County Budget Overview

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For Your Information

The budget is one of the most important documents a county government prepares because it identifies the services to be provided and how they are to be financed. Almost every decision, activity and program in a county government can be expressed in the financial language of the budget. To fully understand county budgets, it is essential to know the critical parts of the budget document, the primary budget players, the budget process, the different types of budgets, and how the budget is a tool for governing.

Critical Parts of a County Budget

Operating Budget

The operating budget section is usually the longest of the budget document. This section outlines the operational and spending plans for county government agencies and programs. The operating budget is an aggregation of the individual budgets of each department and agency. Information on the mission, staffing levels, performance objectives and indicators, expenditure levels, and possibly even financing sources, are presented for each county department and agency.

Financial Summaries

The financial summary section of a county budget summarizes information contained in the operating detail section. At a minimum, most financial summaries present a consolidated budget summary, cross-classify financial data, and present information on revenues, indebtedness, and capital spending.

Capital Budget

A capital budget is the appropriation of bonds or operating revenue for improvements to facilities and other infrastructure. A capital project is the acquisition or construction of fixed assets, which are of a long-term and permanent nature. Examples include land, buildings, streets and highways, bridges, sewers, and parks.

Primary Budget Players

- County Commission: The ultimate holder of the purse strings. Makes and approves all budgetary changes.
- Chief Financial Officer (CFO): The primary architect of the budget. Provides options and recommendations to County Commission. This may be the County Administrator or Coordinator, Auditor, Financial Manager or other individual given this responsibility by the board.
- Central budget office/finance office: The CFO's main tool in preparing the budget for consideration and coordinating its implementation. Performs analyses and makes projections of revenues, expenditures and trends. This function can be performed in many offices.
- Department officials: The day-to-day managers of county programs and services.

The Budget Process

The budget process is nearly as important as the budget itself. The process determines whose opinions will be solicited and how they will be weighed. The period for which a budget is authorized typically spans a fiscal year that may correspond to a calendar year or to some other twelve-month period. Budgeting is a yearlong process that consists of four phases: preparation, adoption, implementation and evaluation. Below is a typical budget process.

DATE	ACTIVITY
June	Distribute instructions and forms for the next fiscal year to department managers for proposed capital improvements. Deadline for submission of capital improvements proposed by departments. Planning Department begins preparation of budget for capital improvement plan.
June/July	Distribute operating budget request forms to department managers. Managers prepare department budgets. Begin study of capital improvements program.
July/August	Complete preliminary revenue estimates, based on current year's experience. Managers submit departmental budget requests, which are reviewed for accuracy and adherence to guidelines.
September	Conduct meetings with department managers. Submit preliminary levy to the state. Note: the final levy cannot be higher than this amount.
October	Prepare revenue estimates based on current year expenditures.
	Complete preliminary budget, including staff recommendations.
November	Submit budget to County Commission for approval.
December	Conduct Truth in Budgeting Hearing.
	County Commission finalizes budget decisions and adopts budget.
January	New fiscal year begins. Adopted budget implemented, annual financial reports are prepared, external auditor hired and budget review conducted.
January-December	Financial audit completed and submitted to the state auditor. Adopted budget is implemented, monitored and evaluated.

Major Types of Budgets

Line-Item Budget: Focus is on financial accountability. Control oriented.

- Departmental outlays are grouped according to the items that will be purchased, with one item or group of items on each line (e.g. salaries and wages, contract services, supplies and equipment).
- Predominant form of budgeting because it is easiest to prepare and implement.

Performance Budget: Focus is on improving service delivery. Output oriented.

- Budget becomes a work contract between departments and commission based on desired service levels.
- Workload measures help justify the budget; cost and output measures help evaluate whether service delivery is efficient and economical; and outcome measures reveal to what extent programs are achieving their goals.

Program Budget: Focus is on goal attainment or effectiveness. Outcome oriented.

- Organizes budgetary information into a set of organized activities directed to particular goals. Funds are allocated along program rather than departmental lines.
- In pure form, depends heavily on analytical techniques (e.g. cost-benefit analysis) to determine best allocation of resources.

Zero Base Budget: Focus is on cost efficiency of services. Priority ranking oriented.

- Departments divide their activities into discrete services called decision units.
- Decision units area considered at various funding levels called decision packages (elimination, minimum, current and enhancements) and rank ordered.
- Departmental rankings are merged across the whole governmental unit to form a single, ranked list and final resource allocations are assigned.

Target Base Budget: Focus is on limiting expenditures. Justification oriented.

- Revenue projections are done and a proportion is set aside for discretionary budget decisions. The remainder of the budget is allocated to departments based on historical share.
- Departments submit budgets showing spending plans for target base budget. Departments also submit requests that justify the need for enhancement packages, which are funded out of the discretionary set aside.
- Typically used in budget cutting situations.

The Budget: A Tool for Governing

- **Policy Making Tool:** All budgets reflect decisions about a variety of policy issues. Ignoring the policy dimensions of budgeting may result in poor policy decisions by default. (For example, failure to allocate funds for ADA renovations could allow outdated policies to remain in effect.) The budget format, presentation, and even wording of a document all influence the making of public policy. A budget that explicitly reveals trade-offs can help ensure the making of policy—rather than the obscuring of policy—is the primary focus.
- **Planning and Management Tool:** A budget is a plan of financial activity for a specified period of time (either a fiscal year or biennium) indicating all planned revenues and expenses for the budget period. It provides a mechanism to allocate resources for the pursuit of community goals. Budgeting helps policy makers set goals, and assists program managers and department heads in improving organizational performance.
- **Communication Tool:** The budget is a concise way for decision makers to communicate changes in priorities and rationale for decisions made. The budget document and process can be an effective tool in helping citizens understand the need for change and the reasons behind policy and political decisions. A budget also provides a means of establishing public accountability by offering residents a clear statement of how tax money is spent and proof that county finances are in good shape.

SOURCES AND ADDITIONAL REFERENCES

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