The Bottom Line

Newsletter of the
AMERICAN ASSOCIATION FOR BUDGET & PROGRAM ANALYSIS
www.aabpa.org

Volume XXVII, Number 1 **October 2009**

President's Message

Happy Fiscal New Year!

As the federal government closes the books on a year of fiscal challenges, we should highlight the changes we as budget and program analysts face and the importance of the training and educational opportunities that AABPA provides.

Your continued professional development is important, and AABPA will help you keep abreast of changes in budget laws and regulations, new government-wide initiatives, and Congressional activities. I am happy to report that AABPA has begun several new initiatives this year to provide you with the latest developments in our field.

AABPA has joined with its sister organization, the Association for Budget and Financial Management (ABFM), to offer plenary sessions of interest to both practitioners and academics. I hope you were able to join us for the September event, "High National Expectations Meet State and Local Fiscal Realities: the 2009 American Recovery and Reinvestment Act." Stay tuned for future joint sessions.

This year, with the support of a generous grant from Public Financial Publications, Inc., AABPA has strengthened its outreach to graduate students in public administration, public policy, and related fields. Over 100 students participated in AABPA symposia, the inaugural Graduate Student Research Competition for our Marykathryn Kubat Award, and the 2nd Annual Careers in Federal Budgeting Seminar. I want to extend a special thank you to the AABPA members who volunteered to share their expertise with these future analysts.

In addition to these educational opportunities, AABPA is experimenting with new media applications, including LinkedIn, Facebook, and Govloop. Links to these sites are available on the AABPA homepage and I encourage everyone to join and contribute. By participating in these groups, you'll get timely budget news and notices of new events and find additional avenues for networking.

I hope you will join us on Tuesday, November 24 for our Fall Symposium – **Budgeting in a Changing Environment: The New Normal**. The planning committee has been hard at work securing an A-list line-up of budget and policy experts for the day including Doug Elmendorf, Director of the Congressional Budget Office; Robert Hale, Under Secretary (Comptroller) of Defense, and John Berry, Director of the Office of Personnel Management (invited).

This symposium will provide excellent training and networking opportunities at a price that cannot be beat. I urge you to register early by visiting the AABPA website (www.aabpa.org) or by calling 703-941-4300. Please share this opportunity with your colleagues who may not yet be AABPA members. There is no better introduction to AABPA than a symposium!

Continued on page 4.

IN THIS ISSUE

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.

Sallyanne Harper from the GAO Shares Best Practices for Professional Development

Melissa Neuman, Reporter

Embarking on a new era defined by change, leaders at the Government Accountability Office (GAO) recognize the need for the development of their professionals. During the morning plenary session of AABPA's fall symposium, Sallyanne Harper, the Chief Administrative Officer and Chief Financial Officer for GAO, unpacked the agency's career-long learning initiative that will keep the office well-staffed and highly skilled as the incoming administration unpacks their boxes.

As Baby Boomers begin to retire (57 percent of the Senior Executive Service core and 37 percent of GS-15 employees are eligible to retire in the next three years), the need to attract and retain talent becomes increasingly important for all agencies and departments. However, in economically trying times, it is tempting for an organization to cut training and development. The long-term implications of this are substantial; replacing a trained employee requires, on average, an investment equal to one and a half times their salary. Members of the Millennial generation – who will compose most new federal workers – have a particularly high desire for professional development and personal satisfaction in their jobs, combined with a low sense of agency loyalty. If these employees do not feel challenged and valued in the organization, they are more likely to leave, placing added financial burden on the agency.

The leaders at GAO created the Entry-Level Professional Development Program to give new employees the tools they need to succeed. Individual development plans [IDPs] incorporate three or four rotating job assignments within a two-year period and a rigorous training curriculum. In addition to introducing the culture of the GAO, the training program includes sessions on the functions of the federal government and the core values of the agency: accountability, integrity, and reliability. Employees are evaluated every six months and receive pay increases based on performance.

This program allows both the employee's developmental needs and the agency's organizational and mission needs to be best met, as skilled workers are challenged and motivated, and employee's proficiencies are quickly identified and honed for the benefit of agency operations.

The program of professional development in place for administrative professionals is modeled after the analyst program, but offers tailored training for the range of disciplines represented by the GAO. This incorporates the same cultural training and mission focus as the entry-level program, along with guest speakers and informational tours of other agencies.

The Core Skills Training program emphasizes comprehensive learning in core skill areas:

- Achieving results,
- Collaboration,
- Communication,
- Customer/client focus, and
- Leading/developing others.

Five major needs are identified for administrative professionals:

- Communication,
- Critical thinking,
- Computer skills applications,
- Customer service, and
- Leading and managing work.

Learning tracks, both core and elective, are available for each position level. Certified adjunct faculty use a variety of methods to appeal to different learning styles. Many courses are web-based, interactive, and highly accessible; every day resources are available to supplement course learning. Both one-on-one and group mentoring are encouraged based on the type of development sought and topics needing further study.

Leadership development is also key. Dimensions of leadership to be developed across the organization include:

- Personal integrity and acting with honor and character,
- Self knowledge,
- Vision and being a steward of the organization in light of the bigger picture,
- Communication,
- Competence in both managerial and technical ability, and
- Empowering people and teams, providing growth opportunities, and motivating staff.

Leadership development integrates a 12-course curriculum with mentoring and a virtual library to allow employees access to a vast expanse of information. Both communities of practice and conferences for managers and executives allow for the exchange of knowledge and a sharpening of skills among colleagues. The 360° feedback allows for those on all sides of the employee – peers, managers, subordinates – to offer constructive suggestions for their development.

The development of budget professionals currently focuses on expanding the role of analysts beyond transactional processing. A skills inventory identifies current knowledge and aptitude of the employee. Rotating assignments allow budget professionals to obtain a broader picture of the agency, mentoring and formal classroom training fill in any gaps, and analysts are encouraged to earn a budget analysis certificate, ensuring highly skilled workers.

Since implementing their expansive professional development initiative, the GAO has learned some valuable lessons:

- Focus on career-long learning and development that reflects the culture, values, and mission of the organization;
- Use multiple learning styles to address different needs;
- Span the entire range of skills set and competencies necessary for a successful experience at the agency;
- Recognize the key role of leadership development; and
- Train leaders to adapt to change.

The New Budget Office: How Collaboration Tools Can Improve the Lives of Budget Staff

Heather Sumpter, Reporter

Budgeting is a dynamic process focused on what's happening today; therefore budgeteers and budget systems must be equally dynamic. These were the sentiments of Andy Schoenbach, the Budget Formulation and Execution Line of Business (BFELoB) Policy Lead and Budget Systems Chief, as he opened the morning session, The New Budget Office by BFELoB. Introducing the BFELoB, Andy outlined its core principles:

- Improve the Federal budget without compromising essential budgeting functions,
- Base the BFELoB in voluntary value propositions,
- Make implementing BFELoB tools and services optional within agencies, and
- Allow participating agencies to govern the system.

Thus far the BFELoB has produced significant results through the establishment of a project management office, a government-wide wiki site, and secure online meeting capabilities for interagency interaction.

Next, Jeff Schwartz from the EPA's Office of Budget explained the development of the BFELoB decision matrix, a consumer report checklist for budgeting systems. In 2007, the working group compiled 500 functional requirements from a variety of agencies for the development of the decision matrix. The requirements were used as a measurement against which to assess available systems, resulting in the development of the four-tiered BFELoB Formulation & Execution Scenario Document. Since the beginning of 2008, the document has been consolidated and now includes fifty requirements in fifteen scenarios.

In reviewing the decision matrix, the BFELoB requested information from two private-sector companies, six federal agencies, and three private vendors. The workgroup provided the scenario document to agencies, and the agencies then identified necessary benchmarks. In their assessment, workgroup members individually scored the decision matrix and came to consensus on the overall scores and comments returned.

As the next step, the BFELoB steering committee will decide on the need for and direction of expanding the decision matrix.

Emily Fort from the Office of Management and Budget's Budget Systems Branch spoke next about the Max Federal Community, a government-wide collaborative wiki site, and its communication capabilities.

Currently, the community has over ninety-two hundred users across the government. The Max Community was developed to address the inefficiencies of e-mail, in preparation for the upcoming turnover of federal workers. Current methods of information sharing through e-mail and group drives are confusing for new employees and are difficult for large groups to access. The Max Community provides a space for knowledge management, benefiting federal employees and ensuring the future transfer of information by encouraging daily use of its tools.

The community reduces costs by providing a single storage technology for finding and sharing information. Although some pages are inter-departmental, each agency can also have its own space with restriction options to make information secure, yet accessible.

The community allows for the automatic and simultaneous reorganization of information; direct edit options allow users to store multiple document versions, provide explanatory comments, or add comment threads. Site members have the options to communicate on pages, receive automatic notification of updates, or schedule online meetings. Online meetings enable members to participate without the investment in travel time and meeting hosts can present materials to the meeting space as they are discussed in real time.

The final panelist, the BFELoB Deputy Policy Lead Phil Wenger, shared some of the projects from the BFELOB Data Collection & Tracking work group. Activities include:

- Embracing a flexible and collaborative approach to identify agency needs,
- Using pilot exercises to learn and develop site tools,
- Examining how to share the site with government agencies without programmers, and
- Resolving challenges such as site formatting, document cohesion, and distribution.

The session concluded with a questions and answer session about future site updates, further benefits, the affects of the transition.

Q: How can people be convinced to use the e-briefing function when they can't see the edits?

A: The site is moving closer to having the option to view multiple edits on a single document. Currently, document versions can be compared in any Max Community application.

Q: How is the Max Community wiki site different from a storage drive?

A: It's more flexible and acts as a repository of information, thus promoting interagency collaboration. The site is also easier to search, manage and makes it easier to include individual edits.

Q: Are the investments being made in the site put in jeopardy by the transition?

A: The risk appears to be minimal and BFELoB does not expect drastic changes to its mission with the new administration.

Building a Career Road Map: Core Competencies for Budget Staff

Dae Woo Son, Reporter

“Change is indeed in the air in the budget field,” said Mark Wichlin, Deputy Budget Director of the Department of Labor and the convener of the session, Building a Career Road Map: Core Competencies for Budget Staff.

Mr. Wichlin referred to the change that technology has brought to the field of budget analysis. He explained that although technology has taken much of the drudgery out of the work for budget analysts, it has not made it an easier job.

“For a person to function in a budget system that does a lot of work for them, they need to understand how decisions are made in the organization, where the data comes from, and where it goes,” he said.

Mr. Wichlin said that good budget analysts are “generalists who are interested in the fiscal crises of the state.” He also said that contrary to popular belief, budget analysts do not need to be statisticians, although they still need to be good with numbers.

Navneeta Chandra, a member of the Budget Formulation and Execution Line of Business (BFELoB) Human Capital workgroup, presented the six core competencies necessary for budget professionals to be effecve in the federal government.

Ms. Chandra said that beginning in April 2007, the Human Capital workgroup started from a list of 210 core competencies, winnowed the number of competencies to eight, and then selected the six competencies that are most critical in today’s budget environment.
The core competencies are in the following areas:

- The Federal Budget Process,
- Federal Legislation, Regulations, and Guidance,
- Budget Development and Justification,
- Planning and Program Evaluation,
- Budgetary Accounting and Control, and
- Financial Analysis, Forecasting, and Modeling.

She explained that agencies must take these six core competencies and tailor them to their own specific needs. “For some agencies, all of these competencies will apply, but other agencies will only focus on a few,” she said.

She warned that core competencies are dynamic and need to be reevaluated regularly. “Ten years from now, even maybe a year from now, we’ll probably have to reevaluate the framework,” Ms. Chandra said.

David Bachrach of FYI Inc. explained how human resource professionals can use core competencies to successfully advertise jobs to attract the best candidates and to improve succession planning.

Bachrach said that core competencies should be clearly stated in the position description for a job opening, but he cautioned against using core competencies to “sell” a job. Bachrach gave an example of an open position that had received little attention from potential employees until the wording was drastically changed to reflect the kind of person best suited for the job.

“The ad worked because it looked like something written by a human for a human being,” he said. “Put some humanity into job ads, not just core competencies.”

Bachrach also explained that managers should track which competencies are depleted as employees leave and then hire or retrain appropriately.

Jean Rayhle, a program analyst at NASA, spoke about NASA’s CFO University, which is open to all NASA civil servants and contractors. She explained that NASA’s financial core competencies align very closely to those of BFELoB.

President's Message

Continued from page 1.

This edition of The Bottom Line continues our tradition of summarizing past symposia content and includes articles from last November’s program, “Navigating Transition, Leading Change.” I hope you will find these summaries a helpful reminder of the day’s panels and want to thank our student volunteers for doing an excellent job writing the articles that appear in The Bottom Line.

In addition to the new programs this year, AABPA’s ongoing monthly programs continue to be a valuable resource of your professional development. Take advantage of these opportunities to learn from policy makers, fellow analysts, and other experts about developing issues.

Please feel free to contact me or any member of the Board of Directors if you have any questions, suggestions for improvements to AABPA, or ideas about future topics for our symposia, program meetings, or other activities we do as a professional association.

See you at the Fall Symposium!

The Future Is Not What It Used to Be

Tsveta Gospodinova, Reporter

Given the grim state of the economy and the ever growing budget deficit, attendance for the morning session, The Federal Government in 2040, was at full capacity. Everyone wanted to know what the future holds. Panelists Maya MacGuineas, President of the Committee for a Responsible Federal Budget, Carl Moravitz, Senior Managing Consultant at IBM Global Business Solutions, and George O. Strawn, Chief Information Officer at the National Science Foundation, convened to analyze the current situation and its probable impact on the federal government in 2040.

Maya MacGuineas began the session by pointing to the biggest challenge facing the future of the federal budget: "How do you get politicians to focus on long-term goals?" The Social Security trust fund will soon be insolvent and health care costs are growing faster than the economy. According to analysts at CBO, spending on health care is projected to consume 25 percent to 50 percent of GDP. Ms. MacGuineas remarked that there has been a failure to talk about these issues on the national level, including during the presidential election.

Because the United States has a highly weakened balanced sheet, the economic downturn may last longer than the public may think. Ms. MacGuineas warned that borrowing too much to stimulate short-term goals is likely to have negative consequences. Thus, stimulus policies should be economically motivated, rather than in response to political needs.

In terms of fixing Social Security, Ms. MacGuineas recommended the following options:

- Index benefits to longevity,
- Raise the entitlement age, and
- Require mandatory savings.

The situation with health care is more complicated. Ms. McGuiness noted that if we could keep health care costs down, we would solve some of the budget problems. When asked why health care costs have become so high, Ms. MacGuineas explained that inefficiency, consumer wastefulness, lack of transparency, and medical malpractice lawsuits were some of the main reasons for the high cost of health care.

Next, Carl Moravitz offered a glimpse into the control room of government budgeting and an overview of long-term fiscal trends. He was wise to warn the audience that the process is difficult to follow but "if one prepares for confusion, the budget process is easier to understand." The 2009 deficit of $482 billion (the projected deficit at the time of the symposium) points to a serious problem that will have an effect on the three big entitlements: Social Security, Medicare, and Medicaid. The benefits of these entitlements far exceed dedicated tax revenues and are projected to face cash deficits starting in 2015.

Current policy trends have led to large sustained deficits since 2001, which was the last year the U.S. had a budget surplus. Where did the money go? Mr. Moravitz explained that the deficit is the result of tax cuts, the economic slowdown, the Global War on Terrorism, and the automatic growth of the big three entitlements. Ultimately, entitlements and interest on the federal budget may consume all federal revenues in less than 20 years.

Drawing from his extensive experience in the budgeting field, Mr. Moravitz offered solutions that called for new ways of thinking and increasing efficiency. First and foremost, the budgeting process needs to be improved by making finance organizations more informed. This can be accomplished by strengthening and augmenting the decision support roles, authorities, and resource capacities. Second, the organizations' focus must be redirected toward the following activities:

- Hiring more and better analysts;
- Capturing savings to reduce the boom line;
- Improving cooperation and collaboration;
- Implementing organizational change initiatives; and
- Creating a more efficient process.

Mr. Moravitz closing remarks were "leadership is the key to any successful transformation, including improved budgeting and performance."

Finally, George Strawn concluded with a discussion on what life may look like in 2050. In his overview, Mr. Strawn indicated that, over time, the human race experiences biological, cultural, and technological revolutions. We are currently part of the technological revolution, which continues to change at a very fast rate. Fifty years ago, no one could have imagined that a computer would occupy anything less than a full room. Today, we are surrounded by more devices that even the wildest imagination could not have thought of in the 1950s.

Thus, Mr. Strawn suggested that we need to be flexible about our expectations as it is impossible to plan and accurately predict what will happen in the next 50 to 100 years.

So, what about life in 2050? Mr. Strawn said that we can expect to operate autopilot cars and space-planes and experience augmented reality and virtual life. Advances in information technology will contribute to an extension of the post-work age due to a projected life expectancy of 115 years. In addition, many of the new advances may substitute the need for humans at the workplace.

In conclusion, Mr. Strawn noted that while we have made tremendous technological advances, more remains to be done in the areas of energy, globalization, and tribalism.

Budget Execution and Financial Management Integration

Jinglin Wang, Reporter

Mr. Holden Hogue from Department of Treasury convened a panel on Budget Execution and Financial Management Integration. Mr. Hogue's opening remarks explained that the Budget Execution Workshop involved a broad scope of activities including:

- Documenting budget execution processes and information flows between agencies and their components;
- Identifying key intersections (touch-points) between budget and financial management and connecting these points in budget and financial reports;
- Identifying best practices and defining tools that facilitate budget execution decisions,
- Improving agency or OMB apportionment data flows, outlays and receipt reporting, and best practices for FTE reporting and projection system;
- Compiling information for understanding the USSGL, SF 133, A-11, P&F, and standards for intra-government communications; and
- Defining data and data exchange standards to incorporate in FS10 core Financial Management system requirements.

The first speaker was Karen McBride from the Office of Federal Financial Management in OMB. Ms. McBride discussed the Budget Formulation and Execution Line of Business (BFELoB) and the Financial Management Line of Business (FMLoB) integration from two aspects: funds management and reimbursable processing. She stressed funds distribution, funds control, and the tie into the budget execution process when implementing funds management. Ms. McBride also suggested reimbursable processing and funding of agreements, obligations and expenditures, and tracking and reporting.

The next speaker, Trina Lawson from Budget Service in the Department of Education, discussed the Budget Execution/Financial Management Integration (BE/FMI) Workgroup activities and budget execution process mapping. She stated that "the mission for the BE/FMI Workgroup is to define, develop, and maintain a business model for performing budget execution that is uniform, common, and government-wide. The goal of such a model would be to promote better decision making and to reduce costs through improved efficiencies." Ms. Lawson presented eleven budget execution processes common to federal agencies. She showed how the budget execution process maps with step-by-step diagrams that illustrated how information flows among agencies and relationships between OMB, Treasury, and agency representatives.

The third speaker, Chris Friedline from the Department of the Treasury, first presented the Budget Formulation and Execution Manager System (BFEM) genesis and history, and then described the BFEM as a web-based database used to track numbers and that has been used to capture budget submissions for FY 08. Seven departments are using this system.

The fourth speaker, Jan Smith from the Office of Budget in the Department of Interior, presented the advantages of BFELoB from an agency perspective. According to Ms. Smith, the BE/FMI Workgroup does the following:

- focuses on government-wide standards;
- improves communications between budget and finance offices;
- reduces the need for many crosswalks; and
- works to improve consistency in codes and reporting.

Ms. Smith explained how process maps are an excellent way to evaluate high-level work flow processes, and said the valuable next step was to drill deeper, filling in details for use as "cheat sheet" for new budget and finance staffs, keeping it short and easy to understand.

The session ended with Teresa Tancre from the Budget Review and Concepts Division in the OMB. She talked about the cyclical relationship between budget formulation, budget execution, and financial management from the policy-making stage to post-decisional stage. Ms.Tancre discussed two OMB improvements, the Schedule Realignment Project and the Across-the-Board Reduction Exercise. When discussing the Schedule Realignment Project, Ms. Tancre compared the current schedule to the proposed schedule of budget resources on the SF 132 and 133 and the P&F. She emphasized budgetary resources (appropriation, borrowing authority, contract authority, spending authority) in the proposed schedule. Ms. Tancre described how an across-the-board reduction exercise can occur through out the agency, in an appropriation act or government-wide. She concluded by stating she believes the appropriations mechanism for FY 2009 will likely be a full-year continuing resolution that includes across-the-board reductions.

Pathways to Leadership: Building Leaders for the Budget Community

Chatland Skinker, Reporter

The Office of Management and Budget predicts that by the year 2016, about 60 percent of the Federal workforce will be eligible for retirement. This panel session addressed how agencies can prepare for the forthcoming transition and what employees can do to enhance their chances of moving into a leadership position. The session highlighted an exciting new leadership certificate program available through the Chief Financial Officer (CFO) Academy.

Karin O'Leary, the Budget Director for the Department of Justice (DOJ), explained that the department's current budget staff is composed of 58 employees, 23 percent of whom will be eligible for retirement within the next 5 years, and 40 percent of whom have less than five years of federal service. Ms. O'Leary said, "The main challenge is finding the time to train and coach an employee for management roles, as opposed to just enhancing their technical skills."

The goal of the DOJ Succession Plan is to provide training and development opportunities to analysts and create a pool of qualified candidates to chose from for leadership positions in the department. The plan is founded on three principles:

- Leadership—initiative and self-management,
- Perspective—broad exposure to DOJ, its people, and emerging ideas in the field of justice programs, and
- Expertise—training, short-term projects, and rotational assignments that build transferable skills.

Each trainee has an Individual Development Plan (IDP) that provides a path for enhancing core competencies (such as negotiating and communication) to help achieve established career goals. By investing time and energy in their staff, DOJ is presenting them with opportunities to learn and grow, while encouraging them to continue their career within the department.

Sandra Gregory, from the Office of the Comptroller of the Department of Defense, said she wanted to work for the government because it gave her a chance to give back to the government that has given her so much. Her department is working on several levels to develop and retain staff. She recently worked on a Senior Development Plan where a senior panel reviewed each supervisor's individual career plan and gave feedback on possible next steps. This review provided insight on who had potential and where they should invest resources for long-term development.

For those not yet in leadership positions, Ms. Gregory presented advice on how to enhance one's chances of being selected. She said to have the mindset that everyday is a job interview. She further explained with the following examples:

- Sometimes you think you are not being watched, but you are.
- Performance! You are only as good as your last briefing; build a history.
- Looking good is a full time job; you never know who you will meet.
- Work your boss's agenda, not your own.
- Processes do count; understand them and how fast they can change.
- Look outside your inbox; watch the news, see how it is affecting us today.
- You are only as good as your weakest link; what can you do to strengthen it?
- Play well with others as it will be noticed.
- Seek out mentors; create your own board of directors.
- Build relationships; you never know where you will find information, a connection, or help.

Finally, Ms. Gregory suggests that since the economy is down, employers should start hiring now because the government is in a better position to compete with the private sector on offers of salary and benefits to new hires. "People are looking for work, and the budgeting world has work to offer, so take advantage; it is a win-win situation."

Ricardo Aguilera, representing the CFO Academy and National Defense University, presented information on a CFO Leadership Certificate, created collaboratively with the Information Resources Management College of National Defense University and the Under Secretary of Defense (Comptroller)/Chief Financial Officer. Mr. Aguilera said, "The agencies have road maps, but no compasses to know where they are going." The CFO Academy decided education would provide a strategic growth of leaders. The certificate generally takes 4 years to complete and consists of 8 courses: 1 general requirement, 3 specializing in management, and 4 that are interdisciplinary. The Chief Financial Officer Academy is an accredited university which works with 38 other schools.

The first class started September 22, 2008, with the theme, "The Changing World of CFO." The students represented 36 different agencies and benefited from the sharing of information. They learned that no one is alone in their struggles, as the program is a community of people with the same aspirations. Mr. Aguilera ended the session by explaining, "The CFO Academy is an attempt to break down barriers between agencies and bring a community together to form leaders. The CFO Academy is teaching students what it is like to hold the compass, when they are used to a manager holding the map."

For more information please visit http://www.NDU.edu/IRMC, search programs, then CFO Academy.

Change is Coming: The Budget World During a Period of Transition

Shannon Munro, Reporter

As Americans awaited the inauguration of President-elect Barak Obama, members of the budget community pondered the impact the presidential transition will have on the world of budgeting. At AABPA's Fall Symposium, panelists Philip Joyce, Professor of Public Policy and Public Administration at the George Washington University, and Beth Robinson, Assistant Director for Budget at the Office of Management and Budget, led a discussion concerning the budget issues the new president will most certainly face.

Professor Joyce began the session by giving an overview of some of the current challenges President Obama will inherit from previous administrations. He explained that the manner in which the new president chooses to handle each problem will have substantial budgetary implications in both the short and long term. Some of the issues he reviewed include:

- Uncertainty over the future war costs in Iraq and Afghanistan, and the budgetary impact of withdrawing U.S. troops,
- How to deal with the upcoming expiration of the Bush tax cuts,
- Whether the Alternative Minimum Tax should be permanently fixed, and
- How to handle entitlement spending problems and rapidly rising health care costs.

Professor Joyce went on to state that some of the most daunting budgetary challenges don't come from policy issues, but rather from the politics of the budget process. He spoke of late appropriations becoming the norm instead of the exception. He illustrated this by showing that over the past 33 years, appropriations have been on time in only 4 instances.

Professor Joyce explained how budget resolutions have evolved into vehicles for fiscal irresponsibility instead of fiscal responsibility. Giant omnibus packages, continuing resolutions, and multiple supplemental bills, each bursting with thousands of earmarks, are now considered "business as usual." He went on to assert that these issues are not "cute political problems," but major flaws in the budget process that have real negative impacts for all stakeholders involved.

Professor Joyce explained that President Obama is going to quickly learn that he cannot afford to pursue all of his priorities without adding to the already dreary financial outlook. He stated that many of the new president's campaign promises are going to run up against the hard fiscal reality of an uncertain economy and inherited constraints. Because of this, Professor Joyce said there are incentives for the new president and his budget team to front-load the bad fiscal news and make the first budget as large as possible, then make reductions from there.

Finally, Professor Joyce spoke about the looming deficit projections that the incoming administration faces. He described the problem by stating that deficits "are never the wolf at the door, but are the termites in the basement," slowly eating away at the economy. However, Professor Joyce explained that concern over deficits have taken a backseat in political priorities, and, even with deficit projections topping a trillion dollars in the coming fiscal year, now is not the time to address deficit reductions from a political standpoint. Professor Joyce concluded that it is therefore highly unlikely the budget community will see anything resembling a balanced budget by the end of Obama's first administration.

Beth Robinson began her discussion by conveying some of what the budget community can expect to see in the very near future. She stated that OMB would release a document detailing President Obama's policy priorities in February, which will in turn act as a blueprint for the president's full budget, to be released in late April. She explained that between now and then, there would be an incredible amount of process-related activity taking place. For example, Obama's transition teams are currently conducting a very comprehensive review of each agency's performance and budgetary needs. She also stated that while the last two presidential transitions had incredibly productive lame duck sessions, that would not be the case this time around.

Ms. Robinson also spoke about some of the more uncertain issues surrounding the future budget. As she explained, there is uncertainty about whether the Obama administration would start asserting its priorities during the FY 2009 appropriations process—if those appropriations are even completed. There is also a question over the timing and possible scaling-back of the new administration's priorities. What should be included in an FY 2009 stimulus package, and what should be held until later? There is also uncertainty over basic budgetary information, such as the baseline, offsets, and economic projections, and how the incoming administration will use that information.

Finally, Ms. Robinson asserted that FY 2010 would be an extremely important year for the budget. In FY 2010, the impacts of the bailout packages and economic initiatives from the Bush administration will begin to be evident. There will also be budgetary impacts of the expiring tax cuts, as well as effects on entitlement spending as baby boomers begin to retire. According to Ms. Robinson, in FY 2010, it will be crucial to take stock of the increasing out-year deficits and debt of this country in order to determine whether the U.S. is on a sustainable or unsustainable fiscal path. It is essential, she said, to begin addressing this growing budgetary problem in order to bring hope to our economic future.

Both Professor Joyce and Ms. Robinson concluded that 2009 and 2010 would be two of the most interesting years for the budget community, from both an academic and a practitioner standpoint. Their biggest takeaway – One way or another, change is definitely coming!

I.O.U.S.A.
It's Time to Wake up to the Big Problem

Richard Palmer, Reporter

Following a day full of discussion on topics ranging from personnel development to preparing for the presidential transition, attendees were favored with a thirty minute short of the recently released documentary "I.O.U.S.A.: One Nation. Under Stress. In Debt." At the conclusion of the film, Mr. Robert Bixby, Executive Director of the Concord Coalition, offered a few remarks.

The film began with the statement:

"The most serious threat to the United States is not someone hiding in a cave in Afghanistan or Pakistan, but our own fiscal irresponsibility."

To further drive home the point, recent Comptroller General of the U.S., David Walker, says:

"We suffer from a fiscal cancer. It is growing within us, and if we do not treat it, it could have catastrophic consequences for our country."

The movie continues by examining the U.S. debt history. Highlights include:

- After each major war until The Great Depression, the federal government reduced debt;
- The debt associated with the Revolutionary War was so alarming to the Founders that it was completely eliminated by 1835, the only time in American history this has occurred;
- Following World War II and the creation of Medicaid and Medicare, there was a general decrease in federal debt, but the 1980s brought the rise of supply side economics—and the rise of the federal debt;
- By the end of the 1980s, the narrator concludes, "A fundamental shift had occurred, America was becoming addicted to debt. Never before in our history had so much debt been created during an era of relative peace and prosperity;" and
- Although the Clinton administration curbed the trend slightly through balancing the budget, the debt since then has simply grown.

The film points to four national deficits that are at the root of the problem:

- Budget—the 2008 federal budget called for $2.9 trillion dollars. The federal revenue was $2.5 trillion. That is a $410 billion dollar deficit. Do you see the problem?
- Savings—recently Americans have been following the example of the federal government in spending more than they can afford. With a negative savings rate, the U.S. loses its leveraging power because of heavy reliance on foreign investors.
- Leadership—this is our nation's biggest challenge. "Too many of our current leaders know we are facing a financial crisis, yet they lack the courage to do something about it." Who is going to step up?
- Balance of payment—in 2007, the U.S. was dead last in the amount of trade surpluses. This has serious long term consequences as we lose ownership of our assets.

The film focuses on each deficit in turn, followed by the sobering thought that the federal government is currently obligated to pay $53 billion dollars in liabilities, social security, and unfunded promises. If this was to be paid today, how much does the federal government have? Nothing. Considered individually, each deficit poses a serious concern, but when taken together, the nation faces its worst problem in history.

Following the movie, Mr. Bixby addressed the group. He described how the basis for the movie came from the Fiscal Wake-up Tour that he has been involved with for the past several years. The purpose of this tour is to alert the public outside of Washington D.C. about how bad the fiscal situation really is.

He highlighted five key messages of the tour:

- The current fiscal policy is unsustainable —as was highlighted in the video;
- There are not any easy options here—eliminating earmarks or growing our way out by cutting taxes are not the solutions. The dynamics of the situation have to be changed.
- It is going to take bipartisan efforts to address this situation;
- The public needs to be involved in this as well—this is clearly evident in light of the response of the public to the recent $700 billion dollar bailout; and
- This is more than a numbers issue, it is a moral issue. Future generations may be harmed and we need to consider what is being passed on.

With the recently passed $700 billion dollar bail-out bill and the lending crisis in mind, Mr. Bixby concluded by speaking on the current fiscal situation:

- The incoming administration has to distinguish between short-term goals and long-term goals and choose wisely among policy options. In the short term, we are facing some serious difficulties and appropriate fiscal response is necessary;
- The crisis in the financial market is a separate problem but is related to the recession. There are reasons here as well to loosen up on fiscal policy, but controls must be in place; and
- The short-term solutions should not make the long-term fiscal outlook worse.

The U.S. will not be able to ignore this problem forever. There is no way to hide or grow the economy out of the hole. Is this something the federal government will have to deal with on its own? No. When asked his opinion about when politicians will react to the budget deficit, Mr. Bixby responded that it will be when the public reacts. Who is the public? You and me.