

LINE ITEM

The Newsletter of ASPA's Association for Budgeting & Financial Management

March 2010

ABFM Conference Plenary Session Focuses on ARRA

High National Expectations Meet State and Local Fiscal Realities: The 2009 American Recovery and Reinvestment Act.

In a plenary session co-sponsored by the American Association for Budget and Program Analysts (AABPA) and with financial support provided by the Public Financial Publications, Inc. (PFP), a panel of distinguished speakers addressed the current status and expected impact of the 2009 American Recovery and Reinvestment Act. The panel discussion was moderated by Paul Posner, George Mason University, and included Gary Bass, Director of OMB Watch; Stanley Czerwinski, Director of Strategic Issues, U.S. Government Accountability Office; John Pasquantino from the Office of Management and Budget (OMB); and Scott Pattison, the Executive Director of the National Association of State Budget Officers (NASBO). Each member of the panel provided individual remarks concerning their perspectives on the act and issues surrounding its implementation followed by questions and discussion.

John Pasquantino from OMB's Recovery Branch pointed out that the Recovery Act created the obligation for those receiving funds to provide feedback on what they are doing with the money in an effort to provide transparency. The guidance provided to federal agencies on recipient reporting in the Recovery Act required them to be able to show what they are doing with the funding balanced against quick spending. State and local governments are an important part of the framework developed for implementation of the act. Not all the money will be reported on since about one-third of the total related to tax cut provisions and another one-third related to direct financial provisions. Only one-third of the
(Plenary Report on ARRA Continued on p. 2)



Katherine Willoughby turns over ABFM Chair to Dwight Denison at the Fall 2009 ABFM Conference.

Chair's Message

By Dwight V. Denison, ABFM Chair

Now is a critical time for public budgeting and financial management. The fiscal challenges that confront cities, states, and nations are acute, forcing painful trade-offs in budget priorities. Many citizens decry government efficiency, advocating for improved financial processes. Economic and revenue forecasts suggest more challenges lie ahead. During this fiscal crisis ABFM members have made valuable contributions through scholarship and leadership. I certainly appreciate the professional support provided through ABFM. Over the coming year ABFM will continue to do those things we have done well like our annual conference, publications, and recognition of outstanding contributions to the field. I am also exploring other affiliations that will expand our influence to broader national and international audiences.

Please make plans now to attend the ABFM conference in September. Carol Ebdon and her program committee are actively preparing for a successful conference in Omaha. The call for papers
(Chair's Message Continued on p. 2)

(Chair's Message Continued from p. 1)

has been issued and I encourage you to submit a proposal to share your research and/or expertise on how budgeting and financial management can address current and future fiscal challenges.

Information about the conference is available on the website www.abfm.org/annual_conference.htm.

ABFM ended the fiscal year in solid financial shape. In a year where many professional organizations experienced deficits, the 2009 ABFM conference exceeded break-even in large part to the generous support of our sponsors. I want to recognize our 2009 sponsors one more time:

American University, Department of Public

Administration and Policy (\$2,000)

Indiana University, School of Public and

Environmental Affairs (\$2,000)

Public Financial Publications, Inc. (\$2,000)

Martin School of Public Policy and Administration,

University of Kentucky (\$1,500)

Maxwell School, Syracuse University (\$1,500)

National League of Cities (\$1,500)

George Washington University, School of Public

Policy and Public Administration (\$1,000)

Georgia State University, Andrew Young School of

Policy Studies (\$1,000)

University of Georgia, School of Public &

International Affairs (\$1,000)

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University of Connecticut, Department of Public

Policy (\$500)

University of Kansas, Department of Public

Administration (\$500)

University of Nebraska at Omaha, School of Public

Administration (\$500)

(Plenary Report on ARRA Continued from p. 1)

funding was for agreements, and recipients are only reporting on this last one-third that mostly has gone to state and local governments. Factors that were looked at included how to provide accurate information and a minimum amount of burden on state and local governments. The reporting system is a two-part system: There is a website (recovery.gov) with federal agency reporting and a recipient reporting of what has been accomplished. There is an

unprecedented level of reporting about where the money went, what it bought, how many jobs were created by whom and where. OMB lacks the capacity for guidance to each recipient so broad guidance has been provided with outreach efforts to recipients. Federal employees have even offered to provide federal assistance for reporting requirements at the local government level. In general, there is an effort to learn from experience in order to set standards for all reporting for all federal government partnerships with state and local governments.

Although they don't always agree, Scott Pattison, the Executive Director of the National Association of State Budget Officers (NASBO), said that the states and the federal government have worked together well concerning the Recovery Act. He pointed out that states have had an extremely difficult fiscal period with significant shortfalls and widespread budget cuts, and the recovery funds averted some the impact of this. There has been an actual decline in spending by the states in 2009 and 2010, and the states don't expect to see growth in the future "new normal" circumstances. However, as a result of the Recovery Act, \$246 billion is going to or through the states. The State Fiscal Stabilization Fund includes \$39.5 Billion for K through 12 Education, \$87 Billion for Medicaid, \$27.5 Billion for Highways, \$5 Billion in incentive grants and \$8.8 Billion in flexible funds. These funds stop by 2011- 2012 when total stimulus funding is complete, which Pattison termed "the cliff." States generally lag in coming back from recessions, and job growth is expected to be flat. The recession may have ended back in August 2009, but it will be a long time before job growth occurs. Will the stimulus last until taxes recover? There will be a significant lag between the end of the recession and when states see recovery and improvement in revenues since all revenues are down and states are in pretty bad shape. Pattison indicated that there was continued movement toward transparency and accountability in reporting on the use of funding and that some states are even providing more information than required under Section 1512 requirements. It was still unclear how this information would be used, how it would be analyzed, and what can be done to assist with proper

(Plenary Report on ARRA Continued on p. 3)



Justin Marlowe (right) presents Curro Award to Gao Liu at 2009 ABFM Conference.

Michael Curro Student Paper Award

Presented for the best written paper in a class or under faculty supervision. The award was presented to **Gao Liu** under the supervision of Professors Merl Hackbart and Dwight Denison from the University of Kentucky. The paper was titled: *Do Investors Differentiate among Bond Insurers? Bond Insurers' Credit Risk and Insured Bond Interest Costs.*

(Plenary Report on ARRA Continued from p. 2)

reporting. The challenges faced by states include managing the end of the stimulus funding, assessing the impact, and reporting on and tracking funding with few or any new resources. The legacy from this effort of pushing down transparency and accountability will be learning what is good and what is bad, what should go forward and what should not, thus keeping the good and eliminating the bad.

Stan Czerwinski from the Division of State Issues at GAO provided GAO's perspective on the ARRA. He noted that state and local governments face increasing fiscal challenges and that GAO model of state and local government reflect a long-term decline of fiscal condition with fiscal difficulties largely driven by rising health care costs. State revenues are experiencing serious decline. Not only are state sales and income taxes declining, but now property taxes are also declining. This is creating the need for state and local governments to work more closely with the federal government. Several provisions of the ARRA may mitigate some of the fiscal difficulties that state and local governments are facing. The purposes of the Recovery Act are stabilization of state and local government budgets,

preserving and creating jobs, and contributing to research and development and infrastructure and technology. The Act requires GAO to conduct reviews and prepare reports on how the money has been used by selected states. GAO has developed a state and local reporting strategy to do this for sixteen selected states. He reports that money is spending out a little more quickly than expected, but need is developing quickly. 87 percent of the specific funding for states and local governments is estimated to have already been spent – 63 percent of the Medicaid funding, 13 percent of state fiscal stabilization funds, and 6 percent of highway funds. States must use the funding as stipulated and cannot change the rules after receipt of funding to move it to rainy day funds. Every two months, GAO reports to Congress on funding use and recently focused on program recommendations made. GAO Recovery Act information on monthly reporting is on the GAO website.

According to Gary Bass of OMB Watch, his organization is focusing on how useful the Recovery Act is. When looking at the Recovery Act outlays by fiscal year, he senses that more needs to be done in terms of dollars and accountability for them. He believes that Recovery Act has had an impact on the economy and tamping down job losses, but everyone wants to see more. Bass noted that discretionary spending through the states for competitive grant awards has been lower initially but that there has been direct spending through the states to individuals. There should be a shift to greater discretionary spending in fiscal year 2010. One of the concerns of OMB Watch is achieving fiscal accountability in the implementation of the Recovery Act and weaknesses in the current act. There is a need to build a model for all spending but also learning from the experience. Concerns that need to be addressed include: 1) who is going to be reporting? Not everyone is reporting to the federal government, but we really need reporting on all recipients, including prime recipients, sub-recipients, but also sub-sub-recipients, not all of whom are currently required to report; 2) What content is to be reported? No performance data is being collected. Is money going to where it is needed? Better information is needed on jobs data, and there is a need for better definitions and related

(Plenary Report on ARRA Continued on p. 4)

(Plenary Report on ARRA Continued from p.3)

data. There is a need for performance data benchmarks and data is needed on whether they have been reached; 3) Data quality is a concern. The quality of data is highly suspect. Data quality issues include normalizing data, accuracy of data reported and the need for certification that data is complete and accurate, compliance with reporting requirements and how to know whether compliance achieved, and reconciling data with Treasury account data. Bass said that a new approach was needed building on the Recovery Act. He advocated a new reporting and transparency system in which all recipients should report spending and performance data directly and Treasury would reconcile the data. In his view, we need to talk about quality of programs not just fraud, waste and abuse.

Following the comments from the panel members, questions were raised by the audience. One question concerned auditing. Gary Bass indicated that audit procedures were in place through the provisions of



Paul Posner accepts Howard Award at ABFM 2009 Conference. Presented by Stacy Mazer.

S. Kenneth Howard Award Presented To Paul Posner

The S. Kenneth Howard Award for lifetime achievements by a practitioner in the field of budgeting and financial management was presented to **Paul Posner**, Professor and Director of the Master's in Public Administration Program in the Department of Public and International Affairs at George Mason University.



Bill Duncombe accepts Wildavsky Award at the 2009 ABFM Conference. Presented by Katherine Willoughby.

AARON WILDAVSKY AWARD

The Aaron Wildavsky Award for lifetime achievements in the field of budgeting and financial management was presented to **William D. Duncombe**, Professor of Public Administration at the Maxwell School of Citizenship and Public Affairs at Syracuse University.

the act for GAO and Recovery Board auditing. The states also have auditing in place. While insuring against fraud, waste and abuse, they may be missing accountability for what works and how to make it work right. Stan Czerwinski said there may be a problem of focusing on minutia rather than how to make programs work better. The point was also made that the act vastly over-estimates the ability of local jurisdictions to report on the funding they receive.

There are complications in the specifics of reporting and limitations on the ability of local governments to report, but they plan to build on the reporting process and improve it in the future. Another issue raised concerned the quality of state data, but Pasquantino indicated that he felt governments were making a good faith effort in reporting. The Recovery Act provides an opportunity for accurate reporting of information that recipients have never done before. The Recovery Act creates a prime time to do reporting of this type, and technology makes it possible. This doesn't mean that there aren't problems with data quality, availability of data, access to data, validation process, and oversight of sub-primary recipients. There is a need to get accurate information without imposing a burden for reporting.



Bill Duncombe, 2009 Wildavsky Award recipient presents remarks at the 2009 ABFM Conference Awards Luncheon.

ABFM Secretariat to Transition to Grand Valley State University

The term for the current ABFM Secretariat is expiring this year. Jerry Miller and Arizona State University have fulfilled this role for the past four years. A call for proposals for the Secretariat was distributed in January for the next term of the ABFM Secretariat to begin May 1, 2010. The proposal received from Donijo Robbins at Grand Valley State was selected by the Executive Council of ABFM, and a memorandum of understanding has been negotiated with Grand Valley University which has been approved by the ABFM executive council and is very similar to the current arrangement with ASU. Grand Valley State will assume a four year term as the ABFM Secretariat on May 1.

ABFM's By-Laws specify the functions for a secretariat and require the Executive Committee of ABFM to periodically determine the location of the host institution through a request-for-proposals process.

The Secretariat is important to the continued maintenance and growth of ABFM as a professional services organization.

The Secretariat performs the following activities according to the ABFM By-Laws:

- (a) Maintain section relationships with ASPA
- (b) Maintain and update official web site and listserv for ABFM
- (c) Assist the conference committee to develop the annual conference program and with the Treasurer to finalize conference details
- (d) Maintain membership records and produce membership promotional materials
- (e) Maintain financial record archives
- (f) Work with the membership committee to implement membership expansion initiatives
- (g) Carry out other responsibilities as assigned by the Executive Committee

The agreement for the host site to serve as the ABFM Secretariat is for a period of four years, with renewals subject to a new RFP. Administrative costs of the Secretariat are shared by the host and ABFM.

The ABFM Chair may appoint the Secretariat's contact person as ABFM Secretary and Archivist.

What are ABFM's most influential readings?

There have been several ABFM members who have expressed interest in identifying the most influential readings in the field. Members are invited to participate in short survey that will ask you to identify your top three picks for the most influential readings across six subfields of public budgeting, financial management, and finance. You may access the survey at the link below. All survey responses will be confidential and an aggregate list will posted to the ABFM website. Please take a few minutes to respond to the survey at the website indicated:

<https://www.surveymonkey.com/s/VB8PL9F>



Jesse Burkhead Award is presented to Thomas Stanton at the 2009 ABFM Conference by Robert Shea.

PFP Jesse Burkhead Award Presented to Tom Stanton

The Jesse Burkhead Award for the best paper published in *Public Budgeting & Finance* in 2008 was presented to **Thomas H. Stanton**, Fellow at the Center for the Study of American Government, Johns Hopkins University, for his paper titled: *Reducing Government Involvement in a Market: Lessons from the Privatization of Sallie Mae*. The award is sponsored by Public Financial Publications, Inc., the organization which publishes *Public Budgeting & Finance* for ABFM and AABPA.

Executive Council Names ABFM Representatives to PFP Board

Public Financial Publications, Inc. (PFP), a nonprofit corporation under the sponsorship of ABFM and AABPA (American Association for Budget and Program Analysis) publishes *Public Budgeting & Finance*. The ABFM Executive Council has named Ken Klase and Jim Savage to remain on the PFP Board as representatives for ABFM to complete a second term that begins in January, 2010. Also, the Executive Council has named Bill Duncombe to replace Tom Lauth as an ABFM representative to the

board since Tom Lauth has moved to the position of President of the PFP Board. All three representatives' terms will expire in January 2012.

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(Executive Committee Continued on p.7)

(Executive Committee Continued from p.6)

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Call for Papers, Presentations, and Panels

ABFM

**Association for Budgeting and Financial Management
22nd Annual Conference**

*Omaha, Nebraska
October 7-9, 2010*

Public organizations around the world are struggling with the current fiscal crisis. How are governments reacting, and what are the long-term implications of the response? Are existing theories of budgeting and finance sufficient to explain this situation? In what ways can financial management be improved to aid in restoring fiscal health?

The Association for Budgeting and Financial Management conference committee invites proposals for panels, papers, and presentations for the 2010 ABFM conference. We especially encourage proposals from local, state and federal practitioners. The focus of the conference is on budgeting and financial management at all levels of government in the United States, as well as international and comparative perspectives. Potential topics include, but are not limited to:

- Budget Balancing in a Recession
- Federal Fiscal Challenges
- Service Delivery Alternatives
- Tax Policy and Administration
- Revenue Diversification
- Intergovernmental Finance
- Transportation Policy and Finance
- Budget Innovation and Process
- Forecasting
- Information Technology
- Performance Budgeting
- Debt Financing and Management
- Accounting and Financial Reporting
- Nonprofit Financial Issues
- Managing Financial Risk
- Employee Costs and Liabilities
- Investing Public Funds
- Federal Stimulus Reporting and Outcomes
- International and Comparative Budgeting
- Theory versus Practice
- Citizen Involvement in Budgeting
- Current Trends in Public Finance
- Funding Healthcare
- Financial Leadership
- Municipal Securities
- Fiscal Constraints and Limitations
- Budget Theory
- Economic Development Techniques
- Capital Planning and Management
- Education Finance

Please submit all proposals by April 1, 2010 to Carol Ebdon at cebdon@unomaha.edu or School of Public Administration, University of Nebraska at Omaha, 6001 Dodge St., Omaha, NE 68182-0276. Proposals will be reviewed and competitively selected. Presenters will be required to register for the conference in advance. Proposals should include a brief description of the topic, name(s) of participants/authors, position/job title, institutional affiliation, address (including email), and phone number. Students should provide their degree program, status (master's level, Ph.D., ABD), and institutional affiliation.

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