

## CHAPTER VIII

### BUDGETING

①

The supervisor must be concerned with what it costs to operate the unit. They must stress economic measures with all members of their unit.

Waste in the form of over requisitioning, under utilization, incomplete projects and irregularities can be reduced and even eliminated by good supervision. Your supervisor will undoubtedly insist that the supervisor be economy minded. Therefore, your supervisor will seek to develop a sense of cost consciousness at all levels of the operation. The cost of operation is expressed in the form of a budget. The plan, expressed in financial terms, by which a total program is created for the period of time, is called a Budget.

#### THE BUDGET

1. states the objectives
2. Indicates how resources shall be used to meet these objectives.

The Budget of the unit will serve as an administrative tool for the supervisor. It will be used to limit expenditures within categories and to force review and justification of each current program. The arrangements of the budget cannot be completely inflexible.

#### THREE PHASES OF BUDGETING

1. PREPARATION: This consists of accumulating data which will show the cost of carrying out the various phases of the operation. The operating units should take an active part in this phase of budgeting. They should be included in the budget. They should also specify what resources will be required for the program and why they are needed. After data has been presented by the unit supervisor, their supervisor must determine which programs are essential to the department's operation.
2. ADOPTION: In this phase the supervisor's supervisor will present the plans, in the form of the budget, to the Agency's Head. This group is usually responsible for overseeing how the various departments operate and their costs. On the basis of the request and, of course, the amount of money available, the budget will be decided and adopted.

It may be adopted in the form presented or in modified form. If modified, the budget will probably show some evidence of slashing.

3. EXECUTION: Disbursements are arranged as outlined in the approved budget. This is most important to the supervisor who must fit the operation of their unit to the expenditures allotted in the budget.

#### TYPES OF BUDGET

1. CAPITAL BUDGET: This program is for the construction of public buildings and other large public works programs. It is a long range plan.

This type is approved in a general form but is revised yearly. The part of the budget which is to be realized the coming year is made part of the current budget.

2. CURRENT OPERATING BUDGET: This provides for salaries, equipment, supplies and similar items. There are two types of current budgets in general use. The system is called Line Item Budget and Performance Program Budget.

3. LINE ITEM BUDGET: Specifies the estimated cost of each particular item; such as salaries, printing and other costs, etc.

- a. is largely an accounting device. In this kind of budget the supervisor bases requests on the experiences of the previous year together with other essential factors. The line item budget assures that money is only spent for the purpose specified.

4. PERFORMANCE BUDGET: Specifies what the supervisor intends to accomplish and what it will cost. It permits the supervisor to spend the allotted money for workers, equipment, or supplies as seen fit. It holds the supervisor accountable on the basis of whether or not the projected program has been carried out.

#### SOME ADVANTAGES OF A PERFORMANCE BUDGET ARE:

- a. it is easily understood
- b. it produces a sense of cost consciousness in supervisors
- c. it shows the cost of each program and activities
- d. it encourages programming, planning, and evaluating

- e. It gives the supervisor a little more flexibility in deciding how, when, and where money should be spent. But, it still holds them accountable for carrying out their planned objectives.

THEREFORE, A PERFORMANCE BUDGET INVOLVES;

- a. Input. What goes into the operation and what it will cost.
- b. Output. What goals are to be accomplished.

Finally, the supervisor must exercise careful control over expenditures. They must see that their units should carry out their program economically and within limits, but also participate in the preparation of the budget as this develops Cost Consciousness.

The control aspects of the budget are realized when the supervisor makes frequent checks to see that the work performed and the money spent are kept in proper balance.

#### REMEMBER

1. Think of your budget as your operating guide.
2. Collect information for your budget requests early.
3. Keep your workers informed about budget decisions.

#### QUESTION 1

The usual procedure is for estimates of expenditures to be included in a budget, to be first prepared

- A. The unit that is to receive the money
- B. Commissioners
- C. The Comptroller
- D. A Staff of budget experts.

ANSWER A: This is the usual procedure, for they are in the best position to determine the cost of operation.

#### QUESTION 2

If it is necessary to cut down on expenses in a unit, the best procedure to take first would be

- A. to eliminate unnecessary telephone calls
- B. to eliminate overlapping duties and vague divisions of work
- C. to check on waste of time caused by tardiness and long lunch hours.
- D. to eliminate waste of paper and other office materials.

ANSWER B: Follow this procedure because it effects the whole organization.

QUESTION 3

Of the following, the most fundamental reason for the use of budgets is that it

- A. minimize seasonal variations in work loads and expenditures of agencies
- B. facilitate decentralization of functions performed by agencies
- C. provide advance control on the expenditure of funds
- D. establish valid basis for comparing activities with corresponding activities in previous periods.

ANSWER C: This is the prime reason.