**lll. Budgeting**

**Budget Philosophy**

A budget is a written document that expresses the goals and objectives of the association in terms of dollars. It is a method of establishing priorities for the allocation of available resources. It represents the financial plan for the association. It is a guideline for spending and should not be considered absolute or inflexible. It is based on the best information available at that time. It is a combination of value judgments, choices and compromises. Combined with a financial report, it becomes a valuable program evaluation tool.

A budget should not be considered either a minimum or a maximum spending commitment. It should be based on reasonable, attainable goals. There should be wide participation during its development, especially by those responsible for its implementation. It should be completed before the date it is to become effective.

If the definitions are too vague or the appropriate participation is not included in the development phase, the budget may be ignored. It may become easy to lean on the “flexibility” arguments. If it is a plan, a statement of goals and objectives and an expression of priorities, then it should be followed, unless changed by the appropriate governing body.

Strategic budgeting provides answers to the following questions:

* What do we want to achieve?
* How do we plan to pursue our goals?
* What will it cost?
* What resources are available and when will they be received?
* What did it cost?
* Did we achieve our goals?
* Are we on track? If not:

1. Was the goal unrealistic?
2. Should an alternate plan be adopted?
3. Should we re-evaluate the allocation of our resources?
4. Should we seek additional resources?
5. Was our time and money diverted to other, more critical goals?

The follow-up or evaluation process is one of the most important parts of budgeting. This is achieved through variance analysis which compares the budget to the actual expenses and attempts to identify the reasons for the differences.

Budgeting cannot be effective in a poorly structured organization, or where leadership and members are not communicating effectively. The budget-building process can help strengthen the organization and provide meaningful internal, two-way communication.

**Budget Development**

The steps and organizational set-up that follow are suggestions for your consideration. Evaluate them as they relate to your association and the needs of your members.

* Select a budget committee. The committee should include the treasurer, president-elect and one or two at-large members of your association. Keep this committee fairly small, even if your association is large, since later steps in the budget process will involve the rest of your members.
* Establish a timetable for completing the various stages of the development process. Work back from the date the budget must be adopted by your delegate body. The body authorized to adopt the budget should be specified in your local bylaws (total membership representative assembly, or executive board, etc.) The following is a sample calendar:

May 1 School Board notification of dues withholding

April 30 Membership meeting to adopt budget and dues

April 14 Recommended budget distributed and discussed with general

membership by Area Representative

April 7 Representative council reviews proposed budget and makes

recommendations to membership

March 4 Proposed budget sent to representative council by budget

committee

Feb. 24 Deadline for program committees to submit budget

recommendations to the budget committee

Feb. 20 Survey details given to program committees by budget committee

Feb. 15 Surveys due back from Area Representatives

Feb. 4 Surveys sent to membership

Jan. 29 Membership survey completed by budget committee and prepared for distribution to membership

Jan. 8 Budget committee begins work on a new budget

* Develop a method for identifying members’ requirements and/or requests. This may be accomplished through a general membership meeting, building meeting, a member questionnaire, a small sample questionnaire, informal meetings, etc.
* Gather the requests, requirements and surveys if used. Distribute to the appropriate officers and chairpersons of local committees for development of programs that reflect the results. Submit budget requirements to the budget committee within the timetable established.
* Compile the results as submitted by the program committees and categorize under headings as suggested by the Chart of Accounts (e.g. Negotiations – Committee Meeting Expenses).
* Submit the compiled results to the officers and executive board for consideration and evaluation. Realistic income projections must be developed as it determines your association’s ability to finance the proposed program. Since the proposed budget will ultimately be the president-elect’s responsibility to administer, it would be advisable for the president-elect to chair the budget committee and for the executive board to chair the evaluation session.
* Present the proposed budget to the members, advising them of any local dues increases if applicable.
* Following approval of the budget, submit it to the treasurer for implementation to ensure the budget format conforms to the association’s bookkeeping system (e.g. new accounts).

**Budget Implementation**

* Begin by including the current, year-to-date income and expenses plus projected income and expenses for the remainder of the fiscal year. This may be used as a basis of comparison and reasonableness. *(Refer to Section X – Samples - for Specimen III A and B, Budget Worksheet and Summary)*
* The proposed budget will determine how much your association will spend on each program. Estimate the amount your association will spend for individual items within major accounts. Disregard items in Specimen III A and B that do not apply to your association and add items as needed.
* An assigned number can identify the major programs. Coding will make it easier to refer to programs on checks and the association books.

**Variance Analysis**

Variance Analysis should accompany the treasurer’s report. The “rules” for this analysis are a) it should only address the line items that are above or below budget by a meaningful amount, b) the reason for the variance and planned corrective actions should be included, and c) the analysis must be presented in a readable form. If the budget is forecast to be over budget (expenses exceed revenue) for the year, a decision will have to be made as to how to balance the budget. This may include a) reallocating budget dollars among various programs and services; b) raising revenue (i.e. by increasing dues); c) cutting back on certain programs during the current year; or d) continuing scheduled programs for the year and using reserves to fund them.

A popular format for variance analysis is tabular. Refer to the next page for an example:

Line Item Budget Actual Difference Comments

Newsletter Printing $500 $700 -$200 Needed to

publish an

extra issue, due to the strike. Will eliminate an issue at the end of the year to compensate.

An alternative is to use a narrative format. If you use this system, we suggest that you devote a separate paragraph to each variance. For example:

“Newsletter Printing was over budget by $200 (40%). We had to publish an extra issue in October due to the strike. At this time, we plan to eliminate the April issue of the newsletter to get the cost back in line with the budget.”