



The Bottom Line

Newsletter of the
AMERICAN ASSOCIATION FOR BUDGET & PROGRAM ANALYSIS

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President's Message

I am honored to serve as this year's AABPA President. As such, I have the happy duty to report that, under the leadership of last year's President Rex Reagan and the AABPA Board and volunteers, the organization has completed a very successful year. Our Spring and Fall symposia had a variety of exciting main speakers and stimulating panel presentations, and were very well attended. Our monthly program meetings continued to explore a wide range of topics of interest to our members and guests who we hope will become members. I would like to encourage everyone to spread the word around your offices about the benefits of AABPA membership and invite people to join, attend our program meetings and symposia, and join us at our receptions for fellowship and networking opportunities.

AABPA successes do not come without the diligent efforts of many people. Thanks go, of course, to Rex Reagan (DHS) for his hands-on leadership and motivation for everyone to pitch in where needed last year. I would also like to thank Margie Armen (GAO), who is stepping down as General Counsel, and Ron Boster (PCOAB), retiring Board Member,

for their years of service on the board. And thanks to all our members and others who helped with or participated in last year's events and activities, and who we are looking forward to seeing again at this year's events.

Fortunately, for all of us involved with AABPA, we are very lucky to have continuity on the Board to help organize another year of outstanding symposia,



Pat Mullen

program meetings, and other activities. Shelly McAllister (OMB), who over the years has served with great distinction on the Board, is the President-elect. Bob Henke (DOD) will continue to serve as Vice President for Symposia and arrange for great plenary speakers and expert panelists. Joe Bryns (GAO) is

switching positions to be Vice President for Programs and is already planning exciting topics for our monthly programs kindly hosted at CBO. Kesha Pendergrast (Grant Thornton LLP) is moving from Membership Director to become Vice President for Communications with responsibility for putting together *The Bottom Line*.

Mark Brown will continue serving as Treasurer/Secretary, keeping our books straight and in the black. Kourtney Wooten (RGII Technologies, Inc.) is taking over the position of Membership Director, and I hope all of us will be willing to help her to expand membership. In addition, Hannah Laufe (GAO) has agreed to serve as General Counsel and keep us out of trouble. Charlie Towle (DOI) will continue as the AABPA webmaster; I encourage you to use the website for useful information about AABPA past and upcoming events, as well as recent publications of note to our membership and job listing. Please feel free to contact Charlie through the web site if you have any material you want to post. And of course, Christine Lawson will continue as AABPA's National Executive Secretary running the program

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The American Association for Budget & Program Analysis is a non-profit organization devoted to furthering knowledge in budgeting, program analysis and related fields. Through its programs, AABPA provides for the exchange of ideas and experience of its members in government, academic and private sectors. For more information, write AABPA, Box 1157, Falls Church, VA 22041, or call (703) 941-4300.

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Presidents Message

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office.

Returning Board Members who won reelection include Sandy Davis (CBO), Art French (HHS), Jim Goulden (DHS), Teri Gullo (CBO), Phil Joyce (GWU), George Krumbhaar (usbudget.com), and Carl Moravitz (Consultant). Completing the Board with one year remaining in their terms are Ed Brigham (DOT), Joan McKean (DOC), and last but not least (but with a name starting with Z) Gail Zimmerman (OMB). I'd like to extend a welcome to newly elected Board Members Judy Thomas (OMB) and Susan Irving (GAO), who is returning to the Board.

We are lucky to have such a strong leadership team to serve the AABPA membership. As the year progresses, please feel free to contact me and the people listed above if you have any questions about the organization, suggestions for how to improve AABPA, ideas for panels or program speakers, or if there is anything that you wish to bring to our attention.

The Board has recently approved two new initiatives that you should be aware of:

Honorary Membership for Main Symposium Speakers

Starting with the Fall 2004 symposium, AABPA will offer free membership to the main speakers in the morning, luncheon, and afternoon plenary sessions. Honorary membership will last for three (3) years and includes discounted fees to attend symposiums (at regular membership rates) and all membership mailings (e.g., newsletter and program notices). The honorary member can designate staff to attend the symposiums at the regular membership rates.

Electronic Distribution of the Newsletter

In an effort to save on postage fees for the newsletter, this edition of *The Bottom Line* contains a notice that in the future AABPA will encourage members to receive the newsletter by electronic means instead of by mailing hard copies. Members will be asked to verify that their e-mail addresses are up to date by contacting the AABPA program office (preferably through e-mail). Please notify Chris Lawson at AABPA@aol.com or call her at 703-941-4300. Members will still have the option of receiving the newsletter through the mail if they notify the program office that this is their preference. ★

MARK YOUR CALENDAR

The AABPA Fall Symposium will be held November 19th at the Capital Hilton Hotel. "Reinventing Government" guru, David Osborne, is invited as the luncheon speaker. He will sell and sign copies of his new book, *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*.

Performance Budgets: Format Follows Function

Krista Tibbs, Reporter

Thad Juszczak from the Department of Health and Human Services (HHS) chaired a session in which representatives from four agencies in different stages of developing performance budgets presented overviews of their formats and processes, including development teams, visions, and implementation plans. The four agencies included, Department of Energy (DOE), Department of Health and Human Services (HHS), Environmental Protection Agency (EPA), and Department of State.

Dick Rock presented the DOE's performance budget development over the past several years, beginning with the concept of a performance management framework consisting of Strategic Plans (25 years, 7 goals), Program Plans (10-15 yrs), Performance Budgets (annual), and Performance Standards (Federal contracts). The objective was to facilitate high level performance by linking and aligning each of the components of the framework. DOE has accomplished this objective by defining "GPRA units", similar to programs, which consist of a particular activity with discrete budget and agency codes, that will undergo assessment by the Program Assessment Rating Tool (PART), and has a program plan with logically assigned Full Time Equivalent (FTE). There are 63 Government Performance Results Act (GPRA) units in DOE. These are discussed within the agency's performance budget format: strategic context followed by mission, benefits, strategic goals, funding by general goal, annual performance results and targets,

means and strategies, validation and verification, research and development investment criteria, and PART assessments.

Cory Gilbertson presented HHS' process, which was in the earliest stages of the four agencies; FY 2006 will be the first performance budget for HHS. In contrast to DOE, HHS began with the existing budget structure and incorporated performance into it. A design team, budget working group, and performance working group analyzed budget requirements and performance requirements and surveyed performance experts as well as other agencies on their performance budget experience and formats. As a result, HHS generally plans to eliminate duplicative narrative between the budget and performance plans, keep performance information concise and relevant, and to maintain flexibility in placement of performance information. PART assessments will be contained in operating division budget displays, and operating division budgets will be aligned by strategic goals. The plan is for the performance budget format to consist of the following: Agency Overview (mission, strategic goals by operating division, overview of agency request and overview of agency performance), Narrative by Activity (program description, performance analysis, and rationale for budget for the by performance goals), and Supporting Information (crosswalk to budget accounts, full cost summary table, details of performance analysis measure by measure, changes or improvements over previous years, links to strategic plan, and data vali-

ation and verification).

The implementation plan for HHS includes consulting with the appropriations committee staff in the summer and fall of 2004. The audience and speakers agreed that the variation in perspectives and levels of acceptance for performance budgets is a concern for agencies, and that the most effective implementation plan will engage committees early and throughout the process. Agencies should outline clear rationale for their objectives, keep the committees aware of changes and developments, and provide crosswalks to help reorient thinking.

EPA used the Business Reference Model as the basis for developing a performance framework and budget. Terry Grindstaff presented EPA's initial challenge as defining programs/projects that would provide stability as performance budgets and strategic plans were developed and revised, and at the same time define what EPA does, taking into account the many programs that are statutorily mandated and the differences in support programs versus direct programs. These program definitions allowed EPA to link resources to performance by sub-objectives for the agency and performance components for the programs and to adopt measures from the PART reviews into these linkages. The audience and speakers agreed that once a framework is in place, the agency must still be vigilant about keeping various processes integrated. For example, review and adjustment of measures through the PART process need not result in

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Example of a Ph.D. Prelim Question on Budgeting

For your edification and amusement, this is one of the six questions from the management area that Ph.D. students at Virginia Tech took for preliminary examinations last fall.

In Public Administration the State of the Discipline edited by Lynn and Wildavsky, Naomi Caiden has a chapter on budgeting. In it she says, “Traditionally, public budgeting was studied from three different perspectives—economics, management, and political science—each posing different questions and employing different models of the budget processes.” She goes on to say that the resulting compartmentalization problems were “to some degree compensated for by the strength of the ideas and the vigor with which they were espoused and disseminated.” (Set aside the possible problems of equating vigor of espousal with enlightenment.)

She continues—“The three strands of thought provided an acknowledged framework for scholars and, to a lesser extent, practitioners.” (p.229) A few pages later (p.232) she concludes, “None of the three disciplines really achieved its purposes for public budgeting. The economists failed to discover a

practical criterion that would truly distinguish those activities appropriate to governmental decision-making. Management scientists encountered repeated defeats on the battleground of budgetary reform. Political scientists never really came to grips with the sheer variety of budgetary behavior, let alone the creation of a science on which reliable predictions might be built.”

Caiden continues with a chapter showing how much more complex the budgetary phenomenon has grown—proving it would seem—that the gloomy conclusion made above early in the article has worsened exponentially. Yet, stout of heart and clinging to optimism, she begins the conclusion of the chapter by saying, “But if the study of public budgeting in the United States is to survive and thrive, there is probably a need for a broad framework of theory.” But then realism reasserts itself and she concludes, “It is unlikely that a single theory of budgeting will emerge; the subject is many-faceted and may legitimately be viewed from a multitude of standpoints.” (p.248) In her last line, which we might take to be a final attempt to be cheerful despite the dark picture she has painted and the conclusions she has reached.

She says, “It is unlikely that researchers will run out of material for some time to come.”

Hopefully, you are well on your way to completing a Ph.D. (an academic degree) and either becoming an incredibly well-educated practitioner or an academic whose teaching will largely be of current or future practitioners. What if you somehow find yourself teaching budgeting? What would be your approach? Don’t try to create a syllabus but take some time to sketch out an approach. What would be your overall desired learning outcomes for your practitioner students. What level of government or governments would you concentrate on? How would you weight or balance management, politics, economics and fiscal policy, and particularly the other side of the expenditure picture—revenues or taxes?

Finally, consider, horror of horrors, that you decide to research and write on the subject. What would be your interest or approach? Do you think you can contribute to an overall theory of budgeting? Is such a thing possible, necessary or useful in your opinion? If not, what are the obstacles? If so, what would be a likely or desirable approach? ★

MEMBERSHIP NOTICE

Please verify that your current e-mail address in the AABPA office is up to date by contacting (preferably through e-mail)

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Thank you.

Developing Key National Indicator Systems

Patrick Mullen, Reporter

A panel at the AABPA Spring Symposium discussed the ongoing work by the Government Accountability Office (GAO) and the National Academy of Sciences (NAS) to explore developing a key national indicator system for the United States. Patrick Mullen, GAO, convened the panel and the speakers included:

- Elizabeth Powell, Senior Analyst, Strategic Issues, GAO;
- Jane Ross, Project Director, NAS; and
- Katherine Wallman, Chief Statistician of the United States, Office of Management and Budget (OMB).

Mr. Mullen introduced the topic by saying that for a democracy that is performance-oriented and accountable, national performance indicators are needed to assess the overall position and progress of our nation, frame strategic issues and chart future direction. To begin the dialogue to establish such a system, GAO, NAS, and a distinguished panel of experts have been working to determine what would comprise such a system. The session was organized to provide background about the key national indicators system, support provided by NAS, and OMB's observations about the system.

Ms. Wallman gave an overview of how the topic, National Indicator System, came about and the growing interest in developing

a comprehensive national indicator system. According to Ms. Wallman, the nation confronts profound challenges in an era of diminishing resources. Public policy makers and citizens need better, more understandable information about how we are doing as a nation. The U.S. could benefit from objective, accurate and accessible information to inform fact-based dialogue, assess the overall position and progress of our nation, frame strategic issues, support public choices, and enhance accountability.

Ms. Powell then described the current knowledge of indicator systems. She said there is a large and growing amount of activity in the U.S. and abroad directed to developing comprehensive indicator systems to inform the democratic process. Unlike some other democratic nations, the U.S. does not have a generally accepted comprehensive national indicator system. However, the U.S. does have (1) systems that are national in scale, but focused on specialized or specific topics, such as health care; and (2) numerous comprehensive systems at the state, regional or local levels. She said that indicators in the U.S. tend to be focused on the economic domain, with less emphasis on the social or environmental domains; and to an even lesser extent on the interrelationships among the three domains.

Ms. Powell then described the Forum on Key National Indicators, sponsored by GAO in cooperation with NAS, held in February 2003. The purpose of the forum was to

discuss whether and how to develop a comprehensive set of national indicators. This was a broad-ranging consultation between GAO and NAS staff working on the project and with other interested parties. A diverse group of national leaders, producers, and users of public information attended the meeting and have been in consultation regarding the project since the forum was held. She concluded by saying that the results of the forum were captured in a GAO report-Forum on Key National Indicators: Assessing the Nation's Position and Progress. GAO-03-672SP, May 2003. [Note: The GAO report is available at www.gao.gov and Ms. Powell's PowerPoint slides are available at www.aabpa.org.]

Ms. Ross discussed the role of NAS in the project and the establishment of a U.S. National Coordinating Committee (NCC). She said an informal national coordinating committee was established after the Forum on Key National Indicator was held in February 2003. The result was that leading national public and private institutions partnered to start organizing a national indicators initiative. She said that desirable characteristics of a U.S. National Indicator System would be that it would be grounded in an open, inclusive, flexible and action-oriented process that is supported and funded through public and private collaboration. The system should build upon and not supplant existing data, specialized and comprehensive efforts, and approaches. The system should be

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OMB's Outlook on the Budget

Aron Greenberg, Reporter

Joel Kaplan, Deputy Director for the Office of Management and Budget (OMB), spoke about our current budget situation and outlined a series of steps he sees as necessary to reducing the deficit by over one half over the next five years.

He pointed out that, while there is a strong need to control spending, given the strains of 9/11, the stock market collapse, war and a recession, the budget is in reasonable shape. He said that 75% of increases in discretionary spending have been directly related to responding to 9/11, homeland security, and to the prosecution of the war on terror; and that the projected \$521 billion deficit for the current fiscal year should be seen in the context of historical deficits. \$521 billion represents only 4.5% of GDP, not nearly as large as the 6% of GDP deficit we ran in 1983. Deficits have been this large or larger in six of the last twenty-five years.

While the budget situation is understandable, it is clearly "unwelcome." Mr. Kaplan outlined the way forward: first stating that while allowing homeland security-related spending to grow at a rate of 10%, hold other discretionary spending to rate of 0.5% (a number which includes increases for No Child Left Behind and the President's emergency plan for AIDS relief). Tax cuts deserve credit for aiding the brightening economy, giving us the highest growth in two decades and job

increases that are beginning to pick up (a process that has been delayed by increased productivity). The tax cuts of 2001 and 2003, therefore, should be made permanent. He stated that we should also continue to practice an open trade policy and invest in educating our workforce. OMB's projections, given these policies, show the deficit being cut to 1.6% of GDP in 2009.

Budget process is also vital to cutting the deficit in order to encourage spending restraint. The Budget Enforcement Act must be reauthorized, with PAYGO for spending increases, though not for tax relief. Mr. Kaplan emphasized that increases in mandatory programs should not be paid for with tax increases, saying that Americans are not in danger of being undertaxed.

Finally, we need to focus on results. To ensure that we're getting the most out of our dollars, we need to focus on outputs rather than inputs. He noted that, while we may not be able to match the 4.2% productivity growth in the private sector, we should be able, from one year to the next, to get better results with the same amount of money. As examples of the focus on results, Mr. Kaplan mentioned the Workforce Investment Act, which will mean asking questions about the \$23 billion a year we're spending on job training, questions like "How many people did we help find a job?" "How much are they being paid?" and

"How long are they staying in their new jobs?"; the Department of Defense modernization effort, which includes skipping a generation of technology and canceling popular but outdated programs like the Crusader artillery system and the Apache helicopter, allowing us to spend our resources on more effective munitions such as laser-guided missiles; and the Budget Performance Integration Initiative, which includes the Program Assessment Rating Tool (PART) process. The PART, among other things, asks of each program whether it is needed, working, and a good use of funds. 40% of Federal programs have been PARTed, and all are scheduled to be completed by 2008.

During the question and answer period, Mr. Kaplan was asked about the PART and the President's Management Agenda. In response to a question about how the PART deals with programs that Congress has left deliberately vague, he acknowledged that it is a bit of a struggle, but said that the PART allows them to shine a light on the vagueness, both for the Administration and for Congress. It gives them the opportunity to say that a program is vague and attempt to clarify it. He also noted, in answering another question, that the Congress is more supportive than not of the direction the Administration has taken on budget performance integration, insofar as it gives members more tools with which to make decisions. ★

Performance Budgets

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additional goals for the agency. The agency goals should be limited and the program measures complementary to them. Like HHS, EPA's implementation plan includes a clear crosswalk from the previous 40-goal structure to the improved 5-goal structure.

Anne Phan described how the Department of State integrated various strategic and program planning processes into one system that links

each program to a performance goal for the agency, and performance goals to major strategic goals, each contributing up to a major mission of the agency. The entire agency can use this system for ongoing management that leads directly to production of the Congressional justifications as well as internal planning documents. The PART has also been incorporated into the system, allowing the agency to drill down to the performance targets for each program and at the same time see how program performance measures relate up to the mission of the agency. One vision for this system is that the demonstration

of how programs relate to one another in context with the strategic plan will be used to inform the agency of the ripple effects as funding decisions are being considered.

When asked whether a good performance budget leads to more funding, the speakers agreed that performance does not dictate funding; there are many factors that influence resource allocation. Performance budgets get performance into the debate; and the process of developing them equips managers with the best possible information to make decisions to improve the outcomes of the program. ★

Developing Key National...

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appropriately focused and independent, have a definable audience, be accessible/user-friendly, and pay attention to issues of quality. NAS would support research on the inter-

actions among indicators to enhance our understanding on improving our quality of life and to form a basis for more informed decision-making.

Ms. Wallman wrapped-up the session by offering observations about the potential value of a Key National Indicators System. She said developing such a system is an opportunity to communicate how we

are doing as a nation in areas important to the American people. Such a system would help define 21st Century challenges and improve public decision-making and choices. It could also serve as an important resource for making tough fiscal and policy choices, as well as provide a national context for performance measurement and accountability. ★



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