Exhibit 2-11  The Incremental Budget Process

Despite the increasing sophistication of professional budgeting practices in local governments, many believe that the true budget process, hidden from view, goes something like this:

- Last year’s appropriation, plus
- Automatic increases for existing personnel, plus
- Cost of inflation to continue existing level of services, plus
- Cost of additional service by unit (if any), plus
- New program costs or “quality” improvements (if any)

This approach also fails to produce a budget document responsive and accountable to the taxing, spending, and policy priorities of the citizens. Therefore, public administration professionals should work toward a budget process which permits informed choices concerning the inevitable trade-offs between operating agency needs and overall government fiscal and policy priorities.

☑ EXERCISE: MASTERING THE BUDGET PROCESS

In order to get a better feel for the budget process, the following simple exercise is designed to help you experience the processes and perspectives involved in government budgeting. Before you begin, please keep in mind two facts about this exercise:

- First, in the following chapters there will be exercises that will help you acquire or refine your skills in doing rather detailed budget work. For now, however, the exercise is simply to prepare what might be viewed as a “rough draft outline” for a budget request.
- Second, the exercise continues with a structured “mini-role-play” in which participants will act in one or more of four roles. We are well aware of the over-simplifications built into these roles, and you should be as well.

Notwithstanding these two qualifications, this exercise will prove highly useful to those without much exposure to public budgeting and will offer some helpful reminders and insights to seasoned veterans of the budget process as well.

Step One: Homework

- Students who are employed in the public sector should obtain a copy of their agency’s mission statement. This can usually be located in the Adopted Budget, an Annual Report, or perhaps in a Management Plan which guides operations. If you are not employed in government and/or do not have access and adequate background on any
<table>
<thead>
<tr>
<th>Agency Budget Proposal Form</th>
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<tbody>
<tr>
<td>Agency Name:</td>
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<td>Proposal Name:</td>
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<tr>
<td>Submitted by:</td>
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<td>Need:</td>
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</tbody>
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**Description:**

**First Year Cost:**

- Personal Services:
- Operating Expenses:
- Capital Outlay:

**Future Year Cost:**

- FY 2:
- FY 3:
- FY 4:
- FY 5:

**Measure of Success:**

**Required Changes:**

Particular agency, please choose from the options provided at the end of this chapter as Exhibits 2-15, 2-16, and 2-17.

- Now, keeping in mind the mission and your knowledge of the agency, identify one change (a new program or significant modification of an existing program) which you
Exhibit 2-13 Four Roles in the Budget Process

Agency Director: As the person with final responsibility for development and presentation of the budget request for your agency, your principal concern is to acquire the dollars necessary to produce the services your agency will be expected to deliver in the coming year. In addition, your professionalism, your loyalty to "your" people (employees, clients, or both), and your selfish interests all coincide in the desire to expand the quantity and increase the quality of those services.

On the other hand, you expect to continue in your position for years to come or be promoted. Thus, you want to be known as a team player, and would prefer to be thought of as someone with a perspective which extends beyond the limits of your agency.

Budget Officer: Your job is to help the Chief Executive evaluate and assemble agency budget requests into a single document which meets the needs of the Chief Executive, conforms to all legal requirements, is prepared on time, uses the proper format and codes, is mathematically accurate, can be defended in terms of agency mission-program objectives-performance standards, and does not waste taxpayers' money, particularly when there are many reasonable but unfunded requests for which the money could be spent. Your job is to determine a recommendation on the agency director's request and then defend your recommendation to the Chief Executive.

Chief Executive: You are the one official, whether elected or appointed, who is individually responsible for managing the entire local government for the benefit of all the citizens. You want a budget which: balances revenues and expenditures, keeps taxes down, provides agencies with the dollars they need to be effective service providers, reflects your own policy priorities, and will be adopted with minimal fuss by the legislators.

Legislator: Your position is part-time, low-paid, and full of aggravation. Still, being a legislator carries a certain amount of power and prestige, offers a chance to make a difference in your community, and may be of help in promoting your small business. You've been reelected once pretty easily, but you are always afraid that some big flap will result in real opposition. You don't want to get beat, but while in office you are going to express your opinions!

believe would improve the agency's ability to perform its mission. The total first year budget for your proposal cannot exceed $100,000.

- Using only the form provided without attachments (see Exhibit 2-12), please address the following:

1. Demonstrate the need for your proposal to be adopted.

2. Explain how the program would function when implemented.

3. Estimate the first-year cost of adopting the proposal. Note only three subtotals (personnel, operating, and capital outlay) and remember your first-year cost cannot exceed $100,000.

4. Estimate the annual cost for years two through five should the proposal be accepted.

5. Identify the best quantitative measure of program success or failure.

6. List changes (if any) which would be required at your agency in order that the proposed program be implemented.
An Assessment of the Budget Process Exercise

Student Name: __________________________ Date: ____________

Did the role play(s) you participated in produce a "good" budget outcome balancing agency needs and government-wide priorities?

How did your proposal fare? Why did it succeed beyond your dreams, or, what could you do to make it even more successful if you could try again?

Pick three adjectives which best describe the budget process role play(s) you participated in and explain your choices.

- Be prepared to make a two-minute oral presentation of your proposal and to answer questions from executive/budget officials and/or legislators.
- Bring at least two extra copies of your proposal to class to present for analysis.
Step Two: Role Play

- In class, your instructor will assign you to groups of four and to one of the following four roles: agency director, budget officer, chief executive, or legislator (see Exhibit 2-13 for details of each role). You should try to play your role as described, but feel free to be yourself within those limits. For instance, the legislator role description includes “you have your own opinions on spending priorities.” If you play that role, please include your personal priorities as part of the legislator’s behavior. If time allows, it is useful for each student to have a chance to play each role, ideally in a different group of students for each enactment. At a minimum, each student should have a chance to be agency director and present the proposal prepared as homework.

- Each agency director should meet with the assigned budget officer. The purpose of these ten-minute sessions is for the budget officer to determine a recommendation on the agency director’s proposal for a program change.

- Meanwhile, the legislator and executive should get together to discuss the economic and public-opinion climate in regards to the upcoming budget hearings or just socialize with one another.

- Next, budget officers will discuss their recommendation with the chief executive. Agency directors will be available and will participate if the chief executive wishes to have their input. The legislator continues to socialize, possibly with legislators from other groups. These five-minute sessions will conclude with the chief executive accepting or opposing the budget officer’s recommendation regarding the proposal.

- Finally, the legislator will join the group and review the written proposal (if it is recommended by the chief executive) to determine whether it should be included in the adopted budget. Agency directors, budget officers, and chief executive will be available but will give information only when the legislator seeks specific facts from them. If the proposal is not recommended, then the agency director may raise the subject with the legislator in an informal way. The legislator may then choose to follow up and review the decision not to include the proposal in the budget. This session may last from one to ten minutes.

Step Three: Assessment

- Each student should fill out Exhibit 2-14 individually and without discussion. This is an important part of the learning process, and needs to be taken seriously. Your instructor may wish to collect the forms to help determine what you have learned from the exercise.

Options

The method described above is intended to be quick and simple, minimizing preparation time and complicated logistics, thus giving as many people as possible a chance to participate directly in as many roles as possible. It is really just a series of conversations!

An option which would better simulate the real budget process, albeit at the cost of turning many participants into observers for most of the role play, would be to have many agency directors, a budget officer for perhaps every five directors, a single chief executive, and a group of legislators who
AGENCY: WATER & WASTEWATER

MISSION:
To protect the public health by providing for the efficient and cost-effective collection, treatment, and disposal of solid waste and wastewater and to ensure a safe, clean drinking water supply.

DESCRIPTION:
This department provides residential and commercial water and wastewater utilities to over 75,000 customers in various areas of the County. Activities of this department include maintenance of the water utility systems and wastewater treatment facilities, engineering and construction management of capital improvements, laboratory analysis, fiscal support, and administration.

GOALS & OBJECTIVES:
1) To provide efficient utility systems which comply with regulatory requirements and meet environmental needs.
- Build, improve, and maintain a water utility system.
- Build, improve, and maintain wastewater treatment facilities.
- Maintain in-house engineering expertise and construction management for capital projects.

2) To ensure that the utility systems protect the public health and environment.
- Monitor water quality and wastewater effluent.
- Provide quality assurance data to intergovernmental regulatory agencies.

3) To provide trained personnel at all levels for effective operations.
- Maintain a training program to ensure that personnel are knowledgeable in current technology.

PERFORMANCE:
Performance will be measured by the number of gallons of potable water provided, number of gallons of wastewater treated, number of laboratory analyses performed, number of customers billed, and number of training sessions attended.

would meet jointly to consider all proposals recommended or brought to their attention through “off-the-record” means.

Another popular option is to bring in a city manager, municipal legislator, and/or local budget officials to review proposals from the students, who all play agency directors.
Exhibit 2-16  Sample Agency Description #2

AGENCY: OFFICE OF MANAGEMENT AND BUDGET

MISSION:
To utilize sound budgeting and financial reporting practices in accordance with generally accepted accounting principles and conformance to standards that would qualify the county for the Award for Distinguished Budget Presentation and the Certificate of Achievement for Financial Reporting from the Government Finance Officers' Association of the United States and Canada.

DESCRIPTION:
The Office of Management and Budget is responsible for the preparation and monitoring of the annual County budget and special projects as assigned by the County Administrator's office and the Orange County Commission. This department coordinates and monitors all purchasing, financial, and personnel operations throughout the year, as well as conducts management audits, provides contracts administration and capital programming.

GOALS & OBJECTIVES:
1) To develop a method of projecting future fiscal needs for the County.
   - Develop a fiscal trend monitoring process within the current fiscal year.
   - Improve the five year capital improvements reporting by requiring better reporting by Departments for the fourth and fifth years.
2) To assure the citizens of the County that their tax dollars are being utilized in the most effective methods.
   - Develop and recommend an improved budget policy and a debt management policy.

PERFORMANCE:
Performance will be measured by the number of management studies performed, departments visited, training sessions held, and standard procedures developed.

NOTES
3. Ibid., p. 40.

COPING WITH THE BUDGET PROCESS
AGENCY: HIGHWAY MAINTENANCE

MISSION:
To complete, and maintain a comprehensive road network to provide a safe and efficient means of travel to serve the needs of the County Citizens and visitors.

DESCRIPTION:
This department provides maintenance for the road and drainage systems located in the unincorporated areas of the County to include secondary road maintenance and construction of residential streets, maintenance on the secondary drainage system, and maintenance to retention ponds.

GOALS & OBJECTIVES:
1) To provide safe road surfaces and clean rights-of-way for all County maintained roads.
   - Maintain an inventory of pavement conditions to enhance response to complaints for repairs.
   - Schedule resurfacing on a fifteen year cycle.
   - Reduce water erosion of roadbed by installation of underdrains and full utilization of a pipe sealing crew.
   - Maintain a schedule of street cleaning in all districts.
   - Increase mowing and ditch cleaning schedule.

2) To provide routine cleaning on County maintained retention ponds.
   - Maintain a schedule of cleaning five times annually for a projected number of 422 ponds.

PERFORMANCE:
Performance will be measured by number of miles of roadway resurfaced and constructed, number of feet of drainage structures maintained, number of miles of streets and ditches cleaned, and number of retention ponds cleaned.

