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Local Government Responsibilities for Criminal Justice Budgeting

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Illinois Law Enforcement
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LOCAL GOVERNMENT RESPONSIBILITIES

FOR CRIMINAL JUSTICE

Part I Budgeting

by

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BUDGETING AND DECISION MAKING

Introduction

The Criminal Justice System represents a significant area for the expenditure of government funds at the local government level. In the last few years, there has been an increased concern on the part of citizens for the maintenance of law and order. These concerns have stimulated criminal justice administrators, local government officials, and citizens to examine their criminal justice services. These examinations have found that the Criminal Justice System at the local government level is understaffed, underfinanced, poorly housed, undertrained, and underequipped. Feeling the pressure for more service and improved delivery of service, criminal justice administrators often ask officials to their local government to meet their needs by providing: more equipment; more money; more people; better facilities; and better training.

At the same time there has been strong demands placed on local governments to hold the line on (or reduce) property taxes and other sources of local revenue. Given the imbalance between the requests for improved service and requests to hold the line on taxes, local government officials feel a need to do a better job in allocating service resources, to the Criminal Justice System. Furthermore, local government officials must see the need and priorities of the Criminal Justice System vis-a-vis other sectors of local government activities.

This section will focus on the allocation of financial resources for the criminal justice function. The specific topics to be dealt with will be the nature of the decision making process, fundamentals of the budgeting process, and a brief description of other related areas of concern.

The Nature of Decisions

The increased demand for criminal justice system services coupled with the decreasing availability of financial resources, puts a burden on the local government official to make the best use possible of existing resources. The first question that should be addressed in understanding this allocation process is: what is meant by a "best" decision. A best decision would be one which satisfies all needs that are presented to the decision maker and does so with a minimal amount of resources. Obviously such decisions are far and few between and are almost always impossible to achieve. What a decision maker can do is to make a "good decision." A good decision is one that uses existing resources to meet the needs of the community by carrying on activities and providing services in a reasonably efficient, effective and economic manner while fulfilling legal and ethical requirements. The key terms in this definition of a good decision are efficient, effective, economic, and ethical and legal requirements. Each of these is defined below and an example is provided to demonstrate the idea involved.

1. Efficient

An efficient decision is one which provides a fixed amount and quality of service at the lowest possible cost. To measure the efficiency of a given alternative in the decision making process, two pieces of information are necessary. It must be possible to

determine the quantity as well as the quality of the service provided. And it must be possible to determine what the assisted costs are.

The activity of providing police assistance in response to telephone calls will provide a good example of the concept of efficiency. In this case, the specific measure of efficiency is the time necessary for a police unit to respond to calls for assistance. The specific measurement is the time elapsed between receiving the call and the arrival of the unit on the scene. For the purpose of the example, assume that the average response time desired is four minutes, plus or minus thirty seconds. This average will be calculated every month and acceptable performance will be an average response time somewhere between 3 1/2 minutes and 4 1/2 minutes.

Applying the concept of efficiency to this example, one would ask the question how can this predetermined level of service (i.e. a 3 1/2 to 4 1/2 minute average response time) be provided for the smallest possible dollar amount. Three typical choices might be: use of a one man unit, use of a two-man unit, or perhaps use of a motorcycle officer. In terms of efficiency, the choice among the three alternatives made on the basis of which one costs the least and still provide the required level of service. In using the concept of efficiency there is no concern for what happens after the unit reaches the scene. Additionally, the concept of efficiency cannot be served by cutting the service levels below the previously

identified standard.

In summary, to save money efficient decisions are those which focus on providing a level of service for the smallest amount of money possible.

2. Effectiveness

To be effective is to provide a service that actually carries out the function or accomplishes the goal which was intended. The previous example of response time to telephone calls for assistance can be used to understand the concept of effectiveness. In understanding effectiveness, the first step is a consideration of the goal of the activity being studied. The overall goal of responding to calls for assistance might be twofold: 1) to reduce the incidence of crime in the service area and 2) to protect life and property. Response to calls for assistance might provide a means of achieving this goal by fulfilling the objectives of apprehending suspects and of providing emergency assistance.

The next question to be asked would be; how does response time affect the accomplishment of the overall goal? More specifically, how does response time affect the fulfillment of the objectives which are to apprehend suspects and to provide emergency assistance? It would be natural to assume that the faster the response time, the more effective the law enforcement activity would be. This may not always be the case. For example, if the faster response time is achieved by having one-officer units as opposed to having two-officer units; the officer may be unable to deal with the situation as effec-

tively as well as the two officers could have, even if the one-officer unit arrives sooner. Therefore while efficiency is increased by having a unit arrive faster on the scene, effectiveness may not be increased if the one-man unit cannot handle the situation as well as the two-man unit. In this instance, efficiency would have been gained at the expense of effectiveness. It should be added that this is not always true. For instance, if a city gains a reputation for having an exceptionally fast response time to calls for assistance; this may well serve as a deterrent to would be criminals operating in that city.

3. Economy

Economy may be defined as spending the least amount of money possible to provide the minimum required level of service.

Again the example of response time to calls for assistance may be used. Local government officials might determine that the minimal level of service would be to respond only to emergencies which endanger human life and to crimes in progress. Based upon this definition of minimal service, they may choose to cut the capacity to respond to calls drastically in an attempt to save funds. Operating on the concept of economy involves no consideration for the effectiveness of the service or the quality of service provided.

It should be noted that the term economy is often used in a very broad fashion. Many people who speak in public about economy would probably say that the definition given above is not what they really mean. The common use of the term economy is a combination or

mixture of efficiency, effectiveness and economy. In order to make good decisions, local government officials should have more than a general understanding of the term, economy. It is important to identify and separate out the factors of a decision that influence efficiency, effectiveness and economy. The quality of a decision may be judged on how well it serves each of these three criteria.

4. Legal and Ethical Requirements

The fourth key term in understanding good decisions is that of legal and ethical requirements. The operations of local government and the conduct of local government officials are both subject to the legal constraints of the federal government, state constitution, state statutes, and local laws and regulations. Additional ethical requirements are imposed on elected officials by the expectations of their local constituency, the expectations of society, and their own system of moral values.

Jails provide an example of legal requirements affecting a resource allocation decision. The legal minimum requirement for jails might be to maintain the inmates within the bounds of the institution. Secondly, to maintain a minimal level of subsistence in terms of food, shelter, clothing and medical care. Any decision which is made regarding the jail must be within the guidelines of these legal requirements. For instance, a work release program for convicted offenders might not be tolerated if it violated the fundamental legal requirement of security i.e. insulating the inmate from the rest of society. Therefore programs which involve a lessening

or waivering of the security function for inmates might well be subject to attack as failing to fulfill the basic legal requirement of the service activity. A good decision is one which meets the existing legal requirements for the service.

The ethical requirement of a good decision may be based on a number of different foundations. One of these might be codes of conduct. Many professional organizations have codes of conduct which they urge members to subscribe to. These would include police officers, correctional officers, attorneys and the like. Additionally, many local governmental units will have their own internal codes of ethics or codes of conduct. These will specify general principals for guiding the activities of government officials as well as specific actions which may be prohibited. A less tangible but no less important source of ethical requirements are the expectations that citizens have of the performance and conduct of their local government officials. While these expectations may not be clearly spelled out, it becomes the responsibility of the local government official to learn and understand what these expectations are. Lastly, an individual will be guided by his or her own set of moral values.

Four crucial ingredients to good decision making have been described. These are efficiency, effectiveness, economy and adherence to legal and ethical requirements. There is no one single best way to make good decisions. Decision making ability must be developed and continually refined. A first step in this development is to understand something about the nature of decision making and to understand basic concepts about budgeting and budgetary decisions in local government.

Budget Decisions and Planning

How do local government officials decide between a request from:

the police department for eight officers and four squad cars; the State's Attorney for three assistants and two secretaries; the sheriff for fifteen deputies and a new jail; the probation department for two probation officers and a secretary; and the court to appoint a full-time defense attorney for indigenous persons. Facing this situation, local government officials could take a number of approaches. For example:

(1) They could allocate funds on a first come, first served basis.

This would, perhaps, meet some needs, but leave others unmet.

(2) They could allocate a small amount to each. This would undoubtedly fail to meet any need, but would, perhaps, keep the peace.

(3) Or they could develop a framework for documentary and analyze the needs and setting priorities for meeting them.

It's the thesis of this chapter that the third determinative is the most preferable one. In short, local government officials are urged to work the problem through a planning source.

It is important to realize that budgeting by itself is not enough. Furthermore, planning alone is not enough. They must be related. Good management means planning, organizing, staffing, coordinating, and controlling. If local governments don't build in these other steps, plans won't get implemented and nothing will come of it. The problem is not so much in building a plan but installing planning and other management function as a style in local governments.

Using the Budget Process to Allocate Resources

It was stated earlier that one of the criteria for good decision making was the fulfilling of legal requirements that pertain to the particular situation. Budget making at the local government level is subject to four basic groups of state legislation. There are legal requirements that pertain to municipalities with less than a 500,000 population. The budgetary activities of counties are regulated by a separate code. The Illinois Municipal Budget Law provides guidance in budget making for a wide range of local governmental units not covered by other legislation. Lastly there are certain legal requirements placed upon the units in the budgeting process. (The legislation described below does not pertain to Cook County, the city of Chicago or some of the major political subdivisions in the Chicago metropolitan area or municipalities operating under a special charter.

Municipalities of Less than 500,000

Ill.Rev.Stat. 1975
Chap. 24: 8-2-9

In municipalities with less than 500,000 inhabitants, the corporate authority shall pass an ordinance within the first quarter of each fiscal year to be termed the annual appropriations ordinance. In this ordinance the corporate authorities 1) may appropriate such sums of money as are deemed necessary to defray all necessary expenses and liabilities of the municipalities including the amounts to be deposited in the reserves provided for in the Illinois Pension Code as now or hereafter amended and 2) shall specify the objects and purposes for which these appropriations are made and the amount appropriated for each object or purpose.

This chapter of the act further states that supplemental appropriations may be passed by the governing body so long as the amounts appropriated are available

from the resources of the municipality. Transfers within departments or agencies of municipal government may be made during the second half of the fiscal year by a 2/3 vote of the municipal government policy making body. It should be noted that this section of the Illinois Revised Statutes does not apply to municipalities operating under special charters.

As previously stated, all municipalities of less than 500,000 with the exception of those with special charters must comply with the appropriations ordinance requirements. However, there are seven subsections of the Revised Statutes which may be adopted by municipalities. These subsections provide for a more detailed and complex budgetary process. Adoption of these optional budgetary guidelines requires a 2/3 vote of the policy making body. The provisions of these sections are spelled out below:

1. A budget officer will be selected by the mayor or president of the council with the approval of the corporate authority or policy making body. This person may be one of the elected officials of the municipality. The budget officer shall serve at the pleasure of the mayor or municipal manager as the case may be. The budget officer is empowered to do the following things: a) encourage and establish the use of efficient planning, budgeting, auditing, reporting, accounting and other fiscal management procedures. b) compile an annual budget in accordance with legal provisions. c) examine all books and records of the municipal departments, commissions or boards. d) obtain additional information from subunits of the municipality for the purpose of compiling the municipal budget. Departments are required to make this information available to the

budget officer. e) establish and maintain procedures that will ensure that no expenditures will be made by the municipality or its departments or commissions except as authorized in the budgetary document.

2. The budget must contain the following items: a) estimates of the revenues available to the municipality for the fiscal year covered by the budget. b) recommended expenditures for the municipality and all the municipality's departments, commissions, and boards. c) revenue estimates and expenditure recommendations must be presented in a manner which is in conformity with good fiscal management practices. d) the budget shall contain actual or estimated revenues and expenditures for the two years immediately preceding the fiscal year covered by the budget. Each budget shall show the specific fund from which the each anticipated expenditure shall be made.
3. Passage of the annual budget by the corporate authorities shall be in lieu of the passage of the appropriation ordinance as required in a previous section of the Ill... Rev... Stat...
4. Funds may be set aside in the amount of 1/2 of 1% of the equalized assessed value of property subject to taxation by the municipality for the purpose of specific capital improvements, repairs and/or replacements of specific types of municipal equipment.
5. Revision of the annual budget requires a 2/3 vote of the policy making body of the local government. However no revision of the budget may be made that increases the expenditures to a point at which revenues are not available to cover them. It is this requirement that imposes the so called "balance budget" requirement on local government. Thus, local governments are prevented

from the deficit spending that occurs at the federal level.

6. The annual budget may contain money set aside for contingency purposes not to exceed 10% of the total budget.

7. There are several provisions which require public inspection, notice, and hearing on the budget document. The budget must be conveniently available for public inspection at least ten days prior to the passage of that budget. This may be by means of publication in the proceedings of the municipal policy making body. Not less than one week after the publication of the proposed budget and prior to final action on the budget, the municipality must hold at least one public hearing on the proposed budget. Notice of this hearing shall be given by publication in a newspaper having a general circulation within the municipality at least one week prior to the time of the hearing.

Because the abovementioned budgetary guidelines are an option accorded by the State to municipalities, municipalities may also elect to drop these guidelines by a 2/3 vote of the policy making body.

Budgetary Requirements for Counties

Ill. Rev. Stat. 1975
Chap. 34: 2101

"In all counties not required by law to pass an annual appropriation bill within the first quarter of the fiscal year the board of supervisors or the county board of commissioners as the case may be shall adopt each year an annual budget under the terms of this act for the succeeding fiscal year. Such budgets shall be prepared by some person or persons designated by the county board and such budgets shall be made conveniently available for public inspection at least 15 days prior to final action taken thereon. The vote on such a budget shall be taken by aye's and nay's and entered on the record of the meeting. The annual budget adopted under this act shall cover such a fiscal period of one

year to be determined by the county board of each county except as here and after provided and all appropriations made therein shall terminate with the close of said fiscal period except as here and after provided providing however that any remaining balances shall be available until 30 days after the close of such fiscal year only for the authorization of the payment of obligations incurred prior to the close of said fiscal period. . . Any county which is heretofore adopted a budget under the provisions of this act may, at the end of any regular, adjourned or special meeting, amend its budget so adopted or adopt a new budget to conform to the provisions of this mandatory act."

The legislation cited above provides a basic framework for the budgetary process for Illinois counties. The act includes other requirements of the budgetary process which are briefly summarized below.

The annual budget must contain a statement of the revenues and expenditures for the previous fiscal year. Also it must contain a statement of all unexpended revenues as well as financial obligations which have not been paid. Estimates of all probable income for the current fiscal year and the coming budgetary year must be provided. These estimates must include estimated income from taxes, fees, and all other sources. Additionally, detailed statements showing estimates of expenditures for the current fiscal year as well as proposed expenditures for the coming fiscal year must be provided. These estimates should show the amounts of current expenses in capital outlay. They must also include payment on all outstanding debts including interest and retirement of principle. The budget must include a schedule of proposed appropriations which enumerate in detail specific items of expenditure. These expenditures can include an amount not to exceed 5% for contingency purposes.

After the budget has been passed, transfers of appropriations between accounts may be made on the vote of 2/3 majority of the county board or commission. Additionally, supplemental budgetary appropriations may be passed for only a few specific purposes. The ability of counties to pass supplementary appropriations is quite limited when compared to the broad discretion given municipalities.

The County Budget Act also requires the maintenance of several accounts within the county and forbids contracts or obligations for services or products which would be in excess of the legally passed appropriation.

In so far as administrative codes are concerned, the County Budgeting Act is rather unique in that it provides for criminal prosecution for those persons who might violate the act. The relevant section is quoted below.

Ill.Rev.Stat.1975
Chap. 34: 2107

"Any person who violates, or neglects or fails to comply with, the terms of this act commits a Class B misdemeanor. In cases of violation of the act by action of the county board, each member of the board participating in such actions shall be subject to the aforementioned sentences."

Illinois Municipal Budget Law

The Illinois Municipal Budget Law is a comprehensive piece of legislation which provides budgetary guidelines to those local governmental units not covered under other statutes or legislation. Counties, cities, villages and incorporated towns are generally exempted from the requirements of the Municipal Budget Law and are covered under the previously presented statutes. The basic requirement for the adoption of the budget and the passage of the annual appropriation ordinance is spelled out in the citation given below.

Ill.Rev.Stat.1975
Chap. 85: 803

Part of the Municipal Budget Law.
"The governing body of each municipality

of this state, coming within the provisions of this act, shall, within or before the first quarter of each fiscal year, adopt a combined annual budget and appropriation ordinance, by which ordinance the governing body may appropriate each sum or sums of money as may be deemed necessary to defray all necessary expenses and liabilities of such municipality, and in such annual budget and appropriation ordinance shall specify the objects and purposes for which, such appropriations are made, and the amount appropriated for each object or purpose.

The budget included in the ordinance must contain the following information:

- 1) a statement of cash on hand at the beginning of the fiscal year,
- 2) an estimate of the cash expected to be received during the fiscal year from all sources,
- 3) an estimate of the expenditures contemplated for each fiscal year, and
- 4) a statement of the estimated cash expected to be on hand at the end of the year.

The fiscal year may be identified and determined by the governing body of each municipality covered under the act.

There are a number of publication requirements for the budget and appropriation ordinance. These are spelled out below:

1. A proposed budget must be presented to the governing body and made conveniently available for public inspection at least 30 days prior to a final action on that budget.
2. At least one public hearing should be held before final action on the budget and appropriation ordinance. This public meeting should be advertised in a newspaper published in a municipality at least 30 days prior to the time of the open hearing. This public notice must state the time and place of the

hearing as well as the location of copies of the tentative budget appropriation ordinance available for public inspection.

Except as provided by law no further appropriations may be made by the municipalities during the fiscal year. Transfers may be made between funds so long as they do not exceed 10% of the total amount appropriated for the funds from which the transfer is made.

In summary, the legal requirements for the budgetary process for local governmental units in the State of Illinois are grouped in three broad general categories. The first applies to incorporated cities, counties, and towns of less than 500,000 people. There are some brief general guidelines for appropriation ordinances which all municipalities covered by this section must follow. They may, however, adopt additional budgetary provisions which provide for a budget officer and a detailed budget cycle. Secondly, counties in the State of Illinois, with the exception of Cook County, are required to conform to certain budgetary practices. These are generally more stringent and provide less flexibility than those applying to cities, towns, and villages. Lastly, the Illinois Municipal Budget Law provides some general guidance for all local government units not covered under other legislation.

Technical Assistance to Local Government

The State of Illinois requires that its Department of Local Governmental Affairs provide assistance to local governments in the budgetary process. A summary of the kind of assistance that is required is given below.

Ill. Rev. Stat. 1975
Chap. 127: 63b

"The Department (of Local Governmental Affairs) through its Office of Community Services shall provide for a central clearinghouse for information concerning local government problems and various

solutions to those problems and shall aid and assist local governments of the state in matters relating to budgets, fiscal procedures and administration."

The Department of Local Governmental Affairs in carrying out this mandate provides the following kinds of services:

1. Provides technical assistance to improve administrative procedures in local government.
2. Provides information about grants, gifts and other subsidies available to local governments. It may also provide technical services in applying for such programs and grants.
3. May provide direct consultant services on the request of local government officials.
4. The Department may act as the official state agency for the receipt and distribution of federal funds to local government units.
5. The Department is to prepare uniform budgetary forms for the use of local governments in the state.
6. The Department will also provide assistance in preparing bond issues, reviewing bonding proposals and will assist in the marketing of the bonds themselves.

Generally it may be stated that the Department of Local Government Affairs stands ready to provide local governments and their officials with direct technical assistance in virtually all areas of financial management and budget making. This service is provided without a charge to local government.

Budgets: A Definition and Some Concepts

The legal requirements of local government budgeting provide little

guidance to the local government official in how to make the best use or at least a good use of scarce financial resources. In order to fully utilize the financial resources available, it is important to have a basic understanding of what a budget is and what some of the key concepts are that relate to budget making in organizations. This section will provide a general background for the concept of budget making in organizations.

"Quite simply stated, there exists general agreement that the "budget" is a document, perhaps varied in size, style, and content from city to city, but nonetheless containing some type of identifiable schedule of spending and revenues. There is also agreement that the content of the document represents decisions."¹

The budget is a document which represents decisions to be made. The question then arises what kinds of decisions are these. There are at least three types of decisions that may be made with the budget document. The first category is economic decisions. These decisions are required by the budgeting appropriations statutes that have been previously examined. Basically, the economic decision is an allocation of scarce resources among alternate uses. For example, if the local government has \$50,000 available for new programs will this money be spent in increasing the level of fire protection, providing more parks, or upgrading the equipment of its police force? The emphasis of the economic decision is on the concepts of efficiency, effectiveness and economy. The goal is to provide the best mix of services for the dollars available. The assumption is that this decision is made in a non-biased fashion and based upon the concepts of efficiency, effectiveness and economy.

¹Managing the Modern City ed. James M. Banovetz. International City Management Association, 1971.

The budget document is also a vehicle for making political decisions. The essence of political decision making may be summed up in two questions. First is "who gets what a government has to give." And the second is "who gets to spend what the government has to spend." In the previous example, local government had \$50,000 for new services and was faced with a choice between increased fire service, increased police service or new park facilities. Political decision making would involve considerations of who would benefit from the provision of increased services in one or more of these areas. Advocates of a new park in a councilman's district would be an example of political decision making. This can be contrasted to economic decision making where new parks are advocated in the belief that they will add to and increase the economic base and business climate of the local community. The budget document when viewed as an instrument for political decision making provides a focal point for the political activities of the elected policy makers in the local government unit. These political conflicts are often resolved through compromise and cooperation.

The budget document is a decision making document in the view of the appointed officials and administrative staff of the local government. It is a means to present choices to the elected policy makers so that they can make a clear cut determination of which goals should be adopted and what programs should be funded. Again using the example of \$50,000 in new monies to be allocated among increased fire, increased police or new park services, the city manager or city administrator may see the budget document as a means to present his recommendations to the elected policy body. Ideally the elected policy makers will be presented with goals, alternative programs to meet those goals, and some analysis of the relative cost and benefits of each alternative program.

In summary, a budget means different things to different people. To the citizens in the community, the budget is an economic document which has a significant influence on the economic and social life of the community. To the local government official, the budget may be a political document which is used to carry out the political requirements of elected office. To the administrators and staff of the local government unit, the budget is a document used to present organizational choices for decisions to the elected decision makers. It should be understood that the three groups of individuals concerned will adopt the criteria of one or the other of the groups from time to time. For example, elected officials will often view a budget as an economic document as well as a decision making or political document. It should be made clear that the view of the budget as a political document is in no way intended to be negative. Rather it is a necessary means of making local government responsible to the people it is supposed to serve.

Types of Budgets

Local governments often have two different types of budget documents - the operating budget and the capital budget. The operating budget may often be referred to as a "annual" budget. The term annual suggests the repetitive character of the items in the budget. Items which are contained in the operating budget are normally items whose duration is one year or less. They are normally the recurring expenses necessary to run and maintain a local government activity. Examples of items in the operating budget would be such things as salaries, contractual services, commodities, and various forms of professional fees.

The second kind of budget is called the capital budget. The capital budget

includes items which are unique and unlikely to be repetitive from one year to the next. They are items that are likely to be tangible and clearly identifiable. Often they are of such magnitude that they will require extraordinary kinds of financing such as the sale of bonds or the use of grant monies from state or federal governments. Specific items in the capital budget may require formal approval from other state or federal agencies and may have major consequences for the future of the local government community. Examples of items in the capital budget might include construction of a new city or town hall, acquisition of new fire equipment, or construction of new parks and recreational facilities.

The question might be asked why differentiate budgets into capital and operating budgets. The answer lies in the different types of issues represented by the budget. Expenditures requested in operating budgets are normally based on precedent. That is, they are extensions of continuing activity and the legitimacy or desirability of these activities is rarely questioned. An example would be an item in the budget for police salaries. In contrast, an item in a capital budget is one that is usually presented for the first time or at least at very infrequent intervals. The question at issue is whether or not the activity should be undertaken. An example might be the construction of a new or improved jail facility. The discussion and debate on the issue will be whether or not the item is needed rather than on the cost involved in most cases. This is in contrast to the operating budget item of police salaries where the discussion is perhaps on the amount of raise to be given rather than whether or not police salaries ought to be paid.

Categorization of items into either the operating budget or the capital

budget may serve to identify different types of conflict in the decision process. Items in the operating budget usually provoke discussion and conflict on the basis of how much more or how much less than the previous funding will be given for the budgetary year. Usually the survival of the function or activity under consideration is not at stake. Again the example of salaries serves well. The nature of the conflict over salaries will be how much of a raise is to be given or what sort of fringe benefits are to be added to the compensation package. No one is going to say that salaries ought not to be paid for essential services. On the other hand, conflict over capital budget items tends to be very clear and take the form of an either/or situation. "Should we build a new jail or should we not? People thus have the opportunity to line up on clearly defined sides.

The decision processes for operating budgets and capital budgets may differ in terms of who is required to participate in the decision. Normally with an operating budget, the participants are the people who work for the local government unit; the elected local government official and the citizens who live within the geographical boundaries of the government unit. On the other hand, capital budget items may require in addition to the local government participants the approval and review of state or federal agencies. This requirement for outside review or approval may place additional constraints on the decision making capacity of the local government unit. For instance, application for a grant to construct a new correctional facility may involve certain other related expenditures on the part of the local government which must be made as a condition to receiving the federal or state monies. As the number of participants in a decision making process increases, it is quite likely that the complexity of the

decision also increases. It is logical to assume that complex decisions related to capital budgeting should receive a significant amount of consideration and deliberation. All the consequences of involving outside agencies should be carefully identified, reviewed, and considered.

Thus far, budgeting has been viewed as a process used to allocate scarce resources among conflicting demands. There is an additional type of budgeting which does not involve the decision making process. This is cash budgeting. Cash budgeting is the balancing of appropriated revenues and authorized expenditures over the fiscal period. It is somewhat akin to the individual balancing his or her checkbook. There must always be enough monies on hand to pay for the expenses that have been authorized. The ability to balance revenue and expenditures on a cash basis is often affected by the accuracy of the revenue projections and cost estimates. Budget documents normally can specify to the dollar what expenditures will be made. Unfortunately, revenue estimates are only estimates and cannot be specified to an exact dollar amount. Therefore many local governmental units have adapted the policy of maintaining a surplus from year to year to provide a cushion to meet expenditures when anticipated revenues are lower than have been projected. In summary, cash budgeting is an important function of local government financial management. However, it is not an integral part of the decision making process which seeks to allocate scarce resources among competing demands.

Methods of Budgeting

The legal requirements cited earlier in this section concerning budgeting stated that specific costs and amounts of appropriation must be identified for

either "objects" or "purposes." The specification of either objects or purposes in Illinois budgetary law provides the opportunity to utilize any one of the four recognized methods of budgeting. These are generally referred to as line-item budgeting, performance budgeting, program budgeting, zero-based budgeting. Brief descriptions of each are provided below.

1. Line Item Budgeting

Line item budgets are also referred to as object of expenditure budgets. The budgetary document is presented in the form of the cost of particular items. Examples would be desks \$250, secretary \$6,000, patrol car \$4800, and so on. The idea is to provide a cost figure for each and every item for which money will be spent during the coming fiscal year. The line item budget provides the basis for budgetary accountability and also for the other three methods of budgeting.

2. Performance Budgeting

A performance budget presents financial information in the form of costs of performing units of work. An example would be presenting a budget for a police force in such a manner that the cost per miled streets patrolled or cost per call for assistance answered was provided. This would be in addition to spelling out the cost for police salary, patrol cars, equipment, and so on. The idea is to provide the local government official with the opportunity to make a decision based on the number of work units that he or she believes should be carried out. An example would be making the decision to fund only 7500 miles of highway patrol at a given cost per mile as opposed to 6000 miles of highway patrol at a given cost per mile over the period of a year. Choosing the lower figure of miles to be patrolled would perhaps result in a reduction of the number of patrol cars and police personnel needed. The advantage to the performance budget is that it allows

decision makers to decide how much of any given service they wish to provide. Additionally, as it contains line item budget information, the provision for budgetary accountability still exists.

3. Program Budgeting

As with all forms of budgeting, program budgeting relies on the basic line item budgeting concept. The basic difference between program budgeting and traditional forms of budgeting is that costs are grouped along the lines of programmatic activity rather than along the lines of organizational units or subunits. An example could be that the budgetary funds for a corrections facility might be presented on a programmatic basis. Programs that might be identified are security, dietary, rehabilitation, clinical services and so on. Each of these programmatic categories would have a dollar figure attached to it. This dollar figure would be supported by line items such as salaries, equipment, supplies, contractual services, and others. A non-program budget for the same correctional institution would merely list the items of expenditure without grouping them into programmatic categories. However, would be grouped into organizational units. For instance, the dietary division of the correctional institution would list the salary expense, commodities and supplies necessary to feed the residents. The budget in this format would not include percentage of time for the correctional institution administrator or other indirect costs. Normally, program budgets do include a certain amount of indirect cost. The use of a program budget provides decision makers with the opportunity to choose the kinds of services they wish to provide and to select programs which they believe best carry out the goals of the local government unit. Program budgets rely heavily on the ability to aggregate cost data on a programmatic basis. This capability

is normally not present in local governments and hence the use of program budgeting should be undertaken very slowly and very cautiously.

4. Zero Based Budgeting

Zero based budgeting is a form of budgeting which requires review of all expenditures to be made during the coming fiscal year. It does not assume that the only area of active decision making should be in how much more will be allocated to any given service or organizational unit. In practice most so-called zero based budgeting systems are really percentage budgeting systems. That is, a base of 90 or 80 or 75 percent will be established. Funding will be automatically provided at this level. Funding above this level will be subject to strong scrutiny and it is in this area that the decisions will be made for the coming fiscal year. The advantage to zero based budgeting is that it forces decision makers and managers in the local government unit to consider seriously how they allocate current funds. This technique may be especially useful in areas where there is an acute scarcity of resources and a need to continue a relatively high level of service. It is also especially useful in situations where future funding levels are likely to be below existing funding levels.

The four methods of budgeting that have been described above are only different ways of carrying out the basic activity for which the budgetary process exists. That activity is to allocate resources in the best way possible. How this should be done and what method should be used is dependent upon the particular characteristics of the local government involved. It is inadvisable to adopt any form of budgeting without a thorough review and analysis of the needs and abilities of the individuals involved in the budgetary process.

The Budgetary Process: Legal and Managerial Requirements

The budgetary process is a decision making process which is utilized by local government officials to make the best use of existing resources. The budgetary process as a decision making process may be described from at least two perspectives. One perspective is that of the legal requirements of the budgetary process. The second perspective is that of the managerial requirements for a budgetary process. Both of these sets of requirements will be described in what approximates a chronological order of occurrence. The legal requirements describe what must be done to have a legitimate budgetary process for local government units. (i.e., one that fulfills the requirements of the State of Illinois.) These requirements provide no guidance in achieving good budgetary decisions. On the other hand, the managerial requirements if followed should provide the basis of making a wise and effective utilization of existing resources to meet demands for service and programs.

Legal Requirements

Generally speaking there are seven types of legal requirements that have to do with the budgetary process for local governments in the State of Illinois. Specific requirements for each type of local governmental unit are summarized in previous parts of this section. (Additionally it should be noted that none of the statements made here apply to the city of Chicago or Cook County. These two local government bodies have separate sets of legislation which govern and direct their budgetary processes.) The legal requirements for the budgetary processes are:

1. Budget document or appropriation ordinance must be adopted during the first three months of the fiscal year as identified by the local government unit.

2. A tentative budget must be created. This tentative budget must contain all the information required in the final budget or appropriation ordinance. It contains estimates of expenditure and estimates of revenue. The tentative budget is the working document from which the final budget is determined.

3. After the tentative budget has been put together, it must be made available to the general public.

4. Public hearings are held on the tentative budget by the policy making body of the local government unit.

5. After due consideration of public input, the final budget or appropriation ordinance is adopted and passed by the local government unit.

6. During the course of the ensuing fiscal year, it is the responsibility of the local government officials to oversee the administration of the budget and to fulfill all the accounting and accountability requirements placed upon local governments by the State of Illinois and by the relevant local ordinances.

7. As the budgetary cycle starts once more, the current year's budget is included and used as the basis for the formulation of the budget or appropriation ordinance for the coming year. Thus the cycle is complete.

Management Requirements for the Budgetary Process

If the budgetary process is to be a means of effectively utilizing scarce resources, certain procedures should be followed. These are spelled out in the following paragraphs. They are divided into eight general areas. It should be recognized that the eight types of requirements are general guidelines to action and must be modified to fit the needs of each local governmental unit.

1. Setting Policy

A budget is a document which affects the policies, programs and goals of the local governmental unit. Therefore the ideal place to start in building a budget is to review the existing policies and programs and goals of the local government unit. As an aid to organizing this review, five general areas can be identified. First a review of current local government finances. This review should include an assessment of revenues and expenditures generated within the local governmental unit. It should also include the role played by external sources of funds for the local government. This would include the availability of grants, revenue sharing funds, and other types of financial aid from state or federal government.

Secondly, there should be a review of local and regional economic conditions. The focus of this review is to identify any major changes in the economic environment that might affect the financial resources available to the local government unit or which might create conditions which would require extraordinary expenditures of local government funds. Examples of this might be the establishment of an outlying shopping center, the opening or closing of a factory, or the construction of a major state project in a nearby area such as an interstate highway or airport.

The third area is a review of major program changes. This should be an attempt on the part of local government officials to ascertain if there are significant changes in the kinds of services that citizens expect of their local government. An example might be a strong and vocal desire on the part of the citizenry for increased levels of police protection. Major changes in program emphasis are best considered at this point in the budgetary process rather than at a later point in the process where the decision makers are concerned with dollar

categories. The most common budgetary categories used are personnel requirements, contractual services, materials and supplies, equipment needs and, in some cases, contingency accounts. It should be recognized that cost estimates for capital budget items are separate and apart from the budgetary process involved in creating the annual or operating budget.

3. Reviewing Expenditure Estimates

The review of expenditure estimates will ordinarily involve three separate groups of people. Department or agency people, centralized budget or administrative staff, and elected officials and/or their representatives. The purpose of reviewing expenditure estimates is to reach a tentative agreement among all three parties as to what the expenditure program for the local government unit will be. The term agreement, is perhaps too strong. Elected officials have the final say over what the expenditure estimates will be. However, a communicative process that involves the other two levels of local government officials is undoubtedly helpful in carrying out the program contained in the budget document in the most efficient and effective way possible.

4. Revenue Estimates

Preparation of revenue estimates occurs simultaneously with the preparation of expenditure estimates. The first step in estimating revenues is a consideration of the overall constraints on the revenue producing capacity of the local government unit. There may be legal prohibitions against deficit spending. There may be legal restrictions on tax rates. There may be pending adjustments in existing tax bases. (This area of concern might also include changes in state property tax equalization formula.) Also, consideration should be given to pending action before the state legislative body which could add or take away sources

of revenue for the local governmental units. The actual estimating of local government revenues should take into account two general areas. First would be an assessment of the local and regional economic conditions which would affect the various tax bases of the local government unit. The second area would take into account the administrative procedures necessary for the collection of taxes or other kinds of revenue for the local government unit. The final area of concern in revenue estimating should be a review of the possibilities for matching grants and other forms of intergovernmental financial aid. Particular attention should be given to matching grants in that they require specific amounts and kinds of appropriations from local government.

5. Budgetary Forecasting

Budgetary forecasting involves the prediction of possible revenues and expenditures beyond the current budgetary year. Forecasting is normally done for a four or five year period. The purpose of forecasting is to try to determine if there will be significant changes in the level of expenditures or revenues available to the local government unit in the coming years. Particular emphasis is given to those changes which may require adjustments in the current year's budget. Simply stated budgetary forecasting is an attempt to look into the future to determine if there are adjustments which should be made in the current budget to accommodate possible future events. An example might be the discovery that a law enforcement grant will be for only three years. This would involve a gradual reduction in the amount of monies coming to the local government and a need for developing other sources to take up the slack for the soon to be missing grant funds.

6. Preparing the Budget Document

"The purpose of the budget document is to present to the legislative body and the public a comprehensive picture of proposed operations for the budget year, expressed in both verbal and statistical terms."²

The details of the budget document will vary with the practice and the legislative requirements of each local government unit. Generally speaking the following components usually make up a budget document. They are budget message, summaries of expenditures or revenues, statements of past expenditures and revenues, detailed revenue estimates, detailed statements of expenditure estimates, supporting data, and where necessary, drafts of new revenue and appropriation ordinances. The State of Illinois requires inclusion of specific items, that is a statement of the "objects and purposes" of expenditures. Once completed, this budget document becomes the tentative budget which is the material which must be submitted for public review and hearing.

7. Budget Review and Adoption

The procedure for budget review and adoption is usually spelled out in the legal requirements for the budgetary process. The two principle determinants of what the budget review and adoption process will be are state regulation and the characteristics of the local governmental unit involved.

8. Budget Execution

The principle functions of budget execution are summarized below.

"1. To provide for an orderly manner in which the approved objectives for the budget year are to be achieved.

²Lenox L. Moak, and Catherin W. Killion, A Manual of Techniques for the Preparation and Consideration, Adoption and Administration of Operating Budgets, Municipal Finance Officers' Association, Chicago, 1973. p. 14.

2. To assure that no commitments or expenditures are undertaken, except in pursuit of authorizations properly made.

3. To husband the resources of the local governmental unit which are not legitimately required to achieve approved objectives for the budget year.

4. To provide for the suitable accounting, and appropriate intervals, of the manner in which stewardship over intrust resources has been indischarged."³

Generally speaking there are three characteristics of budget execution.

The first is an allotment system. Many local governmental units do not provide department or agencies with their full appropriation to be spent at will. Rather the appropriation is released in quarterly or sometimes monthly periods to each agency and department. In this way, there is assurance that agencies and departments will have money to last them throughout the budget year. Additionally, accounting and management controls are used to assure that funds are spent only for authorized projects and in a manner which meets all the expenditure requirements and procedures set down by the local governmental unit.

Together, the legal requirements and management requirements of the budetary process provide a means for local government officials to achieve an allocation of resources that will effectively utilize their resources in carrying out the goals and objectives of the local government unit and its citizenry. The budetary process has many instances in which arbitrary decisions must be made with incomplete information. In these instances, it is well to recall the guidelines set forth in the early part of this section which dealt with economy, efficiency, and effectiveness.

³Ibid, P. 279

Budget Process In Governmental Cooperation

Intergovernmental cooperation is an important means of improving the ability of local government to provide services to its citizens. Most intergovernmental cooperation agreements will effect the budgetary process. In terms of the operating budget, a primary area of influence will be on the receipt of user fees or fees from contracts for the provision of services. Long standing agreements may provide the basis for accurate estimation of these revenues. These kinds of revenue estimates are directly related to expenditures. Normally agreements provide for full cost reimbursement for services rendered. The impact of intergovernmental cooperation on capital budgets may be significant. This is the case when number of local government units go together to form a joint project which will be funded totally or in part through the use of revenue bonds. The 1970 Illinois Constitution permits units of local government to use their credit revenues and other resources to service debt related to intergovernmental activities. This requires that all cooperative activities to be reflected in the budgetary documents of the local government unit. A fuller explanation of intergovernmental cooperation may be found in the handbook, Intergovernmental Cooperation in Illinois published by the Department of Local Governmental Affairs in 1976.

Important Things To Keep In Mind About Budgeting

The following paragraphs are intended to contain some helpful information which relates to the use of the budgetary process as a means of allocating financial resources.

1. Budget History

No matter what method of budgeting is used perhaps the single most important

piece of information available is the budget history. Budget history is the record of previous expenditures and revenues as they relate to local government activities. Virtually all budgeting decisions are incremental decisions; that is, they are viewed as an increase or decrease in previous levels of funding or service. Only in the instances of new programs or services are incremental decisions not being made. In these instances, it may be useful to find out what the experience has been with these new programs or activities in other local governmental units.

2. Calendar

Each local governmental unit should formulate its own budget calendar. This calendar should contain dates and objectives based on the two sets of requirements previously described; legal and managerial. Dates for legal requirements may be derived from the Illinois Revised Statutes as well as local ordinances. Dates and deadlines for the management requirements should be determined on a yearly basis by the elected policy officials in conjunction with the administrative personnel of the local government unit.

3. Tax Limitation

The Illinois Municipal Code provides that every municipality incorporated under a special act has a power to levy and collect annually its taxes for general purposes so long as the rate does not exceed: (1) the rate specified in or allowed under, its special act. or (2) a rate that will not exceed one percent of the aggregate valuation of all property within the municipality that is subject to taxation. In terms of a dollar rate, the one percent limit translates to a maximum rate of one dollar per one hundred dollars of assessed evaluation. Local government officials should consult the incorporation legislation of their municipality to determine the maximum property tax rate the law will allow.

Tax limitations on Illinois counties may be found in chapter 34 section 406 of the Illinois Revised Statutes. These statutes provide that the maximum tax rate in counties with less than 15,000 inhabitants is .20 percent of the value of taxable property as equalized or assessed by the Department of Local Government Affairs. This rate works out to a dollar rate of 20¢ per one hundred dollars for assessed valuation. The limitation on counties having population between 15,000 and three million is .12 percent or the rate limitation in effect on July 1, 1967 in which ever was greater. The tax limitation on counties having 3 million or more inhabitants is a rate not exceeding .39 percent of the assessed valuation for even number of years and a rate not exceeding .35 percent of the assessed valuation in the odd number of years. This works out to 39¢ on a one hundred dollars assessed valuation and 35¢ per one hundred dollars assessed valuation. Determination of the rates limits for the various types of taxes is a complicated process. It is suggested that the local governmental officials consult legal counsel to determine what the exact rate limits are. Summing up the situation on the tax rate limitations, local government officials should be aware that such limitations do exist. The exact limitation may be difficult to determine and in specific situations legal assistance should be sought. Additionally, tax limitations may be overridden in certain instances by vote of the citizens of the local government unit involved.

4. Debt Limitation

Chapter 85 section 851 of the Illinois Revised Statutes provides for limitations on the indebtedness of counties under 500,000 population and in townships, school districts, and other municipal corporations under 300,000 population. Indebtedness is limited in the aggregate to no more than two and a half percent of

the value of the taxable property located within the boundries of the local governmental unit. Other sections of the chapter exempt various forms of local governments from these debt limitations. When in doubt, the local government officials should consult legal counsel as to the debt limit of the local government unit involved. The Illinois Municipal Code of 1961 spells out the debt limits of cities, villages, and other local governmental units subject to that code. This limit is seven and a half percent of the value of the taxable property as determined by the last assessment for state and county purposes. The municipal code provides for exceptions to this debt limitation in certain instances. The code generally applies to municipalities having a population of less than 500,000 people. Chapter 34 of the Illinois Revised Statutes empowers counties to issue bonds for a wide variety of purposes. Dollar limitations on bonds outstanding are not generally given. There are, however, limitations on the maturity of the bonds as well as the rate of interest that they may pay. Local government officials are urged to consult their legal counsel to determine what the specific bond limitations might be for a given local governmental unit for a specific purpose.

5. Investment Ideas

Local governmental units are severely limited in the way in which they may invest their surplus funds. However, local governmental officials have the obligation to secure a reasonable rate of interest on funds that are not being used. The State Treasurer's office is prepared to provide assistance to local governmental units wishing to obtain a help in investing their currently unused funds.

6. Cash Flow

Cash management is as important to local government units as it is to private business. Local government units must always have enough funds on hand to pay their

obligations. However, it should not have excess funds in non-interest bearing accounts. Ideally, the local government unit will have just enough money on hand to meet its obligations. Other funds will be invested in interest bearing securities or accounts.

7. Various Funds

All local government units will have more than one fund to carry out their activities. The general revenue fund is the main fund that is used in paying for expenditures and accumulating revenue receipts. However special funds may be created for special purposes. Local government officials will find it useful to become familiar with the various funds that his or her local government unit operates with. These funds are independent of one another and as a rule the financial condition of one will not affect the financial condition of the others. Therefore each of these should be budgeted and managed on a separate basis.

8. Budget Cycles (Federal and State)

Local governmental units in the state of Illinois are not required to have budgetary cycles which match those of the state or the federal governments. However, the budget cycles of state and federal government must be taken into account in the financial management of the local governmental unit. Requirements for obtaining, spending, and accounting for grant funds will be tied to the budgetary cycle of the granting agency. Therefore the local governmental official cannot afford to be unaware of the budget cycles of the federal and state governments. Ideally, the budget cycle of the local government unit will match as close as reasonably feasible the budgetary cycles of the federal and state government.

9. Billing for Provision of Local Government Services

In local government units where intergovernmental cooperative agreements

exist, there may be a provision for billing or paying for contracted services including police, fire and other such services. If this is the case, the government official must remain aware of the billing procedures and the implications of these for budgetary process.

10. Identifying People with the Budget

Effective utilization of existing resources through the budgetary process will require a great deal of study and the effort on the part of the local government official. Part of this effort will require the securing of information from various departmental personnel within the local government unit. It will be helpful to identify particular individuals who can provide expert information and insight for particular parts of the budgetary document.

11. Incremental Growth/Personnel

The pattern of most local government budgets is one of incremental growth. The pressure of demands for increased services and inflation have made the rise of the dollar amount of the budget inevitable. Although this sort of growth is inevitable, it must be kept under control. One way to do this is to scrutinize the number of personnel required in any budget submission. It is a well established phenomenon in government that once positions are created and people are hired; it is very difficult to eliminate the position or the people. In scrutinizing budget requests, local government officials should pay particular attention to the number of personnel required and to whether or not these positions are temporary or permanent.

12. Grants

Local governments anticipating the receipt of a grant should make provision for mature money in their budget. Many funding sources require that the grantee

have the mature money identified in a line item of a budget approved by the local government unit.

In accepting a grant, the local government unit may have to agree to certain "conditions" imposed by the funding source. Some funding sources require that the grantee use the funds to keep the project going for a period of years after the grant has expired. These conditions should not be forgotten as local governments are involved in budgeting.

Conclusion

The purpose of this section has been to address the allocation of financial resources in the local government unit. The qualities of a good decision making process have been described and the budgetary process has been explained as a means of implementing decision making at the local government level. Managerial and legal requirements have been presented and specific types and methods of budgetary forms have been explained. Lastly specific items of importance have been highlighted.

As we stated in the introduction to this section, the criminal justice function is one of increasing importance and significance on the local government scene. There is an increasing demand on the part of the citizenry for increased levels of police protection. At the same time, there is an increased concern for the rights of those who are being processed in the criminal justice system. This increasing level of demand for services coupled with the dwindling resources of local government places a heavy burden on local government officials. One means of meeting this burden is to make the best possible use of existing resources. The suggestions incorporated in this section will aid the local governmental official in doing just that.

BUDGETARY CONCERNS RELATED TO CRIMINAL JUSTICE

LAW ENFORCEMENT

County Government

| | |
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| Pay salaries of sheriff, deputies, and jail personnel. | Chap. 53: 37a |
| Indemnify the sheriff and his deputies. | Chap. 34: 301.1 |
| Provide reasonable and necessary expenses for sheriff. | Chap. 34: 432 |
| Provide proper rooms, offices, safes and a jail. | Chap. 34: 432 Chap. 75: 1 |
| Pay for a cook for the county jail. | Chap. 76: 16 |
| Pay the expense for imprisoning an offender in another county. | Chap. 75: 25 |
| Offer rewards of up to \$1,000 for the capture of felons. | Chap. 60: 13 |
| Defray the expenses of those who assist in the pursuit of a felon. | Chap. 60: 14 |

Municipal Government

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| Compensate members of the Board of Police and Fire Commissioners. | Chap. 24: 10-2.1-22 |
| Compensate members of the Police Department. | Chap. 24: 10-3-1 |
| Construct and maintain a House of Corrections. | Chap. 24: 11-4-13 |
| Establish and administer a Police Pension Fund. | Chap. 108 1/2: 3-101 |
| Make grants to Community Action agencies. | Chap. 24: 11-5.2-1 |
| Provide insurance for all municipal personnel | Chap. 24: 10-4-2 |

COURTSCounty Government

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|---|--------------------------------|
| Provide a suitable courthouse and necessary offices and rooms. | Chap. 34: 432 |
| Provide reasonable and necessary expenses for State's Attorney, Judges, and Clerks of Courts. | Chap. 34: 432 |
| Establish and maintain a county law library. | Chap. 81: 81 |
| Take and order suitable measures for prosecuting or defending all suits to be brought by or against their counties. | Chap. 34: 603 |
| Provide 33 1/3% of the State's Attorney's salary. | Chap. 53: 7 |
| Pay the salary of assistant State's Attorney. | Chap. 53: 18 |
| Pay the salary of a Public Defender and his assistants. | Chap. 34: 5606 |
| Provide suitable office space and expenses for the Public Defender. | Chap. 34: 5607 |
| Compensate the County Probation Officer. | Chap. 38: 204-6 |
| Compensate the Clerk of the Court. | Chap. 53: 37a |
| Add to the compensation of judges (in certain sized counties). | Chap. 53: 3-2 Chap. 53: 3-3 |
| Compensate the jury commissioners, their clerks and assistants. | Chap. 78: 29 |
| Provide and maintain a County Probation Department. | Chap. 37: 106-2 |
| Establish and maintain a County Detention Home. | Chap. 23: 2681 |

Municipal Government

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| Set aside and maintain space for courtrooms and office facilities. | Chap. 24: 11-62.1 |
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CORRECTIONSCounty Government

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|---|---------------|
| Provide and maintain at least one jail facility. | Chap. 75: 1 |
| Pay the salaries of the sheriff and jail personnel. | Chap. 53: 37a |
| Pay for a cook for the county jail. | Chap. 76: 16 |
| Pay the expenses for imprisoning an offender in another county. | Chap. 75: 25 |

Glossary of Terms Related to Budgeting

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| BEST DECISION | Best decision is one which satisfies all the needs that are presented to the decision maker and does so with the minimal amount of resources. |
| GOOD DECISION | Good decision is one that uses existing resources to meet the needs of the community by carrying on activities and providing services in a reasonable efficient, effective, economic manner while fulfilling the legal and the ethical requirements. |
| EFFICIENT | Efficiency is used to describe decisions as in efficient decisions. Efficient decisions are for those which focus on providing a fixed level of service for the smallest amount of money possible. |
| EFFECTIVE | To be effective is to provide a service that actually carries out the function or accomplishes the goal that was intended. |
| ECONOMY | Economy may be defined as spending the least amount possible to provide the minimum required level of service. |
| APPROPRIATION ORDINANCE | An ordinance which is passed annually which appropriates sums of money that are deemed necessary to defray all expenses and liabilities in the municipality for the coming year. This ordinance must also specify the objects and purposes for which these appropriations are made and the amount appropriated for each object of purpose. |
| SUPPLIMENTAL APPROPRIATION | Supplimental appropriation is the appropriation of sums which are an addition to the annual budgetary appropriation. These appropriations are normally passed in the later part of the budgetary of the fiscal year. |
| BUDGET | A budget is a document which provides a schedule that identifies expenditures and revenues. A budget is also a document which represents decisions that have been or will be made. |

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| ECONOMIC DECISION (BUDGETARY) | The economic decision is an allocation of scarce resources among alternative uses. |
| POLITICAL DECISION (BUDGETARY) | A political decision is one that answers the following two questions: 1. who gets what government has to give and 2. who gets to spend what the government has to spend. |
| DECISION MAKING DOCUMENT (BUDGET) | The budget document is a decision making document in the eyes of the appointed officials and administrative staff of the local government. It is a means of presenting choices to the elected policy makers in a fashion that permits a clear cut determination as to which goals should be adopted and what programs should be funded to achieve already present goals. |
| OPERATING BUDGET | An operating budget is often referred to as an annual budget. Items that are contained in the operating budget are normally those whose duration is one year or less. Examples of items on the operating budget might be such things as salaries, contractual services, commodities, and various forms of professional fees. |
| CAPITAL BUDGET | A capital budget is one that includes items which are unique and unlikely to be repetitive for one year to the next. Those to be included are likely to be tangible and clearly identifiable. Often times they will require extraordinary means of funding such as the sale of bonds or the securing of grants from outside agencies. Examples of items in the capital budget might include construction of a new city hall, acquisition of new funds or equipment for the construction of new parks or recreational facilities. |
| CASH BUDGETING | Cash budgeting is the balancing of the appropriate revenues and authorized expenditures over the fiscal period. |
| LINE ITEM BUDGETING | Line item budgets are also referred to as object of expenditure budgets. Budgetary documents are presented in the form of the |

cost particular items. Examples would be desks \$250, secretaries 6,000, patrol car \$4800, and so on.

PERFORMANCE BUDGETING

A performance budget presents financial information in the form of cost performing units of work. An example would be the cost per mile of street patrolled for one year. The advantage of the performance budget is that it allows decision makers to signify how much of any given service at a fixed cost they wish to provide.

PROGRAM BUDGETING

Program budgeting is a form of budgeting that in which costs are grouped around the lines of programmatic activity rather than along the lines of organization units or subunits. A sample might be a correctional facility budget would identify programs and securities dietary rehabilitation clinical services and so forth.

ZERO BASE BUDGETING

Zero base budgeting is a form of budgeting which requires review of all expenditures to be made during the coming fiscal year. Practiced this review does not generally include all expenditures. Rather a percentage will be determined from a previous expenditure level will be identified such as 80 of 90 percent. Proposed expenditures above this level will receive through scrutiny where as expenditures making up this minimul level will be approved automatically.

Suggested References

There are several excellent resources which the local governmental official may wish to consult to learn about the budgetary process:

1. Managing the Modern City ed. James M. Benofitz, International City Management Association, 1971.
2. Management Policies and Local Government Finance ed. Jay Richard Arnsonand, and Eli Schwartz, International City Management Association, 1975.
3. Intergovernmental Cooperation in Illinois The Department of Local Government Affairs, 1976.

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