

Public School Finance Unit

Budget Planning & Preparation

Part I

November 7, 2024

Mark Rydberg
&
Glenn Gustafson

Goal of Training

- How to develop a more communicative & strategy driven budget process with BOE, Staff, & Community.

Budget Planning & Preparation

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

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.

Process, Planning, Philosophy, and Guiding Principles.

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.

Budget Planning & Preparation

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**
 - Staff
 - Students

Budget Planning & Preparation

Budget Development Components

- Develop Timeline of deliverables for BOE, Staff, Community
- Develop Guiding Principles
- Develop a Priority list of needs
- Develop Changes in Revenue Forecasts
 - Total Program grows by CPI, roughly. What is Count Trend?
- 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)

Timeline

Timeline

- **Include 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

Timeline

November-January (*Revenue picture is Blurry*)

- FY26 Governor's budget released in November
 - Glimpse at CPI & BSF movement
- Legislature convenes early January
- FY24 Revised Budget
 - Ending Fund Balance, Total Program, other property tax, staffing, surprises since June 2024.
 - *Review current programs audited Actual to Budget variances to determine "wasted" resources*
 - Fund Balance Growing every year?
 - What is the Revenue variance (+/- 1% to 3%)
 - What is the Expense variance (+/- 3% to 5%)
- **Development of Guiding Principles & Timeline**

Timeline

January-February (*Revenue picture is Blurry for FY25*)

- **Present** Timeline & Guiding Principles to BOE, DAC, SAC, Staff, Community.
- Prepare Preliminary Revenue forecasts, especially Count.
- Prepare Preliminary Compensation forecasts for current and proposed new staff.
 - Licensed and Classified Scattergrams samples on PFSU [website](#).
- Prepare Preliminary other expense forecasts
 - Property/Liability Insurance, Utilities, Fuel, Food Costs, Technology/ Internet, Legal, Audit, Contractors, Health Insurance, PERA, other large vendors, etc.
- **Development of Priority list & “known” changes.**

Timeline

March-April (*Revenue picture is getting clearer for FY25*)

- Present a prioritized list of options to BOE(then others):
 - short vs long term
 - Recurring and Non-Recurring
 - Provide cost estimates and implementation issues
- March Economic Forecast, followed by State's "Long Bill" is best revenue forecast until the Introduced School Finance Act for FY25.
 - District should do Pupil Count Projection instead of relying on State estimate.
 - Fine tune expense forecast as information comes in.

Timeline

- **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.*
- A **proposed budget** for fiscal year 2024-25 was submitted to the board by May 31, 2024. 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 2024-25 was adopted by the board by June 30, 2024. 22-44-110(4)

Guiding Principles

Guiding Principles

Should:

- Provide a broad **philosophy** that encompass the core values & vision of the organization as reflected in the district strategic plan
- Guides 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, mix of Program and Fiscal

Guiding Principles

Remain True to Core Beliefs

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

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)*
 - *Adjust spending as Actuals become clear, so Actual revenue = expense.*
 - *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.*

Guiding Principles - Examples

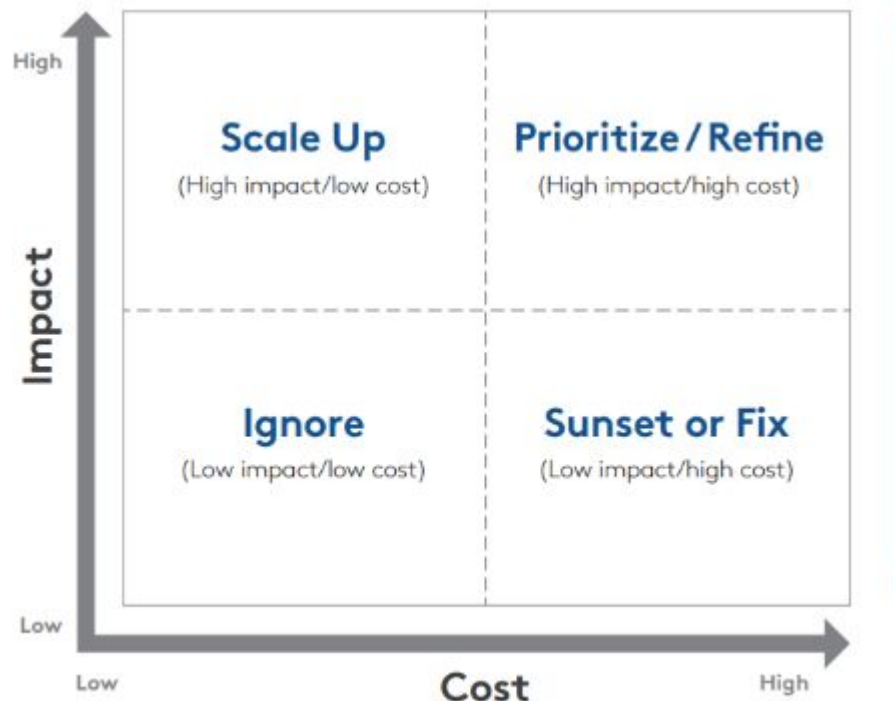
Resources Allocation for new or existing

- **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?*

Guiding Principles - Examples

Program Review

- District programs and services will be considered for Redesign



Source: DMGroup.

Prep Work



Popular 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.

Budget Mechanics

- A comprehensive budget system ***must*** be integrated with the financial accounting system.
- A layperson should be able to understand the budget document. Consistent with other districts & audit layout.
- FY26 Budget template on PSFU website.
 - Will be “accessible”
- Planned [Training](#) on 2/27/25. *Start converting after Audit.*

Prep Work-Revenue Changes

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

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? Vacancy Rate?
- Review previous year & current year for budget variances.
- What is Recurring? What is Non-Recurring?
- Develop a process to collect budget information from leaders.

Professional Budget Document

Sample

- **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.

Professional Budget Document

- FPP Handbook-mandatory components
- 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

Budget Planning & Preparation

Suggestion: Single page summary

- 1. Forecast Revenue Changes from Previous Year**
 - a. Changes in Total Program-Count & Funding (**CPI & BSF**)
 - b. New or Expiring Grants
 - c. Changes in Allocation to other Funds (**Food Service Cap. Rsrv.**)
 - d. Mill Levy Override potentials
- 2. Forecast Expenses Changes from Previous Year**
 - a. Known or Mandated**
 - i. Health Insurance ()
 - ii. PERA (**likely up .5% to 21.9%**)
 - iii. Purchased Services (Liability Ins, Utilities, 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?**

Remember

- Your job is to resource the District on behalf of students, staff and taxpayers
- You're not a policymaker
- You're not the Superintendent

You don't get a vote

Final Thoughts

- A plan & knowledge of trends takes out uncertainty.
 - If a trend of growing Fund Balance, be more aggressive.
- Inform/make BOE more comfortable with spending annual resources on that year's students.
 - What is the district saving for?

Budget Planning & Preparation

Contact for Budget Issues

Mark Rydberg School Finance Program Manager

Email rydberg_m@cde.state.co.us

Phone 720 402 6658

Glenn Gustafson, CPA - Part-Time School Finance Program
Manager

Email: gustafson_g@cde.state.co.us

Phone: 719 650 1960