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REPORT OF THE DIRECTOR OF THE BUDGET

BY BUDGET DIRECTOR ERNEST L. HOGUE

In the last analysis, the only thing involved in what is known as public business is taxation—the collection and expenditure of public funds—and this is equally true whether the amounts are derived by means of direct taxation against property for general and special purposes, or from other sources of a miscellaneous nature such as fees, fines, licenses, assessments, etc. If it were not possible for a municipality, whether state, county, city, school district, or town to compel contributions from its citizens in the way of taxes, direct or otherwise, there would be no public business and consequently no municipalities such as exist today.

The collection and expenditure of public money—taxation—exercises a direct influence upon every citizen of the state of Iowa. Whether he owns property or rents a place in which to live, and merely purchases the necessities of existence, he contributes a share of the millions which are needed to conduct the operations of our organized government. Therefore, the manner in which this very important business is carried on is far-reaching in its effect. It determines the attitude toward public affairs of the entire citizenry, which in turn reflects and controls the fortunes of the state as a whole. To create and maintain a favorable attitude requires a satisfied and well informed public.

In the earlier days of Iowa, it was a comparatively simple task for the average interested citizen to analyze the result of a session of the General Assembly and ascertain, in a more or less satisfactory way, what the state was doing and how much it was costing, and thus determine the ultimate disposition of his tax contributions, which were at that time, not large and caused him no great concern. Now, however, the situation has entirely changed. During the intervening years the accumulated activities of the state have brought about a constantly increasing tax assessment, and the manner of conducting them has become so complex that he is unable to comprehend all that is being done with the tax funds which he is contributing year after year. Were he to undertake an analysis of the existing appropriations which have been made under the law which heretofore existed, he would be confronted with an enormous task. He would find, for example, a great many "continuing" appropriations which had been enacted years ago and, while yet operative and furnishing the authority for the expenditure of current funds, they would not appear of record any place in the acts of following sessions of the General Assembly; he would also find "continuing unlimited" appropriations and, in addition to first ascertaining the source of authority for the expenditures, he would be obliged to check the records of the state auditor to determine the extent of the expenditure. Chapter 199, Code of 1924, furnishes an example in the latter instance. It is a continuing unlimited appropria-

tion which provides for the medical and surgical treatment of indigent persons. After studying it thoroughly he would not have the slightest reason for believing that it is costing the state of Iowa almost \$1,800,000.00 during the current biennium. But it is, and a like amount is estimated for the ensuing biennium. He would also find a "per capita" appropriation for the institutions under the Board of Control, which would not convey to him the fact that they were costing approximately \$8,000,000.00 each biennium; and he would also find both standing and current appropriations for the State Board of Education which would not indicate the fact that there has been a biennial cost of \$10,000,000.00 to \$12,000,000.00, or more, for the various colleges which are owned and operated by the state. He would find numerous other instances of a similar nature and would soon become sufficiently discouraged to give up and go back home, a disgruntled and dissatisfied citizen. He would pay his taxes reluctantly, as he is now doing, and express himself in no uncertain way whenever the opportunity arose, and perhaps be justified in so doing. His objection is not, necessarily as to "what" the state is doing, but rather it is because he cannot "see" what it is doing.

It is true, of course, that increased taxation is brought about, to some extent, by a popular demand for certain new functions in government or certain improvements which the people feel are necessary or desirable. A knowledge of the cost of these things and their effect should go hand in hand with the desire for them, in order that the taxpayer may know to what extent he is increasing his own burdens, and what he is receiving in return. This can only be done by placing the facts before him in a definite and concrete way which permits of no misunderstanding.

Under existing circumstances, the greatest need is a "visible" government, coupled with a system of centralized control. One which makes instantly available to the average citizen a clean, clear-cut analysis of the state's operations and expenditures, and which fixes the responsibility for the successful carrying out of the financial policy and program as determined upon by the General Assembly.

The budget law, which was enacted by the extra session of the Fortieth General Assembly, was designed to accomplish this very thing.

For the first time in the history of Iowa the General Assembly is being presented with a proposed appropriation bill which contains every appropriation, either directly or by proper reference, except the expense of the Forty-second General Assembly, which it will be necessary to make under existing laws, for the biennium beginning July 1, 1925, and ending June 30, 1927. The proposed bill is premised upon a budget report which contains an analysis of the state's actual expenditures over a period of six years, together with the detailed departmental requests for the ensuing biennium, and the director of the budget's recommendations for the same period. By reference to the former it will be a comparatively simple matter for any interested citizen to ascertain with complete certainty what the state proposes to

spend for any and all purposes during the ensuing biennium, and by reference to the latter he will not only find the same information but a comparison of it with previous actual expenditures for like purposes. In addition to the proposed expenditures he will also find the source from which the funds are to be derived—the amount to be contributed by means of direct taxation, and the amount available from sources other than direct taxation. Between the covers of two volumes, or reports, will be contained the entire financial program of the state for the ensuing biennium. If this were the only thing accomplished it would be a complete justification of the budget law.

In addition to the foregoing, however, our attempt to carry out the provisions of the budget law made necessary a thorough study of the details of the various departmental and institutional requests for appropriations. Because of this, it has been possible for the director of the budget to make certain recommendations with regard to appropriations, throughout the budget report and the proposed appropriation bill, which, if carried out, will show a saving, during the ensuing biennium, of several millions of dollars, over the actual expenditures for the current biennium. This will in turn directly effect the state tax levy for each year of the biennium, and thus be reflected along the line to every individual taxpayer in the state.

In giving consideration to the manner and form in which the budget report is submitted, you are asked to bear in mind one or two historical facts. The budget law was enacted by the extra session of the Fortieth General Assembly. The first budget director was appointed by the governor and took office in May, 1924. Subsequent events delayed operations in the Budget Department, and it was not until August, 1924, that the present incumbent took office. The time in which to perform under the budget law was thus materially shortened, and it was learned that it would be necessary to begin at the very foundation, to carry out the state budget provisions of the law, because none of the accomplishments of the former director's organization, as to this phase of it, were available. The remaining time permitted by the law did not afford an opportunity to prepare a standardized classification of receipts and expenditures, nor to devote any considerable time to the preparation of printed forms upon which the various departments might submit the information provided for. Therefore, it was necessary to resort to the most practical methods offered under the circumstances, in an attempt to successfully carry out the terms and provisions of the budget law, within the limited time.

You are also asked to be mindful of the fact that in formulating the budget report provided for by the law it was necessary to disregard many customs and practices which have been built up during the past fifty or sixty years, either by virtue of existing laws or otherwise, in order to bring before you, in a definite and concrete form, a complete summary of it all; and it was necessary to accomplish the result within a short space of less than five months.

It has been a stupendous task for the different departments to make up reports of their receipts and disbursements covering a period of six years. The budget law requires reports of bienniums ending on the odd numbered years, whereas the reports made to the governor in the past have been made for bienniums ending on the even numbered years, rendering them next to valueless to us. No two departments use the same classifications of receipts and disbursements, and it has been an immense task for us to take the enormous number of reports and figures, and compile them into a report to fit the law and give to the legislature the information desired.

The budget report which is submitted herewith may not conform in complete detail to what, in the technical parlance of those who are expert in budget making, might be considered a budget. Nevertheless it is a budget report such as is considered a budget. Nevertheless it is a budget report such as is contemplated by the law, which contains a true comparative statement, in detail, of the actual expenditures during previous bienniums, and of the proposed expenditures during the ensuing biennium, based upon a conscientious survey of the entire situation. It is hoped it will prove helpful to the legislature in determining the total amount the state shall expend during the next biennial period.

ANALYSIS OF BUDGET REPORT

General Statement

The provisions of the budget law which relate to the state budget offer an alternative interpretation in one respect. Section 332, Code of 1924, provides, among other things, that the director of the budget shall prepare a budget report showing estimates in detail of the expenditures necessary during the ensuing biennium; also a schedule showing a comparison of such estimates with the "askings" of the several departments for the current biennium, and the expenditures of like character for the last two preceding bienniums. It is not known whether the legislature intended the expression "the last two preceding bienniums" to mean the two bienniums preceding the ensuing biennium, or the two preceding the current one. In order to make our report assuredly sufficient under the law, in this respect, we adopted the former interpretation and have shown a comparative statement for three consecutive bienniums, the last one of which ends June 30, 1925. It was also necessary for us to interpret the term "askings" in this same section to mean expenditures because no record of the askings of the several departments for the current biennium was available.

Divisions of Report

The report is divided into five sections:

The first contains a series of tables and schedules provided for in the budget law, together with other information of a statistical nature which is thought would be of interest to the General Assembly.

The second contains the estimates and schedules provided for in paragraphs 1 and 2 of Section 332, Code of 1924, except for the institutions under the State Board of Education, and is the budget report proper.

The third contains the estimates and schedules provided for in paragraphs 1 and 2 of Section 332, Code of 1924, for the institutions under the State Board of Education, together with detailed statements of their receipts from both appropriations and from sources other than appropriations.

The fourth contains detailed statements of receipts and expenditures of the several departments and institutions, except the institutions under the State Board of Education and State Board of Control. Receipts from appropriations, as well as from sources other than appropriations, if any, are shown, together with the disposition thereof.

The fifth is designed to show the complete salary list of the state, and of the various institutions under the State Board of Education, as of the current biennium.

The sections appear in the report in the order named and are referred to in like manner, as follows:

SECTION ONE

Statistical tables as follows:

Estimate of receipts other than direct taxation which accrue to the general fund.

Receipts and expenditures for fiscal year 1924 and for fiscal year 1925, also condition of the State Treasury June 30, 1924, and estimated condition on June 30, 1925.

Estimated condition of the State Treasury June 30, 1927.

Appropriations for the bienniums ending June 30, 1923, and June 30, 1925, showing balances on hand June 30, 1924, and June 30, 1925.

Estimates of appropriations necessary for biennium ending June 30, 1927.

Taxable value of the property within the state.

Estimated amount necessary to be raised by state levy and estimated millage necessary for the biennium ending June 30, 1927.

Valuation of property reported to auditor of state.

Statement of assets and liabilities of the state as shown by treasurer's books June 30, 1924.

Receipts from sources other than direct taxation which do not accrue to the general fund.

General revenue receipts from all sources.

SECTION TWO

This section is the budget report proper. It contains our compliance with paragraphs 1 and 2 of Section 332, Code of 1924, and shows the actual expenditures of all state departments and institutions receiving appropriations from the state, except the institutions under the State

Board of Education which have been given a separate section. It shows their total expenditures for all purposes during three biennial periods, of which the current one is the third; also, the askings, in detail, of the several departments for the ensuing biennium, together with the recommendations of the director of the budget for the same period.

SECTION THREE

This section contains the same information relative to the institutions under the State Board of Education as is shown in Section 2 for the various other state departments and institutions. In addition thereto, it also contains detailed statements showing the receipts of the respective institutions from both appropriations and from sources other than appropriations.

In the case of the State University, the College of Agriculture and Mechanic Arts, and the State Teachers College, a summary sheet for each immediately precedes the pages which contain the detailed comparison of expenditures, askings, and recommended allowances for the respective institutions. These summary sheets have been set up and included herewith for the purpose of making conveniently available the totals involved in each instance.

The expenditures, as shown for all institutions under the State Board of Education, include expenditures from both appropriations and receipts from other sources, that is, they show the actual total cost of the various departments and activities, irrespective of the source of revenue.

The askings which have been made by the State Board of Education, are based upon the total cost, less, proportionately in each instance, the amount which will be available from sources other than appropriations. The askings, therefore, show the amount desired by appropriation from the state, and the recommendations of the director of the budget are made upon the same basis.

SECTION FOUR

Section 4 differs from Section 3 in that it shows not only the expenditures but also the source of the funds, whether from appropriations, miscellaneous receipts, or both. By reference to Section 4 you can easily determine the source of the funds which are shown to have been expended in Section 2.

SECTION FIVE

It was thought advisable to place before you, for your information, a salary list which would show in complete detail the salaries in the various state departments and the universities and colleges. Such a list has been provided in Section 5 of the report and shows the salaried positions actually existing during the current biennium.

INDEX

An index to the entire report immediately follows Section 5. The use of it will enable you to refer to any particular department, institution or university.

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