

Budget Process

FOR THE NEW BUSINESS MANAGER

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Agenda

- Understanding Your District
- Basic Building Blocks
- Budget Timelines
- Considerations & Pitfalls
- Practical Tools
- Communication & Presentation
- Budgeting for Other Funds

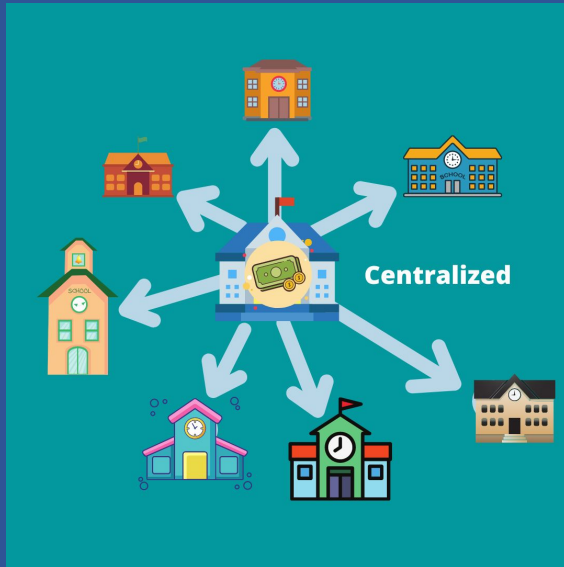
Understanding Your District



CENTRALIZED

vs

DECENTRALIZED

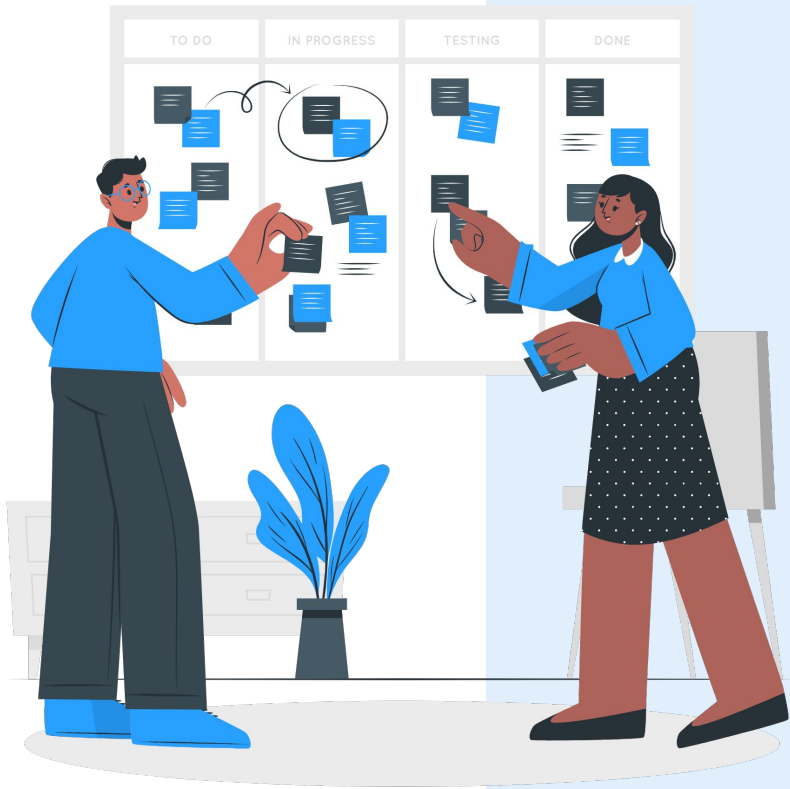


Central Office controls finances
and prepares the budgets



School leaders control finances
and prepare the budgets





District Funding

WHICH FUNDS DO YOU HAVE?

- General Fund
- Food Service Fund
- Activity Fund
- Debt Fund
- Sinking Fund
- Fiduciary Fund
- Capital Project Fund
- Etc.

District Priorities

WHAT INITIATIVES AFFECT FUNDING?

- **Base priorities around district goals**
 - What is the district's mission?
 - Are there any long-term goals to work toward?
 - Is there a strategic plan in place by the leadership team?
 - What are the values outlined as a district?
 - Does the superintendent have new plans or initiatives?
- **Know your funding facts**
 - Are there limited-time grants ending?
 - Is there a bond coming to an end?
 - What do enrollment trends look like?
- **Understand prior commitments**
 - What financial obligations are in each personnel/union agreements?
 - Are there any outstanding orders that cross fiscal years?
 - What contracts have we entered and what are the costs and timelines?





Basic Building Blocks

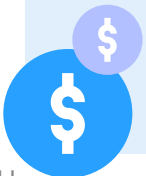
FOR THE GENERAL FUND BUDGET

Revenue

- **Foundation Allowance**
 - Enrollment, Per Pupil
 - Property Tax + State Aid
- **Local Receipts**
- **State Aid**
 - Categoricals vs Discretionary
 - MPSERS 147
- **Federal Grants**
- **Other Revenue & Transfers In**

Considerations

- Historical Actuals, Trends
- Knowns vs Unknowns
- Enrollment Projections
- One-Time vs Recurring



Declining Enrollment & Funding

- **Impact on Foundation Allowance** paid through Property Taxes + State Aid
- **Impact to categoricals** calculated on pupil count (total pupil count, or just certain populations?)
- **Enrollment Projections:** Birth Rates, School of Choice, Charters, Online Programs, Homeschool—Know your students & families!

Considerations

- Student-to-Teacher ratios
- Class sizes, # of sections per grade/subject
- Are you losing students at all grade levels?
Or at certain buildings?
- Compare: [K vs 12] & [K-3 vs 9-12]
- Bubble grades
- Teacher certifications, placement
- Strategies for attrition



Grants

- **Planning**

- Program & Finance collaboration for grant applications
- Identify allowable expenditures, expenditure period, district needs
- Prioritize expiring grants (re-home/eliminate ESSER expenditures)

- **Budgeting**

- Staffing calculations - Wages, Ret, 147c, FICA Health, CIL, Work Comp
- Revenues = Expenditures! Use Excel, Budget software, GL reports to total on grant code
- Last digit of grant code can be used to specify the year (i.e. XXX5 for FY25)

- **Transactions**

- Staffing thru payroll vs journal entries
- Maintain proper, easy-to-access documentation of all transactions

- **Amendments**

- Staff leaves or turnover, change in approach
- Update calculations based on YTD actuals



Grants

- **Unearned revenue (Carryover)**
 - Carry-over funds should be recorded as Unearned Revenue at 6/30
 - Look at timing of expenditures (i.e. summer hourly/contract accruals, summer capital projects or professional development); July/Aug State Aid payments
 - Apply carryover first in next year's budget (important if allowable uses change)
- **Funding Methods:**
 - State Aid, NexSys/Sigma VSS, ISD, Other
 - Upfront or Reimbursement
- **Have a clear process for applications, monitoring, drawdowns, FERs**
 - Written processes for program and finance tasks
 - Applications, Reporting, and FERS: NexSys, GEMS, MEGS+?
 - Federal FERS—run Fund Request (Acctg-External) report in NexSys to get list of federal grants
 - Monitor expenditures for allowability, communication with Program office
 - Budget matches approved grant application budget (by Function code)
 - Regular Cash Drawdowns (monthly, quarterly)



Expenditures

- **Personnel**
 - Salaries
 - Contracts
 - Hourly
 - Extra-duty
 - Benefits
 - Retirement
 - Health/Dental/Vision
 - Cash-in-Lieu
- **Building Budgets**
 - Purchased services
 - Instructional supplies
 - Field trips
- **Technology Budget**
 - Equipment
 - Software
- **Facilities Budget**
- **Capital Outlay**

Considerations

- Budget method adopted by the District
 - Zero-Based
 - Incremental
 - Hybrid
 - Carryover
- Who is responsible for what?
 - Centralized vs decentralized
- Historical Actuals/Trends
- Fixed vs Variable Costs
- Collective Bargaining Agreements
- Contingencies
 - Building level
 - District-wide



Statewide Expenditures by Object



Salaries & Benefits

Purchased Services

Other Expenditures

Capital Outlay

Statewide Expenditures by Function



Instruction

Non-Instructional Support

Instructional Support

Other Expenditures

Fund Balance

DIFFERENCE BETWEEN ASSETS & LIABILITIES

Three components:

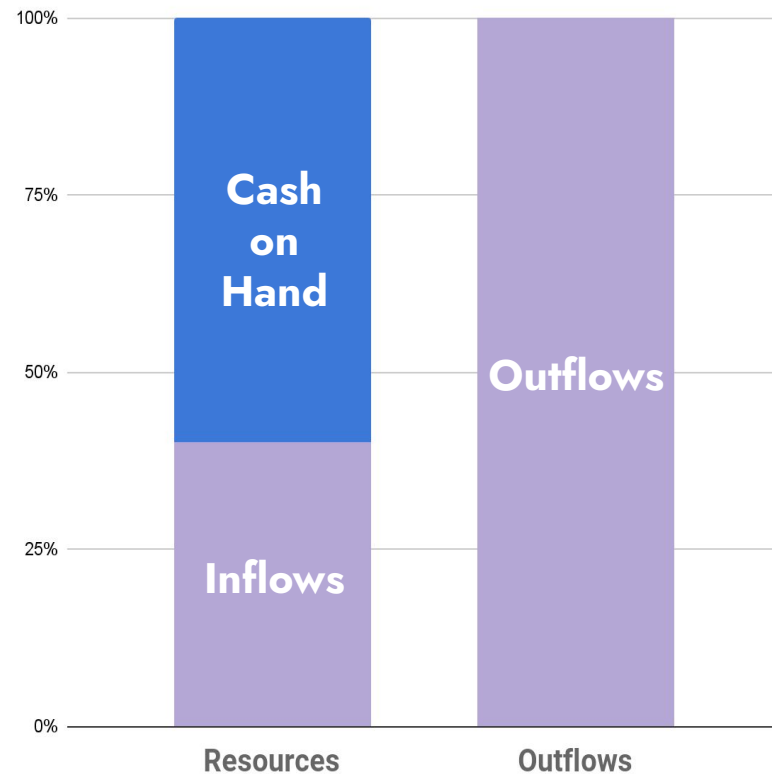
1. Cash on hand
2. Accounts receivable
3. Inventory and prepaid assets

Implications of Fund Balance

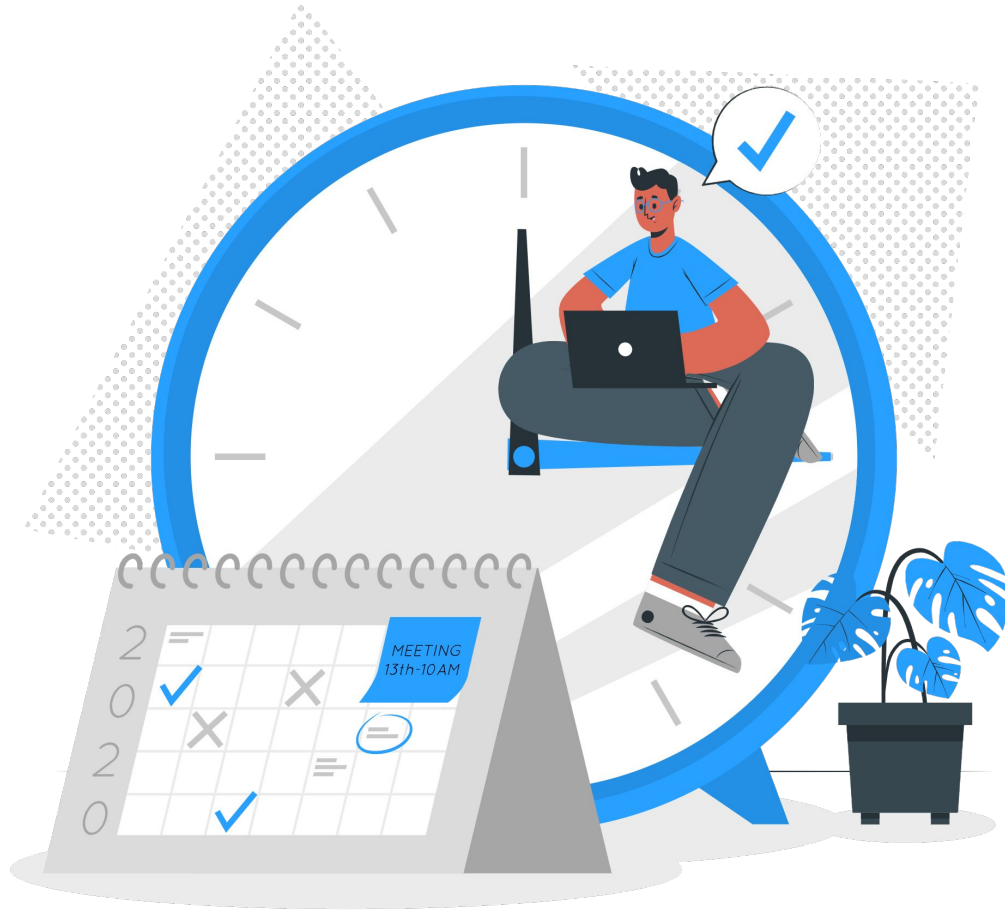
- Avoid borrowing before 1st State Aid payment
- Supplement inflows before tax collections begin
- Credit ratings for bond
- Contract negotiations
- Board Policy % requirements

Cash On Hand, Inflows and Outflows [Sample]

Before State Aid begins



Budget Timelines



State Proposals

GOVERNOR

- 1st Wednesday in February
- Watch for:
Foundation Allowance increase, Retirement Rate change, Major categoricals

HOUSE

- Late April, Early May (usually)
- May or may not align with the Governor's Proposal
- Watch for:
Foundation Allowance, Major Categoricals

SENATE

- Late April, Early May (usually)
- May or may not align with the Governor's Proposal
- Watch for:
Foundation Allowance, Major Categoricals

Be able to summarize the three proposals for your Superintendent and Board to explain the differences among them, the impact each would have on your district, and the likelihood of where the final state budget *may* end up. List your assumptions!



Budget Timeline Example



Kickoff

January

- Develop calendar
- Distribute materials
 - Template
 - Instructions



Building Budgets

January - February

- Determine instructional purchases
- Meet with Facilities
- Meet with Technology



Presentations

March

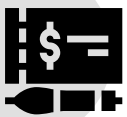
- Building/Department budget presentations to Superintendent & CFO



Budget Draft

April

- Compile building/dept budgets into district-wide budget



Finance Committee

May

- Present first draft
- Review variances to prior year



Admin Review

April

- Review student count
- Review staffing requests
- Review capital requests



Internal Review

April

- Review trends
- Net grants
- Identify errors/omissions



Board Adoption

June

- Public Hearing
- General Appropriations Act

Budget Amendment Process

- **Estimated vs. Actual**
 - **Enrollment**
 - **Foundation allowance**
 - **Grant allocations**
- **Unexpected items**
 - **New categoricals**
 - **Unanticipated expenditures**
- **Timing**
 - **1st Amendment - after count day numbers have been certified**
 - **Final Amendment - before fiscal year-end**

Considerations

- Does your District budget for contingencies?
- Does your District's General Appropriations Act resolution indicate permission for the Chief Administrative Officer to execute transfers within limits between appropriations?
- How often does your District's Board of Education expect budget amendments?





Considerations & Pitfalls

Considerations & Pitfalls



- Budget Approved at Function Level
 - Revenue Budget = Floor
 - Expend. Budget = Ceiling
 - Don't forget about Transfers In/Out
 - Avoid big variances in Budget vs Actuals
- Enter Budget Figures into Accounting Software
- REVIEW Your Data
 - Compare to last year's YTD Overall % of: Ret to Wages, FICA to Wages, Wages to Budget, etc

Considerations & Pitfalls



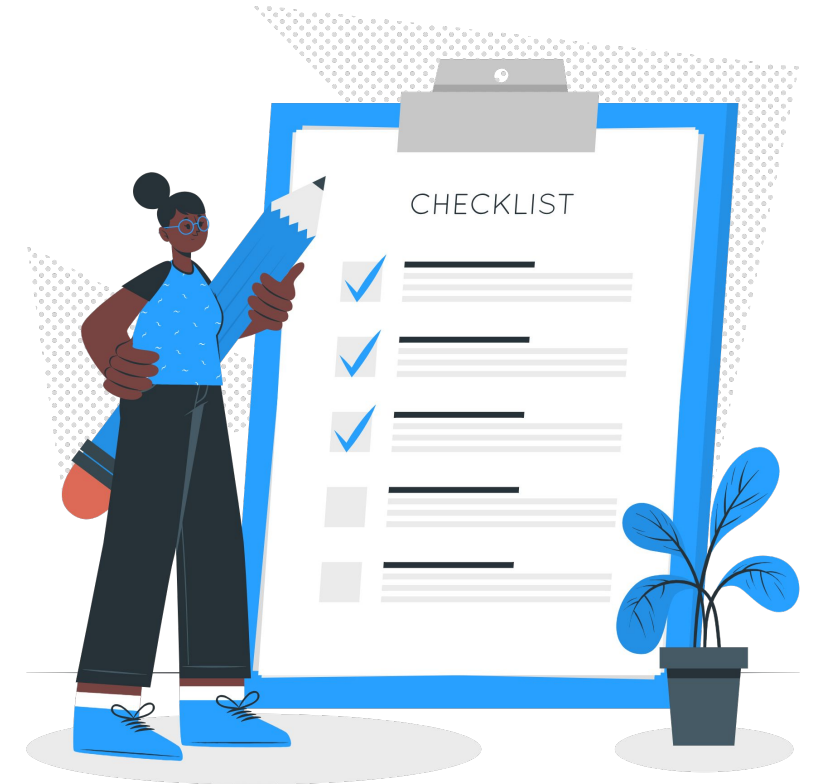
- Grants Net to Zero, $Rev = Exp$
 - Did you calculate Unearned Revenues?
- Timing of Revenues & Expenditures, Year End Adjustments
- Grant Application Budgets are reflected exactly in your board-approved budget, by function/object
- Contract & State Aid Accruals
 - Especially 147C: Accrue Revenue AND Expenditures!

Practical Tools & Examples

WHERE TO FIND MATERIALS & RESOURCES

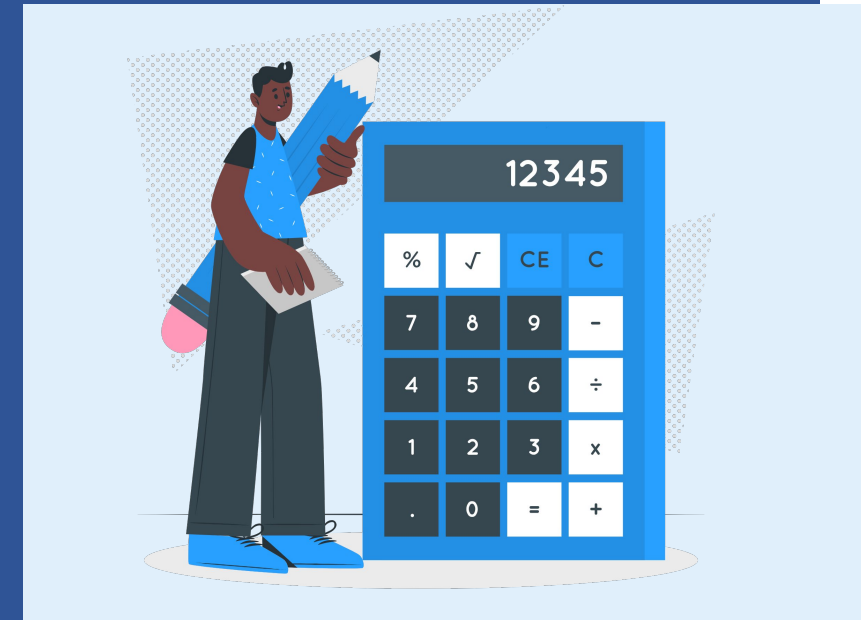


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Budget Planning Resources

- **Spreadsheets/Tools**
 - Forecasting
 - Wage & Benefit Calculations
 - Grant Planning
 - Utility Tracking
 - Expense Projection
 - Building & Department Budgets
- **Software**
 - Budget Module
 - Budget vs Actual Reports
 - Trial Balance



Where to Find Information

MSBO State School Aid page - proposals and analysis

<https://www.msbo.org/school-finance/funding/state-school-aid/>

MSBO Revenue Forecasts page - CREC presentations and analysis

<https://www.msbo.org/school-finance/funding/revenue-forecasts/>

State Aid Update - Released monthly with state aid

<https://www.michigan.gov/mde/services/financial-management/state-aid/whatsnew/state-school-aid-update>

MDE Financial Management - navigate to Grants, State Aid, etc.

<https://www.michigan.gov/mde/services/financial-management>

Communication & Presentation



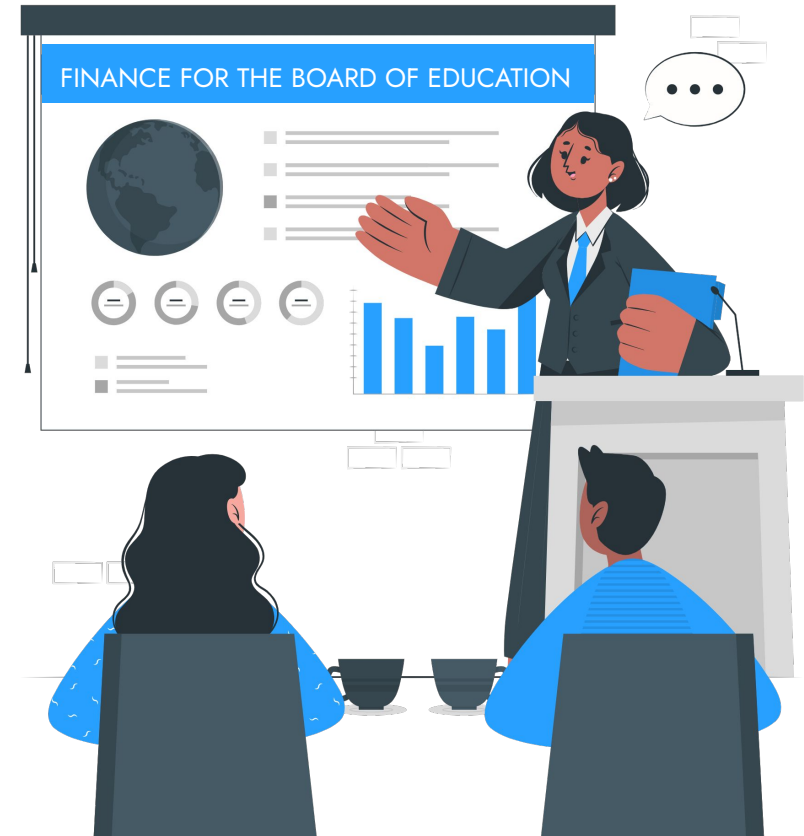
To the Superintendent

- Early and Often!
- Work Backward from when your draft budget & presentation are due
- Build timeline & assumptions together
- Education: how do various parts of the budget impact the bottom line (salary increases, benefits changes, negotiations, capital improvements, new programs or buildings, grants)



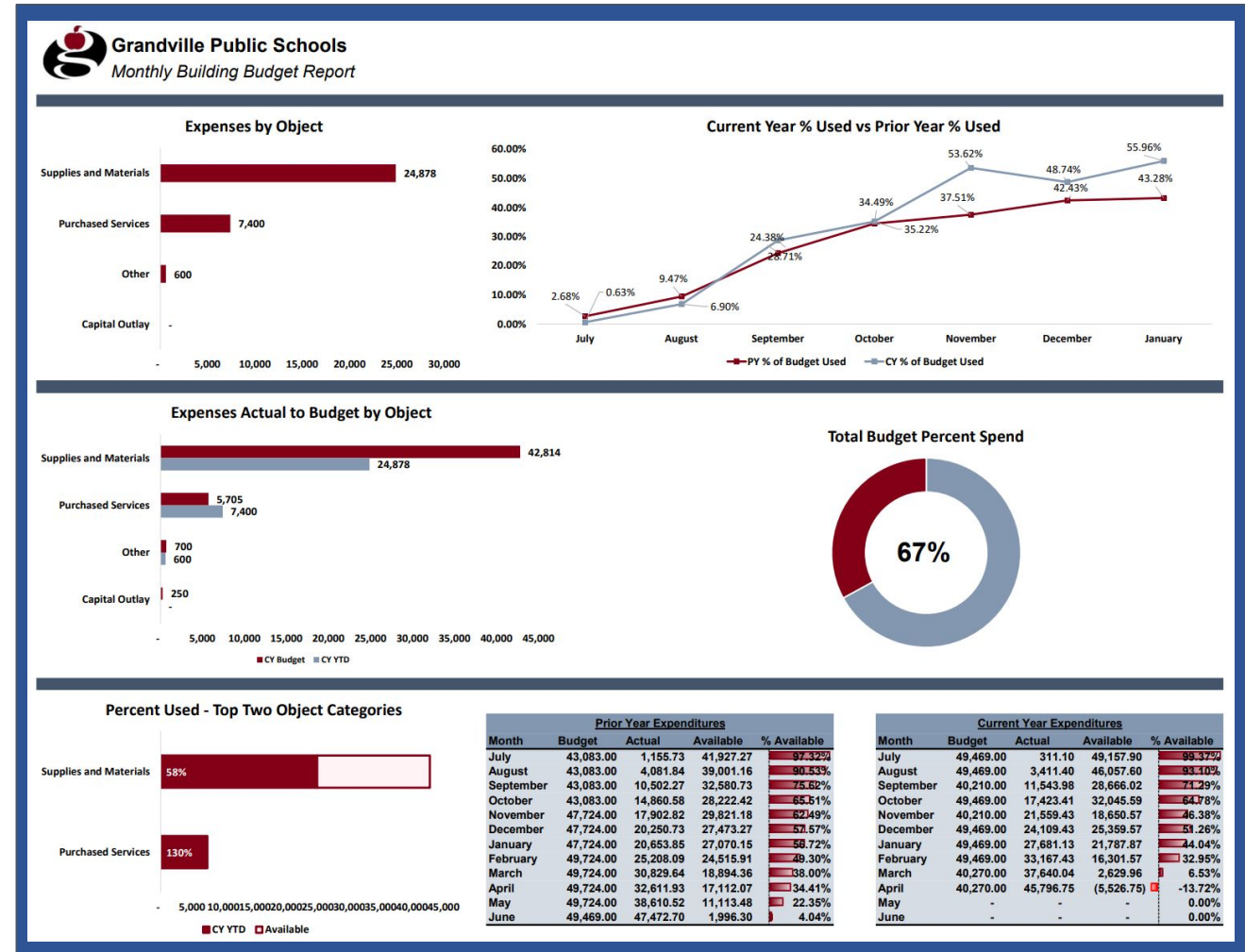
To the Board of Education

- Budget Guide
 - Assumptions
 - Foundation Allowance
 - Enrollment
 - Revenue Sources
 - Expenditures
 - By Object
 - By Function
 - Capital Outlay
 - Fund Balance
- General Appropriations Act

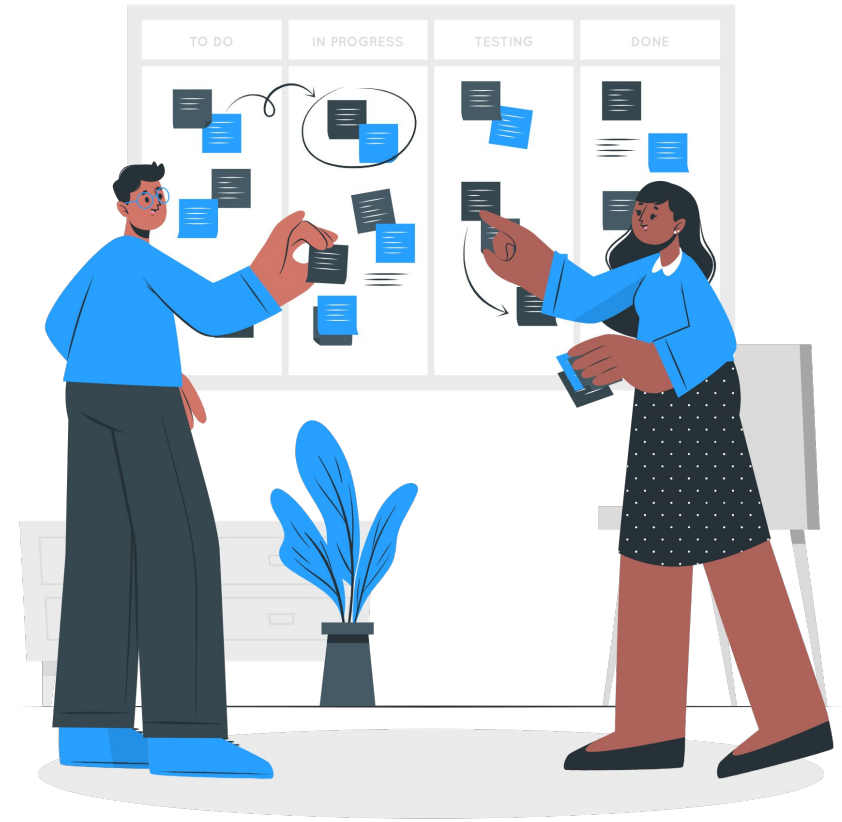


To Departments & Staff

- Monthly Reports
 - Budget vs Actual
 - Dashboard of Expenses
- Annual Meetings
- Budget Planning Sessions
- Amendment Updates
- Budget Monitoring



Other Funds



REVENUES

- Federal Funding
- State Funding
- Local Funding

EXPENDITURES

Make sure they are allowable costs!

- Wages & Benefits
- Food & Cooking Supplies
- Cleaning
- Preparation Equipment & Materials
- Computers & Software
- Other allowable costs

Food Service

EXCESS FUND BALANCE

Don't forget to calculate fund balance and make sure it's allowable



Special Revenues

- Less Detail Required
- Report Rev/Exp to FID with Fund 29
- You may still be in Fund 61
 - JE Total Rev, Total Exp)
 - Be mindful of year end accruals and adjusting entries

**LOWELL AREA SCHOOLS
FY2023-2024 APPROPRIATION RESOLUTION
SPECIAL REVENUE FUND
AMENDED JUNE 10, 2024**

Resolved, that this resolution shall be the amended Special Revenue Fund appropriation of Lowell Area Schools for the fiscal year 2023-2024:

	FY2022-2023 Actual	FY2023-24 Adopted	FY2023-24 Amended
Student/School Activity Income	1,143,509	1,050,000	1,170,000
TOTAL REVENUE	<u>1,143,509</u>	<u>1,050,000</u>	<u>1,170,000</u>
Student/School Activity Expense	1,002,960	950,000	1,155,000
TOTAL EXPENSES	<u>1,002,960</u>	<u>950,000</u>	<u>1,155,000</u>
 Change in Fund Balance	 140,549	 100,000	 15,000
 Fund Balance, Beginning	 666,787	 807,336	 <u>907,336</u>
Fund Balance, Ending	<u>807,336</u>	<u>907,336</u>	<u><u>922,336</u></u>
 Fund Balance %	 80.5%	 95.5%	 79.9%

Capital Projects

Most common are Sinking Fund and Bond Funds

- Not required to present to the board
- Good practice to create a projection through the end of the projects

Grandville Public Schools Statement of Revenues, Expenses and Fund Balance

Capital Projects Fund - 2020 Bond 2023-2024 Proposed Budget

	2019-2020 Actual	2020-2021 Actual	2021-2022 Actual	2022-2023 Final	2023-2024 Proposed	2024-2025 Estimate	2025-2026 Estimate	Total
Revenues								
Bond Sales	\$ 50,248,356	\$ -	\$ 32,833,083	\$ -	\$ 10,978,561	\$ -	\$ -	\$ 94,060,000
Other Costs	\$ (104,720)	\$ -	\$ (72,322)	\$ -	\$ (66,950)	\$ -	\$ -	\$ (243,992)
Interest Earnings	\$ 542,402	\$ 75,906	\$ 306,241	\$ 674,199	\$ 87,000	\$ 15,000	\$ 5,582	\$ 1,706,330
Net Revenues	\$ 50,686,038	\$ 75,906	\$ 33,067,002	\$ 674,199	\$ 10,998,611	\$ 15,000	\$ 5,582	\$ 95,522,338
Expenditures								
Other Costs (Issuance)	\$ 314,481	\$ 400	\$ 243,777	\$ -	\$ 75,000	\$ -	\$ -	\$ 633,658
Technology	\$ -	\$ -	\$ 181,359	\$ 115,000	\$ 1,750,000	\$ 1,657,170	\$ 1,296,471	\$ 5,000,000
Construction	\$ 3,909,200	\$ 16,250,062	\$ 22,931,988	\$ 14,859,600	\$ 15,000,000	\$ 10,000,000	\$ 4,455,874	\$ 87,406,724
Instruments	\$ -	\$ 36,120	\$ 550,841	\$ -	\$ -	\$ -	\$ -	\$ 586,961
Land	\$ -	\$ 1,894,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,894,995
Total Expenditures	\$ 4,223,681	\$ 18,181,577	\$ 23,907,965	\$ 14,974,600	\$ 16,825,000	\$ 11,657,170	\$ 5,752,345	\$ 95,522,338
Excess (Deficiency) of Revenues (Expenditures)	\$ 46,462,357	\$ (18,105,671)	\$ 9,159,037	\$ (14,300,401)	\$ (5,826,389)	\$ (11,642,170)	\$ (5,746,763)	\$ 0
Fund Balance, July 1	\$ -	\$ 46,462,357	\$ 28,356,686	\$ 37,515,723	\$ 23,215,322	\$ 17,388,933	\$ 5,746,763	
Fund Balance, June 30	\$ 46,462,357	\$ 28,356,686	\$ 37,515,723	\$ 23,215,322	\$ 17,388,933	\$ 5,746,763	\$ 0	

Questions?



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