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A Suspenseful New Year in Public Finance.

Governors, mayors and finance officers are treading water, awaiting the outcome and impact of a new Washington regime's vows to slash federal spending and taxes. Meanwhile, state and municipal budgeters and debt managers will need to make intelligent guesses and pay more attention to their rainy-day funds.

Get ready for "The Big Show" in the public finance arena, commencing after inauguration week. Governors and mayors will be looking for clues of what's to come their way — or not. Financial media attention will likely fixate for now on various White House fiscal strategies to cut or freeze previous federal budget authorizations, starting with executive orders testing and challenging the 1974 Impoundment Control Act.

Many such unilateral executive actions will face immediate court challenges, with questionable prospects in light of existing case law from the precedential 1998 Supreme Court decision in Clinton v. New York, which held that line-item vetoes and budget freezes are unconstitutional under the presentment clause. Those will be just the opening skirmishes in a longer battle over federal finances.

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