

BUDGET RESOURCE

Understanding the Budget as a Planning Tool¹

The budget is a planning tool that can help leaders plan for the future and learn from the past. The budget planning process involves much more than looking at available funds and dividing up resources to live within our means. Effective budget planning involves thinking carefully about what we want to accomplish and developing a financial plan to support our overall goals.

When program budgets are developed through a careful, step-by-step process, they become valuable planning tools. By using effective budget planning tools and strategies, school-age care professionals can make realistic projections about the program's financial stability and design strategies for generating and allocating resources to support the program's vision and mission. It is important for school-age care professionals to understand that the budget process is ongoing. It involves linking financial goals to program goals, identifying program priorities, allocating resources effectively, using reliable methods for calculating potential expenses and revenues, monitoring performance against projections made, and making needed changes and adjustments for the future.

Annual budgets are tools for estimating expenses and income. Interim budget reports can provide us with a snapshot of the financial health of our programs; they can help us anticipate financial problems so that we can make adjustments to address problems. Budgets can provide us with useful data for making adjustments, changes, and additions to our programs.

Here is a summary of key characteristics and components of the budget planning process:

1. A budget is a calculated plan of expected income and expenses...your best estimate of what is likely to happen. It provides a way for performance to be measured against projections.

2. A Budget Summary includes a summary of projected Program Expenses by category and a summary of projected Revenues that will support program activities. The total of projected Program Expenses equals the total of Projected Revenues. **(See BUDGET RESOURCE. *Sample Budget for School-Age Program*)**

¹ Excerpted and adapted with permission from R. Newman, *Module 6, Creating and Managing Budgets in School-Age Programs, Arkansas OST Training Modules, 2009*. Certification curriculum originally developed by the SD Department of Social Services, Office of Child Care Services and Roberta L. Newman, 2004.

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3. A Budget Narrative provides explanations, justifications and details of program expenditures. **(See BUDGET RESOURCE. *Sample Budget for School-Age Program*)**
4. It is important to distinguish between budgets for Program Start-Up and Operating Budgets. **(See BUDGET RESOURCE. *Program Start-Up and Operating Budgets*)**
5. Creating a budget by using a step-by-step process ensures that the budget will be linked closely to program Vision, Mission, and Goals and will provide realistic financial projections. **(See BUDGET RESOURCE. *Creating a Budget Step-by-Step and Budget Planning Tips and Basic Budget Planning Questions.*)**
 - a. Step 1: Explore basic budget planning questions and use the answers to these questions as a foundation for budget planning. **(See BUDGET RESOURCE. *Basic Budget Planning Questions*)**
 - b. Step 2: Make a Wish List (What would you do if finances weren't an issue?)
 - c. Step 3: Cost out the Wish List.
 - Add percentages from previous year, if available, OR
 - Estimate costs of new activities if information from the past isn't available. Research estimates thoroughly.
 - d. Step 4: Allocate Income
 - e. Step 5: Set Priorities. Your Wish List of Expenses will most likely be more than available income. To decide what's most important, ask:
 - What needs to happen now?
 - What can wait?
 - What can be started as a pilot project?
 - What could be reorganized to be more cost effective?
 - f. Step 6: Adjust and Balance
 - Adjust categories and items that have some flexibility.
 - Include a contingency factor to cover unexpected expenses.

- g. Step 7: Approve, using appropriate review processes involving groups, agencies, boards, etc., who carefully review and analyze the budget to ensure it's realistic and accomplishes the program's Mission.
 - h. Step 8: Monitor and Amend (set up periodic review structures).
6. Assessing the effectiveness of the budget planning and implementation process will improve the program's ability to make important financial decisions, set budget priorities, and ensure that the budget is realistic, workable, and a good match for the program's Vision, Mission, and Goals. **(SEE BUDGET RESOURCE. *Budget Assessment and Planning Worksheet*)**