



# The Bottom Line

Newsletter of the  
AMERICAN ASSOCIATION FOR BUDGET & PROGRAM ANALYSIS

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## President's Message

**A** special thank you to those of you who were able to join us at the Capital Hilton for our Fall Symposium. The Board also greatly appreciated the comments received on the evaluation forms regarding what worked well, suggestions for improvement (e.g., please turn off your cell phone), and topics you would like to hear presented at future symposia and program meetings. We hope you can join us on April 13 for our Spring Symposium entitled **"Budget and Performance: An Xtreme Sport."** With the knowledge that effective budgeting and performance integration combines the ability to project, plan, and implement programs with a view to the current political and economic conditions, our symposium will effectively combine these issues and offer insightful forums for discussion.

Our keynote speakers, **Former Congressman Charles Stenholm and CBO Director Douglas Holtz-Eakin**, will offer their perspectives on the current fiscal situation and how we can expect Congress to receive the President's budget proposals. Our afternoon plenary session will be a panel of veterans from the Green Zone discussing their fascinating experiences with **"Budgeting In Baghdad."**

In addition to the plenary speakers, each participant will have the choice of attending one of three breakout sessions in the morning and a different choice of topics in the afternoon. Workshops will focus on Homeland Security Budgeting, PART, the 10th Anniversary of the Unfunded Mandates Reform Act, How Technology is Shaping the Future, and the 30-Year Anniversary of the Congressional Budget Act. This symposium will provide a unique opportunity to gain insight and first-hand knowledge from key members in the federal budgetary process.

Your are urged to register for this symposium by visiting the AABPA website, <http://www.aabpa.org/> or by calling 703-941-4300 or fax at 703-941-1535. Registration fees are \$250 for members and \$300 for non-members, so please consider becoming a member of AABPA if you are not one now. If you are interested in being a corporate or

agency sponsor, please contact Chris Lawson at 703-941-4300. AABPA symposia provide excellent training and networking opportunities at a reasonable price, so please pass this flier on to your colleagues. Our Spring Symposium is a major event where we will present the Blum and Kubat awards. I encourage all to attend this symposium, which promises to expand your knowledge and provide increased networking opportunities with colleagues who share your interests and professional background. It will be an excellent one day, cpe credit earning training program (including lunch and dessert!!!), and we hope you can make it! ★



*Pat Mullen*

### **AABPA PROGRAM MEETING**

Thursday, May 12, 2005      12:00 PM – 1:00 PM  
(Coffee & cookies will be provided)

#### **"Making Sense of the Federal Budget"**

*featuring:*

**Richard Kogan,**  
**Center on Budget and Policy Priorities**

How bad are current deficits, and how did they get that way? What do the current budget figures really mean? Will they get better any time soon? What about the long term? Richard Kogan, a well-known and respected budget expert at the Center on Budget and Policy Priorities, will share his perspective and analysis of the current issues, which are certain to generate some interesting and dynamic discussions.

#### **LOCATION:**

Congressional Budget Office  
Ford House Office Building  
2<sup>nd</sup> and D Streets, SW, Room 483  
(At the Federal Center SW Metro Stop on the Blue & Orange lines)  
**AABPA Monthly Program Meetings are open  
to members and non-members.**

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## Ph.D. Prelim Question and Answer

By Jason J. Fichtner

**I**n the last newsletter, we included a budgeting question from a Ph.D. preliminary examination. The question is re-printed below, with an outline answer from Jason Fichtner, Senior Economist with the Joint Economic Committee and a Ph. D. candidate at Virginia Tech's Center for Public Administration and Policy.

### Question

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 that "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 scien-

tists 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 concludes 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 bal-

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## Prelim Question & Answer

*continued from page 2*

ance 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 over-all 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?

### I. Introduction

- A. Federal budget always draws spirited response from public
- B. “Budgeting is politics” – (Wildavsky 1964/1997)
- C. Even at agency level (Kanter 1975/1979)
- D. President/executive budgets important chapters in evolution of current budget process
- E. Debates regarding executive budget usually framed in terms of executive vs. legislature
- F. Separation of powers implications
- G. Real issue not budget, but politics

### II. My Approach to Teaching Budgeting

- A. Focus on Federal level, including federal agency level – agency politics same for fed, state, local
- B. Multi-disciplinary approach between economics, management & political science; all three have important things to say and good supplements to understanding whole
- C. Don’t need all encompassing view, multi-lens good
- D. Distinguish between technical budgeting (means) and political budgeting (ends)
- E. Use framework of “Budget Wars” to instruct on budget policy process to highlight economics, management and political science.
- F. What were/are “the budget wars?”
  - General term to describe annual circus of events surround the federal budgeting process.
  - Competing interests (which are unlimited) fight for limited resources.
  - Battles for resources occur between legislative & executive branches, & various federal agencies & various appropriations committees, & interest groups.

- G. What were the “problems” associated with the budget wars?
  - Budgeting is not rational exercise, rather political one.
  - As political exercise there will always be competing interests.
  - These competing interests looking for resources.
  - Backdrop for term “wars” viewed from notion that competing interests for citizen’s resources have been confiscated by government
  - Zero-sum game - winners & losers.
- H. (Use Caiden’s shortcomings of economics, management and political science in question and respond in answer)
  - Economics
    - ❖ Normative and empirical (Norm - what are legitimate purposes of government & welfare economics / empirical - how does government tax and spend policies affect economy and welfare of citizens)
    - ❖ Concerned with market economics
  - Management
    - ❖ Focusing on question of how routine processes of budgeting might be shaped to encourage more efficient & effective outcomes
    - ❖ Use of performance techniques, productivity measure, cost-benefit
  - Political Science
    - ❖ Budgeting useful perspective to analyze making of policy and how it’s implemented
    - ❖ Incrementalism

### III. How to balance economics, management, political science with revenue/taxes?

- A. Fiscal policy is two-sided coin; expenditure and revenues
- B. Can’t have discussion of one without discussion of other and how to pay
- C. Fiscal policy drives budget at all levels of government - includes mix of taxes, expenditures, debt financing, loans & loan guarantees. How much of each involved is up for debate (Axelrod 1995).
- D. Budget problems are complex & subject to considerable uncertainty, they are political in nature (Wildavsky 1964/1997)
- E. Five general options: spend more overall, spend more on just one program or area, spend less, tax

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## Prelim Question & Answer

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less, pay down national debt

- F. Congress long ignored deficit rules anyway, emergency appropriation, resetting the PAYGO scorecard to zero, etc. Leads Congress and the President to feel free to ignore procedures that no longer seem appropriate.

## IV. Research & Write on Budget – What Interest:

- A. Budget Reform and Allowing Congress to Focus More on Oversight
- Congress spends too much time on 13 appropriations bills
  - Not enough time for other function of Congress, oversight
  - How do you shorten budget cycle? Two-year budget
  - Allows better planning and use of resources, less uncertainty at program level
  - Less tied to election-year politics
  - Might therefore reduce pork and waste; increase representative / responsive
- B. Can you contribute to overall theory of budgeting?
- No, not one encompassing theory
  - Add to multi-theory perspective
  - Have not seen instance where one-size-fits all theory accurate
  - Hence, no need for over-all theory of budgeting; different lenses good thing
- C. Probably not possible given no one theory ever fits any occasion
- D. Hurdles to this approach? See above!

- E. Desired approach is multi-discipline and let lens fit various occasion

## V. Conclusion

- A. Federal budget always draws spirited response from public
- B. “Budgeting is politics” – (Wildavsky 1964/1997)
- C. Even at Agency level (Kanter 1975/1979)

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# David Osborne Speaks at the Fall Symposium

Patrick Mullen, Reporter

**N**oted reinventing government guru David Osborne was the keynote speaker at the Fall Symposium, where he talked about his latest book, The Price of Government: Getting the Results We Need in an Era of Permanent Fiscal Crisis. He observed that the fiscal crisis is permanent due to a “perfect storm” convergence of inexorable cost drivers:

- Pension and Social Security) obligations as the population ages; and
  - Rising debt and debt service.
- Another reason he thinks the fiscal crisis is permanent is that the revenue systems are obsolete. He pointed out that there are no sales taxes on most services and Internet transactions; and corporate tax revenues are declining as

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## David Osborne Speaks

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the global market moves profits offshore. He characterized the current budget game as a cost-based budget that operates like this:

Starting Point	Last year = BASE costs
Focus	Add/Subtract costs re: BASE
Addition	Autopilot increases = new BASE Plus Needs
Subtraction	Cut from <u>new</u> BASE
Submission	Justification for needs/costs—plus a little extra
Incentives	Build up costs – make cuts hard
Analyst’s job	Find hidden/unnecessary costs
Elected’s job	Choose to cut services, OR raise taxes to cover costs GET BLAMED!
Focus of debate	What to cut What to tax
What drives decisions?	Avoiding pain before next election

Mr. Osborne said the current system reminds him of Albert Einstein’s definition of insanity—”Doing the same thing over and over again and expecting a different result.” Solutions to the fiscal crisis are a combination of smarter budgeting, sizing, management, and leadership. He gave the example of how the budget situation in Washington State where the Governor changed the game by asking four questions:

1. How much revenue will we have, or at what price of government will we charge our citizens?
2. What outcomes matter most to our citizens?
3. How much should we spend to achieve each outcome?
4. How can we BEST deliver each outcome that citizens expect?

Mr. Osborne said that after four core questions were answered through Washington setting priorities for governments by listing results expected in detail and developing indicators to measure success. Priorities were then priced as to how much each priority was worth and not just how much they cost. He said this is done through judgment and

not science. The results teams were created to create purchasing strategies. The results teams are the “Buying Agents” for the citizens and their first task was to define three key indicators for each priority. Their second task was to develop a strategy map explaining what causes the outcome. Purchasing plans were also developed to improve the outcomes expected at the set price. These

define the purchasing strategy (What matters most?) and ideally Results Teams would issue “Requests for Results.” The buyers were expected to get the most results for the money by rank ordering offers, start buying from the top, and draw a line when they run out of money. After the budget passes, buyers negotiate performance agreements/contracts with sellers. The “Bottom Line” of this approach results in:

- Balanced budgets;
- Focus on “keeps,” not cuts;
- Buy results, not costs;
- Important new investments go to the top of the queue;
- General interest trumps special interests;
- Performance accountability;
- Continuous reform and improvement; and
- “Common Sense” communications.

At the end of his presentation, Mr. Osborne sold and inscribed his book for those who wanted copies of his current book and his prior Reinventing Government best seller. ★

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**Highlights from the November 2004, Symposium**



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