

THE BASICS OF BUDGETING II

**ADOPTED FROM: THE BUDGET-
BUILDING BOOK FOR
NONPROFITS**

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Goal

- **Basic Steps in Creating a Program or Unit Budget**

Who Are We & What Do We Know?

- Name
- Department
- Budget Responsibility
- What do you want from the workshop?



Basic Steps in Creating a Program or Unit Budget

- Step 1. Identify anticipated sources and amounts of income
- Step 2. Set specific goals for the program or unit
- Step 3. Prepare a detailed workplan for reaching the goals
- Step 4. Identify all the resources (employees, consultants, facilities, and supplies)
- Step 5. Estimating expenses of all resources
- Step 6. Prepare the budget

Step 1. Identify Anticipated Sources of Income

- General Fund – Unrestricted
- Categorical Fund – Restricted

Step 2. Set Specific Goals for the Program or Unit

Before starting on the numbers, answer three questions about the coming year

- 1. What must this program or unit do?**
 - Make a list of the top priority things for next year
 - Quit only when it is a good definition of a successful year
- 2. Who will see that it gets done?**
 - Fix personal responsibility for achieving the goals
- 3. When will it have to be finished?**
 - Assign due dates

Step 2. Set Specific Goals for the Program or Unit

Setting Two Kinds of Program or Unit Goals

- **Outcome Goals**

- Measurable statements of what a program or unit is expected to accomplish during the coming year
- *Example: Enable 50 potential CHC dropouts entering the 2nd year to complete their 2nd year*

- **Activity Goals**

- Measurable statements of activities or services that will help the program reach its outcome goals
- *Example: Provide an average of 350 hours of counseling to each of 100 potential CHC dropouts during each year of the project*

Step 3. Prepare a Detailed Workplan for Reaching Goals

Sample Program or Unit Workplan

	Action Steps	Responsible Person	Target Date
1	Establish written eligibility criteria	Project Staff	Week 6
2	Design intake forms and procedures	Counselors	Week 6
3	Make initial contacts with students	Recruiter	Week 6
4	Reach agreement with CHC faculty and staff for referrals	Recruiter	Week 8
5	Orient CHC faculty and staff to eligibility criteria and referral procedures	Recruiter	Week 10
6	Design outreach and recruitment activities and materials	Recruiter and Project Director	Week 9
7	Begin ongoing outreach and recruitment	Recruiter	Week 10
8	Begin accepting referrals and walk-ins	Counselors	Week 10
9	Screen referrals and walk-ins for eligibility (ongoing)	Counselors	Week 12
10	Enroll minimum 15 eligible students per month (ongoing)	Counselors and Recruiter	Months 4-11
11	Help enrollee begin implementing plan by 6th week after enrollment (ongoing)	Counselors	Months 5-13
37	Prepare and submit final program evaluation and financial reports	Project Director	Month 36

Step 4. Identify All the Resources

- **Employee Wages**
 - **Certificated (1's)**
 - **Classified (2's)**
- **Employee Benefits (3's)**
- **Books and Supplies (4's)**
- **Services, Other Operating Expenses (5's)**
- **Capital Outlay (6's)**

Step 4. Identify All the Resources

Employee Wages: Certificated (1's)

- **1201.00 Certificated Managers**
- **1300.00 Instructors Day/Hourly**
- **1304.00 Instructor Hourly/Work Experience**
- **1310.00 Pay-For-Course Prof. Hours**
- **1480.00 Non-instructional Hourly**

Step 4. Identify All the Resources

Employee Wages: Classified (2's)

- **2101.00 Classified Supervisor**
- **2181.00 Class Unit Member Non-instructional**
- **2380.00 Part-time/Overtime/Student**
- **2381.00 Nonstudent Hourly**
- **2382.00 Overtime**
- **2386.00 Substitute, No Additional Cost**
- **2401.00 Non-student Instructional Aides**

Step 4. Identify All the Resources

Employee Benefits (3's)

- **3110.00 STRS-Teachers & Instructional Aides**
- **3210.00 PERS Class/I.A. Non-instructional Other**
- **3424.00 Blueshield-HMO Class**
- **3423.00 Kaiser-Class/I.A. Non-instructional**
- **3434.00 Dental-Other-Academic**
- **3630.00 Workers Compensation Other Academic**

Step 4. Identify All the Resources

Books and Supplies (4's)

- **4210.00 Magazines & Subscriptions**
- **4220.00 Reference Books**
- **4300.00 Instructional Supplies**
- **4430.00 Software**
- **4500.00 Non-instructional supplies**
- **4551.00 Printing**

Step 4. Identify All the Resources

Services, Other Operating Expenses (5's)

- **5112.00 Consultants**
- **5113.00 Independent Contractors**
- **5120.00 Other Contracts/Outside Services**
- **5200.00 Travel & Conference Expenses**
- **5310.00 Dues & Memberships**
- **5630.00 Maintenance Agreements**
- **5640.00 Repairs & Maintenance**
- **5808.00 Advertising**
- **5830.00 Software/On-Site/Internet Service**

Step 4. Identify All the Resources

Capital Outlay (6's)

- **6220.00 Building Improvements**
- **6400.00 Additional/Improved Equipment**
- **6410.00 Additional Equip. - \$1,000 or More**



Step 5. Estimate Expenses of All the Resources

1. Annual Policy Decisions

- **Cost increases** – Will salaries, wages, and operating expenses be increased? If so, by how much? Include planned and contractual wage increases.
- **Cost of growth or savings from reduction** – Any additional expenses/savings related to generating growth or reducing programs or services. May include additional costs/savings from changes in marketing activities, hours/days open for service, and special events.



Step 5. Estimate Expenses of All the Resources

2. Estimating Salaries and Wages

- **List salaries of all authorized positions, including vacancies**
- **Budget Overtime**
- **Budget Part-time Staff**

3. Estimating Fringe Benefits

- **Refer to Past Expenses**
- **Check with District Fiscal Services**



Step 5. Estimate Expenses of All the Resources

4. Estimating Other Operating Costs

Identifying Projected Prices

- Increases built into leases and other contracts
- Price changes for services, supplies, materials, commodities, and equipment required to operate programs or services (contact vendors, suppliers)

Identify Changes in Usage or Volume

- Changes in operations likely to reduce or increase the use of supplies, materials, services, equipment, or other non-salary costs (expansion or contraction of services)



Step 5. Estimate Expenses of All the Resources

Justification of Travel Expenses

Staff Mileage \$ 2,670

Estimated 10 round trips per month x 12 months between Springfield headquarters and Lambertville satellite by private auto at 50 miles each trip x 44.5 cents per mile

Client Travel \$ 12,000

Rental of 50-seat bus for 1 round trip a week between Lambertville and Springfield to attend job training classes for estimated 48 weeks at \$250 per trip

Conferences and Conventions \$ 2,000

Four round-trip airfares from Springfield to Denver, Colorado, at \$500 each for professional development conference on "Exemplary Programs for Increasing High School Graduation Rates"

Counseling Consultants

Five days of assistance by counselors at \$1,000 per day \$ 5,000

Step 6: Prepare the Budget

- **Step 1. Identify anticipated sources and amounts of income** – *General Fund, etc.*
- **Step 2. Set specific goals for the program or unit** – *what, who, & when; outcome & activity*
- **Step 3. Prepare a detailed workplan for reaching the goals** – *action steps, who, & when*
- **Step 4. Identify all the resources** – *Chart of Accounts (employees, consultants, facilities, and supplies)*
- **Step 5. Estimating expenses of all resources** – *annual policy decisions (cost of growth, increases), salaries, benefits, other operating costs (projected prices, changes in usage or volume)*
- **Step 6. Prepare the budget**



A Resource Checklist

- **Human Resources/Payroll**
 - Salaries, benefits, cost-of-living-adjustments (COLA), and minimum wage increases
- **Fiscal Services**
 - Financial statements, expense reports, economic assumptions, inflation, calendar dates
- **Your Boss**
 - Goals for the department, expectations, any other agendas
- **Subordinates**
 - Goals for the department, ideas that might not have occurred to you, previous experience, agreement on what they must do to support you

Typical Approaches/ Considerations

- **Travel Expenses**
 - planned conference/training agenda for the year
- **Seasonal Expenses**
 - seasonal trends?
- **Irregular Expenses**
 - annual/semi-annual expenses
- **Expenses Related to Headcount**
 - established guidelines for office supplies per position

General Advice

- **Plan the Plan**
 - Keep the calendar loose enough to allow for planning
- **Planning is a Means, Not an End**
 - Good planning should not get in the way of operations
- **Keep it Friendly**
 - Those managing the process should bend over backwards to be warm, fuzzy, and accommodating
 - Help the people who are helping you
 - Assemble common data everyone will need
 - Develop and share standard spreadsheet templates and planning models
- **Get the Right Tools**
 - Personal Computers, spreadsheet software, and trained people

General Advice

- **Control Wiggle Room**
 - Don't allow each layer in the organization to add "wiggle room"
- **Have a Budget Philosophy**
 - How will departments be evaluated? Communicate the philosophy to everyone, early
- **Minimize Damage From Bad Processes**
- **Good Planning Isn't Created – It Grows**
 - It's impossible to implement a good process immediately
 - It is possible to destroy an organization by force-feeding a superb budget process for which it is not ready
 - Always consider how much planning-process growth the organization can tolerate in the coming year

PLANNER'S RULE

THE PRESIDENT GETS ALL THE WIGGLE ROOM –
EVERYONE ELSE MUST BE ACCURATE

Custodial Budget Example

- **Step 1. Identify anticipated sources and amounts of income** – *General Fund, etc.*
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- **Step 6. Prepare the budget**

Custodial Budget Example

Step 1 – Identify Anticipated Sources and Amounts of Income

- Existing allocation to division, no other sources of income

Custodial Budget Example

Step 2 – Set Specific Goals for the Program or Unit

- Clean additional 53,000 square feet for LRC
- Maintain existing service levels

Custodial Budget Example

Step 3 – Prepare a Detailed Workplan for Reaching Goals

Sample Custodial Workplan

	Action Steps	Responsible Person	Target Date
1	Determine staffing requirements	Supervisor	Week 1
2	Determine supply requirements	Supervisor	Week 1
3	Determine staffing assignments	Supervisor	Week 5
4	Recruit and hire staff	Supervisor/HR	Week 10
5	Order supplies	Supervisor	Week 10
6	Train staff	Supervisor	Week 11

Custodial Budget Example

Step 4 – Identify All the Resources

- Class Unit Member Non-instructional (2 full-time equivalent (FTE) for 53,000 square feet)
- Benefits (2 full-time equivalent (FTE))
- Overtime
- Substitute, No Additional Cost
- Software
- Non-instructional Supplies
- Additional Equipment - \$1,000 or More

Custodial Budget Example

Step 5 – Estimate Expenses of All the Resources

- 5.1 Annual Policy Decisions
- 5.2 Estimating Salaries and Wages
- 5.3 Estimating Fringe Benefits
- 5.4 Estimating Other Operating Costs

Custodial Budget Example

Step 5 – Estimate Expenses of All the Resources

- 5.1 Annual Policy Decisions
 - 4275 FTES Target
- 5.2 Estimating Salaries and Wages
 - Class Unit Member Non-instructional - \$72,600
 - Overtime - \$1,000
 - Substitute, No Additional Cost - \$500
- 5.3 Estimating Fringe Benefits
 - Benefits - \$32,800

Custodial Budget Example

Step 5 – Estimate Expenses of All the Resources

- 5.4 Estimating Other Operating Costs – Projected Prices, Inflation, Usage or Volume
 - Software - \$200
 - Non-instructional Supplies - \$20,000
 - Additional Equipment - \$1,000 or More - \$5,000

Custodial Budget Example

Step 6 – Prepare the Budget

- Class Unit Member Non-instructional - \$72,600
- Benefits - \$32,800
- Overtime - \$1,000
- Substitute, No Additional Cost - \$500
- Software - \$200
- Non-instructional Supplies - \$20,000
- Additional Equipment - \$1,000 or More - \$5,000