

Financial Strategy for Public Managers

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Kioko, S., & Marlowe, J. (2023). *Financial strategy for public managers* (4th ed.). University of Washington, 254pp., \$0.00 (ebook), ISBN: 978-1-927-47259-0. <https://uw.pressbooks.pub/financialstrategy/>

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When I was a freshly minted MPP student just starting my new job as a policy analyst in a state legislature, I got great advice from a senior colleague: “No matter what area of policy you work in, learn the budget.” So, I dove into the weeds of the appropriations process and tax policy and found myself among the “money people” – the subset of staffers who understand the language of finance, budget forecasting, and tax administration. I also experienced firsthand that in the public sector, as Sharon Kioko and Justin Marlowe point out in the new fourth edition of their book *Financial Strategy for Public Managers*, we tend to segregate ourselves into “money people” and “everyone else.” In writing this book, Kioko and Marlowe invite “everyone else” into the conversation and show them how they can be more effective leaders, policymakers, managers, and advocates when they understand the logic and language of money.

There are two important trends in public finance that this text addresses. First, “money people” (e.g., CFOs) are increasingly expected to be engaged not only in accounting and finance decisions but also big-picture discussions around policy and strategy. As public finance journalist Liz Farmer (2016) has noted, “Just as in the private sector, many public enterprises are looking for CFOs with talents that include creative thinking, communication skills and long-range planning.” The second trend is the current shortage of accountants generally and public finance professionals, particularly (Strickland 2023). A recent National Association of State Treasurers report notes that nearly one-third of the public finance workforce is over age 55, and the pressure to recruit talent has never been greater. To meet this demand, our profession must think outside the usual pipelines and draw in people with more general interests and experience.

For those of us who work in or teach public budgeting and finance, there are already dozens of books that focus on the nuts and bolts – how to do cost allocation, forecasting, benefit-cost analysis, enter transactions, set up debt service schedules, or calculate financial condition ratios. These books are great for practitioners who want to update their skills or students who already know they want to be “money people.” But there are not many books that help “everyone else” connect technical budget skills to the broader picture of policy, mission, and strategy. In

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my main budgeting course, an elective in an MPP program, most of my students are “everyone else” – students who go on to lead organizations, do policy analysis, and advocate for change.

In addition to being free and open source, Kioko and Marlowe’s book has three features that should appeal to practitioners and students with wide-ranging policy interests. First, *Financial Strategy for Public Managers* brings consistent attention to themes of equity, a top priority for policy students and policy professionals. For example, Kioko and Marlowe begin the very first chapter on “How We Pay for the Public Sector” by discussing the Department of Justice’s 2015 report on the City of Ferguson, MO, after the police killing of Michael Brown, which helped fuel the creation of the Black Lives Matter movement for racial justice. The DOJ report documented the City’s increasing pursuit of revenue from fines and fees, the impact of which fell disproportionately on low-income black residents. Similarly, in the chapter on cost analysis (Ch. 5), the authors discuss an example of a seemingly technical change in how federal government contracts with Native American tribes caused significant reductions in federal spending on services for tribal citizens. These examples are effective because they demonstrate that technical budget matters can have significant implications for core public sector values, a theme revisited throughout the text.

As they have published new editions of the text, Kioko and Marlowe continue to bring in more examples and connections to equity, highlighting both organizational exemplars and research findings. In the chapter on budget strategy (Ch. 6), for example, they describe work the City of Seattle and others have done to integrate race and social justice analyses into their budget processes. In addition, a section of the chapter on financial statement analysis (Ch. 3) discusses recent research on racial bias in philanthropy and grantmaking. Research on equity issues in public finance and budgeting is growing rapidly. There’s certainly room to expand the number of sidebars in the text to feature research that explores, for example, racial bias in city credit ratings and borrowing costs (Eldemire-Poindexter, Luchtenberg, & Wynter, 2022; Norris, 2023; Smull et al., 2023) or the inequitable effects of state intervention in local government and school district finances (Hughes, Dick, & Kopec, 2021; Nickels, Clark, & Wood 2020; Schueler & Bleiberg, 2022).

A second feature of *Financial Strategy for Public Managers* that helps readers see the larger context of budget/finance decisions is that it consistently explores the implications of these decisions for management strategy and policy. For example, the chapter on cost analysis (Ch. 5) covers the usual material on cost objectives and cost structures (fixed vs. variable, direct vs. indirect). However, it also explains how cost structures can drive strategy and inform mission alignment. For example, the recommended strategies for organizations with mainly step-fixed direct costs include increasing staffing ratios and focusing on enrollment caps/waitlists. Similarly, a section in Chapter 3 guides nonprofit leaders through considerations of how their “business model” and “capital structure” support their mission. Practitioners and students can bring these practical checklists and frameworks directly to their workplaces, even if their role is not directly related to budgeting or finance. Kioko and Marlowe also emphasize how budget/finance issues connect to larger policy discussions, including the use of tax expenditures as instruments of policy, the federal deficit and debt, interest rate policy, Medicaid expansion policy, infrastructure investment, and pandemic aid. By showing how budget/finance decisions are linked to larger policy questions, Kioko and Marlowe continue to break down barriers between the “money people” and “everyone else.”

The final feature of *Financial Strategy for Public Managers* that contributes to its broad appeal is the continued expansion of learning cases in new editions of the text. Case studies have

long been a core part of teaching and learning in public budgeting and financial management and have been proven to enhance student learning outcomes (McDonald & Jordan, 2022). Case-based learning may be particularly important for students less interested or comfortable with the more traditional abstract and quantitative presentation of budget and finance topics common in textbooks. In addition, most of the cases and examples in the book are from real organizations and governments, so it can give readers a more realistic picture of the types of problems and challenges public finance managers face.

While Kioko and Marlowe's text is accessible and engaging for non- "money people" and provides a useful primer on accrual accounting and transactions in Chapter 4, the tradeoff is that it provides less coverage of technical skills for students who may be more inclined toward spreadsheets and quantitative analysis. In my teaching, I have supplemented Kioko and Marlowe's main text with content on capital budgeting, forecasting, cost allocation, and flexible budget formats from more skills-oriented sources like Chen, Weikart, and Williams' *Budget Tools* (2015) and Wang's *Financial Management in the Public Sector: Tools, Applications, and Cases* (2015). These supplementary texts introduce students to spreadsheet techniques for creating forecast models, depreciation tables, life cycle costing, etc., and they provide bridges for students who want to go further and possibly become "money people." Nevertheless, I have found that using *Financial Strategy for Public Managers* as the primary text does an excellent job of convincing "everyone else" why understanding money is essential for a career in public policy.

Disclosure Statement

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