

INTERVIEW WITH WARREN BISHOP

PART FOUR: The Budget and Accounting Act, the Creation of the Central Budget Agency, Court Case

Mr. Bishop: Things had really gotten in pretty bad shape in several of the larger agencies. Rosellini really put concentration in certain areas in the first budget, for example, which Brabrook had prepared and Langlie had introduced; he made special requests for certain things that were needed. We put a new item in the budget for the governor's office called "surveys and installations," basically, with the intention of using that for the budget system.

I was beginning to have some ability to convince everybody that we needed to do something about finances. I was especially activated because my educational interests were in trying to bring about good management. And so for a young person like myself to be able to sit there and be a part of this approach, and to be able to make suggestions... I know that he was interested in doing something about the financial system of the state, but it required persons, I think, to float some new ideas and new approaches on how we might go about it. So it didn't take a very strong kind of suggestion to say that, "We should go to the Legislature and get some money and set up a segment of appropriations for surveys and installations, one of which we would undertake immediately with the budget and accounting." He immediately was attracted with that.

Ms. Kilgannon: And that was the key to the rest of your program? If you could get the budget under control, you'd free up some money for these other programs? From what I've read, from different comments that he's made, Governor Rosellini seemed to recognize that if he wanted to affect all these changes in these programs and institutions and various things that really were close to his heart, then he had to be on top of the money—where it came from and how it was used and eliminate any waste. Since he wanted to use the money differently he had to be very careful. I've always understood that he was a fiscal conservative and was very loath to raise taxes, so he had to work with the money he had and make it stretch farther. Is that a fair statement?

Mr. Bishop: He was confronted with a tremendous state debt and yet there are so many things that he wanted to do that was going to require immediately some appropriations which would not necessarily be of much interest because the state was in a very tight fiscal situation. I knew we needed to be very sound in our approach. We needed to hire experts and actually make surveys of the financial situation, and then install improvements, so "surveys and installations" was an item the governor included in the 1957 budget for \$175,000. And incidentally, that appropriation remained in each biennial budget for a period of time. I don't think it's still there now, but that helped a lot in the future. While we were there, as well as when future governors came in, to have money that they could go out and make a change in restructuring an agency or program.

So major areas that he allowed himself to put additional money in that budget request at the first session in 1957 were related to some of these major problems, one of them being surveys and installations that would give him a chance to start identifying areas he wanted studies to be made and then installations to be made. And then he requested an appropriation of seven-million dollars for mental health which would get the three mental institutions accredited by the American Society of Psychiatrists, or whatever. These three institutions had lost their certification and it was critical that these mental hospitals regain their accreditation.

Ms. Kilgannon: Concurrent with this push for better management, there's another movement—and I don't know if it's within the administration or the public and the Legislature, more that end of things—but there begins to be talk about more open government. About what we now call "transparency." I don't think that word was used back then, but where you could see where the money came from and where it went. Where there was better communication and everybody could open up the budget document, for instance, and understand it. You had some publications that you showed me that were directed at the public to say, "Here's your state budget and here's how to understand it." Those things struck me as fairly new ideas, too. That bringing the public in and that government is something that should be understood by everyone. Was that part of the new look?

Mr. Bishop: Yes. I think it was, because people—the Legislature included—did not really have a handle on it, not only did the results of finances but what the impact would be in performance of a particular agency. It was so exciting for them when they received this first budget document in '59 which set forth programs in each agency, in which the funds would be directed to perform those kinds of programs and performance reports on those activities to be made available, and would give something to measure against. So, it just had a whole, new awakening to the public.

I remember we first published a little booklet that was for public purposes to say, "Here's how your finances work, and here's how the budget works." So I think there was a greater emphasis on the public being able to know where their money was being spent.

Ms. Kilgannon: And in a way, it might just be providing the documents in a new way. I've looked at some of the old budget documents and they're just pages of numbers. You can't really tell what they are. I've tried to understand them and completely failed. They are just lists and lists of numbers and there's no narrative. There's no overview that tells the person how to interpret the numbers. I guess you just have to already know.

But I notice in Governor Rosellini's first beautifully-bound budget statement that there is a statement of policy and then there's a narrative describing what the changes are and what the numbers mean. It's pretty refreshing. It gives you a handle on how to approach all these numbers.

Mr. Bishop: And then also a way of measuring performance. I remember it was so difficult, for especially institutionalized kinds of departments like Institutions and Public Assistance and Mental Health to have their various aspects of activity measurable with other activities in other states. Like a food operation at a given institution. That whole program could be compared per patient with other states. So there was nothing like that before.

Ms. Kilgannon: How could you ever wrap your mind around whether you needed to improve or whether you were doing fine, or what?

Mr. Bishop: The old budget was based on objects of expenditures, just salaries and wages, contracts and so on. There were so many objects that you could not relate those objects to a particular responsibility or program or performance.

Ms. Kilgannon: They all seemed isolated in themselves as just a bunch of lists.

Mr. Bishop: But the Legislature became totally aware of that kind of a change when they received the new budget. It was so exciting and refreshing for them, that the budget hearings really became significant. They had something to hear about in the hearings. It was a definite change.

Ms. Kilgannon: I've read that from day-one of the Rosellini administration—from the very beginning—you were talking about reworking how the budget and accounting system of the state was instituted. That this was the foundation of your whole program.

Mr. Bishop: Yes.

Ms. Kilgannon: Was that mainly you pushing it, or did the governor also see it that way?

Mr. Bishop: He was very aware of the situation. This was a serious, serious problem. He'd been in the Senate and he knew that what they were getting up there was not the kind of information they needed to make policy decisions.

Ms. Kilgannon: I understand the budget was actually somewhat divorced from policy. That the budget information was basically arithmetic and had nothing much to do with programmatic considerations.

Mr. Bishop: Right. It was organized on objects of expenditures: salaries and wages and contracts, and nothing at all about programs or how programs should be changed or improved or how performance related to a program. That was all absent.

Ms. Kilgannon: Was anyone thinking about those questions? If they weren't in the budget, were they somewhere else?

Mr. Bishop: I don't think that most of the Legislature was aware of the fact that they did not have the right kind

of a decision-making mechanism to help shape policy. They couldn't do it with the budget because all you could do was just look at the individual objects and see if it was too much, and if so, cut it off.

Ms. Kilgannon: How would you make those decisions? You either liked the number or you wouldn't?

Mr. Bishop: Yes. So I think that the budget situation became a mechanism for exploring a lot of programs in state government, agency functions, performance, and deciding what new activities were needed, because several agencies were formed as a result of that kind of a review. It was definitely something that was done early and with enough money to hire the experts to come in.

Ms. Kilgannon: I understand that you got a firm from, what was it, Baltimore?

Mr. Bishop: Yes. John A. Donaho and Associates.

Ms. Kilgannon: How had you heard of this group?

Mr. Bishop: We started calling around. And from those states that had already made tremendous improvements we knew that there were some experts out there someplace. Of course, John's name kept coming up to the surface, so it didn't take us long to decide that his firm was what we needed.

Ms. Kilgannon: Were there councils of state government then? Conferences where different states could talk to each other in an easy way? Was there some kind of structure for sharing information?

Mr. Bishop: Not as much as it became subsequently. Now there's quite a bit of that. But we started from the standpoint of looking at budget systems. We knew Michigan was way ahead of the game in talking to those people, to get knowledge about persons who were qualified to come in as a consultant. There was a governors' national organization; they had a staff, but they really were not in that kind of business.

Ms. Kilgannon: There was some rudimentary way of getting this information?

Mr. Bishop: Yes. And the governor also requested in this budget in '57 quite an amount—seven-million—to provide support the necessary steps to recertify the mental institutions. So when Dr. Heyns arrived on the scene he had an appropriation there to do it.

Ms. Kilgannon: To bring in new people and upgrade the facilities, he'd have some wherewithal?

Mr. Bishop: In fact, they regained certification within a year or so. So it didn't take long, just hiring the right people. That's all we could do because we didn't have a way of getting a handle on what else in the budget could have improved things. But the governor did—I don't think at the first session—at the first session, at the same time as the Budget and Accounting Act, he recommended the establishment of the Department of Commerce and Economic Development, which was created. Dr. DeWayne Kreager was the first one to head up that agency. So that was an absolute plus.

Ms. Kilgannon: When the governor wanted these new agencies and appropriations, would it be you who would go down and lobby the Legislature for the extra money? Was that part of your role?

Mr. Bishop: For each particular request that was made by him, we both spent a great deal of time in providing information to committees and legislators to get those appropriations. But there was not much else that we could do with the budget.

Ms. Kilgannon: Did he still have strong allies in at least the Democratic Senate?

Mr. Bishop: Yes.

Ms. Kilgannon: What about in the House? Did you have to forge relationships with those people?

Mr. Bishop: We had a similar kind of political support in the House.

Ms. Kilgannon: Did you try to be a bit bipartisan in the sense that you wanted to reach a lot of people and bring them on board?

Mr. Bishop: I did. Yes.

Ms. Kilgannon: Can you remember who your legislative allies would have been?

Mr. Bishop: Frank Foley, Web Hallauer in the Senate and several others. They were all supportive of what he wanted to do. But there were some of them who were really in good positions to do that.

Ms. Kilgannon: Web Hallauer was the chair of Appropriations. That would be helpful.

Mr. Bishop: Yes. And so was Frank during this period. Over in the House, the governor had a lot of support because John O'Brien and Cap Edwards, who didn't know much about budgeting, but was certainly a supporter of the governor and would say, "Whatever you say!"

After the Budget and Accounting Act was passed, of course we—myself and the staff—felt much better prepared and we actually defended the budget before the committee. I would take the staff person who was assigned to a particular area and the director of an agency to go and defend that budget. They knew about that budget! The Legislature didn't particularly want to hear from the individual managers within the agencies.

Ms. Kilgannon: I understood that was the previous method, was that the agencies lobbied and discussed their budgets separately and there was no overall plan. I don't know how that ever came together.

Mr. Bishop: Yes. It was because of the budget structure and there was no staff who was that familiar with an individual agency's program.

Ms. Kilgannon: I just wonder how you ever arrived at one number if you're making decisions on the agency level but not with any overall perspective.

Mr. Bishop: It was really something for us, you know. Just preparing the budget was enough for us all to

learn a lot about the agencies. And it also was a way for the directors to know more about the programs they're responsible for and how to place priorities on the elements of programs they wished to make strategic changes. So the whole process of installing the Budget and Accounting Act brought to the surface all kinds of policy changes.

Ms. Kilgannon: Did the agency directors support this development? It in some ways took away from what they had been doing before. Were they in favor of that?

Mr. Bishop: The first session, 1959, the Budget and Accounting Act was introduced and a biennium budget prepared in accordance with the proposed Act, was a frightening situation for the agencies. They helped and prepared and worked on the budgets, and understood how they were being formulated, and had most of the responsibility for describing the various programs. So it was a learning process for them. So the budget part of it, I think they realized that was a much more favorable way they could get their message across and have a better understanding for the Legislature to do it. The Legislature, certainly after they had experience with it, realized for the first time they were involved in really making policy decisions. Of course, the other thing is that what was frightening to the agencies was the change, I think, in the accounting systems and in the auditing process and in the control of expenditures. That sort of bothered them.

Ms. Kilgannon: Can you tell me the "before and after" of how that would work for them?

Mr. Bishop: Most of the new directors were appointed by the governor, but the people who had been there, the professional staff, the next level, really were concerned about the so-called quarterly allotment. That really cooled them off because, instead of having all this money appropriated and themselves planning what would be expended over the course of the biennium, they had to plan it for each quarter, and if it didn't come out right or if they needed to redistribute some of the priorities, they could do it because they would have the next quarter to do that. Higher education was absolutely opposed to quarterly allotments. And in fact, were successful in getting themselves exempt for a while—during our entire time there. But later, I believe, the Legislature put Higher Education under quarterly allotments, also.

Ms. Kilgannon: You had come from Higher Education. Did you understand their point of view or were they just being recalcitrant?

Mr. Bishop: No. I could understand. At the University of Washington they had controlled their expenditures and budget for so long without any executive involvement. They didn't like to even have anybody interfere with their budget. I think you can understand that.

Ms. Kilgannon: Yes. Except that it is tax money, so someone ought to be in charge, I guess.

Mr. Bishop: At the first hearing of the Budget and Accounting Act, I was there, of course, with the higher education staff justifying the governor's budget for the University of Washington. Cap Edwards was the chairman and Cap was an old sea captain, and "whatever the governor says, that's it." But he was impressed with the budget presentation that we made. We always got to be first. And President Odegaard got up and started his own view by saying that the proposed budget did not treat higher education fairly, that kind of an approach. The legislative members were not convinced that the budget process interfered with agency management. It was the President's first budget. He had just been appointed after we came in and was involved in developing the University's budget, and for the first time experienced those kind of changes which we made as a staff. So he was excited about it. Finally Cap rapped the gavel and said, "That will be all, Mr. Odegaard." He couldn't speak. But anyway, it was a learning lesson for Higher Education.

Ms. Kilgannon: Were you able to bring them somewhat on board or did they remain in this hold?

Mr. Bishop: I think that had more to do with actually having me be the budget director initially, in order to listen to the agency heads and help them be sure that they were installing something we wanted. Because they were very nervous about the new budget and didn't feel that they were sufficiently involved—as they were, of course, because they helped write the programs in all of them. But for us to sit up there and exercise the hearings...

Ms. Kilgannon: That was new? That was a big departure.

Mr. Bishop: The directors of the agencies and executive budget staff were the only ones who were to appear before the committee. None of the institutions, for example, like Northern State or the penitentiary or whatever, could come and appear before the committee.

Ms. Kilgannon: Previously they would have done that, though?

Mr. Bishop: Previously they would have done that.

Ms. Kilgannon: Wouldn't that set up a situation where they're competing with each other? If the person from Northern State is more eloquent, they'd get more money than another place?

Mr. Bishop: Yes.

Ms. Kilgannon: Rather than having an overall program?

Mr. Bishop: And the institutions of higher education were competing against each other.

Ms. Kilgannon: They still seem to be.

Mr. Bishop: So it was a new kind of experience for them.

Ms. Kilgannon: Were you, in part, able to bring the Legislature on board because you were actually giving them more information and more say than they'd ever had before?

Mr. Bishop: That's right.

Ms. Kilgannon: And I understand that they wanted even more say, perhaps, than that. They wanted their own Legislative Budget Committee to have quite a lot of input and involvement in creating the state budget.

Mr. Bishop: They did. The relationship between the Legislature's budget process and what we were trying to do was not at all first understood. Because, when they developed a knowledge of that kind of a budget, together with our involvement in defending the budget and explaining it and going to hearings they had less... They really had confidence in that budget. Even the Republicans—it didn't make any difference what party it was—it was just something that they felt they could depend upon, with reliability. The Legislative Budget Committee had appeared on the scene early with what was involved with the Legislative Council. The Legislative Council was an organization of legislators who made policy decisions all over the place. And made budgetary decisions. The Legislative Budget Committee came in later to be an audit type agency. To check on whether agencies were actually spending, like a post-audit.

Ms. Kilgannon: So when the Legislature passes a budget and allocates a certain amount of money to someone, they want to know whether that money is spent that way?

Mr. Bishop: Right.

Ms. Kilgannon: And the Legislative Budget Committee would be the people who would check up on them?

Mr. Bishop: Yes. And the persons who—especially Paul Ellis, who was the Legislative Budget Committee director when we undertook this budget—didn't understand. I should say that he felt that we were taking over part of their role, and actually lobbied to include provisions in the initial enabling legislation that would require us to have a Legislative Budget Committee or the director of the Budget Committee, sit in on our executive hearings.

Ms. Kilgannon: Isn't that a bit of mixing of the branches of government?

Mr. Bishop: Yes. So we had a little trouble with that while the act was actually being discussed. Because the Legislature didn't think that was a bad idea. But it was something that we just felt was inappropriate, and so they did not participate in the hearings.

In one session, the governor vetoed the appropriation for the Legislative Budget Committee, and I think, the Legislative Council.

Ms. Kilgannon: Was that in 1963?

Mr. Bishop: Yes. That just really raised holy terror with members of the committee and their directors.

Ms. Kilgannon: Weren't they allegedly politicizing their studies?

Mr. Bishop: Yes. Using that committee process to criticize all kinds of things. And, as you say, it was becoming a political tool.

I remember I suggested—and of course we did—I put Paul Ellis on our payroll in the budget office and gave him a job in terms of Higher Education and writing faculty formulas, which became a part of the higher education budget, incidentally. Higher education management participated in that process. They knew what was going on, but we decided that Higher Education should develop faculty formulas for budget purposes for various course levels, various course types, and so on, so that the faculty would be distributed to more efficiently handle each of the programs. And it worked.

Ms. Kilgannon: And the universities didn't resent that level of management?

Mr. Bishop: They just felt that that was interference from us, but really it was an aid for them to have better understanding of the faculty formula. People in the Legislature could understand faculty formulas and why we needed to have them. So, I think they've kept that practice up. But Paul worked on that. He helped write the formulas and participate in meetings so that when he did get his appropriation back he became a good supporter of that.

Ms. Kilgannon: You brought him into the fold?

Mr. Bishop: Yes.

Ms. Kilgannon: You did have Web Hallauer with you. You did have different members, like John O'Brien. You also had some pretty strong legislators who were not pleased with what you were doing. For instance, Julia Butler Hansen mightily resisted having her Highways budget put under the governor's control. Wasn't she even successful in the end with that resistance?

Mr. Bishop: Yes.

Ms. Kilgannon: Can you tell me about how you dealt with her?

Mr. Bishop: It was one good way for me to learn about legislative interrelationships with the governor. The Highway Department had traditionally had submitted their own budget. It's the Highway Commission and the legislative committees on Highways...

Ms. Kilgannon: They had their own revenue stream, didn't they?

Mr. Bishop: And the fact, it governed the input for a budget and the decisions made legislatively on the budget. The executive was really not involved, didn't even have the authority to appoint the director of Highways. The director was appointed by the Highway Commission.

So, a long time had gone by with the chairman of the Highway committee—particularly Julia Butler

Hansen—being the advocate of all kinds of appropriations for Highways. She took the recommendations made by the Highway Department to her committee. The Highway Department knew about her level of authority and so they just dealt with her, entirely. But I thought—I could see—that that was not a good situation, even when I was still at the University of Washington.

Ms. Kilgannon: This was something you already knew about?

Mr. Bishop: Yes. So when putting together our philosophical approach to budgeting, we suggested that the Highway Department, like every other executive agency, should be a part of the governor's budget. And therefore we should review it, and be sure that the executive point of view was being reflected in the budget. That we do it in such a way that we counsel with the Highway Committees so that we wouldn't give them the impression we were depriving them of that. But that it was still the governor's budget instead of a separate budget. The governor said, "It sounds like we should do that." He said, "That's been something that I've been concerned about for a long time. Why don't you go up and talk to Julia about that?" With a twinkle in his eyes! And I did, and I was...

Ms. Kilgannon: How far did you get into your speech?

Mr. Bishop: I got through her door. She was very concerned about that and expressed herself very well about us interfering with the legislative process. She as much as said, "You're not going to do this while I'm around here." And things demeaning the budget and me. So I sort of limped back downstairs and told the governor and he laughed and smiled and said, "Well, we got the message!" But anyway, we did it. We went ahead with it.

Ms. Kilgannon: The governor had such important transportation initiatives on his desk: the Lake Washington bridge, the Hood Canal bridge, the Astoria bridge. He had a lot of things that he was trying to do, so I would imagine that he would want to have some say in the Highways budget.

Mr. Bishop: He was a great supporter of the freeway when it started down in the southern part of the state, but I think Julia Butler Hansen actually appreciated what Rosellini was doing. She just didn't like to have the change in the legislative decision process. And of course, Bugge, who was the director of Highways, wanted to be cooperative both ways, both with the governor and with Julia. The fact that the governor appointed members to the Highway Commission, but he wasn't able to select the director of Highways, so there was a distance there. I think eventually that it worked out like it should be. I think now, today, that the legislative process is very important for Highways, but a lot of the decisions about it are made in the executive office and by the Highway Department. I think that was an important change.

Ms. Kilgannon: Did you take the long view with some of these issues that you would, maybe, in 1959 get a big chunk of what you wanted but maybe not everything, and that it would take a few years?

Mr. Bishop: Yes.

Ms. Kilgannon: But so long as you had the basic mechanism you could at least get a start?

Mr. Bishop: Yes.

Ms. Kilgannon: So even though you didn't get all the pieces, did you see it as a work in progress?

Mr. Bishop: We didn't get it all. You just couldn't bite off as big a part as we were trying to and do it all at the same time. Take, for example, Higher Education, who did not want to have us interfering with their quarterly allotments—or with their allotments at all. But that, I think, eventually settled out and the Legislature recognized those things as being important.

Ms. Kilgannon: Was it the case that after the new act was in existence for a while people could see how it worked, that then they could come on board?

Mr. Bishop: Yes.

Ms. Kilgannon: Before the bill was actually introduced in the House and the Senate, you had had some steps before that. You had hired the consulting firm to come in and do the survey. Did they also give presentations to the Legislature?

Mr. Bishop: No.

Ms. Kilgannon: They just worked it out with you and then you gave presentations to the Legislature?

Mr. Bishop: Right.

Ms. Kilgannon: In 1957, you had gotten the appropriation for this study to do the survey. Were you gradually bringing the Legislature into the picture, that this change was coming?

Mr. Bishop: Yes.

Ms. Kilgannon: Even before you had the Budget and Accounting Act in place, you began to present the budget in a different way, maybe a kind of interim way; you were moving towards where you wanted to be. Could you have continued to do that without the Budget and Accounting Act, or did you want the authority in law to do it that way? I'm not sure how much the executive could just change its course, or would you need legislation to do that?

Mr. Bishop: It really required a major change in the legislation. Because the process for budgeting was not well described, legislatively, before. And so all the elements of this budget and accounting system had to be contained within provisions of the Budget and Accounting Act. And that's where we did a lot of work

with agencies to be sure they could understand why. Actually, with the installation process, Donoho and his associates were the ones who did a lot to describe what that meant. How it would be more efficient than what the agencies had been doing—not necessarily the persons who were in charge, because they were all new. So I think it was a process of them learning, as we did, in the budget office. The mechanisms were a vast improvement over decision-making policy, the formulation.

Ms. Kilgannon: When the governor first came in, in his inaugural speech he discussed how he wanted to do this—he mentions it several times—and before you introduced the Budget and Accounting Act, he came in to the Legislature—again, I couldn't tell if it was in person or just a letter to them—and he again went over why you wanted the Budget and Accounting Act. And then you presumably came in with these hearings and presented your information. Then the actual bill was written. Who wrote that? Who wrote House Bill 373?

Mr. Bishop: It was a combination of the consulting firm, the Budget Office, and attorneys that represented the governor's office, because it took the guidance of the consulting approach to realize what kind of elements needed to be set forth in a statutory way. So it was them making recommendations about legislative improvements. And then the policy understanding of that so we could get it incorporated in the legislation. While all this was going on, we had a committee composed of several members who were working with us from the Legislature, and agency directors, which helped a lot, because they were learning at the same time as we were.

Ms. Kilgannon: You had a kind of combination citizen group, plus legislators involved in this process. I understand you were the chair. You had Speaker John O'Brien; Charlie Hodde; Professor George Shipman, who you had an association with; and Ed Munro, who had been a legislator and then was on the King County Council.

Mr. Bishop: He'd been in the Legislature and was an influential member of the Legislature. But he was also a strong person in King County.

Ms. Kilgannon: Yes. And then Peter Giovan, whose name I'm not familiar with.

Mr. Bishop: Peter Giovan had been the director of Employment Security during the Langlie administration and he continued to serve in that position during the Rosellini administration. I don't know when Peter came in, but he was very supportive of the new administration and the things we wanted to do and was actually a person who'd been educated as a management person.

Ms. Kilgannon: You also had Senator Neill Marshall and Representative Joe Chytil, both Republicans. There was an attempt there to be bipartisan. So this group, they helped you formulate how it was going to work?

There had been various budget bills since probably day one, but the one that is most often referred to was brought in, in 1921 by Governor Hart, and then subsequently amended and tinkered with over the years. Did you start with that bill, or did you start brand new, with a clean slate?

Mr. Bishop: Brand new. Clean slate.

Ms. Kilgannon: And got rid of all the language from the past organization?

Mr. Bishop: The Budget and Accounting Act adopted in 1959 a completely new financial management process.

Ms. Kilgannon: Probably easier to start fresh than jerry-rigging from some old legislation that had a different point of view?

Mr. Bishop: Yes.

Ms. Kilgannon: Did you ever look at that original 1921 budget act to get a sense of where all this had come from over time?

Mr. Bishop: No. Personally, I didn't really pay any attention, because whatever provisions were in that original enactment were just completely inadequate. So we decided to start with a brand new enactment, which got a lot of attention.

Ms. Kilgannon: Pretty radical in a sense. Is that unusual for legislation? It seems like a lot of legislation is just kind of adding on to what had already been done.

Mr. Bishop: No, This was a very abrupt, new approach. There just wasn't anything there that could have been used to build upon.

Ms. Kilgannon: A different approach all together.

The governor came in, like you said, on February 3 and outlined the Budget and Accounting Act and then that same day House Bill 373 was introduced in the House by Representative August Mardesich, who was both the floor leader and the chair of the Ways and Means Committee. That's certainly a good person to sponsor your bill. It was also co-sponsored by A.E. Edwards, who was this Cap Edwards, who had been in the Legislature since 1933. He was the chair of the subcommittee on Appropriations. Just a real old-time hand.

Eventually, in the process it went through the Ways and Means Committee. They created a substitute bill. Was it much different from what you had proposed?

Mr. Bishop: No.

Ms. Kilgannon: Just some tinkering? Finessing around the edges, but the same concept?

Mr. Bishop: That's interesting because it may have been that, for example, this introduction of this Legislative Budget Committee into the hearing process and, of course, the removal of the institutions from the quarterly allotment process of Higher Education.

Ms. Kilgannon: That was one of the sticking points, wasn't it?

Mr. Bishop: And a few things like that, I think, eventually brought forth the necessity of a substitute bill.

Ms. Kilgannon: A substitute bill is different enough from the original bill that you have to kind of rework it, not just amend it?

Mr. Bishop: Yes.

Ms. Kilgannon: There were, of course, amendments, but they seemed to be friendly amendments.

Mr. Bishop: Yes.

Ms. Kilgannon: Was Representative Mardesich a good supporter of this bill? Was he on the same wavelength as you, for instance? He understood why you needed this?

Mr. Bishop: I think most of the amendments were ones that came up during the process of the hearings and that we would approve of and would actually benefit the members who had suggested it in the Legislature, so we incorporated those into amendments.

Ms. Kilgannon: There were some somewhat unfriendly sounding amendments, but they were usually voted down. It seemed like you had enough people behind you to get this to come out the way you wanted.

Mr. Bishop: Yes.

Ms. Kilgannon: It was sent to Rules, then came back to the floor, and was discussed. There were people who were trying to—sabotage is too strong a word—but they were trying to kill this bill, and “lay it on the table” and postpone discussion and that sort of thing. But your supporters just kept pushing forward and it never did totally grind to a halt. They kept moving it.

Mr. Bishop: Cliff Yelle, the State Auditor, was able to stir up a lot of legislative attempts to sidetrack the measure.

Ms. Kilgannon: I understand he went to the Senate—that he was working the Senate and trying to stop it there. It passed the House quite quickly, March 7: seventy-four yeas, twenty-three nays, two absent. That's pretty good. It was sent to the Senate, where it was marshaled by Senator Hallauer, certainly in league with you. Senator Gissberg, Senator Bargreen, and Senator Sutherland were all part of that committee that originally looked at that. They had a few amendments but they seemed also to be friendly amendments.

Mr. Bishop: Yes.

Ms. Kilgannon: There was a discussion about the Higher Ed issue—whether or not they should be brought in and it seemed at that point they were allowed to go their own way a bit. Senator Hallauer said something about “it was a mechanical problem of basically accounting,” and that they had different systems and couldn't fit the

state system because of the way their year worked, or something to that effect, and that seemed to take care of it. It's hard to tell, the Journal is not too fulsome in its description. Was that a good interpretation of what happened there?

Mr. Bishop: It was not any kind of a significant change for anybody and any agency except the ones that were reviewed and determined to be more workable for that particular institution. The one that was not ever resolved was the quarterly allotment, which remained to be a serious issue even in the legislative process and in final passage. Actually, Higher Education got an amendment that passed, which exempted them from the act. And there were some changes made regarding the Legislative Budget Committee and their authority. So some of those we were really favoring to be changed because the original proposal was amended—slightly—in the House and had to be brought back into line. Especially with the Legislative Budget Committee.

Ms. Kilgannon: I understand at this stage that the Auditor, Cliff Yelle, was very active and you ran into a danger where the Senate was maybe not going to go with this plan. Governor Rosellini, I understand, went down and had dinner with—I don't know—all the senators or some group of senators, and personally convinced them that they needed to do this.

Mr. Bishop: Yes.

Ms. Kilgannon: And then whatever it was he said, he countered the Auditor and the whole thing went forward again and passed.

Mr. Bishop: Yes.

Ms. Kilgannon: It went to the House, they concurred in the amendments, and it passed.

Mr. Bishop: It was necessary, I think, for the governor to do that because there were some loyal supporters of Cliff Yelle in the Legislature, because he'd been there a long time. It was essential that he not be personally aggrieved. That would harm the relationship of the Auditor and the governor's office. So the governor went, actually, and met with legislators and convinced them that this was a change which was absolutely necessary because the State Auditor had authority to perform both pre-audit and post-audit.

Ms. Kilgannon: Yes, There was some quote about that "being a mixed authority." That you can't both do the pre-audit and then come back and check your own work and say, "Well, good job." That there was something fundamentally wrong with that.

Mr. Bishop: You see, post-audit was a function that was appropriately lodged with the Auditor. Pre-audit was the agency's responsibility because it was then that it had to be required to comply with the budget provisions and so on in their audit. And to audit the payrolls, and so on. This was all being done over in the Auditor's office. So it just was not appropriate.

Ms. Kilgannon: The State Treasurer, it changed his role, too, didn't it? I didn't understand all the ins and outs of this, but it seemed that the Treasurer was brought into the process in a different way, because it seemed like the Auditor was also somehow responsible for dispersing money. Doesn't that sound like the Treasurer's job? There was some change in the relationship there as to how all those things were handled.

Mr. Bishop: The warrants: this is interesting. I think that the Treasurer's office—I would almost have to go back and read the provisions—but I think that they were required to prepare the payroll which they hadn't been.

Ms. Kilgannon: Further, the Act created a central budget agency which is a full-blown agency, correct? Before it had just been sort of an office in the governor's office?

Mr. Bishop: It was not even identified as a part of the governor's office. It was a separate staff-type function, like personnel.

Ms. Kilgannon: Whom did they report to?

Mr. Bishop: They reported to the governor, but not in a manner that would say it was a part of the executive branch. It was a part of the executive branch that was obviously there for the advice of the governor. The statute for the first time identified the Central Budget Agency as a fiscal management function of the executive office. It never had that kind of identification before. It was clear that the governor was in charge of the budget. We still had some steps to take with the Highway Department, but even then they became a part of the executive budget. So, yes, it brought about a whole shaping of executive responsibility.

Ms. Kilgannon: And it created this rather large document every two years, the budget, which became the chief policy document of the governor's office. Is that correct?

Mr. Bishop: Right.

Ms. Kilgannon: Where the money is, is where the interest is.

Mr. Bishop: Spelling out responsibilities and what they were going to accomplish in each program.

Ms. Kilgannon: And tied for the first time to programs, so that you could actually see what the programs were? I've heard the previous budget document was an "administrative type" document and that this was a "program type" document; that's the distinction that is made over and over of the difference between what you were bringing forward and what had been in place.

Mr. Bishop: Yes. The first title of the agency was the Central Budget Agency, but I think that was because the act wanted to identify that it was the governor's central budget office for which he was responsible.

Ms. Kilgannon: Did you have a little session where you named the agency, or did you have to throw around some ideas as to what you wanted to call it? That choice of name cements it, but did you have other ideas?

Mr. Bishop: I think so. But later, the budget office was called Program Planning and Fiscal Management.

Ms. Kilgannon: It's gone through quite a few name changes.

Mr. Bishop: Which really indicated what the nature of the office was. And then, of course, it became later OFM, the Office of Financial Management.

Ms. Kilgannon: Yes. Was it, in the first days, the chief policy office as well?

Mr. Bishop: It seemed to me that agencies, when we first started out, didn't acknowledge or recognize that the budget reflected a policy direction for the state. It was sort of an allocation of funds for a department to identify themselves as how they would use those funds instead of having some kind of a policy direction to achieve certain goals.

But, I think that was one reason why we were concerned when the new Budget and Accounting Act was adopted, that agencies would really respond in an aggressive manner to recognize that. That's why I was given the double task of budget director, so that they really had a person who was chief of staff and also the budget director to give direction to the agency. I think that was important, because agencies were not exactly too happy about the Budget and Accounting Act because it required a lot of policy decisions to be made in a way that the governor could identify. For example, the funds were allocated only on a quarterly basis and they had to be spent according to the plan in the Budget Act. So we actually anticipated that some agencies would not, and it would be implicated as strong as they should, unless it had some strong direction from the governor's office. They didn't have any place to go to appeal.

Ms. Kilgannon: So before that they had been a little bit more autonomous? And were they given lump sums of money and they figured out what to do with it and set their own policies?

Mr. Bishop: Yes.

Ms. Kilgannon: And that kind of went away?

Mr. Bishop: Yes. The Budget and Accounting Act clearly identified the areas of responsibility.

Ms. Kilgannon: Were you seen as an extension of the governor, the sort of right hand of the governor and what he wants, that if they are bucking you, then they were actually bucking the governor?

Mr. Bishop: Right. And of course, the budget office was organized in such a fashion with program directors that they were able to constantly, daily, monitor the activities of the programs of an agency. The directors knew that.

Ms. Kilgannon: And that was new, wasn't it? Where you brought in budget analysts who were assigned to particular areas and they learned those areas and became experts, and as you say, monitored what was going on there?

Mr. Bishop: Yes. Because the budget persons were normally looking at how well they were doing on objects and whether they were staying within the budget on salaries and wages and this type of thing. But there were persons who occupied the positions in the budget office who actually were guiding and monitoring how well they were doing in the programs. Was their performance carrying out the nature of the directions?

Ms. Kilgannon: And the direction is coming from the governor?

Mr. Bishop: Right.

Ms. Kilgannon: So it was kind of top-down rather than agency-centered? It was governor-centered—from the executive office?

Mr. Bishop: Right.

Ms. Kilgannon: And these budget analysts, they are brand new people, weren't they? You recruited bright, young people to come in and fill these positions? You created that office.

Mr. Bishop: Yes. Some persons in the existing budget office had good experience and had worked with various agencies. So the persons who were qualified—I say that gently—but who had actually had experience with the kind of budgeting we wanted to do, were retained. But there were only a few. The budget office was terribly understaffed and it was actually not a good accounting division because it wasn't an accounting function being carried out in the budget office. And so persons were brought in as budget analysts who were actually either graduate students or interns or persons who had come from other agencies that had the right kind of experience.

Ms. Kilgannon: When you were recruiting and looking for these people, you had in mind these new responsibilities, this new approach. Were these people hard to find?

Mr. Bishop: Yes!

Ms. Kilgannon: Because this was a new field, wasn't it?

Mr. Bishop: Yes.

Ms. Kilgannon: So would you have had a kind of mentoring situation where you would find promising people and basically teach them how to do it, or set up structures where then they would sort of take hold and learn how to do it?

Mr. Bishop: We sought people who had the right kind of background. But you see, they had a year and a half. Most of them were appointed within the first six months, so they had a year and a half to put this new budget instrument together. And it was their responsibility, if they were a program director to prepare the language, to work with the director and the administrators or the budget officer of an agency to interpret these programs. To

write the program that they were attempting to develop. And so that gave them an excellent basis for training. They were trained right on the job. Because the first budget was presented in 1959 that had to have all of these features included, including programmatic kinds of interpretations, performance standards, et cetera. That was a real challenge. The budget staff really learned tremendously.

Ms. Kilgannon: I'm thinking it over: The governor comes in and he gives his inauguration speech and his budget speech to the Legislature and it's full of big ideas. "I want to go in this direction, I want to do these things," and it's somewhat idealistic and meant to be inspirational. "We want to go in these directions." How do you take that language and get it down into the nuts and bolts of writing instructions to agencies? "Okay, we're going to take this vision, this political vision of where the state's going to go, and translate that into budget numbers." How do you get from that to that point?

Mr. Bishop: It was a tremendous challenge.

Ms. Kilgannon: What role did you play in all this?

Mr. Bishop: During those initial years, the consulting firm that was hired to do the installation, we conferred a lot. And it was they who could help to prepare a budget definition which would, indeed, go from executive policy to reflection of the budgetary approach that we required to carry out those kinds of policy directions. So I think we all learned together.

If it hadn't been for the installation portion of the budget—because we had consultants during that period, and they were good—and they worked with the budget staff; they taught program leaders how to do this function. So I think that's how it occurred.

Ms. Kilgannon: You must have been in the thick of things, though?

Mr. Bishop: Yes. We had a committee of some directors who sat with agency directors.

That sat with me to discuss a lot of this implementation.

Ms. Kilgannon: Did that help bring the agencies into the process in a way that was more positive?

Mr. Bishop: I think so. And of course, the persons who were brought in were individuals who had quite a bit of experience, Pete Giovan and Hodde. Even O'Brien was involved, because the accounting portion of the budget was something that was absolutely new.

Ms. Kilgannon: John O'Brien, the Speaker?

Mr. Bishop: Yes. And he was an accountant by profession and we wanted a legislative point of view on the accounting aspects of a public agency.

Ms. Kilgannon: Besides him, were other legislators involved? Did you bring in other legislators?

Mr. Bishop: We had other legislators whom we met with periodically. We wanted to be sure that the persons who appeared to be leaders in the Revenue and Appropriation committees would have a grasp of what was going on.

Ms. Kilgannon: Did you make that a bipartisan effort?

Mr. Bishop: Yes.

Ms. Kilgannon: John O'Brien is a Democrat. I have seen Web Hallauer's name as being involved, but what Republicans were you able to bring in?

Mr. Bishop: There was a budget committee—the Legislative Budget Committee, and it was that committee that we spent most time with. It was the director of that Budget Committee who made great strides to try to put the Legislature in the executive's role. I don't know how to describe that, but actually the first draft of the Budget and Accounting Act, which was prepared by our attorneys and our consultants, was amended at the request of the director, Paul Ellis, to include the Budget Committee staff in executive hearings on the budget and we just couldn't condone that. I absolutely refused to let that go in. It took a lot of understanding because the Legislature didn't think that was a bad idea!

Ms. Kilgannon: Government is supposed to be based on checks and balances; that would have kind of muddied up the whole thing if you're all on the same side of the discussion.

Mr. Bishop: They got a lot of education from their own committee, because fortunately Ellis agreed with everything we were doing. So he was able to explain it.

Ms. Kilgannon: Now, I understand that there's the outgo of the appropriations system and where the money goes, but there were also some changes made in the incoming money that I was a little confused about. It went into the Treasury into all these different little funds—it sounds like there were a large number, more than thirty, and there were all these different little pockets of money that then were earmarked, I guess, for different programs. Didn't you reform that part of the system, too? It sounded very complicated.

Mr. Bishop: It was a very complicated. There are still some individual functions; like various segments of Agriculture have their own funds because they charge fees. But most of the other so-called local funds were not continued. There was a lot of consolidation of activities, which were to begin with so-called local funds that were incorporated into the normal flow.

Ms. Kilgannon: Was there any problem making those changes?

Mr. Bishop: Yes. There were some agencies that depended on those kinds of things, and there are still identifiable funding sources, like Labor and Industries, like Employment Security, and those funds had been

looked upon as belonging to those agencies by the directors. And they do, they become revenue to that agency, but they're given program direction through the budget process.

Ms. Kilgannon: And before that, they were "just money?"

Mr. Bishop: To a very large degree. The fiscal people in those agencies had more freedom. But we tried to reduce the number of local funds and I think we did, and they're still in the process of doing it, I think.

Ms. Kilgannon: You still hear about dedicated funds. "We're going to have this special—say the lottery money—is going to go to a certain thing," and there are all kinds of strings attached to everything. So it's probably a continuous issue.

The whole relationship with agencies seems to be changing where there's a different kind of accountability and bringing things in. Were you also giving them more resources in other ways? You were taking away some of their autonomy, but were you giving them something in return so that they could do their jobs better?

Mr. Bishop: I think so, because it was more easily identified where they were having difficulties in achieving certain goals. And when that could be identified, then the next go-round was an opportunity to create a force in that program in order to get additional funds. There was no way for them to do that before. But that became very clearly demonstrated and so the legislators in the hearings process and so on could learn about some of those things and that money was going to be moved here to that, or if there was going to be additional money put into certain areas of activity. So it did help them. Agencies realized that that was a boon to them as well.

Ms. Kilgannon: How many years do you think it took to make this transition? This is a very big change.

Mr. Bishop: I think they were still making a transition even during the first eight years.

Ms. Kilgannon: Certainly. It was a big institutional cultural shift.

Mr. Bishop: And it continued in future staffs of the agency because they were good directors and good program people, and so they just kept intensifying and the agencies became more understanding of what was going on.

Ms. Kilgannon: Once they got over the initial shock and saw how it worked? They could see the benefits?

Mr. Bishop: We were disappointed when Higher Education was successful in getting the Budget and Accounting Act amended to exempt them from quarterly allotments. But, as I told you, I think—and I would have to do some research to determine this—but I believe at a given point the Legislature recognized that that was not absolutely a good idea and re-imposed the quarterly allotment process. I'm not sure when that happened. In fact, it may not even be today, but at least there was a period in which they... It's hard for Higher Education to realize that they can't have a greater control.

Ms. Kilgannon: I think there may still be some tension there. For the first time—and this surprised me—there was a law that you had to balance the budget. The Budget and Accounting Act required a balanced budget.

Mr. Bishop: That was even difficult for us.

Ms. Kilgannon: It kind of set the bar pretty high, because you had a deficit situation that you had to correct rather quickly.

Mr. Bishop: But at least the debt had to be addressed by itself. It was a debt that had accumulated over many years. But each budget for each biennium had to be a balanced budget, and there had to be a plan for developing an amortization of the debt.

Ms. Kilgannon: And then I read that the governor had to present a balanced budget, but that the Legislature could unbalance it.

Mr. Bishop: Yes.

Ms. Kilgannon: So, if that were to happen, how does the governor then deal with an unbalanced budget when he is the administrator who has to implement it?

Mr. Bishop: Interestingly enough, the Legislature interpreted their responsibility very efficiently. In other words, they didn't adopt unbalanced budgets. If they wanted something that was important enough to them, they would actually fit that somehow within the total resources that were available.

Ms. Kilgannon: Even though they weren't by statute required, they complied with the program, too?

Mr. Bishop: Yes.

Ms. Kilgannon: That's helpful. Did you as budget director work closely with the Legislature, with the committees to pull all this together? Or did they work on it separately and then just bring it to you? How much interaction was there?

Mr. Bishop: A great deal. For the first time—and I went to most hearings, which was really quite a responsibility because I had both jobs going. But during the budget session I was there with the program people and the agency directors. And together we would present in detail the budget and what its intentions and goals were and so on. I remember, I think maybe it was the first session or the second session after the Budget and Accounting Act was adopted—it must have been '61, Frank Foley was the chair of the Senate Ways and Means Committee. For the institutions—mental health—it had been requested by several legislators for the institutional superintendents to come to the hearing, which had not been unusual for them. That was something that they were pleased to see reintroduced because they had done this before. And Frank Foley said to the director of Institutions, "Who are those people?" They said they were superintendents of Northern and so on. And Frank Foley said, "You're not supposed to be here. So would you please leave."

Ms. Kilgannon: Some legislators wanted them, but he didn't?

Mr. Bishop: Yes. Well, it was important because we had told the Legislature that we were going to defend the budget. It was an executive budget and we'd bring directors to join us to be more specific about the budget. And even a budget officer in an agency, if necessary. Certainly not the individual institutional kind of people, who were actually politically motivated in many cases.

Ms. Kilgannon: They competed with each other, too. Didn't they used to come in, previous to all this reform, and vie for money individually? Isn't that the way it used to be?

Mr. Bishop: Yes.

Ms. Kilgannon: I understood that they would come in and lobby for their own budgets and not have a coordinated effort at all, but as individuals. So that stopped?

Mr. Bishop: Yes. With the help of the committee chairman, really.

Ms. Kilgannon: So he recognized that that era was over.

Mr. Bishop: Highways was always a different kind of a situation because the Highways Committees and their chairs wanted to hear from them. It was okay because they eventually understood that it had to be a governor's budget or else it would be difficult to sustain. So eventually the process was okay.

Ms. Kilgannon: Maybe it was a case of you had to see it in operation before it really could be obvious how it was going to work and what that would look like. Sometimes things go like that.

Mr. Bishop: I think also the new director of Highways, who even though the commission appointed the director, the governor had an understanding with the commission, many of whom he had appointed, that the director reported to the governor. So that has been up and down. It hasn't been a smooth...

Ms. Kilgannon: No, no. That's always been a complicated thing.

Mr. Bishop: At the same time this was going on, the accounting division had to make a tremendous change. The whole accounting of the financial activities of the state: the payroll, the vendor payments—because the Auditor—the pre-audit process, all those things previously had originated in the pre-audit section and went to the Treasurer. That was a hard change for people to understand. But it was quickly understood the State Auditor was pre-auditing everything and then would go back and post-audit their activities instead of the agency's activity.

Ms. Kilgannon: Like being a watchdog for yourself?

Mr. Bishop: Yes. But it was an important change for agencies because for the first time they were responsible for pre-auditing every dollar they spent. So agencies had to completely revamp their accounting divisions and

so did the budget office. We brought Jake David from Licensing who was a trained, professional accountant to head that division in the budget office, and gave him the opportunity to hire good systems accountants.

Then there was a good interplay between the program leaders and the budget and accounting divisions so that they worked together. It also changed the role of the budget office because all of these agency warrants and billings and so on were approved by them and then went to the Treasurer's Office. But they had to be cleared so that the warrants would all be paid with the authority from the budget office. So quite a few changes were made in the process of payment.

Ms. Kilgannon: I understand that the original budget office was just a handful of people.

Mr. Bishop: Yes.

Ms. Kilgannon: Within a few years, how many people worked there, do you think? With all these new accountants, these new budget analysts, and different people?

Mr. Bishop: I'm sure it more than doubled in size and then it was pretty slim.

Ms. Kilgannon: It's not like it is now, but still it was a measurable growth?

Mr. Bishop: I think it's even grown more. Each year it has to.

Ms. Kilgannon: I read that you used the Tax Commission and the economic forecast from the Department of Employment Security for forecasting so that you could try to project government services—how many people would need state services, and therefore how much money would be needed for those programs. Had there been forecasting before, or was that a new activity?

Mr. Bishop: There was an agency established to do forecasting, the Forecasting Council. Now, revenue forecasting is done by an agency with a well qualified director, Chang Mook Sohn, who incidentally has a sharp operation; I hear him quoted quite a bit. That's new. The Tax Commission, which is now the Revenue Department, did most of that in the earlier years and continued to do it even during the initial years of the Budget and Accounting Act. Employment Security, I think, became more significant in their projections because there was an improved way to build those into the budget process. Labor and Industries became more involved because they had to make their estimates based upon their programmatic approaches and what was going on. So things meshed a lot better than they had.

Ms. Kilgannon: So there had been forecasting, but this kind of took it to the next level?

Mr. Bishop: Yes.

Ms. Kilgannon: When the Legislature proposed in those days a new initiative, a new program or some new activity, they did not use fiscal notes. I can't think of the date of when fiscal notes came in, but it's surprisingly

late in the process. Certainly not in this era. How did you guess what new activities would cost? Did you have some other mechanism?

Mr. Bishop: The program people had to work with the agencies because normally those kinds of things came from agency requests. Or if it didn't, it had to go back to the agency for the impacts to be measured and costed. So the budget office, the program people, and the agency would be involved in bringing about a realistic estimate of what those costs would be. Thank goodness, in most cases, quite a few of them originated from the agency anyway, and with the budget office's knowledge, so the estimates were ready to go.

Ms. Kilgannon: Did you occasionally have the situation where a legislator came in with a brand new idea, a pet project, and said, "Let's do this," and got it through the legislative process and handed it to you as a new law?

Mr. Bishop: There was increased cooperation from the budget committees of both houses and the budget office and frequently the governor, to know when those kinds of things were going to happen. There were still surprises, but I think legislators themselves wanted to know, "What's that going to cost?"

Ms. Kilgannon: Was there a great increase in that cross communication between the Legislature and the governor's office in these years?

Mr. Bishop: I think so.

Ms. Kilgannon: I've heard complaints of previous administrations where there just wasn't much going on in between the two branches.

Mr. Bishop: Yes. It was just an open street from agency heads to the Legislature. There was no involvement in analyzing or approving of requests. That didn't happen after the Budget and Accounting Act.

Ms. Kilgannon: So almost everything would start to be routed differently and go through a different process? It's interesting that in those years of the Budget and Accounting Act, you also had civil service reform; you had a change in how the government purchased supplies, with Charlie Hodde working with General Administration to create a new system there. You had a lot of changes in the structure of how government operated day-to-day. It went through quite a big change in those years. Even realizing that the Department of General Administration was newly created in 1955, that there had been nothing like that before, is an astonishing fact.

Mr. Bishop: I suspect that one of the things that strengthened that at least, the first director of purchasing was not fully qualified and the operation was not well organized and functioning.

Ms. Kilgannon: It's hardly the background for such a large activity.

Mr. Bishop: So that became a problem for the governor.

Ms. Kilgannon: Right. I believe *The Seattle Times* got on top of that story.

Mr. Bishop: He made a quick change to that. I suspect that was one reason why Charlie found himself in that department.

Ms. Kilgannon: I've always read it that way. So you were heavily involved. How involved was the governor in these problematic changes? Did you have a great deal of conversation with him, or did he supply the initial vision and you carried it out? Did he continue to have a hands-on role in how this was implemented?

Mr. Bishop: There was a good deal of consulting with the governor. For example, he sat in on quite a few of the budget hearings, especially for the larger agencies. And then when we were ready to go with the budget, before we could put the finalization on each of the departments, we would have a meeting with the governor and each program and the budget director had to report in detail what each agency was going to do. They were called executive hearings. The governor was actually involved in the budget process. I don't think that had been the case before.

Ms. Kilgannon: Did it help that he had been such a long-time legislator? That he would be very familiar with the process?

Mr. Bishop: Yes.

Ms. Kilgannon: I don't recall if, as a senator, he was involved in Appropriations or not. But he would have been familiar with the process, in any case.

Mr. Bishop: Sure. He was close enough to know what was going on. After all, he was involved in so much of the developments at the University of Washington that even with that he had to play ball with the committees.

Ms. Kilgannon: It's one thing to be a legislator; it's quite a different thing to be the chief administrative person of the state. Was the governor able to go from being a legislator where you just make the laws to being the person who actually implements them? Did he have enough vision to play that role?

Mr. Bishop: Yes. He wouldn't mind calling down the legislators for a little chat, even on occasion and in important moments of bill consideration up on the floor. The one incident I can really remember is with Vic DeGarmo, who was the senator from Thurston County. Vic DeGarmo worked for the brewery. The governor was attempting to readjust the tax situation and, of course, part of the proposal was a tax on beer. And Vic had put his foot on it and wasn't going to let it go anywhere. So the governor went upstairs while they were in session and got Victor off the floor and told him to "do it."

Ms. Kilgannon: How did that go over?

Mr. Bishop: Vic said, "I work for the brewery, I can't..." "Do it!"

Ms. Kilgannon: “You’re not here as a brewery worker, you’re here as a senator.”

Mr. Bishop: And then Victor was defeated, I think.

Ms. Kilgannon: Well, he paid a price! So far, the work has progressed, but, yes, there was opposition.

Probably your most fierce opposition was from the State Auditor who, in fact, lobbied hard against this bill and almost succeeded in sidetracking it, but not quite. As we’ve said, the governor intervened and met with the legislators and reinvigorated them. But in the end, Auditor Yelle took you to court over his lost powers. Could you tell me a little bit more about that court case and how that transpired?

Mr. Bishop: The Auditor, Cliff Yelle, was extremely upset about what had happened and made a lot of other people unhappy with him. He absolutely decided to go to the Supreme Court to challenge the constitutionality of having the pre-audit function removed from his office. And he took the joint case against me as the budget director and the State Treasurer.

Ms. Kilgannon: Tom Martin.

Mr. Bishop: Yes, it first went to the Superior Court, at which time I had to testify whenever the Superior Court would have testimony. I had to go clear up to Shelton because the judge who was the Superior Court judge was from that district. The important thing is that Harold Shefelman became our attorney. I think I gave you a copy of the brief.

Ms. Kilgannon: Yes.

Mr. Bishop: And I think it’s an absolutely superb brief. It was actually prepared by one of his staff, Bill Robinson, who was the son of Supreme Court Judge Robinson. But the Superior Court upheld the justification and the constitutionality and it went to the Supreme Court.

Ms. Kilgannon: So Cliff Yelle contested it again?

Mr. Bishop: Yes. It was still handled by Shefelman. And of course the case—I don’t know if you’ve looked at the case or not—but it’s also beautiful. And it absolutely stamped everything we wanted to do right in that court decision. So it was an excellent decision and it helped reinforce most of the elements of the Budget and Accounting Act.

Ms. Kilgannon: Even though it was a bit grueling, was it a good thing in the end to have it all laid out in law?

Mr. Bishop: Yes. It had to be done. Not just for Cliff Yelle’s point of view, but for other people who weren’t too sure about the Budget and Accounting Act. So that was the end.

Ms. Kilgannon: Did you go into that case with confidence, or were you worried?

Mr. Bishop: No, I was confident because even the case in the Superior Court was pretty well documented. I think the Supreme Court was a unanimous decision.

Ms. Kilgannon: How involved was that? How much time would you have to put into that court case?

Mr. Bishop: Not very much into the Supreme Court. That's all mostly handled by the attorneys.

Ms. Kilgannon: They don't really hear all the evidence again, right? That was interesting. It was covered in the press. Did you ever have a sense of the public's reaction or how this was playing outside the halls of government? Do you think the public understood that something important was happening?

Mr. Bishop: I don't think they did initially. But it certainly became clear. I didn't see a whole bunch of clippings and things like that, but it became very evident that this had happened when meetings were held and people started talking about it and agencies were able to advertise what an impact this had on them. So I think the public became very supportive.

Ms. Kilgannon: So within a few budget cycles, was most of this new approach in place and it was happening and you could see this?

Mr. Bishop: Yes.

Ms. Kilgannon: You stayed in the Rosellini administration for eight years. Certainly, by the end of eight years you could see your legacy. You had transformed this area of government and I imagine it transforms almost everything that happens in the administration because it's the starting point. You've kind of kept tabs on the budget office over the years. Has it continued in a direction that you began?

Mr. Bishop: Yes. I think that the budget division has grown steadily over the years and they hire good people. And of course, what helps to strengthen it is the legislative committees have established good career staff persons. In fact, Victor Moore, the present budget director, came from being staff director for the House Ways and Means Committee. So I am very happy with the support they have gotten and the fact that they've had good directors. Only the first director after me was the only bad point in the...

Ms. Kilgannon: There can be a faltering and then a regrouping, I guess.

Mr. Bishop: But that only happened for a month or two.

Ms. Kilgannon: You talked about the rough start with the transition between the Rosellini administration and the Langlie administration. When Governor Rosellini was going out of office and Governor Evans was coming in, were you part of the transition team for him?

Mr. Bishop: Yes. At least we had made provisions in the budget for the transition team to have its own offices, its own staff and we would consult with them whenever they wanted to consult with us. It was not a difficult situation.

Ms. Kilgannon: So when the new governor, Dan Evans, who had been in the Legislature during this change,

when he came in from a different party, this structure that had been set up, it held and was adopted and continued?

Mr. Bishop: Yes.

Ms. Kilgannon: And from administration to administration after that?

Mr. Bishop: Right. Except for the first budget director—but it got back on the track. The interesting thing, I thought, was before I had announced what I was going to do, or even knew what I was going to do, I got a letter from Governor Evans—or I saw in the newspaper, I think—I'm not sure whether I had his letter first, but he was going to request me to stay as the budget director. Not as the chief of staff, but as the budget director.

Ms. Kilgannon: Governor Evans? Would you have done that?

Mr. Bishop: No. I couldn't do that. I had to write a very difficult response because some of the people who had been so loyal, they looked upon me as some foreign being when I came in, and it took a long time for them—the political elements of the system—for them to accept me at all. Then, if I had stayed I think it would have been a mistake. So I had to write him and tell him.

Ms. Kilgannon: A compliment, nonetheless.

Mr. Bishop: That was a compliment. And then I was on leave of absence from the University of Washington...

Ms. Kilgannon: A very long leave, yes.

Mr. Bishop: So then I was notified by the then-president that I could come and return as an associate dean of public affairs. Brewster Denny was the director and I wasn't sure the faculty could accept me. I never did complete my degree.

I think Marshall Neil and Frank Foley then called Dr. French and told him he'd better get on his wheels. So he called me on the phone and told me he'd meet me in Seattle.

Ms. Kilgannon: This is the president of Washington State University?

Mr. Bishop: Yes. So on my way back from that appointment in Seattle I had to make my mind up, but I had to tell Barbara. I was glad that Dr. French did that because he needed to have some strength in his agency. And I enjoyed that.

Ms. Kilgannon: You've had a fascinating career. Were you the only joint chief of staff and budget director? After your time, did those become two different positions? Was there ever again those two very huge roles combined into one person?

Mr. Bishop: Not to my knowledge.

Ms. Kilgannon: What was that like for you? I can see how that worked when you were first implementing

the Budget and Accounting Act because you would be the central spokesperson. You would be *the* person. But that's a big load to carry. How many years did you do that?

Mr. Bishop: Six of the eight years.

Ms. Kilgannon: Did it continue to work well for you or did it become really burdensome at some point? That's a lot to hold on to.

Mr. Bishop: I think I was getting burned out. When my wife had to start calling the budget office during budget preparation for the Legislature at one o'clock in the morning and saying, "Where are you and when are you coming home?" But I want you to know I had some tremendous support. In 1957, when we got the appropriation for surveys and installations, we hired John Donaho and consulted with him constantly. We kept some of the better staff: Ray Berlin, Ed Salts, Buel Brodin and Gordon Barnes. But then we started recruiting personnel and brought in new staff to be trained and begin the installations. We brought over Marv Ruud, Fred Johns, and Ed Giesecke from the Department of Personnel and George Van Meighem from the Department of Transportation. Initially, there were no lay-offs, but Ernest Brabrook retired then; he was eligible. We recruited Grinstead Leach from Employment Security to come over and oversee the budget operation for about six months while we made the transition. He was able to return to Employment Security when I brought Jim Ryan, the research director from the Tax Commission, to be chief of the Budget Division.

Ms. Kilgannon: Was he your deputy, then?

Mr. Bishop: Yes. Ryan was deputy director of the Budget Office and Jake David was manager of Accounting. Both divisions had complimentary functions very different from the previous budget office operations.

Ms. Kilgannon: Having the right people makes a huge difference.

Mr. Bishop: Yes. Jim Bricker was also one of the early recruits. He came as a graduate intern from the Public Administration program at the University of Washington. We started the first graduate internships in the 1960s in the Budget Office and then the program spread to other agencies. Roger Bassett came in as a graduate intern a few years later and Jim Sainsbury in 1966 after I had left.

Jim Ryan was really the honcho. I went over there a lot and spent time with him, but he ran the show.

Ms. Kilgannon: So you actually had two physical offices, right? Your main office would be right in the governor's office, right in the Legislative Building.

Mr. Bishop: Yes.

Ms. Kilgannon: And the budget office, was it always housed in the Insurance Building?

Mr. Bishop: Insurance, yes.

Ms. Kilgannon: So you would run back and forth between the buildings?

Mr. Bishop: Yes. The budget director's office was in the basement. But they moved up to the second floor.

Ms. Kilgannon: How much of your time would you spend, proportionally? Half and half? I suppose there are seasons. The budget season would be so intense that that would pretty much take over your time?

Mr. Bishop: The budget office, except during budget time when we were preparing the budget—I attended every one of the hearings during the Legislature and when we were having executive hearings. Of course, I had to spend a lot of time consulting on the recommendations of what would go into the budget.

But I was able to function. I think I could have done a better job in the governor's office, but I was the chairman of the group. I was the enforcer, mostly. It was a wonderful time!

Ms. Kilgannon: Yes. Is there anything else you want to say in conclusion about this tremendous legacy?

Mr. Bishop: When I would come back over from WSU—because I also covered the Legislature for the University. Talk about a dual job. I really...

Ms. Kilgannon: From one fire to another!

Mr. Bishop: But the budget office was always very good to me because they would always set me up a desk so that I had some place where I could work.

Ms. Kilgannon: You were like the honorary member? I imagine it's with some pride that you've watched that agency develop over the years to the institution it has become, so central to government.

Mr. Bishop: Yes.

End of interview