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The Operation of the New Jersey Budget Law

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The Operation of the New Jersey Budget Law

Preface and Summary of Recommendations

In 1895 the population of New Jersey was approximately 1,664,301. During the fiscal year, beginning November 1, 1894, and ending October 31, 1895, gross disbursements amounting to \$2,269,039.86 sufficed to finance the functions performed by the state government. This meant a per capita cost of \$1.38. In 1915 New Jersey's population was 2,844,342, while the cost of conducting the state government for the fiscal year ending October 31st of that year was \$10,796,028.05. This represented a per capita outlay of \$3.79. To put the matter in another form; during the twenty years that the population of New Jersey increased 1,180,041, or a trifle more than 71 per cent., the cost of running the state government increased \$8,526,988.19, or about 375 per cent. What has occasioned this enormous increase in state expenditures which is out of all proportion to the increase in population during the time indicated?

Explanation of Increasing Cost of Government

Rising salaries and wages, and the increased cost of equipment, materials, and supplies are reflected in the 1915 figures, but this accounts for a relatively small portion of the increase. Far more important is the present tendency of government to perform more and more functions for the people, and to perform these functions in ever-growing size and efficiency. This tendency reveals itself in municipal, county and state government, but it is particularly significant in state affairs. Not only does the state, with the passage of time, take on new activities, but it arrogates to itself many of the more important affairs at one time conducted by the counties or municipalities. This is well illustrated by the control which a centralized state authority has exercised over educational matters in New Jersey, and is now on the point of assuming over the more important highways of the state. Added to these causes, the greater the number of people in the state, the higher their standards of living, and the more enlightened their concern for the social and economic welfare of the community, by so much must there be added money outlays to meet the new or altered situations which these factors occasion.

New Jersey's Safe and Sane Fiscal Policy

In spite of the conditions reflected in the foregoing paragraphs New Jersey, during the fiscal year ending October 31, 1917, lived entirely within the state's income, and even showed an unencumbered balance in the treasury of over two million dollars. Of course, the state has not always been in such sound financial condition. There have been fiscal years which ended with actual or impending deficits. More than once a direct tax or a bond issue has been agitated as the only means to save the state from financial disaster. When the great debts with which some of the neighboring states are struggling are considered, it seems ridiculous to say that it would be a financial disaster for New Jersey to be confronted with a deficit which it could not meet from existing assets. Yet such is the

case. The pay-as-you-go policy is so deeply ingrafted in the financial affairs of the state government, that legislators are frequently unreasonable and short-sighted in their unwillingness to acquire public improvements by means of bond issues. Perhaps this is just as well while the bond as an instrument of public finance is so often abused, and while the New Jersey counties and municipalities, under the rigid provisions of the Pierson Acts of last year, are taking steps to handle intelligently and safeguard properly the bonded debt of almost one-quarter of a billion dollars which they owed in nineteen hundred and fifteen.

Conservatism Must not Block Progress

Notwithstanding this apparently sound fiscal condition of the state government and its safe and sane financial policy, it must not be overlooked that a balance of money in the treasury is certainly not to be desired when there are vital needs or activities neglected, slighted, or even curtailed. Superficial consideration of the fact that for the fiscal year which showed such a substantial balance, the various spending agencies of the state requested appropriations aggregating many millions more than those finally allotted them, would seem to indicate such was the case in 1915. A further realization of the well-known facts that many state institutions are overcrowded; some of them in need of repair or reconstruction; and that in every quarter more progressive ideas are pressing for speedy application is still more convincing argument that the annual balancing of income and expenditures, while highly desirable in itself, is not the proper criterion of progress in state government. New Jersey must strive for the highest possible standards of such government if she would stand in the van of progress.

The realization of this ideal will cost great sums of money. The price must be paid, however, unless the people of the state are willing to bear the disgrace of crowded and unsanitary prisons; antiquated and unhealthful institutions; and unprogressive policies in highways, port development, and other social and economic problems of state-wide import.

The Great War and State Expenditures

Nevertheless, now, of all times, is the worst to agitate for an enlarged program of state expenditures; it is the best time, however, to demand and obtain a complete overhauling, simplification, and readjustment of the methods whereby these expenditures are made and the money to meet them is raised. It is the time of all times to instill real efficiency and economy in state government.

The State Chamber has already begun a complete survey of the entire question of taxation and taxation methods in New Jersey. It will be fully a year or two before tangible results of this work can be presented to the public. Meantime, it is safe to say that while the great war is in progress, and for many years after, the demands of the Federal government for funds will make it almost impossible for state, county or municipal

governments to seek for new, or to increase, in large degree, old sources of revenue. The state government, as well as county and municipal governments, must be conducted in such a business-like manner that the present supplies of money, coupled with natural increases year by year, can be made to meet every one of its imperative, justifiable and vital needs. How can this be done?

Edge Budget Act as Factor in State Finance

Fortunately, the passage of the Edge Budget Act in 1916 provides the very instrument, which, if its fullest potentialities are realized, can answer this question. Through it the people of this state can be made familiar with every function that their state government performs; the volume of work which it annually accomplishes; the number of employees engaged in this work; the character of their employment; their compensation; the buildings and equipment utilized; the materials and supplies purchased. Past expenditures, current allowances, and the appropriations for the next fiscal year can be set forth for every function and sub-function of the state's spending agencies; revenues depicted; tabulations for contrast made; explanations appended. In a word, the intimate details of the state government can be presented in such a way that it will be possible not only to contrast the administration of a department over a period of years, but also to contrast the work of one department with that of another. This means that a state agency must produce a maximum of service for a minimum of financial support, or be condemned for extravagance. It means that an agency must justify its existence or be eliminated. Waste must stop, useless expenditures curtailed, and all available funds must be assigned to the places where they are most needed and can do the most good. What is more to the point, the budget in New Jersey is or can be made a real executive budget. It will also be the budget of those who provide the state government with funds, for the executive, being responsible alone for its preparation, must, perforce, look to those who have put him in office, for support of his financial administration of the state government.

State Chamber's Interest in State, County, and Municipal Finance

The State Chamber has been very active in this matter of state, county and municipal finance. By newspaper releases, by work with the constituent bodies of its Federation, and by articles published in "New Jersey" and the "Legislation Index," it has done all in its power to place before the people a correct concept of what budgetary procedure in public affairs really is. Furthermore, no opportunity has been lost to develop a public opinion for true and complete budget reform in the state and its governmental subdivisions. In view of these facts, Mr. A. E. Buck, a member of the staff of the State Chamber's Bureau of State Research, was directed to study closely the first year's operation of the Edge Budget Act.

I. CHANGES POSSIBLE UNDER ACT

Mr. Buck's investigations, conducted in an unbiased and impartial manner, have revealed certain defects, which, while serious, are of such a nature that most of them can be eliminated without amending the budget

act, or resorting to more drastic action. Indeed, his recommendations are divided into the following two classes: recommendations which can be affected under authority or procedure inherent in the law itself, and recommendations which must be accomplished by legislative action or an amendment to the state constitution.

Estimate Forms

First in order under the recommended changes which are permissible under the budget act, is that dealing with the present estimate forms. These estimate forms are used by the spending agencies of the state government to present their requests for appropriations in such shape that the governor may know exactly, and in detail, for what specific purposes appropriations are requested, and may be able to contrast these requests with appropriations made for similar purposes in previous years, etc. Mr. Buck found that the estimate forms employed for the first year, and modeled after suggestions in the law itself, were indefinite, unscientific and confusing in their classifications; that they did not make provision for the reporting of sufficient information; and that they did not co-ordinate with the work of the State Purchasing Bureau.

After calling attention to the fact that the Edge Budget Act specifically provides that these estimate forms may be changed, and all the rules applying to their preparation altered by the governor or the Joint Appropriation Committee, he sets forth in detail the classifications which might advantageously be adopted for the estimate forms under the act; the minimum of essential information that these forms should embrace; and a method whereby they can be made to articulate with the functioning of the State Purchasing Bureau.*

Review and Revision of Estimates

The second recommendation of the report has to do with the review and revision of the estimates submitted by the spending agencies. The law gives the governor the power to appoint or designate persons specially fitted to review the estimates and inquire into the sources of new income. He may call upon officers of the state government, and, in addition, appoint two special assistants to help him with this work. Mr. Buck suggests that the governor form a sort of budget cabinet from the various department heads, who, with their experience with, and knowledge of, conditions in the state government, can bring valuable aid to the task of budget review and revision. This would no doubt be beneficial, but it also seems the part of far-sighted economy to provide the governor with \$50,000 or \$100,000, so that he can constantly keep skilled experts in the field to gather data among the state's spending agencies for budget review and revision. There cannot be full and fair review and revision of departmental requests for appropriations unless this work can be premised upon a comprehensive knowledge of the relative needs and deserts of the various state governmental agencies. And how can this information be obtained except by the constant effort of a staff of

* The Bureau of State Research of the State Chamber is at present at work on a thorough investigation of the operation of the Central Purchasing Act. Its findings will be made public in the course of the next year.

expert investigators, as has been done so effectively in New York City and elsewhere. Money spent this way will be repaid many times over, and develop the full possibilities of the budget more quickly than anything else.

Preparation of Budget

Governor Edge, in the early part of his administration, announced his intention of having last year's Appropriation Committee assist him with the preparation of this year's budget. Mr. Buck raises very serious objection to this step, expressing the view that since the very virtue of an executive budget is the fact that it aims to make the governor the one person responsible to the electorate for the financial policy of the state, he should not in any way share this responsibility with others. He believes that only those persons should participate in the work of budget preparation who are employees of the governor or responsible to him for their work. Any other procedure may be a time or labor saver; it may develop some excellent suggestions from experienced men; but it will defeat the very purpose of the executive budget, which is that the budget shall be that of the executive and of no one else.

Form and Content of Completed Budget

Obviously one of the most valuable features of budgetary procedure is that it makes it possible for the requests of the spending agencies of the state for appropriation to be presented in such an orderly, detailed and informative manner that the public and the legislators can judge of the need and merit of these requests. This requires, first of all, a general but complete and sufficiently detailed revenue and fund statement; second, a summary statement by departments of the amounts expended in the preceding fiscal year, the amounts appropriated for the current fiscal year, and the amounts allotted for the ensuing fiscal year; and third, an itemized supporting schedule upon which the amounts allotted for the ensuing fiscal year are based. Mr. Buck has recommended very excellent forms and procedure, which the state might advantageously adopt for the presentation of the completed budget. Used in connection with the budget classification of items which he has urged, they should certainly prove far superior to the forms and procedure employed in the first year of the New Jersey budget.

Form and Content of Appropriation Bill

The fifth and last change which can be effected under the bill in its present status, has to do with the form of the Appropriation Bill. Mr. Buck argues for an appropriation bill corresponding to a degree with the budget, in which the appropriations made to the various spending agencies are segregated under headings which reflect the use to which the money is to be put, as, for instance, "Personal Service," "Equipment," "Materials," "Supplies," "Contract or Open Order Service," etc. There is much merit in this recommendation, the only question being how far may the segregation be effected with safety. To tie the hands of a spending agency by arbitrarily predetermining the one and only place that each dollar of its appropriations shall be spent, would surely destroy efficiency and flexibility of action, and the self-respect of a department head. On the other hand, lump sum appro-

priations have proved everything that is bad in the administration of public business and are now completely discredited. It would seem that some compromise between the two might be effected, and Mr. Buck suggests that a well-segregated bill, combined with the free and intelligent use of the power of transfixing accounts within certain fixed limits, is the solution of the matter. His suggestion is surely worthy of trial.

II. CHANGES IMPOSSIBLE UNDER ACT

Governor Solely Responsible for Budget

As for those recommendations of the report, whose adoption cannot be consummated under the budget law, the first suggested would require an amendment to the state constitution. As has been said, the great virtue of an executive budget is that it makes the governor alone responsible to the people for the financial policies of the state. Indeed, this is the theory of the Edge Budget Act; but in actual practice there can only be an executive budget under the New Jersey Budget Law when the state legislature, without modification, accepts the budget message which the governor sends to it. Under the constitution, the legislature is the appropriating body. It has the power to tear the governor's budget to pieces, and insofar as it does so and alters a letter or a figure in the document, the instrument fails to be an executive budget, and the executive ceases to be responsible therefor to the people. The budget, in fact, becomes a legislative budget. Mr. Buck recommends an amendment to the state constitution, placing the appropriating power in the hands of the governor. Either that, or else because this step would require time and perhaps in the end fail of adoption, he urges that meantime the legislature adopt a procedure whereby the governor prepares the budget and the legislature considers and adopts it in committee of the whole procedure.

In this procedure, the legislators could summon the governor, department heads and others before them, and, after obtaining justification or criticism for the various budget items, and after altering or approving them, adopt each item in turn by majority vote. Not only would this inform the public of the contents of the budget and the relative merits of the departmental allotments of money, but it would bring this information to the legislators themselves, most of whom at present, without any information to guide them, blindly vote "aye" or "nay" to bills carrying expenditures of millions of dollars of the state's money.

Preparation of Budget by Incoming Governor

Mr. Buck's final recommendation also deals with this responsibility of the governor for the preparation and for the contents of the budget. After calling attention to the fact that a governor in New Jersey cannot succeed himself in office; that in his first year he must accept the budget prepared by his predecessor; that in his last year he prepares a budget for which he cannot possibly be responsible; he recommends either that the time for the submission of the budget message to the legislature be advanced from the second Tuesday in January to the first day of February, or that the incoming governor have thirty days during which he can prepare the document. He contends that with expert investigators in the field constantly gathering

and recording budget data from year to year; with departmental heads acting in the capacity of a budget cabinet; and with the simplified routine which will come with increased experience with the budget, thirty days should prove sufficient for the work.

SPIRIT OF STATE CHAMBER'S WORK

In conclusion, it is desired to lay stress upon the fact that any criticism of the New Jersey Budget Law or its first year of operation, which may appear in the following report, is made in the spirit of helpful co-operation with the governor and the legislators, who are earnestly striving to bring business efficiency into the state government. Indebtedness is especially acknowledged to Dr. Charles A. Beard for his ever loyal co-operation and able counsel. Thanks to the support which many

far-seeing New Jersey citizens are giving to the Bureau of State Research of the State Chamber of Commerce, Mr. Buck has been enabled to devote his time almost exclusively for a year to the consideration of the budget problem of this state. He has surveyed budget procedure in every other state which has so far adopted this instrument of finance and from their experiences in budget operation, coupled with what he has observed here in New Jersey and recorded in his report, he has worked out the recommendations which appear in full in Part Three, Chapter IV, and are touched upon here in a general way. It is sincerely hoped that anything which they may contain of merit will be accepted in the same spirit in which they are offered to the consideration of the governor, the legislature and the public of New Jersey.

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The Operation of the New Jersey Budget Law ^(a)

PART ONE

The Progress Toward a Budget System in New Jersey

CHAPTER I.

A Brief History of the Laws Regulating Appropriations

It was in 1895 that the legislature of New Jersey took the initial step toward regulating the state's expenditures. Prior to that time there was no regular annual appropriation bill. Many of the appropriations were continuous, and were often made by laws that placed no limitations upon either the amount or the period of expenditure. Consequently there was no check, whatever, upon extravagance and possible misappropriation of the public funds.

Investigation in 1895.

On February 13, 1895, a "Select Committee," composed of five senators, was appointed "to inquire into the charges of extravagance in furnishing the State House and certain other charges touching the conduct of public officials." It was a Republican Committee, of which Senator Foster M. Voorhees, later (1898) elected governor of the state, was chairman. The Republicans had only the year before secured a majority in both houses of the legislature, after having been in the minority for several years. The governorship, though still in the hands of a Democrat, passed to a Republican in the fall election of 1895. This was the first Republican Governor that had been elected in New Jersey since 1865. The Republicans, being anxious to entrench themselves in the popular favor, doubtless thought it a very propitious time for making investigations calculated to disclose the weak spots in the official record of their opponents.

Report of Select Committee.

After an investigation extending over about three months, the Select Committee made a report to the legislature, in which they said, (b) "The Constitution of New Jersey (Art. 4, Sec. 6) provides, 'No money shall be drawn from the treasury but for appropriations made by law,' . . .

"The practice of New Jersey has for many years been contrary to the spirit of this vital principle of the Constitution. Acts have been passed involving expenditures of money without making any appropriation therefor, and expenditures have thereafter been made year after year, without appropriations. This has become the rule instead of the exception. Even where specific appropriations are made, they are generally for an indefinite period, and still more often for indefinite sums. Many of the laws now existing, under which moneys are spent, place no limit upon the amount or time of expenditure.

"The cost of government, therefore, instead of being under the supervision of the legislature, is practically left to the discretion of officers. The legislature is not informed with any accuracy as to what the expenses of government will be, and as they are not asked to make appropriations, few members have any real conception of the financial operations of the government.

"We think that nothing that can be suggested would be so likely to prevent in future the sort of irregularities recently disclosed as the annual passage of an appropriation bill covering every conceivable form of state expense, and we think it should be provided by law, as it is in many states by Constitution, that no money should be available under any appropriation for more than two years from the time of the passage of the bill . . .

(a) The field work and compilation of all data has been under the supervision of Arthur Eugene Buck.
(b) Senate Investigation, 1895; p. 30 ff.

"In the course of our inquiry we have been impressed with the apparent disposition of state officers and others to construe very liberally against the treasury enactments of doubtful meaning. The true principle is that no money should go from the treasury except in pursuance of clear and unequivocal laws. This is an additional reason for an annual appropriation bill making explicit and definite provisions for every expenditure."

Law of 1895.

The recommendations of the Select Committee were favorably regarded by the legislature, with the result that "an act concerning appropriations of money," was passed and approved on June 10th. (a) This statute is brief and reads as follows: "From and after the first day of November, 1895, no money shall be drawn from the treasury unless it shall have been explicitly appropriated by the annual appropriation act to the purpose for which it is drawn."

Governor John W. Griggs, in his first annual message to the legislature of 1897, said with reference to this law: "The system inaugurated in the year 1895, of providing by an appropriation bill for all the different expenditures of the coming year and forbidding the incurring of expenses not especially provided for by an appropriation, has already resulted in advantage and saving to the state . . . In making up the various items of appropriation in advance, it is impossible that some subjects should not be overlooked. Such oversight can be supplied by an emergency bill, as was done last year." It is interesting to note that this "emergency bill" was the beginning of a practice that subsequently developed into the discredited and objectionable annual supplemental bill.

Financial Condition 1897-1907.

In the years that followed, the state finances were without exception reported in splendid condition by successive Republican governors in their messages to the legislature. Governor Voorhees, in his message to the legislature of 1900, said that the cash balance on hand at the close of the fiscal year was greater than at any other time in the history of the state. Governor Franklin Murphy stated, in his message to the legislature of 1905, that there was a surplus of three million dollars, which he thought sufficient to make good any deficiency in the general funds of the state, so that no fears need at any time be entertained as to the state of the public finances. In 1906 Governor Edward C. Stokes reported to the legislature an excellent condition in the state treasury, and emphasized the fact that not a penny had been contributed directly to the state funds by the people.

Investigations in 1907.

When in 1907 the Democrats again secured a majority in the Assembly, they in their turn immediately appointed a committee "to inquire into and investigate the subject of state expenditures." This committee reported, in part, as follows: (b)

"By virtue of and pursuant to the directions of the resolu-

(a) P. L. 1895, p. 788.

(b) New Jersey Assembly Investigation, pp. 3 and 5.

tion of your honorable body, passed April 12, 1907, to inquire into and investigate the subject of state expenditures, your committee thereunder appointed reports that within the limited time allotted for that purpose it has been able to make only a cursory examination of some of the departments, institutions and commissions of the state government (media of expenditures of public funds). In many of them your committee discovered and has publicly made known a studied indifference and disregard of official duty, as well as wanton, wasteful and reckless expenditure of public funds—in some instances involving moral obliquity and corrupt practices—matters which call for immediate correction at the hands of the legislature.

"There still remain in this state some thirty departments, institutions and commissions to which are paid, directly and in bulk, their annual appropriations for their maintenance and support, as testified by the comptroller of the treasury. Certain appropriations are paid in equal monthly installments as exigencies may require. In turn, they are disbursed by the respective managements without supervision guard or check upon the part of the state. Many of the institutions have earning capacities and sources of income, in addition to their appropriations. These moneys are spent in like manner.

"In some of the institutions into the management of which your committee has investigated, this system has been productive of vicious practices, and the door is left open for further predations. In the opinion of your committee, the policy of permitting recipients of the state appropriations to spend at will without state supervision, is not compatible with good business methods, and harmful to the public welfare. For a remedy, your committee recommends that all incomes, from whatever sources, received by departments, institutions and commissions, be paid to the state treasury monthly, and that all debts contracted by them be first submitted to the comptroller of the treasury under oath, and paid by his warrant upon the treasurer."

The Republican minority in the Assembly also designated a committee to trail the work of the majority committee. This they did, and submitted a minority report. (a) While not agreeing with the majority report and protesting against the accusation of "wanton, wasteful and reckless expenditure of public funds," they said, "We agree with the majority that it would be better practice if the moneys appropriated for the maintenance and support of the various departments, institutions and commissions of the state should be paid by the treasurer only upon the warrant of the comptroller, and the appropriations in bulk would not be made.

"We also believe that all moneys collected by any commission, department or institution should be turned over to the treasurer, to be deposited in the general state fund."

Law of 1907. These investigations unearthed a sufficient number of abuses in the expenditure of the state's revenues to result in the passage and approval on October 31, 1907, of a law, entitled, "An act regulating the receipt and disbursements of state moneys in certain cases." (b) This law declared that no money should be drawn from the state treasury in payment of salaries, or the expenses of any state agency, or for buildings, repairs or supplies, except upon the presentation to the comptroller, of bills, which had been approved by the head of the department or institution or some other duly designated person. Furthermore, it required that all institutions receiving funds from the state, should submit to the comptroller, at the close of each month, an itemized statement of the preceding month's expenses. These expenses were then to be paid by the state treasurer upon the approval and warrant of the comptroller. It also required that all moneys collected by any state agency, for the use of such agency, should be reported in detail to the comptroller and paid to the state treasurer. This last-mentioned provision was later supplemented so as to require that all moneys paid into the state treasury by any state agency should be appropriated for the needs of such paying agency. (c)

(a) New Jersey Assembly Investigation, p. 24.
(b) P. L. 1907, p. 717.
(c) Ch. 41, Laws 1908.

Joint Resolution No. 8, Laws of 1909.

Notwithstanding this reform in the matter of state finance, a serious situation developed after the passage of the act. In a special message to the legislature on January 19, 1909, Governor John F. Fort stated that he foresaw a deficit in the state treasury of three-quarters of a million dollars, and urged that something be done immediately to meet it, even to the extent of levying a direct state tax. Provisions were therefore made for raising more revenue, and, in addition, Joint Resolution No. 8, "providing for the furnishing of information to the legislature as a basis for appropriations," was passed and approved April 21, 1909. This resolution made it obligatory upon all state agencies receiving support in whole or in part from the state, to submit to the comptroller annually, on or before the tenth day of January, estimates of their needs for the ensuing fiscal year upon forms provided by that officer. The comptroller then prepared a sheet, later a pamphlet containing parallel columns, showing condensed statements of these estimates; statements of similar expenditures for the previous year, and the sums appropriated for the current year. Along with these statements were printed the receipts and disbursements of the state for the preceding fiscal year and the estimated revenues for the current and ensuing fiscal years. This complete fiscal statement was required to be submitted to the legislature by the first day of February, whence it was referred to the Joint Appropriation Committee. The work of the Joint Appropriation Committee, in preparing the appropriation bills, was thus facilitated by bringing together in a uniform manner at a specified time, the estimated needs of the various state agencies. At the same time the haphazard methods previously used in requesting appropriations were largely eliminated. The comptroller continued to prepare these fiscal statements until the operation of the Budget Law, beginning October 1, 1916, imposed this duty upon the governor, and in addition required him to make recommendations as to the amount that should be appropriated to each agency.

Ineffectiveness of Law of 1907.

In his messages to the legislatures of 1910 and 1911, Governor Fort reported a much improved condition in the state's finances. But by 1914 the state treasury was again confronted by a considerable deficit. The law passed in 1907, regulating the receipts and disbursements of state moneys, the main provisions of which have already been stated, was found in practice to be very ineffective. In the first place, its operation caused confusion, "as the state's financial officers took the position that all moneys in the hands of the state treasurer on October 31st to the credit of any institution, but unexpended, lapsed into the state fund. The result was the establishment of the supplemental appropriation bill to correct this condition. On the ground that an injustice had been done to the institutions in preventing their disbursing funds that should have been credited to their respective departments and institutions, the succeeding legislature granted relief in the shape of largely increased supplemental appropriations." (a) In the second place, several of the departments and institutions soon found a scheme whereby they could evade the law, and thereby contract obligations in excess of the funds that had been allowed to them by the appropriation bill. Under this law each month's accounts were rendered and paid during the subsequent month; so the October accounts of the institutions were paid after November 1st, and consequently came out of the succeeding year's appropriation, as the fiscal year of New Jersey ends on October 31st. It became an easy matter, then, for the departments and institutions to withhold all claims in excess of their annual appropriation, that had been contracted prior to October 1st, and present them for payment soon after the next year's appropriation became available. As a result, such liabilities did not appear as charges against the funds of the year to which they belonged, but were charged against and

(a) Comptroller's Report for 1914, p. 138.

paid out of the appropriations of the subsequent year. Very soon deficiencies were created in the accounts of the several departments and institutions. "This occasioned appeals to the legislature of each succeeding year for supplemental appropriations to cover the deficiencies thereby created. The result was a constantly increasing supplemental bill at each legislative session, so that, while the annual appropriation act might be passed with an eye towards the estimated stated revenues, these revenues fell short of actual expenditures. The extent of this abuse in any year was thus partly measured by the increased size of the supplemental appropriation bill." (a)

The statute enacted in 1907 under the general title of regulating the receipt and disbursement of state funds, had as its main purpose the placing of a check upon the irresponsible manner in which the greater part of the state's money was being expended by the various state agencies. But even this, it failed to do. It essayed to place the responsibility upon the state comptroller, but the machinery placed in his hands for currently recording the expenditures of the several departments and institutions was ineffective. He was unable to ascertain when any state agency had exhausted its appropriation for a particular year, and was drawing in excess of its actual allowances upon the appropriation it expected to get for the following year. The situation is told by the comptroller in his report for 1914 (p. 141): "An analysis of the disbursements for the fiscal year ending October 31, 1913, with the succeeding year, shows that bills for the year 1912 to the amount of \$349,931.56 were paid during the year 1913, and that bills of the year 1913 were paid in 1914 in the sum of \$297,830.13. Adding to this latter amount the total of the deficiency appropriation made by the legislature of 1914, and amounting to upwards of \$110,000.00, it can easily be seen that the natural tendency of the overdraft is to accumulate in increasing amounts annually."

Chapter 202, Laws of 1913.

The Democrats were in majority in both houses of the legislatures of 1913 and 1914. This was the first time that they had held the legislative reins of the state government since 1893. In their efforts to meet and adjust the situation, that has just been referred to, they revised an act that had been passed several years before and afterwards amended several times by Republican legislatures. This law, Chapter 202 of the Laws of 1913, limited single purchases that could be made without contract by any state institution, department or commission, to a sum not in excess of one thousand dollars. Such contracts, furthermore, were not to be entered into without the state agency having first publicly advertised for bids. The statute was in operation only a short time before it was found to be ignored in many cases, and "in a number of departments and institutions it was being deliberately violated or evaded by purchase of the same supplies and materials in several amounts of less than the statutory prohibition." (b) Favoritism was also found to be shown in the receipt of bids and the award of contracts. (c)

Requisition Act.

In 1914, however, there was passed a most important piece of legislation aiming to better state finances. This law, known as the Requisition Act, (d) supplemented to a large degree the Act of 1907, regulating the receipt and disbursement of state moneys, the defects of which have already been pointed out. The Requisition Act was the outgrowth of recommendations that had been made by Comptroller E. I. Edwards. The idea of the requisition system was not new in the state of New Jersey, for as early as 1895 the act establishing the Printing Board provided for the requisitioning of all stationery supplies in excess of the contract or not included in the estimates upon which the annual contract was based. Until

(a) Comptroller's Report for 1914, p. 139.
(b) Comptroller's Report for 1914, p. 137.
(c) A further amendment was made to this law in 1914, making it a misdemeanor for any head, officer, or board of any department or institution to incur obligations in excess of the amount legally appropriated. Ch. 219, P. L. 1914.
(d) Ch. 158, P. L. 1914.

The Requisition Act of 1914 went into effect all blanks and stationery supplies for the state departments at the capital were thus purchased. This system, however, did not require the indication of expense accounts, and no means was provided whereby obligations incurred might be recorded and checked up prior to the actual payment.

The first provision of the Requisition Act proper (Chap. 158, P. L. 1914) made it the duty of the state comptroller to provide a form of requisition to be used by all spending agencies in incurring any and all obligations against the state, as in ordering work or labor done, or in the furnishing of all supplies and materials. The law also directed that each requisition should indicate on its face the purpose and the limitation of the expense to be incurred, and bear the signature of an officer of the spending agency, who had been specially designated and duly authorized under the act to incur such obligations. Another provision required all requisitions to be countersigned by the state comptroller before they became valid claims against any appropriation. Furthermore, the act provided that all statements of indebtedness against any state agency must be rendered on uniform blanks and be accompanied by the requisition incurring such indebtedness. It then became the duty of the comptroller to examine and audit such accounts and certify upon his warrant to the state treasurer the amount so allowed for receipts and payments. The comptroller was forbidden to certify requisitions in excess of the amount appropriated to any spending agency. As a final provision, it was made lawful for the comptroller to set aside during the last month of the fiscal year, out of the moneys appropriated but unexpended, a sum sufficient to pay all bills for which requisitions had been issued, but which were unpaid.

The primary object of this piece of legislation was to prevent any state agency from incurring obligations in excess of the amounts provided in the annual and supplemental appropriation acts. This was made possible mainly through the power of pre-audit given to the comptroller by which the cost price, manner and character of purchase of articles was examined. Quadruplicate requisition forms were supplied to the various departmental and institutional heads, who were obliged to fill them out and forward an original and a copy of the requisition in each instance to the comptroller. The remaining two copies were retained by the department or institution. The comptroller, upon ascertaining that the account was in funds, and that the other requirements enumerated had been complied with, O. K'd and returned, the original requisition to the proper department or institution to be attached to the approved bill when passed for payment, and filed the other form in his own office.

The Requisition Act was instrumental in uprooting many of the abuses that had grown up under the operation of the Law of 1907. The requisition system prevented the spending agencies of the state from carrying over any of their liabilities from the year in which they were incurred and entering them as charges against the following year's appropriation. By the appointment of a requisition officer in each department and institution, it fixed the responsibility for the incurring of all bills against that department or institution. The additional requirement that the comptroller countersign all requisitions before they became valid, furnished a guarantee to all who did business with the state, that obligations incurred under the requisition method were legal and would ultimately be paid. It also made possible the pre-audit feature of the law already referred to. The Requisition Act, however, did not change any of the existing statutes regulating purchases of supplies or incurrment of obligations.

Requisition System Not a Substitute for Budget System.

The operation of the Requisition Act began on June 15, 1914, and by the end of the fiscal year, October 31, 1914, it showed that a deficit of over \$156,000 existed in the state treasury. The financial situation during the next year was indeed a critical one; only the unexpectedly large return of revenue under the new inheritance

tax saved the day. Although the Requisition Act gave the comptroller supervision and control over all expenditures of money and provided a check against the prevalent practice of incurring obligations in excess of appropriations, it did not reach the cause of the trouble. It contained no provisions whatever regarding responsible methods of making appropriations. Legislatures might appropriate money for any purpose and in any amount that they saw fit, with little or no regard for the probable total of the state's revenues, and then if they were not satisfied with the amount so appropriated, they might supplement it the following year. Hence, just merely keeping the expenditures always within the bounds of the appropriations was never at any time a sure index to the fact that the state was in a sound financial condition, as the appropriation might easily be in excess of the revenues. Comptroller Edwards had this situation in mind when he wrote in the preamble to his report for 1915 (p. xiii): "A recurrence of the precarious financial situation in which the state was placed during the early part of 1915 depends solely upon

The Budget Idea and the Consequent Statutes

CHAPTER II.

The budget is not yet clearly defined, even in the minds of many of those who are making a study of the subject of finance. In the thinking of the layman, it is usually associated with the notion of financial reform along the line of increased economy and efficiency, but, aside from this, it means little or nothing. In order to avoid any confusion that may arise from following the discussion of this chapter, it may be well to attempt a brief statement of the meaning and scope of the word "budget" as it is applied to the matter of government. A very recent opinion on the subject regards a budget as a well-balanced revenue and appropriation plan for a definite period of time, and also as a procedure of government whereby complete responsibility and accountability are insured on the part of those who represent the people. The purpose for which a budget is designed has been stated thus: "A budget is a means through which the representatives of the people can *intelligently* exercise their right and power to control the public purse—to decide what work shall be undertaken by the government and how much shall be paid for it. The purpose of the public purse is to provide funds for work to be done. The purpose of the control is to make certain that the officers charged with doing the work shall in fact carry out the will of the legislature. A budget must, therefore, (1) develop information for the legislature and the public, (2) authorize work and provide funds for it, and (3) provide for the effective exercise of control over the spending officers." (a)

Only recently has any recognition been given in this country to the importance of sound principles of budget making as a means of avoiding waste in public expenditures and securing efficiency in public administration.

The Taft Budget Commission. The first thorough investigation of the federal system of making appropriations was made by President Taft's Commission on Economy and Efficiency, which acted under instructions from the President with the broad authority given to it by Congress. This commission prepared and submitted to the President an elaborate report on "the need for a national budget," in which it recommended that the President should submit to Congress, at the beginning of each session, a budget containing a brief budgetary message, a summary of expenditures, and a comparison of the estimated and actual revenues for a period of years, together with recommendations as to new legislation. The report also contained other recommendations for securing greater economy and efficiency and for fixing responsibility in federal financial affairs.

(a) Municipal Research, No. 80, December, 1916, p. 18.

legislation. It may be occasioned by appropriations beyond revenue, and it may be prevented by the exercise of appropriate care in respect thereof, which may be materially assisted by placing all receipts in the state treasury, the disbursement thereof to be regulated by appropriations. Special accounts, or funds diverted from the available resources of the state by legislation, should be abolished." After some further discussion, he concluded by recommending the establishment of a permanent budget board.

Although the Requisition Act was superseded in 1916 by the passage of the Budget and Purchasing Acts, the requisition system has been continued as performing a vital function in the operation of these laws. This system provides, at the present time, an effective means of audit and control over the authorized expenditures of the state. Such control is indispensable to the successful operation of a budget system.

The budget idea, as it developed in New Jersey, will be taken up in the next chapter, and traced until it materialized in the Budget and Purchasing Statutes.

Rejection of Taft's Proposals by Congress. President Taft transmitted this report in a message to Congress on June 27, 1912, and proposed legislation necessary to put its recommendations into effect. Congress,

however, seemed determined to maintain the power and prestige of the general appropriation committee. So, instead of looking with favor upon Mr. Taft's proposals for the establishment of a national budget system, Congress still clung to the old procedure. In his efforts to bring about the adoption of a federal budget system, President Taft said:

"The subject is one of fundamental importance to the Executive, as well as to Congress. Notwithstanding the magnitude and complexity of the business which is each year conducted by the executive branch and financed by the Congress, and the vital relation which each governmental activity bears to the welfare of the people, there is at present no provision for reporting revenues, expenditures and estimates for appropriations in such a manner that the Executive, before submitting estimates, and each member of Congress, and the people after the estimates have been submitted, may know what has been done by the government or what the government proposes to do."

States Take Up the Budget Idea. Although Mr. Taft's proposals as regards the national finances were rejected by Congress, the discussion occasioned by them spread over the country, with the result

that the phrase "budget system" soon found a place in party platforms, and became a vital issue, particularly in state politics. Several of the states, whose finances were in a more or less depleted condition, felt at once the need of a more unified system of control over the expenditures and revenues, a system which correlated the two and was both responsive and responsible. While the increase in expenditures was to a considerable extent due to a legitimate growth of state business, it was also due in part to corruption, extravagance, uneconomical methods and the multiplication of useless offices. Already the taxpaying public was beginning to feel the burden of the rising cost of government, and the press frequently gave voice to the people's vague but insistent demands for efficiency and economy.

During 1913 so-called budgetary legislation was passed in New York, Oregon, North Dakota, Illinois and Ohio. The New York law created a state board of estimate, composed of the governor and other executive officers. This board examined the requests of the various departments and institutions, and prepared a budget annually for the consideration of the legislature. In 1916, however, another law was passed, establishing what is known as a "legislative budget" system for New York. The Oregon law made the secretary of state the

chief budget officer, and required all departments to file estimates with him. Under the Ohio statute the governor was given supervisory power over the estimates. During 1914 Wisconsin, California and Massachusetts introduced systems for controlling state appropriations. In 1915 Connecticut, Washington, Minnesota, Nebraska, Vermont and Nevada passed budgetary legislation. The Nebraska and Minnesota laws made the governor responsible for the preparation of a budget, while the laws of the other states have created budget boards. And so the idea of a "budget system" has been growing more popular each year as a practical solution for the problems that arise in financing a state.

Agitation for Budget Reform in New Jersey. Turning now to New Jersey, one would naturally expect to find a strong popular sentiment developing in favor of the early adoption of a state budget system, owing

to the unsatisfactory financial conditions that have been pointed out in the preceding chapter. In 1913 two of the leading newspapers caught up the idea, as it swept over the country, and began the agitation in New Jersey for budget reform, which was later taken up by local and state organizations. The Trenton Evening Times of August 30, 1913, printed the following in an editorial, under the caption, "Making the State's Budget":

"Charles J. Blake, who is a candidate for a place on the Democrat Assembly ticket, announced that, if nominated and elected, he will advocate the adoption of a change in the method of making up the state's annual budgets, so that the members of the legislature will have some knowledge of where the money is to go and for what purposes. *It is unlikely that legislative methods will cut any figure in this year's campaign, which apparently is to be a contest for party and factional control, rather than a fair and square fight for good government.*

"Nobody seems to be particularly concerned over the state's finances, though the yearly expenditures have nearly quadrupled within the past quarter of a century; and a very large portion of the increase may be traced to the unscientific and careless way of making up the appropriation bills; in too many instances the influence and personality of the applicant has more to do in the apportionment of moneys than the merits of the cause.

"Reforms in budget-making have frequently been proposed and some of them were simple and businesslike, and would have proved effective; but it was easier to follow established practices, and the adoption of the changes would have endangered some of the appropriations that were sought by political leaders and their friends.

"In the old days governors followed the constitutional requirement and communicated by message to the legislature at the opening of the session, 'the condition of the state.' The reports of department heads were filed more promptly and the annual messages contained extracts from the reports that enabled the legislators to get a line on conditions. Now the legislature is referred to the reports themselves, and too often some of the reports are not printed—frequently they are not even compiled—until after final adjournment has been reached.

"It has been said that no one but the members of the Joint Committee that prepares them has any knowledge of the contents of the regular and supplemental appropriation bills. There are good reasons for asserting that not even the members of the committee are familiar with the bills or could explain them if called on to do so in open session. There are many meetings of the committee that are attended by a bare quorum of the members, who sit and solemnly listen to the reasons given for making certain appropriations which it has already been decided not to grant.

"The two appropriation bills introduced on April 3, 1913, the last night of the session carried a total of \$7,860,090.55. They were passed without a change, without a word of explanation, and without the senators and assemblymen having any knowledge of what they were voting to do. So easy it is to vote away the people's money! And at the several special sessions that have since been held a great many thousands of dollars were added to the nearly \$8,000,000 that had already been voted away."

A few days later, September 3rd, the Newark Evening News, following the lead of the Trenton Times, came out with an editorial on "State Budget Making," as follows:

"Only one candidate for the legislature in New Jersey has declared that his candidacy for nomination and election is based on a demand for a change in the method of spending the state's cash. The man who is responsible for the exception to the general rule is Charles J. Blake, an aspirant for assemblyman on the Mercer County Democratic ticket. He thinks it is important that there should be a state budget and that the members of the legislature should be fully informed before they vote on the expenditure of the money from the public treasury.

"Yet such a change ought to be an issue in the coming primaries and election. There is no likelihood, however, that it will. As the Trenton Times says, this campaign is 'apparently to be a contest for party and factional control, rather than a fair and square fight for good government.'

"The legislature, at its session this year, voted away nearly \$8,000,000 in money. The general and the supplemental appropriation bills were passed on the last night of the regular session without a single change being made in the expenditures they authorized. There was hardly a member of the Senate or the Assembly who knew the details of this authorization for the spending of this vast sum of money. The legislature took the word of the members of the appropriations committee and let the millions slide on that. The Times is right when it says that 'there are good reasons for asserting that not even the members of the committee are familiar with the bills or could explain them if called on to do so in open session.'

"There has been much talk of economy and efficiency at Trenton, but scientific budget-making has been neglected. The result has been extravagance and waste of the state's resources. New Jersey has gone on in the old-fashioned way, which accounts for the fact that the state's expenditures have grown so rapidly. The reforms along this line in other states, the warning words uttered at Washington, and even the advice of Woodrow Wilson, as both Governor and President, have been unheeded. In his annual message to the legislature, Mr. Wilson referred to the pressure of intelligent opinion in favor of establishing improved business methods for the state, and urged that 'we do not wait for the pressure.'

"The mere fact that only one legislative aspirant has taken cognizance of this great issue previous to the primaries, may be taken as evidence that the pressure has not been felt as yet. But it is sure to come at no distant day. The state's revenue soon will not be sufficient to meet continued growth of appropriations on the scale of present and former years.

"Anticipating the pressure predicted by Mr. Wilson, the various party conventions, when they meet after the primaries, ought to go squarely on record in favoring a distinct reform in methods of financing at Trenton. Budgets should be made up before the legislature meets, or early in the session, and they should be submitted for careful study by not only the members of the legislature, but also by the people of the state who ultimately pay the bills, even though there is no direct tax. No 'watchdog of the treasury' can bring about a substantial reform and prevent waste and extravagance unless there is a basic change in the methods of making up the appropriation bills—the substitution of scientific budget making for existing haphazard, reckless, uninformed, unbusinesslike procedure."

On September 13th, the Newark Evening News followed up its first editorial on "State Budget Making" by suggesting some of the things it would like to see done with reference to state financing. It declared that "A budget-making system for the state expenditures is a subject of fundamental importance to the people of New Jersey . . .

"A classification of state expenses, as shown by the last state appropriation bills, and a percentage table showing how the money is expended, would be a very interesting preliminary for proposed budget makers. It would be enlightening to thus know what percentage of the state's funds goes to the upkeep of the state institutions, what percentage goes to the upkeep of departments and what percentage goes to the odds and ends of commissions and special funds.

"When it is considered that more than 100 distinct chapters were required to review the financial needs of all those departments that secured appropriations last year, the needs of a clearly studied budget are self-evident."

Following this agitation for budgetary reform was the passage of the so-called Requisition Act early in 1914. For a time many thought that the operation of this act would

bring about a system of sound financing, but it was soon found to set no limit upon the total amount of money that the legislature might appropriate out of the state treasury for any one year. It was essentially a means of audit and control after the appropriations had been made, as has been shown in the previous chapter. The total appropriations might easily exceed the total income of the state for the same year. A deficit in the treasury at the close of 1914 made it appear that New Jersey would have to levy a direct tax to meet her obligations. No sooner had a direct tax been mentioned than the taxpaying public began to wake up to the situation and to consider what might be done to escape the extra burden of taxation.

Rôle of the State Chamber of Commerce.

At a meeting of the State Chamber Federation, composed of local Commercial, Agricultural and Civic organizations, held in Newark on April 13, 1915, a resolution offered by President E. H. Lambert, of the Paterson Chamber of Commerce, urging that the Federation call upon the State Chamber to create public sentiment in favor of the budget plan to govern the state's financial affairs, was approved. Associate Director, Joseph A. McNamee, in reporting this motion to the third annual meeting of the State Chamber, presented the following resolution, which was unanimously adopted, and entered as an item on the program of work for the State Chamber during the ensuing year.

WHEREAS, The increasing burdens of taxation appear to indicate that the state of New Jersey will soon have to levy a direct tax; and

WHEREAS, It has recently been reported that the state legislature might propose a bond issue to take care of the state's indebtedness contracted in excess of its income; and

WHEREAS, This condition has been brought about largely through lack of care in appropriating the expected income of the state and the want of forethought in the consideration of the limited resources of the state to take care of all the insistent demands made upon the state legislature; therefore, be it

RESOLVED, That the Commercial, Agricultural and Civic Federation, believing that more care would be exercised by state legislatures if a State Budget were adopted, respectfully urges the New Jersey State Chamber of Commerce to create a favorable sentiment throughout the state, which will ultimately insure the preparation each year of a State Budget by the governing power, whereby the people and the legislature will know that the total appropriations of any one year will not exceed the total income of that year.

The New Jersey State Chamber of Commerce thereupon began in a definite and effective manner to work for a State Budget system.

Perhaps its greatest service in this connection was when, after painstaking study, the Chamber published in "New Jersey" for December, 1915, a comparison between the unscientific method of appropriating money in New Jersey and the budget procedure of New York City. This contrast received favorable comment from the press of the state, and was largely instrumental in creating a state-wide sentiment for a budget system.

Recommendations of Comptroller Edwards.

In his report for the fiscal year ending October 31, 1915 (p. xxiv of Preamble), Comptroller Edwards recommended "that legislation be enacted providing for the establishment of a permanent Board, consisting in part of the financial officers of the state, to whom shall be submitted the estimates made by the departments and institutions of their needs for the coming fiscal year, so that consideration may be given to the same in advance of the session of the succeeding legislature. In this way each new legislature may be properly advised after investigation, and a report be made that will fairly show the true condition of the departments and institutions and the amounts necessary for appropriation for their operation and maintenance."

Drafting the Budget Bills.

The outcome of the whole matter was, that before the beginning of the 1916 legislative session, the leaders of both political parties began to work toward the drafting of a plan for a

budget system. They were at last fully aware that the public was demanding a business-like financing system in no unmistakable terms. "The pressure of intelligent opinion," which Mr. Wilson, as Governor, had urged that they should not wait for before acting, had at length come. Senator Walter E. Edge took upon himself the responsibility of standing sponsor for a budget bill for the Republican party, which was again in the majority in both houses of the legislature. Senator Henry E. Ackerson, Jr., of the Democratic party, became sponsor for a minority budget bill.

Provisions of the Majority Bill.

The majority budget bill, which is now law, provides that every state department, institution and office desiring an appropriation must submit detailed requests, therefor to the governor by November 15th of each year, using the forms provided and giving reasons for increases or decreases. At the same time the comptroller and the treasurer jointly must submit to the governor a summary of the financial condition of the state, including receipts and expenditures for the current year and preceding year and the sources and probable amount of revenues for the next fiscal year. In his examination of these estimates the governor may summon witnesses and conduct hearings or appoint officers or other persons to hold hearings. He may also appoint as many as two special assistants. At the opening of the session the governor is to transmit to the legislature in a special message a summary of all the requests, which he has received, with his recommendations thereon. This message is to be in such form that it can be easily understood by the average citizen, and is to be printed and distributed to the press and all public libraries. The governor must not recommend appropriations in excess of the anticipated revenues; but if he thinks it necessary, he may suggest plans for raising additional revenue. All the appropriations made by the legislature are to be included in one consolidated appropriation bill. Flexibility in the execution of the budget is secured by giving the State House Commission power to permit transfers between items. (a)

The Minority Budget Bill.

The minority budget bill, introduced into the Senate on January 11th by Senator Ackerson, was drawn in conformity with the general principles as outlined and recommended by Comptroller Edwards. It created a State Board of Estimate, consisting of the governor, who was chairman ex-officio; the state treasurer; the comptroller, who was secretary ex-officio; and two citizens, one appointed every third year by the governor for a period of six years, and each receiving a salary of \$500 per year. Each state agency, supported by or receiving state aid, or disbursing state funds, was required to report to the Board of Estimate on forms prepared for the purpose, giving a summary of the business of the past year, and showing all receipts and expenditures; and giving an itemized estimate of money needed for the next ensuing fiscal year. These reports were to be in the hands of the Board by the second Tuesday in November. On this same date the state treasurer was required to submit to the Board a financial statement of the past fiscal year, showing items of expenditure and receipts and sources of income, together with the state's indebtedness, interest and contracts not executed prior to the same date. The state comptroller was ordered to submit to the Board at the same time an estimate of the revenue and income of the state for the next succeeding fiscal year. Upon the receipt of the reports from the various state agencies, of the treasurer and of the comptroller, the State Board of Estimate were to hold hearings and investigations on the data thus submitted and any other matters pertinent to the financial condition of the state. These investigations and hearings were to be completed by December 31st, and between that time and not later than the second week of the legislative session in January, the Board of Estimate was to make a summarized table of the revenue expected, the amounts requested and recommendations as to the appropriations which

(a) The full text of the Budget Law is given in the appendix.

should be made for the various departments. The State Board of Estimate was required to act in an advisory capacity to the appropriation committee and sit jointly with it whenever requested to do so. (a)

In a statement issued on January 18th, Senator Ackerson defended his budget bill, as follows:

In considering the two methods of organizing a state budget system, as set forth in Senate 1, introduced by Senator Edge, and Senate 9, introduced by myself, now under consideration by the Senate Judiciary Committee, two fundamental propositions must be borne in mind. In the first place, politics should be eliminated from the business of budget making. It should be a non-partisan matter, and in the second place every means should be adopted to secure a scientific budget, which requires experience, practice, foresight in planning for the future, and, above all, we should see that his important work is not placed in entirely new and inexperienced hands every three years when a new governor is elected.

Senate 1 puts the entire work of assembling the budget, as well as the responsibility for such recommendations as are made, solely up to the governor, merely placing at his command the assistance of the state officers, which would probably follow in any event. This system would invite the playing of politics whenever party expediency seemed to demand it in respect to the budget, to say nothing of placing an undue amount of detailed work upon the governor.

Every large and successful business corporation places the responsibility for its financial management in its board of directors, or an executive committee of the board. The board has a president, who is the business head of the concern, but in all matters affecting its financial policy he is assisted by the directors, who have an equal vote with his own. Under Senate 1, every third year a new governor would be loaded down, within a few months of his inauguration, with the details of a budget with which he is absolutely unfamiliar.

Under Senate 9, however, we have placed the preparation of the budget to be recommended to the legislature in the hands of a board of directors, acting for the state, consisting of the governor, comptroller, treasurer and two members especially appointed, the latter to be of different political parties, and to hold office for a term of six years, which are so arranged that the terms of one will expire every three years. This board would be charged with detailed investigations into the state finances and would receive requests for appropriations from the state departments and agencies, and would then proceed to make up a summarized table of estimates and recommend the same to the legislature. The work could be divided so that different branches of investigations could be conducted by individual members or committees of the board, and thus lessen the work of the governor, but in no way lessen his responsibility for final results.

The long term of the two appointive members would tend to give a degree of stability and experience, which the other system lacks, and the element of politics would be largely eliminated by the positive assurance that one appointive member of the board would be of different political faith than the governor. (b)

Bill Establishing State Purchasing Department.

On January 11th Senator Edge also introduced a bill, Senate 2, creating a state purchasing department, which may be called a companion bill to his budget bill, and is also now on the statute books. It creates the office of state purchasing agent and empowers the State House commission, composed of the governor, treasurer and comptroller, to direct, through the purchasing agent, the purchase of all furniture, equipment, supplies and materials for the use of the state.

Governor Fielder's Objections.

Governor Fielder sent a special message to the legislature on January 11th, in which he objected to any further multiplication of the executive's duties as proposed by the Edge budget and purchasing bills. He said, "I submit that his present duties are sufficiently exacting and that he should not be directed to undertake any new work, especially the management of a purchasing department, the scope of which is not only foreign to the duties of an executive as specified

in the constitution, but calculated to interfere with the proper discharge of the real business of his office."

The Newark Evening News of the next day, January 13th, contained the following editorial, entitled, "Give the Governor a Show":

"Both the Edge and Ackerson bills, providing for a state budget, would increase the governor's responsibility. The Republican measure would place squarely upon his shoulders the entire responsibility for the make-up of the budget. The Democratic bill would make him a member of a budget commission.

"The governor should be held responsible for the financial welfare of the state. He is elected as the head of the government, and he cannot be the real head unless he is the business manager. It is up to the legislature to decide the better method of the two proposed, or to outline a modified one, to bring about this important change that will end the existing haphazard system and substitute in its place a scientific budget, but in doing so the lawmakers should clear the way for the assuming of these responsibilities by giving the governor relief from inconsequential details.

"If the governor is made the real business manager, it is a question whether he should be compelled to serve as a member of the State Purchasing Committee proposed in another bill by Senator Edge. To place him on the committee might force him to waste time on details that could be better devoted to larger things. This is a contingency that needs to be given careful consideration before this important legislation is acted upon finally.

"While the state is rearranging the duties of the governor and creating a sound system of financing, it ought to do a good job so that the next administration can prove by its acts whether the governor as a business manager can do a good job.

"The best man that could be selected could not make good if he were bound down by a lot of red tape. He would be almost as helpless as Gulliver under the threads woven by the Lilliputians."

Senator Edge's Reply.

A few days later Senator Edge replied to Governor Fielder's message by saying that he favored relieving the governor of some minor duties so that he could be a real business manager. He further said: (a)

"It is my judgment that the more important responsibility of the governor is to be the absolute head of the state's finances, from a proper consideration of which the possibility of effective state work depends . . .

"Next it has apparently been recognized through many administrations in New Jersey that the State House Commission is practically the cabinet of the state so far as disposing of many questions of policy is concerned. Personally, I am glad it is such a single body—because I believe in small bodies in order to secure results. The governor, in my judgment, should unquestionably continue as the head of this, as it represents cabinet meetings in deciding many important detail matters of state interest.

"I likewise feel that the proposed State Purchasing Bureau, representing expenditures approximately totaling \$2,000,000, should at least be inaugurated under the charge of the commission, it consisting of the state's business manager and cabinet. Ultimately when the department has been thoroughly established and running smoothly, there would be no particular reason for the State House Commission to be annoyed with its detail. Another reason for referring the general control of the outset to one business board, already existing in the state, is the thoroughly accepted present-day policy not to multiply the state's boards and commissions; rather of referring the responsibility of newly created departments to existing boards. What is more natural or consistent than giving the control of at least the inauguration of this new department to the State House Commission when the commission at the present time, under another name, i. e., the State Printing Board, with exactly the same personnel, has had charge of that very important part of the state supplies for years?

"The governor expresses the fear that perhaps the employment of a purchasing agent, establishing of labors, warehouses, etc., might not effect a great saving. That is exactly the reason the Economy and Efficiency Commission left the details to the State House Commission, consisting of the Governor (the business manager of the state) and his two

(a) For the full text of the Minority Budget Bill see the appendix
(b) Newark Evening News, January 18, 1916.

(a) Newark Evening News, January 13, 1916.

cabinet officers. Under their control, departmental extravagance could be checked. Of course, the governor realizes at the present time the state is maintaining laborers that can be utilized in this work, should the State House Commission so elect.

"Just why the \$15,000,000 annual business of New Jersey should be viewed in any different light than the business of a private corporation, has always been hard to determine. Some day, perhaps, a state's business man will be generally accepted as a real business proposition, when the governor will be in fact the business manager, rather than alone the political leader of his party, and this thought is not directed in the slightest to the present governor of our state, who, in my judgment, has been unusually conscientious in caring for the detailed responsibility of his office."

On the day after the above reply, January 18th, the Newark Evening News contained the following editorial, under the caption, "Budget Co-operation":

"Co-operation by the legislature and the governor is necessary to make the proposed budget system effective in New Jersey.

"Where there isn't co-operation there is likely to be trouble, as witness conditions out in Ohio. The budget system was put into effect there by a statute under a Democratic administration. But when the Republicans elected their candidate for governor and he was installed, and he refused to do the work called for by the law on the ground that if he should do so he would be usurping a legislative prerogative. So the budget system in Ohio has gone by the board, temporarily at least, and it may not be established until it is forced by a constitutional amendment.

"There should be no partisanship about the budget system established. The move is entirely economic. The chief aim is to formulate a budget that will contain all the information which the legislature can use in order to enable it to come to a proper understanding of the government's needs," as Professor S. Gale Lowrie has put it. Another expert, Rufus E. Niles, director of Ohio Institute for Public Efficiency, has stated the same fact in a little different language by declaring that the budget 'should contain such material as will in extent and forms best enable it to present a definite working and financial program for the coming period supported by adequate data for obtaining its approval by the legislature.'

"With this thought in mind, all those working for the best interests of the state, regardless of party politics, should be willing to co-operate. The governor should have the right to present the facts as shown by the budget to the legislature, giving the statement the full force of his official position. That is what Mr. Edge would bring about."

Two days later, January 20th, Senator Edge announced himself as a candidate for nomination for governor on the Republican ticket, pointing to his record in the legislature in support of his claim. The following day the Newark Evening News, in speaking of his candidacy, had this to say of the Edge budget bill:

"Senator Walter E. Edge, who wants to be the Republican candidate for governor of New Jersey on a 'state's business manager' platform, cites as an earnest of his determination to give the state a profitable administration the budget bill he has introduced. Incidentally, he anticipates that the budget bill will receive the solid support of the Republican party members of the legislature.

"The Edge budget plan would make the governor the real business manager of the state, so far as the constitution would allow."

The Trenton Evening Times of January 26th had the following to say in defense of the constitutionality of the Edge bill:

"The suggestion that the spirit of the constitution will be violated by making the governor a member of the Budget Commission, as proposed by Senator Edge's bill, is a trifle far-fetched, and was no doubt advanced for purely personal and political purposes. There is agreement that the budget system is a good one; but a difference arises over the constitution of the Budget Commission or Board.

"One of the duties of the governor, as prescribed by the constitution, is to communicate by message to the legislature 'at the opening of each session, and at such other times as he may deem necessary, the condition of the state, and recommend such measures as he may deem expedient.' If this

does not mean the financial condition of the state, then all the governors from Stratton down to Fort misunderstood their instructions.

"There is no other subject to which the chief executive of the state may appropriately devote his time and ability than that of proper financing; and there is no other man who has the opportunities for becoming so well acquainted with the state's financial conditions and needs. Surely the governor is not now overburdened with work for the \$10,000 a year and perquisites that he gets.

"So far as shearing the comptroller's department of its power is concerned, it may be suggested that no such official as comptroller is known to the constitution, and that the office was created by statute, at least 20 years after adoption of constitution. There are many state department heads who think the comptroller and some of his subordinates have been arrogating to themselves altogether too much power.

"Two significant facts will not be overlooked by the legislature, Senator Edge is an avowed candidate for the governorship nomination and he is willing to undertake the work which Governor Fielder is inclined to dodge. Besides, Senator Edge, as acting governor, has had a fairly good opportunity to become familiar with the 'powers, duties and emoluments,' as well as the responsibilities of the governor's office."

Comptroller Edwards' Criticism.

On the other hand, Comptroller Edwards severely criticised the measure, characterizing it as a "scheme" which would take from the comptroller his power over appropriations. The Newark Evening News of January 26th replied in this manner:

"Comptroller Edwards objects that the budget bill would make him merely a clerk of the governor's. That's an exaggerated way of putting the matter—an exaggeration that may be laid to Mr. Edwards' political bias. But why should not the comptroller be responsible to the business manager? The governor is an elected official, the responsible executive under the entire state; the comptroller is not. We see no reason why the governor should not have the authority to outline how the state's money should be raised and how it should be expended, and we see no reason in efficiency why the comptroller should not be made to work with him whether we call him the governor's financial secretary or the state's comptroller."

Criticism by State Chamber of Commerce.

The New Jersey State Chamber of Commerce published in the "Legislative Index" of January 22nd a summary of the provisions contained in both the minority and majority budget bills. Later when the Edge budget bill had passed the Senate and was pending a vote in the House, the State Chamber printed in the "Legislative Index" for February 19th a critical and detailed review of the Edge plan, pointing out defects and suggesting remedies. It said, however, with reference to the original bill:

"Evidently the intent of the bill is to establish scientific methods in the raising, appropriating and spending of money to conduct the governmental functions of the state of New Jersey. The proposed measure is, therefore, deserving of the intelligent study of every citizen and should receive full approval for its merits and constructive criticism for its defects."

Majority Budget Bill Becomes Law.

The Edge bill was favorably reported to the Senate on January 25th and read a second time. On February 1st it was advanced to third reading, and a discussion followed in which Senator Ackerson led by taking up the merits of his bill. On a motion to substitute the minority measure for the majority bill, Mr. Edge took the floor and explained the details of his plan. He said that, like a corporation which trusts the president of the board of directors, the state should trust its governor. He declared that his bill would discourage supplemental appropriations, which, it was admitted, had always been a source of annoyance to the appropriation committees. He criticised the minority bill in that it lacked a provision which would allow for transfer of accounts or items. Then Senator Colgate pointed out what he regarded a defect in the minority bill, in that it did not provide for the removal of the civilian members of the proposed budget board, should they be found to be inefficient.

The motion to substitute was lost. Senator Ackerson thereupon endeavored to incorporate an amendment that would make the governor, the state comptroller and the state treasurer a budget board. He stated again his idea of removing the budget system as far as possible from politics. To this Senator Edge replied:

"The idea embodied in my bill is to establish a workable budget system. I have made a wide study of this problem, have watched the trend of the newspaper comment on the matter, and everybody seems to agree that the governor should be placed in close touch with the state institutions, their needs and the various other governmental branches.

"The system provided for in my bill will keep the entire matter out of politics and it will be the means of keeping the governor closely informed as to each branch of the state government. We all know that during a session of the legislature the members are buttonholed by their friends on the institutional boards or the heads of the institutions, each looking for appropriations almost double the amount they expect to receive. Under my bill this will be discontinued and the members of the legislature saved much annoyance.

"My bill will mean the first step in placing the state's affairs on a strict business basis. It will mean the saving of many dollars and also the concentration of responsibility for the expenditure of state funds." (a)

Senator Ackerson then replied that there was no division in the Senate on the question of the necessity of a budget system, but there was doubt as to the best method to be used in inaugurating such a plan. He argued that his plan had been adopted in many states and was found to be workable, and in some instances the budget boards included civilian members. He concluded by saying that both parties were pledged to such a measure, and that the minority members of the Senate would vote for a budget bill.

The Edge budget bill passed the senate without a dissenting vote. It was favorably reported to the general Assembly on February 15th, and on the 21st it passed the Assembly without a vote being recorded against it. The bill called forth very little debate in the Assembly, the only objection raised to it being that it would give the executive too much power. Those in favor of the measure answered that inasmuch as the governor was elected by the voters of the whole state, it was only logical and proper that he should be the responsible head of the state's business—just what the proposed measure intended making him.

Governor Fielder signed the budget bill on March 1st, thus making it a law. (b) The Newark Evening News of the next day contained the following editorial:

"GOVERNOR AND BUSINESS MANAGER"

Governor Fielder criticised the Edge budget bill severely when it was pending before the Senate, contending it would overload the governor with work, but when the measure came up, before him for official action, he signed it. The approval wasn't a partisan act or a stultifying one, either. The reason that the bill was signed was that the governor believed in its underlying principle.

Neither the Edge bill nor the Ackerson bill drafted for the democrats was perfect. In fact the State Constitution would prevent the enactment of a valid law that would center in the governor the entire responsibility for the state's financial welfare. The Edge plan will come as near to accomplishing this object as the fundamental law of the state will permit.

The governor in the future—the act does not become effective until October 1st, next—will be in effect, the business manager of the state. True, he cannot control appropriations by the legislature but he can point out so clearly to the law makers what they should do in the way of raising revenue and expending money that the people will know who is to blame if his advice is not followed and a serious situation results.

The value of the new law is its moral effect. A governor could have launched the same plan of having reports made to him by the different departments and institutions of the state as to needed funds and as to estimated receipts, and he could have reported his findings in a financial message to the legislature. That course, however, would have surely brought

(a) Newark Evening News, March 2, 1916.
(b) The provisions of the budget law are taken up and discussed in Chapter III. See appendix for text of the law.

upon his head the charge that he was attempting to interfere with the legislature branch of the government in spite of the constitution. Now the legislature has invited the governor to co-operate, as it were, in checking legislative extravagance and unwarranted distribution of cast, such a charge of interference if made, would be a repudiation of the act of the legislature itself rather than an attack on the executive.

Experience in a number of other states indicates that the same budget plan as that contained in the Edge act has worked well, though there have been exceptions, notably in Ohio, where the governor has refused to co-operate with the legislature on constitutional grounds. Only the test of experience will prove how the new law will work here and whether it will be strained to the breaking point in case of a sharp partisan division between the executive and legislative branches of the government; but it has been placed on the statute books under favorable conditions—with the support of Republican and Democratic members of the Senate and Assembly and the approval of a Democratic Governor.

Bureau of Municipal Research on Budget Law.

Soon after the Edge bill became a law, the Bureau of Municipal Research of New York City published in "Municipal Research," No. 70, a discussion of its provisions as a budget measure and pointed out several defects in the law. Among other things the Bureau said:

"With the passage of the Edge bill, New Jersey has taken a step which looks toward the adjustment of the representative system in such manner as to permit the people to have a responsible chief executive who may lay before the legislature a statement of accounts as well as a plan for future business, but it has not provided any means whereby the executive can deal with the legislature openly and publicly—it does not provide for visible government. The question, therefore, remains as to whether it is possible to work out under the executive procedure prescribed in the Edge law a scheme of responsible government."

Comptroller Edwards on Budget Law.

Although Comptroller Edwards had very strenuously objected to certain provisions of the budget law before it passed the legislature, he afterwards wrote in his report for 1916 (Preamble, p. XII.):

"The enactment of the Budget Act is in line with my recommendation, and aims to produce the result which I had hoped would be attained by the creation of a Budget Commission. It is extremely fortunate that its sponsor will have the power of putting it into effect, and it is to be hoped that he will produce by the operation of this legislation the result which I hoped would be accomplished through a commission instead of through the Executive. It is to be regretted that the Budget Act itself does not carry with it the power to clothe the Executive with the authority of more fully enforcing its provisions. The constitutional power vested in the two branches of the legislature of making the appropriations renders it exceedingly difficult to clothe either a commission or the Executive with the authority of securing appropriations based upon scientific investigation and actual needs, instead of influence or political consideration. It is to be hoped that some method of making more effective the legislation that has been enacted will be discovered, so that the annual appropriations made by the legislature will be based upon the needs of the departments and institutions with greater regard to the revenue of the state than heretofore. If the theory of the Budget Act is carried out in full, the division of receipts of the state to special uses, to which reference has been made, will be completely eradicated."

State Purchasing Bill Becomes Law.

Senator Edge's bill, creating a state purchasing department, passed the legislature with not much more comment than that occasioned by the average bill. Those in favor of the bill, and Senator Edge, in particular, felt that it should work in conjunction with the budget plan to secure greater economy in the expenditure of public funds. They were sure that economy in expenditures could not be attained so long as each state agency separately purchased its own supplies. In order to secure economy in respect to this class of expenditures as well as to secure a better quality in the supplies purchased they urged the passage of this bill. It received the approval of Governor Fielder and became a law on March 16, 1916.

PART TWO
The New Jersey Budget Law

CHAPTER I.

The Preparation of the Budget Under the Law

The New Jersey Budget Law, designated under the short title of "Budget Act," Chapter 15, Laws of 1916, has as its purpose the establishment of a budget system which shall furnish means of ascertaining the financial condition of the state and the amount of appropriations necessary for the various state agencies. The law is composed of nineteen sections, with an appended set of nine rules. These rules may be altered, amended, or new ones added by either the governor or the Joint Appropriation Committee as conditions may seem to demand (sec. 4). The law went into effect on October 1, 1916 (sec. 19). It is to be construed liberally by the courts at all times, and if any section shall be declared unconstitutional, this fact is not to affect the validity of the remaining sections (sec. 18). (a)

1. Requests for Appropriations.

a. Estimate Forms:

1. Provisions of the Law.

The "rules" appended to the law deal entirely with the form and preparation of the request blanks, designating them by the particular name of "budget appropriation blanks." Such blanks, however, are more generally called "estimate forms," which is a preferable term on account of the uniformity of its usage in writing or speaking on the subject of budgets. Section 4 and rules 1, 2 and 9 of the law relate particularly to the form of the estimate blanks. Suggested forms, made out by way of examples for both departments and institutions, are given in detail under rule 9 (q. v.). However, if these forms are found unsatisfactory, section 4 of the law permits them to be changed upon either the approval of the governor or the Joint Appropriation Committee. Only certain general requirements have to be met as to the information that the blanks must supply (sec. 5), as will be pointed out later. The estimate forms are supplied by the comptroller as approved by the governor (sec. 4, and rule 1). The forms are addressed to the governor and the Joint Appropriation Committee of the next ensuing legislature (rule 2).

2. Operation of the Law.

In printing the estimate blanks, Governor Fielder had the skeletons of the suggested forms, under rule 9, copied almost verbatim. Even the exact dates that headed the columns for appropriations in the model forms were used, although they were then one year behind. This, however, was probably an oversight in the rush to get the blanks printed, but it led to considerable confusion later when the blanks were being filled out. The comptroller's office was preparing at the time a more elaborate set of forms than the one suggested in the law—forms that aimed to co-ordinate the information to be gathered by the budget with that of the central purchasing department already in operation, but Governor Fielder was unable to wait for the completion of these blanks owing to lack of time.

Description of the Estimate Blanks.

The estimate blanks were of two types, one for institutions and the other for departments, and each of these forms was made in quadruplicate. The copies were

marked "Institution (or Department) Copy," "Appropriations Committee Copy," "Executive Department Copy," and the

(a) In the discussion which follows, the law will be taken up according to the sequence of its operation rather than after the arrangement of its sections. See the appendix for the full text of the Budget Law.

fourth left unmarked to be used for general filing purposes, the other copies being filed as indicated. Each copy was made up of three single sheets and one double sheet, each 8½ by 14 inches in size. Only one side of each sheet was to be written on. The single sheets had the skeleton form printed on them, and the double sheet was ruled and provided space for not more than 1000 words of general explanation regarding the items requested. Only the face sheets differed in the two forms, the other sheets being identical. (a)

(a) An exact reproduction of the face sheets of each of the two estimate forms and also of the remaining two sheets, common to each form, is herewith given.

1 EXECUTIVE DEPARTMENT COPY
FORM OF BUDGET REQUISITION FOR STATE INSTITUTIONS.

(Name of Institution)

.....

(Authorized laws.)

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Value of Property

Total of State Appropriation for Permanent Improvements

INCOME TURNED INTO STATE TREASURY, \$..... (give details below)

INCOME NOT TURNED INTO STATE TREASURY, \$..... (give details below)

To James F. Fielder, Governor of New Jersey, and the Joint Appropriation Committee for the year 1917.....

designated by..... (Budget Officer.)

(Name of Institution)..... for this purpose presents their requests for the following appropriations for the fiscal year beginning November 1st, 1917, together with the reasons therefor. Also attached hereto is a trial balance covering the preceding fiscal year.

Respectfully submitted,

..... (Budget Officer.)

1* APPROPRIATIONS COMMITTEE COPY
FORM OF BUDGET REQUISITION FOR STATE DEPARTMENTS OTHER THAN STATE INSTITUTIONS.

(Name of Department, Board or Commission, etc.)

.....

(Authorized laws.)

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Value of Property

Total of State Appropriation for Permanent Improvements

INCOME TURNED INTO STATE TREASURY, \$..... (give details below)

INCOME NOT TURNED INTO STATE TREASURY, \$..... (give details below)

To James F. Fielder, Governor of New Jersey, and the Joint Appropriation Committee for the year 1917.....

(Department Head, with title.)

hereby presents his requests for the following appropriations for the fiscal year beginning November 1st, 1917, together with the reasons therefor. Also attached hereto is a trial balance covering the preceding fiscal year.

Respectfully submitted,

..... (Department Head.)

..... (Title.)

2* APPROPRIATIONS COMMITTEE COPY
FORM OF BUDGET REQUISITION FOR STATE DEPARTMENTS OTHER THAN STATE INSTITUTIONS.

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S T A T E R E S E A R C H

The estimate forms were mailed to each department, institution and other spending agency from the governor's office. This was not done until the 17th day of November. The following circular letter accompanied each set of blanks that was sent out.

STATE OF NEW JERSEY
Executive Department

To Budget Officers:

Kindly fill out four copies of enclosed blank forms strictly in accordance with the provisions of chapter 15, P.L. 1916, paying particular attention to making your entries, so far as practical, in accordance with the provisions of Rule 7, found on page 36, of P.L. 1916.

Retain one copy and mail the other three to this office at your earliest convenience.

You will observe that (following the rules on page 36 of P.L. 1916) forms are suggested on pages 37, 38, 39, 40 and 41, P.L. 1916, of which the enclosed blank forms are the skeleton. In making your report you will follow the lines suggested in the forms set out on those pages.

Very truly yours,
JAMES F. FIELDER,
Governor.

b. Information required on Estimate Forms.

1. Provisions of the Law.

Rules 3 to 8 inclusive and section 5 of the law specify the details that are required to be given in the preparation of the estimate forms. All spending agencies of the state must give their names on the estimate blanks and then cite the law which authorizes the appropriation that they are to receive (rule 3). They must give the total number of employees for the preceding fiscal year, the current fiscal year, and the estimated number for the coming fiscal year (rule 4). Likewise all charitable and correctional institutions must state the number of inmates, the cost of maintenance per capita, and the cost of administration and salaries per capita for the same period (rule 4). Each state agency must give the estimated value of the property under its control and the total of the state's appropriation for permanent improvements; also the total income of the agency, with the amount paid directly into the state treasury (rule 5). Each spending agency must show in parallel columns, opposite every item, the amounts appropriated for the past year, the current year, and the amount requested for the next year (rule 6), and all increases asked over the previous year must be indicated by underlining the amount of the item with red ink and giving a reason for the increase (rule 8).

Classification of Items.

Rule 7 of the law provides that as far as practicable the classification of the items of appropriation on the estimate forms shall be as follows:

- (1) Maintenance.
 - a. Food.
 - b. Clothing.

3* APPROPRIATIONS COMMITTEE COPY

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Totals																				

..... being duly sworn according to law

Sworn and subscribed to before me this day of

A. D. 1916.

..... (Budget Officer.)

- c. Fuel and Power.
- d. Supplies.
- e. Incidentals.
- (2) Salaries—number and classification.
- (3) Repairs and Replacements.
- (4) Miscellaneous (equipment, insurance, fixed charge etc.).
- (5) New buildings.

Section 5 of the law requires that the estimates show detail the purpose of the requested appropriation and indicate the increases and decreases from previous appropriation. It also requires all requests for appropriations to be sworn by the person making them, usually designated as the "budget officer" of the spending agency.

2. Operation of the Law.

Owing to the delay in preparing and sending the blanks to the various state agencies, the budget officers were allowed very little time in which to fill them out and return them to Governor Fielder. Some of the budget officers tried to run the estimates back to the governor without taking a sufficient time to familiarize themselves with the provisions of the law, and consequently made many errors that with more leisure for preparation could have been avoided. Others paid no attention to the law, not even heeding the advice in the governor's circular letter, as was evidenced by the haphazard preparation of their estimates. Still others seemed to regard the law as a sort of a joke, or at the most a rather perfunctory matter to be attended to, if at all, as they saw fit. So probably were not very enthusiastic about having Governor Fielder pass his judgment upon their requests. They knew that they were going to have the opportunity of presenting their claims before the members of the Joint Appropriation Committee, just as they had done in years past; so why should they care to have the governor's opinion? As a result, few, if any, of the estimates, returned to the governor, supplied all the information required by the law. Governor Fielder said in his budget message to the legislature (p. 10) with reference to this fact: "I found that its (Budget Act) provisions were comprehended by but few boards, with the result that the budget requests filed with me were in nearly every instance incomplete and failed to supply the necessary information, and in some cases was actually misleading."

When the information recorded in the various estimates was taken up by the governor, it was found in most instances to give the maximum number of employees or, in the case of charitable and correctional institutions, the largest number of inmates that had been enrolled at one time during the year. This was in complete variance with the law, which intended that the average number of employees or inmates shall be ascertained by taking the aggregate number of days they were present and dividing this total by the number of days in the year.

This information was misleading to the governor and not fair to those institutions making the average the basis of their estimates, as the maintenance cost was figured out on the per capita basis. Instances were also recorded on the estimates where the "Value of property" belonging to the institution was less than the "Total of state appropriations for permanent improvement." The information reflects either a poor judgment on the part of the budget officers, or proves rather poor investments by the state.

Fiscal Years Confused.

A number of the estimates had the appropriations for the three fiscal years badly mixed up, due to the oversight in the printing of the forms above referred to, and also to a confusion in the minds of the budget officers over just what was required in the parallel columns of the blanks. Estimates came in with the appropriations stated for the two fiscal years previous to the time of the filing of the form omitting the current year's appropriation altogether. In any event it was possible for the budget officer to give the total amount of

appropriation for the current year in view of the fact that his agency was soon to receive from the legislature of 1917 a supplement to the appropriation of the current year.

Lack of Detail in Estimates.

Detailed explanations were asked for in the estimates under each main classification of items, viz.: (1) maintenance, (2) salaries, (3) repairs and replacements, (4) new buildings, (5) miscellaneous and only the most general sub-classifications were made for the segregation of items under each main classification. These themselves were more or less overlapping and confusing. For example, under "Maintenance," without some standard guide, no two budget officers could possibly discriminate alike between the items to be included under "fuel and power," under "supplies," and under "incidentals." Furthermore, the space on the estimate forms, allotted to the "detailed explanation" for each of the five main classifications was only 3½ by 4 inches and ruled into twelve spaces, with the exception of "miscellaneous," which was allowed slightly more space. Obviously budget officers were unable to make sub-classifications and give details in this small amount of space. Evidently one of two things had to be done. The budget officers were forced either to use extra sheets for the explanations or to enter their requests in lump sums under each main classification. As may be expected they chose the latter method, and then gave such detailed explanations as they thought advisable in the "general statement" which was appended to the estimates. These facts explain to a large extent why there was a lack of itemization in filing out of the estimate forms and why the budget officers came to confuse the divisions and sub-divisions of classification. Consequently the estimate blanks were not uniformly prepared and it was, therefore, impossible to make any comparisons between various items of the running expenses of one institution and that of another of like character. Likewise it will be impossible to compare the expense item of this year with that of future years in the same institution or with other institutions of similar kind.

Indication of Increases.

Very few of the estimate blanks indicated the increases in the requested appropriations over the current year's appropriations by underlining with red ink, and even in these few cases explanations were only vouchsafed for large increases. The favorite explanation was, "the high cost of living," which signifies a good deal to a laborer trying to support a family on a daily wage of \$1.50, but means nothing in the work of making up a budget unless it is translated into unit cost. Indeed, this method of underlining the increases with red ink proved in actual practice a very poor one. In going over the estimates, Governor Fielder kept a pad and pencil at hand, and was obliged to spend much time in figuring out the increases, when he might have been deciding upon the necessity of the appropriation. It would be far better to have a separate column in which the increases could be indicated and summarized before submission to the governor. In the case of this first budget, however, when it is realized that a supplemental appropriation was added to the current year's appropriation three or four months after the estimates were submitted, the uselessness of indicating increases under such circumstances is apparent. Only if there is no supplemental appropriation, as the law directs, and only if the actual amount spent by the agency during the year is fully recorded, can there be any real value in the setting forth of increases and decreases as between past, present and future fiscal years.

Reasons for Incomplete Data of Estimates.

The poor preparation of the estimates and the lack of information furnished by them was due in the first place to the haste and carelessness with which the budget officers prepared the blanks; in the second place to the want of necessary information at the disposal of the budget officers—the old methods not requiring such data to be kept;

and finally to the character of the estimate forms. A rearrangement and revision and sub-classification along more logical and definite lines seems advisable. This will be taken up in a later chapter.

c. Trial Balance to Accompany Estimates.

1. Provisions of the Law.

Section 6 of the law provides that there shall accompany all requests for appropriations a trial balance covering the preceding fiscal year. It is to show the receipts and expenditures of the agency making the request and be made out in such form and detail as the governor may direct.

2. Operation of the Law.

The law does not direct any form or specify any details to be used in making up this trial balance. Furthermore, Governor Fielder made no mention of it in the circular letter sent out with the estimate forms, no doubt presuming that all the budget officers would read the act carefully and understand its provisions. Several of them, however, when they afterwards came to the budget hearings, confessed ignorance of the fact that a trial balance was required. Their trial balances had consequently been omitted from their estimate sheets and had to be made up at a later date. The trial balances submitted to Governor Fielder were on the whole very unsatisfactory, because no uniform method had been used in their preparation. The result was that they were compiled after as many different forms as there were individual bookkeepers getting them up. Hence their real value in making up the budget was negligible and Governor Fielder seldom referred to them in his examination of the estimates. Governor Fielder suggested in connection with the trial balance that it would have been very much better for his purpose if the amounts actually expended during the last fiscal year had been given in the estimate column rather than the amounts appropriated for that year; then he could have seen at a glance the actual running expenses of each governmental agency for the year just closed in comparison with the appropriations for the current year and the amount requested for the ensuing year. Of course, he did not consider the probability of the continuation of the practice of making supplemental appropriations, in which case he would have been still more unable to make such comparisons properly.

d. Preparation of the Estimates.

1. Provisions of the Law.

Section 3 of the law provides that in case of institutions and departments the head (president or chairman) or an officer designated by the board of managers shall prepare the estimates. In the case of the judiciary the estimates shall be made by the clerk of the Court of Errors and Appeals under the direction of the chancellor and the chief justice of the Supreme Court, and in the case of the legislature by the clerk of the Assembly and the secretary of the Senate. In the case of organizations, committees, etc., the estimates shall be made by some person who has been duly authorized.

2. Operation of the Law.

In the case of the institutions and departments the estimate blanks were made out by bookkeepers, secretaries, clerks and others, and sworn to by presidents or heads. The law was literally complied with in the case of the judiciary and the legislature. Usually there was no one designated as budget officer in the case of organizations, committees and the like.

e. Submission of Estimates to the Governor.

1. Provisions of the Law.

Section 2 of the law requires that all spending agencies requiring an annual appropriation from the State as, institutions, departments, organizations, committees, or persons, shall submit estimates to the governor on or before November 15th of each year. Section 2 further states: "Any organization, body, committee or person intending to request an appropriation from the legislature for any particular object or purpose or for any new annual expenditure, shall likewise present such request to the governor on or before November 15th."

2. Operation of the Law.

In contravention of the provision of the law just quoted, 75 bills involving appropriations of money were introduced into the legislature, of which the following new units, not found in Governor Fielder's budget, or for which no request had been made, found their way into the annual appropriation bill of the Joint Appropriation Committee.

Unit Number	Title	Authority	Amount Appropriated
75	Department of Architecture.....	Ch. 125, Laws 1917....	\$ 25,000
80	Preservation of Records.....	No. 85 of Fielder's Budget, but no request rec'd	3,000
100	State Emergency Fund.....	By recommendation of Governor Edge.....	500,000
101	Commission to investigate conditions of Charitable Institutions.....	J. R. 4, Laws 1917....	10,000
107	Commission on Old Age Insurance and Pensions.....	Ch. 198, Laws 1911, Fielder rec'd no request	1,200
108	Passaic Valley Sewerage Consolidation Committee.....	J. R. 3, Laws 1917....	500
109	Home Rule Commission.....	J. R. 8, Laws 1917....	9,000
114	Commission on Port Development.....	Ch. 130, Laws 1917....	10,000
115	Joint Judicial Investigating Commission.....	J. R. 7, Laws 1917....	1,000
116	Commission to Investigate the High Cost of Living.....	J. R. 2, Laws 1917....	500
118	Pension Retirement Commission.....	J. R. 11, Laws 1917....	2,000
120	Commission to Revise Corporations Laws.....		250
122	Report of Kearny Commission.....	J. R. approved Apr. 14, 1915.....	500
125	State Normal School at Elizabeth.....	Ch. 274, Laws 1916....	10,000

A supplemental bill was also prepared by the Joint Appropriation Committee and passed the legislature, which totals \$463,263.21 and is composed of sixty-three separate groups of items, none of which was submitted in estimate form to Governor Fielder.

Section 12 of the law, however, states that if the governor deems it necessary he may from time to time transmit special messages to the legislature requesting additional appropriations not anticipated at the time of the budget message. The fact that Governor Edge had approved of the laws creating these budget units that went into the annual appropriation bill, excepting unit numbers 80, 107, 120, 122 and 125, may be regarded as indirectly authorizing the appropriations to be made, nevertheless he did not transmit any special messages to the legislature requesting these additional appropriations. He merely sent a note to the Joint Appropriation Committee on the day before it finished the appropriation bills, stating that up to date certain laws carrying appropriations had been approved by him, and left the matter to be looked after by the committee in the annual appropriations.

The requests for appropriations were not in the hands of the governor on November 15th, the date fixed by the law. Indeed, the estimate blanks were not sent out from Governor Fielder's office until November 17th. The delay in delivering the blank forms was due to the lack of appropriation for printing them, the necessary funds not being available until November 1st. This delay, of course, worked a hardship for both the budget officers and the governor, the former being obliged to prepare their estimates in a rush and the latter having considerably less time in which to review them. There were a few of the state agencies, however, who arbitrarily took their time and did not submit estimates until after December 15th, and then only after repeated notices had been sent out from the governor's office.

During the hearings held by Governor Fielder, at which he examined the estimates of most of the institutions and departments, he found many errors and omissions in them, so much so that he returned more than fifty per cent. of the blanks to the budget officers to be made out again on new estimate forms. The law had made no provision as to what should be done in case the estimate forms were improperly and incorrectly filled out. Governor Fielder, however, took the matter in his own hands, and returned them for correction, stating that he found it necessary before he could compile the requests for appropriations and made his recommendations.

2. Joint Report of Comptroller and Treasurer to the Governor.

1. Provisions of the Law.

Section 7 of the law provides that on November 15th of each year the comptroller and treasurer shall report jointly

to the governor, in such form as he may direct, a summary of the financial conditions of the state. This report shall show the expenditures, receipts, sources of incomes, amounts of incomes and free balance in the treasury for the fiscal year, and a similar statement for the current fiscal year; also a statement for the next ensuing year showing the probable sources of revenues and the estimated income of the state.

2. Operation of the Law.

The governor did not direct the forms to be used by the comptroller and treasurer in making their report to him. This fact is stated in the concluding sentences of their report, which is printed in full in the governor's budget. The report, nevertheless, was submitted on the date fixed by the law, and gave the required information, although the general arrangement of it might have been bettered by putting the data concerning the three fiscal years in parallel columns, thus making comparisons easier. The form used takes up the finances of the three years consecutively, giving much detailed explanation. With reference to the fiscal year 1918 the report says:

"This act (budget) requires a statement showing the probable estimate of the sources of revenue and the state's income available for appropriations for the fiscal year ending October 31, 1918.

"There is no available guide upon which to base such a probable estimate other than the estimate for the fiscal year ending October 31, 1917, which is based upon the actual receipts for the year ending October 31, 1916, and the only probable estimate possible must be based upon the assumption that current statutory conditions will remain unchanged, and court issues now pending will result favorably to the state. With these features properly comprehended, there is no substantial reason upon which to found a probable estimate for the fiscal year ending October 31, 1918, that will differ materially from the estimate made for the fiscal year ending October 31, 1917." (a)

The report then places the estimated revenues for the fiscal year ending October 31, 1918, at the same figures as the estimated income of the state for the fiscal year ending October 31, 1917; i. e., \$8,044,370.00 for general state uses.

3. Review of Estimates by the Governor.

1. Provisions of the Law.

Section 9 provides that the governor may appoint for his assistants a "permanent committee" to be composed of any state officers and not more than two special assistants. He may also appoint any officer of the state or any other person fitted therefor to conduct investigations. It provides further that the governor may conduct hearings and summon witnesses for the purpose of ascertaining sources of incomes and the necessity for appropriations.

2. Operation of the Law.

Staff for Review of Estimates.

Governor Fielder appointed one special assistant, Hon. John J. Matthews, formerly a member of the New Jersey Assembly, and a farmer by profession. He began the work for Governor Fielder on November 20, 1916. He was assigned to a desk in the governor's office, and as the budget estimates came in from the several state agencies he arranged them in convenient files. He scheduled the hearings and notified the various institutions and departments of the time and place that they were expected to appear. He was present at the hearings and attended to the estimate sheets. Finally he aided the governor in the preparation of the budget. In a word his duties were clerical and in no way investigative. He did no field work.

Governor Fielder named Treasurer Read and Comptroller Edwards on the committee to sit with him at all hearings held for the purpose of examining into the requests for appropriations. In all fifty hearings were held. The comptroller found it impossible to attend many of these, but Senator Read was present at all but six of them. Governor Fielder acknowledges in his budget message his indebtedness to Senator Read, now

(a) Governor Fielder's Budget, p. 15.

state comptroller, for advice and suggestions which aided him greatly in the work.

No one was appointed to conduct special examinations or investigations relative to the budget.

Hearings on Estimates. Governor Fielder held the fifty hearings in question on seven different days, arranged in schedule as follows:

GOVERNOR FIELDER'S BUDGET HEARINGS.

Friday, December 1, 1916; at Trenton (Governor's Office):	
Village for Epileptics.....	11:30 a. m.
State Hospital, Trenton.....	1:30 p. m.
Home for Girls.....	2:30 " "
School for the Deaf.....	3:00 " "
Public Library Commission.....	3:30 " "
Tuesday, December 5, 1916; at Trenton:	
State Home for Boys.....	2:30 p. m.
State Reformatory.....	3:30 " "
State Prison.....	4:30 " "
Thursday, December 7, 1916; at Trenton:	
State Institution for Feeble Minded.....	10:30 a. m.
Sanatorium for Tuberculosis.....	11:30 " "
School for Colored Youths.....	1:30 p. m.
N. J. State Normal School of Montclair.....	2:00 " "
N. J. State Normal School of Newark.....	2:30 " "
N. J. State Normal School of Trenton.....	3:00 " "
Friday, December 8, 1916; at Jersey City (15 Exch. Pl.):	
Board of Tenement House Supervision.....	10:30 a. m.
Soldiers' Home, Kearny.....	11:00 " "
State Hospital, Morris Plains.....	1:00 p. m.
Board of Mgrs., Colonies for Feeble Minded—Males.....	2:00 " "
Washington Rock Park Commission.....	2:30 " "
Commission on Additional Accommodations for Insane.....	3:00 " "
Tuesday, December 12, 1916, at Trenton:	
Department of Agriculture.....	3:00 p. m.
Agricultural Experiment Station.....	3:00 " "
Agricultural College.....	3:00 " "
Attorney General.....	4:00 " "
Department of Charities and Corrections.....	4:30 " "
Department of Weights and Measures.....	5:00 " "
Civil Service Commission.....	8:00 " "
Clerk of Chancery.....	8:30 " "
State Library.....	9:00 " "
Secretary of State.....	9:30 " "
Thursday, December 14, 1916, at Trenton:	
Board of Children's Guardians.....	10:30 a. m.
State Reformatory for Women.....	11:00 " "
Soldiers' Home, Vineland.....	12:00 " "
Commission for the Blind.....	2:00 p. m.
Board of Sheep Fisheries.....	2:30 " "
Board of Commerce and Navigation.....	3:00 " "
Board of Public Utility Commissions.....	3:30 " "
Department of Motor Vehicles.....	4:00 " "
Department of Health.....	4:30 " "
Adjutant General.....	5:00 " "
Quartermaster General.....	5:30 " "
Tuesday, December 19, 1916, at Trenton:	
State Comptroller.....	2:00 p. m.
State Treasurer.....	2:00 " "
State Comptroller and State Treasurer.....	2:00 " "
Department of Banking and Insurance.....	2:30 " "
State Board of Taxes and Assessments.....	2:45 " "
Department of Public Roads.....	3:00 " "
Department of Labor.....	3:30 " "
Department of Conservation and Development.....	4:00 " "
Prison Labor Commission.....	4:00 " "

It may be seen from this list that the time given to each hearing varied from 15 minutes to one hour. The examination of the estimates was cursory and inadequate, due to lack of time, which Governor Fielder claims was too short for a thorough inquiry into the relative importance of the various items of each request for appropriation. He states in his budget message regarding this: "I also found that the time allowed by the act for examining and inquiring into the items of the various requests is entirely too short. There are about one hundred and twenty-five separate items (organization units) for which appropriations should be made, and the act gives the boards until November 15th to file their requests for the amounts to cover these items, and I am required to transmit my recommendations thereon to you (legislature) on the second Tuesday in January. This allows less than two months to receive and examine requests, hold hearings and to prepare and present recommendations. At least three months should be given for this purpose, but I know of no way of extending the time without changing the state's fiscal year, since budget requests should not be made until shortly after the close of the fiscal year, so that a basis for estimates may be had."

Governor Fielder did not exercise his power to summon any witnesses to testify as to the needs of the various spend-

ing agencies. His hearings were all confined to learning the necessity for appropriations. He made no attempt to ascertain new sources of revenue, but accepted the estimated income of the state in the joint report of the comptroller and treasurer as sufficient.

4. Preparation of Budget by the Governor.

1. Provisions of the Law.

Section 8 requires that the governor shall examine all requests for appropriations and then prepare a separate budget message.

2. Operation of the Law.

After the last hearings were held on December 19th, Governor Fielder had twenty days left, between December 20th and January 9th (second Tuesday)—including the intervening Sundays and holidays—for his final review, revision and summary of all estimates. He had the assistance of his office staff, consisting of his secretary, his assistant secretary, executive clerk and stenographer, in addition to special assistant Matthews for this work, but sight must not be lost of the fact that during this time he had many other official duties to attend to.

Making up the budget was really a process of arriving at a certain total in the following manner. At first liberal cuts were made here and there in the estimates, then a total was run up and compared with the revenues. When the total was found to be too high, more cutting was done on the estimates and another total made. So the process continued until the requests for appropriations presented to Governor Fielder which totaled \$14,493,967.06, had been brought within the revenues of the state, estimated at \$8,044,370.00, necessitating thereby a cutting off of more than \$6,000,000.

Of course, it could hardly be expected that Governor Fielder could employ any other method than the above mentioned, considering the length of time, the amount of help at his disposal, and the kind of data furnished him. Sufficient data to enable this cutting to be made intelligently should be set forth on the estimates and be gathered in advance by field investigation and public hearings. Only in such a way can the governor correctly and fairly revise the estimates by adjusting the expenditures to the revenues of the state according to the departmental needs and the relative importance of the different state activities.

5. Form and Content of the Budget.

Provisions of the Law. The law provides in section 8 that the budget shall be in the form of a separate message to the legislature, which shall summarize all requests and reports and give the governor's recommendations thereon. Section 10 requires that it be written in easily understood language.

Governor Fielder's Budget. Governor Fielder's budget numbered 44 pages, each 8½ by 14 inches in size, printed in double columns running the narrow way of the page. It contains a statement to the legislature and four other divisions, called "schedules."

In the statement addressed to the legislature, which is a sort of preface to the budget, Governor Fielder makes a number of explanations relative to the operation of the law and the contents of his budget. He also points out a few defects in the act and suggests remedies.

Under schedule A of the budget is printed in full the joint report of the comptroller and treasurer to the governor, relating to the financial conditions of the state. The form and contents of this report have already been referred to.

Schedule B contains a summary of all the requests for appropriations presented to, and amounts allowed by, the governor. Each spending agency is given a number and the amount allowed by the governor to each agency is referred to as an "item" of the budget. In a single line following the name of the agency is printed the amount appropriated to, or expended by, the agency for 1915-16, the amount appropriated,

for 1916-17, and the amount asked for in 1917-18. These amounts are given separately under each one of the main classifications, namely: maintenance, salaries, repairs and replacements, new buildings, and miscellaneous. Totals for the three fiscal years are then given, followed by the total amount allowed the agency by Governor Fielder for 1917-18. The allowances made to each of the 111 separate governmental units in the budget are finally summarized. With reference to the total amount allowed in his budget, Governor Fielder said:

"The total amount of appropriations I recommend is \$8,207,753.65, which sum is apparently in excess of the estimated revenue of \$8,044,370.00. This difference, however, is not real, for the reason that some of the items are what I might designate as 'special appropriations,' one being paid out of automobile license fees and others out of taxes levied on railroad property. In making up the estimated revenue of the state for the purposes of an appropriation bill, the several amounts appropriated to be paid from these special sources of income are carried as receipts in the general state funds, so that, as the sums appropriated increase, the statement of income must be increased a corresponding amount. The total increases I recommend in these special appropriations over the amounts as estimated by the financial officers is \$234,070.00, which sum must therefore be added to the estimated revenue of \$8,044,370.00, thus making my recommendations \$70,686.35 less than the true amount of estimated revenue." (a)

Schedule C is the supporting schedule to schedule B. Each state agency is taken up according to the order of the number assigned to it in schedule B, and an itemization is made of the appropriation which is allowed it by the governor. The itemized allowances of schedule C are arranged in the form of the appropriation bill, and for the purpose of ready reference follows the same sequence of unit numbers as that found in the general appropriation bill for the current year.

There is a total lack of supporting data to schedule C. Governor Fielder explains this fact:

"I am at a loss to understand how you can determine intelligently whether the recommendations I make are proper or not, because it is impossible for me to take up in detail each request presented and explain, item by item, why I disallow some, approve others or recommend less than the sums requested. In the total of about one hundred and twenty-five budget requests, there are several thousand separate items, and such an explanation would require too much detail, consume too much time and fill a large number of pages. I desire, however, to make a brief reference to the request for new armories and for extensions and additions to present armory buildings. Until the future of our National Guard is settled, I consider it unwise to provide for new armories or to enlarge old ones, and I believe that for the present we should only complete and furnish those whose construction the legislature has already authorized." (b)

Schedule D is composed of suggested recommendations above the anticipated revenues of state, amounting to \$629,000. Governor Fielder explains the reason for this schedule as follows: (c)

"Were I not bound by section 11 of the 'Budget Act,' to keep my recommendations within the estimated amount of the revenue of the state as given me by the state's financial officers, there are other items of appropriations I would recommend. I believe that this legislature can safely count on a sum in excess of \$8,044,370.00 against which to make appropriations. I have stated that the financial report (Schedule A) shows an estimated excess of resources on November 1, 1917, of \$1,827,418.62, and it is hardly possible that this legislature will by supplemental appropriation bills cut down that sum to any large extent. I think, too, that we can depend upon a natural increase in the state's income, instead of assuming that it will be no greater next year than for this year. For instance, the financial report (Schedule A) shows an actual increase in State receipts for the last fiscal year over the preceding year of \$749,548.72. Then, too, there are always some appropriations which lapse for various reasons, thus in-

(a) Budget message, p. 5.
(b) Fielder's budget message, p. 4.
(c) Budget message, p. 5.

creasing the balance on hand at the end of the year. For these reasons I believe that unless this legislature makes large supplemental appropriations, we shall have a balance on hand November 1, 1917, of at least \$1,000,000.00 to add to the estimated revenue for the fiscal year commencing on that date. With that thought in mind, I would suggest for your consideration other appropriations, which I believe meritorious, at least some of which I think should be made. They are itemized and set out in schedule D, hereto annexed."

Section 11 of Budget Act.

Governor Fielder placed a strict interpretation upon section 11 of the law, which provides that "the governor shall not recommend to the legislature in excess of the anticipated revenues." (a) He said:

"I believe I am bound by section 11 to keep within the estimated income as reported by the financial officers. The difficulty confronting me can be appreciated when it is understood that the various boards have presented requests for appropriations which total \$14,493,967.96. I do not think the governor's recommendations should be limited by such estimate of the State's income and I suggest that the act be amended so as to provide that the estimate presented by the state's financial officers shall be taken as a guide rather than a limit to appropriations, and that the governor may be permitted to make recommendations in excess of such estimated income, requiring him in such case to state why he believes the income will exceed the estimated amount."

Transfers.

Nothing is said about transfers in Governor Fielder's budget. The Budget Act, however, makes provisions for transfers in section 15 (q. v.). The matter is left entirely in the hands of the State House Commission, composed of the governor, the state treasurer and the state comptroller, with the proviso that "No sum appropriated for any permanent improvement shall be used for maintenance or for any temporary purpose." The word "Item" used in this section of the law is very indefinite in its meaning, due to need of more exact classifications and sub-classifications. As it stands now it may either mean all or only a small part of any one of the five divisions. This matter, however, will be taken up in a later chapter and an attempt made to define the term.

6. Submission of Budget to the Legislature.

The Law.

Section 8 of the Budget Act fixes the second Tuesday in January, the opening day of the annual session of the legislature as the day upon which the governor shall submit his budget to the legislature. Section 10 requires that it shall be printed and a copy presented to each member of the legislature. This section also requires that copies shall be presented to the press, each public library, "and given such other publicity as the governor or the Joint Appropriation Committee shall deem wise."

Operation of the Law.

Governor Fielder's budget was printed and submitted to the legislature on January 9th (second Tuesday), a copy of it being laid on the desk of each legislator. Copies were sent to the press for release on that day. Other copies were distributed to the libraries and the general public. General mention of the budget was made in the news columns of several of the state papers, in one Philadelphia paper, and in one or two New York City papers. The Newark Evening News and the Trenton Evening Times discussed it at some length, and the latter published a brief of the totals and allowances of the governor to each spending agency as given under the summary, or schedule B. The budget was variously referred to by the newspapers as "Fielder's budget," "the estimated budget," "the Governor's budget message," "Budget recommendations," and "budget under the Edge Act." One newspaper commented editorially on "The Budget" as follows:

"Governor Fielder has made a good job of his message transmitting to the legislature his budget recommendations for the fiscal year 1917-18 under the new law making the Execu-

(a) Budget message, p. 4.

tive Department a sort of clearing house between the department and institution heads and the Joint Committee on Appropriations. The work performed by the governor and his special assistant, former Assemblyman John J. Matthews, will be of great assistance to the Appropriations Committee. While the Appropriations Committee has practically the final word, its members will no doubt be inclined to follow to some extent the first budget recommendations." (a)

7. Expenses of the Budget Act.

The law provides in section 17 that the expenses of the

CHAPTER II.

The Budget in the Legislature

The question of whether or not the New Jersey budget law had been really effective as a process of government during its first year's operation finds an answer in the procedure that was followed with regard to it in the legislature. The law, no doubt on the ground of constitutionality, makes no provisions regarding budget procedure in the legislature. According to the letter of the law, the governor is made responsible for the preparation and submission to the legislature of a financial program for the state, which the legislature may, under the rules of its customary procedure, approve, reject or alter as it sees fit to do. It is the purpose of this chapter to trace the passage of New Jersey's first budget through the legislature.

1. Procedure in the Legislature.

When Governor Fielder's budget message was submitted to the legislature on the opening day of the session Tuesday, January 9, 1917, it was referred by each house to the Joint Appropriation Committee, when appointed. The members for this committee had already been predetermined and were named at the afternoon session of the same day by their respective houses. It may be stated here that New Jersey has only one standing committee on appropriations, instead of two, as in most other states. This committee is composed of nine members, four Senators and five Assemblymen.

Personnel of The Senators named on the Joint Appropriation Committee were Harold B. Wells, Collins B. Allen, Emerson L. Richards and Samuel T. Munson. Senator Wells was designated chairman of the joint committee. The assemblymen named on the committee were Seymour P. Gilbert, Charles A. Wolverton, A. Dayton Oliphant, Arthur Whitney and Alonzo D. Herrick; Mr. Gilbert acting as chairman of the house committee. Senator Munson and Mr. Herrick were the only members of the committee belonging to the Democratic party, the other seven members all belonging to the Republican, or majority party of both houses. Three members of the committee had served on the previous year's appropriation committee. (b)

Organization On January 16th, one week after its appointment, the Joint Appropriation Committee met for the first time in the comptroller's office at the State House, and organized with Senator Wells as chairman, Owen W. Kite as secretary, and W. R. B. Mason as clerk. Both Mr. Kite and Mr. Mason had served former appropriation committees in the same capacities. (c)

The second meeting was held on January 23rd in the comptroller's office, which thereafter became the regular

(a) Trenton Evening Times, January 9, 1917.

(b) It was through the courtesy of the members of the appropriation committee, especially that of Chairman Wells, that the writer was privileged to follow carefully every step in the making of the appropriation bills.

(c) On this same day Governor Fielder's term of office expired and he was succeeded by Senator Walter E. Edge, elected governor on the Republican ticket. This was the first time that the Republicans had held the executive reins of state government since the election of Woodrow Wilson to the governorship in 1910. Governor Edge, as senator, it will be remembered from Chapter II, Part II, was the author of the Budget Act.

budget act may be drawn from either a special appropriation or from the governor's emergency fund. The preparation of Governor Fielder's budget cost a little more than \$400, which was mainly the salary received by the special assistant. Governor Fielder recommended in his budget for the coming year the sum of \$2,000 for budget expenses, but the Joint Appropriation Committee raised this amount to \$10,000 in the current year's appropriation bill and included \$2,500 in the supplemental bill.

meeting place of the committee in conducting hearings and making up the appropriation bills. A schedule of visits upon various spending agencies of the state was arranged, and the clerk was directed to inform the departments or institutions concerned of the day that the committee would make its visit. The clerk was also ordered to prepare a book for each member of the committee, similar to the one used the year before, and to write to all state agencies, requesting them to send at once twelve copies of their estimated requirements, so that each member of the committee might have a copy before him.

The book, above referred to, is made up of heavy blank sheets about 12 by 15 inches in size, on the left-hand page of which the clerk had pasted printed data relative to a single state agency in columns under the following heads and after this order:

1. Amount carried forward on requisition, October 31, 1915.
2. Amounts paid.
3. Carried forward on requisitions of 1915—October 31, 1915.
4. Title (agency).
5. Appropriation.
6. Amounts paid.
7. Carried forward on requisition, October 31, 1916.
8. Lapse.

On the right-hand page, directly facing, the clerk had pasted the appropriation granted the same agency, as clipped from the appropriation bill passed in 1916. These books lay on the table before the members of the committee during the entire time that they were working on the appropriations, but their practical value is open to question, owing to the infrequent reference which the committeemen made to them. The secretary, however, used one constantly to mark down the allowances as passed on by the committee. Each member of the committee also had a copy of Governor Fielder's budget before him, which he used for comparative purposes.

The clerk of the committee sent out letters to each state agency, requesting twelve copies of its "estimated requirements." The agencies responded by sending copies of the estimates that they had furnished Governor Fielder, with such charges as each agency thought advisable in light of the governor's budget. In nearly every instance a letter of explanation accompanied the estimates submitted to the appropriation committee. These letters are of interest, from the fact that they usually show the reaction of the governmental agency toward the budget idea.

Some of the departments objected seriously to the segregation of their appropriations under the various subdivisions prescribed in the Budget Act. They insisted that only lump sum appropriations would admit of sufficient financial flexibility to enable them properly to perform the functions of their departments and meet the exigencies which constantly confront them. This attitude is but natural in those governmental agencies where complete, accurate and detailed records of past activities, receipts and expenditures have not been kept, or where the work of an agency cannot even be approximately forecast. The fact must not be overlooked, however, that one of the prime purposes of a budget is to do away with lump sum appropriations, which leave the public

entirely in the dark as to where their money is to be spent. A budget aims to substitute a procedure which places a detailed financial plan before the people, and asks them whether they approve of that plan. It is the one antidote for invisible government.

The experience of New York City, where budgetary procedure has reached a relatively high state of development in this country, proves that thorough and scientific investigation of the requests for money made by the spending agencies is indispensable to a proper evaluation of these requests. To this end experts are constantly employed to visit departments, interview department heads and employees; examine books and records, and in every other way possible familiarize themselves with the minutest details of the spending agencies. This information is then reported to those officers charged with the responsibility of preparing the annual budget of the city, to the end that they may be enabled to do their work intelligently and base their actions on facts. Naturally this has cost much money, but the expenditures have been many times repaid by the results achieved.

The novelty of the first budget in New Jersey; the shortness of the time at Governor Fielder's disposal; the lack of adequate funds, and the great difficulty of breaking away from the old scheme of things, made it virtually impossible for "field work" of this sort to be employed at the outset in New Jersey. Consequently this work was attempted as heretofore by the Joint Appropriation Committee.

By profession there were four lawyers, a merchant, a broker, a florist, a farmer, and a real estate agent on this committee. Such a committee, devoting all of its time for an entire year to field work on New Jersey's budget, would hardly be sufficient to realize for this instrument of government all of its inherent possibilities for economy and efficiency.

To show how futile and unfair it was to ask these men who were untrained for the task; who were preoccupied with their own personal affairs; who were busy as legislators, and still more busy as members of the Appropriation Committee, to undertake this vitally important field work, the following statistical table of the visitations made to gather data to check up on the first budget, is given:

VISITATION SCHEDULE OF JOINT APPROPRIATION COMMITTEE

Date	Name of Institution Visited	Hours spent at Institution	Number of Committee Present
Jan. 25th	State Agricultural College, New Brunswick	3	6
Jan. 25th	Agricultural Experiment Station, New Brunswick	2	6
Feb. 1st	State Hospital for Insane, Morris Plains	4½	5
Feb. 7th	Fish Hatchery, Hackettstown	4	5
Feb. 8th	State Normal School, Newark	4	4
Feb. 8th	State Normal School, Monclair	1¾	5
Feb. 8th	Soldiers' Home, Kearny	2¾	4
Feb. 12th	State Hospital for Insane, Trenton	1	2
Feb. 15th	Sanitarium for Tuberculosis, Glen Gardner	3½	6
Feb. 15th	State Reformatory for Women, Clinton	2	6
Feb. 19th	State Normal School, Trenton	2	6
Feb. 26th	New Jersey Reformatory, Rahway	2½	5
Feb. 26th	School for Colored Youths, Bordentown	4	6
Mar. 1st	Soldiers' Home, Vineland	3	6
Mar. 1st	Institute for Feeble Minded, Vineland	2	6
Mar. 1st	Training School (Dr. Johnston)	2	6
Mar. 5th	School for Deaf, Trenton	1¾	4
Mar. 5th	State Prison, Trenton	1¾	5
Mar. 8th	Village for Epileptics, Skillman	5	4
Mar. 15th	State Home for Boys, Jamesburg	4	6

A summary of the schedule of visitations may be made in this manner:

Number of separate visitations made	13
Number of institutions visited	20
Total number of hours spent at all institutions	57
Average number of hours spent at each institution	2.8
Average number of nine committee members present at each institution	5

It needs no argument nor detailed description of a visitation to prove that an average of five members of the Appropriation Committee, spending an average of 2.8 hours at each spending agency in the state of New Jersey, could not possibly have gathered sufficient information, or information of the right sort, to enable them to form an intelligent and fair estimate of the requests which those spending agencies had made for money from the state.

Since these spending agencies have increased so much in number and grown in size; since their functions have become so complex and their needs so diversified; since their annual expenditures run into the millions, it is obvious that visitations by the Joint Appropriation Committee must of necessity be merely perfunctory. If they sometimes degenerate into "junkets," in which department heads try to curry favorable consideration for their departmental requests by means of good dinners, good cigars, good stories and other camouflage, the fault is not so much with the persons concerned as with the out-worn and discredited system which permits such things. Beyond question, the Joint Appropriation Committee, which is often severely criticised on this score, would be the first to welcome a change of policy which would utilize in a business-like, impartial, and constant study of the financial needs of the state's spending agencies, the money which these junkets annually waste.

Hearings by Appropriation Committee.

In addition to the visitations referred to, the Joint Appropriation Committee conducted hearings on the requests for appropriations at the comptroller's office, beginning February 5th, and continuing thereafter on the 12th, 13th, 19th, 26th, March 5th, 12th, 19th, 26th and 27th. Practically every spending agency of the state was given a hearing on these days, at some time usually scheduled in advance. Notwithstanding this, representatives of some of the agencies with particular grievances against the allotments of money apportioned them under the first budget, haunted the halls outside the committee room, most of the time during the week that the appropriation bill was being put into its final form. Individual members of the committee were solicited to give their aid to sundry appropriations. Members of the legislature came to see members of the committee on behalf of their constituents, who wanted certain appropriations put through. Hundreds of letters were written to the members of the committee relative to the requests for appropriations.

It is very clear that the hearings of the Joint Appropriation Committee, like their visitations upon the spending agencies of the state, could not have developed complete, accurate, and thoroughly predigested financial detail, arranged in such an orderly and understandable fashion that correct estimates could have been made of the financial needs and deserts of such agencies. It is obvious that the other expedients resorted to in order to influence the action of the Appropriation Committee were reprehensible and incompatible with the spirit of budgetary procedure.

In consequence, these hearings were perfunctory and almost useless. Yes! they were worse than useless, for, unquestionably, the decisions of the committee with regard to appropriations were sometimes influenced by the persuasive importunities of representatives of one or the other of the state's spending agencies. In consequence, since the amount of money available for these agencies was limited, the committee at times, with the best of motives, "robbed Peter to pay Paul."

This must not be held up against them personally, however, for what guide did they have to intelligent and fair action? Surely not the budget, which was nothing more than the governor's opinion of how a fixed sum of money should be apportioned among a definite number of spending agencies. Had he had the time and facilities to base this opinion upon a complete mass of assimilated data, it might be different, but he, too, was obliged to premise his decisions upon nothing but pleas, importunities, estimates and uninvestigated requests. As a result, the Joint Appropriation Committee were justified in believing that they could guess as well as he. The *sine qua non* of a true budget for New Jersey is an accumulated supply of accurate data with regard to every spending agency in the state, uniformly gathered and collected. Without it the work of the governor, of the Joint Appropriation Committee and of the legislature will always be in the dark.

Preparation of the Appropriation Bills.

The New Jersey legislature took a recess during the last week of March, in order to give the Joint Appropriation Committee one week to devote its entire time to the preparation of the appropriation bills. However, by a subsequent agreement between majority leaders of the legislature this week was cut short by three days, the bills being passed on Friday, March 30th, instead of the following Tuesday, as agreed upon at the time of recessing. The committee began its first real work at getting the appropriation bills together on Monday, March 26th, though some of the time was taken up on both Monday and Tuesday by hearings.

Supplemental Bills.

Supplemental items, to be added to the current year's appropriation, were allowed by the Appropriation Committee at the same time it decided upon the allowances for the annual bill. In the end the supplemental items were grouped into one separate bill. Many items other than those designed to meet the high cost of living were put into the supplemental bill. There was no consistent rule applied as to what it should or should not include. All emergency items were put into it, and, in addition, all items for which the committee wished the funds to become immediately available.

Section 13 of Budget Law.

When Governor Fielder was preparing his budget, he ignored all supplemental claims under a strict interpretation of Section 13 of the Budget Act, which reads as follows: "No money shall be drawn from the treasury except by the General Appropriation Bill, and it is the intent of this act that no supplemental, deficiency or incidental bill shall be considered." However, the Joint Appropriation Committee thought a supplemental bill necessary to take care of certain contingencies that had arisen or were expected to arise during the year, and in consequence one was made up, which passed the legislature and received the approval of Governor Edge.

Appropriation Committee at Work.

When the Appropriation Committee came together on Monday morning, March 26th, it was decided to get the appropriation bills together in the shortest possible time, so that adjournment of the legislature might take place on Friday of the same week. The chairman, four other Republican members, the secretary, and the clerk, were present. They took their seats around the big table in the state comptroller's office, which had for more than two months been accumulating its load of papers relative to requested appropriations. Each committeeman was supplied with a copy of Governor Fielder's budget. Schedule C, the itemized or supporting schedule, was used. The governmental units were taken up in the order in which they came in this schedule. The members of the committee proceeded to discuss each unit and to decide as to whether or not Governor Fielder's allowance should stand, and, if not, whether they should increase or decrease it. They also decided whether they would allow the items as enumerated by the governor under each separate unit, to stand, or lump them together. In no case did they further itemize the governor's budget. They then agreed on the amounts, if any, of the supplemental appropriations to be allowed the governmental unit under discussion. When the secretary had recorded the amounts thus allowed and the purpose for which allowed, the next unit was taken up and disposed of in the same manner. And so the work proceeded until the appropriation bills were completed.

Two other members, both of whom were Republicans, put in their appearance at the afternoon session of the committee. This completed the list of the Republican committeemen. During the afternoon and night session allowances were made for the first 26 units of the governor's budget.

At the session on Tuesday morning, one of the Democratic members was present for the first time. During the morning,

afternoon and night sessions of Tuesday the routine of work was much like that on Monday. The governor's budget was taken up at unit 27, and allowances were made down to unit 63.

On Wednesday morning, the allowances made to the units on Monday were rechecked with the record of the secretary, and he was instructed to send them to the printer, so that the setting up of the bills could be commenced. The other Democratic member of the committee appeared for the first time at this session. By the close of the afternoon session, allowances had been made down to unit 70 of the Fielder budget, and rechecked for the printer. On Wednesday afternoon, it became apparent that certain members of the committee had in mind some appropriations for the benefit of their local constituencies, which they hoped to include in the bills. One member desired to have \$50,000.00 appropriated for improvements at the Fish Hatchery. A motion to this effect was made and seconded, but the chairman refused to put it to a vote. Since the chairman refused to entertain this motion, no more were made at that time.

All members of the committee were present on Thursday morning. About one-half of each bill had been set up by the printer, and the remainders were to be gotten to him as early as possible that day, so the bills would be printed and ready for the legislative session on Friday. Instead of putting the bills together and reviewing them as a whole, they were sent to the printer in piecemeal, in order to give him time to linotype them. No one knew, as yet, what the total of the bills would amount to, and how this would compare with the estimated revenues of the state. The committeemen believed, however, that the anticipated revenues reported to Governor Fielder were based on a very conservative estimate, and that there ought to be at least a million dollars more to appropriate. Acting on this presumption, they felt perfectly safe in adding liberally to the total amount of the governor's budget.

On Thursday afternoon the question of special appropriations for certain local constituencies came up again. It was obvious now that there was to be concerted action on the part of the majority of the committee to include certain appropriations in the bills. A motion was made and seconded to appropriate \$25,000.00 each for armories at Salem and Bloomfield. The chairman quoted what Governor Fielder had said in his budget message relative to the unsettled future of the National Guard making it unwise to provide new armories. In spite of this, the question was voted on, and the armories carried. Immediately following this vote, one of the assemblymen put another motion for the appropriation of \$300,000 to build a normal school in South Jersey. This motion also carried. Then the motion relating to additional improvements and construction at the Fish Hatchery was revived and passed. The chairman was fairly exasperated by this time, and was hotly protesting against the action of the other members of the committee. Nevertheless, the appropriations were included in the bills.

When Thursday night came, the bills were still unfinished. The committee worked on until nearly midnight before all the allowances had been made. These were then turned over to the secretary of the committee, Mr. Kite, who prepared them with all haste for the printer. The printer had held his linotype men on their jobs all night in order to get the bills set in type by the next morning. By one o'clock on Friday morning the first totals of the appropriation bills were completed. The annual bill showed a total of \$8,989,285.64, and the supplemental bill a total of \$486,851.47. Only 33 out of the 111 separate units in Governor Fielder's budget had not been changed by the appropriation committee, and these were all small appropriations, and a number of them fixed by statute. Fourteen new units had been added.

By eleven o'clock on Friday the first copies of appropriation bills had come from the printer. A few members of the appropriation committee gathered together in the comptroller's office and looked the bills over. It was decided to make some

changes, which was done, and the bills were rushed back to the printer at one o'clock, to have an "Official Copy Reprint" made of each in time to pass the legislature that afternoon. By this time the printer was getting frantic, but he stuck to his job. The changes made in the general appropriation bill were the addition of \$25,000 to unit 12, The State Highway Commission, and the addition of unit 125, State Normal School at Elizabeth, \$10,000. In the supplemental bill, Section 32, Industrial Education, \$32,666.67, and Section 33, Vocational Schools, \$7,281.67, were cut out and included under school funds on page 19 of the "Official Copy Reprint," the former being raised to \$98,000, and the latter to \$21,845. This hasty revision of the bills practically finished the work of the Joint Appropriation Committee. Governor Edge had not participated in the work of the committee; he had only offered a few suggestions when his advice had been sought. The committee, left thus entirely to its own devices, had followed the old and customary lines of procedure.

2. Enactment of the Appropriation Bills.

The Budget Law makes no provisions concerning the enactment of the budget or appropriation bills into law. It only states that there shall be a General Appropriation Bill, which shall control the expenditure from the state treasury of all funds (section 13). It is presumed, then, that the legislature would follow its rule of procedure in the enactment of appropriation bills, which is thus prescribed in the Senate Rules of 1917, section 37: "The annual, supplemental and incidental appropriation bills shall not be considered until at least one week has elapsed after they shall have been introduced, printed and placed on the desks of members." In practice, however, this rule is always suspended.

Introduction of Appropriation Bills in the Senate. The Senate met on Friday afternoon at 1:40, and the supplemental and annual appropriation bills, known as S. B. 315 and S. B. 316, respectively, were introduced.

They were hurried through first and second readings, and ordered to be printed and have a third reading. Recess was then taken until three o'clock, when the bills were expected to be printed and ready for final action. In the meantime a concurrent resolution had been adopted adjourning both houses of the legislature *sine die* at 6:30 o'clock. The afternoon passed, and no printed bills came. When the hour set for adjournment approached the clocks of both houses were stopped. At a few minutes after six the first few copies of the bills were rushed up from the printer and taken to the office of the supervisor of bills behind the Senate chamber. Here a copy of each was hurriedly gone over and the pages were assembled in their right order, for the printer, in his wild rush, had not taken time to staple the pages together. These were carried down to the Senate chamber, and S. B. 316 was taken up at 6:20 for third reading and final passage on suspended rules by recorded vote. Copies of the first edition of the bills had already been placed on each senator's desk. (a)

Debate and Passage of Appropriation Bills in Senate. Senator Ackerson opened the discussion on the S. B. 316, by proposing an amendment to section 27, p. 16, providing an appropriation of \$25,000 for an armory at Freehold.

He said that he understood armories were to be excluded from this year's appropriation bill, but he noticed that Bloomfield and Salem were to have armories. He referred to his bill passed in 1915, to which the Bloomfield armory was an amendment by the House. He stated that Monmouth County had three times the population of Salem County, and yet Salem was getting an armory instead of Freehold.

(a) A brief of the debate that occurred in both the Senate and the Assembly previous to the passage of the annual and supplemental appropriation bills is given following this point. It has very little value beyond the fact that it is a good illustration of just how much "solemn deliberation" appropriation bills usually receive at the hands of the people's representatives. It also illustrates the rule of minority attack and majority defense, the appropriation bills being in the main the work of the Republican party.

SENATOR WELLS: Salem County hasn't an armory. That is the reason.

SENATOR ACKERSON: I note an appropriation of \$38,700 has been made to the Fish Hatchery. It is all right to encourage sportsmen, but armories are more important at this time.

SENATOR WELLS: This appropriation was made out of the unexpended balance of revenues that belonged to the Hatchery.

Vote: 3 affirmative; 9 negative—Senator Ackerson's amendment lost.

Senator Wells then gave a summary of the annual and supplemental bills in which he read from a typewritten sheet containing the following statements:

Annual Bill for 1918.....	\$8,579,285.64 ^a	
Annual Bill for 1917.....	8,073,255.25	
Increase		\$506,030.39
Supplemental Bill, last year.....	\$503,211.55	
Supplemental Bill, this year.....	463,263.21 ^a	
Decrease		39,948.34
Total Increase.....		\$466,082.05

The senator continued by naming some of the constructive work provided for, as Shark River dredging, new armories, addition to asylum at Trenton, gymnasium for State Home for Boys, addition to Fish Hatchery, and so forth. He referred to the provision made in the annual appropriation bill for a settlement with the county hospitals for tuberculosis, offering to pay at the rate of fifty per cent. because of the obvious padding of accounts. He stated that \$300,000 had been appropriated to build a new normal school in South Jersey, and \$100,000 for the purchase of toll bridges across the Delaware River. The Palisades Park had been granted \$25,000, that should have been appropriated to it last year. The sum of \$17,000 had been allowed for port development; and, furthermore, appropriations had been made for manual training in the state. He concluded by complimenting the members of the committee upon their faithful work.

SENATOR FLORENCE then said: I congratulate the committee for having the courage to make provisions for paying up the state's debts. However, I find some appropriations in the bill for which I should like an explanation from the senator, who has just spoken. I note on page 20 of the bill that a fee of \$500 has been allowed to Gardner Colby. Why was this so allowed? I note further that a revolving fund of \$500,000 has been included in the bill. What is the purpose of this revolving fund? I ask what can be the meaning of the appropriation of one half million dollars to a commission of three men!

SENATOR WELLS: The purpose of the revolving fund is to enable the budget and purchasing system to be handled scientifically and economically. They can only make use of the funds when emergencies come up. The fund allowed in its supplemental bill is to permit the purchasing department to take advantage of cash prices in its purchasing up to October 31, 1917. As to the appropriation of \$500 granted Gardner Colby—I may state that work was thrust upon him and he should be paid extra for his services.

SENATOR FLORENCE: I strongly question the appropriation of one-half million of dollars as being at all necessary for the purpose of a revolving fund. It is not within the power of the legislature to make this grant. Besides there is no check on the three men composing the commission. They are not accountable to the people of the state, save the governor. Moreover, who is to define an "emergency," if the fund is to be so used? This emergency fund is not available for military purposes, because not available till November 1, 1917. This is a new departure from the laws of the state of

(a) Note: A fund of \$500,000.00 was established in the Annual Bill and \$100,000.00 in the Supplemental Bill as a State Emergency Fund, to be used for emergencies and the State Purchasing Department. The sum included in the Annual Bill will eliminate any Supplemental Appropriation Bill next year.

New Jersey in that it is conferring upon the State House Commission the power that rests in the legislature.

SENATOR WELLS: This granting of an emergency fund is part of the scientific work of carrying out the budget act. Without this money the purchasing department will go under. The State House Commission will be limited in the spending of this money, as the courts will determine what an "emergency" is, and if the money is not judiciously used it will have to be replaced out of the commission's pocket.

SENATOR RICHARDS: The object of the \$500,000 is to form a revolving fund, that will be used to take care of any contingencies that may arise. It is the logical outcome of the budget act, which forbids supplemental bills. It is absolutely necessary to have an emergency fund. The real object of this fund is to do away with supplemental bill.

SENATOR ACKERSON: The clause that is written in the state constitution to the effect that the legislature is to make all appropriations does not mean that it is to appropriate one-sixteenth of its total budget to a single commission. The legislature is establishing a dangerous precedent. It is removing this large fund from popular expression, because the governor cannot by the constitution succeed himself, and the other two members of commission are not responsible. I have no objection to a reasonable fund for the purchasing department.

Vote Taken: 13 in the affirmative and none in the negative—bill passed. Fifty minutes were consumed in debating and passing the annual appropriation bill in the Senate.

At 7:10, S. B. 315, was put on third reading by a suspension of the Senate rules.

SENATOR WELLS: This is the usual supplemental bill, to take care of the high cost of living, etc.

SENATOR McCRAE: Is this the last supplemental bill?

SENATOR WELLS: It is the intent of the Budget Law.

SENATOR FLORENCE: The State House Commission can only spend the revolving fund by incorporating such a provision in the bill. Robert H. Ingersoll should unquestionably have been granted \$750.00 for the benefit of an Atlantic City attorney (alluding to Senator Richards of the Appropriation Committee)! (Laughter)

SENATOR McCRAE: No reasons should be given to disturb the harmony at this time! (More laughter)

Roll Call: 13 in the affirmative, none in the negative—bill passed. Seven minutes taken up in debating and passing the supplemental bill.

Debate and Passage of Appropriation Bills in Assembly. Senate Bills Nos. 315 and 316, after passage in the Senate, were immediately carried to the Assembly and put on third reading.

Copies of the "Official Copy Reprint," were then laid on the desk of each Assemblyman, the printer having had an opportunity by this time to make up a sufficient number of copies.

At 7:32, S. B. No. 315 was put on third reading in the Assembly by a suspension of rules.

MR. GILBERT: The supplemental bill includes the amount necessary to carry the institutions through until October 31, 1917, etc.

MR. GERAN (Minority leader): I note on page 18, item 57, that Robert H. Ingersoll is to receive \$750.00 for legal services which he is supposed to have rendered the State Highway Commission. Who hired him?

MR. GILBERT: Mr. Ingersoll was hired by the Highway Commission.

MR. GERAN: The Highway Commission under the Egan Act was never organized.

MR. GILBERT: That was because the Egan Act was unworkable.

MR. OLIPHANT: The bills were prepared by Mr. Ingersoll and not by the Attorney General as the Monmouth representative supposes. The amount allowed Ingersoll is due him.

MR. GERAN: I am pleased to see the appropriation of money to the different school districts. A payment of one-third of amount due was at first contemplated, but this morning the bill was redrafted to include full payment, which must be attributed to the agitation of the minority members of the committee.

MR. WOLVERTON: Senator Wells stood for full payment.

MR. GERAN: But you must give the Democrats credit. The policy of the Republican Party has been to fall down on the amount of money that they appropriated to the manual training schools.

MR. DOLAN: These appropriation bills have been prepared on the "cheating cheaters" policy. One makes an appropriation of \$19,000 to the Hudson County tuberculosis hospital when the state owes it \$101,000. New Jersey does not pay its legal obligations, while it authorizes the State House Commission to spend one-half million dollars!

MR. WOLVERTON: The same obligation is due to the other counties that have tuberculosis hospitals as to Hudson County. The amount allowed is based on what Governor Fielder recommended, he being a resident of Hudson County (Jersey City). The Appropriation Committee has allowed \$19,046.91 to the Hudson County hospital when Governor Fielder only recommended \$12,875.00 in his budget.

A representative from Passaic moved to close debate. A vote was taken resulting in 45 in the affirmative and none dissenting. The supplemental bill was passed by the Assembly after thirty-two minutes of debate.

The annual bill, S. B. No. 316, was taken up on third reading by suspended rules vote at 8:07. The debate and final passage in the Assembly occupied eight minutes.

MR. GILBERT: The annual bill provides for the erection of a normal school in South Jersey, addition to Jamesburg home for boys, dredging of Shark River and other constructive work.

MR. GERAN: I note that it also provides that \$500,000 is to be appropriated to the governor and two other men. (Shouts from the Republicans to sit down.) You might as well say to the State House Commission, "Take the total of the state's budget—\$9,000,000—and do what you please with it!" (Clapping and laughter from the Republican side of the house.)

Mr. Oliphant thereupon moved to close debate, and the Republicans all shouted "aye." The vote was taken, giving 48 in the affirmative and none in the negative, so the annual appropriation bill was declared passed by the speaker.

During the discussion in the Assembly, of the appropriation bills, and especially of the annual bill, there were so many visitors on the floor of the house, so much loud conversation, moving about, and general disorder that one, with the panoramic view afforded by the gallery, could hardly determine what was supposed to be taking place, much less justify the legal concept of the "intent of the legislature." The gallery was already crowded with people awaiting the hour to arrive for the merry-making that customarily accompanies the close of each year's legislature. Several of the younger Assemblymen wore their dress suits for the occasion, and were apparently more interested in the social hour, that was to follow, than they were in New Jersey's appropriation bills.

The Senate had taken fifty-seven minutes to discuss and pass the appropriation bills; the Assembly had taken forty minutes, making a total of one hour and thirty-seven minutes. This year's legislature seems to have established a record for brevity in the consideration and "solemn deliberation" given to the state's appropriations. The procedure and routine of the passage of the appropriation bills through the legislature was similar to that of previous years. Neither house of legislature made any changes in the bills. They went through just as recommended by the Joint Appropriation Committee. Only one amendment was proposed and it was defeated, having been proposed by a Senator of the minority party.

Form of the Appropriation Bill.

The form in which the items of the appropriation bills are set up is such as to make it very difficult for a legislator or any one else to ascertain just the amount of each item without laboriously reading line after line. An idea of what the bills proposed to spend cannot be gained by glancing through them, as the amounts appropriated for each item are spelled out in full. If a legislator wishes to know how much has been allowed in the bill to a certain department or institution, he must literally write the items in figures on the margin and then total them. Such a process takes time. The fact that legislators are only allowed a few minutes to glance over the printed bill before they are asked to vote on it means that it is impossible for them to ascertain the totals in each case in time to form any kind of a judgment. An illustration of this may be found in a mistake in this year's supplemental bill. Although the sum appropriated to one item in unit 21 was printed twice, it passed through the legislature without being noticed. A much clearer grasp of what the appropriation bills contain could be gathered in a much shorter time, if they were printed after a form of a financial report rather than a literary production. The following are verbatim transcripts of the forms used respectively in setting up Governor Fielder's budget and the annual appropriation bill. Their relative lucidity speaks for itself without further comment.

Executive Department	
For the Governor for salary.....	\$10,000.00
For the Secretary to the Governor, for salary.....	4,000.00
For compensation for assistants.....	5,100.00
For blanks and stationery.....	1,250.00
For traveling expenses, postage, expressage and other incidental expenses.....	2,750.00
	<hr/> \$23,100.00

EXECUTIVE DEPARTMENT

1. For the governor, for salary, ten thousand dollars;
2. For the secretary to the governor, for salary, four thousand dollars.
3. For compensation for assistants in the executive department, five thousand one hundred dollars;
4. For blanks and stationery for the use of the executive department, one thousand two hundred and fifty dollars;
5. For traveling expenses, postage, expressage and other incidental expenses, two thousand seven hundred and fifty dollars.

Mistakes in Appropriation Bills.

The Newark Evening News went over the appropriation bills carefully, and on Wednesday, April 4th, published the following under the caption "Mistakes made in Cash Bills":

"Most prominent in the appropriation bills passed by the legislature of this year, in addition to the size of the appropriations, is the record of errors made evidently because of the haste in jamming the bills through last Friday. It had been the previous intention of the leaders to adjourn from last Friday until today, so that the appropriation bills could be studied. Instead, the leaders wanted to get the legislature off their hands as soon as possible and induce the adjournment Friday.

"One of the mistakes—or rather two of the mistakes, because they are duplicated in both the supplemental and the annual bills—will prevent the joint judiciary committee from embarking upon its probing expedition unless it does so without cash. In item 51 of the supplemental bill, entitled 'Joint Judicial Investigating Commission,' there is made an allowance of \$1,000 for expenses incurred by the commission appointed pursuant to Joint Resolution No. 11, approved March 29th. A similar appropriation, with a similar reference to Joint Resolution No. 11, is made in the annual bill in item 115.

"But—Joint Resolution No. 11 does not refer to the joint judiciary committee. It provides for the conduct of an investigation into the pension laws of the state. To give the money to the joint judiciary committee, the reference should have been to Joint Resolution No. 7, which was approved March 26th. Provision is made for the pension inquiry in

item 118 of the annual bill. It provides \$2,000, which will not be available until November 1st.

"Even worse is the printing of item 23 of the supplemental bill, 'Inauguration ceremonies at Washington.' The item reads as follows: 'Any unexpended balance of the appropriation made pursuant to Chapter 3, laws of one thousand nine hundred, is hereby appropriated.' The intention was evidently to refer to Chapter 3 of the laws of 1917, but the types took it seventeen years back. Chapter 3 of the laws of 1900, is an act incorporating Bloomfield as a town. There is no declaration as to what fund the balance is appropriated. The affect of the misprint was corrected in writing in the copy of the bill sent to the governor. In that, the words 'and seventeen' have been written after 'nineteen hundred.' Beside this interpolation are the initials 'R. M. J.,' and the notation '3-30-17.' The initials are those of Robert M. Johnston, supervisor of bills in the Senate, and the figures represent the date the bill was passed.

"What seems to have been an attempt to make an alteration in item 21 of the supplemental bill has resulted in the enactment of the bill with both the mistake and the correction in it, although there is no way to tell absolutely which is which. The reference is to an appropriation of \$15,000 for the state purchasing agency. This is an addition to the \$10,000 in the annual bill for the current year. The reference in the supplemental bill is as follows:

"For additional allowance for the purpose of carrying into effect the provisions 'of chapter 68, laws of 1916,' including necessary expenses incurred during the preceding fiscal year, fifteen thousand dollars of chapter sixty-eight, laws of one thousand nine hundred and sixteen, fifteen thousand dollars; 'In this form, with a period in the middle and a semi-colon concluding the paragraph, the bill was slopped through both the Senate and Assembly.'"

The News continued under the same caption to discuss the size of the appropriations and some of the provisions of the bills. It said in part as follows:

"As to the size of the appropriations, a generous proportion is due to enlargements of salary and expense allowances in both the supplemental and annual bills. But provisions were made also for the betterment of many institutions and the payment of back debts to the counties by the state. In the annual bill, carrying \$9,074,285.64, the increase is \$916,039.39 and in the supplemental \$646,103.13, is an increase of \$83,639.92 over last year. Some of the increases are accounted for by the improvements planned and also by the capital funds for the central state purchasing agency—\$500,000 in the annual and \$100,000 in the supplemental.

"The elimination of the usual 'incidental bill' this year afforded an opportunity for the covering up of items which had been vetoed last year and the year before by Governor Fielder. Item 44 of the supplemental bill contains an allowance for incidental and contingent expenses of the legislature, sessions of 1915 and 1916, a total of \$1,587.61, 'all bills to be approved by the committee on incidental expenses and filed with the comptroller before payment is made'.

"Contained in both of this year's bills are provisions absolutely new in state appropriation measures, by which appropriations made to a department may be diverted to purposes other than those named in the bill itself. This can be done only with the consent of the State House Commission, composed of the governor, treasurer and comptroller. This newest wrinkle in state financial legislation, to which attention has not been attracted hitherto, is as follows:

"Fifth—In order that some degree of flexibility in appropriations may be had, any department or other state agency receiving an appropriation by any act of the legislature may apply to the State House Commission for leave to transfer a part of any item granted to such department or agency to any other item in such appropriation. Such application shall only be made during the current year for which the appropriation is made, and if the State House Commission shall consent thereto, it shall notify the comptroller thereof in writing, whereupon the comptroller shall place the amount so transferred to the credit of the item so designated; provided, however, that no sum appropriated for any permanent improvement shall be used for maintenance or for any temporary purpose.

"Generally, when innovations are injected into the appropriation bills, some explanation of them is given, but none was offered this year regarding the quoted paragraph. Both bills contain also the sections put into the bills of 1915, allowing

the state comptroller to exercise his judgment to 'conserve the best interest of the state.' That feature was not incorporated in last year's bill, but has again been taken up. No explanation was given for this action, either.

"As a matter of fact, the committee which prepared the bills did not have time to explain anything. The bills were prepared in haste after numerous hearings had been held, just as if the budget act had never been passed and as if Governor Fielder last November had not prepared a budget statement. Both the annual and the supplemental bills disclose spots that show the slovenliness of their preparation, due to the hasty tinkering with them at the last minute, when the leaders decided to rush them through and get rid of the legislators, instead of laying the bill over for a week, as the Senate rules called for."

The section quoted from the appropriation bills in the article just preceding, relative to the transfer of moneys to other items by the permission of the State House Commission is taken *verbatim* from section 15, of the Budget Act, and seems to be the only evidence of that law to be found in the history of the preparation of the appropriation bills. Speaking on this point the Newark Evening News remarked:

"The blunder in the appropriation bill, signed yesterday, that gives money intended to go to the joint judiciary committee for probing purposes to the committee named to study the subject of pensions, may be easily corrected, Governor Edge believes. He said today that, if necessary, he would call together the members of the two committees and suggest that under the budget act of last year, application be made to the State House Commission to transfer the funds available from the pension body to the judiciary committee. The governor said today he had no doubt as to the intent of the legislature relative to the appropriation for the judiciary investigating committee. The intent of the legislature in placing the sub-title 'judicial investigating committee' in the appropriation bills, is sufficient, according to Governor Edge's view, to identify what was in the minds of the legislators, and would be controlled by the decision in the White case, holding that where possible full force and effect should be given the intent of the legislature where this is plain. Governor Edge did not regard as serious other defects in the appropriation measures and particularly those due to typographical errors." (a)

Approval of Appropriation Bills. On April 3rd, Governor Edge approved the annual and supplemental appropriation bills, with the exception of three items, aggregating \$39,200. The items disapproved

included two of \$38,700 appropriated for enlarging the plant of the State Fish Hatchery, \$27,700 being in the annual bill and \$11,000 in the supplemental bill, and \$500 for additional salary for Gardner Colby. The governor gave his reasons for disapproving the items allowed the Fish Hatchery in a message, accompanying the signing of both the annual and supplemental bills, in which he said:

"The purpose of this item is for enlarging the plant of the State Fish Hatchery at Hackettstown. While I do not question the benefits to be derived from such expenditure, if the finances permit it, increasing the facilities of the hatchery at this time, it is, however, my judgment that with the extraordinary expenses we are facing in connection with international disturbances, and with the known fact that we are only partially meeting the many justifiable demands upon us for increasing the capacity of our many institutions, caring for the dependents and afflicted, we should husband our resources and authorize at this time only very necessary expenditures.

"The receipts of the Fish and Game Commission from licenses and other sources are increasing annually, and perhaps, by some readjustment of expenditures, it might be possible for that department to make some plant extensions without drawing from state funds at this particular time."

In disapproving the \$500 allowed in the annual bill to Mr. Colby, for additional services, the governor said:

"The bill has therefore met my approval with the exception of lines 16, 17, 18 and 19, in item No. 37, calling for \$500 additional payment to Gardner Colby, chief examiner of the Civil Service Department, inasmuch as I am convinced upon looking over the laws and the records of my predecessors in

(a) Newark Evening News, April 5, 1917.

connection with a similar item in previous appropriation bills, that this extra remuneration is not justified.

"The item purports to be extra remuneration for services in connection with the operation of Chapter 183, of the laws of 1911, providing for extra work for this department in connection with the election laws. I do not doubt that this remuneration at that time was, in the wisdom of the legislature, justifiable, but there would seem to be no reason why this extra remuneration should continue, as the department has unquestionably been organized to take care of this work for several years, and following the passage of that act the salary of the chief examiner was raised from \$3,500 to \$4,000 at the same time repealing all previous acts in connection with extra compensation.

"I am also opposed to the general policy of adding to fixed salaries by fees because of special acts. Salaries of state officials should be provided for definitely by the legislature and only changed by that body. This apparently was the intent of the legislature when, in 1912, they raised this particular salary."

In signing the bills Governor Edge stated that the budget recommended by former Governor Fielder, was \$135,000 in excess of the appropriations of last year, and did not include any of the items which he disapproved. Eliminating the extraordinary appropriations made by the legislature, such as the military emergency fund, the item for the new normal school in South Jersey, and the revolving emergency fund of the State House Commission, which will make a supplemental bill unnecessary, Governor Edge said that the new budget is less than that recommended by ex-Governor Fielder. He also stated that appropriations asked for last November for the coming fiscal year exceeded by \$5,500,000 the appropriations made by the legislature.

In commenting on his action respecting the annual bill, Governor Edge said:

"There are a number of items in this, the annual appropriation bill, to which I would like to have given personal investigation before approval, as a careful study of the bill convinces me that some readjustments might have been wise, in view of the unusual financial strain the state may face in the immediate future. However, without having had the opportunity of preparing the budget upon which this bill is based, it is necessary that I accept the committee's report, which I know has been made after careful study and consideration."

Finally, Governor Edge explained the establishment of the emergency fund, the wisdom and necessity of which the minority members had vehemently challenged during the short debates preceding the passage of the appropriation bills in the legislature. He said:

"The emergency fund for the direction of the State House Commission made it necessary to increase the present budget not a little, but the added appropriation is simply a substitute for the deceptive and unscientific supplemental bills. Under the New Jersey budget act a supplemental appropriation bill is unlawful anyway, and if there is to be an elastic fund for the benefit of state departments in an emergency, the State House Commission, whose head is the governor, may be depended upon to manage the fund in the interest of the public; in fact, it must be depended upon, if the theory of a business government, with the governor as the executive head, is to be carried out."

Member Bills. Section 13 of the Budget Act provides that "No money shall be drawn from the treasury except by the General Appropriation Bill, and it is the intent of this act that no supplemental, deficiency or incidental bill shall be considered"; while section 2 states that "Any organization, body, committee or person intending to request an appropriation from the legislature for any particular object or purpose or for any new annual expenditure, shall likewise present such request to the governor on or before November 15th."

Such are the provisions of the law, and Governor Fielder complied with the latter provision by including all requests received by him in a budget which he laid before the legislature on the opening day of the session. Notwithstanding these facts the members of the Senate and Assembly prepared and introduced during the session 75 bills, each involv-

ing an appropriation of money out of the state treasury for the benefit, in the main, of their localities and their constituents. Of these 75 bills, 63 carried the grand total charge on the treasury of \$4,605,916; the remaining 12 carried indeterminate charges. Of this grand total, the Senate bills carried \$2,913,750 and the Assembly bills \$3,196,116, deducting \$1,500,000 for duplicate bills introduced in both houses. Governor Edge approved 27 of these member bills, which carry

a total charge on the state treasury of \$2,089,550 not including the amount of those bills among this number that carry indeterminate charges. Practically all of the bills that became laws were either paid directly out of the state treasury or were incorporated in the appropriation bills.

The following is a complete tabulation of the bills introduced by private members into the legislative session of 1917, involving an appropriation of money out of the state treasury:

LIST OF BILLS INTRODUCED IN THE LEGISLATIVE SESSION OF 1917, INVOLVING AN APPROPRIATION OF MONEY OUT OF THE STATE TREASURY

Table with columns: Number, Member, Date, Title, Amount, Ch. of laws. Includes Senate Bills and House Bills.

Table with columns: Number, Member, Date, Title, Amount, Ch. of Laws. Includes House Bills and a summary table at the bottom.

Summary table with columns: I. Salaries increased, II. New offices and positions created, III. Pensions sought, etc.

(a) Two duplicates in H. B. of S. B.

CHAPTER III.

Some Facts Relevant to the Law

The purpose of this chapter is to point out some pertinent facts to the operation of the budget law that have not been noticed in the two preceding chapters.

1. *The Governor's Role Under the Law.*

The part that Governor Fielder was called upon to play in initiating the operation of the budget law was a rather difficult one. The difficulty was due not so much to the law being new, as to the fact that all methods of procedure looking toward efficient state budgetary systems share as yet more or less the character of experiments. Governor Fielder's task was to set into operation an experiment in state budget-making, the procedure of which had not been marked out by his own party but by an opposing political party. This party had secured the reins of legislative power two years previous to this time, and had in 1916 enacted the budget law. Senator Edge, the author of the law, had become the leader of his party by election to the governorship at the November general election of 1916. He had referred to his budget law in his campaign as one of his most important pieces of legislation, looking toward a thorough "business administration," and the majority of the people of New Jersey had, by his election, stamped their approval upon his proposed program. But Mr. Edge was not to be responsible for the recommendations of the first budget to be prepared under his law. He did not assume the duties of governor until one week after the budget had been completed and submitted to the legislature. The responsibility fell upon Governor Fielder. He had protested at the time the bill was introduced into the legislature against placing the extra work of preparing a budget upon the governor without relieving him of an equivalent of other duties, but he had, nevertheless, approved the bill when it came to him. He thus showed himself willing to assume the additional responsibility of preparing the first budget under the new law, because he realized the need of a budgetary system in New Jersey.

It was under such circumstances that Governor Fielder set at the work of preparing his budget during the early part of November. As has already been pointed out, he was delayed in getting the budget blanks, or estimate forms, printed and sent out to the governmental agencies. The budget officers prepared the blanks in a more or less haphazard manner and were none too punctual in returning them.

Governor Fielder appointed the time and place for numerous hearings on the necessity of appropriations. These hearings were attended with an apparent degree of reluctance on the part of some of the state agencies. They were intended to be public, but the writer happened to be the only one of the public present, save on one or two occasions when a single newspaper reporter dropped in to see what it was all about and after awhile silently departed. The Newark Evening News and the Trenton Evening Times contained brief statements relative to each day's hearings, naming the institutions and departments heard and giving the amounts requested by each.

Under a provision of the budget law, Governor Fielder named the state treasurer and state comptroller to sit with him and assist at the hearings. The circumstances which surrounded Governor Fielder in the preparation of his budget were, to say the least, not very encouraging. Nevertheless, carrying out the provisions of the law as nearly as he could, he proceeded to make up his recommendations and submitted them to the legislature. There can be little doubt that he made his allowances to the several governmental agencies after as much inquiry and consideration as the time at his disposal would permit. Still the fact that his recommendations were to be acted upon by a legislature in which his own party was in the minority, probably led him to believe that

in any case his budget would not be given the consideration that it ought to have. He knew, furthermore, that one week after he submitted his budget message to the legislature, his term of office would expire and he would be unable to follow his recommendations in his official position.

Mr. Edge, at the time of his inauguration on January 16th, was very optimistic about the operation of the law. He said in his inaugural address:

"We have a State Budget Law; we also have a Central Purchasing Bureau Act. Obviously, it is our immediate duty to go ahead and administer these laws that we already have, so that their operation will be effective and the result will be a thorough business administration, affecting as they do practically every department of the government of our state. All law is valueless without enforcement."

The legislature had met the week before the inauguration but had only marked time until the new governor was installed in office. President Gaunt of the Senate had said on the opening day of the session with reference to co-operation with Governor Edge:

"Definite aims and purposes were set forth by our governor-elect as he went before the people as a business man with a business plan; his election is conclusive proof that a great majority of our citizens approve of his plans, and it behooves us who are a part of their directorate to perform the duties assigned us by the will of the people."

Governor Fielder's budget was before the legislature and had been referred to the Joint Appropriation Committee.

Just at this point in the new budget procedure Governor Edge was invited to come before the Congress of the National Security League held at Washington, D. C., on January 26th, and discuss "The State Budget System." Although he was unable to appear in person, he sent a paper to be read before the League. In this paper he said:

"The financial system is the lock on the door that leads to businesslike government. The executive budget is the key that fits the lock and will open it. Therefore, the state executive budget, which I have been invited to discuss today, is a factor of prime importance in progressing toward sound government. It insures a working acquaintanceship between the governor and every branch of the government requiring appropriations—a familiarity which would never obtain were it not for the budget responsibility which the governor is obliged to assume. Hence, the state, through the budget, gets the advantage, which every successful private corporation enjoys—of having its money expended by someone who is familiar with its financial needs and its everyday business.

"The ordinary system of fixing appropriations is vicious and unsound for three reasons: First, it mixes politics too much with our public finances; second, it fails to concentrate responsibility; and, third, it does not regard the important relationship between income and expenses, between revenues and appropriations.

"Everyone is familiar with the fact that legislators are intent upon obtaining appropriations to please the particular county or district they represent. It is natural that some of them should care very little whether the state has sufficient income to meet its expenses or whether some other county or district receives its share of the state money, just so long as they get theirs. In some counties, perhaps, the statesmanship and ability of a legislator are gauged by the amount of appropriations which he is able to squeeze out of the state money bag for institutions, organizations and improvements of his own county; if he fails to measure up to the expectations of his constituents in this respect he is a political failure and frequently finds that the lame-duck club is waiting to initiate him. I submit that the legislator ought to be protected against this baneful political pressure. The policy of grabbing from the public strong-box as much as it will stand, and more, for the benefit of constituents, is distasteful to the average legislator. He 'follows precedent' from necessity rather than choice. He would rather not be bothered with the unpleasant task of satisfying district greed and be free

to devote his legislative time to the many problems of genuine statesmanship. The budget provides him the opportunity by relieving him of much of the responsibility of 'local financing.'

"In New Jersey control of the finances of the state is not centralized wholly in the Chief Executive. The legislators bear their share of the responsibility, after the governor has carefully investigated the requisitions of the different departments, commissions and other state agencies and transmitted them to the legislature with certain specific recommendations, based on the principle that at no time shall the appropriations exceed the income of the state. But New Jersey has gone as far as it could to concentrate responsibility in the executive and to eliminate politics from state financing without altering the constitution. Our budget plan is authorized merely by law.

"Prior to the enactment of the Budget Act in New Jersey requests for appropriations were considered by the Appropriations Committee of the legislature. While this committee held sessions and did not work deliberately in secret, as may be supposed, few legislators outside of the nine members of the committee knew anything at all concerning the requests for appropriations during the time that they were being considered by the committee. The public and the press knew absolutely nothing about them. Not until the final week of the session, when the recommended appropriations were hurriedly thrown together into a bill and introduced in the House, did the majority of legislators and the public have any knowledge of what the requisitions were. As a result, the appropriations bill was rushed through and passed in the final hours of the sessions with only nine of the eighty-one members of the legislature having any extensive knowledge of what the bill contained. Of course, the political boodler and the state money-bag grabber were in clover with such a systemless proceeding. Appropriations frequently exceeded the revenues of the state. Deficits in the treasury, calling for extraordinary measures to create new sources of revenue, were common.

"Under the Budget Act which I have outlined, these loose methods were superseded by a businesslike system. Instead of a committee receiving the requisitions during a busy legislative session with little or no opportunity to investigate their justness, the requested requisitions must be in the hands of the governor by November 15th, two months before the legislature in New Jersey convenes, and he had this time to conduct a painstaking investigation. Instead of legislators seeing the recommended appropriations during the last week or day of a legislative session they see them on the first day in the form of a printed message from the governor, together with his recommendations and a report showing the financial condition of the state and the estimated revenue for the coming fiscal year. Instead of the appropriations exceeding the revenues, the law expressly provides that they shall not be in excess of the known income of the state. Naturally, the responsibility under this system largely falls on the governor, but I conceive this to be entirely proper. Responsibility for the financing of a state must be concentrated somewhere if results are to be secured, and the people more and more are coming to look to the governor as personally responsible for the success or failure of his administration.

"In Maryland, under a constitutional amendment, they have gone somewhat farther with the Executive Budget System. In that state, for instance, the General Assembly may increase or diminish the items relating to the General Assembly and may increase, but not decrease, the items therein relating to the judiciary, but in all other respects the legislature cannot increase any items of appropriation, but may strike out or decrease, with one exception, and that is they cannot decrease the salary of a public official during his term of office. In New Jersey, without a constitutional amendment which was deemed inadvisable because of the difficulty and time required to alter the organic law, the legislators still have a voice in finally fixing the appropriations. Their power to increase or decrease the items, with perhaps some minor exceptions, could not be abridged. But I take it that the most glaring defects of the former financial system were cured when the legislature had the requisitions investigated for them and presented to them on the opening day of the session in which they were to be acted upon. The average legislator may be trusted to do his full duty, especially when he has the benefit of executive investigation and advice and the opportunity to acquaint himself at leisure with the con-

tents of an appropriation measure. I confidently believe this will be proved by the way the Budget Act works out in actual practice in New Jersey.

"I am not discussing a national budget, but I cannot refrain from suggesting that if the fundamental principles of the state budget were applied by Congress the effect on our national financing would be revolutionary and wonderfully satisfactory. 'Budget' is the antidote for 'pork' and the opportunity for constructive financial reform knocks at the door in Washington just as it knocked at Trenton and Annapolis."

Apparently the budget law is defeated in its purpose this year, likewise will be every third year, of making the governor in any sense responsible for his recommendations to the legislature, through the provisions in the state constitution by which the governor-elect assumes his duties on the third Tuesday of January; only one week after the retiring governor has presented his budget message to the legislature. It is under such circumstances that the retiring governor prepares the budget, knowing that he is to vacate his office immediately after he submits it to the legislature, and the governor-elect assumes the duties of his office and takes the responsibility of budget recommendations of which he is not the author. The incoming governor, in most cases, does not care to assume such responsibility, and will not. Governor Edge infers as much when he says in his statement issued at the time of the signing of the appropriation bills on April 3rd:

"Without having had the opportunity of preparing the budget upon which this bill is based, it is necessary that I accept the committee's report which I know has been made after careful study and consideration."

Again, it may be suggested that the provision of the state constitution, by which a governor can never succeed himself, tends to absolve him, of any direct responsibility to the people for his recommendations in financial matters of the state.

Even if these loopholes of escape from executive responsibility are passed by, it seems rather absurd to think of making the governor responsible for a financial program, which, when submitted to the legislature, may be torn to pieces by a committee of nine men, and later rushed through the legislature on the last night of the session with an entirely different form and content. Such has been the actual operation of the budget law during its first year.

2. *The Legislature Versus the Governor.*

The budget act essays to place the responsibility for the financial program of the state upon the governor and yet it seeks to preserve the constitutional idea of the separation of powers by leaving the legislature perfectly free to change or make over the governor's program as it sees fit without even obtaining his consent to do so.

There must be co-operation at all times between the governor and the legislature in order to make the budget law at all workable. Under the procedure followed this year it will be very hard to bring it about. In fact, it will be almost impossible to have co-operation when the governor happens to belong to one political party, and the majority of the legislature to another, as was the case this year. However, Governor Fielder escaped any controversy he might have had with the legislature by the timely expiration of his term of office.

It is rather interesting to note the reaction of the legislature upon the receipt of Governor Fielder's budget. President Gaunt of the Senate said:

"In compliance with the provisions of the budget bill, which calls for a statement of the requirements of all branches of the state's departments and institutions, this budget should be given your most earnest consideration, so that the final recommendations of the Appropriations Committee may be acted upon, not only intelligently but with the positive feeling that each member has thoroughly acquainted himself with the state's financial condition." (a)

The House made the following note in its minutes: "A message was received from the governor, by the hands of his secretary, transmitting budget recommendations for

(a) Journal of Senate, part I, p. 4.

the fiscal year beginning November 1, 1917, and ending October 31, 1918, which, on motion of Mr. Oliphant, was referred to the Committee on Appropriations, when appointed." (a)

It cannot be said just how much earnest consideration was given to the governor's budget by the legislature, but probably not very much, in view of the fact that the Appropriation Committee was expected to change it, at least, to the extent of making it over into a majority appropriation bill. The Appropriation Committee used the governor's budget by way of comparison, but it was not willing to accept his investigations and the conclusions based upon them as at all final. It chose to assert its authority, as representing the people, and do its own investigating. The governor had listened to the claims of the state agencies during November and December, and now the Appropriation Committee must listen to them again during February and March. Of course, it is to be expected that conditions will arise in the space of three months that will indicate some changes, but they ought not to call for a complete readjustment of the governor's budget such as was made this year.

If the governor makes investigations relative to the necessity of appropriations, as he may do under the budget law, then any investigations by the Appropriation Committee at a subsequent time is a needless repetition. This function of the Appropriation Committee is, therefore, transferred to the governor. Furthermore, any revision of the governor's budget that is found necessary should not be made by the appropriation committee but should be done by the legislature in committee of the whole with the governor present to defend his program.

Many of the results that Governor Edge had predicted would follow from the operation of the budget law did not make their appearance. He admitted as much when he came to sign the appropriation bills. At this time he outlined a plan to revise somewhat the procedure that had been followed this year. He said:

"While under the budget act it is not necessary to submit requisitions to the governor before November 1st, in any year, I purpose to employ a skilled actuary much before November, whose duty it will be to personally visit all of the institutions in the state and make a scientific survey of their financial needs. Further than this, I see no reason why much of the lost motion as between the Appropriation Committee of the legislature and the governor as a budget suggesting factor should not be eliminated through having the old Appropriation Committee of the legislature work in conjunction with the governor during November and December on the proposition of budget making. Of course, legislative appropriation committees are not continuous, but it is a fact that many of the members of such a committee serve more than one year. For instance, it is entirely probable that some of the members of this year's Appropriation Committee will serve on the Appropriation Committee next year. Now, if the governor and the Appropriation Committee should together hear the needs of state institutions and departments in November, instead of separately, the results would be more satisfactory and without waste of so much energy.

CHAPTER IV.

Suggestions for Improving New Jersey's Budget Procedure

The following suggestions for improving the budget procedure of New Jersey are made after a careful study of the application of the law during its first year's operation, a detailed account of which is given in Part three, Chapters I, II and III, preceding. An effort has been made to state all facts concerning the operation of the law with accuracy and lucidity. Nothing has been written either in the spirit of fault-finding or with the intention of destructive criticism. Considering the facts previously set forth, certain changes in the budgetary procedure seem necessary and are here recommended with a view to making the operations of the law

(a) Minutes of House, part I, p. 19.

"I do not mean to criticize the operation of the budget act up to date. I consider it has been very satisfactory, but, of course, consideration must be given to the fact that the situation was one where an outgoing governor was obliged to make the executive budget, while the Appropriation Committee of an incoming administration was obliged to make the appropriation bills. There was no opportunity under these circumstances, of course, for concerted action on the part of the executive and the legislative Appropriation Committee; consequently the governor listened to the claims of institutional and department heads at one time of the year and the Appropriation Committee listened to them over again at another time of the year. This is needless, and of course, can be avoided during the coming year. With an expert actuary making a careful personal investigation, and the executive and the Appropriation Committee of the legislature working in complete harmony much ought to be accomplished toward placing the budget on an economical and yet effectual working basis."

Following this statement of Governor Edge, the Newark Evening News of April 5th, in an editorial under the caption "New Budget Methods Needed," said:

"That the state budget act of last year has not worked with entire satisfaction is admitted by Governor Edge in the statement he has issued in connection with the signing of the appropriation bills, although he says he does not mean to criticize its operation. Nevertheless, he has pointed out that there has been much 'lost motion' between the Appropriation Committee and the governor, and that this needs to be eliminated.

"The governor's proposal is to employ a skilled actuary to make a scientific survey of the financial needs of state institutions, and then during the months of November and December have the members of the old Appropriations Committee work in conjunction with the governor to formulate the budget. The advantages to be gained by this method, as compared with that prevailing during the present fiscal year, would be that the governor and the representatives of the legislature would be working in concert, the claims of the institutions and departments would not have to be considered twice, and the actuary's advice would aid toward 'placing the budget on an economical and yet effectual working basis.'

"These suggestions are businesslike. In fact, they conform in a general way to the bill proposed by Senator Ackerson last year for a State Board of Estimate, which was intended to be a body to co-operate with the governor in preparing a budget for submission to the legislature. That plan, however, did not include the naming of legislators as members of the board, while the Edge proposal is that the executive and lawmaking branches of the government be brought into co-operation in this important work.

"One of the dangers of the executive budget is the possibility of friction between the governor and the legislature, as has been shown in other states. Governor Edge would avoid this danger by calling in as his advisers the members of the old Appropriation Committee. Ordinarily such a method ought to work well. Had the plan been in operation this year it is likely that the blunders in the appropriation measures, due to the haste with which the bills were put through without giving opportunity for adequate study and analysis, could have been avoided and a more equal distribution of the state's funds might have been devised."

conform more nearly to the purpose of its framers—namely, to make the governor responsible for the business program of the state and thereby introduce more efficiency and economy in the spending of the public moneys.

1. The Form of the Estimates.

The first important change should be made in the form of the estimates. It has already been pointed out how the estimate forms used this year, that is, those prescribed in the rules of the law, were confusing in their classifications, and in addition did not comprehend all the information necessary for the preparation of a budget. Furthermore, the estimate forms did not even attempt to co-ordinate the work of the

state purchasing bureau with that of budget making. It was the intention of Governor Edge that the purchasing act should supplement the budget law in bringing about efficiency and economy in the service rendered by the institutions and departments. Instead, however, the budget procedure so far used has worked against rather than with the purchasing department, in that it has placed as much extra and unnecessary work upon the purchasing bureau as the unscientific methods which obtained the year previous to the operation of the budget law. This is explained by a comparison of the appropriation bill passed in 1917 with the one passed in 1916, in which the same haphazard methods of lumping appropriations for salaries, supplies, materials, and even permanent improvements together under one item, have been followed. Before such appropriations can be used by the purchasing department they must be separated, or "rebudgeted," each agency receiving such appropriations being obliged to designate how much is to go for salaries, how much for supplies, and so on. This is essential because the purchasing department has no control over those funds that go to the payment of salaries and the making of permanent improvements.

Last year (1916), before the purchasing department went into operation on November 1st, the comptroller and the purchasing agent went through the appropriations for 1916-1917 in an attempt to separate the items that came within the purview of the purchasing act from those that did not. As a result, they found that 163 items under 83 separate units would have to be split up in detail. They, therefore, found it necessary to prepare a letter and blank form, which was addressed to each of the 83 agencies having such lumped appropriation items, asking them to make the necessary division of such items. As an example of the difficulties connected with the task of rebudgeting, the following is cited from page 114 of the Hand Book:

The 1917 Appropriation Act contains an appropriation made to the Manual Training and Industrial School for Colored Youth, which is difficult of construction, in the light of the Purchasing Act, which declares that nothing contained therein shall apply to the erection or construction of any building, or addition thereto, or alteration or repair thereof, as distinguished from the furnishing or equipment or maintenance thereof, nor to the performance of any like work. This appropriation reads: "For materials for permanent improvements, work to be done by the students as part of their industrial training." The amount involved in this case is only one thousand dollars, but an appropriation so worded might prevent your commission from purchasing the materials comprehended within its scope, and therefore I (Comptroller Edwards) advise that the matter be brought to the attention of the legislature, so that it may hereafter definitely state its policy.

The 1918 appropriation act contains an item of appropriation to the same institution for \$4,000, which is stated in the exact words of the above quoted item. In fact, the itemization of the entire act is practically the same as that of the one of the previous year, so that the rebudgeting process will have to be gone through again before November 1, 1917, and an allotment of the funds made. This is waste effort and can be avoided by having estimate forms with the proper divisions of classification, and requiring that they be used in setting up the annual appropriation bill.

Budget Law, Section 4. The budget law permits the form of the estimates to be changed; in fact, all of the rules applying to the form and manner of preparing the estimates may be changed or discarded altogether, and new rules adopted by either the governor or the Joint Appropriation Committee.

Classification of Expenditures. The following divisions and sub-divisions of classification for estimates are suggested and arranged for co-ordinating the work of the purchasing department with the preparation of the budget. These classifications are not theoretical, but are based upon those now being used by such states as Connecticut, Ohio, Illinois and Minnesota.

All expenditures are divided into two main groups: I. Operation and Maintenance, and II. Capital Outlay, which are so arranged as not to overlap each other. Operation and Maintenance is divided into:

1. Personal Service, including all salaries, wages, and other payments for service.
2. Supplies, including articles which can be used but once, or which, after being used once, show a material change in or an appreciable impairment of their physical condition; as coal, beef, ink, fertilizers, pencils, typewriter ribbons, etc.
3. Equipment, including all apparatus, machinery, vehicles, tools, instruments, furniture, fittings and other articles which can be used over and over again without a material change in or an appreciable impairment of their physical condition.
4. Materials, including articles and substance in a natural or manufactured state entering into the construction or repair of any building, highway, apparatus, machinery or other equipment.
5. Contract, Open Order and Miscellaneous, which should embrace all expenditures by contract, as for rent, insurance, heat, light, power, gas, etc.

Personal Service is divided into (a) salaries, where the compensation for services performed is on the yearly, monthly or semi-monthly basis; (b) wages, where the compensation for services performed is on the daily or hourly basis; and (c) unclassified, including lump-sum compensations for services rendered, as fees, bills, piece work, etc.

Certain specific information should be required in the estimates concerning all permanent or salaried positions, as, (1) title of position, (2) citation of law, (3) amounts requested, (4) name, (5) age, (6) date of entering service, (7) salary at beginning, and (8) amount and date of last increase.

The estimates should show concerning wages: (1) title of position, or kind of work, (2) amounts requested, showing the number days of work of any kind and the rate to be paid per day, (3) past expenditures, showing the number days of work and the amount paid per day.

Supplies, equipment, materials, and contract, open order and miscellaneous are each broken up into sub-divisions, which, in turn, are broken up into articles. When reduced to the article, as, shoes, eggs, nails, etc., the estimate may show: (1) name of article, (2) unit of measurement, (3) number of units needed, (4) estimated cost of each article, (5) total estimated cost, (6) total amount spent the past year. Such information must be later required for the use of the purchasing department.

The second general group of expenditures, namely, capital outlay, is divided into: 1. Purchase of land, 2. Non-structural improvements on land, 3. Structures and parts of structures, and 4. Major equipment and appurtenances. These should each require details something like the following:

1. Purchase of Land.
 - a. Name of tract.
 - b. Number of acres.
 - c. Location of tract.
 - d. Whether held on option.
 - e. Number improved acres.
 - f. Assessed value.
 - g. Description of all buildings on tract.
 - h. Amount requested for purchase.
 - i. Other data.
2. Non-structural Improvements on Land.
 - a. Name of improvement.
 - b. Location.
 - c. Unit cost when bought by units.
 - d. Number of units.
 - e. Description of units—standards.
 - f. Amount requested for purchase.
 - g. Other data.
3. Structures and Parts of Structures.
 - a. Name of structure.
 - b. Proposed location.
 - c. New or remodeled.

- d. Kind—brick, frame, etc.
 - e. Amount of money requested.
 - f. Basis for request—such as architect's estimates, etc.
 - g. Supplementary data.
4. Major Equipment and Appurtenances.
- a. Name of piece of equipment.
 - b. Location in structure.
 - c. Unit cost, when bought by piece.
 - d. Kind and quality.
 - e. Description and size.
 - f. Amount requested.
 - g. Supporting data.

All requests for capital outlays should be more thoroughly investigated than can be done through the medium of estimate blanks and other written information.

Budget Classification for Estimates. According to the divisions and sub-divisions that have just been set forth, the budget classifications for the estimate forms may be outlined as follows:

Operation and Maintenance:

- A. Personal Service.
1. Salaries.
 2. Wages.
 3. Unclassified.
- B. Supplies.
1. Food.
 2. Forage and veterinary.
 3. Fuel.
 4. Office—printing, postage, blanks and stationery.
 5. Medical and surgical.
 6. Laundry, cleaning and disinfecting.
 7. Agricultural and botanical.
 8. Refrigerating.
 9. Motor vehicles.
 10. Educational and recreational.
 11. General plant.
- C. Equipment.
1. Office.
 2. Household.
 3. Agricultural.
 4. Medical and surgical.
 5. Wearing apparel.
 6. Motor vehicles and equipment.
 7. Motorless vehicles and equipment.
 8. Livestock.
 9. Laundry and cleaning.
 10. Engineering.
 11. Educational and recreational.
 12. General plant.
- D. Materials.
1. Highway.
 2. Sewer.
 3. Buildings and industrial.
 4. General plant.
- E. Contract, Open Order and Miscellaneous.
1. General repairs, as alteration of buildings.
 2. Motor vehicle repairs.
 3. Water, light, heat and power.
 4. Transportation and traveling.
 5. Communication.
 6. Insurance.
 7. Rent.
 8. Contingencies.
 9. General plant.
- F. Capital Outlay.
1. Purchase of land.
 2. Non-structural improvements.
 3. Structures and parts of structures.
 4. Major equipment and appurtenances.

This classification will admit of each of the main divisions being summarized and totaled. It has been so arranged that the contents of divisions B and C fall within the purview of the purchasing act. Division D includes those things which do not come within the purview of that statute as indicated by section 3—viz.:

First, the erection or construction of any building or additions thereof or alteration or repair thereof, as distinguished from the furnishing or equipment or maintenance thereof;

Second, the construction or repair of any road or bridge; Third, the performance of any like work.

Division E may be made to include only those things of a contract, open order and miscellaneous nature that do not come within the purchasing authority, as have been indicated. Divisions A and F are without question outside of the purchasing authority. When such a scheme of budget divisions is carried into the appropriation act and the various items of appropriation are set under the divisions to which they belong, rebudgeting will no longer be necessary to separate the funds coming under the control of the purchasing department from those without its control. In addition, the budget estimates will supply much valuable information as a basis for the work of the purchasing department.

The estimates should be required in detail whether the budget is so made or not. But information should not be gathered on the estimate forms that cannot be used, or is seldom used. The estimate blanks should be large enough to furnish sufficient space for the information that is desired, but not large enough to be unwieldy. The estimate blanks used this year were too much cramped as to space. The Minnesota estimate sheets are 16 by 14 inches, supplying ample space in a convenient size. For the budget classification previously outlined some six or eight single sheets ought to be used. They should require detailed information about every person in the employment of the state and the unit cost of all specified objects to be purchased. The latter information will be found valuable in the operation of the purchasing department. The estimates may be set up in the following forms, so arranged as to supply all necessary and useful information for the preparation of the budget. Estimate sheets:

- Form A. Personal Service—Salaries (detailed information).
 Form A-2. " " Wages " "
 Form A-3. " " Unclassified. "
 Form B. Supplies (specify sub-divisions).
 Form C. Equipment " "
 Form D. Materials " "
 Form E. Contract, Open Order and Miscellaneous (specify sub-divisions).
 Form F. Capital Outlays.
 Form F-1. Purchases of Land.
 F-2. Non-structural Improvements on Land.
 F-3. Buildings and parts of Buildings.
 F-4. Major Equipment and Appurtenances.

Additional Information from Institutions. The above estimate forms are designed to supply only the expenditure statements of the various state agencies. Each institution should submit, in addition to the expenditure statement, a revenue statement, a service statement, and a unit cost statement.

The revenue statement should ask for information of this character:

- A. From Sources other than the State.
1. Endowments and investments.
 2. Gifts for current expenses.
 3. Charges for services.
 4. Sale of goods.
 5. Contributions from other sources of government.
 6. All other
- Total.
- B. From the State.
1. Appropriation.
- Grand total.

The service statement should supply the following information:

1. Number of inmates at the beginning of the fiscal year.
2. Number admitted during the year.
3. Number discharged, died, withdrawn.
4. Number at end of fiscal year.
5. Aggregate number of days of service rendered during the fiscal year; i. e., total number of patient-days for a hospital, or days of attendance for an educational institution. For example, 20 patients kept for 20 days would equal 400 aggregate days of service rendered.

The most important, however, is the statement of the unit cost of service rendered. Such a statement enables a comparison to be made between the services rendered by two institutions of like character. Unit cost is based upon current expenses, or maintenance and operation. The total amount of all expenditures, save capital outlays, during the fiscal period minus an inventory of all unused supplies, materials, and so forth, divided by the aggregate days of service rendered, should give a uniform unit cost. A unit cost state will show:

1. Aggregate number of days of service.
2. Total net current expenses.
3. Unit cost per capita per day.
4. Unit cost per capita per day to the state.

2. Review and Revision of the Estimates.

In reviewing the estimates and inquiring into the sources of new income, the budget law gives the governor the power to appoint or designate persons specially fitted therefor to assist him and to conduct investigations (section 9). He may also call upon officers of the state government and appoint as many as two special assistants.

A Skilled Actuary.

Governor Edge has expressed his intention of appointing a "skilled actuary," whose duty it will be to visit and inspect the institutions and gather data for the budget the year round. Care should be taken, however, that New Jersey does not fall into the same practice as Ohio, that is, of letting this "skilled actuary" become a sort of budget commissioner, who will prepare the budget. The governor must be held rigidly responsible for the final review of the estimates and the contents of the budget. To have a budget commissioner prepare a budget is probably worse than to have a legislative committee prepare it, as he is an anonymous sort of a person, responsible to no one, save the governor, and rarely responsible to him. It is within the power of the budget commissioner, if he chooses, so to construct the budget as to hide certain appropriations under the cover of others, and thereby obtain the approval of the governor. Then, if the governor has not made a close study of the estimates, he cannot judge of the relative importance of the appropriations, and, furthermore, he is submitting a financial program to the legislature that is not his own.

What has just been said, however, does not mean that the governor must perform all the details of making a budget for it to become his own program, but it does mean that he shall do more than merely approve of a plan made by another person, who is not or cannot be held responsible to the electorate. The governor should have adequate and skilled help, whose duty it should be to gather all data relative to budget making, and assemble it in a concise and systematic form for his use in making his final review of the estimates.

Cabinet Review of Estimates.

The estimates of the departments and institutions should be thoroughly reviewed by the head, or responsible officer, in consultation with the subordinate officers, before they leave the institution or department. Then these estimates should go to a cabinet of the chief administrative officers and be reviewed and arranged according to the various needs and the relative importance of the items they contain. The use of such a cabinet is a splendid means of calling into service and co-operation with the governor those officers who should assist him. It also lines up the administrative officers on the side of the governor's program, and lends harmonious and effective assistance to the governor in defending his financial plan before the legislature. The language of section 9 of the law is such as to permit the governor, if he so desires, to appoint and make use of a cabinet for the purpose that has just been suggested.

The estimates of the legislature and of the judiciary may go into the budget as submitted to the governor. However, it is to be understood that the governor has the power to revise all estimates that might possibly result in a general fund deficit. Governor Fielder complained of the lack of time for the

preparation of his budget. With all budget data gathered and concisely arranged, and with a cabinet to review and coordinate the estimates of the departments and institutions, it should not take the governor long to hold the necessary public hearings and make his final review and revision of the estimates.

3. The Preparation of the Budget.

Governor Edge has made the statement that he proposes to call in the appropriation committee of the past legislature, to work in conjunction with him in preparing the budget. As has already been pointed out in Part three, Chapter II, the work of the appropriation committee during the past session was a needless duplication of the governor's work; so Governor Edge proposes to consolidate the two. This can be done, but the wisdom of the step is open to question. If the members of the appropriation committee are going to work with the governor, each in the capacity of a co-ordinate factor, in the process of budget making, then the result will be a budget commission preparing the budget, and the personal responsibility of the governor will at once be destroyed. The program that will be presented to the legislature in the form of a budget will not be that of the governor, but a sort of compromise, effected in its making, between the legislature and the governor. As a consequence, such a plan or program will not meet a sufficient amount of criticism and debate in the legislature to insure proper publicity of the contents. An effective executive budget system demands that responsibility be not dissipated among a group of men, but that it be personal, that is, thrown absolutely and unequivocally upon the shoulders of the governor. The governor must be more than "a budget suggesting factor;" he must be personally responsible to the people for the entire budget program. The budget procedure must be such that the governor cannot shift this responsibility.

Of course, it may be advantageous for Governor Edge to have the old appropriation committee to sit with him at the public hearings, so that it may know what facts have been brought forth to sustain the necessity of the requests; he may also take any suggestions it has to offer, but he should alone assume responsibility, in the final analysis, for what the budget contains.

The budget law makes provisions (section 9) under which the governor can appoint an adequate number of persons to assist him in the mechanical preparation of the budget. Under these circumstances, and because the great end of the budget is executive responsibility, it seems wisest to leave this mechanical proposition entirely to persons who are employees of and responsible to the governor.

4. The Form and Contents of the Budget for Presentation to Legislature and Public.

The law makes only some general provisions relative to the contents of the budget (sections 8, 10, 11), hence it is presumably left to the governor as to what form he shall use and what he shall include in it beyond the general requirements. It is imperative, however, that these matters should be carefully predetermined according to some scientific plan, so that budgets can be uniform from year to year, and be presented to the legislature and the public in such an understandable way as to enable intelligent contrast and criticism.

The budget should not be a political document. It should provide for only such work beyond the necessary and growing demands of the state, as the governor honestly thinks is for the best interests of the whole people.

What the budget should contain has already been outlined in speaking of its preparation. Really, the most essential part of a budget for the purposes of presentation can be shown on a single page in which the anticipated revenues are made to balance against the estimated expenditures. Borrowing or additional tax levy may be made in case the revenues of the state are not otherwise sufficient. By way of concrete suggestion, it may be said that the budget should contain a fund statement after the following form, showing the source, amount and application of revenues for the past year, the current year and the year to be financed.

A summary statement of expenditures should be made by organization units, showing every allowance of state funds. It may be made after this form:

SUMMARY STATEMENT OF EXPENDITURES FOR THE FISCAL YEARS OF 1917, 1918 AND 1919 BY ORGANIZATION UNITS

Page reference to detailed Estimate.	Organization Unit.	Amounts expended in 1917.	Amounts appropriated in 1918.	Amounts allowed for 1919.
LEGISLATIVE DEPARTMENT				
1	General Assembly.....	000	000	000
2	Legislative Commission.....	000	000	000
	Other commissions.....			
JUDICIAL DEPARTMENT				
3	Supreme Court.....	000	000	000
4	Office of Clerk of Supreme Court.....	000	000	000
5	Court of Chancery.....	000	000	000
6	Office of Clerk of Chancery.....	000	000	000
7	Court of Errors and Appeals.....	000	000	000
8	Court of Pardons.....	000	000	000
9	Court Expenses, etc.....	000	000	000
EXECUTIVE DEPARTMENT				
10	Governor.....	000	000	000
11	Office of Comptroller.....	000	000	000
12	Office of Treasurer.....	000	000	000
13	Office of Secretary of State.....	000	000	000
14	Department of Motor Vehicles.....	000	000	000
15	Attorney General.....	000	000	000
16	Department of Banking and Insurance.....	000	000	000
17	State Board of Taxes and Assessments.....	000	000	000
18	Adjutant-General's Department.....	000	000	000
19	Quartermaster-General's Department.....	000	000	000
20	State Library.....	000	000	000
21	Public Library Commission.....	000	000	000
	Various Boards and Commissions, etc.....			
INSTITUTIONS				
PENAL AND CORRECTIONAL				
22	State Prison.....	000	000	000
23	New Jersey Reformatory.....	000	000	000
24	State Reformatory for Women.....	000	000	000
25	State Home for Boys.....	000	000	000
26	State Home for Girls.....	000	000	000
CHARITABLE				
27	State Hospital at Morris Plains.....	000	000	000
28	State Hospital at Trenton.....	000	000	000
29	Village for Epileptics.....	000	000	000
30	Institution for Feeble-Minded Women.....	000	000	000
31	Institution for Feeble-Minded Men.....	000	000	000
32	Sanitarium for Tuberculosis, County Hospital, etc.....	000	000	000
SOLDIERS' HOMES				
33	Home at Vineland.....	000	000	000
34	Home at Kearny.....	000	000	000
EDUCATIONAL				
35	Normal School at Trenton.....	000	000	000
36	Normal School at Newark.....	000	000	000
37	Normal School at Montclair.....	000	000	000
38	School for the Deaf.....	000	000	000
39	Manual Training and Industrial School for Colored Youth.....	000	000	000
40	Agricultural College.....	000	000	000
41	Agricultural Experiment Station.....	000	000	000
	Other schools.....	000	000	000
EDUCATIONAL FUND				
42	State Board of Education.....	000	000	000
43	State Superintendent.....	000	000	000
44	Manual Training.....	000	000	000
45	County Appropriations.....	000	000	000
46	Teachers' Pensions, etc.....	000	000	000
ROAD FUND				
47	Road Commission, Etc.....	000	000	000
VARIOUS LOAN FUNDS				
(If any)				
SPECIAL FUNDS				
(If any)				
	Grand Total.....	000	000	000

A supporting schedule of the itemized estimates of appropriation should follow the summary statement and correspond to the page reference therein. The State Hospital at Morris Plains may be used as an example of how this should be made out.

STATE HOSPITAL AT MORRIS PLAINS		
Current Expenses	Amount	Amount
Personal Service	asked	allowed
Salaries.	1919.	1919.
Medical Superintendent.....	000	000
Warden.....	000	000
Assistant Physicians, 4 at 000.....	000	000
Women Physicians, 3 at 000.....	000	000
Medical Intern.....	000	000
Pharmacist.....	000	000
Stenographers, 5 to 000.....	000	000
Steward.....	000	000
Bookkeeper.....	000	000
Ward Supervisors.....	000	000
Nurses.....	000	000
Head Cook.....	000	000
Assistant Cooks.....	000	000
Etc.....		
Wages.		
Carpenter, 2 at 000 per diem—days..	000	000
Plumber.....	000	000
Mason.....	000	000
Painter.....	000	000
Etc.....		
Unclassified.		
Temporary services.....	000	000
Etc.....		
Total Personal Service.....	000	000
Supplies.		
Food.....	000	000
Forage.....	000	000
Fuel.....	000	000
Office.....	000	000
Medical and Surgical.....	000	000
Laundry, cleaning and disinfecting...	000	000
Refrigerating.....	000	000
Motor Vehicles.....	000	000
Recreational.....	000	000
General Plant.....	000	000
Total Supplies.....	000	000
Equipment.		
Office.....	000	000
Household.....	000	000
Medical and Surgical.....	000	000
Wearing Apparel.....	000	000
Motor Vehicles and Equipment.....	000	000
Motorless Vehicles and Equipment...	000	000
Engineering.....	000	000
Livestock.....	000	000
General Plant.....	000	000
Total Equipment.....	000	000
Materials.		
Highway.....	000	000
Sewer.....	000	000
Building.....	000	000
General Plant.....	000	000
Total Materials.....	000	000
Contract, Open Order and Miscellaneous.		
General Repairs.....	000	000
Water.....	000	000
Light.....	000	000
Insurance.....	000	000
Rent.....	000	000
Contingencies.....	000	000
General Plant.....	000	000
Total Contract, Open Order and M.....	000	000
Capital Outlay.		
Purchase of Land.....	000	000
Non-structural Improvements.....	000	000
Buildings.....	000	000
Major Equipment and Appurtenances..	000	000
Total Capital Outlay.....	000	000
Grand Total for State Hospital at Morris Plains.....	000	000

REVENUE OR FUND STATEMENT

Sources	General State Uses			County School Purposes			Public Roads Repair			Fish and Game Purposes			Total Revenue			Chapter of authorizing law
	Rec'd 1917	Est. 1918	1919	Rec'd 1917	Est. 1918	1919	Rec'd 1917	Est. 1918	1919	Rec'd 1917	Est. 1918	1919	Rec'd 1917	Est. 1918	1919	
Railroad Corporations.....	000	000	000										000	000	000	
Transfer Inheritance Tax.....	000	000	000										000	000	000	
Miscellaneous Corporations.....	000	000	000										000	000	000	
Motor Vehicle Fund.....	000	000	000										000	000	000	
Department of Banking and Insurance.....							000	000	000				000	000	000	
Secretary of State.....	000	000	000										000	000	000	
State Prison.....	000	000	000										000	000	000	
Interest on Deposits.....	000	000	000										000	000	000	
Hunters' and Anglers' License Fund	000	000	000										000	000	000	
Clerk of Supreme Court.....	000	000	000							000	000	000	000	000	000	
Clerk of Chancery.....	000	000	000										000	000	000	
Miscellaneous Sources.....	000	000	000										000	000	000	
Judicial Fees.....	000	000	000										000	000	000	
Board of Shell Fisheries	000	000	000										000	000	000	
Licenses, Fines and Penalties, Fish and Game Commission.....	000	000	000										000	000	000	
Dividends.....	000	000	000										000	000	000	
Department of Health.....	000	000	000							000	000	000	000	000	000	
Commissions.....	000	000	000										000	000	000	
Totals.....	000	000	000				000	000	000	000	000	000	000	000	000	

5. Form of the Appropriation Bill.

Classification of expenditures in setting up the appropriation bill should be by organization units, just as in the budget. There is some question as to the extent to which classification of items should be carried, but it is evident from past experiences that there should be some itemization, as lump sum appropriations have usually proved rather unsatisfactory in most states. This question is fully discussed in Municipal Research, No. 80, pp. 30 and 31, which says:

"Several years ago, when the public was aroused by the 'muck rakers' to a realization that waste and graft were widespread in American government, it was discovered that much of the evil was due to the fact that administrative officers having lump sums of money at their disposal flung money about right and left to hire henchmen and fatten contractors. The palliative immediately offered in accordance with our historical traditions, was negative. The cry went up for an itemization of the officers' accounts at the treasury and a distribution of the amounts into twelve equal parts, corresponding to the months of the year. This certainly did act as a check on graft. It prevented the administrator from using any unexpended balances for the purpose of hiring henchmen just before elections or from making contracts with political leaders for work never contemplated in the act of appropriation. As a palliative, the highly segregated act of appropriations was rather effective, and many who did not regard it as a satisfactory prophylactic accepted it temporarily on the ground that the results justified the drastic action.

"Students of government who had deeper insight into the processes of budget making, however, had grave doubts about the finality of extreme segregation of items in the act of appropriation itself. To them it seemed that, however much the estimates and the supporting information of the 'budget' as distinguished from the 'bill' might be segregated, the subdividing of the drawing allotments to officers was an extreme measure directed against malpractices, rather than a remedy calculated to build up efficient administration. Practical administrators were not slow to see that detailed segregation of items of appropriation tied the hands of the good as well as the bad, and prevented the able and efficient head of a department from disposing of his money to the best advantage. If, for instance, the act of appropriation decreed that he could have three stenographers at \$1,200 per annum and he needed one stenographer at \$1,800, and an adding machine operator at \$1,000, he had to devise some scheme to evade the law, or else to cripple his office force by employing a type of person not suited to his requirements. Such an act tends to discourage the efficient officer and to produce lethargy in his administration. He is likely to say either: 'How can I beat that provision?' or 'What is the use?' Certainly no able man would accept responsibility in a private corporation if he knew that his hands were to be tied by infinite details in hiring employees and buying materials and that no mobility for exigencies would be tolerated.

"Here, then, is the crux of the matter as far as the form of the appropriation bill is concerned: 'How can we give the able administrator that freedom which is necessary to efficient action, and at the same time safeguard the public funds?' The somewhat hackneyed, but true, answer is that no piece of legislation will do it all. The solution lies partly in law, but mainly in the development of responsibility and publicity in our government. In other words, the form of the appropriation bill strikes right into the heart of our administrative and legislative practices. If we organize our government on the basis that no man or body of men can be trusted even when instruments of popular control are at hand, we can prevent things from being done, but we cannot invite the free play of creative ingenuity in administration. Whoever has surrendered all hope of securing efficiency in democracy should cling to the highly segregated budget. It may compel the officers to buy hay when they need wagons, but it will prevent them from buying henchmen with the hay money!

"The result of a very detailed itemization is to tie the hands of the administration, however, it has often been used, though with somewhat of a negative value. Where the administrator has everything fixed for him in advance the effect is the limitation of the possibility of using his judgment to such a degree as to deprive the state of any benefits of his good management. However, lump sum appropriations should never be granted to any agency, that cover items in more than one of the main divisions, such as personal service, supplies, equipment, materials, capital outlay and so forth. As soon as two of these divisions are lumped together confusion may exist as to the amount of funds coming within the purview of the purchasing act, and the unnecessary work of rebudgeting have to be performed, as at the present time. Personal service should be itemized far enough to separate it into salaries and wages. Illinois fully itemizes 'personal service' to prevent corrupt practices—such as the employment of men on the public payrolls for political purposes."

The appropriation bill should, at least, show the following divisions for its classification under each of which the proper item, or items are set up:

- I. Current Expenses.
 1. Personal Service.
 - a. Salaries.
 - b. Wages.
 - c. Unclassified.
 2. Supplies.
 3. Equipment.
 4. Materials.
 5. Contract, Open Order and Miscellaneous.
- II. Capital Outlay.
 1. Purchase of Land.
 2. Non-structural Improvements.
 3. Buildings and Parts of Buildings.
 4. Major Equipment and Appurtenances.

Transfers The budget law provides that an agency, desiring to transfer money from one item to another of the appropriation granted to it, may apply to the State House Commission, which commission shall notify the comptroller in writing and he shall make the transfer of funds, provided that appropriations for permanent improvements shall not be used for maintenance or for temporary purposes (section 15).

Considering the manner in which the items of the last appropriation act lump together and combine the various services of the governmental units, it will be hard to apply any rule of transfers. But granting that a classification of items is followed in making up the appropriation bill similar to the one just outlined, then the transfer restrictions may be made more definite than those contained in the law. Provisions may be made for transfers from salaries to salaries, and from wages to wages, permitting no change in salaries fixed by statute. The main accounts or items under supplies, equipment, materials, contract, open order and miscellaneous may be transferred from one to the other within the service or division to which they belong.

6. Procedure in the Legislature.

All the changes of procedure that have been thus far outlined are permissible under the provisions of the budget law, as the act now stands. The law, however, makes no provisions regarding budgetary procedure in the legislature. Since the constitution of New Jersey vests the legislature with complete power to make all appropriations, it is not possible for a statute to limit this power. A legislative procedure different from the one now used for handling appropriations may be secured either by each legislature as a body agreeing to apply certain rules, or by writing a procedure in the constitution. The latter method, of course, is better. Still, if it may be presumed that the legislators are deeply enough interested in seeing the budget law they now have work effectively, they will themselves agree to and carry out a procedure which will insure its success.

Committee of the Whole Procedure As has been pointed out in the preceding chapter, the proper procedure for the consideration of the budget is that of committee of the whole. The great advantage of committee of the whole procedure, where the governor and administrative officers appear before the legislature, is its effectiveness as a means of publicity in the handling of the budget. It insures that the program of the governor, embodied in the budget, will receive the essential criticism on the part of the legislature. "If the budget has been unfair to any department or bureau, it provides a means by which that fact can be made public. If there should be any issue between the governor and the legislature as to proper economy or adequate expenditure, it insures that this issue will be discussed in a deliberative form, under parliamentary rules, instead of as now, merely upon the stump and in the press. It affords an invaluable opportunity by which the people's representatives, without the expense, excitement and necessary hostility of special investigations into departments, may keep themselves informed as to the financial working of every branch of the state government."

It is suggested that the legislature of New Jersey voluntarily adopt the committee of the whole procedure in the consideration of the governor's budget, and set aside one or two days each week for such consideration, beginning about February 1st, with the governor or spending officers on the floor to answer questions. Each unit of the budget should be taken up and discussed in committee of the whole and a vote of opinion taken on it before passing to the next unit.

Such changes as the legislature thinks should be made may be recorded as each unit is gone over, so that when all the units have been gone over, the budget as a whole may be taken up, with the governor present, and the points of difference between the governor's budget of expenditures and what the legislature thinks should be included in the appropriation bill thoroughly threshed out. This final review of the budget should be completed by a week of the time for adjournment of the legislature, and then with the facts that have been developed in the committee of the whole procedure the governor may proceed to draft an appropriation bill and any revenue bills necessary to meet the contemplated expenditures. In the drafting of the appropriation bill, the governor may be assisted by the Joint Appropriation Committee, which will act as a sort of delegated agent from the legislature. In this case, the appropriation bill will be more or less of a compromise between the original budget program of the governor and the desires of the legislature as a whole; but this can be permitted to begin with, since the budget has been thoroughly discussed and criticised in committee of the whole procedure, the publicity of which has thrown full responsibility upon the governor.

If the Joint Appropriation Committee is retained, it is suggested that its services may be in the capacity of a sort of advisory staff to the legislature while the governor's budget is being criticised in the committee of the whole, and later it may assist the governor to prepare the appropriation bill.

After the appropriation bill has been prepared it may be enacted by the legislature in a very short time, since the appropriations embodied in it have already been discussed and criticised by the legislature before the public for six weeks or two months. There will be little need for discussion at this point since the legislature through its agent, the Appropriation Committee, and the governor have both agreed as to what the appropriation bill shall contain.

This is departing somewhat from the details of an ideal procedure, but it is done in order to meet the budget situation in New Jersey and make the present law both workable and effective. If the procedure that has just been outlined, or something similar to it, is adopted and followed, there is no reason why the New Jersey budget law, as it now stands, should not develop into a genuine budget process.

7. The Responsibility of the Newly Elected Governor

One other point should be noticed in conclusion, that is, relative to the responsibility of each incoming governor for the budget program that has just been made by the outgoing governor. The failure of the budget law to provide any procedure on this point was referred to in Part Three, Chapter III. The only way to make the incoming governor responsible for the budget is to have him prepare it. This can be made possible by changing the date for the submission of the budget to the legislature from the second Tuesday in January to the first day of February, or by specifying that a newly elected governor shall have thirty days after his inauguration in which to prepare and submit his budget. The Maryland budget amendment makes the latter provision. The objection may be raised that this is not time enough, but with budget experts to gather data the year around, and with the review of the estimates of the departments and institutions by a cabinet of administrative heads, thirty days should be ample time for the new governor to initiate a financial program which he may later change, as he sees fit, according to the evidence that is brought forth in a committee of the whole procedure. If necessary, the governor might study the budget requests previous to his inauguration. Nevertheless, every new governor ought to have a definite general policy regarding public business, and ought to be sufficiently conversant with the theory and subject matter of state finances, so that it should not take him long to supply the details necessary to make up his budget.

APPENDIX

NEW JERSEY BUDGET LAW

BUDGET ACT

CHAPTER 15, P. L. 1916.

AN ACT to provide a Budget System and to provide a method of ascertaining the financial condition of the State and the appropriations necessary for the various departments, institutions and other agencies of the State.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

- The short title of this act is the "Budget Act."
- Each department of the State government, board, commission, charitable or correctional institution, or any other State agency, requiring an annual appropriation from the State, shall present a request therefor to the Governor on or before November fifteenth of each year. [Any organization, body, committee or person intending to request an appropriation from the Legislature for any particular object or purpose or for any new annual expenditure, shall likewise present such request to the Governor on or before November fifteenth.]
- Such requests shall be made by the head of such department, president or chairman of such board or commission, or officer designated by the board of managers or other governing body of such charitable or correctional institution, or other State agency. In the case of the judiciary, it shall be made by the Clerk of the Court of Errors and Appeals, under the direction of the Chancellor and the Chief Justice of the Supreme Court, and in the case of the Legislature, by the Clerk of the House of Assembly and the Secretary of the Senate. In the case of any organization, body, committee or person as mentioned in paragraph two, the requests shall be made by some person duly authorized therefor.
- Such requests shall be made upon blank forms to be furnished by the Comptroller as approved by the Governor. The blank forms shall be filled in according to the rules attached hereto. The rules may be altered or amended, or new rules adopted by the Governor or the Joint Appropriation Committee of the Legislature from time to time as conditions may require.
- All such requests for appropriation shall show in detail the purposes for which appropriations are requested, and where increases or decreases from previous appropriations are desired the reason therefor. Such requests shall be sworn to by the person making the same, which oath shall be in the form provided by rule.
- There shall accompany such requests for appropriations a trial balance covering the preceding fiscal year, showing the receipts and expenditures of the department or body presenting such requests in such form and detail as the Governor may direct.
- On November fifteenth of each year, and thereafter as required, the Comptroller and State Treasurer shall jointly transmit to the Governor, in such form as he shall direct, a summary of the financial condition of the State. This report shall show, in condensed form, the financial condition of the State for the fiscal year ending October thirty-first preceding, the amounts expended and the amounts received, the sources and amounts of income, and the free balance in the treasury. He shall also furnish similar information, as nearly as the same can be ascertained, for the current year. The report shall likewise show the probable sources of revenue and the probable estimate of the State's income available for appropriations for the next fiscal year for which the Legislature will be requested to make appropriations.
- Upon the receipt of requests for appropriations and the report of the Treasurer and Comptroller, the Governor shall proceed to examine such requests and reports for the purpose of determining the necessity of the appropriations so requested and shall in a separate message transmit to the Legislature on the second Tuesday in January a summary of such requests and reports, together with his recommendations thereon.
- For the purpose of investigating the necessity of the appropriations so requested or for the purpose of ascertaining if either new sources of income are required or present sources of income are properly collected or for any similar purpose, at any time, the Governor may summon witnesses and conduct hearings or appoint any officer of the State government or any other person particularly fitted therefor to conduct any investigation or examination necessary to aid him in this purpose. Should the additional duties imposed upon the Governor by this act require further assistants, the Governor shall have the power to appoint officers of the State government, together with not more than two special assistants, to form a permanent committee, acting with him in carrying out the provisions of this act.
- The message of the Governor shall be in such form that it can be easily understood by the average citizen, and shall be printed and a copy thereof presented to each member of the Legislature, the press, each public library, and given such other publicity as the Governor or the Joint Appropriation Committee shall deem wise.
- The Governor shall not recommend to the Legislature appropriations in excess of the anticipated revenue. Should he believe that additional appropriations are necessary, he shall, if he deems it advisable, suggest plans for raising sufficient revenue to meet such appropriations.
- If he deems it necessary, the Governor may from time to time transmit special messages requesting additional appropriations for purposes not anticipated at the time the budget message was transmitted to the Legislature.
- No money shall be drawn from the treasury except by the General Appropriation Bill, and it is the intent of this act that no supplemental, deficiency or incidental bill shall be considered.
- Whenever any act creating or regulating any body, mentioned in paragraph two, shall limit the amount which such body may expend, such act shall be deemed to be repealed in so far as such limit is

concerned if a greater amount is appropriated by any succeeding Legislature to the extent only of such greater amount.

15. In order that some degree of flexibility in appropriations may be had, any department or other State agency receiving an appropriation by any future act of the Legislature may apply to the State House Commission for leave to transfer a part of any item granted to such department or agency to any other item in such appropriation. Such application shall only be made during the current year for which the appropriation was made, and if the State House Commission shall consent thereto, it shall notify the Comptroller thereof in writing, whereupon the Comptroller shall place the amount so transferred to the credit of the item so designated: *provided, however*, that no sum appropriated for any permanent improvement shall be used for maintenance or for any temporary purpose.

16. Any department of the State government, board, commission, charitable or correctional institution, or any other State agency which derives its income in part or in whole from fees, licenses, taxes, penalties, or in any manner, by reason of any law whereby such income is paid directly to such body for its support and not by appropriation from the State treasury, shall, upon request of the Governor, supply information concerning such income and the expenditure thereof either in the form required for appropriations or in any other form which he may direct, and the Governor shall have the same powers of investigation over such bodies as over other bodies requesting appropriations under this act.

17. The expense of conducting any investigation authorized in this act may be drawn from either a special appropriation made for this purpose or from the Governor's emergency fund. Such expenses shall be paid upon the certificate of the Governor.

18. This act shall be liberally construed, and if any section thereof shall be declared unconstitutional by any court of competent jurisdiction, it shall not thereby affect any other section thereof.

19. This act shall take effect October first, one thousand nine hundred and sixteen.

RULES

- All requests for appropriations shall be upon blanks furnished by the Comptroller according to forms approved by the Governor. Such blanks shall be called appropriation budget blanks.
- They shall be addressed to the Governor and General Appropriation Committee of the next ensuing Legislature.
- They shall cite the laws under which the appropriation is authorized.
- They shall show the total number of employees for the preceding fiscal year, the current fiscal year and the estimated number for the coming year for which the appropriation is asked; likewise in charitable and correctional institutions, the number of inmates, the costs of maintenance per capita, and the costs of administration and salary per capita for the same periods.
- They shall show the estimated value of the property under the control of the department or body requesting the appropriation and the amount contributed thereto by the State. Also the amount of revenue earned and how much, if any, thereof is paid directly into the State Treasury.
- They shall show in parallel columns opposite each item the amount appropriated for the last fiscal year, the present year and the amount required for the next year.
- The items shall, as far as practical, be divided as follows:
 - maintenance (1) food; (2) clothing; (3) fuel and power; (4) supplies; (5) incidentals.
 - salaries (give number and classification of employees and salaries).
 - repairs and replacements (give details).
 - miscellaneous (including equipment, insurance, fixed charges, etc.).
 - new buildings (give details).
- Whenever an increase in an item is asked over the previous year, it shall be underlined in red ink and the reason for such increase given.
- The form shall be substantially as follows:

SUGGESTED FORM FOR A STATE INSTITUTION

STATE HOME FOR BOYS.

Authorized laws, 1910, page 55; 1912, page 120.

Number of Employees.		Number of Inmates.	
1915	10	1915	100
1916	11	1916	110
1917	14	1917	125
Cost of Maintenance Per Capita.		Cost of Administration and Salaries Per Capita.	
1915	\$190	1915	\$20
1916	\$200	1916	\$23
1917	\$210	1917	\$27
Value of Property.		Total of State Appropriation for Permanent Improvements.	
\$2,000,000		\$1,500,000	
Income Turned into State Treasury.....		\$3,000.00	
(Explanation) Give details.			
Income Not Turned into State Treasury.....		\$7,000.00	
(Explanation) Give details.			

To.....Governor of New Jersey and the Joint Appropriation Committee for the year..... (Insert year of incoming Legislature)..... designated by the Board of Managers of the State Home for Boys, for this purpose presents their requests for the following appropriations for the fiscal year beginning November 1,, together with the reasons therefor. Also attached hereto is a trial balance covering the preceding fiscal year. Respectfully submitted,

Table with columns: Appropriation for 1915, Appropriation for 1916, Requested Appropriation 1917. Rows include: A—Maintenance, total; B—Salaries; C—Repairs and replacements; D—Miscellaneous; E—New Buildings; Total.

being duly sworn according to law says that he is the person authorized to make the above requests for appropriations and that in his opinion such appropriations are necessary and reasonable and that all the statements contained in the said requests and the statements accompanying such requests are true to the best of his knowledge and belief.

(Jurat) GENERAL STATEMENT. (Not more than 1,000 words.) (Signature.)

RECOMMENDATION OF THE GOVERNOR. To the members of the General Assembly: SUGGESTED FORM FOR A STATE INSTITUTION.

Table with columns: Number of Employees, Income turned into State Treasury, Income not turned into State Treasury. Rows include: 1915, 1916, 1917; Fees from examinations, \$17,000; fees for, etc.; Fees from, etc.

To..... Governor of New Jersey, and the Joint Appropriation Committee for the year..... (insert year of incoming Legislature)..... Commissioner of the State Banking Department, hereby presents his requests for the following appropriations for the fiscal year beginning November 1,, together with the reasons therefor. Also attached hereto is a trial balance covering the preceding fiscal year.

Table with columns: Appropriation for 1915, Appropriation for 1916, Requested Appropriation 1917. Rows include: A—Maintenance; B—Salaries; C—Repairs and replacements; D—Miscellaneous; E—New Buildings.

being duly sworn according to law, says that he is the person authorized to make the above requests for appropriations, and that in his opinion said appropriations are necessary and reasonable, and that all the statements contained in the said requests and the statements accompanying such requests are true to the best of his knowledge and belief.

(Jurat) GENERAL STATEMENT. (Not more than 1,000 words.) (Signature.)

RECOMMENDATION OF THE GOVERNOR. To the members of the General Assembly: Upon investigation, I find that the requests of the State Banking Department are, etc.

At the end of the summarized statements from the various State agencies, the Governor shall make a recapitulation of the total requests for appropriations, as compared to the anticipated income of the State, together with any specific or general recommendations, as he may deem wise and proper.

Approved March 1, 1916.

THE MINORITY BUDGET BILL

STATE OF NEW JERSEY

Introduced January 11, 1916

By Mr. Ackerson

Referred to Committee on Judiciary

AN ACT creating a State Board of Estimate and defining its duties and powers. BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

- 1. There shall be a board known and designated as the State Board of Estimate, with the powers and duties hereinafter specified, which shall consist of the Governor, State Treasurer and State Comptroller, of different political parties, and both of whom shall be citizens of this State, and who shall be appointed by the Governor, by and with the advice and consent of the Senate, for the following terms, to commence on the first day of July, one thousand nine hundred and sixteen: One member shall be appointed for a term of six years. Any vacancy occurring in such appointive membership shall be filled for the unexpired term. Each appointive member shall be sworn to a faithful discharge of his duties. 2. The Governor shall be chairman of the board, ex officio, and the State Comptroller shall be secretary of the board, ex officio, and fix their duties and compensation, and said board may also incur incidental expenses. 3. All of the employees of the State Board of Estimate shall be appointed and shall hold their positions subject to the provisions of an act entitled "An act regulating the employment, tenure and discharge of certain officers and employees of this State, and of the various counties and municipalities thereof, and providing for a Civil Service Commission and defining its powers and duties," approved April tenth, one thousand nine hundred and eight, and the acts amendatory thereof and supplementary thereto. 4. The secretary shall keep full and correct minutes of all the transactions and proceedings of the board and perform such other duties as may be required of him. 5. The members of said board appointed by the Governor, by and with the advice and consent of the Senate, shall each receive a salary of said board shall be entitled to receive from the State of New Jersey their necessary traveling expenses while traveling on the business of said board, which shall be paid on proper voucher therefor, approved by the chairman of said board. 6. The board shall have an office in the State House at Trenton, and shall be provided with all necessary furniture, office appliances and equipment. 7. The board shall have power to make such rules and regulations governing its work and the conduct of its employees as, in its opinion, may be necessary to promote the interests of the State, in all matters herein committed to its charge. 8. The total expenses of the board, including salaries, shall not exceed five thousand dollars per annum. 9. The several departments, boards, commissions, institutions, office and bodies, supported by the State or receiving the State aid, or disbursing State funds shall, on or before the second Tuesday of November, nineteen hundred and sixteen, and annually thereafter, submit to said State Board of Estimate upon forms prepared for that purpose by the said board, a summary of the business of the past fiscal year, for all receipts and disbursements properly summarized the number of inmates in any institution, so reporting, the cost per capita of maintenance in any institution, and such other information as may be required by said board, and every such department, board, commission, institution, office and body, shall also at the same time submit to said State Board of Estimate, on forms properly prepared for that purpose by said board, itemized estimates of their respective expenses, salaries and disbursements, for the next ensuing fiscal year, beginning on the first day of November, next succeeding, requiring appropriations therefor, and properly classified under appropriate headings, accompanying the same with estimates of their respective revenues and receipts, if any, during the same period, and also accompanying said estimates with any recommendations of needed improvements, extensions or betterments, and the estimated cost thereof, requiring appropriations. 10. The State Treasurer shall, on or before the second Tuesday of November, nineteen hundred and sixteen, and annually thereafter, submit to the State Board of Estimate, a statement exhibiting under their appropriate heads the general items of expenditure and the amount of receipts of the State during the past fiscal year, and the sources from which such receipts have been received; the indebtedness of the State, if any, and how and where; interest paid for money borrowed; and such other information as will make a full, clear and comprehensive financial statement of the past fiscal year. 11. The State Comptroller shall, on or before the second Tuesday of November, nineteen hundred and sixteen, and annually thereafter,

submit to the State Board of Estimate, an estimate of the revenue and income of the State for the next succeeding fiscal year, arranged under their appropriate heads.

12. Said board shall thereupon proceed to investigate and inquire into said estimated revenue and income of the State and estimated expenses, salaries and disbursements, and the needs and requirements of said departments, boards, commissions, institutions, office and bodies for the next ensuing fiscal year, including any needed improvements, extensions and betterments, and generally to inquire into the financial conditions of the State and any of said departments, boards, commissions, institutions, offices and bodies, and said board may hold hearings upon any such estimates, and said board may hold hearings, extensions, and betterments, and upon any proposed improvements, conditions of the State and of any of the departments, boards, commissions, institutions, offices and bodies, supported by or receiving State aid, or disbursing State funds as aforesaid, and shall complete its investigations and hearings on or before the thirty-first day of December, each year.

13. Said board, after completing its investigations and hearings as aforesaid, shall proceed to make up a summarized table of estimates of the probable revenue and income of the State during the next succeeding fiscal year, and of the expenses, salaries and disbursements, and the probable cost of needed improvements, extensions and betterments, and as in the judgment of said board are required by every such department, board, commission, institution, office and body during the next ensuing fiscal year, and as it may seem advisable to said board in view of the probable revenue and income of the State to provide appropriations for the next session of the Legislature, and report the same, with its recommendations, if any, to the next session of the Legislature, not later than the second week thereof.

14. All reports and estimates made to the State Board of Estimate as provided in sections nine, ten and eleven hereof, shall be kept on file in the office of said board, and open for public inspection and shall be produced before the Senate or General Assembly, or any committee or committees thereof on request.

15. The State Board of Estimate shall act in an advisory capacity to the committees on appropriations appointed by the Senate and General Assembly pursuant to their respective rules, and whenever requested by said committees jointly with reference to any matter or matters pertaining to appropriation upon which said committee or committees desire advice and assistance, and said board shall report at said committee or committees upon any matter pertaining to the State finances which may be referred to said board in writing.

16. The members of the State Board of Estimate are hereby empowered to sit singly or as members of a designated committee of the board, for the purpose of taking testimony on any matter under investigation or for the purpose of conducting any hearing or investigation. A majority vote of the whole board shall be necessary to the making or adoption of any order, report table of estimates or other action of the board.

17. The State Board of Estimate, by its presiding officer or any of its members, shall have authority to administer oaths, and to compel the attendance of and examine, under oath, in any part of the State, and to the financial affairs of the State, and of any department, board, commission, institution, office or body supported by or receiving State aid, to compel the production of contracts, books, papers and documents, and to compel the heads of all departments, boards, commissions, State, or disbursing State funds, and their officers, agents and employees to come before said board, and produce all contracts, books, papers, and documents relating to said department, board, commission, institution, office or body, or to the financial affairs of the State. For this purpose the board may issue subpoenas, signed by any member thereof, and the secretary requiring the appearance of witnesses and the production of contracts, books, papers and documents before it in any part of the State, or before any member or committee thereof. If a person subpoenaed to attend before the board, or a member thereof, fails to obey the commands of such subpoena without reasonable cause, or if a person subpoenaed to attend before the board, or a member thereof, fails to appear without lawful cause, to be examined or to answer a legal or pertinent question, or to produce a contract, book, paper or document, when ordered so to do by the board or any member thereof, the board or such member thereof may apply to the Supreme Court or any justice thereof, who shall have the power of the court for that purpose, upon proof, by affidavit of the facts, for an order returnable in not less than two nor more than ten days, directing such person to show cause before the court, why he should not comply with the subpoena or order of the board; upon the return of such order the court or justice before whom the matter shall come on for hearing, shall examine under oath such person whose testimony may be relevant, and such person shall be given an opportunity to be heard, and if the court or justice shall determine that such person refused without legal excuse to obey the command of such subpoena, or to be examined, or to answer a legal or pertinent question, or to produce a contract, book, paper or document which he was ordered to produce, said court or justice may order said person to comply forthwith with the subpoena or order of the board, and any failure to obey such order of the court or justice may be punished by said court or justice as a contempt of such Supreme Court.

18. All acts or parts of acts inconsistent herewith are hereby repealed, and this act shall take effect immediately.

COMPARATIVE TABULATION OF STATE BUDGET LAWS OF THE EXECUTIVE ACCORDING TO THE STANDARDS OF BUDGETARY PROCEDURE

STATE MARYLAND. Amendment to Sec. 52, Art III., of Constitution. Approved by the people Nov. 7, 1916. Legislature meets biennially.

I.—Preparation of the Estimates. Sub-Sec. C, 2.—Estimates are made by all spending agencies at such time and in such form as the governor may prescribe.

II.—Review of the Estimates. Sub-Sec. C, 2.—Governor reviews by public hearings all estimates and may revise all except legislative and judiciary departments and those relating to public schools.

III.—Preparation of the Budget. Sub-Sec. C, 2.—Governor shall prepare two budgets, one for each of the ensuing years.

IV.—Form and Contents of the Budget. Sub-Sec. B, 2, 3.—Each budget divisions, including estimates of appropriation, (1) General Assembly, (2) Executive Department, (3) Judiciary Department, (4) salaries payable by state for public schools, (7) for other purposes. Sub-Sec. B, 1.—Each budget shall be a complete plan of proposed expenditures, estimated revenues, and shall show surplus or deficit of revenues. Sub-Sec. B, 3.—Governor shall submit his budget and a bill of proposed expenditures, clearly itemized and numbered, to the legislature. Sub-Sec. B, 4.—Governor and administrative officers shall appear before the legislature to defend the budget bill.

VI.—Procedure in the Legislature. Sub-Sec. B, 3.—The budget or appropriation bill must be introduced immediately upon receipt. The governor may amend or supplement the bill while in the legislature. Sub-Sec. B, 4.—Governor and administrative officers shall appear before the legislature to defend the budget bill.

VII.—Enactment of the Appropriation Bills. Sub-Sec. B, 3.—Legislature shall not change the public school funds or salaries and obligations required by the constitution; it may raise or lower items relating to the General Assembly, or raise those relating to the Judiciary, but can only reduce others. Sub-Sec. C, 1.—If budget bill is not enacted three days before expiration of regular session, the governor may by proclamation extend session. Sub-Sec. B, 3.—Appropriation bill becomes law upon passage of the legislature.

VIII.—Supplementary Bills. Sub-Sec. C.—Every supplementary appropriation shall (1) be embodied in a separate bill, (2) shall provide the necessary revenues to pay the appropriation, (3) shall receive the majority vote of the elected members of each house, (4) shall be presented to the governor and be subject to his veto.

NEW JERSEY. Ch. 15, Laws 1916. In effect Oct. 1, 1916. Legislature meets annually.

Secs. 2, 3, 4, 5, 6.—Estimates prepared by all spending agencies on prescribed blanks, giving itemized lists and trial balance, and handed to governor on Nov. 15th. Sec. 7.—Estimated revenues furnished by comptroller and treasurer.

Sec. 8.—Governor shall review all requests and determine necessity of appropriation. Sec. 9.—He may conduct hearings, summon witnesses and make investigations. For this purpose he is allowed to name two special assistants and other administrative officers.

Secs. 8, 10 and 11.—Governor shall prepare a summary of the requests, the total of which is not to exceed the anticipated revenues of the state, and make recommendations thereon.

Sec. 8.—A separate message to the legislature shall contain a summary of the reports with recommendations thereon. Sec. 10.—Message in easily understood language. Sec. 15.—Provides for transfers within unit by applying to the State House.

NEW JERSEY—Continued. Sec. 12.—The governor may transmit special messages to the legislature requesting additional appropriations after the budget has been submitted.

NO PROVISIONS FOR NEW JERSEY. Sec. 12.—The governor may transmit special messages to the legislature requesting additional appropriations after the budget has been submitted.

NO PROVISIONS FOR NEW JERSEY. Sec. 13.—Intent of the law that there shall be no supplemental, deficiency or incidental bills.

MINNESOTA. Ch. 356, Laws 1915. Approved Apr. 24, 1915. Legislature meets biennially.

Sec. 2.—Every spending agency shall prepare estimates. Sec. 6.—Governor may direct form of estimates to be used. Sec. 7.—Estimates shall contain: (1) agency, (2) citation of statutes, (3) current appropriations, (4) actual and anticipated expenditures, (5) amounts needed, (6) explanations, (7) revenues of the agency. Three divisions in classification: (1) salaries, (2) permanent improvements and equipments, (3) and all other expenses.

Secs. 3, 4.—Estimates of subordinate officers shall be reviewed by superior officers and submitted to the governor not later than Dec. 1st. Sec. 5.—Governor shall review and revise not later than Dec. 31st all estimates except those of the judiciary, legislature, state university and state militia. He is assisted by the chief executive officers.

Sec. 5.—Governor shall prepare the budget and have sufficient number of copies printed for legislators and chief executive officers.

Sec. 1.—"Budget" shall mean a statement of the complete estimates of the entire government, and a schedule of appropriations and estimated tax levies, showing: (1) Governor shall lay the budget for current biennium, (2) fund the legislature not later than 1st of January, (3) amounts needed during each ensuing biennium for the different states, (4) the anticipated revenues, (5) information.

MINNESOTA—Continued. Sec. 1.—"Budget" shall mean a statement of the complete estimates of the entire government, and a schedule of appropriations and estimated tax levies, showing: (1) Governor shall lay the budget for current biennium, (2) fund the legislature not later than 1st of January, (3) amounts needed during each ensuing biennium for the different states, (4) the anticipated revenues, (5) information.

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NEBRASKA. Ch. 229, Laws 1915. Approved Apr. 16, 1915. Legislature meets biennially.

Sec. 3.—State officers prepare estimates and submit them to governor. Sec. 4.—Auditor of Public Accounts shall keep books showing the expenses of the various branches of government. Each state agency shall certify to him monthly an itemized list of expenditures.

Sec. 1.—Governor reviews the estimates.

Sec. 1.—The governor, as the chief budget officer, shall prepare the budget. Sec. 3.—He shall have the assistance of every officer of the state. He shall print the budget message for the use of the legislators, the press and citizens.

Sec. 2.—Contents of the budget: (1) assessed valuation of the state, (2) public statement (3) total receipts and expenditures for previous biennium, (4) total estimated revenues, (5) total expenditures of state as per each agency for previous biennium, (6) total estimated expenditures for biennium. Sec. 1.—Reasons for each item changes occur.

NEBRASKA—Continued. Sec. 1.—Reasons for each item changes occur.

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OHIO. S. B. No. 127, Laws 1913. Approved May 6, 1913. Legislature meets biennially.

Sec. 1.—Every spending agency to prepare estimates and submit them to governor on or before November 15th biennially. Sec. 2.—Auditor of State to submit a report to governor on or before Nov. 15th biennially, showing: (1) Balance to the credit of several state agencies, (2) monthly revenues and expenditures, (3) annual revenues and expenditures for last four years, (4) monthly average of expenditures.

Sec. 4.—Governor may review estimates. Sec. 3.—Every state officer shall furnish any information desired by the governor. Sec. 5.—Governor may appoint competent persons to examine into the affairs of the various state agencies. He may summon witnesses and make examinations.

In practice the budget is prepared by a Budget Commissioner.

OHIO—Continued. Sec. 3.—Every state officer shall furnish any information desired by the governor. Sec. 5.—Governor may appoint competent persons to examine into the affairs of the various state agencies. He may summon witnesses and make examinations.

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