

*The Maryland
Budget System
first interim report*

COMMISSION ON ADMINISTRATIVE
ORGANIZATION OF THE STATE

THE STATE of MARYLAND

NOVEMBER
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October 29, 1951

To His Excellency,
Theodore R. McKeldin,
Governor of Maryland:

To the Honorable,
The Legislative Council of Maryland:

To the Honorable,
The General Assembly of Maryland:

The Maryland Commission on Administrative Organization, appointed by the Governor last March, pursuant to action taken by the General Assembly in 1947, submits herewith the first of a series of reports on the government of our state. This report embodies recommendations for improvements in the budget form and in budgetary procedures. The adoption of these recommendations will, we believe, powerfully aid the General Assembly in discharging its responsibility for enacting the budget, as it will aid the Governor in planning the budget, and both the Governor and the State Comptroller in supervising expenditures.

The Commission has undertaken surveys of state administrative activities on a broad front. While it is undeniably true today, as over the passing decades, that citizens of Maryland have reason for pride in many features of their government, it has nevertheless become necessary to see whether it is administratively equipped to fulfill modern responsibilities and to do the work properly expected

of it. This need has been given recent expression in a majority of the states in the appointment of Commissions similar to ours.

It is no reflection upon anyone to recognize that, as in the case of every human institution, the governmental structures and practices of the State cannot and should not remain forever immutable. Life implies adaptation to new circumstances. We have instituted intensive inquiries into the office of the Governor, the state budget system, personnel practices, regulatory administration, public works, correctional institutions, inter-governmental relations, and various other areas of governmental activity. Our approach has been without preconceived notions as to what we should find and what we should propose. We have endeavored to learn by research and to avoid dogmatic thinking. The several studies are in various stages of progress, and reports will be made from time to time as they are completed and as they are coordinated one with another.

In our conferences with legislators and others throughout the state we have noted universal stress on the importance of budgetary matters and the need for budgetary reform. Review of our budgetary system was put first because of the inherent importance of the subject, and because it was generally recognized that the budget session of 1952 is an appropriate time for its consideration. We bespeak for the report the thoughtful consideration of legislators and all others having a civic interest. We have, therefore, striven to make the report public in ample time to permit its careful study before the next legislative session.

Since 1916 when Maryland pioneered in adopting the executive budget system, a landmark achievement for its time, long strides have been made in business organizations and in some governments toward

establishing budget systems adequate for modern needs. Money, the life blood of all governmental operations, is being taken from our people in ever increasing amounts by the taxing processes of the State and of other governmental units. The public welfare as well as sound public morals requires that this money be wisely and frugally spent. A good budget system is an essential means not only to allocate monies to particular purposes but also to exercise control over spending agencies to assure that funds shall be spent as intended and in an efficient manner. Budgeting for large scale operations, whether in business or in government, requires the proper use of intricate technical devices. Our first inquiry, therefore, was to ascertain if Maryland was availing itself of the best known machinery and methods.

Without attempting in this letter of transmittal to repeat the recommendations of the report, it is sufficient to indicate that they fall into three main categories:

First: We recommend one comprehensive budget, not a fragmentary budget with a series of supplemental budgets. We recommend the budgeting of federal funds, and an annual "capital fund" budget to be considered along with the regular departmental budgets. Discontinuance of certain "special funds" is also recommended. Most importantly a "program" or "performance" budget is recommended instead of the present "line item" budget, which gives the illusion of precision and legislative control, but is in fact so confusing that it frustrates attempts to understand what the budget really means in terms of State activity and service to be received in return for the appropriations. A system of administrative controls, such as is used by successful business organizations, is suggested as a substitute for the unsatisfactory line itemization. Statutory enlargement of the authority of the Board of

Public Works to establish uniform policies of business administration is also proposed. The report recommends means of making effective what the present law contemplates, namely, that the Department of Budget and Procurement shall be suitably staffed to develop guides and criteria to appraise budget estimates to develop and improve business methods, and finally to exercise a continuing study and observation of State operations. An important object is to assure the installation of proper procedures from time to time as needed, instead of relying on episodic action at the recommendation of special commissions.

Second: In addition to improvement in the form of the budget, there is need for an instrument which will supply adequate information as to the operation of the State departments, so that when an annual budget is submitted, the General Assembly will have the necessary basis for informed judgment on the requested appropriations. For this purpose, we recommend that the Bureau of Fiscal Research be strengthened to make it more completely a staff agency of the General Assembly, we would transfer its budget to the Legislative Department so that it cannot be reduced by the Governor and require it to report directly to the legislature. Only by furnishing legislators with such aids will they be enabled to play a really important role in the budgeting process.

Third: The Association of Purchasing Agents of Baltimore has made a splendid report which is attached to the Commission report. An extraordinary and highly significant feature is that instead of stopping with a set of suggestions, they have offered to continue their services by assisting in putting their recommendations into effective operation.

It will be observed that we are trying to avoid the weakness of earlier efforts at accomplishing administrative advances in State

government! it has been our aim where appropriate, to recommend governmental devices which will clarify responsibility and assure the administrative adoption of necessary improvements as the need arises. It is our hope that in this way benefits of more far reaching importance may be achieved than from any specific recommended change.

The Attorney General has advised us that the performance or program budget cannot be achieved without a constitutional amendment. If such an amendment should be passed by the General Assembly early in 1952, it cannot be approved by the voters before the election the following November. In the meantime, however, the Commission recommends that a specialist with experience in program budgeting and in administrative management be employed to advise the Director of Budget and Procurement on the techniques of system evaluation and installation, and particularly to assist in modernizing without delay the State's payroll and accounting procedures in the interest of greater efficiency and substantial economies. This recommendation has value, we believe, irrespective of a final decision on the "Program" budget. The Director of Budget and Procurement gives hearty approval to this recommendation.

The task of intensively examining and reporting on the Maryland budget system as it is broadly defined in the report, was committed to a group under the able leadership of our colleague, J. Theodore Wolfe, Executive Vice-President of the Consolidated Gas Electric Light and Power Company of Baltimore, who has had broad experience in the field of business budgeting. Working with him were Commission members Charles M. Bandiere, Henry P. Irr, and J. Howard Johnson; and Dr. Carl B. Swisher and Dr. Elwyn A. Mauck of our staff.

Included also were Herbert Fallin, budget director of the City of Baltimore, a consultant to our Commission; Walter N. Kirkman,

for many years budget director of the State and a member of our Advisory Committee; D. Benton Biser, Director of the Commission on Governmental Efficiency and Economy; and Dr. Horace E. Flack, Head of the Department of Legislative Reference, from whose unique experience and mature judgment we have greatly benefitted. C. J. Nichols, Chief Auditor of the Consolidated Gas Electric Light and Power Company of Baltimore, rendered extensive and invaluable services in patiently accumulating and assessing technical materials.

Similarly, in respect to the State's purchasing procedures, services whose value is beyond estimation were provided by an expert committee of the Purchasing Agents Association of Baltimore, consisting of F. W. Pettit of the Western Maryland Railway Company; F. H. Carter, of the Maryland Drydock Company; J. Herbert Gaston, City Purchasing Agent; A. V. Nordling of the Crown Cork and Seal Company; and A. Ziegler, of the Consolidated Gas Electric Light and Power Company of Baltimore.

Throughout the period of study the committee has been in constant contact with James G. Rennie, Director of Budget and Procurement, and with James P. Slicher, Chief of the Budget Bureau, both of whom have given most willingly of their time in assembling information and have given wise counsel on innumerable budgetary matters.

To all these consultants and advisors, working devotedly and without expectation of any reward except the sense of having served their State, the Commission acknowledges a debt of gratitude as with full approval it presents the first fruits of their combined endeavors.

Respectfully submitted,

Simon E. Sobeloff, Chairman