

CHAPEL, March 18, 1933

-- President Wright

Scripture lesson: Thirteen verses from the seventh chapter of Mark.

I am resuming my much-interrupted series of talks on government, and am going to tell you something about the budget system, in our organization of government, both state and national; and I am going to talk this morning primarily about the state's. We have developed what is called the executive budget system. A budget system is almost necessary in the operation of any business the size the state's business is. It is necessary for every department in the state to make a budget, necessary for this college to make a budget, necessary for all the eleemosynary institutions in the state, hospitals, etc., to make a budget. No large business can be conducted without some intelligent plans, for carrying on that particular business. The executive budget system gives to the chief executive, state or national, the power to cut appropriations. ~~So far, except in a very few states, the chief executive has not been given the power to reduce appropriations.~~ At one time North Carolina gave to the governor the power to cut any appropriation any amount. That is not the law now. In other words, he could have taken away from this institution all the appropriation. As the law now stands the governor has the right to cut the appropriation to the extent that it will balance the budget. The last General Assembly appropriated a certain amount which was so much more than the revenue collected that after the governor had cut all appropriations that he was allowed to cut--because he is not allowed to cut some--he still couldn't have balanced the budget by taking all the money. So our former governor decided he would not destroy the government in order to balance the budget, so today we have a deficit of from ten to twelve million dollars.

Now, just how does the budget work? Take our own college to illustrate-- and I am taking it just to illustrate-- our Board of Trustees, through a committee,

of the Board, worked out what the budget should be for the next two years. The Board took that report and discussed it thoroughly, perhaps amended it, and the report became the Board's report, and that report was embodied in the biennial report sent to the governor and the budget bureau. Our request was set up and submitted to the Budget Commission, and that is where we stopped. We had to make the budget for the year 1934-35, which was in reality three years ahead of the time we intended to spend it. Of course, it is utterly impossible to forecast that far--but that is part of the scheme. Our budget is set up -- and I took these items out of the last budget report-- ~~is set up~~ under ninety-seven heads. You cannot transfer from one head to another without going to see the Director of the Budget or getting permission from the Budget Bureau to make the transfer. We must make that budget set-up under ninety-seven heads, or divisions. Five divisions come under the head of permanent improvements. Under administration there are eleven sub-divisions; under instruction, thirty-three sub-heads; under custodial care, twenty-seven sub-heads; under operation of plant, eight sub-heads; under maintenance of plant, thirteen sub-heads. Taking out permanent improvements, there are ninety-two sub-heads. You see how impossible it is to set up a budget of that kind. Suppose we find in the operation of the plant that it is not necessary to use something asked for under one sub-head. The chances are about ninety-nine to one that the next time a budget is set up the budgeting authorities will leave that sub-head off. In other words, you had better set it up and better spend it if you want to keep it in your budget. Do you see how hard it is to develop any economy in such a system? Ninety-seven separate divisions, and each one must have in it enough to provide for that particular sub-head and must be kept, or it will probably be lost forever. A complete record is kept for years, and the amount actually spent becomes the set-up for ~~the next year~~ *the next year* officers, and that amount ^{is not but usually} raised or reduced.