

Public School Finance Unit Budget Planning & Preparation Part I October 27, 2022

District School Finance Big Rocks

The Big Rocks are the things your finance team needs to keep their eye on throughout the year to ensure effective finance operations, planning, strategy and leadership for the district.

Budget

Data
Submissions

Audit &
Pipeline

Mill Levies

Grants

A solid budget will make the others go much smoother!

Finance Professional Budgeting Primary Roles:

- Source of creditable accurate financial information & stewardship
- Resource the organization in a responsible way.
- Ensure District statutory compliance
- Knowledge of Resources & Events

Process, Planning, Philosophy, and Guiding Principles.

Budget Planning & Preparation

Purpose of a Budget

A budget provides a plan of financial operation embodying an ***ESTIMATE*** of proposed Revenues and Expenditures

- Detailed budget planning allows a district to **reflect** educational values and needs, aligning with the **district's strategic plan**.
- The structure and format provided by a well-designed budget **promotes rational decision-making** regarding the importance of various district services.
- Staff and the board are assisted in educational planning as well as in the prioritization and planning of all district operations through the allocation of resources.

Budget Planning & Preparation

Purpose of a Budget

- A comprehensive budget system ***must*** be integrated with the financial accounting system.
- Compliant with the [FPP Handbook](#)-Mandatory budget content. *page 10 on document. Page 20 of pdf*
 - *a Layperson should be able to understand the budget document. Consistent with other districts & your Audit layout*
- New Budget template on PSFU website-*Bottom-Left of page*

Budget Planning & Preparation

Who Needs to be Involved

- **Board of Education**
- **District Staff & Leadership**
- **Community**
 - School Accountability Committee SAC 22-11-402(1)(a)
Each school's committee recommends to the school principal its priorities. The principal considers the committee's recommendations and takes them into account in formulating budget requests and creating the school budget. The committee sends a copy of its recommended spending priorities to the school district accountability committee and to the board.

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Who Needs to be Involved

- **Community-Continued**
 - District Accountability Committee DAC
22-11-302(1)(a) The committee recommends to the board the priorities for spending district moneys. Whenever the committee recommends spending priorities, it makes reasonable efforts to consult in a substantive manner with the district's school accountability committees. The board considers the committee's recommendations in adopting the district budget.
 - Other stakeholder meetings/survey
 - Students?

Budget Planning & Preparation

Budget Development Components

- Develop Timeline of deliverables for BOE, Staff, Community
- Develop Guiding Principles
- Develop Changes in Revenue Forecasts
- Develop Changes in Expense Forecasts
 - Forecast Compensation Scenarios & Forecast Positions & FTE
 - Communicate with Vendors (health & liability insurance, utilities, supplies, purchased services, etc) to gauge cost increases
 - Current program reviews & replacement schedules
 - New programs (Recurring vs. Non-Recurring)
- Develop a Priority list of needs

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Timeline

- **Includes dates:**
 - BOE meetings
 - SAC & DAC meetings
 - Negotiations dates, if applicable
 - Priority List development
 - *Does Capital need early approval for Summer Work?*
 - Expected Information from Legislature
 - Other district specific deadlines

Budget Planning & Preparation

Timeline

- **Statutory Requirements on the [Assurances of Financial Accreditation](#)**
 - A proposed budget for fiscal year 2023-24 was submitted to the board by **May 31, 2023**. 22-44-108(1)(c)-**POST TO WEBSITE**
 - **Notice** was made in accordance with law that the **proposed budget** is available for public inspection. 22-44-109
 - Normal BOE meeting process after the Proposed Budget is presented to BOE.
 - The budget for fiscal year 2023-24 was adopted by the board by **June 30, 2023**. 22-44-110(4)
 - Modifications to the budget after **January 31, 2024**, were made through adoption of a supplemental budget by the board. 22-44-110(5)

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Timeline

- **November-January (*Picture is Blurry*)**
 - FY24 Governor's budget released in November
 - FY23 Mid-Year Budget (January 31)
 - Adjust Pupil Count
 - Adjust Property Taxes
 - Adjust Appropriation with Audited Ending Fund Balances
 - Staffing & Compensation
 - Other Adjustments and Changes
- *Review current programs Actual to Budget variances and FY22 audit values.*
 - What is the range of Revenue variance (+/-1% to 2%?)
 - What is the range of Expense variance (+/-1 2% to 3%?)

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Timeline

- **January-February (*Picture is Blurry for FY24*)**
 - Present Timeline to BOE, DAC, SAC, Staff, Community
 - Develop and Present Guiding Principles
 - Prepare Preliminary Revenue forecasts
 - Prepare Preliminary Compensation forecasts
 - Prepare Preliminary other expense forecasts

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Timeline

- **March-April (*Picture is getting clearer for FY24*)**
 - Present a prioritized list of options to BOE(then others):
 - short vs long term
 - Recurring and Non-Recurring
 - Provide cost estimates and implementation issues
 - ***Fine tune revenue forecast-1st run from Legislature.***
 - Fine tune expense forecast
- **May-June (*Picture is clearest-until October Student Count & January Per Pupil Funding “true-up”*)**
 - Final School Finance Act from Legislature provides best estimate of Per Pupil Funding & other changes to funding. *District Student count is better than State’s.*
 - Finalize and present Budget documents to BOE

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Guiding Principles

Should:

- Provide a broad **philosophy** that encompass the core values & vision of the organization as reflected in the district strategic plan
- Guide an organization throughout its life in all circumstances, irrespective of changes in its goals, strategies, type of work or the top management
- Influence decision-making
 - Process to decide the going to do vs NOT going to do.
- 5-6 principles at the most

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Guiding Principles - Examples

Remain True to Core Beliefs

- **District Mission-*is it current?***
- **District Vision-*is it current?***
- **Core Programs-Does everyone agree?**

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Guiding Principles - Examples

Fiscal Goals

- **Follow Strong Fiscal Responsible Practices for a Public Entity. *This can mean different things to different stakeholders.***
 - *Achieve a balanced budget(revenue = expenses)*
 - *if spending fund balance, need a clear plan on how it won't lead to ongoing deficits. **Recurring vs Non-Recurring.***
 - *A plan to spend on recurring, say a new position, could be Year 1 100% Fund Balance, Year 2 50% FB & 50% Operating, Year 3 100% Operating.*

Budget Planning & Preparation Guiding Principles - Examples

Resources Allocation for new or existing

- **Needed and wanted resources will outweigh resources available**
 - *Achieve a balance between compensation and program enhancements*
 - *Immediate Needs compared to Building for Future*
 - *What are the Strategic Goals?*
 - *What are the State and Federal mandates?*
 - *What are the Improvement Plans?*

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Guiding Principles - Examples

What's working?

- District programs and services will be considered for:
 - redesign
 - reduction
 - supplementation
 - elimination

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Prep Work

Budget Planning & Preparation

Popular District Budgeting Strategies

- **Incremental Change-What is Changing**
 - JUST the changes
- **Zero Based-Justify everything**
 - Helpful if there are major changes, but rarely is a district starting at zero every year
- **Student Based**
 - Mostly utilized by larger districts with multiple schools at all levels in order to ensure equitable distribution of FTE and Resources.
 - Also delegates more budget authority to schools.



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Prep Work-Revenue Changes

- **Develop/Know Graph or Chart of Total Revenue**
 - Total Program components
 - Local % vs State Equalization %
 - Local voter-approved Mill Levy Overrides
 - Other Local & Specific Ownership tax
 - State Revenue excluding State Equalization
 - Federal Revenue - May want to break out ESSER
 - Transfers
- **Review previous year & current year for budget variances. What is your process?**
- **What is Recurring?**
- **What is Non-Recurring?**

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Prep Work-Expenses Changes

- **Develop Graph or Chart of Total Expenses**
 - By Object (Salary, Benefits, Purch Services, Supplies, Equipment, Other)
 - By Program (Instruction, Support services (Staff & student) General & School Admin, Business, Operations, Transportation, other)
- **Compensation-Cost of Step & Cost of 1% to Salary Schedule. Do you have a scattergram?**
- **Review previous year & current year for budget variances.**
- **What is Recurring? What is Non-Recurring?**
- **Develop a process to collect budget information from leaders.**

Budget Planning & Preparation

Professional Budget Document [FPP Handbook](#)

- **GREAT BUDGET TEMPLATE ON [PFSU WEBSITE](#)-*Bottom left***
- Cover Sheet & Cover sheets for each category listed below
- Executive Summary-Statement of Major Budget Objectives, Key Assumptions, Graphs and Charts of data.
- 3-5 talking points answering “what are the 3 major changes with the budget this year?”
- All 3 Resolutions, if Applicable.
- Multi Year Budget Document by: Program & Object & Revenues & Expenses per pupil.

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Professional Budget Document [FPP Handbook](#)

- Multi Year Budget Document by: Program & Object & Revenues & expenses per pupil.
- [Uniform Budget Summary](#) (located at bottom left under Statutory Compliance and Reporting section)
- Salary Schedules & FTE Summary(staffing rules summary if using school based budgeting)
- Other District Info -District Strategic Plan, Performance Framework, School Calendar, Health Benefit Guide, Bond Schedule, etc

[Make it look Professional](#)

Budget Planning & Preparation

Suggestion: Single page summary

- 1. Forecast Revenue Changes from Previous Year**
 - a. Changes in Total Program-Count & Funding
 - b. New or Expiring Grants
 - c. Changes in Allocation to other Funds
 - d. Mill Levy Override potentials
- 2. Forecast Expenses Changes from Previous Year**
 - a. Known or Mandated**
 - i. Health Insurance
 - ii. PERA
 - iii. Purchased Services (Liability insurance, Utilities, etc)
 - b. Variable depending upon remaining resources**
 - i. Program Enhancements
 - ii. Compensation
- 3. Revenue = Expense, Perfect!! Revenue>Expense, Ok
Revenue<Expense, Why and what's the plan?**

Budget Planning & Preparation

Suggestion: Single page summary **EXAMPLES**

1. Forecast Revenue Changes from Previous Year

- a. Changes in Total Program-Count (-1%) & Funding (5%)
- b. New or Expiring Grants (ESSERs & Small Rural)
- c. Changes in Allocation to other Funds (Food Service)
- d. Mill Levy Override potentials

2. Forecast Expenses Changes from Previous Year

a. Known or Mandated

- i. Health Insurance (\$50,000)
- ii. PERA (1%)
- iii. Purchased Services (Liability Ins (\$40K), Utilities(\$30K), etc)

b. Variable depending upon remaining resources

- i. Program Enhancements (New Teacher)
- ii. Compensation (Cost of Step) & (1%)

3. Revenue = Expense, Perfect!! Revenue > Expense, Ok Revenue < Expense, Why and what's the plan?

Budget Planning & Preparation

Contact for Budget Issues

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