

Exercise 12

Line-Item Budgeting

BUDGETING FOR CONTROL

Line-item budgeting is the oldest and most ubiquitous form of budgeting. So widely used is this technique, in fact, that to most people a budget is a line-item budget, even if they've never heard the term.

Table 12.1 is an example of a line-item budget. Note that it contains two basic elements: a *commodity to be purchased* (personal services, office supplies, telephone, etc.) and a *cost*. Although line-item budgets can be organized in many different ways,

similar commodities are usually classified together. This makes it easier for the budget to be read and interpreted.

Some line-item budgets are more detailed and include more information than others. For instance, the "Office Supplies" category in this Department of Parks and Recreation budget might, in another organization's budget, be broken down into "pencils," "paper clips," "staples," and so forth. The amount of detail in a line-item budget is a function of the amount of control that central budget administrators wish to extend over their operating units. The more

Table 12.1 Budget Request Form: Department of Parks and Recreation

Item	FY 2005–2006	FY 2006–2007 (Request)
PERSONAL SERVICE		
Classified positions		
Administrative	\$ 84,000	\$ 92,000
Secretarial	32,000	34,000
Maintenance	53,000	56,500
Nonclassified positions		
Seasonal recreation	23,600	25,300
Seasonal maintenance	17,000	19,400
TOTAL PERSONAL SERVICE	\$209,600	\$227,200
OTHER OPERATING EXPENSES		
Telephone	\$ 3,600	\$ 4,000
Postage	1,750	2,200
Printing and advertising	12,300	14,000
Office supplies	2,600	3,250
Equipment maintenance	4,350	5,300
Grass seed, fertilizer	1,500	1,750
Contingencies	3,700	4,800
TOTAL OTHER OPERATING EXPENSES	29,800	35,300
TOTAL DEPARTMENTAL EXPENSES	\$239,400	\$262,500

autonomy and discretion granted, the less detailed the line-item budget. The idea of control is central to line-item budgeting. Line-item budgets were developed initially and have retained their popularity precisely because they provide such an effective means of controlling public expenditures. The information that a line-item budget offers can also be expanded by providing extra data on costs or expenditures. The budget in Table 12.1 shows actual expenditures for fiscal year (FY) 2005–2006, as well as the FY 2006–2007 request. Some line-item budgets require the organization to show expenditures in earlier years (e.g., FY 2004–2005) or to provide a column of figures that show the percentage change from one year's expenditure to the next. Information of this kind is often used by public officials, especially

legislators, to help them decide whether to grant a budget request.

FURTHER READING

Line-item budgeting is included in the readings suggested for Part Three as a whole.

Especially enterprising students may wish to read through the report of the Taft Commission of 1912 and the Budget and Accounting Act of 1921. These two documents, which had formative effects on budgeting in the federal government, are presented in Albert C. Hyde and Jay M. Shafritz, eds., *Government Budgeting: Theory, Process, Politics* (Oak Park, IL: Moore, 1978).

Overview of Exercise

The Adams County Board of Supervisors has recently approved a plan to consolidate library services in the county. In an effort to cut costs and improve services next year, the public libraries from the county's six incorporated towns, four villages, and one city are to be merged and operated as one system. Complicated negotiations by county officials, municipal officials, and representatives of two public employee unions have produced an agreement for a single new organizational structure known as the Adams County Library.

As deputy county budget director, it is your responsibility to prepare an initial line-item budget for the new library system. Your task is complicated because there is no single budget base on which to build. Because the system is new, you basically have to start from scratch. You do have two sources of information to guide your efforts, however. The first is a memorandum from the budget director outlining her expectations and those of the supervisors with respect to the new library system. Second, you have the results of a budget survey you conducted that summarizes the operating expenses of the 11 units to be consolidated.

INSTRUCTIONS

Step One

Read the memo from the budget director (Form 58) and review your budget survey data (Forms 59a through 59k). You may fill in the date on her memo with the current year.

Step Two

Use Budget Request Form 60 to construct a line-item budget for the new Adams County Library. Make sure you take Budget Director Johnson's directives into account. The budget should be for the new consolidated library, not the individual branches. For salaries, include columns indicating the number of positions or hours and the standard rates for each job classification. Note that the designation "FY 1" is used on Form 60 rather than a specific year (or pair of years); this convention is used throughout these budget exercises to avoid assigning particular dates that may not correspond to the year you are actually completing them. To add a touch of realism, you may substitute the appropriate upcoming fiscal year (assume a July 1 to June 30 fiscal year) in place of FY 1.

Step Three

Answer the questions on Form 61.

FORM 58

October 14, 20 __

TO: A. C. Andrews
Deputy Budget Director

FROM: Sarah T. Johnson
Budget Director

RE: Library Budget

As you know, the supervisors voted last night to approve the consolidation plan for the county library system. I'd like you to take charge of putting together a preliminary first-year budget for the board's review.

Your budget should take the following points into consideration:

1. All existing public libraries in the county, including the branches in the city of Waynesfield, are to remain open.
2. The county's cost-sharing agreement with the municipalities assumes that there will be an overall savings of three percent (3%) from the aggregate of the existing library budgets.
3. No cuts are to be made in any full-time library employees. Cuts may be proposed in other categories.
4. As per the county's agreement with the public employee unions, salary scales within job classifications are to be standardized at the highest levels currently paid by any of the newly consolidated units.
5. All township and village librarians previously designated "head librarians" (full- or part-time) are to be redesignated "branch librarians" and are to be compensated accordingly.
6. The position of head librarian for the city of Waynesfield is to be eliminated. A new position, director of county libraries, is to be created, budgeted at \$45,000.

As the startup date for the new system is July 1, we'll include this in our regular budget cycle. Please have all documentation completed by December 15.

Library Budget Survey

Municipality City of Waynesfield

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$40,000	1	\$ 40,000
	Branch librarian	34,000	6	204,000
	Reference librarian	32,000	5	160,000
	Assistant librarian	29,000	9	261,000
Part-time	Reference librarian	15,500	2	31,000
	Assistant librarian	13,375	3	40,125
OTHER STAFF				
Full-time	Administrative assistant	22,000	1	22,000
	Circulation clerk	20,000	8	160,000
	Secretary	19,500	2	39,000
	Maintenance worker	16,000	4	64,000
	Page	15,000	3	45,000
Part-time	Circulation clerk	\$6.00/hr	7,020 hours	42,120
	Maintenance worker	5.75/hr	2,000 hours	11,500
	Page	5.00/hr	13,260 hours	66,300

OTHER ANNUAL OPERATING EXPENSES

Acquisitions	\$275,000
Supplies	110,000
Utilities	96,700
Maintenance	32,600
Other (please specify)	43,000*

*Includes \$21,000 for bookmobile services, \$11,000 for in-school programs, \$6,500 for summer children's programs, and \$4,500 for travel.

Library Budget SurveyMunicipality Village of Clear Creek

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$25,000	1	\$25,000
Part-time				

OTHER STAFF

Full-time

Part-time	Maintenance worker	\$5.45/hr	780 hours	4,251
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OTHER ANNUAL OPERATING EXPENSES

Acquisitions	\$2,500
Supplies	750
Utilities	3,600
Maintenance	1,260
Other (please specify)	—

Library Budget SurveyMunicipality Village of Woolford

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$27,500	1	\$27,500
	Assistant librarian	24,000	2	48,000

Part-time

OTHER STAFF

Full-time	Circulation clerk	14,000	1	14,000
	Maintenance worker	14,500	1	14,500

Part-time	Page	\$5.25/hr	1,040 hours	5,460
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OTHER ANNUAL OPERATING EXPENSES

Acquisitions \$12,500

Supplies 2,450

Utilities 4,200

Maintenance 3,500

Other (please specify) —

Library Budget Survey

Municipality Village of East Woolford

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$25,500	1	\$25,500
	Assistant librarian	22,750	1	22,750
Part-time				
 OTHER STAFF				
Full-time	Circulation clerk	14,500	1	14,500
	Maintenance worker	13,500	1	13,500
Part-time	Circulation clerk	\$5.25/hr	800 hours	4,200

OTHER ANNUAL OPERATING EXPENSES

Acquisitions	\$17,000
Supplies	3,400
Utilities	4,700
Maintenance	2,000
Other (please specify)	—

Library Budget SurveyMunicipality Village of Glenridge

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$24,750	1	\$24,750

Part-time

OTHER STAFF

Full-time

Part-time	Maintenance worker	\$5.25/hr	520 hours	2,730
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OTHER ANNUAL OPERATING EXPENSES

Acquisitions	\$1,350
Supplies	600
Utilities	2,500
Maintenance	275
Other (please specify)	—

Library Budget Survey

Municipality Town of Littleton

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$31,150	1	\$31,150
	Reference librarian	26,500	1	26,500
	Assistant librarian	25,000	2	50,000
Part-time	Assistant librarian	12,000	1	12,000
OTHER STAFF				
Full-time	Circulation clerk	17,500	4	70,000
	Maintenance worker	14,500	1	14,500
	Page	12,000	1	12,000
Part-time	Circulation clerk	\$5.25/hr	520 hours	2,730
	Page	5.00/hr	1,560 hours	7,800

OTHER ANNUAL OPERATING EXPENSES

Acquisitions	\$25,700
Supplies	6,425
Utilities	5,300
Maintenance	2,675
Other (please specify)	1,300*

*Senior Center outreach program.

Library Budget SurveyMunicipality Town of Keeler

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$24,000	1	\$24,000
Part-time				

OTHER STAFF

Full-time

Part-time	Circulation clerk	\$5.25/hr	1,200 hours	6,300
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OTHER ANNUAL OPERATING EXPENSES

Acquisitions	\$1,400
Supplies	200
Utilities	2,100
Maintenance	—
Other (please specify)	—

Library Budget SurveyMunicipality Town of Mt. Tom

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time				
Part-time	Head librarian	\$14,000	1	\$14,000
OTHER STAFF				
Full-time				
Part-time	Page	\$5.25/hr	520 hours	2,730

OTHER ANNUAL OPERATING EXPENSES

Acquisitions	—
Supplies	\$300
Utilities	1,700
Maintenance	—
Other (please specify)	500*

*To organize the annual Mt. Tom book drive, the main source of book donations for the Mt. Tom library.

Library Budget Survey

Municipality Town of Warren

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$26,500	1	\$26,500
Part-time	Assistant librarian	\$13,000	1	\$13,000
OTHER STAFF				
Full-time	Circulation clerk	14,000	1	14,000
Part-time	Maintenance worker	\$5.25/hr	1,000 hours	5,250

OTHER ANNUAL OPERATING EXPENSES

Acquisitions	\$14,000
Supplies	2,225
Utilities	3,500
Maintenance	2,750
Other (please specify)	—

Library Budget Survey

Municipality Town of Lansdale

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$32,500	1	\$32,500
	Reference librarian	29,750	1	29,750
	Assistant librarian	28,500	1	28,500
Part-time	Reference librarian	14,500	1	14,500
	Assistant librarian	13,750	1	13,750
OTHER STAFF				
Full-time	Circulation clerk	19,500	4	78,000
	Maintenance worker	15,400	1	15,400
Part-time	Page	5.25/hr	3,300 hours	17,325

OTHER ANNUAL OPERATING EXPENSES

Acquisitions	\$124,000
Supplies	34,000
Utilities	6,780
Maintenance	3,600
Other (please specify)	12,500*

*Saturday children's programming and Sunday afternoon foreign film series.

Library Budget Survey

Municipality Town of New Bremen

	<u>Job Title</u>	<u>Salary</u>	<u>Number or Hours</u>	<u>Cost</u>
PROFESSIONAL STAFF				
Full-time	Head librarian	\$27,000	1	\$27,000
	Assistant librarian	\$24,500	1	\$24,500
Part-time				
OTHER STAFF				
Full-time	Circulation clerk	16,500	1	16,500
	Maintenance worker	15,500	1	15,500
Part-time	Circulation clerk	\$5.75/hr	1,560 hours	8,970
	Page	5.25/hr	2,300 hours	12,075

OTHER ANNUAL OPERATING EXPENSES

Acquisitions	\$35,700
Supplies	4,300
Utilities	3,800
Maintenance	5,625
Other (please specify)	—

FORM 60

Budget Request Form

Administrative Unit: Adams County Library

Item

FY 1 Request

Questions

1. What was the aggregate budget for all preconsolidation Adams County libraries?

2. Did you achieve the mandated 3 percent savings? If not, why not?

3. Assume that you are a member of the board of supervisors. What questions would come to your mind as you reviewed this line-item budget? Is there any information you would like to have that this budget does not contain?

4. In general, what are the strengths and weaknesses of the line-item format?