

1966

# The Virginia Executive Budget

Charles William Wyatt III

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**THE VIRGINIA EXECUTIVE BUDGET**

by

**Charles William Wyatt, III**

Submitted to the Department of History and  
Political Science in Partial fulfillment  
of the requirements for the degree of  
Master of Arts

University of Richmond  
1966

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## CHAPTER I

### PROBLEMS AND DEFINITIONS

Virginia, like the other states in our union, was without any set form of budget during its first century of existence. This was partly because there was no definite need for any governmental reform in this area until the twentieth century brought about an expansion of the powers and responsibilities of governments.

The states relied on the general property tax for the bulk of their revenue and its return was relatively certain and constant. It enabled a legislature to accurately judge its yield and match this yield to what was needed by an easy adaptation of the rate of taxation.<sup>1</sup>

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1. Eugene E. Agger, The Budget in the American Commonwealth (New York: The Columbia University Press, 1907), p. 45.

Since the general property tax was so easy to deal with, the need for a budget or dependence upon the financial officers of the state was not felt. In fact the very idea of taking the appropriation decision from the legislature was frowned upon. The revolution had left a distrust of the executive in all things relating to financial matters.

Four general principles can be found in relation to financial matters. These principles originated during the revolutionary period and are still with us today. The first general principle is that taxes must be levied with consent and authorization of the people or of their elected representatives.<sup>2</sup>

Closely related to this is the principle that all revenue bills shall originate in the most popular branch of the legislature. Another principle is that a comprehensive report of the needs and programs must be made to the legislature before any appropriation is made. The last principle is that no money will be paid without an appropriation or a warrant from a proper state official.<sup>3</sup>

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2. Agger, The Budget in the American Commonwealth, pp. 22-3.

3. Ibid., pp. 23-5.

From this we can see that the need for budgetary reform was not only not needed, but was not wanted by the American people. They maintained their distrust of the executive branch of the government and wished to keep control of the administration in the hands of the legislature by the process of control of finances.

From the above facts we can see that before budgetary reform could come about, it was necessary that the states make progress along other lines.

In general we can say that the progress needed in state government was mainly in three areas. The establishment of an integrated administration system with the governor as head of this system was the first need.<sup>4</sup>

The above requirement had to be met before the second requirement could be met. This requirement is that the governor as head of the executive branch would take a part in formulating the budget. Once this requirement is met, it is only a short step to a consolidated financial

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4. William F. Willoughby, The Movement for Budgetary Reform in the State (New York: D. Appleton and Company, 1918), p. 12. From Studies in Administration series of the Institute for Governmental Research.

statement or budget submitted to the legislature by the governor for their approval. In this way the governor would be able to set forth the financial operations of the government and his revenue and expenditure program for the ensuing fiscal period.<sup>5</sup>

The last area in which progress was needed was in the legislative procedure governing the consideration and action upon matters concerning financial problems.<sup>6</sup>

These, then, were in general the specific problems faced by the states before any budgetary reforms could be carried out.

To gain a keener insight into the contents of this research paper, it is necessary to know some of the technical terms applied to different budget systems.

The legislative type budget is a procedure that looks to the legislature for the preparation of a program or plan for the administration. This program is for a future period to be financed for a purpose set by the legislature with the administrative officers and the

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5. Willoughby, The Movement for Budgetary Reform in the States, p. 12.

6. Ibid.

executive acting in a ministerial or advisory capacity.<sup>7</sup>

The legislative budget is a continuation of the principle of legislative domination which we have discussed already. The difference is that it is with a set form and has in most cases a small advisory group of officials who aid the committee members in determining if each individual committee, board, or agency shall receive the amount it feels it requires.<sup>8</sup>

Professor Agger says in his book, The Budget in the American Commonwealth, "We have never been subject to a want of funds for any considerable length of time. The need of a careful and economical administration of the finances has never been very pressing and the necessity of following the counsel of the administration officer in charge of the finances has never been recognized."<sup>9</sup>

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7. Frederick A. Cleveland and Arthur Eugene Buck, The Budget and Responsible Government (New York: The Macmillan Company, 1920), p. 125.

8. Ibid., p. 127.

9. Agger, The Budget in the American Commonwealth, p. 44.



The legislative budget, then, was the type most favored by the majority of the nation because of the heritage handed down from the revolution and the absence of a need for a change.

The next form of budget we will look at is the board or commission type budget. This budget form has a board or commission as the agency to which the account of acts of the administration involving the raising and spending of public funds is presented. It is this board that prepares the estimates for future periods to be financed. These estimates are then passed on to the legislature and acted on by the representative branch of the government.<sup>10</sup>

In this form of a budget the legislature maintains its dominance by reserving the right to make any changes in the budget put before them for inquiry, discussion, and action. Also on the board would be many representatives of the legislature. The board or commission type budget then is still a budget controlled by the legislature.<sup>11</sup>

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10. Cleveland and Buck, The Budget and Responsible Government, p. 125.

11. Ibid.

The commission or board type budget grew out of the school of American political thought which was dedicated to end the building up of parties through the use of patronage and the spoils system. It was particularly concerned with ending those parties controlled by a "boss" and felt that the best way to do this was by putting the control of the budget in the hands of a board. By doing this both the executive and legislative branches would be weakened and the administration would be in the hands of various boards.<sup>12</sup>

Another form of budget that was experimented with was a combination of the executive and legislative budget. In this type of budget the dominant part was played by the legislature. The influence of the executive was limited to recommendations that had no particular authority, but were taken for what they were worth by the legislative branch. Because of the lack of authority the influence of the executive was very small. An example of this will

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12. Cleveland and Buck, The Budget and Responsible Government, p. 127.

be seen later in this paper when we begin to deal specifically with the evolution of the budget of Virginia.<sup>13</sup>

This combination of the executive and legislative budget came about as a period of transition from a legislative budget to an executive budget. This transition was necessary because in the United States the budget was regarded as the preparation of a law. In fact it was looked on as the most important law the legislature had to deal with.<sup>14</sup> This transition type of budget coincided with a change in feeling towards the budget. The budget became regarded as an executive prerogative which was approved by the legislature.

The most important element in the wave of budgetary reform in the states came in the second and third decades of the twentieth century. This was the introduction of the executive budget.

This may be defined as the procedure of vesting in the governor and executive branch the responsibility for the preparation of the budget program. An executive

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13. Agger, The Budget in the American Commonwealth, p. 43.

14. Ibid.

budget may also grant to the governor special powers in respect to the adoption and execution of the budget program.<sup>15</sup>

The chief reason for the success of this movement towards an executive budget was that the adoption of an executive budget system was a feature in the centralization and integration of governments that was for the most part favored and applied to state governments.<sup>16</sup> In Virginia we shall see that this was particularly so.

We can see then that the executive budget was closely related with the reorganization of state governments and had at its center the tendency to increase the power and responsibility of the governor. Arthur N. Holcombe says the following about the governor's financial power prior to the twentieth century. "The natural jealousy of executive authority at the time of the Revolution caused the people of the original states to put complete control of public finance into the hands of the legislature, and,

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15. J. Wilner Sundelson, Budgetary Methods in National and State Governments (Albany: J. B. Lyon Company, 1938), p. 297.

16. Ibid.

subject to the veto power, there it remained until modified."<sup>17</sup>

It can be said then that the executive type budget is the direct outgrowth of an effort to locate and enforce responsibility.<sup>18</sup>

In regard to how well each of the budgets serves a democracy, it can be said that the executive budget is far superior to the other forms of budgets. This is true because the executive budget looks to a popularly elected chief executive as the person responsible for giving an account of the actions of the administration involving the raising and spending of the state's monies. Again it is the popularly elected governor who prepares a program for the administration during the future period for which the appropriations are asked and who accounts for the past acts of the administration.<sup>19</sup>

The legislative budget, on the other hand, cannot be made to serve the purpose of a democracy. Our system

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17. Arthur N. Holcombe, State Government in the United States (New York: The Macmillan Company, 1928), p. 321.

18. Cleveland and Buck, The Budget and Responsible Government, p. 129.

19. Ibid., pp. 123-5.

is based on a leadership which is elected to run the administration according to certain programs they put forward in their campaigns. These elected officials cannot make their programs work under a legislative budget since it is the legislature which controls the programs of the administration by means of control of finances.<sup>20</sup>

Cleveland and Buck make one qualification in regard to the executive budget and democracy. They say that it must develop a procedure in each state it is instituted in for locating and enforcing responsibility and an effective means of appeal to the people on vital issues.<sup>21</sup> Concerning the state of Virginia, we shall see how this problem of locating and enforcing responsibility was a disrupting feature during the first decade of the use of the executive budget.

The legislative budget must be looked on as being very unsatisfactory. It is not the fact that the legislature makes out the budget that is the fault, but the general system that had grown up around this type of budget in the states.

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20. Cleveland and Buck, The Budget and Responsible Government, pp. 126-9.

21. Ibid., p. 129.

In the legislative budget the officer who was in control of finances had no authority or control over the various officers and departments. The decision reached by the legislature was always independent of the executive and was final. It led to the heads of the administration going to the legislature rather than to the finance officers when they sought appropriations. In Virginia the auditor said that if the committee needed an explanation they sent for him. He said of the budget, "I have no voice in legislation so I do not volunteer my opinion."<sup>22</sup>

Last, we find that no matter how competent the finance officer is, he finds his estimates are not always recognized. Only a finance officer who is strong in his party can exert any real influence on a legislative budget.<sup>23</sup>

The advantages of the executive budget are evident. It has fiscal efficiency and adjusts state finances to fluctuating economic backgrounds. It eliminates sectional and partisan interests inherent in legislatures from the budget and has one agency to initiate, guide, and carry out

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22. Agger, The Budget in the American Commonwealth, pp. 51-3.

23. Ibid., pp. 52-4.

the fiscal program. It allows the governor, who carries out the fiscal program, to be the one who proposes it. Last, it allows someone who views the program as a whole to plan the financial needs of the program.<sup>24</sup>

In conclusion to this chapter it is necessary to point out that if the budget, whatever the type, is to operate effectively as a controlling agency, the body which is in charge of making it do so must have certain essentials and certain powers.

This authority must be provided with an adequate staff that is competent to study and know the needs of the administration. It must be able to show the cost of operation of the existing agencies, boards, and departments and be able to accurately show present financial conditions. This is necessary so that the sponsors of the future program, which is to be financed, can explain and defend their recommendations or requests for funds.<sup>25</sup>

This controlling agency must also be provided with the means to enable it to supervise carefully current

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24. Sundelson, Budgetary Methods in National and State Governments, pp. 298-301.

25. Cleveland and Buck, The Budget and Responsible Government, pp. 125-6.



expenditures and inhibit any actions that are contrary to the spirit or intent of the grants of funds from the legislature or any other appropriating agency which might grant funds.<sup>26</sup>

Now that we have looked at the problems in general and the specific problems of the various types of budgets, we are ready to look at some early movements in general and at the movement in Virginia in particular.

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26. Cleveland and Buck, The Budget and Responsible Government, pp. 125-6.

## CHAPTER II

### EARLY NATIONAL MOVEMENTS

In the nineteenth century and in the early part of the twentieth century, the traditional practice of the states with respect to financial matters was built around and was consistent with a highly decentralized and un-integrated system of administration. Special appropriations were often made for private and even local objects. Many of these were without any time limit or expiration date.<sup>27</sup>

Agencies, boards, and departments ordinarily reported directly to the legislature on its expenditures and in the same manner transmitted its estimates of the appropriations necessary for its operation during the ensuing future period of time.<sup>28</sup>

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27. Holcombe, State Government in the United States, pp. 321-2.

28. Ibid.

It became apparent that before the budget could be used as a means of making popular control effective, a procedure had to be developed in the appropriating body which locates responsibility for leadership and which would enable the men and measures which are the subjects of electoral choice to be enacted.<sup>29</sup>

These things were apparent even in the early days of budgetary reforms. As we briefly look at the history of the budgetary movement, prior to concentrating on the movement in Virginia, we will see these faults and many others.

The use of a budget as a means of reform was born as a feature of municipal reform. The leaders of these reforms found that permanent reform could not be accomplished by ousting officials who used their offices for private gain. They, then, began a study of the technical problem with a view toward finding a long term concrete form of reform. In order to do this they were forced to expand, and organizations like the National Municipal League formed large, competent staffs to study the problem. The

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29. Cleveland and Buck, The Budget and Responsible Government, p. 126.

result was a concentration on their part towards securing for the cities they were concerned with a workable budgetary system.<sup>30</sup>

This course of budgetary reform in municipalities was also promoted by the Bureau of the Census through continuous pressure upon the municipalities for a standard classification of municipal expenditures.<sup>31</sup>

The National Municipal League in 1899 included in its draft of a model municipal corporation act a plan for an executive budget for cities that closely resembled the Virginia Budget Bill of 1918. It said that--

It shall be the duty of the Mayor from time to time to make such recommendations to the Council as he may deem to be for the welfare of the city and on the \_\_\_\_\_ day of \_\_\_\_\_ in each year to submit to the Council the annual budget of current expenses of the city, any item of which may be reduced or omitted by the Council; but the Council shall not increase any item in nor the total of said budget.<sup>32</sup>

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30. Willoughby, The Movement for Reform in the States, pp. 6-7.

31. Ibid.

32. "Draft of Model Municipal Corporation Act," by National Municipal League, 1899. Found in Willoughby, The Movement for Budgetary Reform in the States, p. 80.

This movement for budgetary reform in the municipalities was carried over to the states. This was a natural development since every reason dictating the necessity for reform in municipalities also existed in state governments.<sup>33</sup>

When we begin to seek an explanation of the movement for budgetary reform in the United States, a number of distinct movements are found that used the budgetary reform as a means of achieving and promoting objects of their own.<sup>34</sup>

Among these movements first place must be given to the continuous effort that was being put forth to devise a means by which popular government could become a reality in fact as well as in name. This was a movement designed to bring the affairs of government into conformity with the popular will of the people. This popular will could not be formulated nor expressed until the public had some adequate means of knowing how governmental affairs had been conducted in the past, what present conditions were, and what program or programs were planned for the future.<sup>35</sup>

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33. Willoughby, The Movement for Budgetary Reform in the States, p. 80.

34. Ibid., p. 1.

35. Ibid., pp. 1-2.

Of all the means devised for meeting these requirements in completeness and effectiveness, none approached that of a budget properly prepared. It makes known past operation, present conditions, and future proposals. It even locates responsibility and furnishes the means of control needed.<sup>36</sup>

A closely associated movement to the above was the movement to correlate legislative and executive action. The budget was seen as an instrument to accomplish this goal. It was felt by many that the true function of the legislature should be that of acting as an organ of public opinion and the medium through which those concerned with the actual administration could be supervised, controlled, and held accountable for the manner they performed their duties.<sup>37</sup>

There are two methods by which direction, supervision, and control may be exerted. One is by specification in advance, and the other is by establishing a means which would make full information available regarding the manner delegated authority is exercised. It is here that the

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36. Willoughby, The Movement for Budgetary Reform in the States, pp. 1-2.

37. Ibid., pp. 2-3.

budget enters this movement. It supplies the information necessary to make delegation of power to the executive possible and yet makes it possible for the legislature to maintain control by holding the executive accountable for programs found in the budget.<sup>38</sup>

The budget was also used by the movement to secure administrative efficiency and economy. The demand for improved methods of public administration led to demands for improved methods of financial administration and to the demand for the adoption of a budgetary system as the central feature of such improved systems.<sup>39</sup>

A brief look at some early plans of other states will better prepare us for the reforms in the state of Virginia. One early plan was that of Minnesota, which was published in 1914. It set up separate departments of finance and taxation. This plan was based on the board or commission type budget which was enacted in 1915. From this early attempt later efforts, including that of Virginia, saw the inefficiency and delay the board system brought with it.

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38. Willoughby, The Movement for Budgetary Reform in the States, pp. 2-3.

39. Ibid., pp. 4-5.

From the Minnesota plan the budget law was the only usable idea to come from the study.<sup>40</sup>

The New York plan of 1915 was drawn up at a convention and called for seventeen separate departments, including departments of finance, accounts, treasury and taxation. When this was defeated at the polls in November of 1915, Governor Whitman of New York set out to formulate an executive budget in New York.<sup>41</sup>

Governor Whitman submitted his budget to the New York legislature; but when the legislature's standing committees had finished with it, each appropriation and item of supporting schedules were made separate items of appropriations. His original bill contained nothing but the proposed items of appropriation and a number of supporting plans which he could authorize from time to time as the need arose. At the same time the legislature passed a law for the institution of a "legislative budget."<sup>42</sup>

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40. Cleveland and Buck, The Budget and Responsible Government, pp. 134-137.

41. Ibid.

42. Ibid.



From this, others who desired an executive budget learned that it was necessary, first, to have this form of budget passed by the state's legislature in the form of a law. Any attempt like Governor Whitman's would be held up by the legislature and might even prompt them to move away from an executive budget.

In some states a more orderly practice grew up in respect to appropriations. In Massachusetts department heads submitted their estimates in advance of the meeting of the legislature to the State Auditor. He then arranged them in some systematic order, together with a comparative statement of departmental expenditures for the preceding years, and submitted the whole as one report to the legislature. This is an example of the legislative budget at its best. The legislature then would refer the departmental reports and estimates to standing committees. The department heads were required to appear before the committees and demonstrate the necessity and correctness of the appropriations. The chief difficulty was that they appeared independently and each worked for his own department and was responsible in no way for any other department or for the state appropriations as a whole. Every department wanted to expand the services of his

department without regard for the general growth of public expenditures or revenues.<sup>43</sup>

Virginia had these and other attempts at budget reform by various states to use as a guide line when the state began to see the necessity for a reform in the budgetary process. Because of this, Virginia was able to avoid many pitfalls other states had fallen into when the reform of the budget was attempted.

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43. Holcombe, State Government in the United States, p. 322.

## CHAPTER III

### MOVEMENT FOR BUDGETARY REFORMS IN VIRGINIA

In Virginia during the nineteenth and early twentieth centuries neither the governor nor any other executive officer had anything to do with any departmental estimates save his own. The veto power did give the governor some limited control over revision of appropriations, but even this was limited by the fact that the legislature had to make these revisions and could override the governor's veto. Also the veto could only be used after the appropriations had been made by the legislature.<sup>44</sup>

Before the movement began to reach a peak in Virginia, a number of acts had been passed by the legislature which

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44. Holcombe, State Government in the United States, pp. 320-2.

made the transformation to the executive budget much more fluid and orderly.

The first of these occurred in 1910 and gave the governor the power to appoint a state accountant for a term of four years. The duties of this accountant centered on formulating a system of bookkeeping and accounting that would enable accurate records to be kept and to provide an efficient system of checks and balances between the collection, receipt, custody, and disbursement of the revenue of the State. The accountant was enabled by the legislature to inspect the accounts of officials without notice and was ordered to make an annual report to the governor.<sup>45</sup>

This act provided for a check upon unauthorized expenditures and also of illegal financial practices by Virginia State officials.

Also in 1910 the Committee of Finance of the Virginia Senate reported on a drop of revenue in the State. Its investigation came out of a Senate resolution passed on

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45. Acts and Joint Resolutions of the General Assembly of the State of Virginia (Richmond: Davis Bottom, Superintendent of Public Printing, 1910), pp. 243-5. Hereafter listed as Acts of the Assembly.

March 7, 1908, which called for a review of information as to the needs of state government departments and institutions receiving funds from the State. They found that the State showed a drop in resources and at the same time an increase in operating expenses.<sup>46</sup>

The Committee had been instructed to "prepare the appropriation bill proper without increase of salary or an annuity." They were to see that the bill would not be greater than expected revenue.<sup>47</sup>

The Committee stated that it was unable to carry out its duty because it did not "wish to check the splendid progress the State is making along the lines of educational, moral and material development." The Committee stated that it saw only one possible way out of the difficulty if salaries were not to be cut and that was to raise the taxes and look for new sources of revenue.<sup>48</sup>

This was one of the first visible signs of a need for budgetary reform. We will see later that revenue

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46. Journal of the Senate of the Commonwealth of Virginia (Richmond: Davis Bottom, Superintendent of Public Printing, 1910), Senate Document I, pp. 1-4.

47. Ibid.

48. Ibid.

continued to drop and until World War I reversed this trend, Virginia was faced with a grave economic problem that led many to call for budgetary reforms and controls over expenditures.

In 1912 a Senate and House Joint Resolution called for the head of each department, board, or commission to prepare and submit to the General Assembly within ten days of the General Assembly's first meeting of each session an itemized estimate of the expenses of his department, board, or commission for the next succeeding two years.<sup>49</sup>

This was an attempt by the Virginia legislature to set up some control over estimates and expenditures by the various parts of the administration. It was made necessary by the decline in revenue which was continuing.

In 1916 the financial situation was at its peak. The Virginia Senate passed a resolution that required all reports of deficiency of receipts and disbursements for the years 1916 and 1917 to be forwarded to the Senate's

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49. Journal of the House of Delegates of Virginia  
(Richmond: Davis Bottom, Superintendent of Public  
Printing, 1912), pp. 35-6.

Finance Committee as well as any recommendations made thereon.<sup>50</sup>

The report that came as a result of the above Senate resolution stated that application of the state's tax laws depended on its justice, and that no uniformity could be obtained unless the powers of administration were enlarged and conferred upon some State authority which would have the power to enforce uniformity of the administration of the tax laws by local boards.<sup>51</sup>

It was also pointed out in this report that unless reapportionment of revenue and the acquisition of new revenue, along with better control and enforcement of the spending of the revenue was obtained, the state could not continue the level of appropriations that were in force at that time.<sup>52</sup>

This report was presented to the Senate by the State Advisory Board and clearly showed that budgetary reforms were needed. This State Advisory Board had duties similar

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50. Journal of the Senate of the Commonwealth of Virginia, 1916, pp. 295-6.

51. Ibid., pp. 4-6. Carried as Senate Document No. 9.

52. Ibid.

to the present day Virginia Advisory Legislative Council. This report by the State Advisory Board was of great importance to the Virginia program for budgetary reform because it was the first to point out that the then present financial organization in Virginia could no longer handle the problems arising. Its importance was enhanced because of the manner in which it was presented and whom it was presented to. It came as a request of the legislature and from a group trusted by the legislators.

As a direct result of the above report, the Virginia General Assembly passed an act on March 16, 1916, providing for the creation of a Commission on Economy and Efficiency. This commission was given the duty of making a careful study of the "organization and methods of business" of the state. It was also instructed to report what changes, in its opinion, should be made to put the state's affairs on a more efficient and economically sound basis.<sup>53</sup>

This commission reported on January 9, 1918, that Virginia badly needed a modern budget system. The report said this:

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53. "Report of the Commission on Economy and Efficiency to the General Assembly," January 9, 1918, pp. 25-6. Found in the Journal of the Senate of the Commonwealth of Virginia.



In the opinion of the Commission on Economy and Efficiency the one thing that will do more than anything else to place the state government of Virginia on a more business-like basis, would be the introduction of a modern budget system. The establishment of such a system, in addition to placing our public affairs on a more scientific footing, would bring about many of the departmental changes that should be made.<sup>54</sup>

Another strong supporter of the movement for reform in Virginia's financial structure was Westmoreland Davis. In his campaign for Governor he made the need for an executive budget a strong issue. In his platform he stated: ". . . I advocate the inauguration of what is known as an 'executive budget'--that is an appropriation bill tentatively prepared by the Governor and submitted to the legislatures at the opening of the session of the General Assembly."<sup>55</sup>

Mr. Davis went on to give certain specifics that his "executive budget" would consist of. The appropriation bill would be based upon estimates by the heads of departments and the Auditor of Public Accounts. It would

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54. "Report of the Commission on Economy and Efficiency to the General Assembly," January 9, 1918, p. 26. Found in the Journal of the Senate of the Commonwealth of Virginia.

55. The Democratic platform for the year 1917. Found in a folder entitled Westmoreland Davis at the Virginia State Library.

provide for a survey of the State's financial condition, income, and proposed expenditures. It would, finally, consist of a study of the workings of each department of the State.<sup>56</sup>

Mr. Davis realized the ability of the executive budget to bring the administration under the popular will. He said, "Of more importance still would be the centering of public opinion upon proposed expenditures." In this way the people could enter into the formation of administrative programs in a limited sense. By the strength of public opinion, backed by the fact that elections do exist and that both the governor and the legislature must be approved by the people every so often, the people would enter into the formation of the Virginia Budget and administrative programs.<sup>57</sup>

The people of Virginia were another factor which aided in the passage of the budget act. The Richmond Times-Dispatch said of Westmoreland Davis' victory in the Democratic

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56. The Democratic platform for the year 1917. Found in a folder entitled Westmoreland Davis at the Virginia State Library.

57. Ibid.

Primary: "Davis' victory in the primary, without any recognized organization and few prominent politicians supporting him was a sign that the people, themselves, had nominated him."<sup>58</sup>

The paper went on to say that it appeared to be a Democratic year in Virginia and this was due to support for Davis and his reform movement.<sup>59</sup>

Davis was elected by what the Times-Dispatch called a "sweep" and by such a majority that it clearly indicated the people did indeed approve of the budgetary reforms put forth by Davis.<sup>60</sup>

Another movement which furthered the causes of those seeking an executive budget for Virginia was the First World War. Leroy Hodges, who was Aide-de-Camp and Secretary to the Governor of Virginia during this period, said:

The chief feature in Virginia's program of war economy, however, is the modern executive state budget law recently enacted by the legislature, which will establish complete co-ordination of revenue and expenditures and insure greater

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58. Richmond Times-Dispatch, November 6, 1917, p. 2, c. 2.

59. Ibid.

60. Ibid., November 7, 1917, p. 1, c. 4.

executive supervision and control of all state affairs.<sup>61</sup>

Mr. Hodges pointed out that war has three main factors which bring victory. The most important of these he claimed was money. By the enactment of the budget law, he felt Virginia was doing her part to win the war.<sup>62</sup>

He also pointed out that the new law will eliminate such occurrences as the passing of a million and a quarter dollars in excess of estimated revenues by the 1918 General Assembly. On this subject of economic waste under the old legislative type budget, Mr. Hodges says:

With the enactment of this law Virginia has cast off the shackles of the hopelessly unbusiness-like and inadequate method of handling its financial affairs by the sixty-day legislative committee method, under which the same legislature that passed the new budget law made excess appropriations amounting to nearly a million dollars, unknown to any of its members.<sup>63</sup>

These then are a few of the specific movements which led to the enactment of the budget law. There are more

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61. Leroy Hodges, "Virginia War Economy and the Budget System," (The Academy of Political Science: Columbia University, 1918), p. 1.

62. Ibid.

63. Ibid., p. 2.

minor movements which played a part; but the financial situation of decreasing revenue and increasing costs of government, lack of control over estimates and appropriations, inefficiency within the old legislative budget, and the war were the main factors behind the passage of the budget law on February 19, 1918.

## CHAPTER IV

### THE BUDGET LAW

William F. Willoughby said of the Virginia budget bill shortly after its passage, "This act thus placed on the statute books must be deemed to be one of the best budgetary laws enacted by any state of the Union." He went on to say that it was clearly worded and left no doubt as to its purpose.<sup>64</sup>

In this estimate of the Virginia Budget, Willoughby is correct. On paper the Virginia Budget Act was a very impressive move towards better financial conditions for the State. In reality we shall see later it needed a complete change in the administrative system to work as it was meant to.

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64. Willoughby, The Movement for Budgetary Reform in the States, pp. 35-6.

It provided for a report to be sent to the governor prior to the first of November of all odd numbered years by the heads of all State departments, bureaus, divisions, commissions, and other agencies. This report was to include, on official estimate blanks, an estimate in itemized form of the amount needed for each year of the ensuing two year period beginning with the first day of March of the next even year.<sup>65</sup>

Between the time these reports reach the Governor's office and the first of December, these reports are combined and made parts of the administration's over-all program. Then on the first of December the Auditor of Public Accounts furnishes the Governor with the estimated financial needs of the General Assembly and the judiciary.<sup>66</sup>

These last two estimates were to be included in the budget without revision.<sup>67</sup>

In order to plan the budget in such a way as to be reasonably sure of income to meet expenditures, the Auditor of Public Accounts furnishes the Governor with a statement

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65. Acts of the Assembly, 1918, Chapter 64.

66. Ibid.

67. Ibid.

showing the balance standing of each department, board, commission, or agency at the end of the preceding appropriation year.<sup>68</sup>

He also furnishes a statement showing the monthly expenditures and revenues from each appropriating account and an itemized financial balance sheet for the State of the last fiscal year.<sup>69</sup>

In order to check on the validity of the estimates and on the use of past appropriations each appropriating agency is bound by law to furnish the Governor any information he desires in respect to their affairs or activities.<sup>70</sup>

The Governor was required to present his finished budget to the General Assembly within five days after the beginning of each regular session.<sup>71</sup>

The Governor was also required to accompany the budget with a number of statements which would enable the legislature to better understand the budget and act on it in a shorter time. These statements included the revenues and expenditures

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68. Acts of the Assembly, 1918, Chapter 64.

69. Ibid.

70. Ibid.

71. Ibid.



of the two appropriation years preceding; the current assets, liabilities, reserves, surplus or deficit of the State; the debts and funds of the State; the condition of the State treasury; a complete financial balance sheet for the last fiscal year; and a survey of the State's financial and national resources, with a review of economic, industrial, and commercial conditions.<sup>72</sup>

In order to further make the budget a professional work, the Governor was required to submit to the presiding officer of both houses of the General Assembly copies of a tentative appropriation bill with his budget.<sup>73</sup> In this way the work of the legislature in relation to the budget is cut to a fraction of what it was under the legislative committee system.

In this way the budget law assured Virginia of a budget prepared in a professional manner by a group of trained, financial workers. At the same time, the budget enabled the legislature to be advised on how the appropriations were used and what work programs were planned for the future.

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72. Acts of the Assembly, 1918, Chapter 64.

73. Ibid.

In the General Assembly, the budget law stated, the appropriation bill would be handled by the standing committees of the House of Delegates and the Senate in a joint session that would be open to the public. During these joint sessions responsible representatives of the administration and its divisions would be available for questions the joint committee wished to ask. These representatives were required by the law to furnish any information desired by the joint committee.<sup>74</sup>

To insure that the legislature would still have the final control over appropriations, the law stated that the General Assembly may increase or decrease any items of the bill in the interest of public service.<sup>75</sup> This was in way of keeping with the basic American idea of no taxation unless by representatives of the people being taxed.

From this look at the budget law of Virginia we can see that it does, in fact, provide a sound and workable structure for the State's finances. It is clear in placing authority and was designed with maximum safeguards for the correct use and proper appropriation of State funds.

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74. Acts of the Assembly, 1918, Chapter 64.

75. Ibid.

The problem with the law was not in what it said, but in what it left unsaid. Later we shall examine some of the problems that arose from these vacuums in the original budget law.

## CHAPTER V

### THE EVOLUTIONARY YEARS

Of the states that changed to the executive budget system by the process of a state law, Virginia was the first to put its budget law into operation.<sup>76</sup> Since Virginia was without the knowledge of how others had handled this new process of budgeting, the State was forced to develop and enlarge its budgeting system by successive stages.

While many people consider the 1920-22 budget the first of Virginia's modern budgets, it was in reality a transition budget. It combined with the newly passed law forms of the old budget system and even resembled a

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76. Arthur Eugene Buck, Budget Making (New York: D. Appleton and Company, 1921), p. 25.

mixture of the executive and board type budgets.

During the preparation of the first budget the governor designated an advisory board, composed of two senators and three representatives to assist him in the preparation of the budget.<sup>77</sup>

The 1920-22 budget is the one time in Virginia's history that the board type budget was used. Because this was a board type budget, it will not be dealt with except to show that it existed during the transition from legislative budget to executive budget.

One of the first of the successive stages of Virginia's growth towards sound budgetary procedure was the establishment of a central purchasing system by the General Assembly in 1920.

Under this act and later Amendments all materials, supplies, and equipment of every description must be purchased through the Division of Purchase and Printing if they are paid for out of funds from the State treasury.<sup>78</sup>

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77. Buck, Budget Making, p. 8.

78. J. H. Bradford, "State Financial Procedure in Virginia" (Richmond: Division of Purchase and Printing, 1928), pp. 3-4.

The above act better enabled the budget to be accurately drawn up since these expenditures could be recorded. It also acted as a check on irresponsible spending of State's funds.<sup>79</sup>

In 1922 section eleven of the budget law was amended in order to give the Governor a Director of the Budget who was unencumbered by other duties.<sup>80</sup> Prior to this, the secretary to the Governor had acted as head of the small group which handled the budget.<sup>81</sup>

The work on the budget had previously been carried out by the Governor's executive staff and a statistician who worked directly under the Governor's secretary.<sup>82</sup> The 1922 amendment also allowed the Governor to appoint any assistants he felt necessary and special help when it was required. These budget assistants would come under the control of the newly appointed Director of the Budget.<sup>83</sup>

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79. Bradford, "State Financial Procedure in Virginia," pp. 3-4.

80. Acts of the Assembly, 1922, chapter 310, p. 523.

81. Buck, Budget Making, p. 25.

82. Ibid.

83. Acts of the Assembly, 1922, chapter 310, p. 523.

The amendment set the term of office of the Director of the Budget at four years. In this way he would serve out the full term of the Governor who appointed him and would be in agreement with his superior on the basic items of the budget. A new Governor would then have the option of retaining the director or replacing him with someone of his own choice.<sup>84</sup>

This amendment also provided for compensation to all budget employees on a scale comparable with what other state government employees were making.<sup>85</sup>

In 1924 an amendment to the purchasing act of 1920 provided for the establishment of an Advisory Standardization Board. This board consisted of the Director of the Division of Purchase and Printing and such representatives of the institutions and agencies of the state as are designated by the Governor. This board was limited to ten members including the Director of the Division of Purchase and Printing.<sup>86</sup>

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84. Acts of the Assembly, 1922, Chapter 310, p. 523.

85. Ibid.

86. Bradford, "State Financial Procedure in Virginia," pp. 5-6.

The Advisory Standardization Board was required to consider and advise the Division of Purchase and Printing on the needs of the various State activities. The main purpose of this board was to provide standard specifications for the commodities and supplies used in the various State activities.<sup>87</sup>

The importance of such a board can easily be seen in the light of the many varied governmental departments, agencies, and commissions which use the Division of Purchase and Printing. By having some harmony and standardization of materials used the cost is lowered because of the volume of the item bought. Looking at the same results from a different viewpoint we can see that the standardization makes it much easier to figure the budget estimates of the government. With a standard set on supplies, one over-all estimate of governmental needs for that item may be made. Without a standard the same item may have to be figured a dozen times because of different grades and sizes of material.

To further increase the power of the Governor over the State's financial structure, the General Assembly

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87. Bradford, "State Financial Procedure in Virginia," pp. 5-6.



inserted a provision into the 1922 general appropriations bill making it the duty of the Governor to make certain that all appropriations are expended as they were meant to be.<sup>88</sup>

This insertion into the general appropriations bill gave the Governor the power to restrain the State Comptroller from making any further disbursements to any State agency, department, or commission which in the Governor's opinion did not expend its appropriations correctly. The Governor was required to report the reasons for his action in the next budget sent before the General Assembly.<sup>89</sup>

While the Governor had prior to this certain inherent and indirect powers to enforce proper expenditure of appropriations, this gave him a direct, formal means to handle any such problem.

During this same period of evolution for the budget, another movement was gaining strength which would later add to and improve the operation of the Virginia budget system. This was the movement to consolidate and simplify the workings of State government in Virginia. In 1922

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88. Acts of the Assembly, 1922, chapter 112 , p. 213 .

89. Ibid.

the General Assembly appointed a Commission on Consolidation and Simplification of State and Local Government.<sup>90</sup>

In 1924 the Commission made its report to the General Assembly. It included in its report a study of local government, but in the main it was concerned with the State government. It pointed out many needs for consolidation in the government, but did not set up any systematic means for bringing about these changes.<sup>91</sup>

J. H. Bradford said of this report:

This commission made to the General Assembly of 1924 an able and exhaustive report on State and local government which served still further to focus attention on needed reforms and to develop the sentiment which later found expression in far reaching changes in the machinery of government.<sup>92</sup>

Before we leave this evolutionary period of the budget, let us look at the results of the 1922-24 budget. This was the first budget to go into effect that the, then new, executive budget plan had initiated.

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90. Bradford, "State Financial Procedure in Virginia," p. 6.

91. Journal of the Senate of the Commonwealth of Virginia, 1924, Senate Document No. 5.

92. Bradford, "State Financial Procedure in Virginia," p. 6.

This budget represented a saving to the State of over three million dollars when it is compared with departmental and institutional estimates and requests for funds. Besides this saving, the bill also provided an annual increase for the support of Virginia's public school system of over one million dollars.<sup>93</sup>

In other areas the 1922-24 budget provided for increased expenditures for roads, agriculture, and State institutions. All of this was done without an increase in taxes.<sup>94</sup>

The executive budget was a success from the very beginning in Virginia and as time passed it slowly was improved upon by both direct and indirect means.

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93. Bradford, "State Financial Procedure in Virginia," p. 6.

94. Ibid.

## CHAPTER VI

### MECHANICS OF THE BUDGET

Before beginning this study of the mechanics that were incorporated and grew out of the Virginia budget law, a brief explanation of certain sources and the lack of sources is necessary.

In many cases it was impossible to find examples of certain mechanical items such as forms and exact methods used in developing the budget. In these instances I have relied on what I feel is the best available secondary source. This source is Budget Making by Arthur E. Buck.

In other instances I have used certain loose forms which are kept in the Virginia Library and the Virginia Archives. Without the aid of the librarian of the Virginia Library this chapter would have been out of the question.

The chief form used by the budget department was the expenditure estimate form. This was a large form, seventeen inches by twenty-two inches, and was used for all expenditure estimates.<sup>95</sup> No estimate was accepted unless it was on this special form which was supplied to all appropriate State organizations.<sup>96</sup>

This form had a space for entering the appropriate agency at the top and for a signature by an authorized individual. It had special columns for classification of the service or object required.<sup>97</sup> These classifications will be taken up later in this chapter.

Columns are provided for appropriations not only of the current year, but of the preceding year and the second year of the biennium period of the budget. Another column shows the increase or decrease of the amounts requested and the Governor's recommendations for both years of the current budget.<sup>98</sup>

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95. Expenditure estimate form. Found at Virginia Archives in a group of loose forms and papers. Hereafter cited as Expenditure estimate form, loose.

96. Buck, Budget Making, p. 69.

97. Expenditure estimate form, loose.

98. Ibid.

No matter what the appropriation is for, the same information is required. No exceptions are listed on the form. Each form had to have an appropriate account number for the item funds are requested for.<sup>99</sup>

The mechanics of the Virginia budget mainly deal with classifications of items in different ways. The collection of revenue was classified according to the collecting agency. This was done to prevent cases in which an item would be counted more than once. Four classifications were set up with a number of sub-classifications under each.<sup>100</sup>

The four major classifications were the Department of State, the Department of Agriculture, the Department of Public Welfare, and, lastly, any other funds collected.<sup>101</sup>

Each of these major classifications had sub-divisions which covered the purpose for which the funds were collected.<sup>102</sup>

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99. Expenditure estimate form, loose.

100. Buck, Budget Making, p. 67.

101. Ibid.

102. Ibid.

The proper classification of budget information is as important as knowledge of the character of the information desired. The value of any statistical and financial information depends upon its classification and the method in which it is arranged for use. Correct classification of information means it will be uniform in presentation, accurate for planning purposes, and would enable quick and easy comparison with past information of departments, agencies, and institutions of like character.<sup>103</sup>

Proper classification also provides for an easier understanding of the budget when it is set up and for better and more efficient control when tied into the accounting system.<sup>104</sup>

The Virginia budget provided that the budget would be set up to follow budget classifications adopted by the Governor. It does not state any set rules for the Governor to follow in deciding what these classifications should be.<sup>105</sup>

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103. Buck, Budget Making, p. 66.

104. Ibid.

105. Acts of the Assembly, 1918, chapter 64.

Governor Westmoreland Davis was the final approving authority on the form of classifications the Virginia budget would use. He set up a system with five separate ways of classification. They are funds, organizational units, objects, character, and functions.<sup>106</sup> Of these four methods we will examine that of functions first because of the difficulty this classification caused.

Classification by functions was tried in New York City in 1912, but New York City later abandoned it because of the problems involved. The principal functions of an organizational unit form the basis of this form of classification. The Virginia appropriation act makes appropriations in lump sums to these principal functions of the organizational unit and because of this it was felt necessary to classify the expenditures by these functions.<sup>107</sup>

In this way the legislature can determine from the budget bill how much money the organizational unit plans to spend for each function or activity it proposed. This also allows the legislature to maintain a semblance of its old direct control over the appropriations and the

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106. Buck, Public Budgeting, p. 38.

107. Ibid., p. 142.



administration. Since the functions are appropriated money separately, the legislature can decrease or increase the appropriation for each function of an organizational unit. In this way the legislature can expand or limit each function of each organizational unit of the administration.<sup>108</sup>

In the case of services rendered by people the classification by functions breaks down. In order to prevent false charges on the appropriations account classification by objects is used.<sup>109</sup>

This means that when control over the expenditures is needed or desired, the budget system classifies according to objects. This is done by means of a supporting schedule under the appropriations by functions that has objects as its only form of classification.<sup>110</sup>

The result of this mixing of functional and object classification is a curtailment of the powers of the administration. Mr. Buck felt that this was even worse

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108. Buck, Public Budgeting, p. 142.

109. Ibid., pp. 142-3.

110. Ibid.

than having all appropriations by objects. He said of this mixture of classifications:

. . . for while extreme segregation by objects only determines for the administration just what services and commodities he shall purchase, segregation by both functions and objects determines also how he will use them.<sup>111</sup>

It is easy to see just what Mr. Buck means by taking an example of what does happen. An organizational unit is allowed a certain number of lump-sum functional appropriations. Under each of these functional appropriations is a supporting schedule that sets up all the salaried positions to be paid from the lump-sum functional appropriation. In this supporting schedule the salaries are named and the use of the personnel paid by the appropriation is determined. If one functional unit employed three stenographers for general administration and one for a special form of work, the three could not aid the one on the special work in rush times. The legislature has told that functional unit what services to purchase and also how to use the service.

It was the change from this use of functional

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111. Buck, Public Budgeting, p. 143.

classification that must be looked on as the greatest advancement in Virginia's financial system between the budget law and the Byrd reforms. The use of functional classification was not done away with, but was disregarded.<sup>112</sup>

In order to control expenditures the State Auditor's office sets up on the appropriations ledger two accounts; one of these is against all personal services and the other is against all expense of operation other than those of personal services.<sup>113</sup>

Of the five forms of classification we have now looked at two. Two others are self-explanatory and will not be dealt with. They are classification by funds and by organizational units. The last is classification by character.

This is simply dividing all expenditure into two separate parts by the character of the use of the money appropriated. The two divisions by character are those of operation and capital outlay. This classification is used only for budget purposes.<sup>114</sup>

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112. Buck, Public Budgeting, p. 144.

113. Ibid.

114. Ibid., p. 55.

The mechanics of the ACTUAL budget bill presented to the General Assembly are concerned mainly with the forms of classification and expenditure. Still there is another part to the Virginia budget bill. That is the budget message of the Governor.

There are certain things that all budget messages should contain. The financial problems of the State are, of course, first. It should also go into the means of financing expenditures and proposed expenditures that are for redemption of debt. The Governor should show the condition of various funds and give a general view of the wealth of the State.<sup>115</sup>

The Virginia budget of 1922-23 is a good example of this. Governor Davis prepared his budget message with forethought and thoroughness. He goes into each of the above items and explains in full just what the State will do in that area.<sup>116</sup>

The mechanics of the budget evolved as did the budget itself. The disregarding of the functional classification

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115. Buck, Public Budgeting, p. 131.

116. "Virginia Budget Bill, 1922-23" (Richmond: Division of Purchase and Printing, 1923), complete document. Found at Virginia State Library.

shows this. Appropriation by functions obviously would weaken the administration. It would take all decisions from the administrator in regard to how he would use his employees. With this change the mechanics of the Virginia budget became those of a workable and highly efficient financial tool.

Virginia was fortunate to have the first budget message of the Governor set the pace for all to follow. In this no change was needed or made.

Except for classification by functions, it is possible to say that the mechanics of the Virginia budget were begun at such a high level of competence and good judgment that little changes were necessary.

## CHAPTER VII

### THE BYRD REFORMS

There are certain aspects of any budget for a large organization that must be controlled in order to have a successful budget. These sometimes do not appear on the surface to lie in the realm of the budget, but if they are necessary for a proper budget they should be included in any study of a budget.

In Virginia the budget was hampered by the system of disbursement, the accounting system, an unorganized and disunified State treasury, and lack of current financial information.

As we have already seen, the General Assembly in 1922 appointed a Commission on Consolidation and Simplification of State and Local Government. The report of this

commission stated that Virginia was greatly in need of a reorganization and consolidation of the administration.<sup>117</sup>

The work of this Commission to bring about governmental reforms later became the basis for the Byrd reforms.

Governor Byrd began his program for reforms by having the New York Bureau of Municipal Research conduct an examination of State and county government in Virginia. This examination was returned to Governor Byrd in December of 1926 and on January 1, 1927, he made his first step towards bringing these reforms about. It was on January 1, 1927, that Governor Byrd appointed a State committee headed by W. T. Reed of Richmond to examine and evaluate the recommendations of the New York Bureau of Municipal Reform.<sup>118</sup>

On January 14, 1927, Governor Byrd made the report public. In general it said that reforms were badly needed in the interest of efficiency and economy.<sup>119</sup>

Governor Byrd's next step was to decide the urgency in which these reforms were needed. He stated that it would cost Virginia \$45,000 to call a special session of

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117. Bradford, "State Financial Procedure in Virginia," p. 6.

118. Richmond News Leader, January 1, 1927, p. 1, c. 1.

119. Ibid., January 14, 1927, p. 1, c. 8.

the General Assembly and he would examine the report and determine if savings would warrant calling a special session.<sup>120</sup>

On January 26, 1927, Governor Byrd made his decision and summoned the General Assembly to meet in special session on March 16, 1927.<sup>121</sup>

At the same time Governor Byrd appointed C. M. Morrissett to draft the bills to be introduced. Mr. Morrissett was State tax Commissioner and a former director of the State Legislative Reference Bureau.<sup>122</sup>

Prior to this, some reforms had been made by the Byrd administration in 1926, but all of the reforms affecting the Budget came out of the report of the New York Bureau of Municipal Reforms.

In so far as the need for reorganization of the State government is related to the budget, it can be said that the problem of independent action in relation to the budget on the part of the legislature and the officers of the various parts of the administration was paramount.

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120. Richmond News Leader, January 14, 1927, p. 1, c. 8.

121. Ibid., January 26, 1927, p. 1, c. 5.

122. Ibid.



In order to prevent the legislature from listening to these officers of the administration and to give his budget recommendations some degree of weight with the legislature, the Governor found it necessary to call in representatives of the legislature and administration to assist him in his review of estimates.<sup>123</sup>

By doing this the Governor caused the executive budget to resemble the board type budget in that this meeting of legislators, administrators, and the Governor was in reality a board of review.<sup>124</sup>

This was unavoidable in Virginia so long as the administration was decentralized to a degree that allowed no definite lines of responsibility to be drawn. This was particularly true in relation to the different stages of budgetary procedure.<sup>125</sup>

Governor Byrd's program of reforms handled the above problem by centralizing the administration under the Governor and making the heads of the administrative units

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123. Buck, Budget Making, p. 112.

124. Ibid.

125. Ibid.

responsible to him in fact as well as in name.<sup>126</sup>

The reorganization abolished or consolidated over thirty agencies of the government and made all directors of the agencies remaining responsible to the Governor. It also combined the majority of the activities of the State into twelve administrative departments, also with heads responsible to the Governor.<sup>127</sup>

Also included in the reorganization was the abolishment of forty-eight separate funds handled outside the State treasury and the establishment of a central control over all expenditures by the newly created Department of Finance.<sup>128</sup>

Of a more direct relationship to the budget was the reorganization of the Governor's office. This was organized into four divisions: the Division of the Budget; the Division of Records; the Division of Military Affairs; and the Division of Grounds and Buildings.<sup>129</sup>

Under the Division of the Budget the director was

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126. Bradford, "State Financial Procedure in Virginia," pp. 7-8.

127. Acts of the Assembly, 1927, Chapter 112, p. 273.

128. Ibid.

129. Ibid., Chapter 33, Section 1.

left with all former powers and duties and with the new title of Director of the Division of the Budget. In addition to his former duties and powers, he was now directed "to edit and reduce to readable form, every annual, biennial or other report or publication of any kind proposed by any State department, officer, board, commission, or other agency, to be printed out of public funds."<sup>130</sup>

It was also provided that any such report or publication that was to be printed would not be lawful unless it had been presented to the Director of the Division of the Budget for editing and was certified by the director to be printed. The only recourse to this editing lay in an appeal of the director's decision to the Governor.<sup>131</sup>

This act gave to the Director of the Division of the Budget a control over any indirect means of a departmental head using his official position in order to make an appeal to the legislature for expenditures without consulting the Director of the Division of the Budget. Without this control over printing of reports a departmental head could have his own report of his department's needs and

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130. Acts of the Assembly, 1927, Chapter 33, Section 2.

131. Ibid.

supposed needs officially printed by the State in a report other than the budget.

Any such indirect means of appeal to the legislature would have meant the failure of the effort by Governor Byrd to make the budget independent of the legislature and administration in regard to departmental estimates.

Also passed in 1927 was an act which made it the duty of the board of supervisors of the counties of Virginia to file with the Director of the Division of the Budget a copy of all proposed expenditures and estimated revenues and borrowings for the coming year's budget.<sup>132</sup>

In this act it was provided that the Director of the Division of the Budget would "prescribe and furnish" all rules, instructions, forms and classifications for the preparation of the county budgets.<sup>133</sup>

This act enabled the Director of the Division of the Budget to compare the programs of the county and State and eliminate any duplications that might arise. In so far as the State budget itself is concerned, this was only a means

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132. Acts of the Assembly, 1927, Chapter 37, Section 4.

133. Ibid.

to bring about economy and efficiency of all proposed expenditures.

In 1928 the legislature began to improve on the reforms of 1927 and carry out any additional legislation that Governor Byrd had seen the need for since the special session of 1927.

Among these acts was one which stated that no appropriation would be made to any department, institution, or other agency of the State government, except to the General Assembly and the judiciary until that organization has submitted to the Director of the Division of the Budget quarterly estimates of the amount required for each activity planned for that quarter. Their appropriations were also to be made to wait for approval by the Governor.<sup>134</sup>

This was an improvement on the old system of only yearly expenditure estimates being presented to the Director. It enabled a better degree of control of spending over receipts and also enabled better budget planning.

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134. Acts of the Assembly, 1928, Chapter 79, Section 10.

At the same time another act was passed to enhance the planning of the budget. This act required the State Board of Education to establish and require of each locality a modern system of accounting for all school funds, State and local. This was to be carried out in conjunction with the Director of the Division of the Budget and the Comptroller.<sup>135</sup>

This law was also designed, in part, to allow better budget planning and to prevent duplication of spending by State and local bodies.

Of all of these acts which were directly aimed at better budgetary practices during Governor Byrd's administration, the act giving additional control over the disbursement of appropriations is most important. By making a system of quarterly allotments one of the means of control, the General Assembly enabled the Governor to be sure that expenditures are based on what he feels is a properly prepared program.

Another feature of this same act is that the mandatory quarterly estimates enable the Governor to prevent most unauthorized expenditures in excess of appropriations.

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135. Acts of the Assembly, 1928, Chapter 471, Section 614.

The Governor can also use this system to enforce accumulation of an emergency reserve by each department.

These, then, are the specific ways the Budget was improved during the Byrd reforms. Now we will look at some general improvement in the administration that also improved the workings of the budget.

The new administrative system in Virginia allowed for the first time adequate audits of both revenue and expenditures. By putting taxes on the books when assessed and billed, a control over collection of taxes was instituted. This made it possible to see that every item was accounted for.<sup>136</sup>

Also instituted by the Byrd reforms was a complete pre-audit of expenditures before payment of any State funds. Also in relation to payment of funds was the institution of a pay-roll audit by the Comptroller which was sent to the Director of the Division of the Budget and the Governor for consideration.<sup>137</sup>

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136. J. H. Bradford, "The Budget and Reorganization." An address by Mr. Bradford, the Director of the Division of the Budget, on August 12, 1930. Delivered at the Institute of Public Affairs at the University of Virginia. Found bound at the Virginia State Library, p. 3.

137. Ibid.

The above allowed a check to be made on all unauthorized salary increases and unauthorized departmental expenditures. Because it was referred to the Director of the Division of the Budget, a control over budgetary estimates was also possible.

The Byrd reforms also made it necessary for all requisitions to pass through the Comptroller's office. In this way any irregularities in purchasing could be detected and the Centralized purchasing act already dealt with in a previous chapter could be enforced effectively for the first time.<sup>138</sup>

From the standpoint of preparing the budget, the outstanding correction brought about by the Byrd reforms was the institution of the pre-audit. Prior to this the budget had suffered from a lack of information in regard to the State's financial activities.<sup>139</sup>

The budget was hampered by a lack of effective control over disbursements to the many semi-independent agencies

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138. Bradford, "The Budget and Reorganization," p. 3.

139. Ibid., p. 4.



in the State. The consolidation and centralization under Governor Byrd corrected this fault.<sup>140</sup>

Another problem the budget faced was concerned with the lack of a uniform rule governing the payment of funds into the State treasury and the fact that State funds were scattered among forty-eight departmental bank accounts.<sup>141</sup>

This was corrected in part by the centralization of the State's administration into twelve administrative departments and by the institution of the Unified Accounting System. This makes possible current information on the status of each fund and appropriation of the State. It also gave the budget an over-all picture of the financial condition of the State.<sup>142</sup>

From these many direct and indirect improvements in the workings of the budget, we can see that prior to the Byrd reform the Virginia executive budget was as efficient and conducive to proper planning as it appeared to be when a superficial look at the law itself was made.

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140. Bradford, "The Budget and Reorganization," p. 4.

141. Ibid.

142. Bradford, "State Financial Procedure in Virginia," p. 8.

It was not until the Byrd reforms that Virginia truly had a working executive budget. Prior to these reforms, the legislature and the departmental heads could still influence and control the budget. It is true that their influence and control was of a minor nature when compared to their power prior to the budget act of 1918.

In conclusion to this chapter it is necessary to say that Governor Byrd's reforms were at least as important in budgetary practices in Virginia as was the passage of the budget bill.

## CHAPTER VIII

### CONCLUSIONS

This study of Virginia's development of a workable executive budget ends with the Byrd reforms since these reforms brought to a conclusion the development which gave Virginia what is with only minor changes its present budget system.

Some of these changes can be briefly mentioned to give readers a better idea of just how lasting this budget was. In 1938 it was made the duty of all heads of departments and other governmental units to have their annual reports, after being approved by the Director of the Division of the Budget, ready for distribution to the General Assembly and other required persons on the first

Wednesday in January.<sup>143</sup>

Also in 1938 in regard to the reports and publications of governmental units, the powers of the Director of the Division of the Budget were amended. While the director retained the right to requisition the number of units needed and to set the manner of binding for all such reports and publications, the director could no longer "edit or change in any respect any such report of publication." It remained unlawful for any such report of publication to be printed until the document had been submitted to the Director of the Division of the Budget and have a signed certificate by the director attached.<sup>144</sup>

Besides the above acts, it is necessary to mention that under Governor Tuck in 1946, the Virginia administrative went under another reorganization. While the 1946 reorganization did increase the centralization of the State government, it was the Byrd reorganization that made the great advance in relation to the budget.

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143. Acts of the Assembly, 1938, Chapter 168, Section 394.

144. Ibid., Chapter 168, Section 397.

The Virginia budget developed from the 1918 budget law in an orderly manner that lasted ten years before the Virginia budget reached a point where the movements which gave birth to the first budget law were completed.

From the time of Governor Westmoreland Davis up to that of Governor Byrd, the development of the budget was tied in with the development and increase of the power of the Governor. In each instance of a change in the procedure of the budget system was for the purpose of giving the Governor additional control over the administrative units of the government. Of this development J. H. Bradford, Director of the Division of the Budget in 1930, said the following:

Our budget procedure has been developed on the theory that the Governor should act as the State's business manager and not only prepare the Budget, but should direct in a constructive way the execution of the State's financial program as finally approved by the General Assembly. The essentials of most importance to the procedure are a Budget law of the executive type, an adequate accounting system and the coordination of governmental activities on a basis which makes them subject to effective control and supervision by the Governor.<sup>145</sup>

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145. Bradford, The Budget and Reorganization, p. 3.

In an examination of the essentials necessary for the Governor to become a business manager of the State in the above quotation, we see first that a budget law of the executive type was essential. With the 1918 law and the modifications that followed Virginia meets this qualification. The next two essentials Mr. Bradford spoke of were met under the Byrd reforms. Because of this it seems that Mr. Bradford's statement that the budget "developed on the theory that the Governor should act as the State's business manager" is valid.<sup>146</sup>

On paper the change from legislative budget to executive budget in Virginia appears to be rapid and in a sense a sharp break with the past. This, though, is not the case. The budget law was passed in 1918 and the 1920 budget, as has been pointed out, was not truly an executive budget, but was a combination of the executive and board type budget. Even after the 1922 budget we have seen how the budget went through a period of evolution which was culminated with the Byrd reforms.

From this it is evident that the Virginia budget, while it was rapid in the transition from idea to law, took

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146. Bradford, The Budget and Reorganization, p. 3.

a period of ten years of evolution before it reached its final form. It is also of importance to point out that from the passage of the budget law to the first budget to be presented before the General Assembly for approval a period of four years passed. In this case the four years of preparation were of vital importance to bring about a smooth transition from the legislative budget to the executive budget.

One thing was evident from the manner in which the Virginia budget was adopted is that if a change in the locus of power is to come about in a government, it must come with the consent of the body or group which is to lose power. In the case of New York this did not apply and as we have seen the legislature of New York not only prevented this change, but passed a law which cemented its budgetary powers by making the legislative budget, not only a custom but also the law.<sup>147</sup>

Some of the major reasons for the success of the Virginia system as established by the budget act of 1918 and measures passed since that time are the following: it

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147. Cleveland and Buck, The Budget and Responsible Government, pp. 139-147.

is a means of giving the public information about the State's business affairs; it places full and undivided responsibility on the Governor of Virginia; it puts the administration's plan of expenditures before the General Assembly in a compact whole; it has provision for public hearings; and it provides the General Assembly with the means to follow up the expenditure of funds and work programs in a month to month manner.

Besides the above, the Virginia budget recognizes that administrative programs should be carried out by the duly elected governmental head. It is on his program that the elections decide upon and it is this person that should oversee the carrying out of these programs.

For any budget to succeed it is necessary to have competent assistants and that enough of these assistants are provided for. The Virginia budget provides for these things and has a record of dependability.

For all these reasons the Virginia executive has been successful and has enjoyed a long life. Perhaps of even more importance is the ability of the budget to develop and evolve to meet the needs of Virginia. We have looked at the way in which the classification by functions was done away with by simply ignoring it and at how the budget



evolved between 1918 and 1927. Any lasting way of doing things must have this ability to evolve.

Finally, it was because the budget law and the reforms that followed were in accord with the desires of the people. The Richmond Times-Dispatch said that the Byrd reforms had made fine progress in reforms and that the people of Virginia "recognize and support the progressive steps the administration" had taken.<sup>148</sup>

These numerous reasons made the Virginia executive budget work so well and for so long. No reasons are now apparent that would cause any major changes in budget in the fore-seeable future. Virginia has indeed been fortunate in its budgetary developments. We owe much to those who formulated such a workable and longlasting budget.

The 1918 budget law and the budgetary reform that followed have to be looked on as the outstanding governmental change of this century. Without the executive budget, none of the latter reforms and centralization could have come about.

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148. Richmond Times-Dispatch, January 1, 1927, p. 1, c. 8.

It seems fitting to close this paper with the following quotation:

Given at least manhood suffrage, any government so organized as to produce and carry out a scientific budget system will be susceptible of extensive and intelligent popular control. On the contrary those governments, whatever their other virtues, which fail to provide adequate budget methods will neither reach the maximum of efficiency nor prove to be altogether responsible to the people.

A new spirit in American politics is manifesting itself in the powerful movement for the reform of governmental organization and procedure in the interest of popular control and efficiency. There are naturally many features in the program for the accomplishment of this twofold object. No single change would add so largely to both democracy and efficiency as the introduction of proper budget methods.<sup>149</sup>

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149. A. R. Hatton, "Public Budgets" (Annals of the American Academy of Political and Social Science, 1915), pp. i-ii.

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