6-1990

Municipal Budget Workshop

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The University of Tennesse Center for Government Training

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The University of Tennessee Municipal Training

Municipal Budget Workshop

Sponsored by The University of Tennessee's Center for Government Training
and Municipal Technical Advisory Service
In cooperation with Tennessee Municipal League and its affiliate groups

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IPS provides (1) a systemwide focal point for urban and public service, (2) a means to coordinate the various system-level public service activities, and (3) an organizational base for communication and program development that relates to both outside service clientele of The University and the campuses of The University system.

The operating units of the Institute and their dates of creation are: Center for Government Training (1967), Center for Industrial Services (1963), County Technical Assistance Service (1973), Municipal Technical Advisory Service (1949) and Center for Telecommunications and Video (1989).

Budgets Preparation
Archive

THE UNIVERSITY OF TENNESSEE
CENTER FOR GOVERNMENT TRAINING

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LETTER TO PARTICIPANTS

Municipal governments are under constant pressure to deliver services more efficiently. As a municipal government professional you must continually evaluate your performance in terms of productivity and effectiveness to keep pace with today's demands as well as to prepare for tomorrow's challenges. You must keep up with new trends, sharpen old techniques and acquire new skills. Your participation in *The University of Tennessee Municipal Training Program* (UTMT) will help prepare you for the challenges of public service.

The UTMT program is a comprehensive certificate program focusing on six major functions necessary for the smooth operation of municipal government. The courses included in each functional area are carefully tailored to meet the needs of municipal professionals. Courses are developed and delivered through a cooperative effort with The University of Tennessee's Municipal Technical Advisory Service, the Tennessee Municipal League, its affiliate organizations and state and national resources. In addition to the knowledge and management insights you will acquire, UTMT courses provide an opportunity for you to discuss issues and share ideas with other municipal professionals. I encourage you to learn more about the UTMT program.

Your course materials were developed by Mr. Jim Crumley, City Recorder with the city of Johnson City, Tennessee. Our sincere thanks is extended to Mr. Crumley.

On behalf of the staff of the Center for Government Training. I welcome you to *The University of Tennessee Municipal Training Program*. By your participation in this course, you are joining an outstanding group of municipal professionals who realize that education is a life-long process. We applaud your commitment to public service and professional development.

Sincerely,

Patricia Davis
Patricia C. Davis
Executive Director

MUNICIPAL BUDGET WORKSHOP

THE UNIVERSITY OF TENNESSEE
CENTER FOR GOVERNMENT TRAINING

In Cooperation with the
MUNICIPAL TECHNICAL ADVISORY SERVICE
and the
TENNESSEE MUNICIPAL LEAGUE

PARTICIPANT MANUAL
Revised June 1990

MUNICIPAL BUDGET WORKSHOP

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I. INTRODUCTION

budg·et·ing (buj′ it ing) **n. 1.** *a public policy mechanism* **2.** *a quantified plan of operations for a given time period, communicated in the form of financial statements, with enough supporting schedules to enable measurement of actual performance to the original plan.*

Virtually every plan, decision, action, and program of a local government can be communicated in the financial language of the budget. The service-delivery effects of its dollars and cents projections are inescapable. The fiscal distress of local jurisdictions in recent years and the possibility of additional belt-tightening emphasize the significance of the budgetary process, which is, basically, the allocation of scarce resources to a multitude of needed and desired public services.

The extent of the budget, and the operations and programs it encompasses, reveals the dividing line between government and the private sector. The budget is a chief determining factor in deciding which goods and services are to be produced by the combined taxing and spending ability of government, and which goods and services are to be produced by the private market. "**Who gets what**" is a statement of society's values, desires, and priorities as communicated and conveyed by local governments. The budget exists at the center of politics; it is a political process handled in a political realm.

This manual provides an up-to-date look at the art of local government budgeting. In spite of the variety of local governments in Tennessee, general descriptions can be offered and analytical patterns discussed. The following topics are covered: **why do we budget**; **the budget cycle**; **the budget process, including the interaction of the many role players in the process**; **the many purposes of budgeting; and resource constraints**.

II. WHY DO WE BUDGET?

This is the most common question. The budget takes a good deal of time to prepare, it is only a guess, and probably is used as a yardstick to nail a manager with bad performance. Training classes are necessary to impart managers with the reasons and needs for budgeting. The following may serve as a checklist of points to be raised in the training session:

1. **The budget is an estimate of anticipated costs and expenses.** A study of this helps us understand our business better, helps us coordinate the activities of all divisions, helps to provide top management with an overview of all operations, and avoids surprises.

2. **The budget is not restrictive.** It allows for flexibility and improvement. Budgeting is management accounting of the highest order, not based on the output of a green-eye-shaded accountant, but on the planned performance of the management group in setting goals and realizing them, utilizing the sophisticated planning tools of responsibility and budgetary accounting in achieving them.

3. **The budget is an important goal to be achieved.** Failures to attain the stated goal are analyzed each period to determine the necessary corrective actions and to permit us to achieve the goal in the future.

4. **Bad habits and poor management are discovered.** The budget can be a correction or improvement plan.

5. **Budgets are based on past performance, plus planned changes in expected levels of activities.** The budget recognizes population changes, increased demand for services, staffing requirements and more. The budget is not a guess; it is an intelligent estimate of future activity.

6. **The budget is a statement of policy, expressed in financial terms.** It is a working guide or a tool for management. Its objectives may be quantified into useful "rule of thumb" guides.

7. **The budget is a tool which promotes efficiency in the organization by using the processes of analysis and advance planning.**

8. **The budget communicates the overall goals of the city into an operations plan.**

9. **Budgeting requires that plans be written and that the management be responsible for their execution.**

10. **Participation by managers in the budget process creates thorough familiarity with the overall objectives of the organization, and thorough involvement.** No one is left out or bypassed. Each manager can suggest and obtain the benefits of other counsel. The final budget represents the combined best judgments of all managers in achieving the goals of the city.

11. **The budget not only coordinates the efforts of the various divisions of the organization, but helps in controlling operations through the issuance of periodic reports of budget to actual performance.**

III. THE BUDGET CYCLE

The budget is grounded each year on a standard set of organizational procedures that encompass a progression of decisions at interconnected points. In most cities budgeting has been built into a formal sequence of five phases, taking up to two years to complete (see Exhibit 1). Here are those five phases:

1. Preparation of budget requests
2. Preparation of recommendations by the budget staff and the chief administrator
3. Ratification of the budget ordinance by the city council
4. Execution of the budget by the executive branch
5. Examination of the budget by the "auditor"

Each phase of the budget is primarily the responsibility of a different player; thus, there are actually five "budgets" in terms of distinct and, most usually, different spending estimates for each formal phase in the budget cycle. An estimate is built on assumptions, and these different players may have and often do have different assumptions. The budget adopted into law does not necessarily match the beginning submissions of the departments, nor does expenditures at the end of the year match the budget estimates that started the year.

Preparation of Budget Requests

The budget process starts with the issuance of the budget forms to departments, including the transmission of overall goals as to programs and growth from the chief executive officer. This can be an easy task when managers have been pre-trained about why organizations budget.

A budget calendar is established and circulated to concerned managers at the same time, in order to establish the time table and chronology of the budget. (See Exhibit 2). The time required to produce requests will depend on the size and complexity of the organization. However, it is important not to start too early, in order that the latest inputs and changes which will affect the budget can be incorporated. Certain dates must be fixed in the budget and no variances allowed. These consist of mechanical, accounting, data processing, and printing steps which require specific amounts of lead time for their completion.

The distribution of the forms, the calendar, and the imparting of the overall objectives is best done in a general meeting with department heads who, in turn, will hold similar meetings with their immediate division managers. In this way, the importance of the budget—its timing and its goals—is given a personal touch with each manager. **It should not be relegated to a written directive.**

The concept of **responsibility** should be stressed. This requires the budget be in sufficient detail so that expenses and revenues can be controlled by a "responsible" manager or department head. This "responsible" manager creates the operating plan for his function and is responsible for its results. The budget office or finance department supplies the manager with a print-out of his own budget, set up in a readable format, and then reports the results of actual operations to the manager, together with a statement of variances from the budget. The manager must explain and comment on these variances to his superior who, in turn, is held accountable for his subordinate's performance. The system of responsibility, thus, channels up from the lowest level of managerial control to the highest.

This philosophy of departmental involvement cannot be overdone. Setting performance goals for departments without their concurrence in the attainment of these goals is certain to result in failure. However, departments should not be permitted to set goals which are not consistent with the goals of the city overall.

The set of budget estimates created by the departments transmits their goals and objectives for the year. The preparation of departmental requests differ, depending on the significance connected to budgeting, the size of the department, and the style of the department head. There may be a recognizable departmental budget staff and office, but budget preparation may be the part-time and *ad hoc* responsibility of the department head and various staff members.

Some keys for departmental budgeting are:

1. **Be as factual as possible.** It sometimes may be necessary to make "guesstimates," but it is dangerous to do so unless no other alternative is available. The history of the expenditure for the preceding years, the increase or decrease in cost, and the increase or decrease in demand for the item are all factors which will aid in decision making.

2. **Support the budget in as much detail as possible.** The next higher level of administration may be able to see the impact from change in the budget if they have detailed schedules.

3. **Gather all possible data before starting.** The budget is a compilation of individual facts. It is important to have as many of those facts as possible and in as much detail as possible.

The question arises as to whether budgets should be submitted, first by the various departments or divisions who are responsible for the performance of their functions—or whether an overall budget amount should be submitted to the departments with instructions to budget so as to achieve the desired results. In other words, do we budget from the top down, or from the bottom up?

The answer is a little of both. Successful budgeting requires total involvement of the departments who are expected to achieve the forecasted results. If a plan is submitted for these departments, and if their performance is to be measured against this plan, they should cooperate in setting the goals by which they will be measured.

Formulation of Recommendations

The budget is one of the most important responsibilities of the chief executive--mayor, city manager, or county manager--because it provides institutional focus for planning, programming, and policy.

Departmental budget requests are sent to the chief administrative officer for examination. This starts the second phase of the budget cycle: the preparation of the chief administrative officer's own recommended budget, which in turn, is presented for consideration to the legislature.

The authority to accumulate, combine, and streamline the specific departmental requests into a single budget that is matched to available revenues was delegated to the chief executive in the early twentieth century. Today, most local governments follow the principle of an "executive budget" by giving distinct statutory control to the chief executive (be it the mayor-council or council-manager form of government) to review departmental requests and prepare a budget for the legislature.

When the budget is set with the chief executive, much of the labor may be delegated to an administrative assistant or an assistant city manager (a frequent arrangement in smaller cities). In larger cities and counties, a budget officer or budget director reports straight to the chief executive. When budgeting is clearly and directly established with the chief executive, the control and accountability are centered and budgeting's significance as a dominant decision-making tool is underscored. When the budgeting responsibility is established in the finance department, it gives greater integration with financial management, particularly accounting. Most local governments, in one way or another, provide a solid linkage with the chief executive and his or her staff.

The departmental requests are inspected by the budget staff for mathematical correctness and adherence to uniform policy and technical guidelines. The chief executive routinely counts on the skill and analysis of the budget staff. When an individual department or division budget does not meet the overall goals of the organization, it is no easy task to have to go back to managers who have labored over their budgets for weeks and convince them that revised estimates are required to meet the overall goals.

Because the chief executive is typically charged with submitting a balanced budget to the legislature, the revenue estimates are an essential component of the second phase. The matching of revenues and expense places tremendous responsibilities on the chief executive, as his decision becomes a priority-setting exercise. He has to be responsive to the needs and desires of the departments, the will of the board or commission and his own preferences. His recommendation to the legislative body is usually a blending of all three groups' priorities.

Budget Adoption

The third phase of the budget cycle is the legislative examination of executive recommendations and the resulting approval of the budget by ordinance. The city council or commission that constitutes the legislative body usually carries little likeness to its counterparts at the state and national levels. Locally elected council members are largely part-time politicians. Staff support is limited. The data , know-how, experience, and competence that permit the United States Congress to direct a parallel examination of the administration's budget is at minimum.

The council normally studies the budget in an informal briefing prior to its formal submission. As an effect, council choices frequently have already been assimilated into the formal budget document by the time of its public release. The executive and the budget staff answer questions and explain and justify the recommendations. However, firsthand legislative communication with department heads is often limited. A Public hearing, required by city charter and/or Tennessee state law, is then conducted, after which the budget is voted upon and adopted into law. (See Exhibit 3 for sample ordinance)

Each city should refer to its city charter and historical precedent regarding how budget adoption should be handled.

Budget Execution

The budgetary process does not end with the appropriations ordinance but continues to function throughout the year as funds are obligated and disbursed. This process of budget execution is the fourth phase of the cycle.

The final approved budget must be communicated to all responsibility levels in the organization, along with periodic comparisons of actual performance to budget. This allows for mid-stream corrective action which assures that the organization will reach its goals.

The executive also observes the daily financial transactions. At the same time, he reports to the council, to whom he is accountable for the implementation of the budget.

Postaudit

The last phase of the budget process is the customary postaudit. Routinely viewed as an element of budget execution, it is assigned special status here to highlight its expanding importance in recent years. In the checks-and-balances of American government, it has long been held that the end-of-the-year validation of accounts and certification of the "books" should be handled independently of those in command of the finances during the year. In Tennessee, all local governments are compelled to conduct an external independent audit through a private accounting firm or a state government auditor.

The account structure of the budget, the "books" and the audit should be the same.

IV. THE BUDGET PROCESS

Although the budget process is outlined by the formal definitions of responsibility and authority, the real expenditure decisions are made by individuals acting within an informal design of budget guidelines.

Budget Roles

Each of the actors in the budget cycle has a specific role to play as prescribed by his formal responsibilities. Each budget role is part of a set of complementary and mutually reinforcing expectations. Roles fit together to define the budgetary division of labor. Departments, which begin the budget cycle, provide the impetus for the decisions of others; they are the spenders. The chief executive pulls the disparate parts together and matches spending with revenue; this is the role of the economizer. The legislature then reviews previous decisions and gives its authoritative stamp of approval to adopt the budget into law; they are the overseers.

Departments Are The Spenders. In building their requests, departments normally pursue more money than they obtained the year before and more than they are presently spending. Seldom do departments elect to ask for less. The department head holds an organizational post that fosters advocacy. It is the responsibility of the department head to champion the department and its program in the competition for the allotment of resources. It is in his or her self-interest to pursue a larger budget and more personnel for the power, stature, and advantages this provides. Additionally, because departments have few obligations to boost revenues, they are shielded from the resource constraint. Their requests are estimates of demand, compared against the natural scarcity of resources and the price of alternative programs.

In the strategy of the budget game, departments are padders. They ask for more than they need or expect to get a cushion against the cutbacks that are likely to be forced upon them by the executive and the legislative examination.

This view of spending originates from the professionalism of program managers, who are more adept at estimating service needs and desires than at estimating available overall resources. The request for increases often indicates a sincere commitment to goals and objectives and a belief in the importance of the program as a essential community service- all of which translates into an aggressive budgetary posture.

The Executive Is The Economizer. Since the departments contribute the upward drive for increases, the chief executive customarily takes the opposing role of the economizer. The chief executive is the central figure in the budgetary process and is open to a broad scope of pressures and concerns that give an incentive to hold the line on budget increases. The executive alone is accountable to (and possibly elected by) the entire community. The chief executive sees the different and separate interests from a more complete viewpoint than the other actors.

Additionally, the executive alone is responsible for submitting the revenue constraints into the budgetary equation. The executive has to consider the fact that for every dollar spent, an equal and offsetting dollar must be collected, thus moderating the executive's backing of any growth in spending. The chief executive is legally required to introduce a balanced budget to the legislature. The chief goal of the executive is to balance the budget.

Cutbacks are imposed, and the outcome is a budget smaller than that sought by the departments; but the recommendations to the legislature are still apt to be greater than the present amount of spending. The economizer role of the chief executive is not interpreted as resistance to all growth. Instead, it helps direct the pace and path of the increment of annual spending. Until the late 1970's, revenue increases were nearly automatic. The executive enacted cutbacks in original requests as a method of deciding among opposing demands and to make room for his or her favored programs. In the sequence of this economizing, the chief executive uses independent judgment and leadership in the public policy mechanism.

The chief executive must be the great compromiser. With department heads, employees, city council members and the general public all expecting some or all of their wants and needs to be fulfilled, the chief executive must be able to sense the common ground. This forces the executive to look at things very pragmatically and blend all of the desires into a winning combination. Leadership is critical.

The Legislature Is The Overseer. The role performed by the legislature (city council or county board) is one of examination and oversight. The legislature does not assemble the budget but examines the one that is put together by the executive. The legislature can adjust or reject executive recommendations, add to one department or take away from another, alter the total, ask about specific acts of waste and improper use of public funds, make sure that the budget for the preceding year was executed as it was proposed initially, and measure the usefulness of suggested programs. In determining projected spending, the legislature passes judgment on prior appropriations.

Budgetary Influence

Rivalry and conflict in the budgetary process are inevitable, even if muffled. Responsibilities and roles contrast, and values, preferences, and goals differ. Spenders tussle with the economizers and both are dependent on the decisions of the overseers. Who wins and who loses relies on the leverage each causes on the decisions of others. The organization called government can be seen as an association of semi-independent divisions held collectively by the allocation of material resources--the budget. Control is a chief determinant in the dealing for "who gets what." It should come as no surprise that the spending desires of the strong are most apparent in the municipal budget.

Who then holds power? No simple answer exists. With formal authority concentrated in the chief executive, the prevailing research tends to identify the elected mayor or the appointed manager as the central power figure.

In some places, the executive is susceptible to the influence of the departments. His recommendations are a result of bargaining, negotiation and compromise with the wants and needs of department heads. Almost everybody must get something in order to keep the morale of the people carrying out the effort at an acceptable level.

In terms of the association between the executive and the legislature, each arrives at an independent appraisal of the pace and direction of spending. The legislative viewpoint will prevail, and the executive must be careful not to be over committed to the department's or his own point of view.

A strong executive also is able to limit the contact between the departments and the legislature. Department heads should not be able to "go over the executive's head" and appeal to the legislators. Departments are not autonomous and should not make "end runs" to the commission. They are not privy to all the information required to balance the budget of the entire organization. The trust relationship between the executive and the department head can be permanently damaged.

Lawful budget authority is only one of the "two faces of power." Power is also exerted in a less obvious and less explicit style. The powerful use their informal influence to develop hurdles to spending recommendations they do not approve. They keep budget items from entering the public domain and record; so, the question must not only be asked of what was formally submitted and then deleted or adjusted but also what was never public. Conspicuous arguments are muffled. Definite actions are downplayed. The items that are "likely to go" are anticipated with cues and signals being sent and received. Behind-the-scenes discussion frees an item before it is formally put forward; thus the decisions of others are molded and restricted.

Interest Groups And External Pressures. Municipal budgeting is predisposed to be isolated from definite, organized community influence. While constituency backing may be a popular approach to the political process, when it comes to real participation and leverage in the budgetary process, interest groups are either uninvolved or uninfluential.

Formal budgeting is relatively independent from the definite influence of established interest groups in the community. It is an internal, bureaucratic business, controlled by those holding administrative offices. Accountability is vague and uncertain.

Two mechanisms to strengthen the public's power should be noted: public opinion surveys and decentralized, community-based budgeting. Both have grown out of the effort for greater citizen participation in government. Both seek to give greater input into the budgetary process in order to realize closer correlation between governmental spending and the public's values, choices, and preferences. Both, however, can be of but limited application.

CITIZEN SURVEYS

Accessing the public openly through opinion surveys is one way to find out how they want their taxes spent. A scientifically conducted, significant cross section of the complete community has the benefit of chronicling the opinions of all inhabitants, not just the voter, the politically active, and the powerful.

An interesting method for these surveys is the idea of budget pies. Respondents are given a drawing of a circle—the pie of the whole governmental budget—and asked about relative program allotments. An example is offered in Exhibit 4. This pie chart has the benefit of offering a pictorial illustration of spending. It explores the magnitude of spending choices relative to finite resources, which coincides with the real world of municipal budgeting. This visual conception is an explicit and clear example of the trade-offs between the total size of the budget and particular programs.

DECENTRALIZED BUDGETING

The arrangement of budget phases can be restructured to aid community access and influence. For example, public hearings could be conducted more frequently, earlier in the budget cycle (possibly by the departments themselves), and at many locations around the community. An outreach attempt could be made to distribute facts and to stimulate citizen interest. On-site workshops could be held to reveal financial data in a clear and comprehendible style and ease public access and control.

Decision-Making Models

There are two widespread ideas of how budget determinations are made: comprehensive-analytic and incremental.

Comprehensive-analytic decision making has been perceived as being more a prescriptive and conclusive statement of how decisions should be made rather than a practical depiction of how they in fact are made. Many reasons are submitted for this opinion: problem-solving ability is limited; knowledge and time are scarce; analysis has a price; information is inadequate to predict the effect of public programs; goals cannot be isolated; priorities cannot be unquestionably set; and social desires often are overlapping, fast changing, and conflicting.

In incremental budgeting the beginning assignment is to recognize and arrange goals corresponding to relative worth.
Governmental goals should be as clearly and distinctly explained as possible. Alternative policies should be definitely considered as alternative methods toward the accomplishment of goals. Specifically, expenditure decisions should be made consciously in the light of all goals they are expected to accomplish.

In the interests of a logical comparison of options, final expenditure decisions should not be made until all demands on the budget can be considered. Revenue and expenditure decisions should be consciously coordinated.

For each expenditure, some methodical and deliberate assessment of benefits and costs should be made. Incremental analysis specifies the existing base of spending and the annual increment. The most significant consideration in the current year's budget is the amount in last year's budget. Incremental budgeting also means that the annual examination is confined to financial factors.

Maybe what is most important about incremental decision making is the seemingly unstoppable growth that occurs every year. The cumulative effect of making incremental decisions each year, is ever-expanding expenditures. Deciding the significant, long-range pace and course of spending are outside the customary cycle of budgeting and beyond the effectual power of its participants. Little freedom exists to alter the flow of funds in any fiscal year since decisions are tied in by prior, mandatory, and fixed expenses.

V. THE MULTIPLE PURPOSES OF BUDGETING

The aims of the budget are control, management, and planning. Control is the established use of budgeting for financial accountability. Management utilizes the budget to focus the work on service delivery. Planning uses budgeting to initiate program and financial goals and objectives. The following pages summarize the purpose of control, management, and planning, which is both a depiction of how budgets are used in government and a prescription of how they might and ought to be used.

Budgeting as Financial Control

Traditionally, the purpose of the budget has been to assure financial conformity and accountability. The budget is essential to guarantee the appropriateness of public officials who have control over the public purse. Discretion to spend is restricted in order to insure that funds are disbursed throughout the year only in the amounts and in agreement with the intention of the approved budget. Methods of "counting and watching" have been developed to observe and direct the flow of funds so that at any given time it is known how much is available to be spent, on what, and by whom.

Control budgeting is predisposed to be essentially negative in its direction. Its goal is to inhibit governmental spending. By restricting the budget at its start and by holding a tight rein throughout the year, the growth is minimized from one year to the next. In this way, the balance between revenues and expenditures can be preserved, tax increases averted or lessened, and borrowing costs reduced.

The qualities of budgeting for expenditure control are described briefly in the following paragraphs.

Budgets Are Detailed. Expenditures are approved line by line, item by item. These form an "object-expense" budget format. As shown in Exhibit 5, each expense is listed and arranged from such major object groupings as personnel and other-than-personnel-services (OTPS, e.g. supplies, materials, equipment, and contractual services) to hundreds, if not thousands, of specific and precise items. The inclusion of personnel position schedules is customary. Each account line is coded numerically to distinguish every transaction. Line items are supposed to define exactly the amount and narrowly define what can be spent. The greater the detail and the more definite the appropriations, the easier it is to regulate outlays. This is the hallmark of control budgeting.

Budgeting Is Annual. The time span of the authority to spend, according to this principle of expenditure control, is confined and annually renewed. Each year the normal cycle of budgeting is repeated. Continual examination gives a routine occasion for keen supervision over what has occurred to the funds allocated earlier. In this way discretion is restricted and independence controlled. Nearly all local governments hold to this principle of control.

Budgeting Is Comprehensive. The budget should contain a projection of all financial transactions. Total receipts and outlays should be evaluated collectively. This involves such special purpose and earmarked revenues as monies to be collected from the federal and state governments, all other funds, special districts and authorities, and public benefit corporations that are tied to the general purpose municipality.

The Budget Is Unified. The budget should be arranged so that the linkage of the different parts is evident. All budget items should be dealt with and introduced consistently, and united as an essential part to a single budget. While the exercise of separating revenues and expenditures is a standard part of governmental accounting, according to this rule of expenditure control, the budget should make clear the relationship between the financial transactions in one part and those in a another.

Spending Is Preaudited. The budget does not comprise a directive to spend, only the authority to do so. Although legislative action establishes an outline for expenditures, the real disbursement of funds is neither automatic nor certain. Departments do not personally write the checks. Many policies and regulations must be complied with and many layers of permission must be acquired before any funds are legally obligated and any money is paid out. Bids and quotations must be compiled and studied, and requisitions, vouchers, and other documents must be executed by assorted departments and reviewed by the controller and the purchasing agent before the purchase order can be issued.

The preaudit, or "first instance" examination, of the expansionary departments by the economizer is meant to confirm that money is available and that it will be used in agreement with accounting standards and lawful controlling appropriations. A preaudit is uniform, as all agencies are handled alike and are subject to the same policies and regulations. It is comprehensive, as it covers all transactions. It is routine as it does not require a special basis and explanation but is built into daily operations.

Budgeting for control centers on the execution phase of the budget cycle through a process of internal regulations, observation, and approval. The major components are the following:

1. Personnel, position, and compensation plans are either in the budget or closely tied to it. Filling a position vacancy, a promotion, or any other personnel action consists of not only the personnel department but also the budget office. Such financial control serves to assure that the position is legally authorized, that the funds are available, and that the established salary is paid.

2. Purchasing supplies, materials, equipment, and other tangible goods (even when specifically contained in the budget) require special forms and documents and the consent of the budget or accounting office.

3. An apportionment/allotment system times outlays according to the life cycle of the program. The design is to assure that appropriations are available for the entire year.

4. Budget amendments throughout the year are directed for the most part by the central budget office. Discretion is limited, and policies and procedures oversee changes in line-item amounts within a department and prohibit switches of funds among departments.

5. When a charge is made to an appropriation account, an encumbrance system is used at an early point in the timing of financial transactions and in advance of the completed transaction. An accounting system is used that enters the amount when a purchase order is originally issued or when bids are accepted on a contract.

6. An internal audit for the actual disbursement of budget monies throughout the fiscal year is devised to assure that transactions are entered correctly and that governmental resources are secured appropriately. An internal audit is accomplished by checks and balances. Authority over funds is shared among a number of individuals; no single person can maneuver a transaction from beginning to end. When required, employees sign for work; other employees may countersign. Forms are numbered in sequence to assure that all transactions are entered. Some accounts are separately verified by material proof, by inventory, and by external controls. These and other internal audit techniques offer a continuous occasion to avert misfeasance, impropriety, and nonfeasance in office.

Generally Accepted Accounting Principles. Although taken for granted in the private sector, adherence to generally accepted accounting principles has often been lacking in local government. These accounting standards were begun by the Municipal Finance Officers Association (MFOA, now Government Finance Officers Association) as early as 1934, through what is now the National Council on Governmental Accounting. The American Institute of Certified Public Accountants and the Financial Accounting Standards Board have now entered the arena. When the accuracy of the numbers is in question, and fiscal slights of hand obscure a municipality's financial position, the need for consistent and universal accounting principles is underscored.

Full Disclosure. The monetary distress of cities, and the specific inability of a few cities to meet their debt obligations, has centered concern on the need for full disclosure of the financial position of municipal governments. The idea of the "riskless" condition of municipal securities has been broken.

Investors, creditors, and others now are requesting information that displays impartially the financial position of local governments. Unlike corporate instruments of indebtedness, the multi-billion-dollar-a-year issuance of municipal bonds and notes is not governed by the Securities and Exchange Commission (SEC), even though legislation to regulate them has been suggested in Congress several times. Instead, the readying of a prospectus is by voluntary conformance with the standards produced by GFOA and the incentives of the marketplace. Whatever form full disclosure takes, it places new requirements on the financial information system to furnish valid and credible information about the financial viability of local government.

Financial Reporting. To track funds throughout the fiscal year, a monthly or quarterly forecast of spending is developed and actual outlays are then charted against the projections. This type of financial report shows the rate of spending, which is most relevant for keeping a balanced budget and preventing unanticipated deficits.

Such a report regularly consists of (1) appropriations approved at the start of the fiscal year; (2) the amount disbursed for the last month (or quarter); (3) the amount disbursed for the year to date; (4) the amount encumbered (which is separate from the amount disbursed); and (5) the available balance (which is the initial appropriation minus the disbursements and encumbrances). A report of this kind may also show comparative data on disbursements for the same month in the prior year, ratios of total expenditures to the available balance and the initial appropriation, and the total expenditures to date compared with the prior year to date. The most significant element normally is the unencumbered balance. These breakdowns can be shown at any needed level of expenditure detail (e.g. salaries and wages, retirement fund contributions, insurance, and automotive maintenance), depending on the accounting system and account classifications. In addition to this object (or functional) breakdown, reports can be provided by department or agency programs, geographic districts or neighborhoods, and specific activities.

Postaudit. The closing element of the budgetary process is the postaudit. Its aim is to catch fraud and abuse of funds. Typically, audits for financial compliance examine (1) the appropriateness, legality, and mathematical correctness of accounts to assure that receipts have been recorded accurately and expenditures made in agreement with authorizations; (2) the impartiality and correctness of accounting statements in displaying the comprehensive financial position of the jurisdiction; and (3) the adherence of financial transactions to generally accepted accounting principles.

Unfortunately, the effects of control budgeting are often a narrow and unwieldy financial management system, identified by paperwork, minutia, duplication, intricacy, and inflexibility. Procedures finally win over purpose and often become counterproductive. In the hunt for "nickels and dimes", savings outlays are slowed and control is avoided. For every rule there are assorted interpretations, and for every procedure there are exceptions.

In an era of increasingly scarce resources, however, the importance of budgeting for expenditure control cannot be undervalued. Despite a profusion of red tape and delay, control is an essential part of budgetary and financial management. It helps to assure legality, public trust, financial accountability, and the financial solvency of local governments. Good budgeting acknowledges these pluses and minuses and builds useful control into the larger framework of operations and planning management. Government exists to provide goods and services to the public and the budget process must serve this end.

Budgeting as Operating Management

Management budgeting, long known as "performance" budgeting, takes the budget process beyond control to interpret the things bought by government into the things done by government. Management budgeting installs performance goals and objectives and focuses on quantitative indicators of output and accomplishment. Spending choices then become a vehicle for operational direction and control. Budget review extends beyond the cost of purchases to include the work of the departments and the processes that lead to the conclusion of programs and tasks.

Expenditures Are Classified By Activity. In management budgeting the control format of line items is expanded by the categorization of spending activities. Line items by themselves do not indicate the kind and amount of activities undertaken, goods produced, and services rendered.

The activities of government now assume importance. With the control format, the budget is not only a record of past payments, current outlays, and expected purchases; it also shows how dollars are used and what kinds of work activities are forecast.

Narrative Statements Are Provided. Narrative statements clarifying activities are another informational aspect of management budgeting. These beginning statements communicate agency responsibilities and goals to the definite jobs and tasks identified by the grouping of expenditure activity. They help show how appropriations serve the purposes of the agency. (see Exhibit 6)

Work Load Is Measured. A third attribute of management budgeting is work load measurements—quantitative indicators of work actually accomplished. They are a simple counting of the units of work finished, which is planned to coincide to the activity classification of expenditures as displayed in Exhibit 7. As a record is provided of finances, now a record is provided of the goods and services furnished.

Efficiency Is Measured. With the data about costs and services, the efficiency of the programs and tasks can now be measured. Efficiency, usually interpreted as the ratio of the measurable work done to the measurable resources used in doing that work, often takes the form of the average cost or employee days per unit of work load. Cost accounting is a way to compute these measures.

Efficiency is also a model for spending decisions. Just as control budgeting focuses on inputs, management budgeting is the output side of the policy equation. Decisions are not made on the basis of costs without some idea of the end-products; nor are they made in terms of services, separated from the attendant costs of producing the services. If two options cost the same, the one that generates the greater return will be chosen. Given the same outlay, the one that costs less will be chosen.

Efficiency cannot determine what goals and programs to follow, nor judge the worth of government benefits. Given the goals of government, efficiency associates services to costs. Once program missions are chosen, efficiency is critical to the evaluation of alternate paths to those ends. A management strategy to budgeting seeks to pinpoint activities that are not achieving, and to indicate the need for appropriate action.

Work Planning. Budgets can be built around the kind and amount of work to be shouldered in the next fiscal year. These work load targets are the "programming" part of budget preparation and consist of scheduling work, producing an organizational design, and initiating methods to reach the plan. Optional styles to accomplish this volume of work should also be considered at this time. Budgeting the work plan is next; the personnel, equipment, materials, and supplies needed to achieve the chosen level of work are priced in such terms as money, personnel, and equipment.

Performance forecasts offer another way to determine the budget. By coupling the input of resources to the output of the activities and work performed, the connection between a chosen level of service and the amount of funds needed to accomplish that service is established.

Performance Reporting. Management budgeting is distinguished by a orderly performance monitoring system. Feedback is acquired by examining and modifying definite and measurable productivity targets. Monthly and quarterly estimates of work loads and other performance indicators can be established at the beginning of the year and routinely reported as illustrated in Exhibit 8. Actual performance then can be equated with the plan.

Periodic reports on budget execution instill financial sensitivity in day-to-day management. Monthly meetings to review spending against the plan provide an arena for decision making that not only includes those who are spending budget monies but also those who are delivering the service.

Sharp or sudden departures from anticipated outlays imply (1) unreasonable revenue or expenditure estimates; (2) deficient accounting controls; (3) impulsive management decisions that pump up the rate and amount of spending; and (4) unplanned inflationary cost increases. Performance reports make it clear to department heads and other program managers that they must know the budget, the expenses that can be charged to it, and the controls they must use over their employees.

Modification Of Preaudit Controls. The modification of preaudit controls by the budget office is another attribute of a management budget. The once routine and compulsory requirement for departments to gain central approval before entering into financial commitments is decreased. Authority over the execution of the budget is decentralized to those who spend the money. The budget office's surveillance and intervention in the many ordinary expenditure decisions is decreased and departmental discretion is strengthened.

Management budgeting rejects the conventional and still extensive view that without centralized direction, departments would exploit their spending power and, as a result, overspend. Instead, it argues that internal cost awareness complements decreased centralized supervision. A concentrated focus on performance displaces the tug-of-war over dollars and cents.

As long as spending totals are kept and personnel rules and procedures observed, departments have greater freedom in spending. Appropriations are less detailed, line items grouped, forms and procedures streamlined. Budget centers are initiated to hold managers responsible.

Performance Auditing. The postaudit takes on a new direction toward efficiency and productivity. Performance auditing for management follows such questions as (1) the need for purchase; (2) the soundness of costs incurred, such as those in the purchase of products that have a low price in the beginning but a high maintenance cost and a short life span; (3) the adequacy of safeguards over resources acquired (e.g., inventory controls); (4) the adequacy of revenues received for goods and services sold (e.g., franchises); (5) duplication of effort by employees or among organizational units; (6) over-staffing in relation to work to be done; and (7) streamlining of forms, procedures, and the flow of paperwork.

Most local governments do not have extensive productivity improvement programs. Few jurisdictions measure the efficiency of their delivery of services on a regular and continuing basis. And where such evaluation systems do exist, they are not usually used in the budget process. The lack of procedures to measure efficiency casts doubt on the effectiveness of the attempt.

Budgeting for the purposes of management should be a vital part of the municipal budget process. Although local governments are concerned with productivity and performance, it appears that budgeting as an evaluation tool is secondary to other purposes.

Budgeting as Program and Financial Planning

Budgeting also facilitates program and financial planning as a public policy agenda; the budget is a means to determine what government should be doing, for whom, why, and with what results.

A planning budget has been most closely identified with planning-programming-budgeting (PPB), which gained popularity in the 1960's. Much has been written of the rise and fall of its distinctive procedures and forms, but this is of less concern than the ideas it advanced.

A budget process that is planning-oriented first plans, then programs, and finally budgets. In incremental budgeting, the budget is put together from the bottom up. Consequently, by the time the budget reaches the chief executive, he or she is forced to cut it in order to accomplish the required balance between revenues and expenditures and to implant his or her own program desires.

Budgeting for planning aspires to change this pattern to more definite and formal policy direction by the executive (and the legislature) during the department's original preparation of spending requests.

By first distinguishing the goals to be accomplished and their appropriate rank, a model for spending is established. Monies are allocated on the justification of program results. Once the goals have been approved, a second set of survey questions examines the usefulness of programs in accomplishing their purpose, fulfilling demand, meeting needs, and solving the problems to which they were addressed. The relative success and failure in meeting desired accomplishments becomes a budgetary measure. Is the program worth the money? What is the ratio of costs to benefits? Are there optional ways to achieve the same goal?

A Program Is Devised. The most apparent factor that sets a planning budget apart from budgeting for control and management is the rearrangement of line items into a program structure as depicted in Exhibit 9. This form helps distinguish and define the central objective of public spending and the priorities among elective ways to accomplish established goals. So, without concern for existing organizational goals, interrelated activities are clustered by common objectives.

Budgets Are Planned. While the budget is always a plan in the sense that it is aimed toward the next year, it does not necessarily mean that the budget is a product of a planning process. Planning has two connotations in budgeting. One is to estimate the effect of the present upon the future. A definite and calculated inquiry for anticipated results several years hence is made. A second connotation of planning is to outline the future. Decisions made in one year are meant to bring a desired outcome in a following year. A series of annual decisions and actions, corresponding to some determinable schedule, may be needed to bring about a goal. In this way, each budget is a one-year installment in the implementation, of a long-range plan.

Multi-year projections of both revenues and expenditures, three to five years hence, depict the future orientation of a planning budget. Revenue projections initiate the framework of available resources and emphasize the likelihood for tax increases and their probable effects. When combined with data about general community circumstances, a planning budget can advance an economic development scheme. Pointless to say, available revenues set the borders for expenditures such that imminent imbalances can be recognized in advance. The long-range conditions of unmanageable and fixed costs can be disclosed, as well as the future effect of current obligations.

Effectiveness Is Measured. Budgeting for planning seeks to measure program effectiveness. Some types of effectiveness indicators are: the betterment and change in circumstances that result from programs; customer satisfaction; the degree to which needs and requirements have been met (i.e., the ratio of actual to potential recipients); the quality of service delivery, which takes into account the extent of excellence; accessibility (i.e., distance travelled); equity of the dissemination of services among economic groups, neighborhoods, and any other relevant features; and the cost/effectiveness ratio that decides the expenditure per unit of achieved results. Specific examples of effectiveness measures are displayed in Exhibit 10.

Measures of effectiveness act as feedback on program performance in the same style as the financial and management information systems addressed earlier. While the reliability and soundness of these indicators are hard to ascertain, once developed and accepted, the indicators can extend the existing performance reporting system.

Program Audits. Another component of budgeting for planning is the redefinition of the postaudit to assess outcome. This is called program auditing by the Government Accounting Office, because it "determines whether the desired results or benefits are being achieved, whether the objectives established by the legislature or other authorizing bodies are being met, and whether the agency has considered alternatives which might yield desired results at a lower cost."

Although budgeting for financial and program planning has not been a major effort in most cities, PPB, and other management approaches may be used more in the decade of the nineties. The pressures for more productivity, the constraints of tax and expenditure limitations, and the volatile municipal bond market may force cities and other local governments to adopt more precise forms of budgeting and financial planning.

Capital Budgeting

We have primarily dealt with operating budgets, however cities must determine whether a capital investment is acceptable before making it. Four common methods of acceptability may be used:

1. **Payback**—measures the net cash inflows against the initial cost to determine how many years of inflow are needed to obtain payback of the initial investment. This is usually expressed as a "two year payback." The method has disadvantages in that it ignores cash inflows after the payback period, and it also ignores the decrease in the value of money due to inflation and the timing of its receipt, that is, its present value. Nevertheless, this method is simple and can be an acceptable yardstick.

2. **Return on Investment**—is a measure of the percentage of the annual cash inflow of the original investment. A $10,000 inflow from an original cash investment of $50,000 results in a 20% ROI. This method does not work well if cash flows are unequal over the useful life, nor does it give consideration to the expected duration of the cash flows. A 30% ROI for 10 years is obviously better than a 30% ROI for a shorter period, but the simple percentage figure does not express that advantage.

3. **Present Value**—relates the cash flow, for each year and for all years, adjusted for the time value of the money, to the original cash investment. The cash inflows are "discounted" back to the present. This method is difficult to compute manually, but any standard book of accounting tables contains present value tables which make the computation easy. Many calculators and computer programs are available to make the calculations. This method is the best of all, but it requires the use of the proper discount rate and determining the useful life of the project, both key to the calculations.

4. **Internal Rate of Return**—is similar to the present value or discounted cash flow method. However, it finds a discount rate for the expected cash inflows, using a trial and error method, which exactly equals the original investment. This rate of return is then compared to the organization's standard or required rate of return to determine whether the project is acceptable.

Due to the sophistication required to reach a capital budget decision, departments and divisions normally complete a Capital Budget Request which describes the project, setting forth complete reasons for the expenditure. From this, the finance department or other central organization estimates the cash inflows and useful life with which to calculate the project's acceptability.

Zero Base Budgeting

As with many other heralded improvements, the single components of zero-base budgeting (ZBB) are far from uncommon. In it own specific fashion, ZBB unites rational and evaluative means from the past to forge a results-oriented, priority-setting budget process.

Much has been written on ZBB. Briefly, it is the identification of decision or service units, the formation of distinct decision packages for each of these units, and the ranking of the alternative packages.

Decision units are initiated first by program managers and illustrate the information aspect of the budget. Next, decision packages are designed for each decision unit.

Several decisions packages are provided for each unit. In actual routine, the number of alternative packages tends to be limited to three, either a constant dollar or a current service level and one above and one below the level chosen.

The final step is the ranking of decision packages. ZBB is essentially a tool of the executive, to be weighed when drafting his or her spending suggestions to the legislature. ZBB does not, in fact, compel the preparation and formulation of the budget from scratch each year.

ZBB is marginalism with a twist. The marginal analysis in ZBB, nevertheless, is significantly distinct from incremental budgeting. With ZBB, marginal analysis affects more than cost; it includes program performance.

Though ZBB is often looked at as a method for cutback management, it does not necessarily spawn monetary reductions. ZBB will not lead to program termination as much as it will lead to the redirection of funds among activities and programs based on considerations of the weakness and effectiveness of the activities and programs. It is a vehicle to link management and planning to the budget process.

Federal Aid

The growth and decline of national and state government financial support to local government has fundamentally changed the perspective of municipal financing and is a possibly far-reaching violation in the principles of budgetary control, management, and planning.

One effect of external monies is the spiral in total outlays. Notwithstanding the amount of federal money secured--and the matching funds required--the per capita amount of spending is still higher when federal backing is present. The reasons for this include indirect costs associated with enlarged activities, the costs of bearing the programs abandoned by alteration in grant laws and policies, and the bureaucratic ailments long connected with federal grants, including accounting, reporting, and auditing mandates.

While few local studies are available, those done for state governments show that federal funds are examined with less care and are subject to less state direction than those financed by state-generated revenues.

"Multi-pocket" budgeting gives an occasion for departments (sometimes with the consent of the executive) to bypass and disregard the purpose of legislatively approved appropriations.

The following budget-making arrangements and policies
comprise a checklist to measure the extent of local expenditure control over federal (and state) funds:

1. Does the executive budget contain federal and state aid? Does it report all of the different forms such aid takes? Or does it report a total city-wide?

2. Does the city council or county board specifically appropriate federal and state money? If so, is it considered part of the department's total funding or is it portrayed as a separate and self-limiting appropriation?

3. How are expenditures arranged? Are they lump sums or line-items? To what extent do they correspond to the existing budgetary format?

4. Is the purpose of these external funds validated by the city council or county board in any manner, such as a report accompanying the budget ordinance, or as part of the appropriation itself?

5. Are the direct and indirect financial effects estimated?

6 What is the time period of authorization? Is it an annual appropriation or open-ended until all funds are obtained and spent?

7. Are the amounts of "in-kind" and financial matching criteria defined? Are local funds permitted to be transferred or simply counted as the matching requirements by the executive and/or the departments?

8. Are the expenditure controls of budget execution also employed to those funds?

9. How is this money accounted for, reported, and audited?

10. What mechanism exists for the modification of shortfalls in the receipt of federal and state money? Is there a reduction in the local share or a reduction in the total amount? Are local funds supplemented or is there no defined approach?

11. Similarly, what mechanism exists for the receipt of an increase in outside money? Does the city council or county board have to approve its acceptance and appropriate its use?

12. Is there any legislative mechanism to found and evaluate standards for the allocation of federal funds between programs where discretion exists, as in block grant type aid?

Federal and state financial transfers also often damage efficient budgeting. Rarely are there positive inducements to efficiently manage federal money; any "savings" has to be returned.

A report by the Congressional Budget Office identifies these problems and advances three means to deal with the uncertainties of federal aid. **Advance targeting** is the decision to roll five-year spending targets. While such "out-year" forecasts are certainly available, they are informational and do not embody the direction of the President nor the decisions of Congress. The Congressional Budget Office advises that such advance targets be accepted as declaration of policy through their adoption into law. **Advance spending** is appropriating federal funds for a year or more before they can be obligated. This provides a chance for early decision making on local funding levels for grants. Finally, **two-year appropriations** is the approval of the biennial budget cycle used, in many states, for selected federal programs.

VI. BUDGETING IN A TIME OF CONSTRAINTS

Although assertions about future public events are dangerous, it seems that local governments are encountering serious resource constraints. Incidents of recent years have questioned the persistent increase of governmental revenues and spending that have been traditionally taken for granted. Budgets are more likely to be made in terms of decrements, rather then increments, to the base of earlier spending levels.

Financial stringency has several origins; accelerating expenses; inflation; inelastic revenue sources; rising interest rates; the local economic base may decline, collective bargaining agreements; and rising energy costs. Thus, expenditures increase faster than revenues.

In some cases, "belt tightening" is all that's needed. Spending can be constricted according to the susceptibility of account categories. A priority sequence of the types of necessary purchases can be identified. Travel, training, capital and other items can be slowed down or cancelled to meet an unexpected downturn in revenues without reducing existing levels of service.

Another way to cut the budget is the "meat ax." Equal percentage cuts to all departments will accomplish the necessary budget balancing. However, it allows the management and the legislature to escape their responsibility to distinguish between services and to prioritize needs. "Across the board cuts" affect good managers and poor managers alike. There is a strong tendency to protect poor managers by increasing budgets to cover their overruns; good managers do not use unnecessary resources and therefore have less padding to cut in an "across the board" situation.

Most of those already in government cannot be expected to look favorably toward the approaching cuts. Several "tricks" are available to the department head or chief executive to manipulate the legislative decisions. Cuts that will have to be reestablished later (e.g., deliberate under-budgeting for mandated costs, cancellations of programs that are politically popular i.e.) can be made.

In terms of who wins and who loses in the budgetary process, several observations can be noted. When examined as a policy-making process, budgeting in a financial crunch strengthens the dominance of traditional, incremental, control budgeting. Accounting principles have recovered their authority after years in eclipse. Proactive management and planning approaches are less likely to be established; they may even be the first to go as a luxury that can no longer be afforded.

Summary

So where does this leave us? The concerns and coalitions that hold the reins of government vary; the demands, needs and financial circumstances change; and the methods and procedures used to make the budget decisions shift. The budget process and its following financial policy, however, have to be faced and understood. This is a constant--as is the political conflict over "who gets what."

EXHIBITS

EXHIBIT 1

THE TOTAL BUDGET CYCLE

1988

January	March	May	July	December
Preparation by Departments	Formulation of Recommendations by Chief Administrator	Ratification by City Council	BUDGET EXECUTION	

1989

January	July	December
BUDGET EXECUTION	AUDIT and PERFORMANCE EVALUATION	

EXHIBIT 2

SAMPLE BUDGET CALENDAR

First 2 weeks in January	Organizational meeting with department heads and heads of operating divisions to distribute the budget packets and other budget related information. Chief Administrator provides general comments, direction and overview of the budget process.
Middle of February	All departments will have submitted budget requests to the budget officer or appropriate administrator. All requested budget information should be completed.
Late February	Departmental budget hearings with the Chief Administrator and other Finance and Budget staff.
First week in March	First review of estimated revenue projections.
March	By matching revenues and expenditures, tentative budget is produced.
First week in April	Final budget review and recommendations by Chief Administrator.
April	Printing of proposed document.
First week in May	Proposed budget presented to city council in workshops.
May-June 15	Public hearing and passage on three readings by city council.
June 16-30	Adjustments to reflect changes adopted by the city council.
June 30	Budget adopted.
July 1	The fiscal year officially begins.

EXHIBIT 3

ORDINANCE NO. 2721

AN ORDINANCE APPROPRIATING FUNDS TO THE VARIOUS DEPARTMENTS AND DIVISIONS OF THE CITY GOVERNMENT OF THE CITY OF ________, TENNESSEE, FOR THE FISCAL YEAR BEGINNING JULY 1, 1988: TO AUTHORIZE THE BORROWING OF FUNDS UPON REVENUE ANTICIPATION NOTES: TO AUTHORIZE THE ISSUANCE OF SUCH NOTES: TO PROVIDE FOR THE EXPENDITURE OF SAID FUNDS: AND TO PROVIDE FOR THE REPAYMENT THEREOF

BE IT ORDAINED BY THE CITY OF ________, AS FOLLOWS:

SECTION I. That the funds received from the sources shown under "Revenue" for each of the Funds for the fiscal year beginning July 1, 1988 be, and the same are hereby appropriated for the purpose set forth in detail below, under "Expenditures" for each of the Funds, and the payment of expenses and obligations of the city of ________, for the fiscal year beginning July 1, 1988.

All books of accounts, orders, payrolls, or other official documents related to the items of appropriations covered hereby shall indicate the code as prefixed to the items named.

ESTIMATED REVENUE AND EXPENDITURES BY FUND FOR THE FISCAL YEAR BEGINNING JULY 1, 1988:

GENERAL FUND

REVENUES:

PROPERTY TAXES-CURRENT	$ 9,700,000
PENALTY & INTEREST	160,000
IN LIEU OF TAXES	
J. C. POWER BOARD	527,000
J. C. HOUSING AUTHORITY	58,000
T. V. A.	212,500
OTHERS	14,000
CITY WATER/SEWER	175,700
CABLE FEES	131,600
STATE SALES TAX	1,745,500
LOCAL SALES TAX	5,945,000
STATE INCOME TAX	264,400
STATE EXCISE TAX	50,000
STATE BEER TAX	22,800
LOCAL BEER TAX	985,000
STATE MIXED DRINK TAX	270,000
LOCAL LIQUOR TAX	190,000
MAINTENANCE OF STATE ROUTES	48,000
HIGHWAY, STREET, & TRANSIT	124,600
LANDFILL CHARGES	374,000
MUNICIPAL COURT	210,000
PARKING TICKETS	15,000
JUVENILE COURT FINES & FEES	33,000
CIRCUIT COURT FEES	60,000
ALARM SYSTEM FEES	13,000
ACCIDENT REPORTS & COPIES	10,000
PROJECT STAR	-0-
BUSINESS LICENSE & GROSS RECEIPTS	420,000
PERMITS:	
BUILDING	96,800
ELECTRICAL	46,200
PLUMBING	25,300
GAS	12,100
MECHANICAL	5,500
HOUSING	-0-
ZONING	13,200
BEVERAGE & PRIVATE CLUB	18,000
OTHER	1,000
RENT ON PUBLIC FACILITIES	19,000
PINE OAKS GOLF COURSE	400,000

PARKS & RECREATION		180,000
INTEREST		412,300
HOTEL/MOTEL OCCUPANCY TAX		380,000
STATE STREET AID		1,058,300
REVENUE SHARING		-0-
SCHOOL TRANSIT		78,000
BOARDING OF PRISONERS		280,000
CIVIL DEFENSE		60,000
COMMERCIAL GARBAGE COLLECTION		225,000
SALE OF GARBAGE		15,000
GARBAGE SERVICE		58,000
SCHOOL BUS CHARTERS		24,000
SR. CITIZENS - COUNTY		20,000
SR. CITIZENS - STATE		36,000
SALE OF REAL ESTATE		-0-
SALE OF SURPLUS ITEMS		16,000
STATE R. O. W. CONTRACT		26,000
OTHER REVENUE		100,000
SUB-TOTAL	$	25,364,800
SHARED ADMINISTRATIVE EXPENSES		
CITY WATER/SEWER	$	267,800
REGIONAL WATER/SEWER		96,900
REGIONAL SOLID WASTE		59,100
FREEDOM HALL		20,000
PARKING		2,000
SUB-TOTAL	$	445,800
TOTAL GENERAL FUND REVENUES	$	25,810,600

SUMMARY OF EXPENDITURES:

DEBT SERVICE	$	1,639,934
LEGISLATIVE		40,295
JUDICIAL		497,691
EXECUTIVE		371,014
ELECTIONS		16,000
FINANCE		988,765
PURCHASING		114,224
HUMAN RESOURCES		241,073
PLANNING		253,170
MUNICIPAL & SAFETY BUILDING		208,201

MISCELLANEOUS APPROPRIATIONS	62,810
PUBLIC FACILITIES	50,124
RISK MANAGEMENT	416,046
GEOGRAPHIC INFORMATION SYSTEMS	44,572
POLICE	4,617,845
FIRE	2,357,322
CIVIL DEFENSE	75,561
PUBLIC WORKS	5,142,617
PARKS & RECREATION	1,361,274
PINE OAKS GOLF COURSE	400,000
SENIOR CITIZENS	343,979
STUDENT TRANSIT	$ 759,635
SUB-TOTAL	$ 20,002,152
SPECIAL APPROPRIATIONS	$ 1,144,448
SCHOOL FUND SUPPLEMENT	4,300,000
MASS TRANSIT SUPPLEMENT	259,000
FREEDOM HALL SUPPLEMENT	100,000
PARKING SUPPLEMENT	-0-
MTPO	5,000
SUB-TOTAL	$ 5,808,448

INTERGOVERNMENTAL DIVISIONS:

MOTOR TRANSPORT	$ -0-
MANAGEMENT INFORMATION SYSTEMS	-0-
CENTRAL PRINTING	-0-
WAREHOUSE	-0-
SUB-TOTAL	-0-
TOTAL GENERAL FUND EXPENDITURES	$ 25,810,600

PUBLIC SCHOOL FUND

REVENUE:

TUITION - SUMMER SCHOOL	$ 6,000
TUITION - REGULAR DAY	48,000
TUITION - ADULT FEES	43,000
INTEREST	75,000

ARTIST IN RESIDENCE	2,500
COUNTY PROPERTY TAX	2,056,200
COUNTY SALES TAX	2,529,500
TENNESSEE MINIMUM FOUNDATION	5,429,800
OTHER SYSTEMS HANDICAPPED	115,000
TEXTBOOKS	75,600
DRIVER'S TRAINING	15,800
TEACHERS SICK LEAVE	39,000
VOCATIONAL BASIC GRANT	87,000
VOCATIONAL WORK STUDY	1,400
VOCATIONAL HANDICAPPED	11,300
VOCATIONAL DISADVANTAGED	22,700
EVENING SCHOOL	20,800
CAPITAL OUTLAY	72,200
ADULT BASIC EDUCATION	9,000
INSTRUCTIONAL AIDES	133,000
CAREER LADDER PROGRAM	551,000
INSURANCE REIMBURSEMENT	262,800
DUTY FREE LUNCH	13,800
OTHER STATE REVENUE	44,000
P. L. 874	17,400
HANDICAPPED	7,600
VOCATIONAL CONSUMER & HOMEMAKER	2,900
U. S. D. A. LUNCH CLAIMS	380,000
U. S. D. A. BREAKFAST CLAIMS	92,000
LUNCH PAYMENTS - CHILDREN	371,000
LUNCH PAYMENTS - ADULTS	46,000
BREAKFAST PAYMENTS - CHILDREN	6,000
R. O. T. C.	23,600
VOCATIONAL BASIC GRANT - FEDERAL	25,000
INDIRECT COSTS	22,000
OTHER FEDERAL TRANSFERS	120,000
FOOD SERVICES REFUNDS	51,000
OTHER REVENUES	-0-
SUB-TOTAL	$ 12,558,900
GENERAL FUND CONTRIBUTION	$ 4,300,000
REVENUE SHARING:	-0-
SUB-TOTAL	$ 4,300,000
TOTAL AVAILABLE FUNDS	$ 16,858,900

TOTAL SCHOOL FUND EXPENDITURES	$ 16,858,900

REVENUE SHARING FUND:

REVENUE:

ENTITLEMENT	$ -0-
INTEREST	-0-
PRIOR YEARS SURPLUS	-0-
TOTAL REVENUE	$ -0-

EXPENDITURES:

GENERAL	$ -0-
SCHOOL FUND (OPERATIONS)	-0-
SCHOOL FUND (CAPITAL)	-0-
TO SURPLUS	-0-
TOTAL EXPENDITURES	$ -0-

REGIONAL SOLID WASTE:

OPERATING REVENUE:

GARBAGE COLLECTION FEE	$ 785,000
MISCELLANEOUS REVENUE	350,000
TOTAL OPERATING REVENUE	$ 1,135,000

EXPENDITURES:

ADMIN. EXPENSE TO GENERAL FUND	$ 59,100
GARBAGE COLLECTION	920,000
DEBT SERVICE	155,000
RESERVE	-0-
TOTAL EXPENDITURES	$ 1,135,000

EXHIBIT 3

METROPOLITAN TRANSPORTATION PLANNING:

REVENUE:

FHWA SECTION 112	$ 48,000
UMTA SECTION 8	22,500
UMTA SECTION 9	42,666
PRIOR YEARS RESERVE	5,000
GENERAL FUND SUPPLEMENT	5,000
TOTAL REVENUE	$ 123,666

EXPENDITURES:

OPERATING COST	$ 123,666
RESERVE	-0-
TOTAL EXPENDITURES	$ 123,666

MASS TRANSIT:

FEDERAL OPER. ASSISTANCE	$ 271,416
FEDERAL CAPITAL ASSISTANCE	692,000
MATCHING FUNDS	-0-
STATE OPER. ASSISTANCE	46,000
STATE CAPITAL ASSISTANCE	86,500
FEES	145,600
GENERAL FUND SUPPLEMENT	259,000
RENTAL INCOME (RTC)	18,000
OTHER INCOME	8,000
RESERVE	16,516
TOTAL AVAILABLE FUNDS	$ 1,543,032
TOTAL EXPENDITURES	$ 1,543,032

INDUSTRIAL PARK:

REVENUE:

ARC GRANT	$ -0-
SALE OF LAND	150,000
OTHER REVENUE	-0-
TOTAL AVAILABLE FUNDS	$ 150,000

EXPENDITURES:

CONSTRUCTION	$ -0-
DEBT SERVICE	150,000
RESERVE FOR DEBT SERVICE	-0-
TOTAL EXPENDITURES	$ 150,000

COMMUNITY DEVELOPMENT FUND:

REVENUE:

FEDERAL GRANT	$ 445,000
INTEREST	-0-
PROGRAM INCOME	-0-
PRIOR YEARS RESERVE	$ 80,000
TOTAL REVENUE	$ 525,000

EXPENDITURES:

ELIG. PROJECT ACTIVITIES	$ 525,000
TOTAL EXPENDITURES	$ 525,000

FREEDOM HALL:

REVENUE:

ARENA	$ 2,036,131
PARKING REVENUE	23,000

OPERATING TRANSFER FROM GENERAL FUND	100,000
OTHER REVENUE	50,000
TOTAL REVENUE	$ 2,209,131

CITY WATER/SEWER FUND:

WATER SALES	$ 4,219,418
SERVICE CHARGES	66,500
INTEREST	178,000
OTHER REVENUES	12,000
WATER TAP FEES	95,000
SUB-TOTAL	$ 4,570,918
SEWER SERVICE	3,725,118
BIOCHEMICAL OXYGEN DEMAND	65,000
SUSPENDED SOLIDS	35,000
OTHER REVENUE	-0-
INDUSTRIAL MONITORING	80,000
SEWER TAP FEES	130,000
SUB-TOTAL	$ 4,035,118
ADMINISTRATIVE EXPENSE TO REG.	115,000
SALE OF WATER TO REG. SYSTEM	227,000
TOTAL AVAILABLE FUNDS	$ 8,948,036

EXPENDITURES:

WATER	$ 2,452,164
SEWER	2,286,372
IN LIEU OF TAX	175,700
SHARED ADMIN. EXPENSES	267,800
DEBT SERVICE - INTEREST	3,429,000
DEPRECIATION	338,000
PROVISION FOR BAD DEBTS	-0-
TOTAL EXPENDITURES	$ 8,948,036

EXHIBIT 3

REGIONAL WATER/SEWER FUND:

WATER SALES	$	1,634,800
SERVICE CHARGES		17,300
DISCOUNTS		39,000
SALE (COLONIAL HTS.)	$	70,000
INTEREST		240,100
OTHER REVENUE		3,600
WATER TAP FEES		60,000
SUB-TOTAL	$	2,064,800
SEWER SERVICES	$	469,000
SERVICE CHARGES		-0-
OTHER REVENUE		365
SEWER TAP FEES		50,000
SUB-TOTAL	$	519,365
TOTAL AVAILABLE FUNDS	$	2,584,165

EXPENDITURES:

WATER	$	769,592
SEWER		495,673
ADMIN. EXPENSE TO GENERAL FUND		96,900
DEBT SERVICE - INTEREST		880,000
DEPRECIATION		-0-
PROVISION FOR BAD DEBTS		-0-
ADMIN. EXPENSE TO CITY WATER		115,000
WATER PURCHASE FROM CITY		227,000
TOTAL EXPENDITURES	$	2,584,165

SECTION II. BE IT FURTHER ORDAINED, that the City of ________ Tennessee, is hereby authorized to borrow money on revenue anticipation notes provided such notes are first approved by the State Director of Local Finance, to pay for the expenses herein authorized until the taxes and other revenue for the fiscal year 1988-89 have been collected, not exceeding 50 percent of the appropriations of each individual fund. The proceeds of loans for each individual fund shall be used only to pay the expenses and other requirements of the fund for which the loan is made and the loan shall be paid out of revenue of the fund for which is borrowed. The notes evidencing the loans authorized under this section shall be used under the authority of Section 7-36-103-(18), Tennessee Code Annotated. Said notes shall be signed by the City Manager and countersigned by the City Recorder and shall mature and be paid in full without renewal not later than June 30, 1989.

SECTION III. That each department shall limit its expenditures to the amount appropriated; therefore, unless the Board of Commissioners shall, by ordinance or resolution, authorize a transfer from one department to another.

SECTION IV. That inasmuch as the fiscal year of the City of ______ begins July 1, 1988, this ordinance shall take effect from and after July 1, 1988, the welfare of the City requiring it.

PASSED ON FIRST READING ______
PASSED ON SECOND READING ______
PASSED ON THIRD READING ______
APPROVED AND SIGNED IN OPEN MEETING
THIS ____ DAY OF _______, 1988.

____
Mayor

ATTEST:

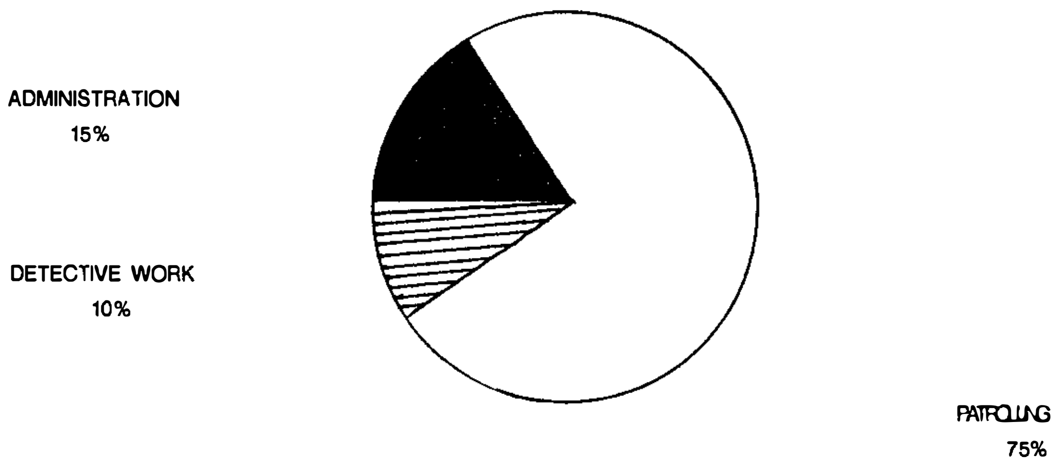
____
City Recorder

APPROVED AS TO FORM:

____
City Attorney

EXHIBIT 4

HOW THE POLICE SHOULD SPEND THEIR TIME



This Is the current breakdown.

HOW WOULD YOU DO IT?

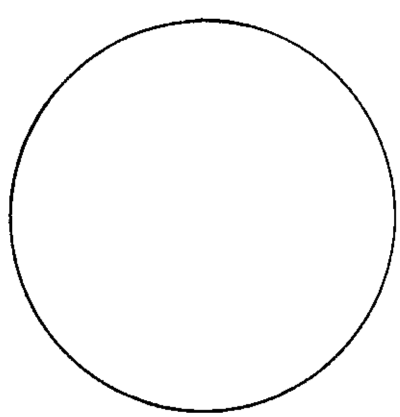


EXHIBIT 5

Anytown Tennessee
Public Works Department
General Fund Budget

OBJECT OF EXPENDITURES	19?? Expended	19?? Budgeted	19?? Expended	19?? Proposed
PERSONNEL SERVICES				
110. Salaries and Wages - Full Time	119,704.60	127,115.00	146.530.56	138,392.00
120. Salaries and Wages - Part Time	1,295.25	—	152.45	175.00
TOTAL PERSONNEL	121,099.85	127,115.00	146,683.01	138,567.00
CONTRACTUAL SERVICES				
212. Telephone/Telegraph	137.79	115.00	154.35	160.00
213. Traveling & Conference	50.00	250.00	306.00	75.00
215. Car Allowance	143.45	125.00	234.00	135.00
227. Printing	---	---	105.86	1,200.00
229. Photo/Blue Printing	96.37	300.00	4.38	1,200.00
234. Social Security	2,028.28	3,149.00	3,496.64	3,523.68
235. Hospitalization Ins.	1,103.34	1,176.00	1,360.80	1,470.00
241. Building Fire Ins.	1,078.98	156.00	238.43	288.60

EXHIBIT 5

OBJECT OF EXPENDITURES		19?? Expended	19?? Budgeted	19?? Expended	19?? Proposed
246.	Vehicle Liability Ins.	486.38	487.00	666.61	1,153.24
247.	Vehicle Fire & Theft Ins.	74.36	75.00	70.29	---
249.	Retirement plan	5,388.77	6,974.97	6,974.97	3,707.08
251.	Electricity - Building	566.28	475.00	575.29	540.00
252.	Electricity - St Light	33,479.21	35,000.00	34,737.72	37,500.00
255.	Gas Service	1,097.48	1,000.00	823.74	1,000.00
COMMODITIES (cont'd)					
379.	Road Oil	272.85	300.00	105.73	300.00
382.	Salt	14,637.00	15,000.00	27,448.51	30,000.00
386.	Food Supplies	256.83	200.00	363.73	300.00
389.	Other Supplies	401.97	200.00	455.33	250.00
TOTAL COMMODITIES		57,549.98	52,920.00	70,822.46	74,970.00
CAPITAL OUTLAY - EQUIPMENT					
411.	Furniture & Fixtures	1,153.59	515.00	429.98	360.00
412.	Mechanical Equipment	3,930.74	8,260.00	23,193.85	1,850.00
415.	Radio Equipment	---	---	---	---

EXHIBIT 5

OBJECT OF EXPENDITURES	19?? Expended	19?? Budgeted	19?? Expended	19?? Proposed
423. Trucks	14,855.35	7,000.00	7,152.11	7,000.00
TOTAL CAPITAL OUTLAY - EQUIP	19,939.68	15,775.00	30,775.94	9,210.00
CAPITAL OUTLAY - LAND BUILDINGS & IMPROVEMENTS				
510. Building & Fixed Equip	1,197.58	200.00	396.68	130.00
520. Streets	88,843.53	95,600.00	50,237.13	121,000.00
530. Sidewalks	4,850.48	7,700.00	1,136.40	12,000.00
550. Storm Sewers	7,738.79	20,180.00	21,062.31	6,000.00
580. Land	—	3,000.00	—	—
TOTAL CAPITAL OUTLAY - LAND, BUILDINGS, & IMPROV.	102,724.89	128,080.00	73,985.46	149,630.00
TOTAL PUBLIC WORKS BUDGET	354,264.96	378,073.00	380,672.18	429,331.00

EXHIBIT 6

BUDGET NARRATIVE

POLICE ADMINISTRATION

This program establishes policies, provides direction and controls the operation of the Police Department. It includes costs for the Police Chief, the Deputy Police Chief, clerical support and the planning officer.

CRIMINAL INVESTIGATION

The function of the Criminal Investigation Division is to conduct investigations of all major felony crimes as well as other cases that require thorough investigation.

PATROL

The patrol division consists of personnel assigned to four platoons and is responsible for prevention and suppression of most illegal activities. It also responds to many non-criminal service needs and calls for assistance from the general public.

EXHIBIT 7

MEASURING THE WORK

Program	Dept. Estimate	Prior Year	Inc./Dec.
CRIMINAL INVESTIGATION			
Cases investigated	1,200	1,200	0
Investigative man-hours	22,880	20,800	2,080
Total arrests	2,450	2,400	50
% of cases cleared	40%	38%	2%
PATROL			
Units In service per 8-hour shift	22	21	1
Calls for service	27,750	27,500	250

EXHIBIT 8

MANAGEMENT PERFORMANCE REPORT

Indicator	Prior Year (actual)	Current (est.)	4-Month (est.)	4-Month (actual)
CRIMINAL INVESTIGATION				
Cases investigated	1,200	1,200	400	377
Investigative man-hours	20,800	22,880	7,627	7,444
Total arrests	2,400	2,450	40	34
% of cases cleared	38%	40%	40%	34%
PATROL				
Units in service per 8-hour shift	21	22	22	22
Calls for service	27,500	27,750	9,250	10,053

EXHIBIT 9

PLANNED PROGRAM STRUCTURE

PROGRAM: Protection of persons and property

DEPARTMENTS INVOLVED

Police
Fire
Emergency Management

FUNCTIONAL ELEMENTS

Police Administration
Fire Administration
Police records
Emergency Communications
Police Patrol
Police Criminal Investigation
Fire Prevention
Fire Protection
Emergency Management

EXHIBIT 10

EFFECTIVENESS MEASURES

OBJECTIVE	SERVICE ASPECT	SPECIFIC MEASURE	DATA SOURCE
CRIME PREVENTION	Crime Rates	Reported crimes per 1,000 population	Incident Reports
	Casualties	Number killed In course of crimes	Incident Reports
	Property Loss	Dollar loss from crime per 1,000 population	Incident Reports
APPREHENSION OF OFFENDERS	Crime "Solved"	Percentage of crimes cleared	Incident Reports
	Effectiveness of Arrest	Percentage of arrests ending in conviction	Arrest and Court Records
	Stolen Property Recovered	Percentage of stolen property recovered	Incident Reports and Arrest Records

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