditure under these grants is capped at 10% or less of the awarded amount to the State.

This means that each state contracts with the federal government to administer the Homeland Security Grants to the localities for a locked-in amount to be granted to the State for “admin” related costs. If the State’s cost to administer these programs rises too fast, then emergency funding requests and deficits for the State may result. Different (and larger) problems exist for military funding and budgeting at the federal DOD level. Please see Figure 2 below: **Military Fuel Budgeting Problems –**

Figure 2: Budget Process for DOD Fuel



Legend:  
 DESC Defense Energy Support Center  
 OMB Office of Management and Budget  
 OSD Office of the Secretary of Defense

Source: Developed by GAO.

<sup>2</sup> Because of wide variations, volatility of fuel prices, and their corresponding impact on the budget, GAO provides periodic updated information to appropriation and authorization committees that shows the impact of more recent fuel price estimates on the services' budget requests.

An interesting insight into military fuel budgeting and the inter-agency processes involved:

The National Defense Authorization Act for Fiscal Year 2001 (P.L. 106-398) requires that we review the working capital fund activities to identify any potential changes in current management processes or policies that, if made, would result in a more efficient and economical operation. The act also requires that we review the Defense Logistics Agency's (DLA) efficiency, effectiveness, and flexibility of operational practices and identify ways to improve services. One such DLA activity, the Defense Energy Support Center, sold about \$4.7 billion of various petroleum-related products to the military services in fiscal year 2001. The services primarily use their operation and maintenance appropriations to pay for these products. The basis for the military services' annual budget request to Congress related to fuel needs is what DOD refers to as the stabilized annual fuel price. The stabilized annual fuel price, along with the services' estimated fuel requirements, is used to compute budget estimates. Therefore, it is important that the fuel price accurately reflect the full cost as envisioned in the concept. If the price is too high, the fund will receive more funds than required, funds that otherwise could be used to meet other priorities. If the price is too low, the fund will not have sufficient funds to cover the cost of fuel, prompting DOD to either increase prices in future years, request a supplemental appropriation, or transfer funds from another DOD account.

(General Accounting Office: *Better Fuel Pricing Practices Will Improve Budget Accuracy*. <http://www.gao.gov/new.items/d02582.pdf>)

**Example 2:**

**Boston, MA** - Craig Young, business manager for the Groton Dunstable Regional School District (in Boston), said heating costs could increase by anywhere from 60 to 80 percent this year over last year. The district has a \$600,000 reserve fund, known as an excess and deficiency fund, which will probably be tapped for any additional revenue

needed, he said. "If we get into trouble due to fuel prices, I suspect we can dip into that fund," Young said. "We will not need to go back to voters (to increase taxes), in my opinion." (*Fuel Prices Cause New Budget Woes*. The Boston Globe, October 6, 2005. [http://www.boston.com/news/local/articles/2005/10/06/fuel\\_prices\\_cause\\_new\\_budget\\_woes/?page=2](http://www.boston.com/news/local/articles/2005/10/06/fuel_prices_cause_new_budget_woes/?page=2))

On the local level, some communities have responded to higher fuel prices by taking steps to minimize fuel costs. In Boston, some police precincts have agreed to a new gas-saving policy of not allowing police cruisers to sit idling outside the station. The police feel that the amount of gasoline savings is debatable, but at least people are actively thinking about these things and are getting everyone interested in conservation measures of all kinds. Public agencies would do well to follow the lead of the Groton Dunstable School District. In addition to keeping a "deficiency fund" as a budget buffer, they made other smart moves that offset higher fuel costs, such as converting all buildings to energy-efficient lighting.

Mike Santoro, assistant director of Belmont's public works department (outside Boston), said he's concerned about winter and how many snowstorms the season will bring. "If we have a winter like last year, it will create problems down the road" in terms of energy costs, he said. Santoro didn't have any estimates for how much the gasoline shock will affect Belmont, but "it would cause a problem," if the prices stay at their current rates, he said. Geoff Beckwith, executive director of the Massachusetts

Municipal Association, a group that advocates for cities and towns across the state, said the state has stepped up its fuel assistance program in light of the gas shock.

Debate is just commencing on Beacon Hill for ways in which the state can provide relief to communities struggling with dizzying fuel costs, he said.

"This is clearly a major issue for communities," said Beckwith. "We certainly hope any kind of state action would include municipalities." (*Fuel Prices Cause New Budget Woes*. The Boston Globe, October 6, 2005.

[http://www.boston.com/news/local/articles/2005/10/06/fuel\\_prices\\_cause\\_new\\_budget\\_woes/?page=2](http://www.boston.com/news/local/articles/2005/10/06/fuel_prices_cause_new_budget_woes/?page=2))

### **Example 3:**

**CEDAR RAPIDS, IA** - Cities and counties across Iowa could soon be feeling the pinch of high gas and diesel prices. Some local officials say if prices keep rising and don't level out, they could be over budget and may have to dip into **cash reserves**.

Government agencies get a break on some fuel taxes and can buy in bulk, so their prices are lower than what consumers pay at the pumps. However, if prices stay up, they will feel the impact. Linn County, for example, budgeted about \$250,000 for fuel this year, figuring it would buy \$200,000 gallons at around \$1.15 a gallon. Prices have been around \$1.45 a gallon for gas and even higher for diesel, and it adds up. County Engineer Steve Gannon said that's over \$250,000. (*High Gas Prices Could Cause Problems For Cash Reserves*, 11/3/04,

<http://www.kcci.com/money/3887252/detail.html>)

As we saw in the examples and articles above, the most popular budgetary methods used to deal with unpredictable volatility in fuel prices are to: 1) Increase fuel prices artificially in future years to make up for the deficit in the current year (I personally don't agree with this practice because it makes next years' numbers misleading); 2) Request a supplemental appropriation from the next level of government; 3) Transfer funds from other accounts to cover the shortfall; 4) Find ways to conserve in other areas so there is enough to pay for rising fuel costs, and 5) Dip into the reserve or "rainy day fund" to cover deficiencies caused by volatile energy costs.

#### Importance of having a functioning "Rainy Day Fund":

Many state and municipal governments try to avoid deficits by relying on a revenue stabilization or "Rainy Day" fund. However, sometimes the practice is to "shove" the problem down a level so that someone else has to pay the price. I personally believe that the federal budget should not be balanced on the backs of the state and local governments. I also believe that state and local governments should not balance their budgets on the backs of the individual citizens. Those at the bottom of the public scale should not have to shoulder a burden that is created by unscrupulous budget manipulations occurring at a higher-level of government. By instituting a revenue-stabilization (or rainy day) fund, the tasks of balancing and managing the budget are made simpler. In public budgeting, one has to be mindful when adopting a conservative approach by employing "safety nets" such as rainy day funds. If the money in such a fund sits idle and makes no interest for the city, county or state, and in the case that none of it is used during the year to cover unforeseen expenses, then it is money that



could have been used productively and was not. Having a large budget surplus opens up the possibility for the stakeholders in this situation (taxpayers) to raise their collective voice and demand that public funds be spent more productively in the future, or that taxes be lowered, etc. More likely is the case that when a viable rainy day fund approach is employed, there are surplus funds which can be used by the entity in many constructive ways.

#### Dealing with unfunded mandates and other deficit-causing budget variables:

The problem with having many large and volatile variables in your budget such as fleet fuel costs is that they are often under-budgeted, creating difficulties and deficits that future generations of public officials may have to clean-up.

To illustrate the complexities caused, and as a supporting reference for the suggestion of using “rainy-day” funds in the public budgeting process, I would like to cite the mini-case from the textbook: Wisconsin Confronts Deficits (Irene S. Rubin, *The Politics of Public Budgeting*, p. 210). In the case, the federal government causes financial stress for Wisconsin (and many other states) because of several “Unfunded Mandates” which were passed down to the states. Wisconsin had to find a way to deal with their huge deficit which resulted from the mandates and from other systemic financial problems. One option on the table was to pass the burden right on to the local governments by using major program and budget reductions. When public entities are facing deficits, whether it is at the federal, state or local level, each entity must decide whether to raise revenues, cut expenditures or both. Different officials have different ideas about how

important a balance is or how we should best go about eliminating a structural deficit. Opinions run the spectrum about the practice of shifting the burden down to the next level of government. In the Wisconsin case, disagreements about how to address the chronic running deficits resulted in long and contentious sessions as the legislature wrestled with the budget, bringing calls for a change in the budget process itself. In 2002, a legislative commission was established to recommend budget process changes, and reported one year later. The most important of their recommendations (dealing with requirements for a balanced budget and rules for a rainy day stabilization fund) did not pass. The public fights about tax limits and a taxpayer's bill of rights amendment, in combination with a divided state government (Democratic governor and the Republican legislature), added to the inertia surrounding the question of how to eliminate the structural deficit. There are ways to eliminate a structural deficit without handing the problem down and causing the local governments (and citizens) to suffer unnecessarily. However, any remedy chosen will have its own set of *political* complications that must be considered. Simply put, any plan proposed must be sold to the public and supported by colleagues.

The Wisconsin Deficit case above seems similar in some ways to the current events in 2007 surrounding Congressional budget appropriations for the Iraq war. A divided House and Senate are currently experiencing this same type of "inertia", which is caused by two very strong forces whose legislative strategies end up cancelling each other out. Although this sort of stalemate happens often in politics and also in public budgeting, in the case of the Iraq war it has brought this historical and fundamental

political dilemma to the forefront. Concessions must be made somewhere in order to proceed with legislation and budget appropriations. The only way to break such a polar stalemate is if each party is first willing to listen to the other party's concerns (problems with that in the current administration), so that an intelligent compromise can be engineered. Relationships and political maneuvering on both sides influence the direction of the decision heavily at this point. This is precisely where the structural procedures of government stop and where the politics of public budgeting decide. Given two budget items of equal cost, apples-to-apples, the item or program with the strongest political influence and network of support will win.

#### Going Green to Reduce Budget Volatility:

The public budgets in the near future may well reduce or eliminate some of the "problem" variables such as fuel costs in these budget equations, by simply changing the way their municipalities and public entities do business. These efforts undertaken by cities going "green" support the desires of public officials to control energy costs and decrease the risks associated with traditional fuels and their market volatility. The effect of market fluctuations on the public budget can make forecasting for some budget items difficult or impossible.

Consider forecasting a budget line item for ambulance fuel, 1, 2 or 3 years out. With the volatility of gasoline, oil and diesel fuel prices, this line item would indeed pose a challenge to even the most sophisticated budget analyst. However, if the fleet of ambulances were modified and converted to run on electricity or a hybrid system, we could forecast with a much greater degree of certainty what the line item for ambulance

fuel would be. If we ran the fleet on some totally renewable fuel source (many options are available for consideration), this would eliminate much of the current difficulty in estimating fuel costs. Going green enables any organization to eliminate having to deal with the budgeting challenges caused by volatile energy prices. The task of public budgeting is thus made easier by having variables that are more easily forecasted.

### Policy Recommendations:

To avoid the effects of volatile energy costs on public budgets, we can adopt legislation that rewards “first-movers” and improves the “forecastability” of these budget variables, or we can enact legislation that removes the volatility altogether. Since there is considerable legislative inertia at the federal level, I believe the onus is on the *states* to develop progressive energy policies and environmental legislation that creates the necessary momentum, beginning the thrust toward sustainability in public sector operations. This brings up the issue of federalism. Recently, policy innovations and action by states such as California have been blocked by the federal government (attempts to mandate automobile m.p.g., legislating that all home appliances meet certain efficiency standards, etc.). National and global corporations use their massive lobbying power to coerce a weak and compliant Congress, and the result is that states are forced to compromise downward and accept policies and standards that represent little change. Instead of rewarding innovation in the States and municipalities that exceed federal standards, we see a “dumbing-down” of policies to a national-level “lowest-common-denominator”. The balance of policy power that has been covertly shifted to the executive and federal level over the past decade or so must be returned to

the State-level if we are see true progressive changes in environmental and energy policies that are sustainable and in the public interest.

Most of what makes up the price we pay for diesel fuel and gasoline is taxes. The remainder should be made up ideally of production costs, transportation and a *reasonable* profit figure. However, a large part of the price we have been paying recently for fuel is based on *fear*, and not on the laws of supply and demand. For this reason, legislation must be introduced that limits profit-taking by producers, and that creates an “economic buffer” for individual citizens and businesses. It is not only the individual citizens and manufacturers who are hit hard by rising fuel prices. It affects all levels of society from city governments trying to estimate heating fuel costs for their buildings, to federal officials budgeting fuel for the nationwide fleet of US Mail trucks. Local governments and States could work together and lobby Congress in support of a bill that would insulate the US from erratic market price movements based on fear and speculation (and not based on normal supply and demand).

- Policy Recommendation 1: Proposed legislation would force internal US market “corrections” to take place when global crude oil prices rise erratically as a result of fears or from collusion-induced profit-taking by OPEC partners or energy corporations. Specifically, in the event of an unexpected price hike in fuels, The Secretary of Energy (or another appointed authority) would as a first option, mobilize supply from the US Strategic Petroleum Reserve, releasing it into the US marketplace until upward price pressures are negated.

By “managing” our US internal fuel markets in this way, and by properly regulating the oil and gas monopolies, we will never again experience erratic variations in diesel, gasoline and natural gas prices. If we close the accounting loopholes and force novice opportunistic energy traders to actually *take delivery* of a certain percentage of the energy they trade, these irresponsible speculators would immediately retreat to other markets and fuel prices would stabilize. In addition to using our reserves as a continuous economic buffer, production of fuels from US tar sands, oil shale and other methods could be increased. This plan alone is sufficient for solving the problem that individuals and public entities face in controlling expenses while trying to operate within a budget in times of volatile fuel prices.

- Policy Recommendation 2: The Floating Gasoline Tax – Since most of what makes up the price of gasoline and oil takes the form of taxes, the proposed legislation would provide that the tax assessed be adjusted in times of volatile crude oil prices. The result would be a stable, predictable price for fuels – no matter what is happening in the markets - and a negation of the heavy influence exerted on prices by cartels such as OPEC.
- Policy Recommendation 3: Reverse Pricing Policy – Currently, the prices we pay for gasoline are determined from the top-down. Specifically, cartel partners decide how much they will produce this period and the markets react to set the

world rate. Supply and production fears add to the price we eventually pay at the pump. If the policy is reversed, the consumer dictates the price. Say that Congress enacts legislation that “manages” the price that US consumers pay for gasoline. The US could employ several techniques to stabilize the market price at say, \$2.00/gal. The policy of the US will heavily influence a new world equilibrium price for crude oil. OPEC and others will now have to compete on price if they want to sell their oil to the US. This activity turns the tables and changes the dynamics of the market in favor of the end consumer. If this policy is combined with Policy Recommendation 1 and 2 above, there will never again be a need to negotiate with OPEC or any one else, because a “backup system” will be in place, effectively shielding the US market and our public budgets from unnatural volatility in energy prices.

### Conclusion:

Unfortunately, public entities continue to experience pressures from rising fuel prices as a result of sustained war, manufactured and real threats to the oil supply and the same fears and market pressures that drastically increased fuel prices in 2005 and early 2006. We hope that Congress (or more likely the States) will one day soon enact legislation protecting American citizens, businesses and public entities from the effects of erratic price fluctuations in the fuel markets. I believe that our dependence on oil and other volatile commodities could be reversed in a single year if we only had proper leadership in our States, (along with the House and Senate) with the courage to push harder for these initiatives.

Think about the following possible scenario: Congress or a State enacts legislation demanding auto-makers produce cars that can run on 90% electricity, and that all cars operating on US roads be converted to operate on 90% electricity by 20XX. Consumers would still have the choice to buy and use gasoline-only-powered-cars, but they would have to pay an additional environmental tax for the privilege. Along with this, corn subsidies are stopped and farmers are now encouraged to farm all the corn they wish for food purposes only. Farmers in the US who are currently being paid *not* to farm, would lose this benefit and may choose to go back to farming food for our population. Alternatively, the farmers could choose to keep receiving subsidies in exchange for operating renewable energy farms (wind, water, solar, etc.) With this simple policy shift, all US fuel needs could now feasibly be produced *within* the US! When this happens, public entities will regain the ability to accurately forecast transportation costs. Citizens will regain the freedom to travel and commute freely. Tax revenues would increase and many of the budgeting difficulties, fears, surprises and political pressures we are experiencing today will be mitigated.



## References:

- 1) Rubin, Irene S. (2006). *The Politics of Public Budgeting* (5<sup>th</sup> ed.). Washington, DC. CQ Press.
- 2) The New York Times, June 17, 2005
- 3) The New York Times, February 2, 2006
- 4) Computerworld, 11/23/05, How oil prices affect your IT budget. By Mitch Betts  
<http://www.computerworld.com/blogs/node/1352>
- 5) *Fuel Prices Cause New Budget Woes*. The Boston Globe, October 6, 2005.  
[http://www.boston.com/news/local/articles/2005/10/06/fuel\\_prices\\_cause\\_new\\_budget\\_woes/?page=2](http://www.boston.com/news/local/articles/2005/10/06/fuel_prices_cause_new_budget_woes/?page=2)
- 6) *High Gas Prices Could Cause Problems For Cash Reserves*, 11/3/04,  
<http://www.kcci.com/money/3887252/detail.html>
- 7) General Accounting Office: *Better Fuel Pricing Practices Will Improve Budget Accuracy*. <http://www.gao.gov/new.items/d02582.pdf>