The best police chiefs are never satisfied with the status quo and are always seeking ways to improve themselves and their departments. Police chiefs also realize that money is the fuel that runs their organization. To accomplish their goals, law enforcement leaders must have sufficient funding. Funding is received through the budgeting process. If the department fails in the budgeting process, it is likely to fall short of meeting its year goals. Few law enforcement officers climb the organizational ladder in aspiration of working on a budget. Budget development requires the chief to step out of a “comfort zone” of operational procedures and into the administrative and political environment.

In smaller communities, the city council or city manager are likely to develop the budget with little or no input from the police department. It is true that when fewer people are involved in the process, it is easier to compile a budget. Yet without law enforcement input into budget development, a final budget can fail to meet both agency requirements and community safety needs.

The purpose of this guide is to remove some of the mystery associated with the development of an agency budget. It is designed to help police leaders of smaller departments take an active role in obtaining funding for something they know a lot about, running a police department.

This guide will focus on the following steps of budget development and execution:

1. Reviewing the budget cycle
2. Developing a personnel budget
3. Projecting the capital or long-term expenditures
4. Forecasting operational or short-term costs
5. Budget cutting techniques used by analysts
6. Approaches to budget justification
7. Budget execution.

Developing a budget is an art, not a science. There is no “one best way” to develop a budget. There are different types of budgets and each community does things a little differently. What works in one community may not work in another. Regardless of the technique used, budgeting serves as the funding process for department operations. The budget can also be viewed as a:

*Planning document* - It is the funding document for what the organization plans to accomplish during the next year.

*Political document*: It is a financial expression of our values.
Developing a budget is defined as a process of estimating revenues and expenditures, comparing the two, and making adjustments until they balance. Unlike personal budgets, redundancy is built into the public funding process to ensure accountability. To facilitate this process, local governments subject themselves to a budget cycle. The budget cycle is a year-round process consisting of four phases. Two or more of these phases may be occurring simultaneously. These phases include: executive preparation, legislative review, execution, and the audit.

I. Reviewing the Budget Cycle

There are four phases in the review process of the budget cycle.

Phase One: Executive Preparation

This phase marks the beginning of a new budget year. In most communities, budget analysts will provide department heads and elected officials with a budget calendar. This calendar will provide a time line for the development of the budget. It is important to never underestimate the time required to develop the department’s budget proposals. Once projections are formulated, they are placed in the format that has been established by the funding authority. This ensures uniformity between agencies as well as administrative ease for cross comparison. Budget hearings are held with each agency to review and analyze projected expenditures.

Phase two: Legislative Review

During this phase, the proposed budgets for all of the departments, including the police, are presented to elected officials. Final additions and/or deletions are made by the elected body before the budget is approved and funds are appropriated for expenditure.

Phase Three: Execution

Also known as the fiscal year, this is the period the agency spends the appropriated funds. The fiscal year defines the beginning and ending funding dates of agency services. Typically, this period lasts from July 1st until June 30th of the next calendar year.

Phase Four: Audit

This is the final stage of the budget cycle. During this period, accountants review each department’s expenditures to ensure funds were appropriately spent.
II. Developing a Personnel Budget

The personnel budget comprises 75 - 80% of the department’s total budget. While it accounts for the largest portion of funds, the personnel section is, in many ways, the easiest to project.

The first step in developing the personnel budget is to ensure the department’s manpower allocation is accurate. If the department does not have enough officers and support staff, it will not be able to achieve its mission. At the same time, having too many officers will severely impact the governing authority’s overall budget. This may lead members of the community and the governing authority to question the need for the officers and lose faith in the leader’s ability to responsibly use the taxpayer’s money.

Many factors affect the staffing levels of a law enforcement organization including the community conditions and service requirements, operational philosophy, and budgetary considerations. If the department has never completed an analysis of its staffing allocation, one should be conducted.

In an effort to substantiate the need for current or enhanced staffing levels, many administrators use mathematical equations to project the number of officers needed. Even though most formulas are regarded as being unbiased and objective, extraneous variables prevent any method from providing a “perfect” estimate. Each method has different limitations in its ability to forecast the number of officers needed. When making these calculations, it is important to provide accurate and objective estimates. There may be a tendency to inflate the time spent on calls or the amount of activity. Failure to provide accurate, justifiable, and objective projections can sabotage the department’s credibility and efforts to effectively address the staffing needs. To ensure an unbiased report is completed, some agencies have relied upon outside “experts” or consultants to complete these studies.

If the agency is responding to dramatic changes in workload, due to a rise in community population, an analysis should be completed on an annual basis. Otherwise it should be done every three years. This process will ensure the department has adequate staff to address the needs of the community and allow administrators to strategically plan for the future needs of the department.

Once the staffing levels have been established, the department should compare its salary and benefits package to other agencies in the surrounding area. Personnel studies have shown that salary is not the highest motivator, but lack of appropriate salary compensation is a de-motivator. This is particularly true when agency staff become aware of officers in nearby jurisdictions who are compensated at a higher rate for similar responsibilities. Therefore, it is important for the department to keep pace with the pay schedule in its labor market. To obtain this information, a salary survey should be conducted. Many states collect and maintain this information, but the accuracy of the data may be questionable. Some jurisdictions mail surveys to collect this
information. This technique is dependent on survey questionnaires being comprehended and returned by the respondent.

Another popular technique is for gaining accurate compensation data is through conducting a telephone survey of agencies in a 30 - 40 mile radius. If the department is losing staff to a particular agency, such as a larger department or the state police, it should be included in the survey. When collecting the information, comparisons should be made of positions with similar job responsibilities, not rank. For example, a shift commander may be sergeant in one department and a lieutenant in another. When completed, the results should be presented in a table for comparison. It should include the base rate of pay, insurance, and other benefits for each community by position. The survey should also identify if the department works eight, ten, or twelve hour schedules and if the surveyed communities have other programs such as take-home cars, recruitment bonuses, educational incentives, or shift differentials.

In states with collective bargaining, staffing and salary levels may be influenced by the union contract. Regardless, this information is important to have during negotiations.

Traditionally, staff turnover has been considered a cost of doing business. Since these expenditures do not appear as a line item, little attention has been given to the cost of losing an experienced employee. Police officer development of knowledge, skills, and abilities occurs at a substantial cost to the local government. These skills make officers attractive candidates for many employers, public and private. Because of this, many smaller agencies have become “training grounds” for larger agencies. Comparing the cost of turnover with the cost to retain seasoned employees allows an agency to project the cost savings by reducing its turnover. This information may provide significant justification for adjustments in compensation costs. To calculate the cost of personnel services, the following information must be completed. The information to complete this computation may be obtained from the community’s payroll department and personnel department.

**Calculating the Cost of Personnel Services**

<table>
<thead>
<tr>
<th>Data Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
</tr>
<tr>
<td>Merit or Longevity Increases</td>
</tr>
<tr>
<td>Cost of Living Increases (Percentage of base, merit, and longevity increase)</td>
</tr>
<tr>
<td>FICA 7.5% of salary with increases (if applicable)</td>
</tr>
<tr>
<td>Worker’s compensation (Percentage of salary with increases)</td>
</tr>
<tr>
<td>Retirement</td>
</tr>
<tr>
<td>Health/Dental/Life Insurance</td>
</tr>
<tr>
<td>Overtime</td>
</tr>
<tr>
<td>Other compensation related benefits specific to the community</td>
</tr>
<tr>
<td>TOTAL</td>
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</tbody>
</table>
Cost of living increases may be part of a collective bargaining agreement or linked to the Consumer Price Index. Other communities may make a political compromise in deciding adjustments to be made.

Overtime can be projected in the same manner as the short term or operating budget. It is important for supervisors to closely monitor overtime. The use of overtime is a highly leveraged expenditure and costs 50% more than regular staffing. An assessment of overtime usage may identify the need for staff transfers, schedule adjustments, or increased staffing levels. The National Institute of Ethics suggests false claims for overtime is a leading cause for discipline actions against officers. To prevent this, any claims should be approved by the immediate supervisor.  

In an effort to control costs, some agencies require staff to take compensation time in lieu of overtime pay. In some cases, it may be more cost effective to pay overtime than to give compensation or “comp” time.

- First, FLSA allow an employee to accumulate 480 hours comp time.
- Second, comp time not taken within the “work period” must be compensated at 1 ½ times the normal rate.
- Third, it must be compensated at the highest rate of pay. If the officer is promoted, he must be given the time off at the higher rate of pay. If he is demoted, he must be paid while taking the comp time at the higher rate of pay.

Monitor Sick Leave. Like overtime, the use of sick leave requires close review by supervisory staff. Covering positions for persons who have called in sick costs the department 250% of the budgeted amount. The person who called in sick is being paid and another officer is paid overtime to cover the vacancy. Accurate records of sick leave must be maintained and monitored for any trends. For example, officers accrue eight hours sick leave a month and work 12 hour shifts. The first month, the employee doesn’t take any time off. The second month one day (12 hours) is taken leaving a balance of four hours. The next month the officer takes another day off. Another pattern to watch for is the same days of the week or times of the month being taken. Several studies have indicated abuse of sick leave is precursor of misconduct and a problem employee. Because of this, persons who use high levels of sick leave should be confronted and efforts taken to reduce the use of sick leave.

Personnel Grants. Many departments have made use of personnel grants in recent years, such as the COPS Universal Hiring Grants. It is recommended that staff review the grant application guidelines for retention requirements before the department applies for these funds. The chief of police or a department representative should bring the application to the attention of the governing body and receive their approval for the application. Any retention requirements should be included in the council minutes. This is important because when the grant expires, if elected officials have changed since the hiring was initiated, some analysts may try to eliminate the positions. It will be necessary to provide a copy of the grant and the minutes of the meeting to indicate the authority approved the continued use of funds.
III. Projecting the Capital or Long-Term Expenditures

The capital budget allows the community to make long term plans regarding the purchase of expensive items. Some capital expenditures, such as purchase of land for facility renovation, do not occur every year. The risk of error is much higher for these decisions. A separate process of approval assures that major decisions are fully considered before they are approved and funded. A capital improvement program provides a plan for the addition, replacement or improvement of assets. It also includes the cost to support these purchases and a schedule of replacement within a three to five year period. By scheduling these purchases, the community can provide for the orderly replacement of major equipment and avoid peaks/valleys in the expenditures. This allows the community to balance the costs with potential revenues and builds credibility of the police department’s budget planning. For example: an agency with ten patrol cars. Instead of replacing all ten cars at once, replacements are spread over five years. This will allow the orderly replacement of two cars a year and the budget is easier to balance.

Items must have all three of the following characteristics to be included in the capital budget:

1) Item must be a tangible asset (Something you can touch/feel)
2) Item must have a life expectancy or useful life of more than one year;
3) Item must exceed a minimum cost threshold established by the governing authority ($500 - $5000).

The capital improvement program includes the following items:

- Land, Buildings, and Improvements to Systems
- Motor Vehicles
- Office Equipment
- Machinery and Tools
- Computer Equipment (including some software and supplies).

5 Steps to develop the capital improvement program:

1. Inventory all of the department’s equipment meeting the inclusion guidelines.
2. Identify the life expectancy for each item. Product life expectancy can be determined by manufacturer research, talking with other personnel on staff, and reviewing a list provided by the Internal Revenue Service.
3. Establish an estimated replacement cost for each item.
4. Create a replacement schedule for the items that will need to be replaced in the next five years. Include the associated costs.
5. Include additional equipment or enhancements to current equipment on the schedule.

Justifying Capital Expenditures

- Make or Save Money:
When requesting expenditures in the capital improvement program, the department must be able to articulate a legitimate need for the equipment. If the department can describe how the purchase will make the community money or save money, the budget analyst is more likely to approve the request. There are some ethical issues that must be considered when law enforcement officials are being used to “make” money. For instance, do not attempt to justify speed detection devices as a way to increase revenue for the community. However, the department may more easily demonstrate how the community will save money by making staff more efficient and effective with the equipment. For example, the use of a computer or a computerized Report Management System may allow officers to record more information and return to the streets faster. Some agencies, have effectively used increased accountability, reduced maintenance costs, and quick response from off-duty in the event of an emergency as a justification for a take home car program.

- **It is cheaper to spend the money this year:**

The department may demonstrate the cost to the community for the purchase is less this year than it will be in the future.

- **Safety:**

The issue of safety may be used as a good justification for capital purchases. For instance:

1. The department radio system has numerous “dead spots” where officers cannot communicate with the dispatcher. This would be a good justification for additional towers or the purchase of a new radio system.

2. A neighboring jurisdiction experienced a tornado. Fortunately, no one was hurt, but citizen complaints arose afterwards because the community had no warning system for tornados.

3. The police chief noted that the possibility of an accidental hazardous materials spill was high due to the number of trains carrying such materials on nearby railroads. As a result, the governing authority implemented a program to install emergency warning sirens to cover the entire city.

- **Prioritizing funding:**

Some communities establish a rank order of priorities for capital expenditures such as:

1. Legislative requirements
2. Hazards to staff/public
3. Economic advantage
The prioritization of expenditures may vary with each community. However, knowing these priorities and linking the request to the highest available justification, may increase the likelihood of approval. Recognize competition for these funds is often tight and the requests may be postponed for a more pressing issue in another area of the community.

- **Grant Funds:**

Grants and asset forfeiture funds are considered one-time revenue sources. It is not fiscally prudent to use these funds to make operating expenditures when additional supplies will need to be purchased the following year without additional funding to make the purchase. In addition, most state and federal guidelines forbid the use of these funds to supplant or replace existing funds. For this reason, grants and asset forfeiture funds are good sources to enhance the department’s capital improvement program. These are appropriate revenue sources for one-time expenditures. Replacement components or additional components can be scheduled years down the road.

IV. **Forecasting Operational or Short-Term Costs**

**First Step: Operating Budget Projections**

The first step to developing operating budget projections is to identify the current fiscal year’s budget as a baseline for each category. The operating budget funds the day-to-day supplies such as: fuel, paper, latex gloves, services like vehicle repairs, telephones, maintenance contracts, and equipment like uniforms and ammunition necessary for the organization to function. Many of the same police department functions are repeated each year. Therefore, this year’s budget gives the department a good starting point for estimating next year’s costs.

**Second Step: Service Delivery Assessment**

Community officials usually determine if the department can initiate new programs, make major adjustments to current operations, or reduce levels of service delivery. The department’s strategic plan can be very helpful in clarifying any adjustments needed.

**The Third Step: The Cost of Police Services**

It is imperative to determine how much it will cost to provide police services. Many administrators simply make incremental adjustments to each area or line-item, such as three percent. While this approach may be appropriate in some situations, these adjustments should not be done arbitrarily. As the department assesses the operating costs, the department leadership should critically evaluate the relative cost of agency procedures. Efforts should be made to determine if there are more cost effective ways to provide police services. This
evaluation process is often overlooked, but it is essential to making conscientious use of the public’s money. Police administrators should engage the staff in evaluating what the agency needs and what can it eliminate. Questions like the following, should be asked:

- What, if anything, can the department fund at lower levels?
- Is the organization performing work that serves no function?
- What community services or operations need additional funding to accomplish agency goals?

The Fourth Step: Adjustments to Budget Projections

Finally, document how expenditures will be used, how the estimates were developed, and why the department needs the funds. This documentation does not need to be a formal report. A list that includes calculations and assumptions used to make the projections are sufficient. This documentation will provide much of the justification needed during the upcoming budget hearings.

V. Budget Cutting Techniques Used by Analysts

As discussed earlier, developing a budget involves reconciling estimated budget revenues and expenditures until the two balance. Therefore, some budget cuts are inevitable and cannot be avoided. In his study of the budgeting process, Arnold Meltsner noted that analysts are likely to cut funding requests in several ways. Each of these cutting techniques may be observed during budget reviews.

- **Cut all requests for personnel increases.**

  Staffing is a highly leveraged expenditure. As a general rule, once a department receives additional staffing, they are seldom reduced. But, in an effort to control costs, increases will be among the first budget items to be cut. In communities where there is a true need for increased staff, these personnel cuts will impede the ability of the department to provide effective public safety services.

- **Cut equipment viewed as luxuries.**

  Every police agency has equipment that the elected officials feel are luxuries and unnecessary, such as cellular phones or leather chairs. When police administrators fully inform community leaders about the role of safety equipment like cell phones, they can more successfully avoid cuts and build valuable political capital.

- **Use precedent - cut items that have been cut before.**

  If the request has been cut before with little impact on the department’s operations, future requests will likely be cut again.
• **Recommend repair and renovation, not replacement.**

It is a common accounting technique to postpone new purchases by repairing current equipment. This approach is particularly feasible if the agency has a good maintenance program. If the department has a regular replacement schedule, postponement of necessary purchases may impact agency purchases for several years. As a result, the department may be forced to expedite the replacement schedule in future years.

• **Recommend a study to defer the costs.**

While studies may sometimes be used as a stall technique, they also provide important information for making rational decisions regarding the cost and need for the requested agency funding. Most elected officials do not like feeling “forced into” purchasing decisions. If a budget request is for equipment or supplies personnel genuinely need, officials should feel confident in its approval after the study. Therefore, it is important to anticipate a study being requested. Never wait until the last minute to recommend an important purchase.

• **Cut all costs by a fixed amount (i.e. 5%).**

Across the board reductions give the perception all agencies are equally sharing the burden of the community budget cuts. However, other departments may not be run as efficiently as the police and may have more fat to cut. *In addition, few other departments provide services 24 hours a day, 365 days a year.*

• **Cut department budgets that lack community support.**

Agencies that do not enjoy strong community support may experience difficulty in defending requests. In addition, if the department head has a reputation of making unreasonable requests or does not have the confidence of the budget analysts, they are more likely to have their budget requests cut. Under such circumstances, legitimate requests may be eliminated.

• **Don’t cut when staff or public safety is involved.**

The primary purpose of government is to provide for the public safety. This is critical for law enforcement administrators to remember. If a “legitimate” risk to the staff or the public health and safety can be demonstrated, the request will likely be approved. To demonstrate this, the chief should conduct a risk analysis to identify the possibility of threats and the probability of each threat occurring. Then a cost-benefit analysis can be conducted to determine the most cost effective way to address the potential threat.

• **Point out areas for manager or legislative attention.**
The budget analyst may know they cannot cut some of the department’s requests during the budget review. A budget analyst may suggest that elected officials question the need for proposed funding even after a final budget decision has received approval.\(^7\)

During budget review hearings, it is critical to ensure that cuts are made where the department can absorb the loss. To accomplish this, a detailed review must be made of the operational expenditures and rank order each request for a budget cut according to the following criteria:

1. Urgent and necessary for legal purposes/code compliance/mission
2. Necessary
3. Desirable, but not necessary.

*It is better for the department itself to generate a list of areas where the budget can be reduced.* Budget analysts may try to cut an operating expense that the chief feels is essential. To address this, the police chief must know in advance the consequences for any potential cuts. As a compromise, the chief may propose cuts be made in other areas he or she feels is more appropriate. For example, the agency may have a maintenance contract that covers the repairs for radios. Upon analysis, the cost of the contract compared to the cost of repairing the radios as they malfunction, may determine that the contract could be eliminated. The chief can offer to drop the contract. At the same time, additional funds should be included in another area of the budget to cover the repairs.

VI. Approaches to Budget Justification

As the department goes through the budget review process, the chief should be ready to justify each line item expenditure proposed in the budget. A variety of techniques could be used to justify the projected expenditures and this list should not be considered to be exclusive.

- **Be prepared.**

Don’t get caught off guard. Know what the hot budget issues are and have a response ready when they surface. As projections are developed, an analysis of previous agency expenditures must be completed to determine what needs to be continued, eliminated or improved. If the police chief arrives at a budget hearing without good justification for proposed expenditures, a difficult battle will ensue. Arbitrary or unsubstantiated increases will likely be eliminated. If the department is expected to make a formal budget presentation, *it should be rehearsed.* This rehearsal should preferably be done before persons who are unfamiliar with the department’s operations and who will ask pointed questions. The use of high quality visual aids is recommended.\(^8\)

- **Mandates.**

Agencies are mandated to comply with local, state, and federal regulations such as minimum training hours, collective bargaining agreements, and the FLSA. The chief should be able to list these requirements and the associated costs.
• **Safety Issues**

Making an affirmative link between proposed requests and officer/public safety, will greatly increase the chances the proposed expenditures will survive budget cuts.

• **Higher Costs**

Areas such as fuel prices are volatile. The uncontrollable increases will require budget adjustments.

• **Training**

A rule of thumb - the department gets ten dollars returned for every dollar invested in training. Training is an important agency investment to develop staff readiness to meet the future challenges of the community.

• **Improvement**

Every year, police chiefs across the country hear the phrase, “Do more with less.” Perhaps we need to focus on doing different with less? Examine each function of the department to identify redundancies or activities that have no real purpose.9 Agency improvements can occur through changes in operational procedures, reorganization, or the implementation of equipment like computers to make staff more effective. Involve the staff in this process. Many times, the personnel closest to the problem have the best ideas for how to improve operations.

• **Politics**

Failure of the police chief to develop effective political alliances is a common reason why agencies fail to receive requested operational funding. Many elected officials do not know or understand a police department’s needs. Every city government action falls somewhere on the political spectrum. It is not recommended for a police chief to become involved in the campaigns of local officials. But, he or she cannot work in a vacuum and must be able to maneuver in the political environment. Oftentimes, elected officials have an uninformed perspective of the police department. Take time to listen to their concerns. At the same time, explain the department’s problems and what it needs to serve the community effectively. Working together, the chief and elected body can improve the department’s service delivery.10 Without political cooperation, the police chief may become the scapegoat for the department’s failure to address issues brought to the community governing body.

• **Demonstrate expenditure cost effectiveness**

This technique is particularly beneficial with capital expenditures. A budget is like an ecosystem. A change in one area may impact another. For example, it may cost more to repair a vehicle or computer and maintain it for another year, than it costs to lease or purchase a new one.
Accountants understand this concept very well. The chief should be able to explain how a recommended expenditure will save money for the community.

- **Alternative funding sources**

Departments that make use of grants and asset forfeiture funds, are more likely to receive authorization for requested expenditures. It should be noted that state and federal regulations often forbid the use of grant or asset forfeiture funds to supplant or replace existing agency funds.

- **Model a positive attitude**

Officers look to the chief for how they should respond to attacks on the budget. Periods of retrenchment are not permanent and should be viewed as a challenge. This situation may be an opportunity to trim the fat, build teamwork, and work on a common cause. If this period is faced as a challenge to be overcome, most of the staff will support the department’s efforts. As a result, the organization will become leaner, stronger, and more productive. A negative or combative response by the chief to budget cuts or attacks, may give staff the perception of being aboard a sinking ship. Attempt to focus on solutions whenever possible.

- **Develop an agency strategic plan**

If you don’t know where you are going, you won’t ever get there. Many states require local governments to develop a strategic plan. Some departments have begun to conduct community surveys and hold one-day community planning sessions. These surveys and planning sessions help to identify operational issues the community would like to have addressed and often provide clarity to the police about the public’s perception of the department’s service delivery. Community responses, along with comments from staff, elected officials, and the public can be very beneficial in acknowledging the departments strengths, identifying the department’s weaknesses, and improving the quality of its service delivery. This survey and planning meeting process has potential to develop agency improvement and build community support. The goals and objectives developed during these planning and review sessions should be linked to the budgetary expenditures.

- **Develop community confidence and trust**

Trust is the glue that binds us together. Trust by community leaders in the agency’s effectiveness and professionalism is built by developing a reputation of making reasonable budget requests and by planning well. Padding found in one area of the budget may be assumed to exist in other areas. As a result, legitimate funding requests may be cut. When a funding request is made by the police chief, budget officials must know the proposal has been fully researched, all of the alternatives explored, and the recommendation is in the best interest of the staff and the community.

- **Use the media wisely**
Too often we unnecessarily distance ourselves from the media. Brave men and women in police departments across the country are making great sacrifices to serve their communities. Yet this service too often goes unrecognized by the community. Working with the media will help to spotlight officer’s efforts and will build public support for the department’s operations.

- **Economic Development**

More communities are starting to realize that public safety is tied to economic and industrial development. As businesses relocate and expand their operations, they examine the quality of life in the community. The department ability to address citizen fear of crime can influence the perception of the quality of life in the community as a whole.

- **Write the Justification**

Some communities require a written justification to accompany the department’s proposed budget. Even when they are not required, written justifications are a good way to help develop the agency’s argument for the requested funds. The budget justification should identify the need, problem or program to be addressed, the additional personnel and resources needed, and the expected results.

- **Budget Hearings**

Budget hearings can sometimes become very emotional. The police chief can be faced with many challenges to receiving sufficient funding to meet realistic agency goals. At the same time, budget and elected officials are faced with the responsibility of making hard decisions regarding cutting costs or raising taxes. During these meetings, police leaders should never demonstrate anger or indignation toward an elected official. In addition, department leaders of their representatives should never argue with members of the elected body. It demonstrates a lack of restraint and projects an unprofessional image. In the long run the entire department will suffer.\(^1\)

**VII. Budget Execution**

After the governing body approves the department’s budget, funds are appropriated and agency staff is expected to provide law enforcement services within the projected costs. This process is budget execution.

Budget execution is much like firing a weapon. Though the sight alignment and trigger squeeze are correct, the rounds are grouped to one side at the seven-yard mark. This may not cause much concern. But if the shooter does not take corrective action, he will miss the target by 15 to 25 yards. The same is true with a police budget. If the line item is two percent over budget after the first month and no corrective action is taken it may be 24% over at the end of the year. While a two percent over budget does not seem like much, it can have a significant impact for the entire community. Two percent of a $500,000 budget is $10,000.
In order to stay on target with the budget, the department’s expenditures must be monitored on a monthly basis. To do this, the department should receive a statement of expenditures and appropriations from the community’s finance department. This statement will have several columns to identify the appropriations, month-to-date expenditures, year-to-date expenditures, remaining balances, and percentage of expenses.

The difference in the budgeted amount and the expenditures is referred to as variance. An easy way to track the progress of the budget is to compare the percentage of expenditures for each area with the portion of the fiscal year that has passed. The percentage of funds that have been spent is calculated by dividing the amount spent (expenditures) by the budgeted amount. For example, assume the department was budgeted $1,200 in a particular category or line item and has spent $300. So 300 is divided by 1,200 resulting in .25 or twenty-five percent.

Compare this percentage to the portion of the fiscal year that has passed. Three months divided by 12 months equals .25 or one quarter of the year. In this illustration, the department is on budget. If the expenditure was less than the portion of the year that had passed, the department would have been under budget and vice versa.

When an expenditure is identified as being over budget, a reason for the cost overrun must be determined. Assuming expenditures have been charged to the proper line item or section, variance in the budget is always caused by one of three factors:

- **Price:** The department is paying more or less than was expected for the supplies or services.
- **Volume:** The organization has experienced an increase/decrease in the amount used. Reaction to seasonal activity or large isolated expenditures such as insurance premiums or bulk purchase of fuel can cause dramatic fluctuations in a line item.
- **Efficiency of Operations:** The department is operating more/less efficiently that expected.

After the analysis is completed, describe in writing the reason for the variance, and the corrective action to be taken to bring the section in line with the budget. Officials should also make a separate notation as a reminder for when the next year’s budget projections are being developed.

As the fiscal year progresses, each community department head is expected to attend periodic budget reviews. The purpose of these meetings is to track how each department, and the community as a whole, are progressing within the budget. During these meetings, be aware of any variance and have an explanation ready. This preparation demonstrates how the department is monitoring itself.

**SUMMARY**
Mastering the budgeting process is critical for the success of the police organization. Budgeting is not a complicated process. It is a learned skill that requires ingenuity, creativity, attention to detail, and good communication skills.

The IACP Research Center Project, *Services, Support and Technical Assistance for Smaller Police Departments*, provides a low-cost training on this topic for law enforcement executives called, *Budgeting Strategies: Making the Numbers Work*. For additional information on this topic, other Best Practices Guides or additional technical assistance, contact:

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6 Ibid, p. 132


8 Swanson, p. 7.20.


10 Martin D. Stefanic, “Preparing a Budget: Some Tricks of the Trade”, *The Police Chief*, (May 1985), p.52
