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Budgeting in 1995: Revolution or Evolution?

The plenary session chaired by **Marilyn Rubin**, was a highlight of our 1995 conference. The panelists were **Allen Schick** of George Mason University, **Robert Reischauer**, former director of the Congressional Budget Office and now a fellow at the Brookings Institution, and **Ray Scheppach**, executive director of the National Governors Association. At the invitation of the chair, the outlook for devolution of programs to state and local government was also addressed.

All three speakers agreed that "the jury is still out" on whether the current federal budgetary turbulence will result in a significant and lasting *revolution* or will yield only *evolutionary* change. While their analyses were generally complementary, each provided interesting insights. Allen Schick focused on three potential major areas of change.

- First, the operating capacity of the federal government is being reduced. With the caps on discretionary spending, the real resources available for domestic discretionary programs will soon be one-quarter to one-third smaller. This will force federal departments and programs to reinvent themselves, and will inhibit effective implementation of new initiatives.

- Second, block grants are aggregating categorical programs and shifting operational responsibility for them to state and local governments. It is not yet clear how encompassing these block grants will be, and how much authority will be transferred.

- Third, the Medicare and Medicaid reforms will not only impact these programs and their beneficiaries, but will affect the structure and delivery of private health care.

The Republicans are trying for a grand slam with the bases loaded, Mr. Schick said. Although the 1994 election was not an anomaly, they want to achieve their objectives and to enact a balanced budget in 2002 now -- while party unity is highest. But it remains to be seen.

Ray Scheppach saw devolution occurring now in part because more governors are Republican. All are fiscal conservatives interested in restructuring government, albeit with different priorities.

The federal government has turned into a check-writing machine, he said. Most programs are now run by states. About \$75 billion of funding is being consolidated into five or six block grants to state governments. This includes a variety of welfare programs and employment and training programs.

Dramatic cuts in funding are proposed; states have not yet realized the size of the cuts, especially in the aggregate. But they are worried about whether they can achieve their goals. Another major problem is that states will have little time to adjust their budgets and operations to the new responsibilities.

Nevertheless, Mr. Scheppach hoped for a "golden age" of program integration, consolidation, restructuring, and improved service delivery before the pendulum swings back toward a greater federal role again.

Robert Reischauer started with two judgements: the current *revolution* in budget process is not sustainable; in terms of substance, however, the current *evolutionary* change could be sustained and even strengthened. There has been a very sharp change in budget process in the Congress, particularly in the House of Representatives.

Budgeting in 1995: Revolution or Evolution? (continued)

• The "Contract with America" became both the legislative agenda and the measure of success. It deterred getting bogged down in details. Speaker Gingrich is trying to establish a new principle that all politics is global, not local.

• The congressional leaders are controlling both the legislative process and its substance. They have a willingness and ability to exercise powers that previous leaders could not exercise. They shape the content of committee work, and conduct press

briefings on legislative proposals. Speaker Gingrich presented the Medicare proposals; Senator Dole is leading welfare reform. • There is now much more coordination between the House and the Senate than in prior years. Legislation reaches conference with many more similarities because there is so much early-stage communication.

If all three of these new directions were maintained, that would amount to a *revolution*. But Mr. Reischauer did not think that they would be maintained. As the large group of recently elected majority members gain experience, the new committee chairmen settle in, and committee staffs become

more expert, the leadership will not be able to exert the same degree of control.

The political factors that now link the Senate and House leadership are also likely to evolve with the political season.

On substance, in contrast, Mr. Reischauer thought the current proposals were only *evolutionary*. None of the expansions in the scope of government activity has been terminated, he pointed out. The Republicans are not calling for the end of

any of the big responsibilities that have been assumed by government over the years.

However, they are calling for the creation of block grants and the devolution of responsibilities to the state and local levels. This just might develop into if the block grants become a way-station to disengagement of the federal government from the functions included in the blocks.

Why should federal politicians collect revenue, he asked, while state and local politicians gain credit for providing services? Federal funding levels would likely be ratcheted back, leaving these responsibilities to states and localities.

~~Justine Rodriquez

Speaker Gingrich is trying to establish a new principle that all politics is global, not local.

Wildavsky Award

This year's winner of the Aaron Wildavsky Award is **Louis Fisher**, a senior specialist with the Congressional Research Service of the Library of Congress. Dr. Fisher is an internationally respected authority on executive spending discretion, presidential reorganization authority, the legislative veto, the line-item veto, the Gramm-Rudman-Hollings Act, executive privilege, covert spending, the pocket veto, the budget process, the balanced budget amendment, and presidential impoundment powers. He is the author of more than 180 articles in law reviews, political science journals, encyclopedias, books, magazines, and newspapers.

His books include *President and Congress* (1972), *Presidential Spending Power* (1975), *The Constitution Between Friends* (1978), *The Politics of Shared Power* (3rd ed., 1993), *Constitutional Conflicts Between Congress and the President* (3rd ed., 1991), *Constitutional Dialogues* (1988), *American Constitutional Law* (1990, 1995), and *Political Dynamics of Constitutional Law* (with Neal Devins, 1992). His textbook in constitutional law is also available as a two-volume paperback under the titles *Constitutional Structures; Separation of Powers and Federalism* (Volume 1) and *Constitutional Rights: Civil Rights and Civil Liberties* (Volume 2). With Leonard W. Levy he is editor of the four-volume *Encyclopedia of the American Presidency* (1994). His most recent book is *Presidential War Power*, published by the

University Press of Kansas in 1995. He has twice won the Louis Brownlow Book Award and the encyclopedia he co-edited was awarded the Dartmouth Medal.

He received his doctorate in political science from the New School for Social Research (1967) and has taught at Queens College, Georgetown University, American University, Catholic University, Indiana University, Johns Hopkins University, and the College of William and Mary law school. Presently he teaches part-time at the law school of Catholic University.

The Wildavsky Award is given annually to recognize contributions to the study of public budgeting and finance over the course of a lifetime. The award commemorates the person and scholarly career of the late Aaron Wildavsky. Previous winners include **Naomi Caiden**, 1993, and **Allen Schick**, 1994.

The Wildavsky Award Committee was chaired by **Fred Thompson** and included **Larry Jones**, Naval Postgraduate School and **Marilyn Rubin**, John Jay College, CUNY.

~~Fred Thompson

Student Paper Award

*An Analysis of Municipally-Owned Tax
Delinquent Properties in Pittsburgh*

Martha Chavez, Deirdre Cheek, Natalie Harder, Carla Hardy, Gwen Moody, Mary Thomas, Yasmin Santiago, Steffanie Smith

A team of eight MPA students from H. John Heinz III School of Public Policy and Management, Carnegie Mellon University, won the 1995 ABFM Student Paper Award. Dr. **James Peters**, the team advisor, nominated the paper. The students assessed the city's choices in effectively managing 9,000 rundown properties that it owned. Three other cities were examined for their practices; a cost/benefit analysis allowed Pittsburgh's decision-makers to estimate their potential liabilities and benefits. The team recommendation was based upon minimizing city expenses, reducing the number of dilapidated structures on the city's inventory, and returning the properties to the active tax roles.

The team tackled a real-life problem for a real-life client as part of their yearlong course, Systems Synthesis, which gives Heinz School students an opportunity to apply their master's program skills to a decision-maker's problem. The paper was a clearly written, well integrated solid analysis that met the award's criteria for works that have practical application, innovative style, quality, technically appropriate methodology, clarity, logic, theoretical importance and creativity.

The paper was presented at the ABFM Seventh Annual Conference by project leader, Deirdre Cheek, who, with Steffanie Smith, received the award at the opening night reception. Judges for this year's contest were **Ken Barber**, director of the Office of Management and Budget, Leon County, Florida and his staff; **Mike Bourgeois**, IRS; **Paula Kearns**, Michigan State University; **Henry Thomas**, University of North Florida; and **Karen Stanford**, Governor's Office, Florida.

~~Karen Stanford

Howard Award

ABFM awarded the 1995 Howard Award to Dr. **Alice Rivlin**, director of the Office of Management and Budget. Dr. Rivlin's previous federal service includes appointments as director of the Congressional Budget Office and deputy director of Health and Human Services. Rivlin is the only person to have served as director of both the congressional and executive budget offices. She has taught as a visiting member of the faculty at the Kennedy School at Harvard and at George Mason University. Widely published in economics, public policy and budgeting, Rivlin has been active in public administration throughout her career and has addressed ASPA and ABFM on several occasions.

The Howard Award is given each year in recognition of career achievement in public administration. The award is named for the late S. Kenneth Howard who served as state budget director for Wisconsin and North Carolina and as ex-

ecutive director of the U.S. Advisory Commission on Intergovernmental Relations. Howard also served the public service as president of the National Association of State Budget Officers, and was the president-elect of ASPA at the time of his death in 1985.

~~Bill Landsidle

From the Chair

Once again the Association for Budgeting and Financial Management was on target with its annual conference theme—*Shaking the Foundations!!* It is already late November and still no reconciliation bill, no debt ceiling bill, and only six signed appropriations bills. Is what we are seeing a precursor to the rest of this millennium (and maybe into the next)? And, how are state and local governments dealing with what is happening in Washington and with other problems of doing more with less? Those of us who attended the 7th Annual ABFM Conference held at the Marriott Hotel in Washington from October 12th through 14th certainly were provided with information from a wide range of speakers to help us address these questions and to follow the complexities and implications of a host of other current budget and financial management issues and their policy implications.

Our paid registration at the conference was 162, a slight decline from last year's high of 170, but a fine showing considering the curtailment of travel funds for federal employees. The IRS actually withdrew ten registrations one week before the conference due to lack of travel money! Combined with speakers who came only for their specific panels, we had more than 200 conference participants, about the same as last year's conference attendance. The expertise brought to the conference by academics and practitioners made for very exciting and well-attended panels. In fact, one of the few criticisms of the conference was that the conference rooms were too crowded.

One of the reasons that the conference ran so smoothly was that we had help from a number of graduate students from Virginia Tech and George Washington University. I would like to thank **Katherine Newcomer** from GW for sending us four of her graduate students to help with the conference, and **Dick Zody** who sent us three of his students. I would also like to thank **Judy-Lynn Peters**, an instructor at John Jay College and Ph.D. Student at Rutgers for helping me to get organized for the conference. She, along with **Mike Bourgeois**, was instrumental in getting our preliminary program out to all of our section members. Next year, we hope to get this done even earlier if all program participants get their panel information to us on time.

We were very fortunate to have a number of sponsors who helped to make our conference a financial success. **Moody's Investors Service** sponsored our luncheon and I would like to thank **Dan Heimowitz**, executive vice president and director of the Public Finance Department, for his support for the second year in a row. Our Thursday night Student Paper Award reception was sponsored by **Ernst and Young, LLP** and for

continued on next page

From the Chair (continued)

this support I thank **Dan Murrin**, national director of public sector service at E and Y. Like Moody's, this was the second consecutive year of sponsorship for Ernst and Young and the second year that we have a Dan to thank. Our Friday night reception was sponsored by **Coopers and Lybrand**. Mike Bourgeois helped recruit this sponsor, but more about Mike later in my remarks.

Our conference program had advertisements from each of the sponsors as well as from George Washington University Press and from **Fred Thompson** inviting leading specialists on government spending and taxation to participate in a three-day conference on applied public finance in September, 1996. We would like to expand our sponsorship and advertisement base for next year's conference, so please give me any ideas you might have on how to do this since I told **Bob Lee**, our incoming chair, that I would handle this part of the conference for him next year.

Although the panels were all very well attended and received outstanding evaluations, the highlights of the conference were our plenary sessions. The conference opened on Thursday with a plenary session which brought together leading experts with widely ranging philosophical approaches on the topic of financing welfare reform. The session, which was moderated by Dr. **June O'Neill**, director of the Congressional Budget Office (CBO), focused on how the current welfare system works, what changes are being proposed in Congress to reform it, and on state reactions to the proposed changes. Dr. **Isabel Sawhill**, senior fellow at the Urban Institute, and Dr. **Gary Burtless**, senior fellow at the Brookings Institution, were fairly critical of the proposed reforms. In contrast **Robert Rector**, from the Heritage Foundation supported the changes proposed by the Republican majority in Congress.

As **Justine Rodriquez** reports on page one, the conference's second plenary held on Friday afternoon featured three of the most widely respected experts in the field of budgeting and financial management: **Allen Schick**, **Robert Reischauer**, and **Ray Scheppach**, executive director of the National Governor's Association.

Karen Stanford reports on this page another highlight of the conference, the Friday luncheon at which Senator **Pete Domenici** (R-NM), chairman of the Senate Budget Committee, presented a defense of the Republican approach to solving the nation's budgetary problems in his address to the conference participants. Dr. **Joseph Minarak** deputy director of OMB, provided an impromptu response to the Senator's remarks.

At the luncheon, Dr. **Alice Rivlin**, director of OMB, was given the Howard Award for her contributions as a practitioner to budgeting and financial management. (Dr. Minarak accepted the award on her behalf.) The Wildavsky Award for lifetime contributions to the study of public budgeting and finance was presented to Dr. **Louis Fisher**, a senior specialist with the Congressional Research Service of the Library of Congress. **Bart Hildreth**, the Regents Distinguished Professor of Public Finance at Wichita State University and immediate past chair of

ABFM, received an award in appreciation for his work on behalf of the section during 1994-1995. I would like you all to start thinking about nominations for next year's Wildavsky Award for lifetime scholarly achievement and the Howard Award for contributions to the field of public budgeting and financial management by a practitioner.

At the luncheon, Mike Bourgeois, ABFM and conference treasurer, was also presented with an award for his outstanding contributions to the section and to the conference. I cannot thank him enough for his help throughout the conference. He not only collected the conference registration fees, but he also preprinted the name tags, was responsible for the physical production of the program, and for mailing it out to a few thousand people. Thank you Mike. Also, my personal thank you for that wonderful organ concert you gave me on Wednesday evening.

My thanks also to the members of the Conference Committee for their help. They were : **Bob Bland, Bart Hildreth, L.R. Jones, Paula Kearns, Robert Lee, Jerry McCaffery, Irene Rubin, Karen Stanford, Fred Thompson, Kurt Thurmaier, and Dick Zody**. Bob Lee, chair-elect, has started to plan next year's conference, scheduled for October 10-12, 1996 at the Washington Marriott, the site of this year's conference. If you would like to work with him, you can reach him at: (814) 863-0720, or at RDL@PSUVM.PSU.EDU.

~~Marilyn Rubin

Domenici vs Minarik at ABFM Luncheon

The veteran legislator and chairman of the Senate Budget Committee, Senator **Pete Domenici** (R-NM), spoke to the luncheon crowd about the conflict between the Republican Congress and President Bill Clinton over the FY1996 federal budget. Domenici accused the president of not doing anything to balance the budget except making overly optimistic economic assumptions reminiscent of David Stockman's asterisk. Domenici asserted that the president was positioning Congress as "Republican rascals" who have, in Domenici's opinion, developed a meaningful balanced budget which requires sacrifices by all segments of American society. He noted that the cuts proposed by Congress were cuts to future growth rather than to actual benefits. He was optimistic that the Congress would have all the appropriations bills to the president's desk by November 13, expecting the president to sign five and ultimately capitulate on the rest. [*His predictions now seem gamely optimistic.*] Domenici outlined the major provisions of the proposed congressional budget, claiming that it would (a) encourage a more efficient health care system by creating incentives for managed health care; (b) reduce the \$225B annual interest payments that contribute to America's debt and retard economic growth; (c) and invite economic growth through capital gains tax reductions.

The ABFM luncheon audience received a bonus when Dr. **Joseph Minarik**, associate director for economic policy at OMB, there to receive the award for OMB director **Alice Rivlin**,

rose to respond to Senator Domenici's remarks. Minarik noted that two years ago, OMB and the president used CBO estimates for scoring the reconciliation bill only to find that eventually CBO assumptions underestimated the real decline that occurred in the deficit. Therefore, given that the economy had outperformed by far the more conservative CBO assumptions, and that OMB has chosen to use those again, the charge that the president is being overly optimistic has not been borne out by experience.

Dr. Minarik also asserted that the major questions facing budgeters in trying to balance the federal budget was *how* savings would be achieved not whether. He claimed that the president's program, which assumes balance over a ten year period (rather than the seven year congressional plan), projects to take the \$167B deficit to zero without dragging economic performance.

Minarik posed the following questions to emphasize the administration's position: Do we want to raise health premiums for *all* the elderly? Do we want to eliminate kids' health care from Medicaid? Do we want a tax cut for people with six or seven figure incomes? *~~Karen Stanford*

AS I SEE IT...

a column of member viewpoints

Truth in Federal Budgeting: Capital Deficits

Representative Sam Brownback (R-KS) recently polled a gathering of about 40 Topeka ASPA members to find out how many favored a balanced federal budget. Only two hands responded negatively --both academicians, including a young professor who teaches public budgeting and finance. He noted that if the congressional majority truly wanted to emulate the "responsible" budgeting of state and local governments, they should establish a federal capital budget. A federal capital budget should be largely financed by borrowing -- just as in the states and local governments. His point is an important one.

It is unlikely that many Americans support operating deficits for the federal governments; even the budget professor argues they are seldom justifiable (except in a national emergency). Capital investment budgets are different, however. The benefits principle of public finance suggests that long-lived benefits from capital investments (in highways, park land acquisitions, and military bombers for example) should be paid for according to the degree to which future taxpayers will also enjoy these assets. Bonding for new schools and bridge replacements is a common practice for good reason.

If Rep. Brownback had asked the ASPA audience whether they were willing to borrow money to buy a B-2 bomber that the Pentagon says it does not need or want, there would likely have been a unanimous vote of NO. Therein lies a dilemma for the current majority which argues that we must tighten the budget for programs that benefit the poor and elderly, but conversely votes to spend more money on weapons programs than the military demands.

The self-proclaimed congressional revolutionaries should adopt a "truth in federal budgeting" act which establishes a federal capital budget that can be financed with current revenues or by debt. Then Brownback could ask his constituents not only how much they are willing to borrow for Headstart, but also how much they are willing to borrow for a few more B-2's. *~~Kurt Thurmaier*

ABFM FINANCIAL INFORMATION

For the year ending June 30, 1995

STATEMENT OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCE

Revenues	
Rebates	\$ 17,199.00
Meetings	0.00
Workshops	21,505.00
Interest	358.53
Grants	0.00
Other Revenue	<u>0.00</u>
TOTAL REVENUES	<u>39,062.53</u>
Expenses	
Temporary Personnel	0.00
Journal	15,693.75
Newsletter	3,118.71
Postage/Printing	34.00
Mailing labels	253.38
Travel	300.00
Chapter meetings	0.00
Workshops/conference	16,243.53
Regional meetings	0.00
National conference	0.00
Conference calls	283.55
Grants	0.00
Awards	515.17
Speakers	0.00
Administration	118.66
Miscellaneous	<u>(9.53)</u>
TOTAL EXPENSES	<u>\$36,551.22</u>
REVENUE/EXPENSES	2,511.31
FUND BAL, Beginning of year	15,576.09
FUND BAL, End of year	<u>18,087.40</u>

BALANCE SHEET

Assets	
Cash and Bank Accounts	
ABFM Checking	\$ 3,054.64
ABFM Savings	<u>15,032.76</u>
Total Cash and Bank Accts	18,087.40
Other Assets	
Accounts Receivable	<u>370.00</u>
TOTAL ASSETS	<u>18,457.40</u>
Liabilities & Equity	
Liabilities	
Accounts Payable	0.00
TOTAL LIABILITIES	0.00
Equity	18,457.40
TOTAL LIABILITIES and EQUITY	<u>18,457.40</u>

From the Editor

Making a newsletter is harder and more enjoyable than most people think. This first issue of *Budgeting and Finance* under our new editorial team reports on the October ABFM conference in Washington, DC. My grateful appreciation to all the contributors is genuine. Organizational newsletters only thrive when members invigorate them with contributions.

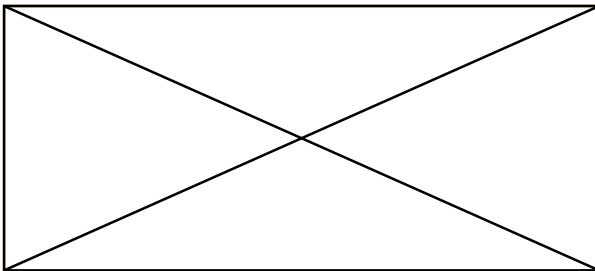
The "AS I SEE IT.." column is reserved for members' views on budgeting and financial management issues of concern to the section. It is not reserved for the editor, although I am happy to start the column off!

I hereby extend an invitation to each and every reader to send news and views that you think our 3,000

readers will find interesting. Future issues will present views on the moral issues surrounding the Orange County bankruptcy, budgeting reforms in other countries, and more!

Marion Sheppard is serving as managing editor here at KU. She is doing a superb job and it is a delight to work with her. We have included the e-mail addresses for ABFM board members and the newsletter. Putting the newsletter together has been fairly easy since most of the articles were sent to me by e-mail, forwarded to Marion, and copied into the newsletter document. We accept faxes and surface mail too, of course. So don't hesitate to participate. We look forward to hearing from you.

~~Kurt Thurmaier
Editor



EDITOR

Public Budgeting and Finance

Public Financial Publications, Inc. invites applications for the position of Editor in Chief of *Public Budgeting & Finance*, the leading journal in government budgeting and financial management. The new editor will assume responsibility in the summer of 1996, or when mutually agreed upon. Applicants are requested to submit a resume and a 1-2 page statement outlining their views on the means of maintaining and enhancing the journal's role in linking research and practice. The statement should address how the journal can best serve practitioners while publishing quality, academic research on budgeting and finance. It should also indicate the willingness of the host institution to provide administrative support.

Public Budgeting & Finance is sponsored by the American Association for Budget and Program Analysis and the Association for Budgeting and Financial Management, a section of the American Society of Public Administration. With approximately 3,000 subscribers, the journal is a major source of ideas and information on contemporary developments in concepts and practice. Interested persons should respond to:

Marvin Phaup, PFP Search Committee
1145 Inglewood Street, Arlington,
Virginia 22205

To ensure consideration, statements should be received by March 1, 1996.

Budget & Finance

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U.S. Postage
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Permit No. 65

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