

# Fiscal Control Over State Higher Education

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## Contents

	Page
FOREWORD.....	v
CHAPTER I. INTRODUCTION.....	1
Purpose of study.....	2
Mode of presentation.....	2
Source of material.....	2
Interpreting material.....	3
CHAPTER II. CONTROL OVER APPROPRIATIONS BEFORE MADE BY STATE LEGISLATURE.....	4
Establishment of State budgetary systems.....	4
Types of State budget organizations.....	5
Executive budget organization.....	5
Executive-board budget organization.....	7
Executive-legislative budget organization.....	8
Submission of estimates of appropriations for State budget.....	8
Data required to be furnished in submitting budget estimates.....	9
States in which institutions must submit budget estimates.....	9
Investigation of estimates by Governor, budget board, or commission.....	10
Examinations, surveys, and inspections to determine appropri- ations.....	10
Conduct of hearings on State budget.....	10
Formulation of State budget, including revision of estimates.....	11
Different plans of formulating budget.....	11
Estimates of appropriations of institutions not subject to revision.....	12
Deliberations of State legislature in acting on State budget.....	12
Restrictions on State legislature in altering appropriations in State budget.....	13
Restrictions on institutions in appealing to State legislature for changes in budget appropriations.....	13
CHAPTER III. CONTROL OVER APPROPRIATIONS AFTER MADE BY STATE LEGISLATURE.....	15
Two general plans of enforcing control.....	15
Contingent or conditional appropriations subject to reduction by Governor or other State agency.....	16
General power to reduce appropriations at any time.....	17
Reduction of appropriations by quarterly periods.....	19
Supervision or administration of disbursement of appropriations by Governor or other State agencies.....	21
Quarterly requisitions or work programs.....	22
Institutions exempted from submitting quarterly requisitions or work programs.....	25
Transfer of amounts from one item of appropriations to another.....	26
Prior approval or disapproval of all contracts involving disburse- ments of appropriations.....	28
Approval or disapproval of pay rolls, invoices, bills, or claims before payment.....	29
Institutions authorizing payment of their own pay rolls, invoices, bills, and claims.....	31
Maintenance of continuous check of disbursements of appropri- ations through periodical statements or reports.....	31

IV

CONTENTS

CHAPTER III. CONTROL OVER APPROPRIATIONS AFTER MADE BY STATE LEGISLATURE—Continued.	Page
Supervision or administration of disbursement of appropriations by Governor or other State agencies—Continued.	
Investigations of administration, operations, and activities of institutions with view of reducing expenditures.....	33
CHAPTER IV. CONTROL OVER POST-AUDITING OF FINANCIAL ACCOUNTS OF INSTITUTIONS.....	36
State officers vested with control over post auditing.....	36
Intervals of time when post audits must be made.....	39
Special power conferred on State officers in enforcing post audits.....	40
Reports on post audits submitted to Governor.....	40
State officer or agency empowered to prescribe accounting systems of institutions.....	40
CHAPTER V. SUMMARY AND FINDINGS.....	43
REFERENCES.....	47

## Foreword

THROUGH its Division of Higher Education, the United States Office of Education has been conducting a series of studies on the various aspects of the Relation of the State to Higher Education. Six of these studies have already been published in bulletin form under the following titles:

- (1) The State and Higher Education, Phases of their Relationships. (Published by the Carnegie Foundation for the Advancement of Teaching in cooperation with the U. S. Office of Education.)
- (2) Privately Controlled Higher Education in the United States. (Bulletin 1934, No. 12.)
- (3) Supervision Exercised by States Over Privately Controlled Institutions of Higher Education. (Bulletin 1934, No. 8.)
- (4) The Problem of Duplication as Attacked in Certain State Surveys of Higher Education. (Bulletin 1934, No. 19.)
- (5) Authority of State Executive Agencies over Higher Education. (Bulletin 1936, No. 14.)
- (6) Higher Educational Institutions in the Scheme of State Government. (Bulletin 1939, No. 3.)

This study, the seventh of the series, is devoted to another significant aspect of the Relation of the State to Higher Education. It concerns the fiscal control vested in State executive officers or agencies over State universities and colleges. Practically all of the States have recently taken steps toward the increased centralization of fiscal control over the various units comprising the State governmental organization in such officers or agencies. Inasmuch as the governing boards of these institutions were originally endowed with considerable autonomy over their financial affairs the transfer of this control to central State officers or agencies raises problems of far-reaching consequence to their development.

This bulletin contains an analysis of the policies and practices adopted by the individual States with respect to this subject. It is hoped that the information will prove valuable in contributing to the solution of these problems.

BESS GOODYKOONTZ,  
*Assistant U. S. Commissioner of Education.*

# Fiscal Control Over State Higher Education

## Chapter I. Introduction

**W**ITHIN the recent past, a widespread movement has developed among the States to reorganize their governmental machinery for administering State financial affairs.

The plan commonly adopted by them has been to centralize fiscal control over the different State offices, departments, bureaus, institutions, boards, and commissions in the Governor as supreme head of the executive branch of the Government or in some other State executive agency.

Primary purposes of the reorganizations were to place the State financial operations upon a more scientific basis, to effect curtailments in governmental costs, and to prevent as far as possible annual deficits by balancing the revenues and expenditures of the State. The principal changes in administrative machinery centered in the establishment of State budgetary systems and similar forms of fiscal control. Through these changes, legal powers were conferred on the Governor or some other State central executive agency not only to investigate and recommend to the State legislature the appropriations to be made to each unit of the State government but also to limit or supervise the disbursement of the appropriations after they were made.

A paramount issue involved in this movement is the extent to which the centralized fiscal control is applicable to State universities and colleges as units of the Government. One of the principles followed by the States in the founding of such institutions was to make them independent of the regularly constituted State executive officers and agencies in order to free them from political and partisan influences. It was recognized that higher education was an enterprise distinctly different from the general administrative functions of the State government.

Accordingly, the governing boards of the institutions were entrusted with exclusive jurisdiction over their financial affairs. State support for them was secured by the boards directly from the State legislature either through general statutes setting aside specific funds for that purpose or through annual or biennial appropriations. Moreover, responsibility was placed on the boards for the disbursement of the State funds and appropriations, including revenues without interference from State central executive officers or agencies. Plenary powers rested in the boards to distribute the expenditures among the varied activities of the institutions from the viewpoint of the promotion of their academic welfare.

Centralized fiscal control when applied to the institutions tends toward the reversal of this situation. The governing boards of the institutions find themselves in a position of more or less financial dependence on the Governor or some State executive agency. In the management of the financial affairs of the institutions, the boards no longer enjoy the same degree of freedom of action. Control over the finances of the institutions involves ultimately the regulation of the functions performed by them. The Governor or State executive agency endowed with such control may thus exercise a final influence over the educational policies and programs of the institutions.

*Purpose of study.*—It is the purpose of this study to conduct a detailed inquiry into the reorganization of the governmental machinery for administering State financial affairs as it affects State higher education in each of the 48 States. Among the pertinent questions to be answered are the following:

In which of the States has the centralized fiscal control been made applicable to State higher educational institutions?

What are the specific fiscal powers conferred on the Governor or some State central executive agency over the institutions and what procedures are prescribed for enforcing them?

Many of the States operate different types of institutions, such as a State university, agricultural and mechanical arts college, teachers college, normal school, technological institute, and junior college. In some of the States all institutions regardless of type have been made subject to the centralized fiscal control. In others such control has been established over institutions of certain types while in the case of those of other types, the governing boards continue to administer their financial affairs without interference. Information regarding these different practices for each State will be given.

*Mode of presentation.*—The material comprising the inquiry will be presented under three general topics representing the main phases of fiscal control vested in the Governor or some other State executive agency. These topics are:

(1) Control over the appropriations of the institutions before made by the State legislature.

(2) Control over the appropriations of the institutions after made by the State legislature.

(3) Control over the post-auditing of the financial accounts of the institutions.

*Source of material.*—The principal source of the material upon which the study is based was the sections of the legal codes of the several States relating to reorganization of State fiscal machinery. Included in the codes are the constitutions, statutes, and legislative

session laws. From these were collected all the State constitutional and statutory provisions conferring legal powers and duties on the Governor or some other State central executive agency over the financial affairs of State higher educational institutions. The statutory provisions of the States are frequently altered or repealed at the periodical sessions of the legislature. In order to bring the material to date as far as possible, new enactments by the State legislatures relating to these powers and duties were examined up to and including the year 1938. A similar procedure was followed with respect to amendments to the State constitutions.

Another source of the material was through field trips made to a selected list of States. During these trips consultations were held with State executive officers and administrators of the institutions. As a result first-hand information was gathered regarding the extent of the applicability of the fiscal control to the institutions. The States to which field trips were made for this purpose comprised the following: Alabama, California, Connecticut, Georgia, Illinois, Indiana, Kentucky, Maryland, Massachusetts, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and Wisconsin.

*Interpreting material.*—As already indicated, the material for the study was derived in a large measure from the legal codes of the several States. The powers shown as vested in the Governor or some State central executive agency represent those prescribed in the State constitutional and statutory provisions. Although possessors of these legal powers, this does not necessarily mean that the particular State officers at present holding office in each of the States are exercising them according to the strict letter of the law. No attempt has been made in the study to ascertain the exact extent to which such powers are being enforced by them. The text, therefore, should be interpreted in the light of this precaution.

Furthermore, it must be emphasized that the report is not intended to criticize or otherwise cast unfavorable reflections on the fundamental principles underlying State governmental reorganizations of fiscal control. Such reorganization is usually designed to accomplish a laudable purpose. Where adverse criticisms occur in the report, they are directed at the method used or at certain items included in the plan of organization adopted.

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## Chapter II. Control Over Appropriations Before Made by State Legislature

**I**NVESTMENT of control over appropriations before they are made by the State legislature in the Governor or some other State executive agency has been effected through the establishment of budgetary systems by the States.

A budgetary system may be defined as a plan under which a budget is prepared by such officer or agency and submitted to the legislature at its regular session for the financing of the State government for the ensuing annual or biennial period. The budget presents in detail the estimated anticipated revenues of each of the various State governmental units and the recommended required appropriations for their maintenance based upon a comparison with previous years. In the event that the revenues are insufficient to meet the expenditures represented by the appropriations, specific proposals are made to the legislature for the levying of new taxes to avoid a deficit.

The establishment of State budgetary systems has modified in a large measure the methods by which public funds are provided State higher educational institutions along with the other units of the State government. Governing boards of these institutions in securing State funds for their support are no longer permitted to go directly to the State legislature. Instead, they are compelled to submit itemized estimates of the appropriations required by them to the Governor or other executive agency responsible for preparing the budget. The Governor or agency is empowered to investigate the need of the estimated appropriations and to alter any of the items in finally submitting the budget to the State legislature.

*Establishment of State budgetary systems.*—Budgetary systems have been established in all of the 48 States.<sup>1</sup> The systems vary from State to State in the types of budget organizations set up by them. Further differences are found among the States with respect to the legal stipulations and requirements for conducting the several procedures involved in the preparation of the State budget. Among them are the submission of estimates of appropriations and other data for the State budget, the investigation of the estimated appropriations, the formulation of the budget including the revision of the estimated appropriations, and the deliberations of State legislatures in acting on the budget.

In presenting information on the scope of control exercised over the appropriations for State higher educational institutions before

<sup>1</sup>In 7 States—California, Maryland, Massachusetts, Missouri, Nebraska, New York, and West Virginia—the budgetary systems were established by the State constitution. In the remaining States the systems were established through statutes enacted by the State legislature.



made by the State legislature in each of the States, these various phases of State budgetary systems will be treated separately. There is one State—Arkansas—in which the budgetary system is under the control of a special joint committee composed of designated members of the two houses of the State legislature. Since neither the Governor nor any other executive agency is vested with control over the budget, information regarding this State has been omitted.

### **Types of State Budget Organizations**

Three general types of State budget organizations are found among the States which may be classified as follows:

- (1) Executive budget organization with the Governor as the head or as the chief State budget officer.
- (2) Executive-board budget organization headed by a budget board or commission composed of a group of State executive officers including the Governor.
- (3) Executive-legislative budget organization headed by a budget board or commission composed of the Governor and certain designated members of the State legislature.

The three types of organizations are not mutually exclusive. In the case of a number of the States in which the Governor is head of the organization or chief budget officer, other executive officers or representatives of the State legislature are empowered to participate in the budget procedures. A similar situation exists with respect to the other types of organization. The Governor either as chairman or member of the executive budget board or legislative-executive budget committee is frequently clothed with considerable control or influence over the budget.

Moreover, many of the States in adopting one or another of these types of organizations have provided for budget directors or budget assistants to perform the detailed work of preparing the budget. These may be appointive officers or regular fiscal officers of the State government, such as the commissioner or secretary of the State department of finance, State comptroller, State auditor, State tax commissioner, and the like. Although generally subordinate to or under the supervision of the head of the budget organization, the States often confer specific powers and duties on them in connection with the budget. In describing the organization set up by each of the States, therefore, it is necessary to show these officers since the State higher educational institutions are subject to their jurisdiction.

*Executive budget organization.*—An executive type of budget organization with the Governor as head or as chief State budget officer has been established in 41 of the 47 States. These States are subdivided into two groups, those where the legal provisions place full

responsibility on the Governor alone for the budget and those where such provisions designate other State officers to assist him in one or another capacity.

The Governor is responsible alone for the budget in five States—Arizona, California, Maryland, Nevada, and New Mexico.<sup>2</sup>

A variety of other State officers have been designated to assist him in the remaining 36 States. Table 1 lists these States together with the particular officer or officers in each of those so designated.

Table 1.—States in which Governor, as head of budget organization or as chief State budget officer, is assisted by other State officers in preparing the budget, including particular officer or officers

State	Governor is assisted by—
Idaho.....	A State budget director, budget assistant, or budget secretary.
Kansas.....	
Massachusetts.....	
Michigan.....	
New Jersey.....	
New York.....	
Oklahoma.....	
Oregon.....	
Pennsylvania.....	
Rhode Island <sup>1</sup> .....	
Virginia.....	Head of State Department of Finance <sup>2</sup> or Administration and State budget director.
Wisconsin.....	
Wyoming.....	
Connecticut.....	
Kentucky.....	Head of State Department of Finance. <sup>2</sup>
Tennessee.....	
Washington.....	
Illinois.....	State comptroller.
Ohio.....	
South Dakota.....	Chairman of State Tax Commission or State tax commissioner.
Vermont.....	
Alabama.....	
Iowa.....	
New Hampshire.....	State budget commissioner and State executive council composed of Governor as chairman, secretary of state, treasurer, auditor of state, and attorney general.
Mississippi.....	
Missouri.....	State board of budget directors composed of secretary of state and 2 persons appointed by Governor.
Nebraska.....	
Colorado.....	State auditor.
Delaware.....	
Georgia.....	

<sup>1</sup> The State budget director in Rhode Island also holds the title of State comptroller.

<sup>2</sup> In some of these States the head of the State Department of Finance is called commissioner. In others he is called director or secretary.

<sup>3</sup> In New Mexico, the State traveling auditor, auditor, and treasurer are required by law to furnish such assistance as the Governor may need in preparing the budget.

Table 1.—States in which Governor, as head of budget organization or as chief State budget officer, is assisted by other State officers in preparing the budget, including particular office or officer—Continued

State	Governor is assisted by—
Indiana.....	State budget director and a State budget committee composed of Governor, 2 members of senate, and 2 members of house appointed by Governor, with State examiner serving as secretary.
Maine.....	Commissioner of State Department of Finance, State budget director, and an advisory committee on budget composed of 3 members of legislature.
Minnesota.....	State commission of administration and finance composed of State commissioner of the budget, State comptroller, and State commissioner of purchase.
North Carolina.....	State assistant budget director and a budgetary advisory commission composed of Governor, chairman of senate finance committee, chairman of house finance committee, and two other persons appointed by Governor.
Texas.....	State Board of Control composed of 3 members appointed by Governor with consent of senate.
Utah.....	Executive secretary of State Board of Supplies and Purchasing.

The State officers assisting the Governor in connection with budget functions, as shown in table 1, are subordinate to him and serve under his immediate direction in most of the States. This is especially true of the budget directors or budget assistants and of the State fiscal officers, such as the comptroller or commissioner of the State department of finance. These officers are appointed by the Governor and hold office at his will or pleasure in many instances. Of particular interest are the 3 States—Indiana, Maine, and North Carolina—in which a budgetary committee or commission assisting the Governor consists of representatives of the State legislature. Notwithstanding this legislative representation, the Governor is vested by law with final power over the budget in each of these States.

*Executive-board budget organization.*—Four States have adopted the executive-board type of budget organization headed by a board or commission composed of officers of the executive branch of the State government. These States are Florida, Louisiana, Montana, and West Virginia.

In Florida the organization is known as the Budget Commission and is composed of the Governor, secretary of state, comptroller, treasurer, attorney general, commissioner of agriculture, and superintendent of public instruction. This commission is solely responsible for the preparation of the State budget, a majority vote being necessary to decide budgetary matters and questions coming before it. A provision in the budget law designates the Governor as chief budget officer; but final authority over the budget rests with the budget commission.

An appointed commission heads the budget organization in Louisiana, its title being the State Tax Commission. It consists of three members appointed by the Governor with the consent of the senate for overlapping terms of 6 years. Members of the commission are not subject to removal by the Governor except for cause and with the concurrence of the senate. The commission is responsible for preparing the budget and presenting it to the State legislature.<sup>3</sup>

The State Board of Examiners comprises the budget organization in Montana. This board is composed of three of the State's principal executive officers, the Governor, secretary of state, and attorney general. The Governor is president of the board and the secretary of state its secretary.

In West Virginia the budget organization is headed by the State Board of Public Works. The board consists of the Governor, secretary of state, auditor, treasurer, attorney general, superintendent of free schools, and commissioner of agriculture. A State budget director assists the board in performing the functions connected with the budget. He is appointed by the Governor, holding office at his will but serving under the direction of the board.

*Executive-legislative budget organization.*—There are two States—North Dakota and South Carolina—that have established the executive-legislative type of budget organization with a board or commission composed of one or more State executive officers and of selected members of the State legislature.

In North Dakota a State budget board constitutes the budget organization. The board is composed of the Governor, auditor, attorney general, chairman of the appropriation committee of the senate, and the chairman of the appropriation committee of the house of representatives. It will be observed that the majority of the board membership consists of State executive officers rather than representatives of the State legislature. The Governor is chairman of the board and the auditor is its secretary.

The organization is known as the State Budget Commission in South Carolina. Its members are the Governor, the chairman of the senate finance committee, and the chairman of the ways and means committee of the house of representatives. Although not specified by law, the Governor serves as the chairman of the commission.

### **Submission of Estimates of Appropriations for State Budget.**

In the preparation of the State budget the first procedure provided in all the States consists of the submission of estimates of needed appropriations including other data to the Governor, budget board, or commission by the governing boards of the State higher educational institutions along with the various other governmental units.

<sup>3</sup> The Governor is empowered to make any recommendations he may wish to the State legislature concerning the budget at the time it is submitted by the State Tax Commission.

The estimates must be submitted on or before a certain fixed date preceding the convening of the regular session of the State legislature. This date varies in the different States from 1 to 6 months prior to the opening of the legislative session. Official blank forms are furnished by the Governor, budget board, or commission to be used in submitting the estimates.

*Data required to be furnished in submitting budget estimates.*—The legal provisions of a number of States outline in detail the precise data which the institutions must submit. In other States the Governor, budget board, or commission is empowered to prescribe the data. In general, these data comprise the following:

- (1) Itemized receipts during each of the 2 preceding fiscal years.
- (2) Estimated itemized anticipated receipts during each of the 2 succeeding fiscal years.
- (3) Itemized expenditures during each of the 2 preceding fiscal years.
- (4) Itemized estimates of appropriations needed for each of the 2 succeeding fiscal years.<sup>4</sup>

The extent to which the receipts and estimates are itemized depends upon the classifications as prescribed by law or by the Governor, budget board, or commission. Commonly, they are divided into specific items for each bureau, division, or branch within the State governmental unit. In the case of the higher educational institutions, these classifications may include separate items for the different colleges or schools, departments of instruction, and other organizations conducted by them. The items are frequently further subdivided by source, purpose, and fund account. Operation and maintenance, extraordinary operation and maintenance, and capital outlay items are likewise segregated. Such justifications and explanations in support of the different estimates for needed appropriations as the governing boards of the institutions may wish to make must be appended to the budget forms.

*States in which institutions must submit budget estimates.*—State higher educational institutions must submit budget estimates to the Governor, budget board, or commission in all the States excepting institutions of certain types in three States. The States in which this budgetary procedure is not applicable to certain institutions are Maine, Michigan, and New Hampshire. Other institutions within the same States, however, are required to submit the estimates.

The particular institutions enjoying this exemption are the State university in Maine, the State university and the State agricultural and mechanic arts college in Michigan, and the State university in

<sup>4</sup> In Massachusetts, New Jersey, New York, Rhode Island, and South Carolina, the State legislature meets annually in regular session so that the estimates are for the succeeding fiscal year only. In Alabama the legislature meets quadrennially. The estimates, therefore, are for each of the 4 succeeding fiscal years.

New Hampshire. One reason that these institutions are not required to submit budget estimates is that their governing boards in some instances have been expressly empowered by the State constitution to control their financial affairs. Another is that the institutions receive their State support through continuing mill tax levies or other forms of special taxes rather than through regular biennial appropriations.

### **Investigation of Estimates by Governor, Budget Board, or Commission.**

The next procedure in preparing the budget is the investigation of the submitted estimates of appropriations by the Governor, budget board, or commission for the purpose of determining whether they represent actual needs. Such investigation extends to each of the items comprising the estimates. It is largely through this power to investigate budget estimates that the Governor or other State executive officers delve into the internal financial affairs of the institutions. The investigation is conducted in two ways: (1) By examinations, surveys, and inspections, and (2) by hearings on the budget estimates.

*Examinations, surveys, and inspections to determine appropriations to be recommended.*—In practically all of the States, the Governor, budget board, or commission is empowered to make such examination as is deemed necessary of the financial records, accounts, books, and other papers<sup>5</sup> of the institutions. The institutions are required by law to produce the records and documents on demand to the Governor, budget board, or commission.

In addition, several other methods are prescribed by which the estimates are investigated. The Governor, budget board, or commission in a number of States is required to make a complete survey of the operations or management of the institutions, the purpose being to obtain a working knowledge upon which to base the amounts of appropriations to be recommended for them in the budget. It is specifically provided in some States that the budget director or budget board visit or inspect the institutions.<sup>6</sup> In these States the traveling and other expenses of the officers or board members making such visitations or inspections are paid out of the State treasury.

*Conduct of hearings on budget estimates.*—A further method of investigating the budget estimates is the conduct of hearings by the Governor, budget board, or commission. Through these hearings the heads of the institutions and other State governmental units are granted the opportunity to appear personally, presenting verbal explanations of their estimates, justifications for proposed increases

<sup>5</sup> In Michigan, the budget director is empowered to examine all bids, contracts, plans, specifications, blueprints, records, invoices, books, accounts, and correspondence relating in any way to establishing, enlarging, altering, maintaining, and operating the institutions.

<sup>6</sup> In Utah the State director is authorized to attend meetings of the governing boards of the institutions in a visitatorial capacity to acquaint himself with their needs, problems, and policies.

in appropriations, and arguments against any decreases. In many of the States the legal provisions require that budget hearings be open to the public,<sup>7</sup> while in the other States only representatives of State agencies seeking appropriations participate. The Governor, budget board, or commission in certain States has been vested with the right to issue summons, administer oaths, and examine witnesses in conducting the hearings.<sup>8</sup>

Hearings are required in all except 12 of the States. Among the States not providing for budget hearings are Arizona, California, Colorado, Idaho, Illinois, Louisiana, Massachusetts, Minnesota, Ohio, Oregon, Pennsylvania, and Vermont. In Kentucky, the Governor as State budget officer holds only such hearings as he deems necessary.

### **Formulation of State Budget, Including Revision of Estimates. 1**

After the investigation of the estimates of appropriations, the next procedure consists of the formulation of the budget for its transmission to the legislature. In this procedure the Governor, budget board, or commission is empowered to revise any items in the estimates of appropriations.

This is an extremely vital power since the entire budgetary system centers around it. By virtue of it the Governor, budget board, or commission is vested with the right to determine the amount of specific appropriations to be recommended for each institution in the State budget. Hence, it is to a large extent through this power that control is exercised by State executive officers over the appropriations of the institutions before made by the State legislature.

Although the language used in the legal provisions of the different States varies, the power of revising items of estimates of appropriations is broad in scope in all of them. For example, the legal provisions in certain States empower the Governor, budget board, or commission to approve, disapprove, or alter the items according to their own conclusions or judgment as to the needs of the institutions. In others, the Governor, budget board, or commission is empowered to raise, lower, or reject items as is deemed warranted or in their discretion.

*Different plans of formulating the budget.*—In carrying out the procedure of the formulation of the budget, including the revision of the estimates of desired appropriations, two different plans have been adopted by the States.

Under one plan the Governor, budget board, or commission with the advice of the subordinate budget director or budgetary assistant revises the estimates and formulates the final budget for transmission to the legislature. Under the second plan, a preliminary or tentative

<sup>7</sup> Any interested citizen or person in Delaware, Indiana, Missouri, South Dakota, and Wisconsin may attend the public budget hearings and be heard with respect to any items in the estimated appropriations.

<sup>8</sup> These States are Indiana, Michigan, New York, North Carolina, and Wisconsin.

budget is formulated by the subordinate budget board or officer who revises the estimates submitted by the institutions. The preliminary or tentative budget is then submitted to the Governor, who is empowered to revise the figures again before transmitting the final budget to the legislature. The first plan has been adopted by all except 14 of the States. The States adopting the second plan are Alabama, Delaware, Idaho, Illinois, Indiana, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, Ohio, and Texas.

Special attention is called to a significant feature of the second plan affecting the institutions. Where a preliminary or tentative budget is formulated, the estimates of appropriations of the institutions are subject to two revisions instead of a single revision. Among the States in which the Governor is empowered to revise the estimates again after they had been previously revised by subordinate budget boards or officers, different arrangements are followed. It is the practice in some of the States for the Governor to make this second revision on a basis of budget hearings which he is required to hold. In other States separate parallel columns are provided in the budget, one being used to indicate the amounts of estimates of appropriations as revised by the subordinate budget board or officer and the other to show the amounts as finally revised by the Governor.<sup>9</sup>

*Estimates of appropriations of institutions not subject to revision.*—In addition to the institutions already cited in three States which are not required to submit budget estimates and are therefore exempted from State budgetary control, another State has provided that the estimates of appropriations of one of its institutions shall not be subject to revision. This is the State university in Illinois. The legal provisions of that State specifically prescribe that the Governor as chief State budget officer shall transmit the estimates as originally prepared by the State university for the budget to the State legislature without revising or altering them.

### **Deliberations of State Legislature in Acting on State Budget.**

After its formulation, the State budget is printed and transmitted to the State legislature to be finally deliberated and acted upon by that body at its regular session. This step represents the last procedure in the operation of the budget system.

In the States in which the Governor is chief State budget officer, he generally submits a message outlining the principal features of the budget, including his program for financing the State for the ensuing annual or fiscal period. It is the practice in a number of the States for the budget to be accompanied by a draft of the budget appropria-

<sup>9</sup> In the formulation of the State budget in some other States, it is required that the estimates of appropriations originally submitted by the institutions must be shown in one column of the budget document transmitted to the legislature and the estimates as revised by the Governor, budget board, or commission in another column.



tion bill or bills.<sup>10</sup> The printed budget and the budget appropriation bill or bills contain the recommended appropriations to be made to each institution in the State, including the other governmental units.

Two important questions arise in connection with the deliberations and action of the State legislature upon the budget. One is whether the legislature is restricted in its right to alter the appropriations recommended for the institutions in the budget. In such case the legislature has been deprived of the freedom possessed by it prior to the establishment of the State budget system to make whatever appropriations it sees fit. The second question is whether the governing boards or representatives of the institutions have been restricted in appealing to the legislature for changes in the appropriations recommended for them in the budget. In nine of the States, restrictions of this character are in force.

*Restrictions on legislature in altering appropriations recommended in State budget.*—Legal provisions of four States—Maryland, Nevada, New York, and West Virginia—restrict the State legislature in making certain alterations in the appropriations recommended in the budget.<sup>11</sup>

While the legislature in each of these States is permitted to strike out or reduce items in such appropriations, it has been denied the power to increase the amounts recommended in the budget.<sup>12</sup> This means that the Governor or other State executive officers responsible for the budget exercise ultimate control in determining the maximum appropriations to be made to the institutions. In one of these States—New York—the legislature is empowered to add new items of appropriations not included in the budget provided that they apply to a single object or purpose. Nebraska is another State which has restricted to a degree at least the State legislature in altering the appropriations recommended in the budget. A two-thirds vote of the legislature is required in that State in order to increase any items included in the budget.

*Restrictions on institution in appealing to State legislature for changes in budget appropriations.*—There are six States in which the governing boards or representatives of the institutions have been restricted in one way or another in appealing to the State legislature for changes in the appropriations recommended for them in the budget. These States are Connecticut, Georgia, Iowa, Maryland, West Virginia,

<sup>10</sup> The laws of all except 19 States prescribe that the Governor, budget board, or commission shall submit a draft of the budget appropriation bill or bills to the State legislature. In the States where such provision is not in effect, the finance or appropriation committee of the legislature draws up the appropriation bill or bills on a basis of the budget. The latter States are: Florida, Idaho, Illinois, Kansas, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New Mexico, North Dakota, Ohio, Oregon, Pennsylvania, South Carolina, Vermont, and Wyoming.

<sup>11</sup> In Maryland, New York, and West Virginia, this restriction on the State legislature is included in the State constitution.

<sup>12</sup> This restriction in Maryland, New York, and West Virginia does not apply to appropriations for the legislative and judiciary branch of the State government which may be increased or altered by the State legislature at its discretion.

and Wisconsin. It will be observed that in two of the States—Maryland and West Virginia—the legislature is also denied the right to increase items in the budget appropriations.

The extent of the restrictions in the several States varies. In Connecticut the institutions are prohibited from submitting requests or estimates for increased appropriations over those in the budget to the legislature unless with the approval of the Governor or at the request of either house of the legislature. A somewhat similar restriction applies in Iowa. The institutions in that State may only submit requests or estimates for increased appropriations when requested by either house of the legislature.

In Wisconsin the institutions are not permitted to attempt to procure any increased appropriations by argument or appeal other than through the ordinary budgetary channels. The institutions, however, may be heard by the joint committee of the legislature considering the budget and upon request by either house of the legislature. The restrictions in Georgia, Maryland, and West Virginia provide that only such representatives of the institutions as are designated by the Governor, budget board, or commission have the right to appear before the legislative committees holding hearings on the budget.

It is interesting to note that in three States the legal provisions expressly empower the institutions to seek larger appropriations from the State legislature than are recommended in the budget. In California the governing board of the State university may request increased appropriations from the legislature. In Mississippi any of the institutions, if aggrieved at the size of the appropriations allowed them in the budget, may appeal directly to the State legislature. The State university of Wisconsin makes it a practice to present its requests for appropriations directly to the State legislature after having previously submitted estimates to the Governor through the State commissioner of the budget.

### Chapter III. Control Over Appropriations After Made

**E**STABLISHMENT of control over appropriations after they have been approved by the legislature and the Governor represents another important phase of the reorganizations of State fiscal machinery.

Under this form of control, legal powers were vested in the Governor or other State central executive agencies not previously possessed by them. One consisted of the right to reduce the amounts of the appropriations of each of the various governmental units under certain circumstances. Another was the right to supervise or administer directly the disbursements of the appropriations. The powers in a number of the States applied to other funds collected by the units as well as their appropriations. In some States the procedures were closely connected with the budgetary system for the control of appropriations before made and provided for the executive of the State budget by the Governor or agency as finally adopted in the appropriation act.

*Two general plans for enforcing control.*—Although differing in several aspects, two general plans were adopted by the several States for the enforcement of this form of fiscal control. These plans may be classified as follows:

(1) Appropriations of the State legislature are made on a contingent or conditional basis subject to reduction by the Governor or State central executive agencies.

(2) Appropriations are disbursed subject to supervision or administration by the Governor or State central executive agencies.

Both of these plans have materially altered the methods under which State higher educational institutions are permitted to expend their appropriations. Prior to the inauguration of the first plan the full amounts of the appropriations as made by the State legislature to the governing boards of the institutions became available for expenditure by them. Under the revised arrangement, the Governor or some State central executive agency is empowered to reduce the amounts of appropriations under stipulated conditions.

The second plan involves changes in authority over the disbursing of the appropriations. Before its adoption the institutions presented vouchers to the State auditor covering disbursements for salaries, operations, maintenance, equipment, etc. After properly auditing the vouchers, the State auditor issued warrants on the State treasurer

for their payment.<sup>1</sup> The new plan provides for the establishment of fiscal-control practices under which the Governor or some other State central executive agency is frequently vested with the right of prior approval or disapproval of the disbursements, and with other supervisory and administrative powers. Moreover, certain of the disbursements, such as those for purchasing, printing, construction, and the like, are taken out of the hands of the institutions and actually made by the State central agencies themselves.

In showing the States which have adopted this form of fiscal control, the two plans will be treated separately. Variations exist among the States as to the character and extent of the powers vested in the Governor or State central executive agencies. Of the States where the Governor has not been given the powers, differences are also found in the particular agencies, such as executive boards, commissions, heads of finance departments, fiscal or budget officers designated to exercise the control. In many instances, they are the same boards, commissions, or officers assisting the Governor or having charge of the budgetary systems described in the preceding chapter. The application of the control to the appropriations of State higher educational institutions likewise varies among the States.

### **Contingent or Conditional Appropriations Subject to Reduction by Governor or Other State Agency.**

The plan under which the State legislature makes its appropriations on a contingent or conditional basis subject to reduction by the Governor or some State central executive agency is of recent genesis. It is largely the outgrowth of financial stringencies suffered by the States during the industrial depression.

The main feature of the plan is that the full amounts of the appropriations for the annual or biennial periods are made or are payable to the institutions only in the event that sufficient revenues are collected by the State to meet them. In other words, the appropriations are contingent or conditional upon the State's income. The Governor or agency in general is charged with the responsibility of maintaining a constant check on the incoming revenues during the course of the annual or biennial period. Whenever it is discovered or estimated that the revenues will not be equivalent to the full amounts of the appropriations, the Governor or agency is authorized to reduce them accordingly.

Legal provisions of the States prescribe the basis, limitation, and procedure for reducing the appropriations. In some States the Governor or agency is vested with general power to reduce any or all

<sup>1</sup> For a complete description of State practices covering disbursements of appropriations and funds of the institutions through the State auditor and State treasurer, see *Higher Educational Institutions in the Scheme of State Government*, by John H. McNeely. (Office of Education Bulletin 1939, No. 3, pp. 85-98.)

appropriations at any time and in such amounts as is deemed necessary to avert a State deficit. The appropriations of each governmental unit commonly must be reduced uniformly in such proportion as the total sum of all appropriations bears to the total revenues.<sup>2</sup> Other States have adopted a more explicit procedure under which the appropriations are reduced by quarterly periods of the fiscal year to avert a deficit. According to this procedure the Governor or agency is empowered to reduce the amount of appropriations of the institutions for each quarterly period when it is found or estimated that the revenues will be insufficient to meet the total appropriations of the fiscal year.

All told, there are 21, or approximately 44 percent, of the 48 States that have adopted the plan of making contingent or conditional appropriations by the State legislature.

*General power of reducing appropriations at any time.*—Of these States, 10 have vested general power in the Governor or some State central executive agency to reduce appropriations at any time in order to avert a State deficit. Table 2 shows such States. The particular State agency together with its composition vested with the power where the Governor has not been so designated is also given for each of the States in the table.

Table 2.—States in which Governor or some State central executive agency is vested with general power to reduce appropriations at any time in order to avert a State deficit

State	General power vested in—
Arkansas.....	} Governor.
New Jersey.....	
Ohio.....	
Rhode Island.....	
Florida.....	Both Governor and State Budget Commission composed of Governor, secretary of state, comptroller, treasurer, attorney general, commissioner of agriculture, and superintendent of public instruction.
Idaho.....	State Board of Examiners composed of Governor, secretary of state, and attorney general.
Maryland.....	Governor with approval of State Board of Public Works composed of Governor, comptroller, and treasurer.
New Mexico.....	State Board of Finance composed of Governor, auditor, and 3 members appointed by Governor with consent of senate for 6-year terms.
South Carolina.....	State Budget Commission composed of Governor, chairman of senate finance committee, and chairman of house ways and means committee.
Vermont.....	Both Governor and State emergency board composed of Governor, chairman of senate finance committee, chairman of senate appropriation committee, and chairman of house ways and means committee.

<sup>2</sup>The legal provisions of some of the States refer to such appropriations as proportionate appropriations.

According to the information contained in table 2, general power to reduce appropriations at any time in the 10 States has been conferred either on the Governor alone, on the Governor with the approval of a board, on both the Governor and a board, or on a board or commission with the Governor serving as a member. The Governor, therefore, possesses this power alone or in conjunction with other State officers in all of them. It will be noticed that the board or commission in 4 States is composed entirely of State executive officers while in 2 others it is an executive-legislative agency consisting of the Governor and representatives of the State legislature. The power is applicable to all of the State higher educational institutions in the 10 States.

Of special interest are the variations in the legal provisions of the States conferring this general power. In Arkansas and Rhode Island the Governor is authorized to reduce any or all appropriations to the amount of the estimated State revenues when advised by the State comptroller that the possible revenues to be collected for the remainder of any fiscal year will fall short of the amount appropriated. The Governor in Ohio is empowered to issue orders to the various governmental units, including the institutions to reduce expenditures of their appropriations so that they will not exceed State receipts upon ascertainment that the available State receipts will in all probability be less than the appropriations for any current fiscal year. In New Jersey the Governor is authorized to withhold the expenditure of any appropriation in the interest of economy by issuing written directions to the State treasurer.

The legal provisions in Florida prescribe that if in the opinion of the Governor the State revenues will be insufficient to meet the appropriations made for the fiscal period he shall so certify to the State Budget Commission. The commission is then required to reduce the appropriations of the governmental units, including the institutions by consolidating positions and duties so that the appropriations shall be kept within the revenues. In case the State Budget Commission fails to act, the Governor is empowered to effect such changes by executive order. The State Board of Examiners in Idaho is authorized to reduce the appropriations of any institution or governmental unit upon investigation and report by the State Director of the Budget. Before such reduction is ordered, the Board must allow a hearing to the head of the institution or unit.

In Maryland, the Governor with the approval of the State Board of Public Works may reduce any item of the appropriations of institutions or other governmental units deemed necessary by him. A limitation of 25 percent is placed on the extent of the reduction. The State Board of Finance in New Mexico is vested with blanket power to

reduce all appropriations by not to exceed 10 percent.<sup>3</sup> In South Carolina the State Budget Commission is empowered to make such reductions of appropriations as may be deemed necessary to prevent a State deficit. Both the Governor and the State Emergency Board are authorized to reduce appropriations in Vermont. The Governor is vested with the right of final approval of the limit that each appropriation shall be expended during the biennial period. The State Emergency Board is given outright power to reduce any appropriation as may appear necessary for the welfare of the State.

In 3 of the States—Florida, New Mexico, and Vermont—the legal provisions conferring the general power to reduce appropriations at any time are contained in the 1939-40 appropriation acts and are effective only during the biennial period. It is, however, almost a regular practice of the State legislatures to include these legal provisions in successive appropriation acts so that they become more or less permanent legislation.

Another State—Alabama—adopted a constitutional amendment in 1933 conferring virtual power on the State comptroller to reduce appropriations to avoid a State deficit. Under its provisions the comptroller is forbidden to draw warrants for the portion of any appropriations due during the remainder of a fiscal year in excess of the revenues actually collected and deposited in the State treasury. When the comptroller discovers an insufficiency of revenues to meet the appropriations, he is required to distribute the revenues on hand in the State treasury on a proportionate or pro rata basis to the various governmental units including the institutions. The exercise of the power by the comptroller amounts to a practical reduction in appropriations since all unspent appropriations expire at the end of each fiscal year.<sup>4</sup>

*Reductions of appropriations by quarterly periods.*—The procedure under which the Governor or agency reduces appropriations to avert a deficit by quarterly periods provides for the distribution of the reductions over the course of the fiscal year rather than at any time. This procedure is closely connected with the centralized supervisory control of the disbursement of appropriations through quarterly requisitions and work programs to be described later.

In the event it is estimated or determined that the State revenues for a fiscal year will be insufficient to meet the appropriations, the Governor or agency is empowered to reduce the amount of appropriations to be expended by the institutions for each quarter of the year.

<sup>3</sup> Appropriations for interest, payments on State debt, insurance premiums, official bonds, and salaries fixed by the State constitution are not subject to reduction.

<sup>4</sup> It was found on a field trip to Alabama that a number of the State teachers colleges were unable to pay the full annual salaries of their faculty members due to the enforcement of this provision of the State constitution by the State comptroller.

By this arrangement the institutions are not permitted to make expenditures for the quarterly period beyond the reduced amount fixed by the Governor or agency.

There are 11 States which have adopted the procedure of reducing appropriations by quarterly periods. Table 3 gives these States classified according to whether the Governor or some other State agency is vested with the power. In the States where an agency other than the Governor has been designated to exercise the power, the particular agency together with its composition is indicated in the table.

Table 3.—States in which Governor or some State central agency is empowered to reduce appropriations by quarterly periods of fiscal year in order to avert deficit

State	Power to reduce appropriations by quarterly periods vested in—
Alabama.....	Governor.
Connecticut.....	
Georgia.....	
Missouri.....	
Oklahoma.....	
Utah.....	
Virginia.....	
Iowa.....	Governor and executive council composed of Governor, secretary of state, treasurer, auditor, and secretary of agriculture.
North Carolina.....	Governor with advice and consent of advisory budget committee composed of Governor, chairman of senate finance committee, chairman of house finance committee, and 2 members appointed by Governor.
West Virginia.....	State Board of Public Works composed of Governor, secretary of state, auditor, treasurer, attorney general, superintendent of free schools, and commissioner of agriculture.
Wisconsin.....	State director of the budget subject to appeal to and final decision of Governor.

As evidenced by the data in table 3, the Governor alone possesses the power to reduce appropriations by quarterly periods in 7 of the States while in 1 State the power is vested in the State budget director subject to an appeal to and final decision by the Governor. In the 3 remaining States, the power is conferred on the Governor in conjunction with a council, committee, or board on which the Governor serves as a member. The agency is composed of State executive officers in 2 of the States and of representatives of the State legislature together with appointive members in 1 State. This power to reduce appropriations by quarterly periods applies to the State higher educational institutions in all the 11 States.

Detailed legal requirements with respect to the power differ in several of the States. Responsibility is placed on the State director



of the budget in Connecticut to determine whether the State revenues for the fiscal year will fall below the appropriations and thereby cause a deficit. Before his finding becomes effective, however, it must be approved by both the State commissioner of finance and the Governor. Correspondingly, the finding of the Governor in Iowa that State receipts will not be sufficient to pay the appropriations in full is subject to the concurrence of the executive council.

Instead of reducing the appropriations of all governmental units, including the institutions on a uniform and pro rata basis the State Board of Public Works in West Virginia must follow a special method stipulated in the statute. Under this method the appropriations for the different governmental units are divided into five classes according to what is regarded as the essential services performed by them to the public. Class 1 includes the appropriations for units collecting revenues and administering fiscal operations, such as the office of tax commissioner, auditor, treasurer, and sinking fund commissioner; class 2, those for units supervising, controlling, or directing executive policy and law enforcement, such as the office of the Governor, attorney general, and department of public safety; class 3, those for educational, charitable, and corrective institutions; class 4, those for other departments and services of the State government; and class 5, those involving transfers from the general fund.

Different percentages of reductions are prescribed for each class on a sliding scale varying from 5 percent for the first class to 25 percent for the fifth class, depending on the extent of the deficit confronting the State. The statute contains a table indicating the range of percentage reductions to be made for each class. It will be noticed that the State higher educational institutions are included in the third class, the services performed by them being ranked third among the essential functions of the West Virginia government.

In three of the States—Oklahoma, Virginia, and West Virginia—the power to reduce appropriations by quarterly periods is contained in the 1938-39 Appropriation Act. It is, therefore, effective only during the biennium covered by the act. In another State—Georgia—the power to reduce appropriations on a pro rata basis is also contained in the 1938-39 Appropriation Act, but a general statute authorizes the Governor to reduce them by quarterly periods.

### **Supervision or Administration of Disbursements of Appropriations by Governor or Other State Agencies.**

Under the plan of fiscal control providing for the direct supervision or administration of the disbursements of appropriations after being made by the State legislature, a diversity of powers have been vested in the Governor or other State central executive agencies.

Varying from State to State, the powers prescribe a systematic method of controlling the amounts of appropriations to be disbursed over the course of the fiscal year. In addition, the powers provide for a regulatory, supervisory, or administrative control over types of disbursements for specific purposes and over individual items of disbursements out of the appropriations. The fundamental aim of the control is to restrict expenditures and effect economies in operation of the governmental units including the institutions.<sup>5</sup> The more important powers conferred on the Governor or other agencies may be classified in general as follows:

- (1) Approval, disapproval, or alteration of quarterly requisitions or work programs allotting appropriations.
- (2) Prior approval or disapproval of all contracts involving disbursements of appropriations.
- (3) Approval or disapproval of pay rolls, invoices, bills, or claims before payment.
- (4) Maintenance of continuous check of disbursements of appropriations through periodical financial statements or reports.
- (5) Investigations of administration, operations, or activities of institutions with view of reducing expenditures.
- (6) Prior approval or disapproval of appointments, promotions, and changes in salaries of officers, staff members, and employees.
- (7) Actual administration or making of expenditures for purchase of supplies, materials, and equipment, including printing.

It is proposed here to treat only the first five classifications of powers.

*Quarterly requisitions or work programs allotting appropriations.*—

Quarterly requisitions or work programs represent a comparatively new device adopted by States for centralized supervisory control of the disbursements of appropriations. It resembles in certain respects the procedure for reductions of appropriations by quarterly periods to avoid a State deficit previously described. In several of the States the statutes provide for both quarterly requisitions or work programs and for reductions of appropriations by quarterly periods.

Under this new device of control each institution is required to submit to the Governor or agency prior to the beginning of each quarter of the fiscal year, a requisition or work program for the allotment of the amount of appropriations to carry on its work during the period.<sup>6</sup> Frequently the detailed purposes for which the several types of disbursements of the appropriations are proposed to be made must also be given. A printed form with detailed segregation of items of

<sup>5</sup> The statutes of many of the States in establishing this plan of fiscal control state their aim or intent. For example, the New Jersey statute declares that its intent is to provide control by the Governor of State expenditures and to aid State governmental units to exercise a greater restraint in spending the money available for their uses.

<sup>6</sup> In some States the legal provisions require the institutions to submit quarterly requisitions covering the entire fiscal year in advance.

disbursements is prescribed in some States for use in preparing the quarterly requisitions or work programs. The Governor or agency is vested with power in other States to prescribe the extent to which the requisitions or work programs must be itemized.

After analyzing, checking, and otherwise reviewing them from the viewpoint of the indispensability of the proposed disbursements, the Governor or agency is authorized either to approve or alter the amounts of the quarterly requisitions or work programs or the individual items included in them. The State's auditing officer is then notified of the action of the Governor or agency, and of the appropriations allotted to the institutions for disbursement during the quarterly period. This officer is prohibited from issuing warrants for payments out of the State treasury during the quarter except in accordance with the amounts and terms of the approved requisitions or work programs. The allotment of appropriations as provided by them may be subsequently revised either upon the initiative of the Governor or agency or upon specific request of the governing boards of the institutions providing such requests are approved.

There are altogether 17 States which provide for quarterly requisitions or work programs. In table 4 are given these States classified according to whether the Governor or some State agency is vested with the power of their approval or alteration. In the States where a State agency other than the Governor exercises the power, the particular agency together with its composition is indicated in the table.

**Table 4.—States in which the Governor or some State central executive agency is vested with power to approve or alter/quarterly requisitions or work programs allotting appropriations**

State	Power to approve or alter quarterly requisitions or work programs vested in—
Alabama.....	} Governor.
Mississippi.....	
Missouri.....	
Nebraska.....	
New Hampshire.....	
North Carolina.....	
Oregon.....	
Pennsylvania.....	
Tennessee.....	
Utah.....	
Virginia.....	
Colorado.....	Governor and executive council composed of Governor secretary of State, treasurer, auditor, and attorney general.
Maine.....	Governor and council composed of 7 members elected in joint session by legislature.
Minnesota.....	State Commission of Administration and Finance composed of State commissioner of the budget, State comptroller, and State commissioner of purchase.

**Table 4.—States in which the Governor or some State central executive agency is vested with power to approve or alter quarterly requisitions or work programs allotting appropriations—Continued**

State	Power to approve or alter quarterly requisitions or work programs vested in—
New Jersey . . . . .	State commissioner of finance subject to appeal to and final decision by Governor.
West Virginia . . . . .	State Board of Public Works composed of Governor, secretary of State, auditor, treasurer, attorney general, superintendent of free schools, and commissioner of agriculture.
Wisconsin . . . . .	State director of the budget subject to appeal to and final decision by Governor.

A comparison of tables 3 and 4 will disclose the States which provide for quarterly requisitions or work programs allotting appropriations for disbursement and at the same time also provide for reductions of appropriations by quarterly periods to avert a State deficit. Such States are Alabama, Missouri, North Carolina, Oregon, Utah, Virginia, West Virginia, and Wisconsin.

The legal stipulations for the detailed enforcement of the power to approve or alter quarterly requisitions or work programs of the institutions vary among the States shown in table 4. Provisions in 6 States—Colorado, Maine, Mississippi, Missouri, Nebraska, and Utah—designate other State fiscal officers to assist the Governor or agency. The quarterly requisitions or work programs in these States are first submitted to the State budget director, finance commissioner, or similar budgetary officer. This official is charged with the responsibility of reviewing them, making recommendations, and advising the Governor or agency in determining whether the amounts of the quarterly requisitions or work programs of the institutions, including items of disbursements, should be approved or altered. The final authority, however, rests with the Governor or agency.

In five States—Colorado, Maine, Missouri, New Jersey, and Tennessee—a special power is conferred on the Governor or agency in connection with the quarterly requisitions or work programs. Under this power the Governor or agency is authorized to set aside a reserve out of the appropriations allotted through the requisitions or work programs for the purpose of meeting emergencies. The Governor or agency may fix the exact amount of the reserve to be set aside. The reserve may be returned at any time during the fiscal year to the appropriation of the particular institution to which it belongs upon the approval of the Governor or agency. In Missouri the statute specifies that each governmental unit, including the institutions, shall set aside 3 percent of its appropriation as a reserve which is subject to disbursement or expenditure only with the approval of the Governor.

There are three States—Oregon, Pennsylvania, and West Virginia—where the Governor or agency is empowered to fix the period for

which the requisitions or work programs must be submitted by the institutions. In Pennsylvania and Oregon the statutes provide that they must be submitted monthly, quarterly, or such other period as the Governor may designate. The institutions in West Virginia must submit the requisitions or work programs either for monthly, quarterly, or annual periods as prescribed by the State Board of Public Works. A legal provision in Oregon stipulates that the Governor shall not disapprove or alter the requisitions or work programs without first giving the governing board or officers of the institutions an opportunity to be heard.

*Institutions exempted from submitting quarterly requisitions or work programs.*—Among the 15 States shown in table 4, there are certain institutions exempted from submitting quarterly requisitions or work programs. The governing boards of such institutions are free to disburse the appropriations made to them by the legislature without complying with this devise of centralized supervisory control. On the other hand, all other institutions within the same States are subject to such control.

The particular institutions which have been exempted are the State universities in Colorado, Maine, Minnesota, and New Hampshire.<sup>7</sup> Through provisions in the State constitution, the governing boards of the State universities in both Colorado and Minnesota have been vested with sole control over their financial affairs, including the disbursing and expending of all funds. The statutes enacted by the legislature providing for control of disbursements of appropriations through quarterly requisitions and work programs, therefore, are not applicable to them. The State universities in Maine and New Hampshire are exempted for the reason that their appropriations consist of the proceeds of special tax levies which are specifically set aside from other State funds for their support.

Instead of quarterly requisitions or work programs, several States require the institutions to submit to the Governor or agency an itemized statement or budget showing the proposed disbursements of appropriations before they become available for expenditure. For example, the institutions in New Mexico and Wyoming must submit in advance to the Governor a tentative budget in detailed form giving the disbursements of appropriations proposed for each fiscal year. Such tentative budget must be submitted to the director of the State Department of Finance in California<sup>8</sup> and to the State Budget Commission in Florida. The Governor, director, or commission in these

<sup>7</sup> The State appropriations made to the State agricultural and mechanic arts college in Pennsylvania are also disbursed by its governing board without supervision by the Governor through requisitions or work programs since this institution is only partially State controlled.

<sup>8</sup> The State university in California is not required to submit this tentative budget in advance to the director of the State Department of Finance as the control, of the financial affairs of this institution is vested exclusively in its governing board.

States is empowered to revise the tentative budget or any item contained in it. The institutions must adhere to the revised budget in disbursing their appropriations during the year. Correspondingly, the institutions in Ohio are required to submit itemized statements of proposed disbursements for any specified period to the director of the State Department of Finance who is authorized to disapprove all or any part of them.

In three other States somewhat similar legal provisions are found. Before any appropriation is available for expenditure in Idaho and Nebraska, the institutions must file with the Governor an itemized statement showing the amount proposed to be disbursed for each activity carried on by them. For any appropriation made in a lump sum to institutions in Maryland, they are required to submit to the State Board of Public Works a detailed schedule of the proposed apportionment of different items of disbursement from it. No portion of the lump-sum appropriation may be expended until the board has approved the schedule.

*Power over transfer of amounts from one item of appropriations to another.*—A power conferred on the Governor or agency related in some respects to quarterly requisitions or work programs is the right to approve or disapprove the transfer of amounts from one item of appropriations to another.

The applicability of this power to the institutions in a State depends upon whether the State legislature makes its appropriations to them in lump sums or divides the appropriations into a number of separate items.<sup>9</sup> Where the latter practice has been adopted, the appropriation act provides that the amount contained in each of the separate items must be disbursed only for the specified purpose for which it is appropriated. In the event that the amount of any one item proves inadequate to meet the purposes for which appropriated during the course of a fiscal year and an undisbursed surplus is found to exist in another item, the governor or agency is empowered to approve or disapprove a transfer between the items.

Of the 48 States there are 28 in which the appropriations are at present made by the State legislature in lump sums to the institutions so that the transfer of amounts of appropriation items does not apply to them. It must be realized that the State legislatures in these States may whenever they see fit discontinue lump-sum appropriations and divide them into separate items for specified purposes.

Appropriations to the institutions in the remaining 20 States are divided into separate items. In 10 of such States no power is vested in the Governor or agency over the transfer of amounts from one item

<sup>9</sup> In some States the appropriations are divided and subdivided into a multitude of separate items. For information on this subject see, *New State Policies* by John H. McNeely, *The Journal of Higher Education*, 7: October 1936.

to another. These States are Arizona, Illinois, Missouri, New Mexico, New York, North Dakota, Rhode Island, South Dakota, Texas, and Wisconsin. In the case of the 10 other States the Governor or agency possesses the authority of approval or disapproval of such transfers.

Table 5 shows these States and also indicates whether the transfer power has been vested in the Governor or some other agency. Where the Governor has not been designated to exercise the power, the other agency together with its composition is shown in the table.

**Table 5.—States in which Governor or some State central executive agency is vested with power to approve or disapprove the transfer of amounts from one item of appropriations for State higher educational institutions to another**

<i>State</i>	<i>Power to approve or disapprove transfer of appropriation items vested in—</i>
Connecticut .....	} Governor.
Kansas .....	
Maryland .....	
Oklahoma .....	
Arkansas .....	Governor and comptroller.
Delaware .....	Governor, treasurer, and auditor.
Idaho .....	State Board of Examiners composed of Governor, secretary of state, and attorney general.
New Jersey .....	State House Commission composed of Governor, treasurer, comptroller, chairman of senate appropriation committee, and chairman of house appropriation committee.
Ohio .....	Controlling board composed of director of State Department of Finance, attorney general, auditor, <sup>1</sup> chairman of senate finance committee, and chairman of house finance committee.
West Virginia .....	State Board of Public Works composed of Governor, secretary of state, auditor, treasurer, attorney general, superintendent of free schools, and commissioner of agriculture.

<sup>1</sup> The director of State Department of Finance, attorney general, and auditor may designate an employee of their office to represent them on controlling board.

Legal provisions of the States shown in table 5 commonly authorize the governing boards of the institutions to submit applications to the Governor or agency requesting the transfer of amounts from one item of their appropriations to another. Upon the receipt of the applications the Governor or agency either approves or disapproves them. In Maryland the applications must first be submitted to the State director of budget and procurement, who in turn transmits them to the State Board of Public Works. There is one State—Kansas—in which the Governor is prohibited from approving transfers of items from appropriations for permanent improvements or salaries to those for maintenance or temporary purposes. In general,

the transfer of appropriation items may be made only for the current fiscal year.

*Prior approval or disapproval of all contracts involving disbursements of appropriations.*—Another device for centralized supervisory control is that by which a State central executive officer or agency is vested with specific power of prior approval or disapproval of all contracts involving disbursements of appropriations.

Although differing among the States, the statutes providing for this device of control in general require the institutions to submit to the officer or agency all proposed contracts, orders or similar documents, the purpose of which is to incur financial obligations against their appropriations. The officer or agency is authorized to examine and either approve or disapprove them before they become legally effective and before appropriations may be disbursed under them.

There are 10 States in which specific power has been conferred on a State executive officer or agency.<sup>10</sup> These States, together with the particular officer or agency endowed with the power in each of them, are shown in table 6.

**Table 6.**—States in which State central executive officer or agency is vested with power of prior approval or disapproval of all contracts involving disbursements of appropriations

<i>State</i>	<i>Power of prior approval or disapproval of contracts vested in—</i>
Maine.....	} Head of State Department of Finance or of Administration.
New Jersey.....	
Ohio.....	
Tennessee.....	
New York.....	} State comptroller.
Rhode Island <sup>1</sup> .....	
Colorado.....	Executive Council composed of Governor, secretary of state, treasurer, auditor, and attorney general.
Minnesota.....	State Commission of Administration and Finance composed of state commissioner of the budget, State comptroller, and State commissioner of purchase.
Utah.....	State Board of Supplies composed of Governor, secretary of state and attorney general.
West Virginia.....	State Board of Control composed of 3 members appointed by Governor with consent of senate for overlapping terms of 6 years.

<sup>1</sup> State comptroller in Rhode Island also holds title of State budget director.

The power of prior approval or disapproval of contracts is applicable to all the institutions in the 10 States listed in table 6 with the exception of the State university in Maine and the State university in Minnesota. Of special significance are the legal provisions of several

<sup>10</sup> In a considerable number of States, the institutions must submit all contracts for purchasing and printing to a State central executive agency for prior approval or disapproval.



of the States which confer broader power on the State central officer or agency over contracts, orders, or documents involving disbursements. In Minnesota the State Commission of Administration and Finance is empowered to make all contracts creating or incurring financial obligations against the institutions. All requests of the institutions in New Jersey for permission to spend or to disburse appropriations are subject to the approval or disapproval of the State commissioner of finance. In Ohio the director of finance as head of the State Department of Finance is authorized to approve or disapprove all or part of any proposed disbursements in advance. Contracts subject to the prior approval or disapproval of the State comptroller in New York and Rhode Island consist of those amounting to \$1,000 or more.

The State Board of Control in West Virginia is vested with complete control over all the financial affairs of the institutions, including the making of contracts involving disbursements of appropriations. The three members of the board are officers of the State central government, devoting full time to their duties and receiving regular annual salaries. At the same time there is a second board responsible for governing the educational affairs of the institutions.<sup>11</sup>

*Approval or disapproval of pay rolls, invoices, bills, or claims before payment.*—A further device for the control of disbursements of appropriations is the investment of power in a State central executive officer or agency to approve or disapprove pay rolls, invoices, bills, or claims before payment.

In all the States the regular State auditing official is authorized to audit all vouchers covering individual items of disbursements of appropriations of the institutions before issuing his warrants for their payment by the State treasurer. Another device of control inaugurated largely as a result of State fiscal reorganizations, however, provides in general that an additional State officer or agency shall first pass upon or preaudit the items of disbursements, such as pay rolls, invoices, bills, or claims. Power conferred on the officer or agency in the preauditing procedure includes the right to approve or disapprove them. In other words, the officer or agency possesses more or less discretionary power to disallow the payment of individual items of disbursements. When this officer or agency has disallowed any item of pay rolls, invoices, bills, or claims, the regular State auditing official is forbidden by law to issue a warrant upon the State treasury for its payment.

This device of fiscal control has been adopted by 24 of the States. Table 7 lists these States and indicates for each of them the particular

<sup>11</sup> The State Board of Education is the second board responsible for governing the educational affairs of all State higher educational institutions in West Virginia except the State university. The educational affairs of the State university are governed by its own board of regents.

State central executive officer or agency designated to exercise the power.

Table 7.—States in which State central executive officer or agency is vested with power of approval or disapproval of pay rolls, invoices, bills, or claims before payment

State	Power of approval or disapproval of payment vested in—
Massachusetts.....	Governor and council. In Massachusetts the council is composed of the Lieutenant Governor and 8 members elected biennially by the people, while in New Hampshire it is composed of 5 members elected biennially by the people.
New Hampshire.....	
Illinois.....	Head of State Department of Finance or Administration. <sup>1</sup>
Kentucky.....	
Maine.....	
Nebraska <sup>1</sup> .....	
Ohio.....	
South Dakota.....	
Tennessee.....	
Vermont.....	State comptroller.
Alabama.....	
Iowa.....	State Board of Examiners composed of Governor, secretary of state, and attorney general.
Rhode Island.....	
Idaho.....	
Montana.....	
Nevada.....	Executive council composed of Governor, secretary of state, treasurer, auditor, and attorney general.
Utah.....	
Colorado.....	State business manager.
Kansas.....	
Michigan.....	State Administrative Board composed of Governor, secretary of state, treasurer, auditor general, attorney general, State highway commissioner, and superintendent of public instruction.
Minnesota.....	
North Dakota.....	State Commission of Administration and Control composed of State commissioner of the budget, State comptroller, and State commissioner of purchase.
Oklahoma.....	
West Virginia.....	State Auditing Board composed of Governor, auditor, secretary of state, treasurer, and State examiner.
	State Board of Public Works composed of 3 members appointed by Governor with consent of senate for term co-terminous with that of Governor.
	State Board of Control composed of 3 members appointed by Governor with consent of senate for overlapping terms of 6 years.

<sup>1</sup> The State secretary of finance in Nebraska also holds the title of State tax commissioner.

<sup>2</sup> In some of these States the head of the State Department of Finance is called commissioner of finance, while in others he is called director or secretary.

Limitations have been placed on the State officer or agency with respect to this power in several of the States shown in table 7. The director of finance in Illinois and the secretary of finance in Nebraska are authorized to approve or disapprove only those vouchers, bills, or

claims before payment that are subject by law to the approval of the Governor. In Ohio the director of the State Department of Finance is empowered to approve such pay rolls, invoices, bills, or claims as the Governor may deem necessary. An additional State—California—vests power in the State Board of Control to prescribe the rules and regulations under which the State comptroller preaudits pay rolls, invoices, and other items of disbursements. This board is composed of the State director of finance, chief of the division of service and supply, and comptroller.

*Institutions authorizing payment of their own pay rolls, invoices, bills, or claims.*—In 11 of the 24 States there are institutions of certain types to which this power conferred on the State central officer or agency is not applicable.

The governing boards of such institutions authorize the payment of their pay rolls, invoices, bills, or claims drawing directly upon their appropriations through the State auditing office without first submitting them for preauditing, approval, or disapproval to such officer or agency. Among these institutions are the State universities in Colorado, Idaho, Illinois, Maine, Michigan, Minnesota, New Hampshire, Tennessee, and Vermont together with the State agricultural and mechanic arts colleges in Michigan, Massachusetts,<sup>12</sup> and Oklahoma. Other institutions within the same States are subject to the power of the State central officer or agency.

*Maintenance of continuous check of disbursements of appropriations through periodical statements or reports.*—An additional device of State centralized fiscal control is the power vested in the Governor or agency for the maintenance of a continuous check of disbursements of appropriations through periodical financial statements or reports.

Under this device the institutions are required to submit to such officer or agency either monthly, quarterly, or at any specified time, statements or reports showing the detailed and itemized disbursements made during the period. The statements or reports frequently are prepared on blanks prescribed and furnished to the institutions. Through an examination and review of the statements or reports, the Governor or agency is enabled to maintain a constant check on the amounts and items being disbursed out of the appropriations. These statements or reports must not be confused with the annual or biennial financial reports which are made regularly by the institutions to the Governor or State legislature and published in pamphlet form.

Eleven States have adopted this device of fiscal control. In table 8 are presented these States. The table also shows for each of them the particular State officer or agency vested with power to exercise the control.

<sup>12</sup> The title of this institution is the Massachusetts State College.

**Table 8.—States in which the Governor or some State central executive agency is vested with power to maintain a continuous check of disbursement of appropriations through periodical financial statements or reports**

<i>State</i>	<i>Power to maintain continued check of disbursements vested in—</i>
Kentucky.....	Governor and commissioner of State Department of Finance.
Wyoming.....	Governor and State Board of Supplies composed of treasurer, auditor, and State engineer.
South Dakota.....	} Head of State Department of Finance.
Vermont.....	
Iowa.....	
New Mexico.....	} State comptroller.
New York.....	
Rhode Island.....	
Mississippi.....	State assistant director of the budget.
Oregon.....	State Board of Control composed of Governor, secretary of state, and treasurer.
West Virginia.....	State Board of Public Works composed of Governor, secretary of state, auditor, treasurer, attorney general, superintendent of free schools, and commissioner of agriculture.

Different legal provisions are found among the 11 States shown in table 8 for the enforcement of the continuous check of disbursements of appropriations. This is especially the case with respect to the periods for which the financial statements or reports of the institutions are submitted. In 5 of the States—Iowa, Kentucky, Mississippi, New York, and Wyoming—they must be submitted monthly to the State central officer not later than the 10th or 15th day of the following month. The State comptroller in New Mexico may require the statements or reports to be submitted either monthly, quarterly, or annually and may also require that they be certified under oath.

In West Virginia, differentiation is made between types of disbursements. Statements or reports of disbursements for personal services of the institutions must be made monthly, for current expenses quarterly, and for capital outlays annually to the State Board of Public Works. In Oregon the statements or reports must be submitted quarterly or from time to time as is deemed necessary by the State Board of Control. Legal provisions in the 3 other States—Rhode Island, South Dakota, and Vermont—do not specify the exact period for which they must be submitted but vest discretionary power in the State central officer to designate the time. The commissioner of the State Department of Finance in Vermont must first obtain the approval of the Governor before requiring the statements or reports of disbursements.

There are several additional States in which the institutions must submit special statements or reports of disbursements whenever called for by the State central officer. Such statements or reports must be submitted to the director of the State Department of Finance in California<sup>13</sup> and to the commissioner of the State Department of Finance and Control in Connecticut. Only upon the request of the Governor may the commissioner in Connecticut call for special financial statements or reports. The information contained in them must then be transmitted by the commissioner directly to the Governor.

*Investigations of administration, operations, or activities of institutions with view of reducing expenditures.*—Investment of power in the Governor or agency to investigate the administration, operations, or activities of the institutions with a view of reducing expenditures represents still another device of centralized financial control.

This is a new or considerably extended power conferred on the Governor or agency in connection with the recent reorganizations of State fiscal machinery, and is in addition to the general investigatory power over State governmental units already possessed by the Governor.<sup>14</sup> It is also additional to the power to investigate estimates of appropriations submitted for the State budget as described in the preceding chapter. Under the expanded power the Governor or agency responsible for supervising or regulating State financial affairs is further authorized to conduct inquiries, examinations, or studies into the organization, management, business methods, costs of services, or duplication of functions of the institutions. The primary object is to effect curtailment of disbursements through better coordination of governmental functions. In some of the States the power is broad in scope while in others it is limited. Special attention is called to the fact that the Governor or agency while frequently applying it to other State governmental units has not in general exercised this power in the case of State higher educational institutions.

Altogether, there are 27, or approximately 56 percent, of the States which have adopted this device of fiscal control. Table 9 shows these States classified according to the State officer or agency designated to exercise the power.

<sup>13</sup> The State university in California is not required to submit the special statements or reports.

<sup>14</sup> For information on the Governor's general investigatory power. see Higher Educational Institutions in the Scheme of State Government, by John H. McNeely. (Office of Education Bulletin, 1939, No. 3, pp. 83-84.)

**Table 9.—States in which Governor or some State central executive agency is vested with power to investigate administration, operations, or activities of institutions with view of reducing expenditures**

<i>State</i>	<i>Power to conduct investigations vested in—</i>
Connecticut.....	Governor.
Georgia.....	
Iowa.....	
New Hampshire.....	
New York.....	
North Carolina.....	
California.....	Head of State Department of Finance, Control, or Administration.
Illinois.....	
Maine.....	
Massachusetts.....	
Ohio.....	
South Dakota.....	
Tennessee.....	State comptroller.
Vermont.....	
Washington.....	
Alabama.....	
Rhode Island.....	
Maryland.....	
Michigan.....	State budget director or assistant budget officer.
Mississippi.....	
Missouri.....	
Oregon.....	
Wyoming.....	Executive council or board. The executive council in Colorado is composed of the Governor, secretary of state, treasurer, auditor, and attorney general. The executive board in Pennsylvania is composed of the Governor and the heads of 6 State administrative departments.
Colorado.....	
Pennsylvania.....	State Commission of Administration and Finance composed of State commissioner of the budget, State comptroller, and State commissioner of purchase.
Minnesota.....	
Texas.....	State auditor and efficiency expert.

In several of the States shown in table 9, additional State officers are empowered to conduct investigations. The commissioner of the State Department of Finance and Control in Connecticut is vested with such power as well as the Governor. In New Hampshire, the investigations may be made either by the Governor, the Governor and council, or the State comptroller or an officer from the comptroller's office when authorized by the Governor. Similarly, the State comptroller in Iowa may exercise the power if authorized by the Governor, while in the case of Alabama the comptroller conducts only such investigations as he is called upon to make by the Governor. In another State—New York—the Governor assigns other officers or persons to conduct the investigations rather than performing the task himself.

In investigating, inquiring, and examining into the administration, operations, or activities of the institutions, no specific authority is conferred on the Governor or agency to effect changes in their management, functions, or internal affairs. In general, the information obtained is utilized by such officer or agency in connection with enforcing phases of fiscal control, including supervision of disbursements in 9 States—Connecticut, Iowa, Massachusetts, Minnesota, New York, Rhode Island, Texas, Washington, and Wyoming—the results of the investigations are made the basis of recommendations submitted to the Governor or transmitted to the legislature. The State Director of Finance, Budget, and Business in Washington must make confidential reports of his findings to the Governor.

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## Chapter IV. Control Over Post Auditing of Financial Accounts of Institutions

THE POST AUDITING of the financial accounts of the institutions constituted the principal method of State central fiscal control over them prior to the recent reorganizations of State financial machinery.

With these reorganizations resulting in the establishment of systems of control over appropriations before and after made by the State legislature as presented in the two preceding chapters, post auditing was continued in all the States. The chief change effected by the reorganizations was that in the case of a number of the States the same State central executive officers made responsible for the new systems of control were also vested with the power over post auditing.

Legal provisions of the States in providing for post auditing commonly prescribe that a thorough examination or inspection shall be made of the accounts, books, records, vouchers, warrants, and other financial documents of the institutions as to their correctness at periodical intervals of time. Hence, the examinations or inspections are conducted by the State central officers after the receipts have been collected and after the expenditures have been made. The institutions are required to surrender or exhibit their books, accounts, and other financial records upon demand to the State officers. In some States the statute provides that the officers shall not give prior notice to the institutions when the post audits are to be made.

*State officers vested with control over post auditing.*—The State officers vested with control over post auditing vary from State to State. Because of the large amount of labor involved in conducting examinations of the financial accounts of the various institutions and State governmental units, a number of examiners, assistant examiners, or inspectors serve under these officers in most of the States. Such examiners or inspectors are generally certified public accountants or qualified professional accountants.

In table 10 is shown the particular State officer vested with this control in each of the 48 States. The table likewise indicates for each State the intervals of time when the post audits must be made. Attention is called to the fact that in some of the States, the State officer's control over post auditing does not apply to the State University or the State agricultural and mechanic arts college. Responsibility over the post auditing of the accounts of such institutions in these States is vested in their governing boards. On the other hand the State central officer has control over the post auditing of other types of institutions within these same States.



Table 10.—State central executive officer vested with control over post auditing of financial accounts of the institutions in the several States and intervals of time when post audits must be made

State	Officer controlling post audits	Intervals of time when post audits must be made
Alabama.....	State comptroller.....	Not specified by statute.
Arizona.....	State auditor.....	Quarterly.
Arkansas.....	State comptroller.....	Once during each calendar year.
California.....	Director of State Department of Finance.	At least once a year and as often as deemed necessary.
Colorado.....	Auditor of State.....	At least once a year and oftener if auditor deems necessary.
Connecticut.....	State comptroller.....	Annually.
Delaware.....	State auditor of accounts.....	At least annually.
Florida.....	Governor and State auditor.....	Once each year or when Governor in his judgment deems necessary.
Georgia.....	do.....	At least once a year and more frequently if possible.
Idaho.....	do.....	At any and all times.
Illinois.....	Director of State Department of Finance.	Do.
Indiana.....	State examiner.....	At least once a year.
Iowa.....	State auditor.....	Annually.
Kansas.....	State assistant budget director.	Annually or oftener, if required by Governor.
Kentucky.....	State inspector and examiner.	Once each year and at such times as required by Governor.
Louisiana.....	State supervisor of public accounts.	Not specified by statute.
Maine.....	State auditor.....	Continuously.
Maryland.....	do.....	Annually on or before 1st of December or oftener when deemed necessary.
Massachusetts.....	Governor and council and State auditor.	At any time by Governor and council; annually by State auditor.
Michigan.....	Governor and State auditor general.	At any time upon order of Governor; at least once a year by State auditor general or oftener when deemed necessary.
Minnesota.....	State comptroller.....	Once each year.
Mississippi.....	State auditor.....	At least once a year.
Missouri.....	Governor and State auditor.....	At any time when Governor in his judgment deems necessary; at least once each 2 years by State auditor.
Montana.....	State examiner.....	At least once every year.
Nebraska.....	State auditor of public accounts.	Not specified by statute.

Table 10.—*State central executive officer vested with control over post auditing of financial accounts of the institutions in the several States and intervals of time when post audits must be made—Continued*

<i>State</i>	<i>Officer controlling post audits</i>	<i>Intervals of time when post audits must be made</i>
Nevada.....	State auditor.....	At least once each calendar year.
New Hampshire...	State comptroller.....	At such times as Governor and council directs.
New Jersey.....	State auditor.....	At least once in every 2 years.
New Mexico.....	State comptroller.....	Whenever State comptroller or Governor deems necessary.
New York.....	do.....	Not specified by statute.
North Carolina....	Governor and State auditor..	From time to time.
North Dakota.....	Governor and State examiner.	At such times as Governor decides in best interest of State; at least once a year or oftener when deemed necessary by State auditor.
Ohio.....	Auditor of State.....	At least once a year.
Oklahoma.....	State examiner and inspector.	Not specified by statute.
Oregon.....	Secretary of State as State auditor.	At least once each year and at any time head of institution changes.
Pennsylvania.....	Governor and State auditor general.	At any time upon call of Governor; quarterly and whenever deemed necessary by State auditor general.
Rhode Island.....	State comptroller.....	At least once each year and when deemed expedient and necessary.
South Carolina....	State auditor.....	At least twice each year and when ordered by State Budget Commission.
South Dakota.....	Director of audits.....	At least once a year.
Tennessee.....	Governor and State comptroller.	At any time on order of Governor; not less than once each fiscal year by State comptroller.
Texas.....	Governor and State auditor..	At any time by Governor; annually by State auditor.
Utah.....	State auditor.....	At least once a year.
Vermont.....	State auditor of accounts...	When directed by Governor.
Virginia.....	Governor and State auditor of public accounts.	At any time upon call by Governor; from time to time by State auditor of public accounts.
Washington.....	State auditor.....	At least once a year.
West Virginia....	Chief inspector and supervisor of public offices.	At least once a year, if practicable.
Wisconsin.....	State director of the budget..	Annually and at such other times as Governor directs.
Wyoming.....	State examiner.....	At least once a year.

Control over post auditing of the institutions is vested in the State auditor or an officer of similar title in approximately one-half of the States, according to the information in table 10. There are nine States, however, in which the State comptroller exercises this control. In a number of these States, the comptroller is a new State financial officer created by the recent State fiscal reorganizations and is subject to the direct authority of the Governor. The post auditing is under the control of the director of the State Department of Finance or the State budget director in four States, such positions also having been established by State fiscal reorganizations. In eight States, a special State officer, such as State examiner, inspector, or supervisor of public accounts, controls the post auditing.

It will be noticed that the legal provisions of a number of the States vest certain control over post auditing in the Governor as well as the regular State officer designated to perform this function. For example, the Governor in Florida, Missouri, North Carolina, North Dakota, and Virginia, has the right to arrange for special post audits of the institutions at any time. Outside public accountants may be employed in these States by the Governor for this purpose. In five other States—Georgia,<sup>1</sup> Michigan, Pennsylvania, Tennessee, and Texas—the Governor whenever he deems necessary is empowered to direct the State auditing officer to make special post audits in addition to the regular post audits.

There are three States—Alabama, Idaho, and New Hampshire—where the State officer controlling post auditing serves under the immediate supervision of the Governor. The State auditor in South Carolina is required to make post audits of the institutions when advised to do so by the State Budget Commission of which the Governor is a member. Of special interest is a statute in New Mexico which specifically authorizes the governing boards of the institutions to employ accountants to make post audits of their financial accounts whenever deemed necessary or desirable.

*Intervals of time when post audits must be made.*—The intervals of time when the post audits must be made vary among the States, as further shown by table 10. The most common interval of time is annually or at least once a year. This interval of time has been adopted by 30 or approximately 63 percent of the States. Three States require that the post audits be made at more frequent intervals, namely quarterly or semiannually, while two States provide for post audits at longer intervals, such as once every 2 years. The post audits in five States may be made at any and all times or from time to time at the discretion of the State auditing officer. Legal provisions of three States stipulate that they shall be made at such times as the

<sup>1</sup> In Georgia the State auditor must also make special post audits whenever directed by the appropriations committees of senate and house.

Governor, Governor and council, or comptroller may direct. No interval of time for the post audits is specified by the statutes of five States.

*Special power conferred on State officer in enforcing post audits.*—In order that the State auditing officer may more effectively enforce the post auditing of the financial accounts of the institutions and other governmental units, some States have conferred the special power on him or his assistants to subpoena witnesses, administer oaths, and take testimony.

Of the 48 States there are 24 in which the officer possesses this power. A list of these States comprises: Alabama, Arkansas, Colorado, Delaware, Georgia, Idaho, Indiana, Kentucky, Louisiana, Minnesota, Nebraska, New Mexico, Ohio, Oklahoma, Oregon, Rhode Island, South Dakota, Tennessee, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

In the case of Louisiana, the statute expressly provides that the State supervisor of public accounts controlling the post auditing may subpoena witnesses, administer oaths, and take testimony, but not his assistant supervisors.

*Reports on post audits made to Governor.*—Further evidence of the control of the Governor over post auditing is found in the requirement that a report of each post audit of the institutions be submitted to him by the State auditing officer.

This legal requirement exists in the following 16 States: Arkansas, Connecticut, Florida, Kentucky, Michigan, Minnesota, Nebraska, New Jersey, New Mexico, North Dakota, Ohio, Oregon, South Dakota, Tennessee, Wisconsin, and Wyoming. The report in 2 of these States—New Jersey and South Dakota—must be made to the Governor within 30 days after the completion of the post audits. In another State—Iowa—the report must be submitted to the Governor and also the executive council, while in still another State—Montana—it must be submitted to both the Governor and the attorney general. There is one State—Washington—where the report of each post audit is made to the attorney general.

*State officer or agency empowered to prescribe accounting systems of institutions.*—A recent important power conferred on some State central executive officer or agency in connection with the post auditing or other fiscal control is the right to prescribe the accounting systems to be used by State governmental units including the institutions. In some States the power is broad in scope and includes the installing, revising, and supervising of the methods of accounting.

Such officer or agency has been vested with this power in all the States<sup>2</sup> excepting Texas and Utah. In a large proportion of the States the same officer having control over the post auditing has been designated to prescribe the accounting systems. There are 12 States, however, in which another State officer or agency has been assigned this power. Of these States, the Governor is empowered to prescribe the accounting systems in Pennsylvania; the State comptroller in Florida, Iowa, Maryland, Massachusetts, and New Jersey; the State budget officer in Kentucky and Nebraska; the commissioner of the State Department of Finance in Vermont; the State Board of Accounts in Indiana; the State Board of Control in Oregon; and the State Budget Commission in South Carolina.

Special provisions are found in three States. The State auditing officer in Georgia is required to obtain the prior approval of the Governor in prescribing the accounting systems while the approval of the joint legislative auditing committee must be obtained in Virginia.<sup>3</sup> Recent biennial appropriation acts in Texas prescribe that the State's higher educational institutions must keep their accounts in accordance with the system recommended by the National Committee on Standard Reports for Institutions of Higher Education.<sup>4</sup>

A vital question from the viewpoint of the State higher educational institutions is whether the State officer or agency is required by law to prescribe a uniform accounting system for all State governmental units. In such case difficulties are frequently encountered by the institutions in conforming to the uniform system since the methods of keeping their accounts differ from those of the regular administrative departments of the State government.

Legal provisions of the States differ as to the requirement for a uniform accounting system. Of the several States there are 17 in which the State officer or agency has the power to prescribe the accounting system of the various governmental units without statutory specification for uniformity. In the remaining States such officer or agency is required by law to prescribe either a uniform system, a uniform system as far as possible or practicable, or a uniform system for the same grades and classes of accounts. Tables 11 shows the latter States classified according to these different types of uniform accounting systems.

<sup>2</sup> In certain States, the governing board of the State university is empowered to prescribe its accounting system rather than the State central executive officer or agency. At the same time the latter officer or agency prescribes the accounting system of the other institutions within the State.

<sup>3</sup> This auditing committee in Virginia is composed of 2 members of the senate and 3 members of the house.

<sup>4</sup> See Financial Reports for Colleges and Universities compiled by The National Committee on Standard Reports for Institutions of Higher Education, 1935. Chicago, Ill., The University of Chicago Press.

Table 11.—States in which State central executive officer or agency is required by law to prescribe uniform accounting system of different types for State governmental units including institutions

State	Type of system required to be prescribed
Arizona .....	Uniform accounting system.
Arkansas .....	
Colorado .....	
Idaho .....	
Illinois .....	
Iowa .....	
Kansas .....	
Kentucky .....	
Maryland .....	
Michigan .....	
Minnesota .....	
Nebraska .....	
Nevada <sup>1</sup> .....	
New Jersey .....	
Oklahoma .....	
Oregon .....	
Pennsylvania .....	
Rhode Island .....	
Vermont .....	
Virginia .....	
Washington .....	
West Virginia .....	
Massachusetts .....	Uniform accounting system as far as possible or practicable.
South Dakota .....	
Tennessee .....	
Wisconsin .....	Uniform accounting system for the same grades and classes of accounts.
Mississippi .....	
Missouri .....	
Ohio .....	

<sup>1</sup> Institutions in Nevada may appeal to Governor in case accounting system prescribed by State officer is unsuitable.

The State officer or agency is required by law to prescribe a uniform accounting system for State governmental units, including the institutions in 22 States, according to the information contained in table 11. There are 4 other States in which the system prescribed must be uniform as far as possible or practicable and 3 in which the uniformity is applicable to the same grades and classes of accounts. Thus, the possibility exists for the State officer or agency in these 7 States to permit the institutions to keep their accounts on a different basis than the administrative departments of the State government and in accordance with the standard educational classifications.

Special attention is called to the fact that in those States, where the State officer is empowered to prescribe the accounting system without statutory specification for uniformity, it is within the jurisdiction of the officer to prescribe such a system that will be uniform for all governmental units including the institutions.

## Chapter V. Summary and Findings

**R**ECENT governmental reorganizations of fiscal machinery in many States have resulted in the investment of control over phases of the financial affairs of State universities and colleges in the Governor or some other State central executive agency. The consequence has been that the governing boards of the institutions in these particular States have been deprived in part of legal powers formerly possessed by them in the management of their financial affairs. The major changes in State fiscal control applicable to the institutions may be summarized as follows:

First, control over the appropriations before made to the institutions by the State legislature has been vested in the Governor, a budget board, or commission through the establishment of State executive budgetary systems of one type or another in 47 of the 48 States. Under these systems the institutions must submit itemized estimates of appropriations required by them together with other financial data for the annual or biennial State budget. The Governor, board, or commission is empowered to investigate whether the estimated appropriations represent the actual needs of the institutions and to revise them in finally submitting the budget to the State legislature. Except for certain types of institutions in 3 States, State higher educational institutions in all the States are subject to the control provided by the State budgetary systems.

Secondly, control over the appropriations after made to the institutions by the State legislature has been conferred on the Governor or State central executive agency through direct supervision or administration of their disbursements. A number of devices for effecting this type of fiscal control have been adopted in the different States. Among them are:

(1) The appropriations are made to the institutions on a contingent or conditional basis subject to reduction by the governor or agency in the event that insufficient revenues are collected by the State to meet them. The Governor or agency is empowered either to reduce the appropriations at any time during the fiscal year or by quarterly periods over the course of the fiscal year in order to avert a deficit.

(2) Each institution is required to submit to the governor or agency prior to the beginning of each quarter of the fiscal year an itemized requisition or work program showing the amount of the appropriations needed to carry on its work during the period. The Governor or agency is authorized either to approve or alter the amounts of the quarterly requisitions or work programs together with the individual items included in them, thereby allot-

ting the appropriations to be expended by the institutions for the quarter.

(3) The Governor or agency is vested with the power of prior approval or disapproval of all contracts, orders, or documents of the institutions involving disbursements or incurring financial obligations against their appropriations.

(4) The Governor or agency is empowered to approve or disapprove the pay rolls, invoices, bills, or claims before payment out of the appropriations of the institutions.

(5) A continuous check is maintained of the disbursements of the appropriations through periodical financial statements or reports. The institutions are required to submit to the Governor or agency either monthly, quarterly, or at any specified time the statements or reports showing detailed disbursements during the period.

(6) The Governor or agency is empowered to investigate the administration, operations, or activities of the institutions with a view to reducing expenditures.

Table 12 gives a summarization of the powers vested in the Governor or agency in the different States through these several devices of control. In some of the States, the State university or State college of agriculture and mechanic arts is not subject to one or another of the powers.

Table 12.—Summarization of powers vested in Governor or State central executive agency in the different States over appropriations of institutions after made by State legislature

State	Reduce appropriations at any time to avert State deficit	Reduce appropriations quarterly to avert State deficit	Approve or alter quarterly requisitions or work programs allotting appropriations	Approve or disapprove transfer of funds from one item of appropriation to another	Approve or disapprove contracts involving disbursements of appropriations	Approve or disapprove pay rolls, bills, or claims before payment	Maintain continuous check on disbursements through periodical financial statements	Investigate administration, operation, or activities with view of reducing expenditures
1	2	3	4	5	6	7	8	9
Alabama.....		X				X		X
Arkansas.....	X			X				X
California.....								X
Colorado.....			X		X	X		X
Connecticut.....		X		V				X
Delaware.....				X				
Florida.....	X							X
Georgia.....		X						
Idaho.....	X			X		X		
Illinois.....						X		X
Iowa.....		X				X	X	X
Kansas.....				X		X		
Kentucky.....						X	X	
Maine.....			X		X	X		X
Maryland.....	X			X				X



Table 12.—*Summarization of powers vested in Governor or State central executive agency in the different States over appropriations of institutions after made by State legislature—Continued*

State	Reduce appropriations at any time to avert State deficit	Reduce appropriations quarterly to avert State deficit	Approve or alter quarterly requisitions or work programs allotting appropriations	Approve or disapprove transfer of funds from one item of appropriation to another	Approve or disapprove contracts involving disbursements of appropriations	Approve or disapprove pay rolls, bills, or claims before payment	Maintain continuous check on disbursements through periodical financial statements	Investigate administration, operation, or activities with view of reducing expenditures
1	2	3	4	5	6	7	8	9
Massachusetts								
Michigan						X		X
Minnesota			X			X		X
Mississippi			X		X	X		X
Missouri		X	X				X	X
Montana								
Nebraska			X			X		
Nevada						X		
New Hampshire						X		
New Jersey	X		X	X	X	X		X
New Mexico	X							
New York							X	
North Carolina						X	X	X
North Dakota		X	X					X
Ohio	X			X	X	X		X
Oklahoma		X		X		X		
Oregon			X					
Pennsylvania			X				X	X
Rhode Island	X				X	X	X	X
South Carolina	X							
South Dakota								
Tennessee			X		X	X	X	X
Texas					X	X		X
Utah		X	X					X
Vermont	X				X	X	X	X
Virginia		X	X					
Washington								
West Virginia		X	X					X
Wisconsin		X	X	X	X	X	X	
Wyoming								
Total	10	11	16	10	10	24	11	27

Thirdly, post auditing of the financial accounts of the institutions which constituted the principal means of State central control prior to the fiscal reorganizations has been continued in each of the 48 States. The Governor is vested with special control over this function in some States while in others this responsibility is placed on newly created fiscal officers. An additional power recently conferred on the State officers in connection with post auditing and other fiscal control is the right to prescribe the accounting systems to be used by the institutions. Such officers in 22 States are required by law to prescribe a uniform accounting system for all State governmental units including the institutions. Of these States, however, there are 4 in which the system prescribed must be uniform as far as possible or practical, and

3 in which it must be uniform with respect to the same grades and classes of accounts.

Finally, summarizing the information as a whole presented in this study, a marked trend evidently has developed among the States to transfer fiscal control over State higher educational institutions from the governing boards to the Governor or some State central executive agency. Through this control it is possible for the Governor or agency to limit the appropriations, curtail, and, in a measure, determine the items of expenditure of the institutions, thereby affecting the advancement of their educational programs and services.

## References

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