

100 Years

Globalization with respect to financial markets may also impact the government finance officer. As additional investment opportunities arise from other countries or markets, there may be less demand for U.S. government and municipal securities. This may limit financing options for local governments or cause changes in how governments finance infrastructure or other needs. In addition, changes in U.S. government or corporate securities could present issues for investment of funds by state and local governments, given the typical legal and policy restrictions as to the type, quality, and maturity of securities in which governments may invest.

Actions of the federal government likely will continue to strain state and local governments. Federal budget deficits have a ripple effect on the economy that trickles down to the state and local level. If the federal government gets serious about curing its budget deficits, a “no tax increase” environment may very well mean further unfunded mandates or expectations from citizens that services previously funded by the federal government will be absorbed by state and local governments. This further exacerbates the “impossible equation,” potentially creating a culture clash and/or widening existing socioeconomic gaps. Finally, federal government meddling in state and local government affairs, such as legislation limiting regulation of communications or broadband franchises, creates a different type of unfunded mandate. These types of legislation reduce revenue sources available to governments or, alternatively, drive up costs (as in the case of potential limitations on tax-exempt financing). As a result, state and local governments

are forced to increase already unpopular taxes to fund necessary programs.

The aging population and the Social Security/Medicare crisis likely will cause fiscal struggles for governments as well. An aging population, with attendant greater needs for health care, will increase already high health insurance costs. Such costs will impact governments both as employers and providers. If Social Security and/or Medicare benefits are frozen or reduced, this may have an impact on the social services safety net typically provided by state and local governments.

To face these challenges and help their organizations succeed, finance officers will need to develop or improve a number of competencies. These include leadership, vision, technological skills, risk assessment, problem solving, and creativity.

Finance officers often are leaders in their organizations. As the government finance environment becomes more competitive, it will be more important than ever to demonstrate such leadership skills. Accompanying leadership will be the need to expand vision and think more broadly than just the finance function. Finance professionals have always been technology users; we will have to further hone technology skills to truly apply technology to improve citizen services in a faster-paced world.

Risk is something finance officers typically take great steps to avoid. However, in our changing world, the focus of finance professionals in all organizations (not just governments) needs to shift to becoming competent in assessing and managing

risks, not just avoiding them. Finance officers typically have a unique perspective in organizations that allows them to take a lead role in solving problems. We need to leverage that role to a greater extent, and expand our creativity in solving problems. Doing it the way it has always been done soon will not be acceptable.

In summary, the government finance officer of the 21st century faces potentially rough seas. However, by gaining or enhancing skills already possessed by many of us, the government finance officer can lead his or her organization through the rough waters. **y**

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EXERPT FROM GFOA NEWSLETTER 1932

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“ARE CITIES IMPORTANT? 117 cities in the United States had greater revenue receipts in 1930 than the state government of Nevada. The twenty-five governmental units with the largest revenues include the Federal Government, fourteen states and ten cities. The revenues of New York City, Chicago, Los Angeles, Detroit and Boston exceed the states of which they are part.”