

Budget & Finance

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Budgeting with a Surplus: What an Idea!

The 1998 ABFM Washington conference was a whirlpool of questions, insights, guesses, and analyses about budgeting in an era of surplus. Looking back now, we can discern some features that may have been caught up in swirling details at the time. Indeed, reviewing my notes a half-year after the conference has only added to my appreciation of it. Whether we credit luck, prescience, hard work, or some combination—last November's conference produced panels and interchanges that benchmark what we were thinking and talking about in a time of important changes.

Where are the national budget surpluses coming from? From surprising increases in revenues, an ongoing annual surplus in Social Security, some spending decreases, and just perhaps some improvements in budget practices. **Stanley Collender** pointed out that revenues last year grew nine percent (more than anyone's revenue model had forecast). **Allen Schick** also earlier noted that fairly close economic predictions about our booming economy had resulted in unpredictably large revenue increases, due mainly to an increased spread in personal income. **Irene Rubin** questioned spending reductions that involved arbitrary staff reductions. When agency services are contracted out because personnel have been cut arbitrarily, issues of accountability and training could arise. Nonetheless, there have been some spending decreases from both political parties and the Whitehouse, and Rubin noted that we can now routinely read PAYGO type language in spending proposals.

What do the surpluses mean? They mean that budgetary politics has changed but our deficit-oriented rules and procedures largely have not. Allen Schick cautioned us that budget rules "decay over time." Agreed-upon constraints have to be refurbished periodically if they are to persist. He noted that this year had seen the emergency spending escape from constraints and the opening of the wall between PAYGO and discretionary spending. **David Mathiasen** pointed out that it was easier politically to defend a balanced budget than to defend a target surplus. Macroeconomists promise that budget surpluses mean lower money costs and increased equity values, but lowering the debt to a prudent level is politically difficult, and we know much less about it analytically. Surpluses will slowly reduce the debt, but what is a good rate and what is a good target level?

Budget theorizing does not seem to be offering many answers to questions about surpluses. **John Forrester** characterized Public Choice Theory as the source of current performance or outcome budgeting reforms. But Public Choice Theorists concentrate on an economic man whose goals are so well understood that they can be modeled mathematically. On the other hand, public budgeters appreciate a multiplicity of values without much care over prioritizing or theorizing about them. Budget studies, therefore, reflect reality much better than public choice studies, but without a strong theory we cannot say what our typical case studies mean when the circumstances are changed. **Kurt Thurmaier** expanded on the topic of multiple rationalities. The multiple independent streams of John

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Budgeting with a Surplus...*continued*

Kingdon's analysis may offer some hope, and they appear applicable to Irene Rubin's real-time budgeting.

Yet **Naomi Caiden** raised some formidable difficulties for any theorizing about the politics of budgeting. She asked exactly what do we mean by politics: the differences between Republicans and Democrats, the differences between rationers and claimers, the differences between business and government? Caiden then noted that we are on the cusp of changes around the world. Globalism is integrating economies, and there are changes underway in our concept of government and its economic role. Caiden stated that at present she had no theory about the politics of the budgetary process.

Regarding budget surpluses more specifically, we heard that other governments have often seen their surpluses disappear. **Tom James** updated a General Accounting Office report concerning the budget surplus experiences of the United Kingdom, Australia, Canada, New Zealand, Norway, and Sweden. Their studies found that democratic politicians could balance budgets and be returned to office, but now they are asking if governments can also hold on to their surpluses. There was a tendency to lose surpluses to economic slowdowns (vs. assumed growth), spending increases, and tax reductions. He also noted a danger of governments making structural changes in times of surplus that did not last as long as anticipated. **Gloria Timmer** suggested that state governments in the U.S. remember previous recessions, perhaps better than the national government does. Generally state governments are cautious about surpluses. About half of the states have budget stabilization funds, and that number is growing. Mathiasen, however, later asked if reserve funds made any sense at the national level, where decision makers can raise or lower the national debt. Nonetheless, surpluses have focused political attention on longer-term problems like Social Security.

If we turn to Performance-based Budgeting (PBB) as a tool flexible enough for deficits or surpluses, we discover that our expectations may be unrealistically high. **James Smith** viewed PBB as a combination of strategic planning and public budgeting, but there are few of us expert in both disciplines, and PBBs' supposed benefits can be subverted. There is a danger of misrepresentation of what the numbers mean. **Roy Meyers** agreed on the need for a clarion call on the basic problems of PBB, especially when elected officials do not agree on program goals and implementation.

Performance reporting and budgeting has sometimes proved to be a two-edged sword for other governments. **John Wanna** noted that Australian budgets were in surplus after a 15-20 year history of budget reforms, but that resource agreements had grown up incrementally to cover changes outside of the regular budget process. These agreements were now focusing on the departmental and ministerial sale and lease of government assets. Market mechanisms and inside-outside government competitions have grown, and so have problems of accountability. For example, commercial decisions about utilities have sometimes produced lengthy periods without potable water and electricity. **James Douglas'** study of budget reforms for the state of Georgia led him to make this as his first recommendation for budget reformers: Don't oversell the benefits or set unrealistic goals.

In opening the first plenary session, **Paul Posner** commented that conference planners had been apprehensive about the temporary nature of budgeting for an era of surplus as a conference theme. We can now reassure him that this was the right topic at the right time. Budgeting with a surplus: what an idea!

~James L. True ~

Are you planning to attend ASPA in Orlando?

If you are planning to attend the ASPA conference in Orlando, plan to attend the ABFM continental breakfast on TUESDAY, April 13, from 7:00AM-9:00AM. The breakfast will not be a meeting as much as it will be a chance to meet other ASPA members interested in budgeting, financial management, and public finance issues. Several ABFM officers will be there, including Merl Hackbart (current chair), Karen Stanford (a past chair), and board members Hank Huckaby and Rebecca Hendricks. The room will be listed in the ASPA program. See you there!

Contact Karen Stanford either at kstan1125@aol.com or (904) 414-8445 (day phone).

Calls for Nominations

Howard Career Achievement Award

The Association for Budgeting and Financial Management is accepting nominations for the S. Kenneth Howard Career Achievement Award.

The award, presented annually as a memorial to Kenneth Howard's outstanding contributions to his profession, recognizes the exemplary work and professional integrity of selected individuals who have devoted a significant part of their public service careers to the advancement of public budgeting and financial management.

The selection criteria used in evaluating nominees include a career that demonstrates a record of significant public sector accomplishments over a period of years, in areas such as:

1. Technical applications of budgeting, accounting, auditing, financial analysis and reporting, tax and revenue administration, treasury and debt management.
2. Development of significantly improved policies, procedures and systems to enhance accountability and improve performance.
3. Leadership in government, academic institutions and/or professional associations.
4. A record of sustained and close professional working relationships with elected public officials at all levels of government.
5. A lasting contribution to the public's confidence in the financial integrity of one or more jurisdictions in which the nominee has been associated.

Nominations should include an explanation of how the nominee meets the selection criteria and may also include other pertinent information. Nominations will be accepted from individuals or organizations until **May 1, 1999**. Send to: Dr. Karen A. Stanford, 3861 Windermere Road, Tallahassee, FL 32311 or email: kstan1125@aol.com Telephone: 850-309-0681

Wildavsky Award

The Wildavsky Award is intended to honor the lifetime achievement of Aaron Wildavsky as a scholar in the field of budgeting and financial management, with clear emphasis on public budgeting where he made his greatest contribution.

With approval by Aaron Wildavsky and his family, the award was established in 1993 by the Association for Budgeting and Financial Management (ABFM).

The award recipient should be an outstanding scholar as judged by his or her publication record and record of service to the field, generally with a demonstration of academic achievement over a considerable period of time.

While the award is intended to be given annually, it need not be given if, in the view of the Awards Committee, a suitable candidate has not been nominated. The award shall be presented at the awards luncheon of the ABFM annual conference.

A one-page letter describing the accomplishments of the nominee is acceptable. Send nominations for receipt no later than **May 1, 1999**, to the Chair of the Wildavsky Award Committee: Dr. Robert D. Lee, Jr., School of Hotel, Restaurant and Recreation Management, The Pennsylvania State University, 201 Mateer Building, University Park, PA 16803. 814/863-0720 FAX 814/863-4257 or email rdl@psu.edu

Call for Papers and Presentations

ABFM

Association for Budgeting and Financial Management

11th Annual Conference

October 7-9, 1999

Washington Marriott

Washington, D.C.

"Budgeting and Finance:

The 20th Century Legacy"

The conference committee invites session organizers, paper presenters and session discussants to the Washington, D.C. conference and welcomes you to submit conference proposals in the following areas:

Budget Theory	Capital and Debt Management
Performance Budgeting	Public Accounting & Accountability
Changing Budget Processes	Deregulation - Financial Implications
Tax Policy and Impacts	Social Security Finance
Intergovernmental Finance	Changes in Education Finance
Budgeting Innovation	Infrastructure Finance
Public Funds Management	Electronic Commerce & Taxation
State and Local Budgeting	International Municipal Finance
Financial Markets and Municipal Securities	

Please send all correspondence to:

Dr. Merl Hackbart, Chair ABFM c/o Robert J. Eger, III
University of Kentucky, Martin School of Public Policy
and Administration, 477 Patterson Office Tower,
Lexington, KY 40506-0021, Phone: (606) 257-6034
FAX: (606) 323-1937, email: rjeeger0@pop.uky.edu

ABFM Official 1999 Election Ballot

For Chair-Elect (vote for one):

_____ Paul Posner

Other (write in name below)

For Executive Committee (vote for three):

_____ Michael Bourgeois

_____ Michael Curro

_____ Stanley Collender

_____ Jocelyn Johnston

Other (write in name) _____

RETURN BALLOT BY MAY 1st to: Karen A. Stanford, Executive Director

Florida Government Accountability to the People Commission, 3861 Windermere Rd., Tallahassee, FL 32311

PAUL POSNER is Director of Budget Issues for the U.S. General Accounting Office where he leads GAO's studies on the long-term outlook for the federal budget and alternatives for reforming budget structures and processes. He testifies frequently before congressional committees and speaks before professional and academic conferences on these and other issues. He has also lead GAO work on tax policy and inter-governmental issues in his 20-year career with the agency. In the mid-1970's, he directed the review of federal grants for the new York City Office of Management and Budget.

Dr. Posner is also Adjunct Professor at the Graduate Public Policy Program at both Johns Hopkins and Georgetown Universities and teaches courses on public policy formulation and implementation. He has published articles on public budgeting, federalism and tax policy issues in various academic journals and books, and is the author of *The Politics of Unfunded Mandates* published by Georgetown University Press in 1998. He received his Ph.D. in Political Science at Columbia University in 1995 and was elected a Fellow in the National Academy of Public Administration in 1996.

MICHAEL BOURGEOIS is a financial analyst with the United States Drug Enforcement Administration. He has served on the executive committee for the past four years as ABFM Treasurer & Conference Coordinator. Mike also represented ABFM on ASPA's program committee. He holds degrees from Loyola of New Orleans and Louisiana State University.

STANLEY E. COLLENDER is senior vice president of Fleishman-Hillard, managing director of its Federal Budget Consulting Group, and the editor-in-chief of *Federal Budget Report*. Stan is the author of *The Guide to the Federal Budget*, which will be published for the 17th year in 1999. He also writes the weekly column "Budget Battles" for the *National Journal's* website, "Cloakroom," and teaches at the Graduate School of Political Management at The George Washington University. In 1996, Stan received ABFM's Howard Award. In November 1997, he was appointed by President Clinton to be a member of the presidential commission to study whether the U.S. should have a capital budget.

Stan has been involved with the congressional budget process since 1974 and is one of only a limited number of people who has worked for both the House and Senate Budget Committees. Stan's legislative experience includes service on the staffs of Representatives Fortney Stark, Jr., Elizabeth Holtzman, and Thomas Downey. He also served as the ad-

ministrative assistant to the deputy assistant secretary for health planning in the Department of Health, Education, and Welfare. Before joining Fleishman-Hillard, Stan was director of federal budget policy for Price Waterhouse and Touche Ross and president of the Budget Research Group, a private Washington-based consulting organization.

MICHAEL J. CURRO is Assistant Director for Budget Issues in the Accounting and Information Management Division, U.S. General Accounting Office, an independent analytical office supporting the U.S. Congress. In his current position, Michael's work principally involves budget formulation and execution questions and trend analyses. He has been with GAO since 1974, serving in a variety of capacities including assistant to GAO's chief operating officer (1982-1988) and deputy director for information resources management (1989-1991). He has served as a nonvoting member of the ABFM Executive Committee for the last two years, while serving as an ABFM representative to the Board of Directors of Public Financial Publications, Inc., the parent organization responsible for *Public Budgeting and Finance*. He also served as a member of the 1998 conference program committee.

Before joining GAO, Michael held staff positions with the Ohio Legislative Services Commission and with the Cincinnati City Council and served on active duty as a commissioned officer with the U. S. Army. Michael holds degrees from Xavier University and the Ohio State University.

JOCELYN M. JOHNSTON is Assistant Professor of Public Administration at the University of Kansas. Her research focuses on intergovernmental policy and fiscal relations. She is a field research associate for the Rockefeller Institute's State Capacity Study, contributing to their national studies of welfare and Medicaid reform. Her work for the State Capacity Study includes analyses of welfare and Medicaid contracting patterns. She also studies state-local relations and issues, including property tax administration and school finance, and is now involved in a national study of county fiscal capacity.

She is coeditor, with H. George Frederickson, of *Public Management Reform and Innovation: Research, Theory and Application* (forthcoming), and has published articles in *Public Administration Review*, *Public Budgeting and Finance*, *Publius*, *Journal of Public Administration Research and Theory*, and *State and Local Government Review*. Jocelyn served on the 1998 conference program and arrangements committees.

From the Chair

The ABFM Executive Committee has begun work on the 1999 conference which will be held on October 7, 8 and 9 at the Washington Marriott in Washington, D.C. The conference has become the focal point of our organization and provides an excellent opportunity for members and prospective members to meet, present research and discuss emerging public financial management issues. The Committee has chosen "Budgeting and Finance--the 20th Century Legacy" as the theme for the 1999 conference. As budgeting and financial management continues to evolve through research, study and practice, it is useful to reflect on the knowledge we have obtained and the accomplishments that have been realized as we enter the next century. The theme chosen for this conference reflects that legacy and we thank John Forrester for suggesting this thoughtful focus for our annual conference.

Two major initiatives were considered and approved at the 1998 ABFM conference. These initiatives were the rotation of the annual conference between Washington, D.C. and an alternative site to be determined by the association, and the development of two new categories of ABFM membership. The first "hinterland" conference is scheduled for October 4-8, 2000 in Kansas City, Missouri.

Kurt Thurmaier and others are working hard to ensure a highly successful conference in Kansas City. The new membership options include an ABFM membership without ASPA benefits (at a reduced cost) and an ABFM "institutional" membership which is designed to attract private sector firms which focus on public financial management issues such as bond ratings, bond issuance and accounting and public sector institutions such as budget and accounting offices and nonprofit organizations as well.

We feel that these new membership categories will encourage membership growth and permit a larger number of individuals and institutions interested in public budgeting and finance to participate in our activities. We are hopeful that the ASPA Council will approve these new membership categories at their annual meeting in Orlando, Florida on April 14.

Finally, I would like to thank Fred Thompson for the excellent leadership which he provided ABFM in 1998. The 1998 conference was excellent and he played a key role in moving these new membership and meeting site initiatives forward. These changes should encourage membership growth and permit ABFM to provide better services to its members.

~ *Merl Hackbart* ~

NEW FACULTY HIGHLIGHTS

ALFRED T. HO graduated from the School of Public & Environmental Affairs, Indiana University, Bloomington with a Ph.D. in public affairs in 1998. He is now an assistant professor at the political science department of Iowa State University, responsible for teaching and research in public finance and budgeting, as well as state and local policies.

He is also the secretary of ABFM this year. His dissertation was on education spending disparities among school districts. Using school district data from the Census of Government Finance 1972 - 1992 and the Census of Population and Housing, 1980 and 1990, he analyzed how spending disparities within states changed over time and how institutional factors, such as court interventions, grant systems, and tax and expenditure limitations, influenced the disparities.

In addition to his research on education finance, Alfred has been working with the Institute for Family and Social Responsibility at Indiana University to study the financing of child support enforcement programs. Recently, he and James Smith have been cooperating with several government associations to study information technology budgeting and the Y2K problem in state and local governments.

NEW FACULTY HIGHLIGHTS

Call for Student Papers

The Association for Budgeting and Financial Management seeks nominations for its student paper award from budgeting and financial management faculty.

ELIGIBILITY. Papers should be on a topic relevant to the interests of ABFM members, and have been written for a graduate course offered between June 1998 and May 1999. Nominations must be made by the faculty member offering the course. The nomination letter should include the name(s) of the nominee(s), the name of the institution and/or program, the title of the course for which the paper was written, and the course dates. Those who wish to receive results and/or reviewers' comments, should indicate so in the nomination letter.

PURPOSE. With this award, ABFM encourages student efforts to advance the study and practice of budgeting and finance for the 21st century. Each year, ABFM seeks to identify the best work done by a graduate student, or group of graduate students, that relates to public budgeting and/or public financial management. Along with the more traditional academic analyses, creative assignments that produce information useful to practitioners are welcome, including team projects, case studies, financial condition assessments, distance education efforts, and information system-based projects.

CRITERIA. Entries will be judged on the basis of importance to the budgeting and financial management community, overall quality, clarity of expression, logic of presentation, and originality/creativity. Papers will be reviewed by a panel of ABFM members, including both practitioners and academics. The award will be announced at the 1999 ABFM Conference in Washington, D.C. The winner(s) will have an opportunity to present the paper during the conference.

SUBMISSION. Letters of nomination accompanied by five copies of the paper should be sent to:
Professor Karen A. Stanford, 3861 Windermere Road, Tallahassee, FL 32311

Nominations should be postmarked by June 1, 1999. Reminder: only papers nominated by the supervising professor will be reviewed for the award.

THE UNIVERSITY OF KANSAS

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