

The format of the expenditure budget of the Government of Ontario, 1961-1985:

A path dependency model?

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Introduction

The expenditure budget of a government fulfils three functions: control, management, and planning of public funds. Depending on the format the budget adopts, one of these functions or another is put forward and can predominate. The normative approach often favoured to study the format of the expenditure budget (FEB) has led several researchers to base their study on the concept of reform, because it is the way governments approach the question. In fact, academic interest in this aspect of the budgetary system developed in the late 1960s, the start of a period when governments began to try affecting the equilibrium between the three budgetary functions (Prince, 2002: 401).

Governments consider most of their reform initiatives to have failed. Several public administration scholars have challenged themselves to identify the factors explaining these so-called failures, especially in the United States where the federal administration, as well as its state and local counterparts, have been the subject of the most important number of inquiries. Schick's (1973) classic case study of the "death" of Planning-Programming-Budgeting system (PPBS) in the American federal administration is the perfect example of the normative and inductive approach typically used in the study of the FEB. For him, PPBS failed in the administration because it could not integrate the routines put in place by tradition and practice (Schick 1973: 147). Lindblom and Wildavsky concluded for their part that PPBS ran rough into some important American political values related to the "conflict-resolving capabilities of the budgetary process" (in Schick, 1973: 149). A study by Harper et al. showed the interest of legislative committees, the involvement of central agencies, the availability of analytical data, the age of the agency, and the support of top officials, interest groups, and clientele groups all play a role in the adoption of a new format of budget (1980, in Kelly, 2005: 100). Among the more recent studies of plans of reorganization, Kelly, without stating there is a causal link, underlines that "the nature of the budget reform reflects the popular support for government action at the time" (2005: 106), which led her to write that a theory of budget reform is a theory of public opinion cycles (2005: 106). In Canada, Savoie held the failure of PPBS in the federal administration "was due to the assumption that techniques could replace political choice" (1990: 73). As for the introduction of PEMS, it was wrongly believed that actors of the budgeting process could change role, more precisely that "spenders could become guardians" (Savoie, 1990: 73).

These works are among hundreds of idiographic studies on failed reforms, the main approach to the study of FEB. Most of them share three weaknesses. First, this body of literature is centered on failure. Its conclusions do not necessarily lead to the

development of models that could also apply to successful cases. Second, the normative approach focuses on the changes governments bring, or want to bring, putting aside other possible sources of influence on the development of the budgeting format. Third, their results have led to the identification of a profusion of explicative factors: institutions, behavior, information technologies, values changes in the public opinion, historical context, etc. These factors are certainly relevant in one or more cases, but their number indicates the lack of a uniform theoretical framework, in part due to the normative approach to research. More, as most variables are drawn from American case studies, their application to other jurisdictions, especially those of parliamentary tradition, must be questioned. This gap in the knowledge on government budgeting is notable because the evolution of the FEB is not a simple technical and neutral question to better budgeting (Wildavsky, 1992: 594). Modifying a dimension of a budgetary system has necessary political implications (Wildavsky, 1992: 597). A lack of information about the format of the budget touches not only the budget itself, but also the understanding of the political system. In addition, the format of the budget has an impact in the whole administration because it acts as a link between general government perspectives and the financial administration taking place in ministries and agencies.

It seems promising to reconceptualize the issue and see it as the persistence of a format of expenditure budget already in place, rather than the failure to implement a new one. Thus, this approach moves away from the normative one, avoiding some of the problems mentioned above. This idea has already been mentioned implicitly by authors, for whom the format of the budget is a product of the past (Schick, 1966: 243), a refinement of the model already in place (Premchand, 1981: 75), a minimal adjustment of the model of yesterday (Patashnik, 1999: 148), or an incremental adjustment (Lu and Facer, 2004). For Prince (2002: 401) a reform of the budgetary system “is partly a reaction to and correction of perceived failings of the previous equilibrium between control, management, and planning”. The most articulated argument has been brought by Wildavsky, for whom the line-item budget has lasted over years because it allows governments to rest their decisions on past ones, which is the easiest to make a budget for them (1978: 508).

Despite their potential, no one has conducted a study of the format of the budget based on institutional persistence and stability, two notions closely linked to the concept of path dependency (Ackrill and Kay, 2006: 114). The purpose of this article is to use this concept to formulate an approach relevant to the analysis of the evolution of the FEB and apply it to the case of the government of Ontario between 1960 and 1985. The results are based on the content analysis of archive documents.

A path-dependent approach to the FEB

The concept of path dependency is used for the study of institutions, broadly defined as “the formal or informal procedures, routines, norms and conventions” (Hall and Taylor, 1996: 938). It speaks of a situation where, in an institutional setting, the “initial moves in one direction elicit further moves in the same direction” (Kay, 2005: 553) and that “certain options were not feasible because of earlier sequences of decisions” (Kay, 2005: 554). Behind the institutional stability, there are positive feedbacks produced by increasing returns, i.e. “processes in which institutional actors experience a gradually rising or at least constant utility from interaction with other actors within the institutional framework, which in turn creates a situation where each round of institutional interaction increases the likelihood of further interaction” (Duit, 2007: 1100). In an institutional setting, different types of positive feedbacks can exist and those behind stability are called institutional reproduction mechanisms (Hedström and Swedberg in Duit, 2007: 1101). These mechanisms raise or keep constant the cost of passing from one institutional setting to another (Pierson, also Lindner in Duit, 2007: 1101). It can be a rule (formal or informal), a behavioural pattern, or an interaction between rules and behaviour, that increase switching costs for actors (Duit, 2007: 1101). The reproduction mechanisms are contextual and it is difficult, if not impossible, to predict them. This said, there are two broad categories: rules that generate reproduction mechanisms (reproductive rules) and action patterns resulting from actors following reproductive rules (reproductive practices (Duit, 2007: 1102). It is worth noting that Kay (2005: 563) underlined increasing returns are sufficient, but not necessary, for path dependency: non-increasing return mechanisms can also play this role. Non-increasing return mechanisms also appear contextual and must be identified case by case.

Three levels of institutions are generally recognized by those who use the concept of path dependency: macro (constitutional level), collective choice (policy decision level), and operational level (individual decisions) (Hall in Kay, 2005: 555). When applied to the study of the expenditure budgetary, the macro level corresponds to the spending view of the government, including financial plans, while the micro level refers to the activities taking place within the units of the agencies. As Prince has underlined (2002: 403), this leaves extensive room for the mezzo level, to which the FEB belongs. From this point of view, the FEB can be approached as a mezzo-institution, providing an incentive structure affecting the behaviour of the actors involved in the budgetary process, and acting as a strap between the two other institutional levels.¹

The main advantage of the concept of path dependency rests in its dynamic approach that allows understanding of the development of phenomena over long periods of time (Kay, 2005: 559), rather than giving a snapshot of institutional reality. It

is thus useful to understand the stability the FEB as many commentators have noticed for many years and continue to analyze its evolution in government.

A period of stability

Dating from the Confederation, the FEB that in place in Ontario was rooted in a political environment where the role of government remained limited, even though it incrementally increased over several decades. Two principles guided the budgetary process of the time: balanced budget in addition to honesty and probity in spending (Prince, 2002: 405). This format of budget was called the line-item model of budgeting, also known as the traditional model. It aimed to allow legislative powers to exert an *a priori* control of government's expenditures and to keep the executive accountable by providing the details of the amounts of money needed by agencies to run programs (salary, equipment, transportation, etc.). The annual expenditure budgetary process starts with each agency preparing a budget, all using the same items and indications, and their addition leads to the development of the government's expenditure budget, which in turn reflects the organizational structures of the administration. In each budget, the same items are presented, but the amounts of money asked for are slightly bigger in each exercise because of various increased costs. This is why some analysts qualified the line-item budget as an incremental model.

At the beginning of the 1960s, quantitative and qualitative changes marked the relationship of governments with the economy. The government of Ontario was no exception to this international trend. It wanted to fight recession and unemployment, rather than simply promote and support the provincial resources, a role adopted during the Second World War. More, the establishment of a new rapport between the government of Ontario and its federal homologue let the province with an important financial gap to fill. As a result, between 1960 and 1965 the net general expenditures of the Ontarian government went from \$900.9 to \$1263 million, an increase of 40%² (Richmond, 1974). In this context, the expenditure budget became in the government's eyes a tool to control the short term performance of the economy. From then on, the budget would be used to: 1) establish of expenditure priorities; 2) introduce long-range planning; 3) coordinate all policies and programs within a long-range plan; and 4) coordinate with federal and municipal governments (Richmond, 1974: 18-19). In regard to these principles, the government believed the line-item model, designed to control a government performing rather simple functions, did not meet its needs.

In 1966, the Committee on Public Accounts of the Legislative Assembly suggested solving the issue by adopting a new FEB called PPBS. This suggestion was not original as at the time most public administrations, facing similar economic conditions than Ontario, were adopting this budgeting approach. PPBS, first implanted by the American Department of Defense, is a format of budget that promised to manage public money not by controlling, as the line-item approach did, but by planning. The system is said to be simple and rational: planning objectives, developing programs based on the objectives, translating the programs into budgetary requirements, and evaluating the programs' performance (Doh, 1971: 39). It emphasized programs (i.e. purposes) and tied their objectives into the budgeting process, without considering the organizational structure. The program structure presents a hierarchical listing of programs, activities and sub-activities contributing to the achievement of government objectives. PPBS emphasizes what the agencies intend to do with the money allocated, rather than what they need, even though this information is also presented. Unlike the traditional format, the emphasis is put on long-term planning. The expenditure budget has to present the expected cost of each program for a certain number of years, possibly including past years. The program structure also served as a framework for the evaluation of the effectiveness of the programs. By knowing how much a program was supposed to cost, it is possible at the end of the fiscal year to control the amount of public funds spent and the efficiency of the program managers. In addition, there is the possibility of conducting cost-benefit analysis. If applied completely, this FEB could also serve as the format for the Estimates, thus offering the opportunity to the legislature to be more involved in the control of the administration. In this way, PPBS presents itself as a budgeting format that emphasis both the planning and control functions.

Following the suggestion of the Committee on Public Accounts, the government adopted PPBS and started its actual implementation in 1968. This FEB was expected to help the Cabinet and its committees in improving decision-making about policies and resources allocation, in addition to give the Legislature a better grasp of the Estimates (MacNaughton, 1967). Beside the diffusion of information about the new budgeting format in the administration, the first step of the implementation consisted of the development of a framework for a Multi-Year Plan (MYP), designed to support the Cabinet in establishing priorities for funding existing programs and for implementing new ones.

This five-year projection remained essentially an administrative exercise as its first version did not include government objectives. In their absence, each department developed its own program structure that became the keystone of the system, with activities from different departments contributing to the same objective being grouped in different programs. The programs as defined by the ministries reflected in fact their

own organizational structure, this to make programs workable for the preparation of the Estimates voted by the Legislative Assembly. In simple words, there were two parallel program structures in the administration. One was made for the expenditure budget, from the point of view of the government and central agencies, and reflected their vision of the programs in place, not the ministries'. The other structure was developed by each ministry for the purposes of the Estimates, which still had "a strong emphasis on the goods and services being purchase to operate individual program" (Planning and Development Branch, 1970). This double structure led some actors to describe the situation of PPBS in Ontario as at best an uneasy mixture of program and organization, unevenly distributed in the administration (McAllister , 1981). A method called "crosswalking", created to accommodate organization and program arrangements, could have helped. It basically consisted of administrative means bridging program and organizational structures, thus superimposing them. In practice, this technique met resistance.

Because of this approach centered on departments' programs and structures, PPBS could not be implemented following a top-down approach; it followed a bottom-up one. Thus, each department submitted its own plan to be included in the government's MYP. Despite the information on programs provided to it, the Cabinet was not used following the PPBS guidelines. The Cabinet's attention was centered not on program priorities as set up in the departments' plans, but on their financial implications for the first few years of each department's plan. Plans were used to identify the financial problems which would have resulted if more stringent priorities and control of costs were not introduced.

As for the last component of PPBS, the development of appropriate measures of output, benefits and effectiveness of individual programs, it was found almost impossible to establish meaningful measures until objectives for programs and activities had been specified. The implementation of this element of the system was then postponed until the start of the MYP in 1973-74.

Two years after the beginning of the implantation of PPBS, the format and use of the MYP, which by then had to present the natural growth of the expenditures as well as a constraint forecast, had been improved. Departments admitted it provided them benefits, even though most of their plans did not contain the elements they were supposed to in the framework of PPBS (Planning and Development Branch, 1970). Departments were also developing their programs and objectives and the internal Estimates submitted to the MBS each year were to be prepared on the basis of programs and activities for the fiscal year 1971-72. Still, some difficulties were remaining; among

them the fact the planning function was deficient and took place outside of the PPBS system.

Despite these difficulties, the Committee on Government Productivity (COGP), appointed in 1969 by Premier Robarts with the mandate of re-appraising all aspects of the provincial administration in order to gear it toward the 1970s, did not recommend abandoning PPBS. Rather, it implicitly integrated it in an ambitious model of administrative reorganization proposed to the government, designed to improve the efficiency and the effectiveness of government operations. In the plan, PPBS became the vehicle for accountability in its proposal of greater flexibility in resource utilization for managers along side increased accountability. The COGP also suggested an expanded role for the MBS which included ensuring programs were managed effectively and efficiently by ministries. Finally, the Committee recommended the annual internal Estimates proposed to the MB to include statement of measurable outputs and that ministries could be controlled in their performance as well as for their expenditures.

The implementation of the COGP's recommendations regarding the reorganization of government gave PPBS its second wind. Because many ministries had to adjust to new responsibilities assigned through the implementation of the recommendations, it required major revisions of their goals and objectives, meaning they had to establish some. The concept of current level of service (the identification of sufficient policy and programming options to give a degree of choice in applying any necessary budgetary constraint) was added to the MYP, which by 1971 had not been evaluated as an operational budgetary instrument, nor on shortcomings and necessary modifications in its design and applications. The MYP process was also modified to involve political input at an early stage, giving increased emphasis to future years' implications. Further, the requirements for submissions to the Cabinet and its committees were expected to be more formalized. Despite past efforts to give the Estimates a format coherent with PPBS' requirements, their presentation using the categories of programs and activities had more form than the substance. So in 1972 a multi-stage process for changing the form of the Estimates to encourage consideration of program outputs along with traditional input information was introduced.³

These efforts were not sufficient. An official of the MBS expressed that the implementation of PPBS was beyond the capacities of the administration's human resources. He added the ministries did not have the analytical resources to carry out a comprehensive planning function (Carman, 1973). More, to him, it seemed the time of the Cabinet ministers was already overcommitted. Seven years after the first works on PPBS, the Government of Ontario recognized the enterprise had not been very successful. In 1973, the only component of the system that remained was the MYP,

which had gone through significant changes to be a useful tool, and was abandoned in 1976.

For a century, the line-item format of budget in use in Ontario remained about the same. Its environment presented stable characteristics, inside and outside public administration, and it was not questioned by the actors involved. The stability this budget model presented, at a time when its economic environment showed a new face and that political actors were looking for an alternative to it, required an explanation.

As seen above, the line-item budget is built on administrative structures. It does not tie the government to a form of long term planning or objectives and its financial engagement does not go beyond a year. Government's priorities are reflected in both the administrative structures and the financial resources they are entitled to (Cutt and Ritter, 1984: 29). Line-item budgeting serves political rationality rather well. Its incremental quality allows the government to change its objectives every year if it wishes. More, it is a relatively easy way of determining how much money to allocate. The previous year budget can serve as a base and no skilful calculations are required. This same quality also allows ministries to assume their budget will get bigger each year.

In contrast, PPBS demands an expenditure budget based on a program structure, itself built on government's objectives, and its planning aspect asks for a stronger commitment to long term objectives. Several analysts (among them Novick, 1965: 25; Wildavsky, 1978: 505) have noted long term planning does not match the political and electoral rationality, as for elected officials objectives could change or be short-term. In this sense, the format of the budget gives place to a logic of increasing return where "the short-term time horizons of politicians count against a radical shift as gains tend to be achieved in the long term whereas the costs are mostly felt in the short term" (Gains et al., 2005: 27).

The costs associated with a shift of path can be considerable. In the present case, administrative costs played a substantial role in limiting any move of the sort. Determining what a government's objectives are and working in collaboration with ministries and agencies to develop a coherent program structure necessitates time, human resources, and money. In Ontario, the Treasurer expected to achieve the entire PPBS implementation through training programs or by substituting people with different skills during the normal turnover process (MacNaughton, 1968).

At the micro level, in the line-item model, program managers exert their authority by following organizational lines and they control all expenditures charges to

the same Vote and Item in the House. A program structure, covering more than one ministry, even more than one unit, makes the administration difficult when the organizational structures are conserved. Beside this difficulty, any attempt to match the two structures was prevented by the ministries' will to follow the Estimates presentation guidelines – the tool that allocates them financial resources. The format of the Estimates remained almost unchanged during the PPBS period. This was the consequence that the Legislature was presented with a system aimed at administrative evaluation that did not work well, despite its interest in policy evaluation. It did not help to convince it to give its approval to budgetary programs, and to the relevance of such a system.

A period of change?

Until 1974 the Ontario government managed the budgetary growth of a prosperous province. By 1975, the situation went the other way as its fiscal position had deteriorated. Emerging world-wide inflationary pressures due to the oil price shocks of the recent years and a provincial deficit of almost \$2 billion led to a policy of fiscal restraint. Under these circumstances, the government imitated other governments dealing with similar issues and decided to introduce in the administration a system named Management by Results (MBR). To manage programs and develop the expenditure budget, MBR focuses on three key concepts (Brown-John et al., 1988: 153). The first, goals setting, consists of determining long term and operating objectives. Priorities are usually set in terms of anticipated results to be achieved over a certain period of time. Participation, the second key concept, introduces the necessity for superiors and subordinates to work collaboratively in the identification of the organizational goals and objectives, planning and resources allocation. Finally, with MBR the organization must receive feedback assured through the tracking of progress toward stated objectives. MBR focuses on government actions and their consequences, not their costs (Grafton and Permaloff, 1983: 101). This said the system can be linked to the budgeting process when the objectives outlined in the budget are implemented by means of the MBR system (Wallace, 1983: 53). In a well designed system, there is a clear relationship between the level of performance and the resources required to achieve it.

The formal introduction of MBR followed the COGP's final report, when the project of implementation of PPBS was still alive. As the MB had to insure that programs were managed efficiently and COGP's recommendations included statements of measurable output in the Estimates, MBR was envisaged as a possible alternative to PPBS. While PPBS made policy-making and policy review central tasks, MBR saw the

results of the policy-making process as a way of ensuring that what Cabinet decides to do gets done. This took the form of a two-stage process in the provincial administration. First, a ministry committed itself to the attainment of quantifiable and measurable objectives, on which the ministry and the MB agreed on, in exchange for the resources needed to achieve them. Second, the ministry reported on actual achievement and had to explain any deviations from the objectives. It was expected a program manager would be concerned with avoiding over-expenditures and underachievement.

The introduction of the principles of MBR into the Ontario budgeting process was ambitious and made to provide a common basis for the establishment of policy priorities, the internal Estimates review process, and the monitoring of performance. Decision packages were the basis of the system as they were used to establish funding priorities and developed to reflect varying levels of output with corresponding levels of input. After program priorities were established and output levels determined, they could be expressed in terms of MBR. The MB would review the ministries' internal Estimates using the numbers presented in the MBR exercise and selectively monitor results as a means of exercising central control. The first experience with MBR was judged satisfactory (during the 1974-75 process, 33 MBR projects were presented by 14 ministries). As a result, the government decided to proceed with a four-year plan to implement MBR, where feasible, which was estimated to cover about 70% of the programs. In 1976, MBR projects covered about 40% of the provincial budget.

Concurrent to the implementation of MBR, the government put an end to its anti-inflation program, one year after its introduction. Yet, the financial situation of the province was not a bed of roses and as a strategy to improve it the Cabinet decided to give a try to Zero-Base Budgeting (ZBB). Introduced in the public sector in the 1970s, this format of budget gained notoriety through American President Jimmy Carter who, when Governor of Georgia, imported the system in 1971 in the state's administration. The concept rapidly spread to other countries, although its diffusion and its popularity never compared to PPBS'.

PBBS compares programs; ZBB compares alternative funding (Wildavsky, 1978: 504). ZBB is typically presented as a budgeting tool that does not take existing programs or their funding level for granted, as traditional budgeting often does. Instead, it requires a review of each program before any resources are assigned. Every dollar has to be justified, not just the incremental change from the preceding year. The first step in such a budgetary system consists of dividing the organization into decision units (budgetary program, operation or activity), which makes it possible to adapt ZBB to an existing organizational structure. Once the units are chosen, managers survey all plausible ways to achieve objectives and select the best one. This leads to the

preparation of decision packages, i.e. simple budgets (Grafton and Permaloff, 1983: 103). The supervisor then ranks the decision packages in the order of their utility. Control and management are the two objectives of this format of budget

The MB recommended to implement a modified version of ZBB and to test it in a limited number of ministries at first. The pure application of ZBB was judged impractical and unnecessary because of the amount of analysis workload required. More, the number of demands placed upon the decision-makers led to the conclusion there was no need to review all components of each program every year. Rather, it was proposed to differentiate between those expenditures which could be varied in a particular year and those which, for practical purposes, ZBB would only apply to the variable expenditures. These were in fact the expenditures the government wanted to keep an eye on in a period of restraint. In the eyes of those involved in the process, ZBB presented technical qualities that made its implantation attractive: making the identification of areas and programs of duplication easier, providing a rational approach to establishing priorities and making trade-off decisions, as well as being used by ministers, deputy ministers and program managers, are some. The decision to introduce ZBB did not mean MBR had to be put aside, as it "is first a management technique and only secondarily [...] a budgeting system" (Bozeman, 1979: 235). For this reason, it sometimes has to be complemented with a budgeting system, most of the time ZBB, notably because they both largely use quantified measures drawn from common analysis and data collection.

The MB did not try to implement ZBB across-the-board as it did with previous initiatives. Rather, it was first adopted on a voluntary basis, through pilot projects, for the purpose of establishing priorities within ministries for budgetary decision-making. A summary written in November 1977 indicated the participating ministries found it advantageous for analyzing components of the division, developing divisional priorities for service level and contingency analysis, and reviewing operation and utilization of resources at the branch and section level (Hipgrave, 1977). They also believed ZBB integrated well with and supported the existing budgeting process, despite the need to refine the process to reduce the amount of paperwork. A need to train ministry personnel in budgeting, planning and supportive backup analyses was identified and it was also mentioned implementation could be phased by division. In the end, the approach was judged good enough to be spread through the administration. Yet, the decision to adopt ZBB or not was left to the ministries.

While ZBB was being implemented, MBR's situation evolved. The most tangible outcome linked to its implementation resided in the fact that in the fiscal year 1977-78, more than half of the internal Estimates followed that model and 95% of the

government's budget was described in terms of Results Abstracts – a document outlining program objectives and results. Yet, MBR came under the attack of both the provincial Auditor General and the MBS. The Legislative Assembly asked the Auditor, now with a new mandate empowering him to conduct cost-benefit evaluation of programs, to evaluate the presence of MBR in the Ontario administration. In his report, he noted the absence of guidelines for setting MBR objectives, the lack of measurable goals and objectives as well as inadequate measure of performance (Ontario. Provincial Auditor, 1981: sections 1.6 and 4). The opinion the MBS had of MBR was not much better. It considered the quality of the ministries MBR abstracts not good enough and recognized the Estimates were still prepared on the basis of an incremental model.

In a report submitted in January 1981, a task force created to review the future of MBR the members judged too much investment had been put into MBR and any other alternative could not guarantee the results expected. On this basis, it recommended strengthening MBR rather than replacing it. This led to an improvement plan calling for significant progress within a two-year time frame. The submission of the task force's report coincided with the suggestion by an inter-ministry committee for new format and content for the Estimates, which had not significantly changed since 1971-72. Even though there was no formal request or proposal from the Legislature or the Auditor, the MBS felt the government had to be ready to answer the questions the other provinces and the federal government were being asked in respect to the Estimates (Gélinas, 1982). A three-year action plan would eventually lead to the implementation of new printed Estimates and briefing books in 1983-84.

By January 1983, in the guidelines for the analysis of the internal Estimates submissions, the MBS introduced a crucial element in favour of the implementation of MBR. If a ministry failed to cooperate in the negotiation process with the MBS, which included the quality of the material submitted and the respect for the deadline of presentation, major consequences could occur. The ministry's case could become an issue at the MB during the internal Estimates approval and the funds could be held back until the abstract submitted was considered to be of sufficient quality. In April 1984 the MBR coordinator of the MB wrote "MBR [...] to have survived its infancy, but there is still considerable growth to be achieved. MBR has been implemented, but it is not yet institutionalized." (Allen, 1984) In the end it seemed the enterprise was worth it as four years later the system was still in place and considered well established (Brown-John, 1988: 466).

The introduction of MBR and ZBB into the format of the expenditure budget presents a case of institutional layering, a mechanism by which elements of novelty are introduced in the institution as they contribute to the conservation of the old order.

These two formats of budget did not replace the line-item model. Rather, they made it stronger by superposing over it. This said, their insertion in the institution differs.

Before the introduction of ZBB, the presence of MBR was tangible, but some of its core elements were missing. The situation was that ministries used only the elements of MBR that did not represent costs for them and were institutionally compatible. As for PPBS' case, there was a lack of specialized expertise linked to the costs of training or hiring employees who would have been specialists of it; the resources that could have been used being already committed to the model in place. More, results submitted to the MBS were not considered in allocations of the budget to the ministries, leaving a strong link to the format of the Estimates. Also, the strategic objective setting linked to resource allocation and the outcome-based budgeting clashed with the line-item model and its incremental logic (Rose, 2003: 44). Yet, as some elements of MBR were already in place in the administration, abandoning it would also have been costly. Too much investment had been put into MBR and any other alternative could not guarantee positives results.

The introduction of ZBB helped seal the future of MBR in the Ontario administration. ZBB employs the concepts of program budgeting within the annual framework of the line-item model (Cutt and Ritter, 1984: 43). However, in practice it uses the existing organizational structure. It requires cost and output information for a set of ministerial units for usually a year, cross-referenced to the line-item model to fulfill the control objective of budgeting (Cutt and Rider, 1984: 47). From an institutional point of view, it is worth noting that ZBB allows avoiding the limitations of incremental budgeting. When funds are plentiful, the upward build of momentum in expenditures does not pose problems. When funds are in short supply and reductions had to be applied, this led to the application of arbitrary or across-the-board cuts in programs. There is no way to distinguish essential programs that can not suffer from money cuts from those that could, and managers had to face the same consequences, whatever their effectiveness. From this point of view, the costs of introducing it into the Ontario administration were low. This situation is not specific to Ontario. In the American experience, its production of results that resemble those of the incremental approach helped the penetration of ZBB in the federal administration (Schick in Gow, 1994: 150). This aspect was all the more significant that the government's minority position (two mandates from 1975 to 1981) led Premier Davis and his Treasurers to adopt electoral budgeting and introduce a general politicization of the expenditure budget making process (Prince, 1989: 90). This said, the fact that ZBB was not adopted by all ministries suggests mezzo or micro institutional elements played a role. The time required to obtain and treat the information necessary to proceed to a ZBB analysis is considerable.

As ZBB starts at the unit level, this supposes the transition costs in some ministries are lower than for others.

The insertion of ZBB in the administration offered a mechanism tying MBR to the planning, budgeting and internal Estimates processes. Both formats were compatible, as mentioned above, and complementary. From an administrative perspective, establishing a clear relationship between ZBB and MBR was a key element in the implementation strategy of the new budgetary system. Beyond the institutional compatibility, an external shock allowed the alteration of the budgeting format: the amendment of the mandate of the Auditor General to include cost-efficiency analysis, namely the Auditor's interest in the concept of MBR, which led to a new format for the Estimates. As the Estimates were used to communicate to the members of the Parliament what ministries do with how much money, the ministries did not have the choice but to present quality analysis involving the tool of the time, i.e. MBR. The threats over funding formulated by the MB reinforced this movement.

Conclusion

The evolution of the FEB in the Ontario administration between 1960 and 1985 provides an illustration of a path dependency process. The first part of this period, during a reform aiming to change the line-item model for PPBS, exemplifies institutional rigidity. The second part illustrates that any change of the FEB has been determined by the need to reinforce the format of expenditure budget in place. The long-time presence of the line-item format of budget in the administration has limited the number of available options for reforming. In the end, the balance between the three budgetary functions, control, management, and planning, remained sensibly the same.

An external shock initiated this institutional transformation: the format of the Estimates did not significantly change before the intervention of the Auditor General. Likewise, the possibility of introducing new styles of expenditure budget, namely MBR and ZBB, took place after a new format for the Estimates was introduced in the Legislative Assembly. The format of the Estimates represents the most important element of inertia in the system. It resists changes and change depends on it. The place of the members of Parliament in this process remains however unclear. The study suggests they had a limited interest in it, a conclusion that rejoins Sutherland (1990: 161) and Sterck's (2007: 201) observation that the Legislative Assembly had a limited interest for government programs at the federal level.

These conclusions can probably be applied the other provincial administrations as well as the federal one because of the similarities of their political and administrative institutions. The mechanisms behind the level of interest of the executive and legislative powers in the FEB would merit investigation to confirm their theoretical significance. Such a research is also important considering the effects the FEB has on public finances. A provincial comparative study could use these variables for the development of a theory of the evolution of the FEB in government.

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Notes

¹ In Canada, the expenditure budget and the Estimates presented to the legislature are different. The first is "a circulatory system for delivering resources to the organizational units that administer spending in government departments", while the second are "the formal legal category or objective to which monies are allocate" (Sutherland, 1990: 138 and 140).

² Amounts are given in constant dollars of 1967.

³ In 1972, the Management Board and the Management Board Secretariat succeeded to the Treasury Board and its Secretariat in the framework of the government reorganization, while departments were renamed ministries.