called for corresponding decreases in funding in other programs or the advocate needed to specify how Congress would raise the additional revenues. The BEA and the companion Omnibus Budget Reconciliation Act of 1990 did not affect the budget deficit immediately, but over time they did limit the growth of government programs.

President Clinton, with a Democratic Congress, assumed office in January 1993. In August 1993 with strong White House support, the Democratic Congress, by the closest margin with a party vote, approved the Omnibus Budget Reconciliation Act. The law essentially cut even popular programs, raised taxes in some areas, and raised the targets for budget deficit reductions. This set the stage for 1995. In a bi-election year, the Republicans gained control of Congress. Almost immediately a budget collision occurred when the Republican Congress sent to the president two unacceptable bills, including a stopgap continuing appropriation and another measure allowing for short-term treasury borrowing to prevent the federal government from missing its debt payments. Clinton vetoed the measures, forcing a partial government shutdown. The administration solved the debt service problem by temporarily raiding the civil service employees pension fund. Again the Republicans passed legislation cutting popular programs, and again the Democratic president vetoed the legislation. After weeks passed, the Republican Congress and the Democratic president reached a series of minor compromises that put the bureaucracy back in business. In the next election, the people reelected Clinton by a wide margin and the Republicans barely maintained their majority in Congress.

By 1997, politics changed. The continuous growth of the national economy and the hard-fought budget cuts plus revenue increases combined to produce the hoped for balanced budget. The Balanced Budget Act and Taxpayer Relief Act of 1997 passed with presidential approval. The law made permanent the requirement that budget resolutions cover a five-year period, and Congress extended its highly successful PAYGO sequestration requirements through fiscal year 2002. By 1999, forecasters presented Congress with a new problem: a half-trillion dollar budget surplus within the next ten years. The decades-long deficit crisis had officially ended.

As long as one party controls the executive branch and the other party controls the legislative branch, the federal budget is likely to continue to be a source of major political disagreement and embarrassment for advocates of democracy. The chronic high budget deficit years of the 1980s stopped when the Clinton administration and the Democratic Congress, with a dramatic one-vote margin, voted to increase taxes and cut various government programs. At the next election, the Democrats paid the political price by losing control of Congress, largely because they had increased taxes. Nevertheless, the yearly deficit problem disappeared over a few short years because the national economy grew and the increased revenues made a balanced, and even a surplus, budget eventually possible. However, partisan budget politics and various ploys worsened in the late 1990s until the Republicans in Congress suffered election losses due primarily to their confrontational political approach to the budget process. But the directions of political winds constantly change, and with these changes come the corresponding impact on budgets and the budget process.

In 2000, Republican George W. Bush defeated Vice President Al Gore, and at least until May of 2001, the Republicans controlled the White House and both houses of Congress. During this time, the Bush administration successfully orchestrated a

massive $1.3 trillion tax cut, but simply didn't have time to leave a more lasting Republican imprint on the budget. With the defection of Republican Senator James Jeffords of Vermont, who became an independent, the Senate went Democratic, thus, the delicate and partisan balancing act between a politically divided Congress and a Republican president continued. The 2002 elections saw both houses return to Republican control. Recessionary pressures foretell a problematic and stalled economy through the early 2000's.

In the 1990s, with surplus budgets, reformers argued the older and more comfortable themes of the 1950s—improving government programs through the use of performance measures and improving public financial management. This older budget reform theme started in 1990 when the Chief Financial Officers Act required the development and reporting of systematic measures of performance for twenty-three of the larger federal agencies. In 1993, the Government Performance and Results Act (GPRA) focused on a phased implementation of performance budgeting by requiring federal agencies to prepare strategic plans, prepare annual performance plans, and have the president submit an annual program performance report comparing actual performance with those plans.

Of course, the revisited older themes did not mean that happiness settled on capital hill. In 1993, both the General Accounting Office and the Congressional Budget Office prepared preliminary studies on the Clinton budget and financial reform suggestions. These respective studies observed that the prospects for long-term reforms were problematic due to the difficulty of measuring government performance itself. They concluded the biggest obstacle to the effective use of performance measures was the identification of the measures themselves. Somehow, returning to budget cynicism was almost civil by budget-gaming standards typically employed in Washington politics.

Reformers continue to argue for budget change, but few reforms have much chance of success. One dramatic reform was the Balanced Budget Amendment to the Constitution. Although the amendment was part of the Republicans' *Contract with America*, getting the necessary two-thirds vote in both House and Senate proved impossible in spite of the federal budget madness in Washington. Given the fact that the budget deficit crisis is over, the political likelihood of the amendment passing is very low. A second reform advocated by Vice President Gore was a biennial budget, but this idea is not popular in Congress. A third reform often discussed would create a federal capital budget, but again Congress is not interested. A fourth reform would be to advance a constitutional amendment creating an automatic continuing resolution if Congress fails to act in a timely manner on appropriations. Again the two-thirds requirement makes this reform unlikely. A fifth reform would establish a joint resolution setting the budget targets as a matter of law rather than the present current budget resolution. The now common *omnibus budget reconciliation law* essentially does this, except much later in the budget process. A sixth reform often mentioned would require Congress to strengthen its leadership by reducing the number of its committees involved in money matters. The fifth and sixth reforms are possible and are likely to be the focus of debate over the next few years.

New Public Management

In 1993, Osborne and Gaebler in *Reinventing Government* called for revolutionary change in conventional wisdom using the words "reengineering," "entrepreneurial management," "empowerment," and "privatization." The policy makers accepted many of the reform prescriptions. For example, between 1992 and 1996, President Clinton cut a total of 244,000 positions from the federal government. Vice President Al Gore prepared the concurrent publication of the *Report of the National Performance Review* (1993), which pushed the reinvention legacy. Both of these publications received wide national and international press and attention. Local, state, and national governments around the world quickly adopted many of the reform principles, especially privatization of government services. Services that had been thought of as government-only shifted either to the private sector or to new public-private partnerships.

In the 1970 and 1980s, an antibig government movement swept the nation and the world. The movement started in the late 1970s with the Proposition 13 antitax initiative and picked up steam in the 1980s with President Ronald Reagan and Margaret Thatcher, prime minister in Great Britain. To many influenced by this movement, the old Jefferson adage that "the best government was the least government" meant something new; now "least" meant less taxes but also fewer government programs. The bombing of a federal building in Oklahoma by American-grown radicals helped curb the antigovernment mood in the late 1990s. The Clinton administration's popular policies demonstrated that government could solve its deficit problems, run an economy, and address the important problems in the country. Yet, the economic success of the 1990s did not have enough coattails to propel Vice President Al Gore into the White House in the 2000 elections. Despite losing the popular vote, George W. Bush was elected president in the electoral college. Faced with a surprising downturn of the economy in 2001 and determined to make good on a massive tax cut during the election, President Bush slowly put his imprint on the budgetary and fiscal priorities of the federal government. Less government but better government is the theme that has characterized the Bush administration. How this theme manifests itself in distinctive or innovative proposals for budgetary reform have yet to be seen. President Bush, as governor of Texas, did embrace performance measurement and budgeting for government agencies and is continuing the performance and quality reforms introduced during the Clinton administration. The terrorist attacks of September 11, 2001 also helped shift the American mood away from antigovernment policies toward a "semisupportive" attitude of government. Another reality of the George W. Bush administration is a return to annual budget deficits.

The State and Local Challenges

State and local governments are almost always passing balanced budgets. When recessions exist, they place serious strain on state and local budget processes, but they meet the fundamental challenge of making resource allocation decisions within the context of balancing revenues and expenditures. As the United States enters the twenty-first century, the potential for a recession or at least a prolonged economic slowdown are real. This downturn is now being evidenced in a number of states that

are struggling to close budget deficits (for example, South Carolina facing a $500 million shortfall, while North Carolina faces a $900 million gap). In view of the slowing economy and lower revenue estimates, states and some local governments are facing some difficult decisions in the short term. This provides the impetus at all levels of government for greater professional expertise to improve forecasting, capital financing, financial management, and the use of performance measures. However, most local governments are not beyond line-item budgeting and most do not use performance budgeting to judge the efficiency and effectiveness of their programs. Despite decade-long efforts to improve budget analysis and provide professional training for budget officials, many state and local budget processes do not reflect the use of sophisticated analysis due to either limited professionalism or, more likely, the meager demand for its use by elected officials.

Reformers cannot meet the challenges of budgeting merely with limited changes in bookkeeping because the challenges require very complex analytical policy improvements and often radical management innovations. In the twentieth century, state and local governments "got by" if they achieved yearly balanced budgets and accurately kept the accounting records. The result was an increasingly bad public image for government, as services seemed to worsen as tax revenues went up. Good budgeting and financial management are not the cure for the ills of society, but they can be the means of achieving higher performance for reasonable taxpayer dollars. For example, governments can usually improve forecasting, can produce greater revenues with their idle cash, can find better ways to do the job of government, and can improve the analyses used in budget allocation decisions. The National Conference of State Legislatures found at the state level that performance measures were not yet creditable to influence budget allocation decisions significantly, but nevertheless state leaders viewed performance measures as useful. Analysis using performance measures can be much more useful, but only if states and local governments require a high level of budget professionalism.

In the last few decades, the local and state level experienced a growth in the use of performance measures. Robert Lee compared state budget development between 1970 and 1995 and found much greater use of program effectiveness and productivity information in the 1990s. The most cited local government example is Sunnyvale, California, due to the very popular Osborne and Gaebler *Reinventing Government* book. That city uses a performance budget with specific service objectives and productivity measures linked to a larger plan. The Government Finance Officers Association (GFOA) developed a local government budget awards program, which is having an impact on the quality of budgeting in local government and does strongly encourage the use of performance measures. Under this program, governments voluntarily submit their annual budget documents to GFOA, which, in turn, sends them to GFOA member peer reviewers. If the government's budget document gets a passing grade, then the local budget office gets a passing grade and a GFOA award. Sunnyvale and many other cities have received that award.

With the onset of the twenty-first century, more sophisticated budgeting that uses performance measures is becoming the normal expectation of the budget professional. Since 1992, the Governmental Accounting Standards Board (GASB) has encouraged governments to report not just traditional financial and accounting data in their budgets and financial reports but also information about service efforts and accomplishments (SEA). In addition, bond-rating companies look for the use of performance measures in local government budgeting processes as a criterion to rate local government bonds. Increasingly, state audit agencies use performance measures in their auditing, and states employ outcome performance measures in their budget practices.

REVIEW QUESTIONS

1. The roots of the executive/legislative struggle go back as far as 1215, but the struggle greatly influences how budgeting is done in the United States today. Explain those roots and how that struggle helps us understand modern budgeting. In what ways do we see that struggle taking place in modern budgeting?
2. Compare and contrast the rationalist approaches to budgeting (for example, PPB, MBO, and ZBB) with the incremental approaches. Explain how the role of analysis varies—if it does—in each approach.
3. Compare and contrast line-item budgeting, program budgeting, and performance budgeting.
4. Compare and contrast budgeting in the industrial age versus the information age.
5. Explain the 1974 congressional budget reforms. What did Congress wish to accomplish with the 1974 act and what means did Congress devise to accomplish those ends? To what extent was Congress successful and not successful?
6. How has politics shaped the federal budget process? In your opinion, for better or worse?
7. The current federal budget process is said to be inadequate. Why? What ideas have reformers developed to solve that inadequacy? What reforms could help resolve the identified problems? Why do you think they would work?
8. Some budget scholars describe the 1980s and 1990s as a period of "automatic budgeting" or "budgeting on automatic pilot." What do you think they mean by this? Provide some specific examples.
9. The professional challenges of state and local budgeting are significant. What are those challenges? What should professionals do to meet those challenges?

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