



## WINNING THE ANNUAL BUDGETING GAME

---

You've worked hard to prepare the annual budget you know will allow your environmental health and safety department do the job the company expects. You submit it to your boss, who takes it "up the chain," where it is intensely scrutinized. Your carefully crafted budget is returned to you in shreds, without enough funding to maintain the present year's level of compliance – and you already know the plant will increase production by 25 percent next year. Meanwhile, you hear that the marketing department secured a 40 percent increase in its budget. How did this happen? Isn't environmental compliance as important as marketing?

If this scenario sounds familiar, you are not alone. The fact is that many of us responsible for environmental management have advanced in our respective organizations along a career path that emphasized technical and regulatory knowledge, but not sales or business operations. This sometimes puts us at a disadvantage when faced with tasks such as budgeting. Perhaps the marketing staff got their budget approved because they understand how to apply the right strategies. But so can you. The following strategies will help you plan for, develop, and "sell" the annual operating budget your department needs. Note that these would work equally well for a capital improvements budget as for operations.

Before crunching any numbers, consider doing the following.

- **Lay the groundwork early.** Make sure you know who will eventually review your budget and that they are aware of any large line items ahead of time. If you know, for instance, that you will need to install sludge dryers in 2000, begin talking to your boss and other stakeholders early in the process. Your budget should never contain any large surprises; requests for items that have not been previously discussed are likely to be struck down.
- **Research the budget process in your firm.** As you are determining who will approve your budget, take some time to learn about the budgeting process in your company. Who has a track record of successful budget petitions? Talk with that group or individual. Does a certain product line always get funded? If so, work to tie your budget requests to that product line, as in, "New sludge dryers will be required to accommodate the increased waste volume from product line X."
- **Benchmark.** If possible, find out what environmental budgets look like at other firms, both within your industrial sector and in other areas. This data could provide valuable leverage.

While preparing the budget, be sure to:

- **Link your budget to company and department goals.** This will help make your budget attractive to the person or people who will approve it. Incorporate the company's strategic vision or mission, using appropriate language to reflect the firm's values and strategies. If the environmental department is managed under Facilities or another organization, make sure that the budget addresses the goals of this "parent" department. Likewise, tie your budget to your own strategic plan so reviewers can see how the expenditures outlined in the budget will help advance the plan.

For instance, you might explain that your strategic plan outlined five major objectives; this annual budget will address three of them.

- **Link your budget to product lines and divisions.** The environmental department has little control over the environmental impacts it must address. Waste is generated by the various manufacturing processes and sent to your group for treatment and disposal. Volume and toxicity will almost certainly vary from year to year. Budget reviewers sometimes forget that the environmental operating budget is inextricably linked to actions at the production level. Help them understand your budget needs by presenting expenses as unit costs (e.g., cost per thousand gallons of wastewater treated). Demonstrate that even though you have no control over the waste that comes your way, you have instituted measures to control actual costs; above all, do not allow your budget to be penalized for volume or toxicity increases that drive up treatment costs. For example, you might note that, although wastewater volume increased by 10 percent, you managed to lower the unit cost from \$7 per thousand gallons to \$5 – or that you could lower the unit cost with a minor upgrade to the treatment system, also included in the budget.
- **Keep it simple.** Budgets are about numbers, but some text is necessary to build context, justify your requests, and earn approval. Where possible, use charts and tables to illustrate concepts. Use bullets and an executive summary to get the reviewer’s attention early and keep the number of words to a minimum. When building a case for a certain line item or overall budget approach, try to create a graphic that demonstrates the benefits – in dollars – to the company. If all or part of your budget review is in person, make it easy for your audience to follow you by adhering to the presentation rule: say what you are going to say, say it succinctly, then say what you said.
- **Show a payback.** Capital improvements funding requests always show the payback. So should operational requests. You might make the point that you could reduce payroll costs by eliminating extra operator positions simply by providing additional training to existing staff. Demonstrate how this year’s investment, in training or a consultant’s services, will benefit the firm in the coming year – or over the long term.
- **Show previous successes.** Likewise, it is prudent to demonstrate how your previous budget requests have helped your department and the firm reduce waste handling costs, workloads, or permit exceedances. Your budget might make the point that last year, you promised that a new database management tool would save \$10,000 annually. You were approved to purchase the software, have used it for six months, and already accrued savings of \$7,000. This demonstrates your own credibility as a manager and your willingness to be held accountable for the budget.
- **Demonstrate that you’ve done your homework.** Especially for higher-cost items, be sure you have considered other options before including a request in your budget. Emphasize that you have looked at all viable alternatives and that this budget reflects your recommendation for the very best approach based on present-worth cost, effectiveness, and other factors likely to be valued by your budget reviewers. If you have backup, as in a feasibility study or bids from vendors, be sure to include those in charts or as an attachment to support your request.
- **Include contingency tasks/line items.** Despite taking all these steps, you will probably be asked to cut something. Try to organize your tasks into “must-haves” and “should-haves.” The must-haves might be patently obvious, as in the need to hire additional operators to keep up with increased product line demands. The should-haves represent those items that would improve efficiency or lower costs. Decide whether it is wise to separate these in your written budget, or whether you should simply be prepared to discuss your priorities when asked to make a cut. This will depend on your company’s culture and budgeting process.

Finally, before submitting the budget:

- **Enlist the help of an independent reviewer.** Identify a peer who can provide an objective analysis. They will help you determine whether your cases are clearly stated, your charts and tables meaningful, and your document or presentation is persuasive.
- **Educate and excite your boss about the budget.** Because your manager might be in a position to support or defend your budget, be sure he or she is thoroughly familiar and in agreement with your approach. Sell your boss on the cost-saving plans, the paybacks reaped from last year, and the benefits to the company if it approves the requested funds. Chances are, if you've diligently applied the preceding strategies, this last "sales job" will go smoothly, resulting in approval of the budget you need.

**By Kathleen O. Gill, DEE, PE**

**Paper published in Industrial Wastewater Magazine**

**By Water Environment Federation**