

## CHAPTER V

### THE BUDGET AND THE ADMINISTRATION

THE legislature must define its policy toward the administration as well as its substantive public policies. So far as the relation of the legislature to the budget is ever discussed, it is the latter that receives attention, hardly ever the former. It is felt that in order to focus attention on these problems they should have separate treatment. The subject-matter of this chapter is, therefore, the definition of legislative policy toward the administration.

Perhaps the two most significant facts about appropriation acts as they relate to the legislative attitude toward the administration are their annual or biennial passage and their detailed or lump sum character. The latter fact raises the collateral question of the veto of items by the governor, but that is not strictly pertinent to the subject-matter of this chapter and will not be discussed here.

For purposes of a study of the budget or of fiscal policy, the separation of the administration from the executive, particularly of his policy-making functions, is in the interest of clearness, of a more accurate statement and of a more ready understanding. By the administration is understood here the operating agencies of government, or if the reader will understand the term without any insidious meaning, the bureaucracy

— the men who do the day-to-day work of government. The executive, as he is merely a part of the great governmental machine to carry out the public will, is merged in the administration as here understood, but as he is a part of the policy-declaring function which the administration carries into effect, he is reserved for separate treatment.

#### I. EFFICIENCY OF ADMINISTRATION

Perhaps one of the greatest problems of our government is increased efficiency of administration — and yet we hardly think of efficiency as related to administration. The too familiar campaign cry of economy and efficiency has usually merely a pre-election purpose. It is a talisman for the crowds. It is a catchword. It is a shibboleth. And yet efficiency of administration is as important as efficiency in registering the public will. Much talk there is — and ought to be — about simpler and more effective means of registering of the public will through appropriate measures, but who asks how effectively or even how well this expressed public will will be carried into effect? Let us look at the problem.

Legislatures declare certain public policies in our laws. Whether these policies shall be operative is the problem of administration. All the laws in the world remain merely as good intentions, as aspirations, as pious wishes unless they are enforced. Or as Charles Evans Hughes puts it: "For all laws and programs are vain without efficient and impartial administration."<sup>1</sup> The function of the administrative agencies

<sup>1</sup> Telegram to Chicago Convention, June, 1916, accepting Republican nomination for President.

of government is law enforcement. Whether we shall have merely a paper government or an actual government depends on the efficiency of administrative officers. Setting the machine is the most important thing if it is in good working order, is well oiled and is attended by trained workmen. But suppose that the machine is set and there are no workmen or the parts of the machine are worn out, or that the oil for lubricating is used up. What then? Operation and maintenance then become the fundamental problems, and the setting of the machine is of no avail. In government, administration is complementary to legislation and determines its effectiveness. Hence the importance of good administration.

How does the budget affect administrative efficiency?

A budget act may through its continuing character establish a presumption of a department's permanence, encourage planning ahead over a series of years, or it may make administrative officers men who do their work from day to day and cross bridges only when they come to them. Shall we have a plan for a series of years and shall we encourage through the budget the formulation of such plans? The question of annual appropriations is intimately related to an answer to this question.

Or again, shall we through the form of the appropriation act make possible the exercise of administrative discretion, or shall we make administrative officers automatons, carrying out a specific detailed direction as to what personal service or equipment or printing is required to carry out the functions of the department? This is the problem of the so-called segregated budget.

To these problems the immediately succeeding pages attempt a solution.

II. GOOD ADMINISTRATION AND CONTINUING  
APPROPRIATIONS

ANNUAL APPROPRIATIONS

"It was on the 31st of October that the charwoman and the rest of the mechanical force which manage the Capitol building in Washington were given their pay for the month of June."

In turning over some old numbers of *Collier's Weekly* this 1913 item jumped from the page, for it fitted snugly into the discussion of annual appropriations. It was not so much the picture of poor men and women waiting four months for their pay, as it was the running of our national affairs. And why did such a thing happen? The item continues: "This was because the regular appropriation had been exhausted, and an urgent deficiency bill had not been passed." The incident could properly and pertinently be made the basis of discussion of government by deficit, or inefficiency in government, or of our *cataclysmic theory and practice of administration*. The immediate concern is with the last.

The effect of such a system of government on the charwoman is important — and equally important is its effect on all the higher officials involved. But of vastly more importance is the view of government that lies revealed in it. The government is merely a temporary thing to be provided for on a hand-to-mouth basis. If we as a people were introspective enough

and analytic enough, we should state our situation frankly somewhat as follows: "The government will get along somehow without very much foresight or planning. If we can keep it financed a year ahead, all is well. We do get along somehow. If government officers, including charwomen, are delayed a few months every few years for their salaries, it is a minor matter. They wait. Many of them could not get other jobs anyway. As to keeping the administration of affairs going, we can always patch it up with a deficiency appropriation until we are ready to pass the regular appropriations. Moreover this annual or biennial uncertainty as to funds keeps the public officials on the anxious seat and amenable to control by the representatives of the people and prevents the development of a bureaucracy."

And so we have the cataclysmic theory of administration embodied in our annual appropriation system. At the end of the fiscal year the wheels of government ought legally to stop unless the legislature — national or state — has passed the annual appropriation bills. Then we may begin again, and so on forevermore. We create a department of health. We know it is to be permanent, but we provide for it merely for a year, when it continues again only by positive action by the legislature. There must be an annual resurrection. It must get into the legislative game if it is to have another lease on life. *The nine lives of a cat are as nothing compared to the lives of our administrative departments.* What are referred to here are not governmental agencies of a temporary or experimental character, but the permanent administrative services.

Nor is any such analysis of the situation merely mental. If there is anything the American democracy is supposed to believe in whole-heartedly it is education. We have come to accept higher education by the state as a matter of course, too. But let us see what may sometimes happen — and does. The University of Texas was to all intents and purposes a part of the permanent administration of the state of Texas. Both houses of the Texas legislature in the session of 1913 passed by very large votes appropriations for the University as follows: \$658,000 for 1913-14 and approximately \$700,000 for 1914-15. This second item was vetoed by the Governor in its entirety, the reason given being that it was not itemized and he had no option in dealing with an excessive item other than by a veto. So far as the law-making agencies of the state were concerned, the University of Texas was without funds — surely without adequate funds — during the year 1914-15, and the normal result would be the closing of the University for that year.

Does any one suppose that the people of Texas wanted the University to be discontinued for a year, or to have its great plant lie idle for a year? Does any one suppose that the people of Texas wanted to delay the education of their sons and daughters for a year? No, the responsibility is in the system of annual appropriations. Nor is this an isolated case. The Universities of Oklahoma, Oregon and Utah have had in effect similar experiences, that is failure of annual appropriation bills. But perhaps some clue to a remedy for the situation may be revealed by the Texas solution of its difficulty:

A person intimately acquainted with the situation states it very definitely in a private letter in these words:

"In addition to the appropriations, out of the general revenues of the state, the legislature also, as it does automatically each two years, appropriated for the uses of the university the rentals from its lands, interest on its bonds, and the various fees it collects which amount to something like \$200,000 for each year. The authorities of the university in the emergency which arose, saved up practically the whole of the resources last mentioned coming to it in the form of rentals, interest and fees for the year 1913-14, added to similar resources for the year 1914-15, and by that means found it possible to keep in operation until March, 1915. These funds for some years have been expended almost in their entirety for buildings and for permanent improvements and such needs of the university had to be neglected during the period mentioned. The authorities of the University reported to the legislature that convened in January, 1915, that it could not continue in operation after March of that year unless an emergency appropriation of some two hundred and fifty or sixty thousand dollars should be provided. This appeal was responded to and the appropriation made, thus enabling the institution to complete that scholastic year."

#### HOW THE SYSTEM OPERATES

A real insight into the system of annual appropriations may be secured by an exposition of the character of the legislative manipulation that is made possible under it. A state department, let us say, of health or of education is created. The need for the service of such a department is continuous, and the department is presumably permanent. It is, however, to be financed from year to year. It gets its appropriation for the second year and the third. But the enforcement of it

law has been vigorous, and certain interests are opposed to it, or for some other reason there is opposition. Whatever the cause in a particular case is immaterial in our present consideration. Nor is it pertinent that the proposed appropriation is an increase or a decrease over last year's appropriation or equal in amount.

If this opposition won enough senators or members of the lower house, it could prevent passage of any legislative appropriation and hence kill the department through starvation. Let us see how many votes would be necessary. We will take the Wisconsin legislature as an example. There are one hundred assemblymen. If all were present fifty-one assemblymen could starve the department against any opposition by the remaining forty-nine assemblymen, all the senators and the governor. But very rarely are all the assemblymen present. Toward the closing days of the session, i. e., when appropriation bills come up, it is frequently true that only the necessary three-fifths are present. In that case the vote of thirty-one assemblymen is necessary to prevent any action and thus starve the department to death. Though three-fifths quorum is necessary to pass a bill, a majority quorum is sufficient to kill it, and in that case twenty-six votes are necessary instead of thirty-one.

A similar situation might exist in the Senate. The Wisconsin Senate is made up of thirty-three members. With full attendance seventeen senators are necessary to obstruct the measure and starve the department, even though the other senators and one hundred assemblymen and the governor may be in favor of it. With the minimum attendance required for appropriation bills,



namely, twenty senators, a vote of eleven senators can secure the same results. And if only a majority is present, the bill can be killed by a vote of nine senators.

With minimum attendance in the assembly, a combination of the governor and thirty-four assemblymen or with similar attendance in the Senate, a combination of governor and twelve senators can effectively starve any department by a veto.

With minimum attendance in the assembly, a combination of the governor and seventeen assemblymen or with similar attendance in the senate, a combination of governor and seven senators can effectively starve any department by means of a veto under the annual or biennial system which is the usual system in this country.

In the last days of the session the governor alone can starve a department through the pocket veto.

In those states where the provision for passing legislation or overriding a veto is stated in terms of "all the members elected," and this is true in many states, every absentee contributes to the ease with which appropriations are defeated and departments "hamstrung" under the annual appropriation plan. Under a system of continuing appropriations such absentees become a force in preventing the starvation of departments through minority control.

#### THE ANNUAL VS. CONTINUING APPROPRIATIONS

Walter Bagehot in 1867 prophesied that some day the Americans would probably to some extent modify their present system of total administrative cataclysms.

(The English Constitution, p. 259.) They have. Civil service reform has helped to make these transitions milder. But the effective agency to do this is through continuing appropriations.

The assumption of the cataclysmic theory or practice of administration is that government shall every so often stop until the legislature gets around to passing an appropriation bill for the department or service. The continuing appropriation assumes that the major services of government are comparatively permanent, and the presumption is that they will continue so. Thus under an annual or biennial system of appropriation — which accepts the cataclysmic point of view — the appropriation is made for a year or two and stops at the end of the period. Then failure to act by the legislature becomes in effect an abolition of the service. But more than that, it makes it practically a necessity for administrative officers to get into the legislative game to the total neglect of their administrative duties during the session of the legislature not to protect their salaries but to protect the very existence of the governmental department. And in addition to that, they are subject to all kinds of legislative pressure which becomes more effective as the end of the fiscal year approaches and becomes practically a command after it has passed. The influence extends both to appointment and discharge of personnel and to the enforcement of the law entrusted to the governmental agency involved.

Under a system of continuing appropriations the appropriation continues until changed. Then only *positive* action by the legislature can affect or modify it

in any way. The basis of this is: that just as a majority of both houses of the legislature and the governor, or two-thirds of the members of the legislature (i. e., the number to override a veto) are necessary to pass it, so only by similar action should it be modified or abolished. The burden of proof for changes in established law or organization has shifted from the administration to the legislature, and changes can be effected only by positive action of the law-making agencies. The administrator, therefore, is reasonably safe and he may continue to perform his administrative duties instead of cajoling and jollying legislators in the lobby of the hotels of the capital city or in the lobby of the legislature. Moreover legislative pressure is not likely to be so effective because the source of its momentum is gone and particularly minority control is ineffective.

#### TEMPORARY AND EXPERIMENTAL AGENCIES AND CONTINUING APPROPRIATIONS

The system of continuing appropriations assumes, as already explained, a radically different point of view toward the administration than the system of annual appropriations. Once the legislature has declared a policy and provided for the organization to carry it into effect, the policy ought to continue until the legislature wants to change it, and to change it not by default but by positive action. That is, the continuity of the administration ought to be presumed.

But two questions are frequently raised. One is: "Would you put all governmental services on a continuing basis?" The answer is, "No." Insofar as

any department is experimental or organized to meet a temporary need, it would not be put on a permanent basis. An illustration will help. The 1911 Wisconsin legislature felt the need for an agency which would study the economic and social problems of the state and begin an accounting reconstruction that would look toward a real budget system. But it was not sure that it wanted to create a permanent organization of that kind, or rather it felt that it did not know exactly the field for such an organization. The 1911 legislature therefore passed a bill creating a Board of Public Affairs with a vague but broad definition of its power and provided for its continuance for two years. The 1913 legislature modified its powers somewhat and continued it until January 1, 1916. But in the meantime the 1915 legislature passed a law restricting its power entirely to its budgetary and accounting aspects and continued it until 1917. This is the way a state with practically 90 per cent. of its appropriations on a continuing basis deals with its temporary experimental agencies. The 1917 legislature placed it on a permanent basis by granting it a continuing appropriation.

Nor is the case any different when the temporary emergency or experimental work is part of the work of a department already on a continuing basis.

The Wisconsin State Board of Health is a permanent agency. It is an accepted part of the state administrative machinery. Its general work is on the basis of continuing appropriations. Its appropriation is made in section 172-27 of the Wisconsin statutes. This section has ten subdivisions, but only those illustrating

different forms of appropriation acts will be quoted.

For its general powers, the appropriation runs in this form :

“ There is appropriated on July 1, 1915, thirty-five thousand dollars and annually beginning July 1, 1916, thirty-five thousand dollars, payable from any moneys in the general fund not otherwise appropriated, to the state board of health to carry into effect the powers, duties and functions provided by law for said board.” (Sec. 172-27 (5).)

For some of its special powers the appropriations are in this form :

“ There is annually appropriated on July first, fifteen hundred dollars, payable from any moneys in the general fund, not otherwise appropriated, for the state board of health and vital statistics, to carry out the provisions of section 1409a-1.” (Sec. 172-27 (1).)

“ All moneys received by the state board of health for the licensing of plumbers shall be paid within one week of their receipt into the general fund of the state treasury and all such moneys are appropriated to the state board of health to carry into effect the provisions of sections 959-53 to 959-58, inclusive, of the statutes.” (Sec. 172-27 (2).)

For a definite piece of work, a water survey, a conditional appropriation is made in this form :

“ There is appropriated on July 1, 1913, three thousand dollars, payable from any moneys in the general fund, not otherwise appropriated, for the state board of health for the purpose of making a water survey as required by section 1407m, provided that an equal sum can be obtained by and through the department of the United States geological survey for this work.” (Sec. 172-27 (3).)

For emergency purposes an appropriation is made in this form:

“There is appropriated on July 1, 1915, seven thousand five hundred dollars, payable from any moneys in the general fund not otherwise appropriated to be used upon special authorization by the governor and the attorney-general as a contingent emergency fund for checking or preventing threatened epidemics of transmissible diseases.” (Sec. 172-27 (7).)

#### ANNUAL REVIEW AND CONTINUING APPROPRIATIONS

But the second question in the minds of most people interested in the budget problem is regarded as fundamental and conclusive as regarding the system of continuing appropriations. It is: “*How is it possible to provide annual legislative review of administrative acts with a system of continuing appropriations?*” The question is often asked in another way: “Under the system of continuing appropriations do you not make the administration independent of the legislature and thus stimulate the growth of a bureaucracy?” This is, in reality, the same question. The first formulation of it looks at the problem from the standpoint of means — legislative review of administration; the second looks at the problem from the standpoint of end, viz., development of bureaucracy.

It is found that there is underlying this question a fundamental misconception of continuing appropriations. Perhaps this confusion is due to the fact that sometimes these appropriations are referred to as permanent appropriations. *A continuing appropriation is not permanent.* It continues in its existing form only

until a legislature changes it. Continuing appropriations in Wisconsin, for example, are in many instances changed biennially. Their essential virtue is that they continue until the law-making agencies have actually determined upon a change and positively expressed it. No failure to act because of the obstructionist tactics of any group in either house of the legislature or of the combination of an executive and a minority in either house can prevent the continuance of a department or bureau. But at the time the law-making power wishes to increase, decrease or abolish any continuing appropriation it simply does so just as it amends or repeals any other law.

#### THE BUDGET PROCEDURE FOR CONTINUING APPROPRIATIONS

Departments or governmental agencies which are financed by continuing appropriations should submit their budget estimates to the executive to be reviewed by him exactly as annual appropriations are. This is the practice in Wisconsin. This is obviously the practice that must be followed everywhere under any budget system which aims to base legislative action upon the fullest administrative information. In order that the executive may make intelligent recommendations and that the legislature may decide whether it wants to increase, decrease or leave unchanged the existing appropriations, this information must be submitted for each fiscal period. Each time the legislature must answer for each continuing appropriation these questions: Shall this appropriation continue at this amount? Shall it be increased? Shall it be decreased? If it decides that it shall continue, no action

need be taken. If it wishes to change the appropriation in any way, it must take appropriate action by the positive use of the law-making machinery. The periodical review of *all* governmental activities is a necessary preliminary to the performance of the legislative duty of answering the three questions mentioned immediately above.

A very serious danger to continuing appropriations, and to other appropriations for that matter, is the single or large bill including many heterogeneous items which are passed on a single roll call or on a single vote. Each change ought to be voted on individually before the bill is voted on as a whole, otherwise you encourage and stimulate log-rolling, and break down the guarantees of continuing appropriations.

### III. ADMINISTRATIVE EFFICIENCY AND SEGREGATED APPROPRIATIONS

In rendering an account of its financial stewardship, the administration accounts in great detail for all the money appropriated to it and expended. To be effective this account must include not merely the things that were purchased for the money — personal services, supplies and the like — but the things done, milk inspection, prevention or confinement of typhoid epidemics. Along with this should go larger social facts such as the death rates and the birth rates, and the like. In order that the legislature shall decide upon social policies and appropriations intelligently, it is necessary that it shall have the fullest and most detailed information so that past experience may be utilized in meeting present and prospective needs.



*Shall the legislature in giving the administrative officers their "sailing orders" prescribe in very great detail how the administrative officers shall spend the public money? This question gives rise to the problem of the "segregated budget."*

WHAT ARE "SEGREGATED APPROPRIATIONS"?

This is frequently referred to as the problem of the "segregated budget." This is a misnomer. The budget<sup>1</sup> as a document of information intended for the legislature should be as detailed as possible. The more detailed, the more information there is potentially if properly organized and classified. There could be hardly any objection to a segregated, i. e., a detailed budget if we understand by "budget" the budget proposals.

But in New York City, from whence the budget propaganda has been carried, the segregated budget proposals became the basis in its segregated form for the appropriation ordinance. It is obvious that the appropriation ordinance need not follow in form the budget proposal. It may be even more detailed or it may be more generalized. It is a question as to the detail the legislature wishes to prescribe for the administrative use of authorizations to spend. This is a problem not so much of a so-called "segregated budget" as of a "segregated appropriation act."

The "segregated budget act" is contrasted with the "lump-sum budget act." The legislature may say in substance, "Mr. Administrator, we give you \$——— for the administration of health." Or it may say, as

<sup>1</sup> I. e., the budget proposals.

New York City did say in 1913, " Mr. Administrator, we give you \$—— for the administration of health laws to be spent as follows:

DEPARTMENT OF HEALTH<sup>1</sup>

ADMINISTRATION

<i>Executive —</i>		Sten. and Type-	
Commissioner ....	\$7,500 00	writer .....	\$ 600 00
Sec'y to President	3,000 00	Typewriting Copy-	
Examiner .....	3,000 00	ist, 2 at \$750 ...	1,500 00
Medical Inspector	2,550 00	Typewriting Copy-	
Sten. to President	1,200 00	ist, 3 at \$600 ...	1,800 00
Sten. and Type-		Laborer .....	720 00
writer .....	1,050 00	Telephone Opera-	
Messenger, 2 at		tor, 6 at \$900 ...	5,400 00
\$1,500 .....	3,000 00	Telephone Opera-	
Secretary .....	5,000 00	tor .....	750 00
Chief Clerk .....	3,500 00		
Clerk .....	3,000 00		\$74,290 00
Clerk, 4 at \$2,550 .	10,200 00		
Clerk .....	2,100 00	<i>Audit and Accounts —</i>	
Clerk, 2 at \$1,500 .	3,000 00	Clerk .....	\$2,400 00
Clerk, 4 at \$1,200 .	4,800 00	Clerk, 3 at \$1,800 .	5,400 00
Clerk .....	750 00	Clerk, 3 at \$1,500.	4,500 00
Clerk .....	600 00	Clerk, 3 at \$ 900.	2,700 00
Clerk, 2 at \$540 ..	1,080 00	Clerk .....	480 00
Clerk, 8 at \$480 ..	3,840 00	Bookkeeper, 5 at	
Clerk, 5 at \$300 ..	1,500 00	\$1,200 .....	6,000 00
Sten. and Type-		Laboratory Assist-	
writer .....	1,200 00	ant .....	900 00
Sten. and Type-		Laboratory Assist-	
writer .....	900 00	ant .....	750 00
Sten. and Type-			
writer .....	750 00		\$23,130 00

And so on through endless items of this kind classified under various heads.

It is required by the legislature that each amount of money shall be used only for the purpose definitely named, and for no other purpose.

<sup>1</sup> New York City Budget, 1913, pp. 396-397.

An appropriation presented according to the first form is said to be a "lump sum" appropriation. The money is authorized to be spent by the administrator under certain large headings, and the relative amount that shall be spent for the subordinate headings (as given in the budget proposals) is largely a matter of administrative discretion, though they express the *probable* method of spending.

An appropriation presented according to the second form is said to be segregated. For each of the details of the larger headings a specific appropriation is made. Each is segregated from the rest and is regarded as distinct. There is no administrative discretion.

#### THE DEVELOPMENT OF A "SEGREGATED BUDGET"

Wide currency was given to the phrase and the thing by the New York Bureau of Municipal Research. When it began its work the cities were regarded as the governmental failure of America. The "shame of the cities" was told and was accepted as a matter of course. A condition confronted the municipal researchers which called for an immediate remedy. Public funds were the spoils of partisan victories by all parties besides Tammany. Padded pay rolls in September and October were to be accepted. Public franchises, public offices, public contracts were the pawns in the political game. One of the chiefs of Tammany Hall announced the principle that the first consideration was "my pocket every time." A budget procedure, as we now think of it, was unknown. Money was voted; and how much, for what purposes and to whom, could be ascertained, but it was not very clear to the public.

"Budget-making was merely a compromise between the compelling exigencies of work, or the political or personal persuasiveness of those making requests, and the political inexpediency of increasing too rapidly the city's annual outlays." <sup>1</sup> When the public really began to see what had been happening, they wanted some control exercised over these administrative officers. As abuses were exposed, the grantors of funds increased the conditions of appropriations until in 1913 there were twenty-four conditions to control the use of appropriations. There was thus developed what has been most aptly called a "meticulously detailed appropriation ordinance." <sup>2</sup> The appropriating authorities demanded from the administrative authorities very detailed information — meticulously detailed information — and upon acceptance made these detailed requests the "meticulously detailed appropriation ordinance."

#### THE RESULTS IN NEW YORK CITY

Wherever young men from the Bureau of Municipal Research went, there the gospel of segregation followed. Wherever surveys were made by the Bureau, a segregated budget was an inevitable recommendation. The bulletin service and other publicity methods of the Bureau carried the segregation propaganda practically everywhere in the country. With the return of Frederick A. Cleveland to the Bureau staff there was a distinct reversal of the segregation policy.

<sup>1</sup> "The Budget as an Administrative Program," by Henry Bruere, in *Annals of the American Academy of Political and Social Science*, November, 1915, p. 178.

<sup>2</sup> *Ibid.*

In New York City an effort was made to educate the authorities away from the segregated budget. They realized the situation. They said that the purpose of the segregated budget had been accomplished and a change was necessary for administrative efficiency. Perhaps a word may be permitted in this connection as to the purposes and results of the segregated budget in New York City.

The purpose of the segregated budget has been aptly put by Henry Bruere, who was himself an important factor in the whole development. He says:

“It was conceived not by those responsible for granting funds. It was prompted not so much by the desire to expedite the performance of public business, as to prevent age-long and conspicuous misuse of public funds which under lax organization and ineffective administration had become characteristic in New York as in other American cities. The purpose of the new budget method was in theory a negative purpose; that is to say, it was inhibitory rather than directive.” (“The Budget as an Administrative Program,” by Henry Bruere, in “Annals of the American Academy of Political and Social Science,” November, 1915, p. 180.)

The results he summarizes succinctly in these words:

“Segregation results in a degree of regimentation which restricts and in a measure paralyzes the freedom with which the organization provided in the appropriations may be employed, or the funds for purchases may be utilized.” (Ibid, p. 181.)

#### THE FUNCTION OF THE “SEGREGATED BUDGET”

The New York experience with the segregated budget has shown clearly its usefulness. Wherever

public funds are not safeguarded or politics is the controlling influence in administration, or in short, wherever there is corruption, or graft or laxness, there the segregated budget serves as an effective means of control. It is a negative influence. It leaves no room for administrative discretion. It ties the hands of administrative officers. It prescribes exactly how the money shall be spent.

But to build a budgetary system on a pathological condition is hardly wise. Frederick A. Cleveland puts the case well:

“The best that may be said for the detailed (i. e., segregated) appropriations of the past is that they are a part of a system that has operated to prevent administrative action premised on infidelity and ignorance; that legislative control over administration through detail appropriations is a device for use of a political institution, in which all the elements essential to administrative efficiency are lacking.” (Detail vs. Lump-Fund Appropriations, by Frederick A. Cleveland, 1913.)

To prevent graft or waste of public funds due either to dishonesty or inefficiency or any other cause, the segregated budget serves a useful purpose. It is only an emergency measure. It stops the gaps. It helps prevent abuses of every kind while preventing others. It substitutes legislative control for executive responsibility to the legislature for things done.

Accountants or persons inoculated with the accounting point of view coming face to face with the chaos of series of unrelated items of appropriations in large sums suggested the segregated budget. It made the bookkeeping so much simpler. It was the obvious

thing to do — until a modern system of accounting made possible accurate detailed information from the point of view of the administrator, of the legislator and of the public in terms not merely of gross sums, but of unit costs. *Assuming the honesty of public officials, a good accounting system will serve all the purposes that are served by the segregated budget.* The segregated budget is usually a wall put up to permit government to build behind it an efficient accounting system.

SOME BY-PRODUCTS OF THE SEGREGATED BUDGET

But in achieving the negative results it aims at, the segregated budget does more. It ties the administrator hand and foot. It makes him an automaton registering petty legislative decisions. He need not do what the legislature says he may do, but if he does anything he must carry out the detailed direction of the legislature. Let us look at the 1913 budget for New York City — that logical expression of the segregated budget. The budget is for almost \$200,000,000. It contains items as follows:

Education	
Wages, Temporary Employees	
Bureau of Buildings, Division of Repairs	
Machinist at \$4.50 per day (1 day).....	\$4 50
N. Y. County Sheriff	
Communication	
Telegraph, Cable and Messenger Service	
Administration .....	2 00

“ SEGREGATED BUDGET ” AND LUMP SUM APPROPRIATIONS

Should a legislative body prescribe in such detail the expenditures of public money? Perhaps there should

be such control. Let us see another way of approaching the problem. Take, for example, the departmental estimates of the Industrial Commission of Wisconsin as presented to the 1915 legislature.<sup>1</sup>

Description	Department <sup>2</sup> Estimates	
	1915-1916	1916-1917
GENERAL ADMINISTRATION .....	\$48,624.00	\$48,624.00
Salaries and Wages		
Commissioners and Secretary .....	17,500.00	17,500.00
Clerks and Stenographers .....	14,000.00	14,000.00
Statistical Employees .....	6,200.00	6,200.00
Traveling and Field Expenses .....	2,500.00	2,500.00
Stationery and Office Supplies .....	2,500.00	2,500.00
Postage .....	3,500.00	3,500.00
Telephone and Telegraph .....	500.00	500.00
Express, Freight and Drayage .....	250.00	250.00
Printing and Binding Reports .....	600.00	600.00
Sundry Supplies and Expense .....	400.00	400.00
Books and Subscriptions .....	150.00	150.00
Rent .....	504.00	504.00
Repairs .....	10.00	10.00
Light .....	10.00	10.00
SAFETY AND SANITATION .....	23,300.00	23,300.00
Salaries and Wages		
Deputies, Clerks and Stenographers .....	17,100.00	17,100.00
Traveling and Field Expenses .....	4,500.00	4,500.00
Printing and Binding Reports .....	1,500.00	1,500.00
Sundry Supplies and Expense		
Photographs, Blue Prints .....	200.00	200.00
FREE EMPLOYMENT		
General, etc. ....	1,600.00	1,600.00

Similar details are given under "Free Employ-

<sup>1</sup> Wisconsin State Budget, 1915, p. 140.

<sup>2</sup> The comparative data for 1911-12, 1912-13, and 1913-1914 are omitted because they are not relevant to our present purpose.



ment," "Woman and child Labor," "Truancy," "Workmen's Compensation," "Bakeries and Confectioneries," "Minimum Wage for Women and Children," "Sweat Shops," "Arbitration," "Investigations," "Apprenticeship," "Private Employment Agencies," "Street Trades," and "Furniture and Furnishings." The situation with reference to the appropriation was summarized as follows:

Description	Department Estimate	
	1915-1916	1916-1917
Appropriation available July 1 .....	\$120,000 00	\$120,000 00
Unexpended balance previous year ...	10,097.96	19,163 96
Total available for year ... ..	139,097 96	139,163 96
Actual expenditures and estimates ...	119,934.00	119,934 00
Unexpended balance, June 30 .....	19,163.96	19,229 96

(Wisconsin State Budget, 1915, p. 145.)

The legislature voted the appropriation in this form:

"(Sec. 172-15) 1. There is appropriated, on July 1, 1915, seventy-seven thousand one hundred seventy-eight dollars and sixty-nine cents and annually beginning July 1, 1916, one hundred five thousand seven hundred fifty dollars payable from any moneys in the general fund not otherwise appropriated, for the industrial commission to carry into effect the powers, duties and functions provided by law for said commission.

"2. There is annually appropriated beginning July 1, 1913, such sums as may be necessary, payable from any moneys in the general fund not otherwise appropriated, for the industrial commission to cover the cost of printing and distributing the Wisconsin blue book, required by law to be prepared by the industrial commission."

"3. All moneys received by each and every person for or in behalf of the industrial commission under subdivision (12) of section 2394-52, shall be paid into the state treasury within one week of receipt, and all such deposits are appropriated for said commission to carry into effect the provisions of said subdivision.

"4. All moneys received by each and every person for or in behalf of the industrial commission under sections 2394-82 to 2394-95, inclusive, shall be paid into the state treasury within one week of receipt, and all such deposits are appropriated for said commission to carry into effect the provisions of said sections.

"5. There is annually appropriated, beginning July 1, 1915, three thousand five hundred dollars, payable from any moneys in the general fund not otherwise appropriated, for the industrial commission to carry out the provisions of sections 2377-2387, inclusive, of the statutes.

"6. There is annually appropriated, beginning July 1, 1915, two thousand four hundred dollars, payable from any moneys in the general fund not otherwise appropriated, for the industrial commission to carry out the provisions of sections 1729-1 to 1729s-12, inclusive, of the statutes.

"7. There is annually appropriated, beginning July 1, 1915, five thousand dollars, payable from any moneys in the general fund not otherwise appropriated, as a contingent appropriation for the industrial commission to carry into effect the powers, duties and functions of said commission." (Wisconsin Statutes, 1915.)

Does the legislature have control over the expenditures of the Commission? In the normal run of things the budget estimates control the expenditure of money, and departmental officers are required to explain departures from these estimates. The responsibility is clearly placed on them. It is customary in submitting departmental estimates to give brief written explanations of important differences between expenditures

and estimates. But this is only preliminary to the specific inquiries of the Finance Committee about all aspects of the subject.

To make this responsibility of administrative officers effective the legislature ought to provide specifically for a procedure to question administrative officers in a committee of the whole house. A subsequent vote of lack of confidence would cause the retirement of the political officer charged with the administration of the department. This would not affect the permanent administrative experts.

If there is not responsibility to the legislature either in this way or in some other way, then the legislature is justified in making its appropriations more detailed.

#### THE LUMP SUM APPROPRIATION <sup>1</sup>

The essential feature of the lump sum appropriation is that the authorized expenditures are stated in comparatively large sums for rather general purposes. The question as to how the purposes shall be classified is not pertinent to the present inquiry. From the standpoint of the administrator the essential point is that there is opportunity for administrative discretion.

The lump sum appropriation may be expressed under various classifications with various degrees of

<sup>1</sup>"When administrators have developed the means whereby they may think and act intelligently, then it is, and not till then, that detailed appropriations and the other limitations imposed as an incident to the exercise of legislative control over the details of administration may be supplanted by a system of lump-fund appropriations based on a segregated budget for every line of which the executive will assume responsibility." (Detailed vs. Lump-Fund Appropriations, by Frederick A. Cleveland, 1913.)

“lumpness.” For example, the appropriation for operation for an Industrial Commission may be expressed in various ways which still retains its lump character.

*Form 1*

A General Lump Sum Appropriation

For the Industrial Commission .....

*Form 2*

A Lump Sum Appropriation for Operation for the Industrial Commission by Function <sup>1</sup>

Industrial Commission	
General Administration .....	\$0000000
Safety and Sanitation .....	000000
Free Employment .....	00000
Women and Child Labor .....	00000
Truancy .....	00000
Workmen's Compensation .....	00000

*Form 3*

A Lump Sum Appropriation for Operation for the Industrial Commission by Objects of Expenditures <sup>2</sup>

Industrial Commission	
Salaries and Wages .....	\$000000000
Traveling and Field Expenses.....	0000000
Stationery and Office Supplies.....	000000
Postage .....	00000
Telephone and Telegraph.....	00000
Printing and Binding Reports .....	00000
Sundry Supplies and Expenses.....	00000
Books and Subscriptions.....	00000
Pictures .....	0000

<sup>1</sup> As at present classified.

<sup>2</sup> As at present classified.

No matter which form the appropriation takes, there exists an opportunity to administrative officers to use their business sense, to make adjustments to changing needs, to meet emergencies as they come up — to feel that they are a factor in the administration of government.

Upon such a basis it is possible to build an *esprit de corps* in the public service, to have all public officers and employees working for the common good — to build up administration — the greatest need of American democracy.

#### THE SPHERES OF LEGISLATION AND ADMINISTRATION

The function of the legislature is to determine policies. The function of the administration is to carry out the declared policies of the legislature. The legislative responsibility is for a definite understandable policy; the administrative responsibility is for execution of the work-to-be-done. The legislative responsibility is to the electorate; the administrative responsibility is to the legislature. If this is a correct theory of our "division of labor" in government, then the lump sum, which declares a policy and leaves the method of working it out to the administration, would seem to accord better with the theory than the legislature declaring the policy, settling the details of its execution and having the administration record automatically the legislature's decision not merely as to policy but as to administration.