

6-15-2022

Leadership Through Budgeting: Controlling Taxes and Increasing Services

Tony Sims

Follow this and additional works at: <https://scholarworks.sfasu.edu/cpmar>



Part of the [Finance and Financial Management Commons](#), [Leadership Studies Commons](#), [Organization Development Commons](#), and the [Public Administration Commons](#)

[Tell us](#) how this article helped you.

Recommended Citation

Sims, Tony. 2022. "Leadership Through Budgeting: Controlling Taxes and Increasing Services." *Certified Public Manager® Applied Research* 3, (1). <https://scholarworks.sfasu.edu/cpmar/vol3/iss1/4>

This Article is brought to you for free and open access by the Journals at SFA ScholarWorks. It has been accepted for inclusion in Certified Public Manager® Applied Research by an authorized editor of SFA ScholarWorks. For more information, please contact cdsscholarworks@sfasu.edu.

Leadership Through Budgeting: Controlling Taxes and Increasing Services

Tony Sims
Coastal Refractory Services, Inc.

Abstract

Local budgets are the key responsibility of elected and appointed leaders, as are ultimate control over how tax dollars are allocated, and which services are provided to the citizens. Nowhere else is leadership more important than during budget preparation. However, local budgeting is typically more an annual event than an ongoing efficient and effective process. By implementing a budgeting process and preparing a budget in accordance with the criteria required by the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award Program and earning the award, local governments can create more efficient and effective operations, improve public trust, and have better control over taxes while increasing services. This article will show both a comparison of Chambers County's budgeting process between the past and the present, and the advantages versus the disadvantages of a GFOA award winning budget. Advantages include improving the budgeting process, focusing more on priorities, providing a better understanding of operations for all stakeholders, and improving operational performance. Disadvantages discussed are staff commitment, cost, and the need for change. This article provides sufficient evidence to suggest that Chambers County and its stakeholders benefited from the county formally adopting the requirement to earn the GFOA's Distinguished Budget Presentation Award as part of their annual budget policy. Other local governments should consider working toward the GFOA's Distinguished Budget Presentation Award.

Introduction

No other activity performed by local governments can have as much positive impact on outcomes as preparing a detailed budget in accordance with the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award Program.¹ The adopted local government budget is the ultimate control on financial management, and, when properly executed, can provide a valuable resource for all stakeholders while providing for efficient and effective management and operations. As stated in the GFOA Recommended Budget Practices Framework for Improved State and Local Government Budgeting, "of all the functional areas of finance, the one most in need of guidance is government budgeting."² However, in practice, counties and cities often throw together a line-item budget at the last minute, resulting in a budget that is often misunderstood, provides no operational guidance, causes an unreasonable amount of budget transfers and budget amendments, and provides no real useful information regarding outcomes and performance measurement. In essence, the local government budget is typically more an event than a process. By following the GFOA's Distinguished Budget Presentation Awards Program categories and criteria, a local government can implement a budget process that will help improve the local governments' operational performance and financial position, which will result in better control over tax rates while increasing services to the citizens and all stakeholders.

Background in Chambers County

In the past, Chambers County, Texas started their budgeting process only after receiving certified taxable values from the Chambers County Central Appraisal District in July of each year. The thought behind this seemed to be that they could not prepare a budget until they knew how much revenue would be available. Thus, the desired tax rate determined the budget rather than the prioritized budget determining the tax rate, which could have resulted in either a higher or lower tax rate. This smoothing of the tax rate may have resulted in surplus and waste in some years, and shortfalls and loss of opportunities in others.

After the desired tax rate determined the available funds, department heads and elected officials were asked to provide their department's line-item budget as compared to the prior year's budget and a round of budget workshops would ensue where all five members of the Commissioners Court would analyze the proposed budget in its entirety. Department heads and elected officials were also given the opportunity to plead their case to the Commissioners Court for their wish list at this time. This often resulted in a "brow beating" of department heads and elected officials by the Commissioners Court, leading to lower morale and multiple "budget games," as described by Scott Douglas Lazenby in his book *The Human Side of Budgeting, Budget Games and How to End Them*.³ Not all department heads and elected officials possess presentation and public speaking skills, which typically meant the more persuasive presenters got their wishes while those lacking skills did not.

Since the proposed budget typically was not vetted by a budget committee or the Budget Officer, it included a lot of requests that were not necessary or reasonable, which caused all five members of the Commissioners Court to spend considerable time debating unreasonable requests. Typically, the first budget workshops started out with a round of "no's," and as the process progressed and other more persuasive presenters "won," it became necessary to re-visit previous presenters' requests to be "fair and consistent." This process caused demoralization and resentment between department heads and elected officials towards both each other and the Commissioners Court.

The budgeting process resulted in a line-item budget whittled down to match available revenues, with very little buy in from department heads and elected officials. The budgets were also unrealistic regarding real priorities, which caused excessive budget amendments and transfers during the fiscal year when priority needs surfaced that could have been foreseen through a more effective budgeting process. With no clear focus on priorities, the budget amendments and transfers became time consuming hunts for available funds and ended with an amended budget that was carried over to the next year to continue the budgeting process.

A Better Budgeting Method

Realizing that there had to be a better method of budgeting, the county only had to find the solution. During Track 4, Public Finance & Budgeting, of the Texas Certified Public Manager Program at Stephen F. Austin State University, the county received the book *A Budgeting Guide for Local Government*, by Robert L. Bland.⁴ In the book, Bland introduces the Government Finance Officers Association (GFOA) as the agency that "has been at the vanguard of promoting better budget communication."⁵ He further explains that the GFOA "has sponsored the Distinguished Budget Presentation Awards program, inviting states, provinces, and local government to submit their budget documents for evaluation in four areas."

The four areas cited in the book are:

- The budget as a policy document
- The budget as a financial plan
- The budget as an operations guide
- The budget as a communication device

After studying and considering the information provided in Bland's book, Chambers County started following the GFOA budgeting model and meeting the 27 evaluation criteria, with the intent of eventually achieving the GFOA's Distinguished Budget Presentation Award. This resulted in a much-improved 2015 budget process that was completed in record time and included priorities; with buy in from department heads and elected officials. Chambers County enjoyed many successful fiscal (calendar) years starting in 2015 that provided better control of current and future tax rates while providing increased services to its citizens.

Advantages of a GFOA Award Winning Budget

Improved Budgeting Process

Since 62% of the Chambers County Budget, excluding capital expenditures, consists of personnel costs, and since most of the prior budget debates related to salary decisions, the Commissioners Court created the Performance Evaluation Committee (PEC) to consider personnel needs on a routine basis in lieu of only at budget time. The PEC makes recommendations to the Commissioners Court after thorough review and consideration. This has saved a considerable amount of time and has improved consistency with merit raise requests. Employees have received more merit raises than in the past and morale improved.

The county also adopted a formal budget policy and budget calendar which resulted in more time spent on the budget process in lieu of considering the budget as an "event." As stated in the NEUBRAIN white paper *Performance Based Budgeting – Methodology and Tools*, "organizations have a number of PBB [performance-based budgeting] best practices and approaches at their disposal, but rarely will they achieve a mature level all at once because implementing PBB is a process rather than an event."⁶ The Budget Officer formed a budget committee and fully vetted the department heads' and elected officials' requests prior to taking the proposed budget into budget workshops with the full governing/approval body. The budget committee re-visited questionable requests as needed, which allowed the requestor adequate time and a safe environment in which to explain their needs.

Through this improved budgeting process evolved the County's first formal Capital Improvement Plan, which focused on improving long range planning. All this improvement effort aided in Standard & Poors Rating Agency's decision to rate Chambers County's 2014 Revenue Bonds "AA," resulting in improved interest rate savings on bond indebtedness.⁷

Focusing on Priorities

With a 12% increase in certified property values providing increased revenues to the county, one would think that the Commissioners Court would stay with the past policy of keeping the tax rate the same as the past five years. However, with an improved budgeting process and

consideration of long-term needs, the decision for the 2015 budget year was to adopt the higher rollback tax rate which would provide additional revenue to the county. This would then allow the county to increase services to as many citizens as possible with available funds. Clearly, infrastructure needs were necessary to keep pace with growth in the county.

Increased industrial growth raises competition to attract and retain the best available personnel for a growing number of services to our citizens. Personnel are viewed as an asset now more than ever. Also, to operate more efficiently and effectively, and to comply with state and federal requirements, the county needed to invest in new financial and judicial records management software after 17 years of using basic software applications.

Exploding population, industrial, and retail growth requires increased needs for fire, EMS, and police protection. The improved budget process brought to light the urgency of these needs and allowed Chambers County to become more proactive with addressing these needs more than ever.

By focusing on priorities, more time was spent on considering the projects and services that benefit the most citizens in lieu of the projects that benefit only special interest groups. Each request should provide an estimation of the number of citizens benefitting from the project or service. Often political pressures will focus on high-profile, or “pet,” projects that really should belong to non-profit organizations or private businesses, which leads to the detriment of critical infrastructure or emergency services’ needs provided by local governments.

Better Understanding of Operations

How many times have department heads and elected officials complained that, “Commissioners Court doesn’t even know what they do?” How many times has the Commissioners Court stated, “the department heads and elected officials don’t understand what it takes to run the county?” How many times have concerned citizens asked, “what does the county do for us?”

Through an improved budgeting process, Chambers County’s budget became a better communication tool. A contributing factor to the questions previously stated is simply lack of communication. By using a budget committee to prepare the proposed budget, the department heads and elected officials can have a tool for better communication. Also, additional narrative in the budget can clearly and concisely answer questions. Once budgetary needs are clearly communicated and explained in a way that allows citizens to better understand their benefits, it becomes more necessary to include the priorities in the budget with the property tax rate.

By preparing a thorough proposed budget and five-year capital improvement plan, the Commissioners Court formally participated in more clearly defining the county’s vision, mission, and objectives. Once everyone understood the magnitude of critical infrastructure, safety, and compliance needs, the unreasonable requests were withdrawn without objection. Although improvement was still forthcoming, Chambers County became clearer on their vision, mission, objectives, and priorities than ever before.

A GFOA award winning budget document will clearly justify each department, provide an organization chart, list goals and objectives, and provide metrics for measuring outcomes. Each department allocated funds in the budget will include a narrative so that citizens can easily understand where their tax dollars are spent, as well as the outcomes and benefits to the community.

The new budget documents were valuable resources to county leaders to help explain what the county does for the community and where the tax dollars are allocated during meetings,

conferences, and other public events. This will improve citizens' confidence in their elected officials and build trust and credibility.

Improved Operational Performance

By preparing a long-range capital improvements plan, Chambers County is now aware of its needs ahead of time which allows them to leverage their buying power and negotiate more favorable prices on capital equipment, facilities, and construction contracts. In realizing future needs, the county can consider the economic value added for capital purchases and take advantage of lower interest rates and better cash reserves utilization.

Chambers County's investment into the best available financial software allowed them to move toward performance-based budgeting and provide performance measures for decision making. This moved Chambers County away from only using line-item budgeting.

What is meant by performance-based budgeting? Numerous resources and definitions have been provided for performance-based budgeting since the federal government first embraced the concept in the early 1950's. One good definition, as cited in the winter 2004 edition of *Popular Government's Defining Performance Budgeting for Local Government*, is that performance-based budgeting is a "process for budget preparation and adoption that emphasizes performance management, allowing decisions about allocation of resources to be made in part on the efficiency and effectiveness of service delivery."⁸

Implementing a performance-based budgeting program is necessary to measure inputs, outputs, and outcomes related to the use of county resources and ultimately tax dollars. Here are recommended practices from cited resources, many of which were introduced in the Texas Certified Public Manager Program at Stephen F. Austin State University. First, it is important to find out what is truly going on in the organization. Since personnel are the most significant part of the county budget and operations, why not start here?

Department heads, elected officials, and employees are often heard complaining that the Commissioners Court simply does not understand what they do. In his book *Managing Information and Human Performance, Strategies and Methods for Knowing Your Workforce and Organization*, Gary C. English states that "there is no reason for management not to be familiar with its own operation. It is a matter of will, not cost, and system, not strain."⁹ Using the tools suggested by English, it was very achievable to obtain enough data about county operations to thoroughly analyze the processes and procedures and arrive at an optimized set of standard operational procedures. Through employee surveys, management by walking around, well-planned and implemented department head meetings, audits, and other improved communications methods, management learned what is really going on in organizational operations. The problem seems to be that government leaders lack the will to do the hard work of leadership. To truly find out employees' challenges and to seek ideas for improvement, we must become better leaders by asking the right questions and being willing to listen and accept the responses. As Dr. John C. Maxwell states in his book *Good Leaders Ask Great Questions* (2014), "If you want answers, you must ask questions."¹⁰

Next, every program funded by the organization should face annual evaluation. Performance in the public sector has always been a major concern, now more than ever. Citizens are working harder for their money while they witness their hard-earned tax dollars wasted on frivolous government spending, corruption, and useless entitlement programs with unintended consequences.

What is program evaluation and how is it performed? In his book *Practical Program Evaluations – Getting from Ideas to Outcomes*, Gerald Andrews Emison describes program evaluation as “an important way to advance the public interest. It opens windows to improving the performance of public organizations.”¹¹ He goes on to say “program evaluation concerns the core of public management: how public organizations can be effective in achieving society’s interests while advancing democratic governance. It is simultaneously important, challenging, interesting, and exciting.”¹² Every program offered by a public organization should be evaluated internally and through involving the public. Too often, comments are heard such as “what would the taxpayers think,” typically when a public official is trying to make a point to look conservative; but then the same public official can’t name the top five taxpayers in the county or prove that he/she understands what taxpayers truly value. It is easy to say no to a program that would benefit the taxpayers while using the taxpayers as the excuse; but a quick tour of the top taxpayers’ facilities would confirm that, in fact, the taxpayers are spending their money on the same best practices because they realize the value of the program. At the same time, public officials continue routine, non-productive programs that do not benefit the taxpayers, but never discuss them. Understanding your client, as described in Chapter 3 of *Practical Program Evaluations – Getting from Ideas to Outcomes* provides a foundation for effective program evaluation.

An improved budget process will consider researching best practices and recommendations from top taxpayers. The local government’s industrial stakeholders have state of the art facilities and can provide valuable input on facilities management, ergonomics, personnel development, and other best practices. The local government simply has to ask. It’s time that local governments partner with their taxpayers and learn from them.

By improving the budgeting process, the county or city will be able to keep their financial house in order and spend less time at the end of the year cleaning up budget transfers and making last minute purchases to avoid “use it or lose it.” This would result in preparing a consolidated annual financial report (CAFR) earlier in the year, which would also allow for completion of the annual audit earlier in the year. The earlier and more accurately the local government can report operational results, the more time it has to make corrections to any deficiencies that may need attention. In a nutshell, less time spent on budget issues means more time available to focus on operations. Additionally, better budgeting processes and procedures, would allow for the less time spent orientating and training new elected officials, department heads, and employees.

Disadvantages of GFOA Distinguished Budget Presentation Award

Staff Commitment

There are some staff requirements to applying for and building a budget that will meet the requirements of the Government Finance Officers’ Association’s Distinguished Budget Presentation Award, but these staff costs are a one-time up-front commitment. Once the budget format is established, subsequent budgets will potentially require less effort than the current budgeting process described in this paper. As an organization transitions into the new budgeting process, much of the information required from department heads and elected officials will be provided in real time. Once document submittal becomes routine and habitual, the process will continue to become easier.

As mentioned in this article, the benefits of a GFOA Award Winning Budget far exceed the effort required and local governments will experience some of the benefits of adopting only a

fraction of the requirements (e.g., having departmental/program descriptions). By taking a slower approach to the new budgeting concept, employees will be allowed to learn and grow along with the goal and understand the “why” of the goal. Keeping employees involved is the key to gaining their buy-in and is ultimately the success of achieving the GFOA Distinguished Budget Award. Once again, this is a process, not an event.

Cost

The county with a population less than 49,000 or a municipality with a population between 20,000 and 39,999 that is a member of the GFOA will benefit from a discounted application fee of \$455.00.¹³ There are no hidden costs involved with the process because the efforts for budget preparation are already being expended on the current process. The real cost to consider is the opportunity cost of not building a better budget. Currently, countless hours are often spent on budget workshops, repeat presentations and multiple work budget revisions. An analysis of the cost of current budget processes will prove that building a better budget will save considerable money and, therefore, results in no real cost of working to achieve the GFOA Distinguished Budget Award.

Change

The new budgeting process is a change to the “way we have always done it” and will likely cause some anxiety. Change management is important to the success of any improvement effort. To effectively implement change organizational leaders must start with realizing the three key barriers to change:

- People must learn enough to want to change;
- People must receive enough that they are able to change; or
- People must hurt enough that they have to change.

The ideal scenario is to learn enough to want to change and then to receive enough to be able to change. The change process starts with education and communication of why it is necessary to achieve this goal. It is then important to provide the team members with the tools they need to effectively implement the change. Properly equipped, the team members responsible for this initiative will have access to information, proper reference materials, good training, and any hardware and software that is required to build a better budget.

Management must be willing to make a complete shift in thinking to move from where they are with budgeting to where they want to be. Building a better budget requires more employee and citizen involvement. As Bland’s *A Budgeting Guide for Local Government* states, “budgets raise the social conscience of a community by making inequities more visible and by exposing a government’s commitment to fairness.”¹⁴ It will not be easy for management to adopt and adapt to this philosophy and move toward a “Theory Y” management approach to budgeting.¹⁵ But the payoff is that if everyone is involved and has buy in, there will be less on-going controversy, budget amendments, budget transfers, and budget games as explained in Lazenby’s *The Human Side of Budgeting*.

Conclusion

The purpose of this article is to emphasize the benefits to local governments of building a better budget in accordance with the Government Finance Officers Association's Distinguished Budget Presentation Award Program and becoming an award recipient. A comparison is made between the history of the budget process and the improved process. Research into the past budgeting practices in Chambers County Texas revealed an ineffective and inefficient process in terms of ease of implementation, employee morale, and budget reporting. Also, past budgets did not meet the GFOA's criteria of a budget document as 1) a policy document; 2) a financial plan; 3) an operations guide; and 4) a communication device. Several books and research papers are cited in this article provide a look into better budgeting processes and procedures. Many of the reference materials were introduced in the Texas Certified Public Manager Program at Stephen F. Austin State University. Although Chambers County produced an award-winning budget for many years the support work to maintain the award diminished.

Applying for and receiving the GFOA's Distinguished Budget Presentation Award allows local governments to improve their budget process while providing a budget document that focuses on priorities, provides a better understanding of operations to all stakeholders, and improves operational performance. This is achievable with no increased staff requirements and no real cost. In fact, local governments may enjoy budget processes that more efficient and effective and will save significant time and effort, resulting in savings and increased productivity.

Achieving this initiative will require a management paradigm shift from a Theory "X" to a Theory "Y" style budgeting process, but the payoff in employee morale and the usefulness of the budget will pay dividends. Additionally, a GFOA Award Winning Budget Document will raise the social conscience of local governments and expose a commitment to fairness while being more transparent, reducing speculation and public information requests, and building more public trust.

Notes

¹ Government Finance Officers Association. *Distinguished Budget Presentation Award Program*, accessed April 14, 2022, <http://www.gfoa.org/budget-award>.

² Government Finance Officers Association, *Recommended Budget Practices – A Framework for Improved State and Local Government Budgeting* (Chicago, IL: 1999), vii.

³ Scott Douglas Lazenby, *The Human Side of Budgeting: Budget Games & How to End Them* (Sandy, OR: Erehwon Press, 2013).

⁴ Robert L. Bland, *A Budgeting Guide for Local Government*. 2nd ed. (Washington D.C.: ICMA Press, 2007).

⁵ *Ibid.*, 83.

⁶ NEUBRAIN. *Performance-Based Budgeting – Methodology and Tools*. accessed November 2014, www.neubrain.com.

⁷ Chambers County, Texas. 2014 Approved Budget, <https://www.co.chambers.tx.us/page/auditor.financial.transparency>.

⁸ William C. Riverbark, "Defining Performance Based Budgeting for Local Government." *Popular Government*. Winter (2004): 28.

⁹ Gary C. English, *Managing Information and Human Performance: Strategies and Methods for Knowing Your Workforce and Organization* (Amherst, MA: HRD Press, 2004), vii

¹⁰ John C. Maxwell, *Good Leaders Ask Great Questions – Your Foundation for Successful Leadership* (New York: Center Street, 2014), 5.

¹¹ Gerald Andrews Emison, *Practical Program Evaluations: Getting From Ideas to Outcomes* (Washington, D.C.: CQ Press, 2007), xiii.

¹² *Ibid.*, 1.

¹³ Government Finance Officers Association, accessed April 27, 2022, <https://www.gfoa.org/budget-award-fees>

¹⁴ Bland, *A Budgeting Guide*, 6

¹⁵ A Theory Y approach has budgeting officials accept responsibility and is based on budget delegation. A Theory X approach has budgeting officials shirk responsibility and is based on budget control.