INSTITUTE FOR CRIMINAL JUSTICE EDUCATION

ICJE, P.O. Box 293, Montgomery, AL 36101 * 334-280-0020

Budgeting Basics

R. D. Stuart, Director of Communications, City of Montgomery, Alabama

Introduction

Those who make the choice to enter the field of law enforcement, do so for many different reasons and have many different goals. Generally, becoming the person responsible for their department's budget is not one of those goals. However, budget preparation is one of the most important administrative tasks of a public safety organization. Public accountability necessitates justification for expenditures of public dollars. Public safety agencies cannot operate at any level, without the funding for their operations or programs. Thus, the budget process, as challenging as it may be, is a necessary step in achieving organizational goals. This article will not give you all the information needed to prepare a budget. It is simply intended to reinforce the importance of sound budgeting techniques, and show how the preparation and presentation of a budget can lead to a better funded agency that is able to successfully achieve its goals.

The Importance of Budgets

No matter the size or type of agency, some method of anticipating future costs is a necessity. While agencies can differ widely in their choice or approach to budgeting, one of the easiest approaches is the use of Incremental Budgeting. This method looks at last year's appropriation and adds a given amount or percent, to cover inflation. It is often considered a "mindless" method and not recommended.1 One of the more popular methods is the Line Item Budget, but there are other alternatives such as Zero Based, Performance, and Program Based Budgets.2 Many times, an individual or department does not pick the type budget used, but instead follows the lead of their controlling authority. The controlling authority is a person or group who gives the final approval to the budget and appropriates the funding necessary to support the budget request.3

Another point of difference between agencies is the internal importance of their budget document. Some agencies may use their budget as a "general roadmap" to expenditures - with no repercussions if expenditures exceed the amount budgeted. The City of Madison, Wisconsin, is apparently an example of this. In 2005, the City of Madison Police Department over expended their operating budget by about one million dollars. The City had to cover the expenditure through reserved funds. The Mayor's spokesman dismissed the concerns and explained this as "routine".4 Other agencies may be forced to "live within" the amount approved by the controlling authority. When this is the case, it would certainly necessitate a sound budget preparation process.

Still another difference between agencies lies in their success for gaining approval of their budget. Ask yourself the question, “How often are items/programs cut from my budget?” There are generally three reasons items or programs are removed by Mayors, commissions, etc. First, is politics (which this article will not help you solve). Secondly, the lack of available funds (the city, county or state simply does not have adequate revenue). The third and final reason may be the lack of sufficient justification, explanation or accountability for items in the proposed budget.

Line Item Budget

As described earlier, the most common type budget is the Line Item Budget. In a Line Item Budget, anticipated expenses are divided into similar categories. These categories are usually pre-defined in a code of accounts provided by the controlling authority. There will be categories for such items as utilities, personnel, outside contracts, facility maintenance, capital improvements, and vehicle maintenance.5 There are generally two types of items that will fit in these categories. You might call them the “must haves” and the “like to haves”. The mandatory items (“must haves”) such as utility bills and salaries for existing personnel are usually very easy to justify. The ones that require more effort are the “like to haves”, or discretionary expenses. Examples are additional personnel, new vehicles, and additional equipment.

While the mandatory items tend to be found on a recurring basis, it is important to review them each budget cycle. For example, you may have been paying (and budgeting) the same amount for two years for an office equipment maintenance contract. How do you know this expense will remain the same for the next budget cycle? The answer is you do not, unless you do your homework and check with the vendor. Most vendors (especially the ones that do business with the government sector) are accustomed to providing quotations during a budget preparation cycle and will guarantee pricing for the upcoming budget year. Therefore, revisiting your budget items can help to keep the budget more closely aligned with actual costs. It is also important, where possible, to request quotations from multiple vendors - to get the best price on the item or service. Saving money in one area may allow flexibility in other areas of your budget.

Another issue to consider is the expiration of multi-year contracts. Assume for a moment that your department has a contract for uniforms at a set price “per-piece”. You look at the quantities used last year and determine the appropriate quantities you will need for next year and incorporate those projections into your budget. After your budget has been approved, you learn your uniform contract has ended and must be competitively bid again. When the bids are received, you see inflation at work. All the items have increased in cost by more than ten percent. A situation like this is the best example of why every item in a budget should be carefully examined each year.

A good method of assessing each line item, each year, is to use a form of Zero Based Budgeting (ZBB). ZBB gained popularity in the 1976 presidential election when it was endorsed by President Carter. It assumes that each agency, department, etc., starts with no money and has to justify its existence - thus, it's budget.6 In a limited use of this concept, we look at each line item and assume it is at zero. We then ask the questions, “Do we still need this item?”, “How many do we actually need?” and finally, “What is the cost?” Based on the answers to these questions, a decision is made line item by line item.

Not all items (or their costs) can be definitively projected in to a budget. Take as examples, overtime, fuel, legal fees, and payouts for resigned or retired personnel. The quantity and cost of these type items must be anticipated as close as possible to derive a realistic projection. A good starting point is prior year expenditures, but this alone is usually not sufficient. Consideration must be given to what circumstances are different for this year compared to other years. For example, a significant pay raise for personnel is going to mean that your overtime budget must be increased by a comparable amount. This will ensure adequate funding for an equal number of overtime hours.

Planning a Justification

New programs, new or different equipment, additional personnel, timely equipment replacement, and office space are often the most difficult items to receive funding in a public safety budget. These items could range in cost from a few dollars to millions. Whichever the case, you must usually impart to the controlling authority why it is necessary, how it is going to be used and what benefit will be seen. Care must be used not to fill your discretionary list with “gizmos and widgets”. While some of these items can be extremely beneficial, careful consideration must be given to each item to ensure that proper explanation and justification exist. If you anticipate being questioned verbally concerning the requested items, be prepared, anticipate questions, and devise answers before you are put on the spot to respond to those questions. If not, the requester can lose credibility with the approving authority.

It is important to determine the “actual” versus “perceived” need for an item, before requesting it through the budget process. In doing this, you will be accomplishing two things; (1) determining if the money will be well spent and, (2) developing a justification used to convince the controlling authority to fund the item. Depending upon the item requested, the approach will be different. It may be an item for which a cost benefit analysis would be appropriate. For example, you want to buy several new cars because a statement was made that “repairs to the cars are costing more than replacement of the cars.” Do not rely on these open ended statements for your justification. Go a step further and gather documentation of repair costs, down time, lost patrol time, etc., to back up the statement.

Another example would be an agency wanting to hire an additional meter maid, to address the rise in parking complaints. The initial response may be that salary costs could be better spent on other items or personnel. However, if the justification included the amount of revenue generated from tickets issued by a single meter maid each year, it may be found that the additional salary and fringe benefit costs would be more than offset by the received revenue.

Strategic Planning

The more costly items presented for budget consideration typically require much justification and research. One way to provide this justification is to show the correlation between the item requested and achieving a goal. To be credible, the goal should be defined in the agency's strategic plan. A strategic plan is a document which results from a process of examining missions, goals and objectives.7 It usually includes - as a minimum - the mission statement of the department, goals and objectives, and clearly defined methods of measuring performance. It is not a budget, but a road map to achieve a desired outcome.

Once a comprehensive strategic plan is developed, it is critical that it be accepted and supported by your controlling authority. If done correctly, a strong relationship should emerge between the strategic plan and many of the items in the department's annual budget. It is important to note that a strategic plan is not designed to address routine operational changes, but major changes to programs, missions or similar
endeavors.8

Performance Based Budgeting

Another approach in submitting requests for the addition of new programs within the department is the inclusion of Performance Based Budgeting (PBB). PBB requires all anticipated costs associated with the new activity be captured and reported separately. This would include personnel costs, fringe benefits, vehicles, vehicle operation costs, uniforms, office supplies, utilities, etc. This will give the controlling authority (and you) the opportunity to see the cost of the new program versus the anticipated outcomes. Continuing this process for multiple budget cycles, allows the program's effectiveness to be evaluated. For example, a department wants to add four officers on motorcycles to enforce traffic laws. The officers will spend ninety-five percent of their time enforcing traffic laws. The remaining five percent will be spent assisting in other areas of the department. All additional costs associated with the program will be documented, less the five percent spent on other duties. In a predetermined amount of time after implementation, the program will be evaluated to determine its effectiveness, using criteria such as changes in citations issued, accidents, citizen complaints, and citizen feedback after the program starts.

Conclusion

Following the suggestions and guidelines discussed in this paper will not guarantee that your budget will be approved and funded in its entirety. However, it is hard for mayors, commissions and other administrators to deny support (and hopefully funding) when indisputable justification exists. There are, however, times when no matter how good the justification, the governing body can not afford full funding of your budget or special programs.

Endnotes

1 Lorch, Robert S. State and Local Politics. Englewood Cliffs: Prentice-Hall, 1989: 292.

2 Thetford, Robert, and Louis M. Harris. First Line Supervision. Montgomery: Institute for Criminal Justice Education Press, 2002: 85.

3 Ibid, p. 83.

4 Stockwell, Greg. “Police Over Budget, But Student Parties Only Part of the Problem.” The Daily Cardinal. Madison, Wisconsin, 1 December 2005. <www.dailycardinal.com/article.php?storyid=1027912>

5 Hudzik, John, and Gary Cordner. Planning in Criminal Justice Organizations and Systems. New York: Macmillian, 1983: 250.

6 Ibid, p. 254.

7 Ibid, p. 291.

8 Ibid, p. 292.
