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The President's Review

How well government operates at all levels has become a matter of critical national concern. Administrations over the years have recounted the problems in federal management and have undertaken an agenda of management initiatives to deal with them. The General Accounting Office and other management review groups in and out of government regularly present case after case of substandard federal management performance. And at the state and local level similar concerns are raised. Although many notable achievements have been made in recent years to improve federal, state, and local government performance, the fact remains that there continues to be room for improvement.

True management improvement demands sustained attention and continuity of effort.

The National Academy of Public Administration has been an effective force for better federal, state, and local government for many years. The Academy responds to requests for assistance in managing the complex business of the public interest. That is an important aspect of our work agenda. But we also initiate work on problems we consider most critical in the overall performance of the public sector.

The National Academy's 1986 activities underscore the importance of excellence in public management and the role of the Academy in that effort. Jim Webb, former NASA Administrator and one of the founders of the National Academy,

once said man's progress depends on searching for "new information and new knowledge on which to build a better understanding of himself and his environment, and new ways to better apply both knowledge and understanding to meet his needs." The Academy has put knowledge and understanding to work in public management in a broad range of activities this year, from presidential appointments to a complex state agency's organization and management to nuclear risk reduction efforts.

These were major efforts for the Academy, efforts that public agencies, corporations and foundations were vitally interested in and supported. The 1986 program totalled \$1.5 million. And the James E. Webb Endowment Fund for Excellence in Public Administration topped the \$2 million mark this year. Both accomplishments are ones of which we are particularly proud.

The 1986 work agenda covered the international, national, and state and local arena. The National Academy's future activities promise advice and counsel covering as broad a range of public management. As the Academy reaches its twentieth anniversary, it continues to pursue the objective of the very best management practices in the public sector, leading the agenda of innovation in public administration and policy.

Ray Kline
President

About the National Academy

The National Academy of Public Administration is chartered by Congress as a source of independent advice and counsel on making government work. It provides support guided by the highest professional standards on the organization, processes, and programs of government at all levels—federal, state, and local. It exists solely to help government achieve excellence in the performance of public programs. By seeking the very best management practices in both the public and private sectors, National Academy studies have helped federal, state, and local agencies achieve new levels of effectiveness and to lead the agenda of innovation in public administration and policy.

In 1984, President Reagan signed the congressional charter, the first such charter since President Lincoln signed the charter for the National Academy of Sciences in 1863. In his letter to the Academy, President Reagan said: "It is my hope and conviction that future Administrations and Congress will profit from the research and counsel provided by the National Academy to increase the effectiveness of government."

Next year marks the third decade of the National Academy. Now a mature and well-respected organization, the Academy starts this third decade with a growing work agenda and the expertise to match. To enhance this capability even further, the Academy spent a part of the year developing a new strategic plan. Academy leadership will be working out a detailed work agenda resulting from that plan in the early part of 1987.

Membership: The Academy's Unique Resource

The unique resource of the National Academy is its membership, composed of more than 350 distinguished practitioners and scholars of public administration—former Cabinet members and governors, White House officials, prominent business executives who have served in government, and professional government managers and scholars specializing in public affairs. Like other professional academies, the National Academy's members are elected by their peers. Each year, a limited number of new members are brought into active Academy membership.

Members represent a diversity of backgrounds and experience at every level of government, from local to national to international. All share one important characteristic—they have made a sustained contribution to the field of public administration. Participation in the Academy's work is a requisite of membership and the members offer

their experience and knowledge on a voluntary basis.

Participation on standing panels is one important part of member contributions. The four Academy standing panels provide a focus for development of Academy initiatives and monitor important developments in public administration. The Executive Organization and Management Panel considers issues and trends at the federal level. The State and Local Panel pays particular attention to intergovernmental issues of primary concern to state, regional, and local government. The Public Service Panel currently concentrates on issues of the federal public service. And the International Panel places its emphasis on international public administration issues and problems.

The institutional memory the National Academy brings to all its tasks is both an essential thread of continuity and a springboard for progress in public sector management. The National Academy's membership is exceptionally qualified to draw upon lessons learned from the past, to apply that knowledge to the problems of the present, and to devise strategies for success in the future. A complete membership list is included as an appendix.

Advancing Effective Government: The Study Program of the Academy

As it enters its third decade, the National Academy agenda covers a wide range of international, federal, state, and local issues. The Academy has done more than 150 studies, and the results have contributed significantly toward better management of government at all levels. The National Academy study program is one of the most innovative and aggressive in public management today.

The National Academy conducts research and studies under contract for government, foundations, corporations, and associations. The imprimatur of a National Academy panel on a report assures the broadest range of experience and the widest selection of views for the investigation of issues and development of options. To maintain the highest standards for all National Academy work products, a rigorous quality control system is enforced through every phase of a project from the development of initial proposals to the production and dissemination of published reports.

The National Academy has conducted studies or performed services for all three branches of the Federal Government and for the several levels of government. Nearly all of the major federal departments and agencies have called upon the National Academy for advice and counsel, usually in the form of studies resulting in published reports. The agenda reflects a growing awareness that the National Academy of Public Administration stands for excellence in public management, that it is looking to the future, not to the past.

From better financial control to innovative human resources management, from effective public procurement to less costly regulation, from new businesslike approaches in state and local government to the structure of federal field operations, the National Academy's projects contribute to its reputation as a national leader in public management and therefore support the organization's comparative advantage. The agenda generally falls into four basic areas of advantage:

The Quality of Leadership,

including studies of how to attract and retain highly qualified leaders at all levels of the public service. No one else is currently working this issue with such an aggressive program.

Policy Management, including studies of how to implement and manage specific policies. Here, the Academy has a unique advantage in supplying needed "reality tests" of policy proposals.

Innovations in the Structure of Government, including studies of how to structure basic government operations in an era of tight resources. The Academy is one of only a handful of organizations that understand the problems and potentials of public management innovation.

Studies of the Oversight of Management, including studies of congressional and executive oversight of public management and managers.

There is no other organization so well suited for this public policy and management agenda. To complement the membership efforts, the National Academy maintains a core professional staff, regularly augmented by study teams recruited for their superior qualifications for specific projects. Panels composed of members and invited experts from science, business, labor and other relevant fields direct project and study activities. Over 90 percent of the Academy's revenues and expenditures come in the project arena.

The Year's Work Results

This year's work products demonstrate the breadth and depth of the National Academy's efforts in public management.

Leadership in Jeopardy: The Fraying of the Presidential Appointments Process (November 1985)

This study was funded by the Ford Foundation, Henry Luce Foundation, Business Roundtable, Atlantic Richfield Foundation, Carnegie Corporation, the Earhart Foundation, the IIT Corporation, and the Szekely Foundation. It was designed to improve the recruitment, training, and working environment of top presidential appointments, and how to get the very best people into government.

After a comprehensive study of the appointments system, the Academy Panel concluded that many changes must be made if that system is to continue to provide the nation with talented and creative leaders. The final report contained the following recommendations, among others:

1. Substantive policy knowledge and administrative experience are not incompatible with political qualifications and should be primary criteria in the selection and confirmation of presidential appointees.
2. The personnel information resources available to new administrations must be significantly expanded and the president's chief personnel assistant should have regular and direct access to the president.
3. The Congress and the Office of Government Ethics should simplify and clarify the government's financial disclosure form. The income and property reporting requirements should be streamlined.
4. A legislative ban should be placed on the solicitation or discussion of future employment in the private sector by any presidential appointee during the time of his or her appointment. At the end of their service, all presidential appointees with genuine financial need should be provided up to three months of severance pay to afford them a period of transition out of the federal government.
5. Each Senate committee with confirmation responsibilities should prevent duplication and unnecessary detail in the reporting requirements it imposes on nominees and to improve the care with which it handles sensitive information.
6. The Senate's practice of permitting individual senators to place a "hold" on a nomination should be restricted so that no senator may delay a nomination for more than five working days.
7. A special unit should be established to assist new appointees in handling the personal and official difficulties they confront in coming into the government and starting a new job. All appointees should be briefed about the clearances and reviews that are a part of the appointment process and be provided an orientation program that would cover the many facets of federal governance processes and interactions.
8. Procedures for determining Executive Level compensation should be remodelled to permit the president to recommend periodic salary adjustments to the Congress. The statutory linkage that ties the salaries of presidential appointees to those of members of Congress should be severed.
9. Whenever feasible, the president should provide upward mobility for appointees by promoting from within to fill vacancies.

10. The number of positions filled by political appointment has grown too large and must be reduced. The Congress should conduct a government-wide assessment to identify and reconvert many of those positions where career executives have been replaced by political appointees.

It was clear that recent American presidents have been less successful than their predecessors in either attracting the highest qualified Americans into public service or providing the hospitable and supportive environment necessary to use effectively the talents of noncareer executives.

A Progress Report on the Organization and Management of the Florida State Department of Health and Rehabilitative Services (April 1986)

This study was sponsored by the Florida State Legislature to examine the impact of changing demographics on the delivery of health and rehabilitative services under service integration in the Department of Health and Rehabilitative Services, as well as to examine workforce morale and effectiveness.

The Academy panel provided recommendations with two audiences in mind: policy makers in the Florida Legislature and the

Governor's Office, and the Department of Health and Rehabilitative Services itself. The Panel suggested many major changes:

1. The Legislature should reduce the number of human services to match available resources or provide additional resources. It should investigate strategies of choice and self-help initiatives to deal with reductions in the level of financial support for human service programs.
2. The Legislature should upgrade staffing to improve coordination and control. It should also improve the salary structure and working conditions of the Department.
3. The Legislature should provide the necessary funding to secure the level of automation necessary to improve management, financial, and client information systems; to increase the efficiency and effectiveness of the contracting process; and to support improved training and educational opportunities for employees.
4. The Department should review intake, case assignment and management, and client information systems to 1) develop interrelated systems sufficiently practical to accomplish the complex task of service delivery to multi-problem clients within a given time and with an adequate supply of resources, and 2)

maximize the effectiveness of services integration.

5. The Department should improve the professional competence of the Department through better selection and retention processes, training, and liaison with Florida's universities and professional institutions.
6. The Department should improve the contracting process, including its management capability—improving areas such as needs assessments, contract monitoring, and service evaluation.

The Panel found that the organizational environment of the Department had changed greatly in the last several years. Demographic changes increased the demands upon the organization and presented difficult decision choices. The needs of both aged and young client groups have increased and, faced with fiscal constraints, the agency was forced to ration the care and services provided to both. It also must decide the degrees to which it should emphasize prevention or treatment of social and health problems. Overlaying the services issues are structure and authority and employee motivation and morale. The Panel recommendations provided public management strategies within this context.

A Strategy for Implementing Federal Regulation of Underground Storage Tanks
(January 1986)

EPA commissioned this study on how to implement the highly complicated 1984 regulations for hazardous waste, and how to help state and local governments succeed in dealing with massive new regulations at the lowest economic cost. EPA faced several key problems in regulating underground storage tanks. There are several million tanks, operated by more than one hundred thousand enterprises. Most of these have little experience in being regulated. EPA and its state and local counterparts faced severe resource constraints and had to find a strategy that would not require additional resource demands.

The Panel recommended action that would stimulate very high levels of supporting private sector activity and voluntary compliance. EPA should:

1. Induce and encourage companies to voluntarily upgrade their tank management practices through consultation and financial assistance programs.
2. Create a self-regulating system to upgrade tank management practices. A significant amount

of inspection and corrective action would be funded through insurance premiums. EPA would require tank owners and operators to provide financial assurance.

3. Pursue selective and highly visible inspection and enforcement efforts to reinforce and encourage voluntary compliance.

In addition, the Panel provided recommendations to Congress, urging it to study environmental damages and insurance issues and to adjust EPA resources to match program priorities.

Organization of the National Space Transportation System
(January 1986)

NASA sponsored this study to examine the organization and management options for space shuttle operations in an era of tight resources and international competition. The Panel believed that current organizational arrangements had served the needs of the development period, but were not well adapted to the change in mission from a research and development orientation to the provision of transportation services in support of NASA, the Department of Defense, other government agencies, and commercial users. The Panel recommended the creation of a Space Transportation Service within NASA, entailing changes in the current organizational structure and roles.

At the time of the report, the shuttle system had completed 23

flights, but the Panel found that the system was not technically mature: "A few elements . . . will require continuing research and development activity to attain performance and durability objectives. . . . Successful technical performance and system safety must be primary operational considerations." Organization for shuttle system operations at the time of the study was clearly in a transitional mode: "The basic issue is whether an organization which has worked during the development and demonstration stage is best suited to operation and maintenance of a space transportation system. . . . In the future the space shuttle will have to be justified by its effectiveness in providing essential services to its users rather than as a purpose in itself."

The Air Traffic Control System: Management by a Government Corporation
(March 1986)

The Air Transport Association of America asked the National Academy to undertake a study on how to more effectively manage the Federal Aviation Administration in an era of tighter resources but greater demand for flexibility and quick turnaround times in safety and airport development innovation. The Association was primarily concerned with how feasible a government corporation could be in the future management of the Air Traffic Control System.

Studies in Progress

The study broadened to include the FAA's role in the development of airports and its responsibilities in safety regulation.

The Academy Panel concluded there had been a general decline in the overall ability of the Air Traffic Control system to perform at top effectiveness. The Panel found:

1. A government corporation would, if properly chartered by Congress, offer substantial advantages over the current FAA in the management of the airports and airways program for the U.S. government.
2. There are two alternatives for organizing the corporation. The corporation could assume all of the responsibilities of the FAA. Or, the corporation could assume all responsibilities except safety regulation, which would remain in a regulatory body within the Department of Transportation.

The Panel believed that the most feasible alternative was the first one, setting up the FAA as a government corporation that would assume all of the current FAA functions.

**Organizing for Excellence:
A Management Review of
Federal Prison Industries**
(February 1986)

This was a study of the ways to improve effectiveness at Federal Prison Industries, while

strengthening its relationship with the Bureau of Prisons. The study addressed the problems inherent in the government corporation structure, particularly as it related to the Bureau of Prisons. The key finding was the need for long-range planning, moving the Federal Prison Industries beyond the one-year operating plan the organization uses.

The Panel made the following major recommendations:

1. The development of a comprehensive marketing strategy as the first step in improved organizational planning. A second step would be a production planning process, driven by the marketing plan.
2. The Federal Prison Industries pursue policies of increased inmate productivity.
3. The Director of the Bureau of Prisons establish a single line of authority for industries work, placing the authority with the warden of each institution.
4. Narrow the gap between vocational and educational programs at prisons and industries operations. This would enhance the ability of inmates to earn a living once they leave the prisons.

The Academy is currently conducting a variety of research projects:

Improved Forecasting for Effective Governance

Exxon Corporation and Earhart Foundation, sponsors

William Morrill, Panel Chairman, Walter Hahn, Robert C. Holland, Bobby Inman, Lillian Liburdi, Rufus Miles, and Robert Reischauer, Panel Members
William Ascher, Duke University, Project Director

This is a study of the role of forecasting in government policymaking and as a tool of program administration. The project is designed to ask how government might improve its forecasting capability in an uncertain future.

Improving U.S.-Soviet Communications to Reduce Misunderstandings and Conflict

W. Alton Jones Foundation, the Ford Foundation, the MacArthur Foundation, the Ploughshares Fund, and the George Gund Foundation, sponsors

Benjamin Read, Panel Chairman and Project Director, Alexander Akolovsky, Madeleine Albright, Robert Bell, McGeorge Bundy, Frank Carlucci, Lawrence Eagleburger, Andrew Goodpaster, Bobby Inman, Charles William Maynes, Donald McHenry, William G. Miller (co-director), Phillip Odeen, Elliot Richardson, Brent Scowcroft, Marshall Shulman, Bromley Smith, Walter Stoessel, and Peter Szanton, Panel Members

Major Initiatives for 1987

This is a review of organizational options (particularly jointly manned U.S.-U.S.S.R. crisis centers) and implementation obstacles for reducing U.S.-Soviet misunderstanding. Begun before the first Reagan-Gorbachev summit, the project is designed to provide concrete advice on ways to improve international communication. Ben Read, the project director, and William Miller, co-director, traveled to Moscow to discuss Soviet participation in developing case studies of past crises.

Public Management and the OMB Regulatory Review Process

Ford Foundation, sponsor

James Sundquist, Panel Chairman, Martha Derthick, Stuart Eizenstat, Edwin Harper, Max Paglin, Sally Anne Payton, and Richard Wegman, Panel Members

Gary Bryner, Brigham Young University, Project Director

This is a study of congressional and constitutional issues embedded in the continued tightening of the OMB review of agency rulemaking. The study focuses on potential congressional responses to the OMB process, and also asks how regulatory review fits with the constitutional separation of powers and the Administrative Procedures Act.

National Aeronautics and Space Administration Equal Opportunity

NASA, sponsor

David Stanley, Panel Chairman, Mary Berry, Ruth Davis, Alexander Grant, and Michael Maccoby, Panel Members

Carole Neves, Project Director

Under the Academy's broad task-order contract, this project involves a study of progress at NASA toward recruitment of women and minorities at the Headquarters level.

Institutional and Program Management for NASA's Future

NASA, sponsor

Ray Kline, Advisory Panel Chairman, Frank Carlucci, Edward David, Harry Finger, Andrew Goodpaster, Bobby Inman, and Robert Seamans, Panel Members

Samuel C. Phillips, General, USAF (retired), Project Director

This project is a study of general NASA management, including agency executive management, program management, and institutional management.

The National Academy continues to move forward in developing projects in keeping with new approaches to governance as the nation approaches the year 2000. Changes are happening on all fronts as increased emphasis on encouraging more public-private partnerships, technological innovation, organizational management styles and structure, and the demands on government come together. The Academy will undertake the following projects in 1987. The list also includes one planning project that may result in a study later in the year.

Congressional Oversight:

Building upon the Academy's current work on the OMB regulatory review process, the Academy will undertake a similar assessment of congressional oversight. Recognizing the value of good oversight in directing public managers, the study will examine the political obstacles to systematic oversight and the problems of piecemeal, micro-level inspection of policy implementation. Together with the regulatory review project, this study should help resolve some of the administrative tensions between the two branches.

The project is designed to help Congress better understand the kinds of questions that need to be asked, and how to ensure more effective oversight without compromising effective public management. Because of its unique

knowledge of the National Security Council, NASA, and the Environmental Protection Agency, the Academy will conduct case studies of the strengths and weaknesses of oversight in all three.

The Public Management of Privatization: With planning grants from Chase Manhattan and the Exxon Corporation, this project is structured to consider whether and how the privatization of certain governmental programs and/or agencies should take place. The study does not assume that privatization is either good or bad. Rather, it starts with the assumption that privatization is extremely difficult from a public management perspective. It includes myriad questions about public accountability, the transfer of civil service positions out of government, potential effectiveness, and issues of how to value governmental activities.

Given the Academy's knowledge of the government corporation as an alternative to standard bureaucratic organizations, this project will move the discussion of privatization from the abstract to the concrete. If privatization cannot succeed, perhaps it is time to consider the causes of governmental inefficiency more broadly. If privatization can move forward, it is time to resolve the public management obstacles.

Federal Information Resources

Management: The explosion of information and information technology requires a comprehensive approach to managing requirements and supporting technologies. Information resources management means that planning, managing, and controlling information resources—indeed, information itself—simply cannot be done in a piecemeal fashion. Yet, putting together and implementing a comprehensive information resources management plan involves complex organizational considerations, budgetary constraints, political pressures, and other public management priorities of the moment. How information resources management is being approached and how it might be improved is the focus of the jointly-sponsored National Academy and General Services Administration study as the information revolution absorbs more and more public management energy and resources.

Facilities Management for the

U.S. Courts: This study for the Administrative Office of the U.S. Courts examines the question of whether, and to what extent, responsibility for facilities management of the courts should be transferred from the General

Services Administration to the Administrative Office. It will look at facilities management definition, design, leasing, construction, space management, and care and maintenance of court-occupied space and facilities.

State and Local Governance

Issues: With a planning grant from the Aetna Life and Casualty Foundation, the Academy is working on possible projects in the state and local arena. Planning panel members include Charles Bonser, Enid Beaumont, Michael Carroll, John DeBolske, Stephen Farber, Joseph Fisher, Edward Gallas, Samuel Gove, William Hamm, Phyllis Kahn, Richard Page, George Schrader, Carmen Turner, Annmarie Walsh, Deil Wright, and Ralph Widner. Several ideas are now under consideration. One is the nature and possible improvement of the state appointments process. One is on the nature and possible improvement of the local appointments process. Another is consideration of the "revolving door" as top state and local managers move between the public and private sectors.

Occasional Papers

In addition to study reports, the National Academy also issues Occasional Papers that members take the initiative in writing, reviewing, and distributing. These Occasional Papers cover special issues of governance. Seven papers have been issued since 1983:

A Quiet Revolution in Local Government Finance: Policy and Administration Challenges in Expanding the Role of Users Charges in Financing State and Local Government (1983)

The Presidential Appointment Process: Panel Discussions on America's Unelected Government (1984)

Public Administration in Japan: Japanese Public Sector Productivity and Workforce Management (1985)

Recruiting Presidential Appointees: A Conference of Former Presidential Personnel Assistants (1985)

NASA: The Vision and the Reality (1985)

The State of American Public Service: A Tribute to James E. Webb (1985)

The Quiet Crisis of the Civil Service: The Federal Personnel System at the Crossroads (1987)

Seminars and Symposia

Scholarships and Awards

Results of National Academy studies are shared with public managers and concerned constituent groups through the Academy's seminar program. Through such sharing, the practical and operational results of National Academy research and studies keep a wide community of practitioners abreast of public management innovations and issues. Members of the National Academy panels who have guided such research frequently become the instructors and discussion leaders of the courses. Participants come not only from government but also from business and the independent sector. As a result, class dialogue is enriched by varied perceptions of the public management issues under review.

Seminars scheduled for 1986-1987 are:

The Efficiency Mandate: Better Resource Decisions

This session looks at physical assets acquisition and replacement decisions. The topics include the time value of money, identification of unsound methods, net present value and investment returns, incremental resource comparisons, cost-effectiveness and cost-benefit analysis, and risk, uncertainty, and sensitivity analysis.

Public Management: Changing Forms of Government Action

Within the context of public and private sector relationships, this seminar explores the traditional and evolving roles of the public manager. Topics include managing priorities in an era of scarce

resources, legislative and central management agency impacts, and human resources development.

Roles and Management of Government Enterprises

This seminar provides agency and government corporation officials an opportunity to discuss issues concerned with the use, organization, management, supervision, and control of government corporations and related public enterprises.

The National Academy also sponsors issue-oriented symposia and workshops to improve the quality of government. For example, its 1986 workshop "Streamlining the Federal Internal Control Process," led by the Comptroller General and the Deputy Director of OMB, was endorsed by the President's Council on Management Improvement and the President's Council on Integrity and Efficiency. The workshop showed how internal control objectives could be met and provided actual agency examples of improved internal control review processes. Another symposium in 1986 covered the innovative personnel system pilot program at China Lake, California, and its application to the federal civil service system. Called "China Lake—Roadmap to Reform," the symposium discussed the initiatives underway to improve the Federal personnel system.

New York University and universities in the Washington, DC, metropolitan area may nominate students enrolled in a Master's Degree program in public administration, public and international affairs, or political science for the annual Herbert Roback Scholarship Award of \$3,000. The annual award goes to the most outstanding graduating student. The 1986 award went to Sarah Johnston of New York University.

The Louis Brownlow Book Award is presented annually to recognize an author who has made an outstanding original contribution to public administration literature. The 1986 award winners were Martha Derthick and Paul Quirk for **The Politics of Deregulation**.

Financing the National Academy Work Agenda

The major revenue sources for the National Academy are foundation and corporate grants for general support and specific projects, contract research, member dues, endowment income, individual contributions, and seminar tuitions. Many contributions are designated for its endowment funds—the Webb Fund for Excellence in Public Administration—but gifts from individuals, corporations, and foundations also contribute directly to current research projects and to the general support of publications that grow out of that research.

The National Academy is recognized as a charitable non-profit corporation under Section 501 (C)(3) of the Internal Revenue Code and contributions to the Academy are tax deductible. It is not federally funded.

Since 1980, the following foundations and corporations have supported the Academy:

Aetna Life & Casualty	Fairchild Industries	Time, Inc.
Aerospace Corporation	Field Enterprises Charitable Corporation	Union Pacific Corporation
Air Transport Association	Ford Foundation	University of Texas
The Annenberg Fund	Frontiers of Science Foundation	Urban Institute
ARA Services, Inc.	Gannett Foundation	Sidney J. Weinberg Jr. Foundation
Atlantic Richfield Corporation	Gaylord Broadcasting Co.	White Burkett Miller Center
Mary Reynolds Babcock Foundation	General Electric Company	Harold and Doris Zellerbach Fund
Mary Duke Biddle Foundation	George Gund Foundation	
The Business Roundtable	Halaby International Corp.	In 1986, the National Academy received financial support from a broad range of foundations, corporations, and individuals, as well as government grants. The following groups and individuals provided the Academy general and project support as of September 30, 1986:
Carnegie Corporation	W. Averell Harriman Charitable Trust	
Charlotte Chamber of Commerce	H.J. Heinz II Charitable and Family Trust	<i>General Support</i>
The Chubb Corporation	Hughes Aircraft Company	Exxon Corporation \$20,000
The Cleveland Foundation	IBM Corporation	Aetna Life & Casualty Foundation 12,000
Communications Satellite Corporation	ITT Corporation	David Packard 10,000
Computer Data Systems, Inc.	W. Alton Jones Foundation	IBM Corporation 10,000
Congressional Quarterly, Inc.	Keller Family Foundation	Hughes Aircraft Company 5,000
Conoco Inc.	Kerr Foundation	Metropolitan Life Foundation 5,000
Dayton Hudson Corporation	Kerr-McGee Foundation	The Prudential Foundation 5,000
Earhart Foundation	Kettering Foundation	McGraw-Hill Foundation 3,000
Eastern Airlines	Kirkpatrick Foundation	Sperry Foundation 2,500
Exxon Corporation	Klutznick Charitable Trust	Chrysler Foundation 2,000
	Koppers Company, Inc.	Peat, Marwick, and Mitchell 1,000
	Lockheed Corporation	Eugene Zuckert 1,000
	ITV Corporation	Total General Support \$76,500
	Henry Luce Foundation, Inc.	<i>Project Support</i>
	MacArthur Foundation	Ford Foundation \$65,000
	McGraw-Hill Foundation	W. Alton Jones Foundation 50,000
	McKnight Foundation	MacArthur Foundation 25,000
	Medina Foundation	Chase Manhattan Bank 10,000
	Andrew W. Mellon Foundation	George Gund Foundation 10,000
	Metropolitan Life Foundation	Ploughshares Foundation 10,000
	The Mitre Corporation	Szekely Foundation 6,500
	G.G. Monks Foundation	National Civil Service League 5,000
	National Geographic Foundation	Earhart Foundation 4,750
	Frank Pace Jr. Foundation	Total Project Support \$186,250
	Peat, Marwick, Mitchell & Co.	
	Prudential Foundation	Total Support \$262,750
	Reader's Digest Association	
	Rockefeller Brothers Fund	
	Rockefeller Foundation	
	Rockwell International	
	Rouse Company	
	G.D. Searle Corporation	
	Alfred P. Sloan Foundation	
	Szekely Foundation	
	TICOR	

*The James E. Webb Fund for Excellence
in Public Administration*

*Financial
Comments*

The James E. Webb Fund for Excellence in Public Administration was established in 1983 and is now at the \$2 million level. The Fund honors James E. Webb, whose career in public service and private industry serves as a standard for those concerned with improving and strengthening the institution of government. A founding member of the Academy, Mr. Webb personifies the concept that the public and private sectors should work together, each building on the strength of the other. Income from the Fund supports continuing Academy efforts to increase the effectiveness of state, local, and national government.

By the provision of a grant by the Kerr Foundation, one feature of the Webb Fund program is an annual lecture. Speakers chosen to deliver this annual lecture are prominent Americans whose careers have contributed most to the development of an effective partnership between the public and private sectors and the achievement of excellence in public administration. The 1985 speaker was Allen H. Neuharth, Chairman of The Gannett Company, Inc.

In his presentation, Mr. Neuharth spoke of the the challenges of public service: "It

seems to me that perhaps our biggest challenge is to make sure that we don't lose the ideals that make public service attractive and rewarding to so many, be he or she a high school history teacher in Coffeyville, Kansas, or the Chief Justice of the United States, or the President. . . . [W]e in the media too often take for granted the tremendous contributions that the public sector makes at every level on our behalf for our own business or for many, many others in the private sector. I believe [the] public service . . . is not a national luxury; it is a national necessity." The National Academy's work agenda includes strategies to promote the most effective working relationships between the public and private sectors and to ensure a quality public service ensures confidence in governmental institutions.

The National Academy's balance sheet at September 30, 1986, is the strongest in recent years. The combined General Funds are at their highest level, thereby reducing the need to borrow working capital for operations. The Endowment Funds have grown to over \$2 million and monies earned will be available to provide additional sources of project funding and/or working capital when required. The following table summarizes the Academy's financial resources from 1980 to present:

Fiscal Year	Total Funds
1980	\$ 149
1981	232
1982	339
1983	512
1984	1,162
1985	1,537
1986	2,198

Academy Leadership

The business and leadership functions of the Academy are guided by an elected 15-member Board of Trustees. The President of the Academy is appointed by the Board to direct the operational activities.

The 1986 officers of the National Academy are:

Chairman of the Board

Mark E. Keane

Vice Chairman of the Board

Robert P. Biller

President of the Academy

Ray Kline

Secretary of the Board

Sheldon S. Cohen

Treasurer of the Board

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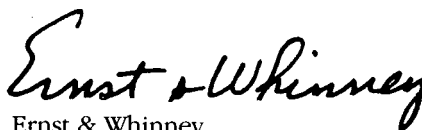
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Appendix
Audited Combined Financial Statements

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We have examined the combined balance sheets of the National Academy of Public Administration and Affiliate as of September 30, 1986 and 1985, and the related combined statements of revenue, expenses, and changes in fund balances—general funds, and revenue, expenses, and changes in fund balances—grantor restricted funds and board designated restricted funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the combined financial position of the National Academy of Public Administration and Affiliate at September 30, 1986 and 1985, and the combined results of their operations and changes in their fund balances for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



Ernst & Whinney
Washington, D.C.
December 15, 1986

Combined Balance Sheets

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION AND AFFILIATE

	September 30	
	<u>1986</u>	<u>1985</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 145,395	\$ 49,158
Short-term investments, at cost, which approximates market	762,423	1,321,030
Accounts receivable:		
Contracts, grants, and seminars	241,174	364,004
Unbilled contract costs	20,598	3,248
Pledges	10,235	356,193
Dues	3,100	6,450
Other	8,759	21,164
Allowance for doubtful accounts	<u>(5,577)</u>	<u>(6,827)</u>
	278,289	744,232
Prepaid expenses and other assets	<u>13,147</u>	<u>17,614</u>
TOTAL CURRENT ASSETS	1,199,254	2,132,034
DEPOSITS	8,900	8,900
INVESTMENTS, at cost (market—\$1,238,048)	1,255,098	
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost less accumulated depreciation of \$33,721 in 1986 and \$27,370 in 1985	<u>32,187</u>	<u>34,082</u>
TOTAL ASSETS	<u>\$2,495,439</u>	<u>\$2,175,016</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 88,248	\$ 94,850
Accrued leave	14,756	4,550
Deferred revenue	<u>75,351</u>	<u>425,148</u>
TOTAL CURRENT LIABILITIES	178,355	524,548
FUND BALANCES		
General funds	173,200	103,583
Grantor restricted funds	118,658	113,832
Board designated restricted funds	<u>2,025,226</u>	<u>1,433,053</u>
TOTAL FUND BALANCES	<u>2,317,084</u>	<u>1,650,468</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,495,439</u>	<u>\$2,175,016</u>

See notes to combined financial statements.

Combined Statements of Revenue, Expenses, and Changes in Fund Balances—General Funds

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION AND AFFILIATE

	Year Ended September 30	
	1986	1985
REVENUE		
Contracts and grants	\$1,171,295	\$1,182,311
Seminar programs	130,085	95,064
Members' dues	32,375	28,650
Conference registration fees	25,220	21,475
Contributions for general support (including \$35,529 in 1986 and \$70,000 in 1985 Board Designated Restricted Funds)	111,198	101,620
Other	<u>17,383</u>	<u>25,291</u>
TOTAL REVENUE	1,487,556	1,454,411
EXPENSES		
Salaries and employee benefits	497,919	452,858
Professional services	414,737	479,204
Office rent	117,845	110,758
Honoraria	25,071	53,625
Conferences and meetings	83,552	43,542
Travel	101,377	52,955
Fundraising expenses	1,854	5,000
Committee on the future	23,497	
Development	25,992	
Telephone	17,774	19,249
Postage and delivery	18,477	18,051
Duplicating and printing	36,758	34,878
Office supplies	24,100	39,085
Equipment rental	14,787	8,892
Repairs and maintenance	18,890	15,809
Depreciation	9,862	9,254
Books and periodicals	2,606	3,803
Miscellaneous	537	8,078
Bad debt expense	1,825	1,200
Interest (to Board Designated Restricted Funds)	3,593	5,470
Computer services	<u>3,348</u>	<u>10,730</u>
TOTAL EXPENSES	1,444,401	1,372,441
EXCESS OF REVENUE OVER EXPENSES	43,155	81,970
General funds balance at October 1, 1985 and October 1, 1984 and previously reported	103,583	51,613
Adjustment—Note D		<u>(30,000)</u>
General funds balance at beginning of year, as adjusted	103,583	21,613
Unexpended appropriation—J.E. Webb Fund	<u>26,462</u>	
GENERAL FUNDS BALANCE AT END OF YEAR	<u>\$ 173,200</u>	<u>\$ 103,583</u>

See notes to combined statements

Combined Statements of Revenue, Expenses, and Changes in Fund Balances—Grantor Restricted Funds

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION AND AFFILIATE

	Year Ended September 30	
	1986	1985
REVENUE		
Contributions	\$ 31,333	\$ 21,721
Interest earned	13,166	12,811
Gains on sales of securities	5,315	
TOTAL REVENUE	<u>49,814</u>	<u>34,532</u>
EXPENSES		
Fund activities and administrative expenses	41,988	29,675
Scholarships and awards given	3,000	7,081
TOTAL EXPENSES	<u>44,988</u>	<u>36,756</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	4,826	(2,224)
Fund balances restricted by grantor at beginning of year	113,832	116,056
FUND BALANCES RESTRICTED BY GRANTOR AT END OF YEAR	<u>\$118,658</u>	<u>\$113,832</u>

See notes to combined financial statements.

Combined Statements of Revenue, Expenses, and Changes in Fund Balances—Board Designated Restricted Funds

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION AND AFFILIATE

	Year Ended September 30	
	1986	1985
REVENUE		
Contributions	\$ 387,737	\$ 250,603
Interest earned	171,314	139,522
Interest on loan to affiliates	2,482	5,470
Gains on sales of securities	92,631	
TOTAL REVENUE	<u>654,164</u>	<u>395,595</u>
EXPENSES		
Appropriation to general fund	61,991	70,000
Other disbursements		2,667
TOTAL EXPENSES	<u>61,991</u>	<u>72,667</u>
EXCESS OF REVENUE OVER EXPENSES	592,173	322,928
Board designated restricted fund balances at beginning of year	1,433,053	1,110,125
BOARD DESIGNATED RESTRICTED FUND BALANCES AT END OF YEAR	<u>\$2,025,226</u>	<u>\$1,433,053</u>

See notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE A—Summary of Significant Accounting Policies

Principles of Combination and Background: The combined financial statements include the accounts of the National Academy of Public Administration (the Academy) and the National Academy of Public Administration Foundation (the Foundation). The Academy and the Foundation were incorporated in 1970 under the District of Columbia Nonprofit Corporation Act as a membership, and nonmembership corporation, respectively. On April 10, 1984, the President of the United States signed H.R. 3249, granting a federal charter to the Academy. The Internal Revenue Service has ruled that the Academy and the Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. These organizations have the same officers and trustees.

Effective October 1, 1985, the National Institute of Public Affairs (Institute), an organization with which the Academy has officers and trustees in common was merged with the Academy. The Institute is a nonprofit organization which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The financial statements of the Academy for the year ended September 30, 1985 have been restated to include the financial position of the Institute as of September 30, 1985 and the results of its operations for the year then ended. (Also see Note D.)

Significant intercompany accounts and transactions have been eliminated in the combination.

Method of Accounting: The Academy and its affiliates maintain their records on the accrual basis of accounting.

Contracts: Income from cost reimbursement contracts and grants is recognized in amounts equal to reimbursable costs and fees. Income from fixed price contracts is recognized on the percentage of completion method, based upon the ratio of costs incurred to total projected costs. A provision for losses, if required, is made in the year that it is determined that estimated total cost exceed the reimbursable amounts.

Grantor Restricted Funds and Board Designated Restricted Funds: Contributions and other amounts received from donors for specific purposes or for specific funds are recorded as revenue of the grantor restricted funds and board designated restricted funds. Such contributions included gifts in the form of corporate stock of \$2,684 for the year ended September 30, 1985, which are recorded based on the fair market value of the respective shares on the date of contribution.

Effective October 1, 1985, all gains and losses on Endowment Funds investments were accounted for in the operating results of the Endowment Funds. In previous years these gains and losses were accounted for in the General Fund.

Investments: Investments classified as non-current assets consist primarily of bonds and common stocks which are carried at cost.

Deferred Revenue: The unexpended portion of restricted grants and amounts received in advance for seminars and projects have been accounted for as deferred income on the combined balance sheet.

Furniture, Fixtures and Leasehold Improvements: Furniture and fixtures are carried on the combined balance sheet at cost and are being depreciated on a straight-line basis over their estimated useful lives (5–10 years). Leasehold improvements are also carried on the combined balance sheet at cost and are being amortized over their estimated useful lives or the terms of the leases, whichever is shorter.

NOTE B—Unbilled Contract Costs

Unbilled contract costs include costs that exceed amounts billed on grants and contracts and in some cases, cost overruns on completed projects that are expected to be collectible. On cost reimbursement type contracts and grants, overruns may be partially or totally collectible, depending on the findings of the contracting agency. The unbilled costs may also include amounts by which the actual overhead rate exceeds the provisional rate allowed by a specific contract. Overhead rates charged on government grants and contracts are subject to redetermination based on actual experience.

NOTE C—Direct and Indirect Costs

The accounting practices provide for the segregation of direct project costs and indirect (or overhead) costs. These costs are combined in the accompanying combined statement of revenues, expenses, and fund balance and are summarized as follows for the years ended September 30, 1986 and 1985:

	Foundation	Academy	Total
1986 direct costs	\$ 603,769	\$ 38,108	\$ 641,877
1986 indirect (overhead) costs	604,789	197,735	802,524
	<u>\$1,208,558</u>	<u>\$235,843</u>	<u>\$1,444,401</u>

	Foundation	Academy	Total
1985 direct costs	\$ 598,573	\$ 67,832	\$ 666,405
1985 indirect (overhead) costs	540,092	165,944	706,036
	<u>\$1,138,665</u>	<u>\$233,776</u>	<u>\$1,372,441</u>

Direct costs include salaries and related employee benefits (payroll taxes, retirement, insurance, and leave), honoraria, professional services, staff and non-staff travel, duplicating costs, conferences, telephone, and other cost elements. In general, overhead costs are allocated to projects on the basis of the total direct costs.

NOTE D—Restatement

In 1980, unfunded costs of \$180,000 for the project on the Role of the President in Managing the Federal Government were capitalized. These costs were believed by management to provide continuing benefit and were being amortized over a 6-year period on a straight-line basis.

In 1986, management decided to restate the 1985 financial statements to conform to generally accepted accounting principles. As a result, fund balance at October 1, 1984 was decreased by \$30,000 and the excess of revenue over expenses increased by \$30,000 for the year ended September 30, 1985.

NOTE E—Pension Expense

A defined contribution plan was established for employees under which retirement benefits will be provided through individual annuity contracts purchased from the Teachers Insurance Annuity Association of America. Full-time employees with one year of service are eligible. Pension expense included in the accompanying combined financial statements is \$27,900 in 1986 and \$28,956 in 1985.

NOTE F—Lease Commitments

The Foundation is obligated under a long-term lease, expiring in 1992, for its present office facilities. The Foundation also leases certain office equipment under an operating lease, which expires in 1989. Future minimum rentals, including escalation provisions for the office facilities, for the next five years and thereafter are as follows:

Year Ended September 30	Amount
1987	\$134,430
1988	140,544
1989	144,000
1990	141,797
1991	148,887
Thereafter	64,070
	<u>\$773,728</u>

The Foundation has a 5-year operating lease for its telephone system and is obligated to pay a monthly rental of \$529. The Foundation has an option to purchase the equipment at completion of the initial lease.

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