



1. Budgeting Basics

The title of this booklet seems clear enough: Budgeting for SysAdmins. But what is “budgeting,” what is a budget, and how are these two different? Also, exactly what is this book going to cover?

Let’s start with some definitions. My dictionary defines the noun “budget” as:

- a quantity . . . involved in, available for, or assignable to a particular situation
- a plan for the coordination of resources and expenditures
- the amount of money that is available for, required for, or assigned to a particular purpose

Then there’s the verb “budget”: “to plan or provide for the use of in detail.” My dictionary defines “budgeting” only by example: “budgeting manpower in a tight labor market.” For our purposes, I would like to add a definition of my own. “Budgeting” is the process by which one:

- develops a budget
- presents it to “the powers that be” (in other words, the people with the money)
- gets the budget approved

This process involves analysis, planning, the gathering of data, discussions, a little bit of marketing (mostly in how the budget is laid out), and a fair amount of salesmanship (when you stand up in a room full of executives and managers and ask for your money).

Although the concept of a budget is well defined, there is no defined or even widely accepted form for a budget. It could be as informal as a narrative along the lines of, “We plan to spend x dollars, with y dollars going for item 1 and z dollars for item 2,” or your company could require that you use a specific form. Some budgets have only the highest-level details about each item to be purchased, while others require an item-by-item breakdown, including lengthy justifications, and subtotals by every conceivable categorization and grouping. Given this lack of a common format, I won’t give a complete example of a budget, nor will I cover laying out the budget on paper (or bits). Instead, I will show you how to perform the appropriate analyses, gather the required data, and present the final result. The exact format of the budget is left as an exercise for the reader, most often solved by going to your boss (or to the appropriate financial

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person in the company) and asking for the right form, an example of a well-prepared budget, or guidelines. I suggest you obtain the form or guidelines as the first task after being asked to develop a budget, since this will help determine exactly what data you need to gather. Most likely, any additional data required by your company's particular form or guidelines can be obtained by relatively simple arithmetic, based on the information you will already have gathered by following the steps laid out in this booklet.

Why Budget?

Now that we have defined what a budget is, we should ask what purpose it serves. Why do we go through the budgeting process?

Budgets and budgeting are about business, and most business is about spending less money than you make. Business is also about deciding how best to spend money to minimize overall spending, increase productivity and profit margins, and maximize income. Budgets are part of how businesses track where they are spending their money, how much money they're spending, and how spending this money is affecting their bottom line. (Well, sort of: "actuals" keep track of how much money was spent; actuals are then compared to the budget to see what it said would be spent.) As such, budgeting means thinking in those terms, that is, like a manager or a business person and not like a "technologist." This booklet will help you think the thoughts and talk the talk; walking the walk is up to you.

It's very important to keep one thing in mind when reading this booklet: Business is all about making money; technology is just a means to help achieve that end, and if you can't make a case for how spending money on technology is going to make (or save) money for the company, you're not going to be given the money to spend. It can be argued that business shouldn't be like this, but for now that's the way it is; unless you're in a position to change the rules, your only choices are to play by the rules or not to play at all.

This booklet focuses on budgets and budgeting in business because that has been the whole of my professional experience. However, budgets can (and probably should) exist in any setting where money is spent, including academia and nonprofit organizations. The same basic principles apply: figure out what needs to be purchased, how many, and at what cost; organize the purchases by category and/or department; develop justifications for the purchases; present for approval. However, academic environments in particular tend to have very different goals than do businesses—sometimes even multiple conflicting goals within a single department—which makes justifying the money to be spent a very different (and often difficult) proposition. If you work in such a setting, I strongly encourage you to enlist the help of a friendly department head or manager who knows the ins and outs (and politics) of the department or school.