Building a Successful Budget

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Agenda

- Define "Budget"
- Budget Process
- Estimating Cost & Library Value
- Cognitive Pitfalls (time permitting)
- Time for Questions

The Word "Budget"

1. Frontline managers: Budget = "an amount of money"
2. Business office: Budget = "a forecast of cash usage"
3. Administration: Budget = "a plan for the future"

N.b. "budget" includes revenues for #2 and #3

Budget Process (Real Experiences)

1. Quick overview of your budget process
2. One question about your budget process that you wish to understand better

Cost Accounting & Library Value

- "Supporting Collections while also putting money toward new programs/projects"
- "I am writing up a proposal as to why it's important to fund us fairly"
- "The largest challenge this year was three rounds of operational budget cuts"
- "I may get a budget cut at any time after I have allocated funds"

Cost Accounting & Library Value

1. Determine the costs of various activities
2. Estimate value of those activities

- Weather budget cuts more intelligently
- Advocate for your budget with more authority

Cognitive Pitfalls

- Anchoring bias
- Sunk cost fallacy
- Endowment effect
- Bandwagon effect
- Confirmation bias

- Availability bias
- Fundamental attribution error
- Spotlight effect
- Halo bias

Summary – how to build a successful budget

1. Consider the meaning of the word "budget"
2. Have full understanding of budget process at your institution
3. Continuously monitor costs and value of your services
4. Be cognizant of mental traps

What Questions do you have?

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