Rethinking Budgeting

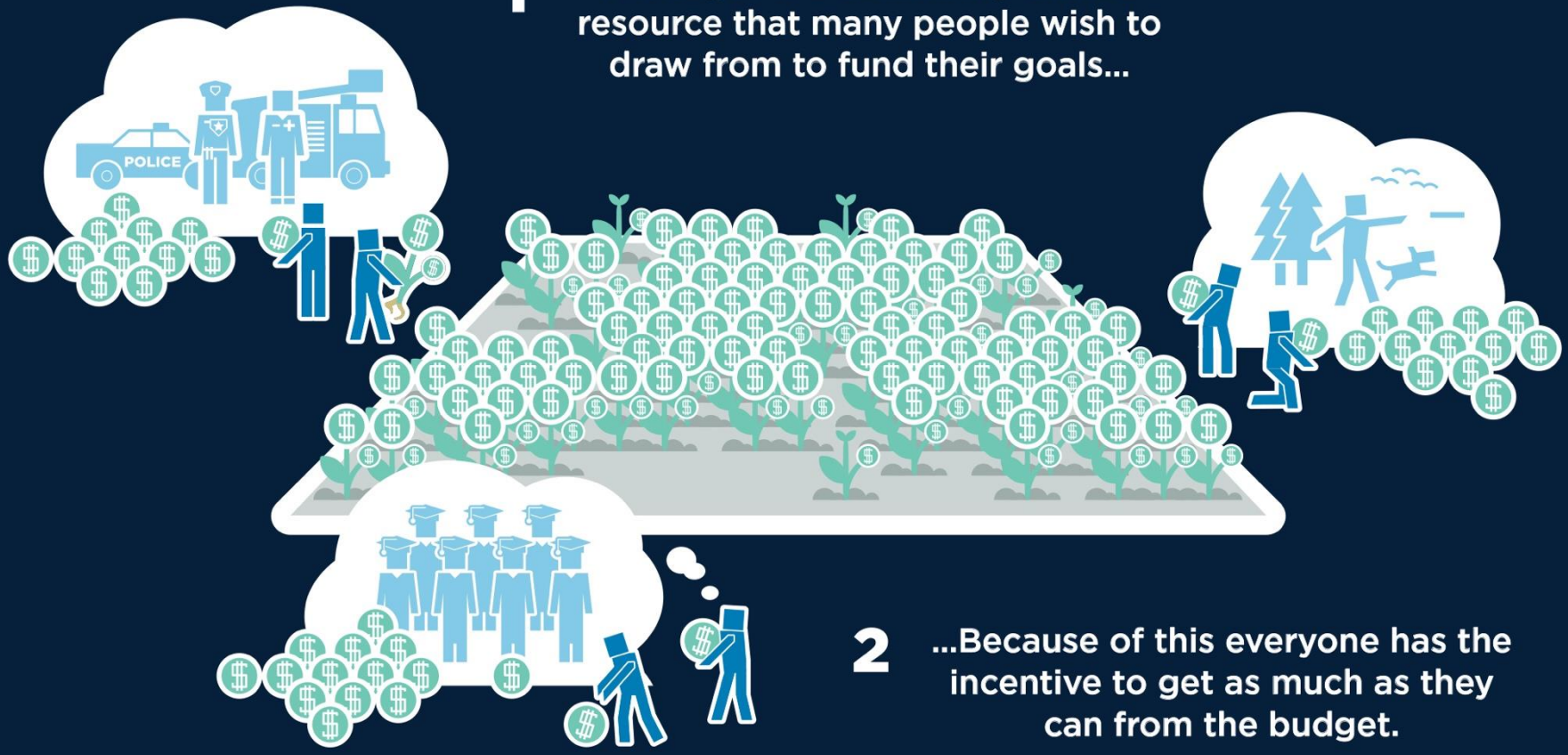
The Key to Financial Health

“We have Paleolithic emotions, medieval institutions and godlike technology”

-Edward O. Wilson, Biologist

THE TRAGEDY OF THE COMMONS* IN LOCAL GOVERNMENT BUDGETING

1 A budget is a commonly owned resource that many people wish to draw from to fund their goals...

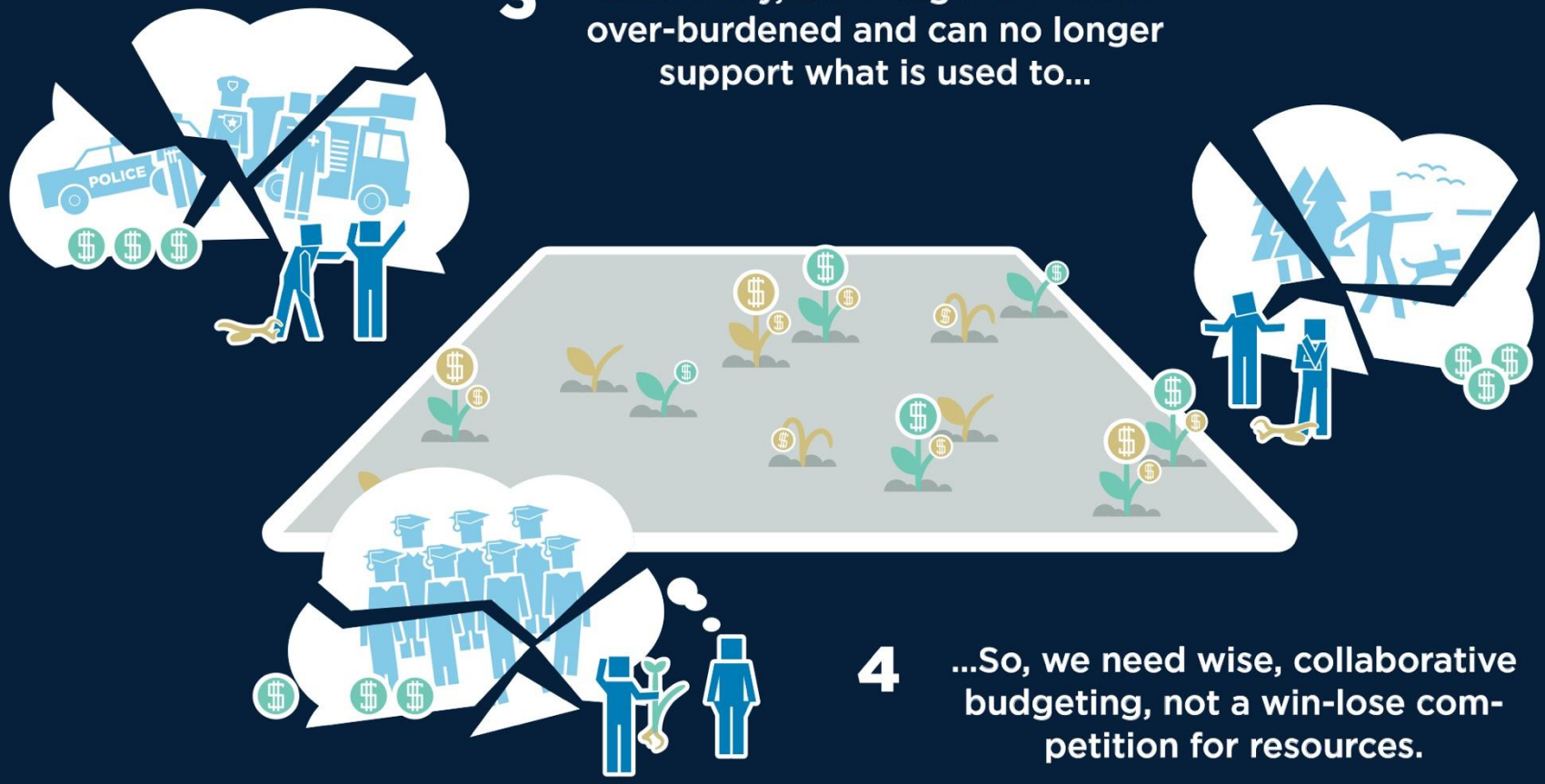


2 ...Because of this everyone has the incentive to get as much as they can from the budget.

*The Tragedy of the Commons is a name for a resource problem that occurs in many different domains. GFOA's Financial Foundations for Thriving Communities describes how to solve this problem in public finance.

THE TRAGEDY OF THE COMMONS* IN LOCAL GOVERNMENT BUDGETING

3 Eventually, the budget becomes over-burdened and can no longer support what is used to...



4 ...So, we need wise, collaborative budgeting, not a win-lose competition for resources.

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Create a Strong Sense of Identity and Purpose

A department head must care as much about their fellow departments as their own because that is the only way the city can be successful.

- Mayor John Marchione, City of Redmond, Washington

"All departments have to work together. I think it's important for each director to understand how their department interacts with others. Budgeting by priorities allows them to see how things are connected, not just in balancing the budget, but in all the work we do."

- Mayor Angela Birney (elected after Marchione)

Eight Financial Foundations of Budgeting

Strong Sense of Identity and Purpose. Know what the group is, who is a member, and that it is important.	**Graduated Sanctions & Rewards.** Provide motivation to be a good participant in the budget.
Fair and Inclusive Decision-Making. It is not sustainable for some members to call the shots and others to have no say.	**Benefits Proportional to Cost.** It is not sustainable for some to get benefits and others to do the work.
Monitoring Agreed-Upon Behavior. There must be transparency in what others are doing.	**Fast and Fair Conflict Resolution.** Conflicts need to be resolved quickly and fairly.
Local Autonomy. People must have latitude to manage their affairs.	**Appropriate Relations with Other Groups** No participant in the budget exists in a vacuum.