Budgeting

A BUDGET is a quantitative statement of the organization’s expressed operating intentions and it translates these intentions into numbers and dollar signs.
Budgeting

• Total Financial Requirements
  – Cost of Doing Business
  – Cost of Staying in Business
  – Cost of Changing the Business
  – Return to the Suppliers of Capital

Budgets

• Planning Tool
  – Expresses management's plans
• Control Tool
  – Benchmark to compare results

Strategic or Operational Planning

• Strategic
  – Long term
  – 5-10 years
  – Broad
• Operational
  – Short-term
  – 1-3 years
  – Objectives of Strategic Plan
**Budgeting**

- Operational Plan
- Materials & Forms
- Projections
- Operational Strategies
- Calendar
- Targets

**Budgeting**

- Workloads & volumes
- Projects / Programs
- Equipment / Buildings
- Revenues
- Expense
- Cash flows

**Budgets**

- Operating
  - statistics, revenue and expense
- Capital
  - construction, equipment
- Cash
  - sources, uses and timing
Statistical Budget

• How do you estimate activity?
  – History
  – Trends
  – Known changes
  – Ask providers
  – Demographics
  – Optimism & Pessimism

Statistical Budget

• Begin with the global measures
• Then project support volumes

Revenue Budget

• Volumes
• Pricing
• Payments/Contractual Allowances
• Other
Expense Budget

- Attempts to account for costs of operations for each department individually and for the institution as a whole.
- Attempts to match costs with revenues generated.
- Fixed and Variable.

Expense Budgeting

- Labor - wages + benefits
- Supplies - Rx, OR, other
- Purchased services
- Interest
- Depreciation

Operating Budget

<table>
<thead>
<tr>
<th>Volumes</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Net Revenues</td>
</tr>
<tr>
<td>- Labor, supplies</td>
</tr>
<tr>
<td>- Other Costs</td>
</tr>
<tr>
<td>- Capital Costs</td>
</tr>
<tr>
<td>= Net Income or Profit or Bottom Line</td>
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</tbody>
</table>
Capital Budget

- Short and long term
- Requests generally exceed funds available
- Prioritization
- Ability to buy
- Capital is driven by the operating budget & LRFP

Cash Budget

- Generally prepared last
- Projects cash–in and out
- Timing and amounts are both critical
- Impacts capital budget and operating budget