

Public School Finance Unit Budget Planning & Preparation February 15, 2024

Budget Planning & Preparation

Today's Topics:

- Recap of [10/26/23](#) training
- Forecasting Revenue
- Forecasting Expense
 - FTE and compensation planning
 - Replacement Planning
- Other Funds
- Fund 21
- Fund 31
- Statutory requirements

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

Budget Development Components

- Develop Timeline and Calendar to BOE
- 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
 - Review Budget to Actual from FY23 and previous years, adjust to Actuals. Pull or Know where budget plugs exist.
 - Current program reviews & replacement schedules
 - New programs (Recurring vs. Non-Recurring)
- Develop a priority list of needs

Budget Planning & Preparation

Timeline & Calendar

- **January-February-March**
 - Present Timeline and Calendar to BOE
 - Develop and Present Guiding Principles
 - Prepare Preliminary Revenue forecasts
 - Prepare Preliminary Compensation forecasts
 - Prepare Preliminary other expense forecasts
 - *Review current programs Actual to Budget variances & previous year*
- **March-April**
 - Present a prioritized list of options to BOE:
 - short vs long term
 - Recurring and Non-recurring
 - Provide cost estimates and implementation issues
 - Fine tune revenue forecast-1st run from Legislature after March Forecast.
 - Fine tune expense forecast
- **May-June**
 - Final School Finance Act from Legislature
 - Finalize and present Budget documents to BOE

Forecasting

The Value of Forecasting

- Creates the ability to make informed decisions and develop data-driven Strategies.
- Past data is analyzed to find patterns, used to predict future trends and changes.
- Forecasting allows district to be proactive instead of reactive.
- Documents the assumptions as a basis for the forecasted amount
- Creates a methodical process for estimating amounts
- Provides a historical methodology that can be used over time (and minimizes turnover memory loss)



The Value of Forecasting

4 Reasons Forecasting is Important:

- Helps Set Goals and Plan
- Helps Budget
- Helps Anticipate Changes

Best Ways to Forecast:

- Expert/Experience Analysis
- Successful Model Data
- Peer-Group Performance

Excel is your Friend!

Forecasting Revenue

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Forecast Revenue Changes from Previous Years

- **What's Changing in FY25?**
 - Total Program components
 - Local voter-approved Mill Levy Overrides
 - Specific Ownership tax & Other Local
 - Other State Revenue (Small Rural Expiring 6/30/2X?)
 - Federal Revenue - (New or Expiring grants)
 - Transfers to other Funds
 - If alerted about Nutritional Services excess cash in FY23 Audit review, consider transferring less from GF
 - No increase in PERA for FY 24/25

Budget Planning & Preparation

Annual Total Program Questions

- **Is Funded Pupil Count(FPC) growing or decreasing?**
- **Is Per Pupil Funding (PPF) growing or decreasing?**
 - **How much is CPI?**
 - 5.2%. Annually the Base funding amount increases by CPI, per Amendment 23
 - What is the Budget Stabilization Factor (BSF) going to do, increase/decrease/flat?
- **Early indications, the BSF may decline this year.**
 - Long Bill not introduced as of today



Enrollment Projections

Forecast Students:

- Cohort Model (1st - 2nd, 2nd - 3rd, etc)
 - 12th grade leaving, Kindergarten coming
 - Out of District Students
- Average Model
- Regression Analysis
- Combination of above

Most accommodate known adjustments

- New housing
- Unusual cohorts
- New or Leaving Industries
- 2nd homeowners



Declining Enrollment Averaging

- Colorado School Finance Act (SFA) allows for the HIGHER of:
 - Current Year Count
 - 2-yr, 3-yr, 4-yr & 5-yr Average
- Declining Enrollment Averaging (DEA) does not include 5th Year Ascent Students or On-line Students
- Tip: Know the year rolling off the average (oldest year)



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Forecast Funded Pupil Count (FPC)

Total Program is largest portion of revenue

- Funded Pupil Count (FPC):
 - K-12 FTE (excludes Preschool Special Education in FY24)
 - Five Year Averaging slows the impact of a declining enrollment district
 - Be careful for large count years dropping off
 - Rely on district enrollment estimates more than the State's.
District knowledge is more accurate than the State's.
- Forecast Suggestion: Use a Low, Mid, High Values for now until better Student count data is formed.

RESOURCE: School Finance Unit page-[FY2024-25 School Finance Funding](#)

- Rows 83-88 contain K-12 5 years of count and the average formula.
- Rows 91-98 add On-line, Ascent, Charter Institute if applicable. Row 99 is total FPC.

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82		FUNDED PUPIL COUNT	
83	FC1	FY25 October FTE Count (minus on-line)- enter line V5	6,387.0
84	FC2	FY24 October FTE Count - enter line V13	6,332.5
85	FC3	FY23 October FTE Count - enter line V14	6,372.0
86	FC4	FY22 October FTE Count - enter line V15	6,356.5
87	FC4.1	FY21 October FTE Count - enter line V15.1	6,206.5
88	FC5	AVERAGED FUNDED PUPIL COUNT - enter the greater of line FC1 or	6,387.0
89		average of (lines FC1 and FC2) or (lines FC1, FC2 and FC3)	
90		or (lines FC1, FC2, FC3 and FC4)	
91	FC5.1	FY25 Full Day Kindergarten Factor	0.00
92	FC6.5	FY25 CHARTER INSTITUTE PUPIL AVERAGING COUNT - enter line V21	0.0
93	FY6.6	FY25 Charter Institute Full Day Kindergarten Factor	0.0
94	FC7	FY25 FUNDED PUPIL COUNT - enter line FC5, plus FC5.1, plus line FC6, plus FC6.	6,387.0
95	FC7.5	FY25 Extended HS Pupil Count - enter line FC4.1	2.0
96	FC7.6	FY25 CHARTER INSTITUTE Extended HS Pupil Count - enter line V20.6	0.0
97	FC8	FY25 On-line Multi-District Pupil Count - enter line V4	167.0
98	FC8.5	FY25 CHARTER INSTITUTE ONLINE PUPIL COUNT - enter line V20	0.0
99	FC9	TOTAL FUNDED PUPIL COUNT - enter line FC7 plus line FC8 plus line FC7.5	6,556.0
100	FC10	DISTRICT FUNDED PUPIL COUNT (FC5 plus FC5.1 plus FC6 plus FC8)	6,556.0
101	FC11	INSTITUTE FUNDED PUPIL COUNT (FC6.1 plus FC6.5 plus FC6.6 plus FC8.5)	0.0
102			

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Forecasting Funded Pupil Count (FPC)

	Low	Mid	High
Funded Pupil Count	FY24	FY24	FY24
FY25 Change v FY24	(120.0)	(90.0)	(60.0)
Estimated FY25	4,007.5	4,037.5	4,067.5
FY24 October FTE Count	4,127.5	4,127.5	4,127.5
FY23 October FTE Count	4,241.0	4,241.0	4,241.0
FY22 October FTE Count	4,360.5	4,360.5	4,360.5
FY21 October FTE Count	4,455.0	4,455.0	4,455.0
AVERAGED FPC	4,238.3	4,244.3	4,250.3
FPC Change	-133.8	-127.8	-121.8
FPC Change %	-3.06%	-2.92%	-2.79%

Factors to consider:

- If District is declining, may want to do few years future forecasting
- Rely on district enrollment estimates more than the State's

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Forecast Per Pupil Funding (PPF)

Items to Forecast: Total Program is largest portion of revenue

- Per Pupil Funding (PPF) : 5 Possible dollar amounts in one fiscal year
 - Preliminary look given in Governor's November/January request
 - March Forecast is published
 - Long Bill is introduced in late March
 - The School Finance Act is introduced in April/May
 - The School Finance Act is passed in early to mid May(hopefully)
 - January adjustment after count and local property tax are finalized.
 - Possible March Supplemental
- Resource: - [School Finance Unit page](#)-Under *Public School Act*-Funding and payment information - Pick correct year. ***Careful on what periods are being compared.***

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Forecast Per Pupil Funding (PPF)

- **Per Pupil Funding (PPF):**
 - Inflation percentage applied to Base Funding 105.2%
 - FY24 \$8,076.41,
 - FY24 \$8,496.38, \$419.97 increase.
 - Buy down of the Budget Stabilization is likely

Items to Forecast: A few options to consider

- Suggestion: Create a Low, Mid, High Values from the Current year's PPF.
- The resulting grid produces 9 possible values.
- Either option will help frame up options, while waiting for PPF to be finalized by Legislature.
- ***Fine tune as numbers become more clear. Long bill values should replace Governor's January when available. School Finance Act should replace Long Bill in Early May.***

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Forecasting Per Pupil Funding (PPF)

Per Pupil Funding	Low	Mid	High
FY24 January PPF	\$10,396	\$10,396	\$10,396
PPF Estimates	\$11,120	\$11,120	\$11,120
FPC Estimates	4,238.3	4,244.3	4,250.3
Total Program	\$47,130,277	\$47,196,998	\$47,263,719
FY23 Total Program Var.	\$1,678,975	\$1,745,696	\$1,812,416
PPF Change %	6.97%	6.97%	6.97%

Factors to consider:

- Create a range off of a known number.
- Revise that range as PPF becomes clearer
- June and January are rarely the same. *Research how your district past year's PPF was different in % terms.*
- Best place in budget to be Aggressive or Conservative.

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Total Program Y.O.Y. Change

	Low	Mid	High
Funded Pupil Count			
FY25 Change v FY24	(120.0)	(90.0)	(60.0)
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Per Pupil Funding			
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PPF Change %	6.97%	6.97%	6.97%
FPC Change %	-3.06%	-2.92%	-2.79%
Total Program Change %	3.69%	3.84%	3.99%
Variance From FY24 January Total Program			
		Student Count	
<i>Per Pupil Funding</i>			
<i>Low</i>	\$1,678,975	1,745,696	\$1,812,416
<i>Medium</i>	\$1,678,975	\$1,745,696	\$1,812,416
<i>High</i>	\$1,678,975	\$1,745,696	\$1,812,416

Budget Planning & Preparation

Total Program Wrap Up

- **Total Program is the largest revenue item.**
 - Use District Count compared to State Count figures
 - PPF is best place to be aggressive or conservative in budget
- **Per Pupil Funding estimate timeline**
 - Governor's November/January
 - March Forecast & Long Bill late March-Best early estimate
 - School Finance Act (SFA) Mid May-Best estimate.
 - True up in January when Count and Property Tax is known
- **Forecast Funded Pupil Count**
 - Known November/December 2024
 - New Development
 - New or Leaving Industries

Forecasting Other General Fund Revenue

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Forecast Revenue Changes from Previous Years -

- **Mill Levy Overrides**
 - A fixed *specific* mill amount will change when Net Assessed Value changes.
 - Odd years are Reassessment years. Does district expect AV growth? Contact County Assessor.
 - A fixed *dollar* amount MLO will not change regardless on Valuation.
- **Specific ownership tax change-(vehicle registration taxes)**
 - How is the trend over past years?
 - Gross amount not necessarily the amount on the “run”
- **Change in Allocations to other Funds**
 - Review Nutritional Service transfer with impacts of Healthy School Meals for All & Excess Cash Issues.
 - Review Fund 4X project list and fund appropriately
 - Forecast Fund 11(Charter School) per the district’s specific distribution calculation.
- **Other Local impacts and changes?**
- **Other Legislative changes affecting state revenue-FPP Meeting 4/25/24**

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Forecast Revenue Changes from Previous Years - *Continued*

New and Expiring Grants

- ESSER III- verify that the current approved application and Budget is still the current plan.
- ESSA will post Preliminary allocations in May-June. Current year allocations are best estimates.
- Other Grants
 - Review how the spending is progressing in current year to determine carryover.
 - Review FY23's Audit for Accounts Receivable and Unearned Revenue.
 - Small Rural Funding expiring 6/30/2X
- **BEST PRACTICE: Business office should have records for all grants**
 - Application, Budget, Allowable Expenses, Award Letter, Access to Request for Funds.
 - Actual to budget variances performed monthly, or at least Quarterly.

Forecasting Expenses

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Forecast Expenses Changes from Previous Year

Items to Forecast: What's changing in FY25?

- District programs and services should be considered for redesign, reduction, supplementation or elimination.
- PERA rate 21.4% & Medicare rate 1.45%
 - *What is your net effective rate. FY23(FY24 YTD) Total PERA/Medicare divided by FY23(FY24 YTD) Gross Salary.*
- Health Care & other Benefit cost changes
- Operating expenditure growth
 - Utilities, Internet/telecom, Insurance, other Purchased Services, Supplies, & Equipment.

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Forecast Expenses Changes from Previous Year *Salary & Benefit*

- Anticipated salary/staffing change
 - For each wage schedule
 - # of FTE(*Don't forget Vacancies*), Cost of Current Schedule, Cost of Step, Cost of Adding 1%. *Don't forget to add PERA, Medicare, other payroll employer paid items.*
 - Know what a step is in \$ and % terms
 - Know the staff demographics
 - Experienced vs New
 - Masters vs. BA
 - General Ledger/Payroll system may produce a report. If not create manually in excel.
- Compensation GROWTH occurs when all components (Pay, PERA, Healthcare) increase from the previous year at a higher % than CPI
- Compensation RAISE occurs when all components (Pay, PERA, Healthcare) decrease from the previous year at a lower % than CPI

Budget Planning & Preparation

Forecast Expenses Sample Scattergram

- [PFSU website](#) - under the *Statutory Compliance & Reporting*
- Both Licensed/Salary and Classified/Hourly Scattergrams
- Input current schedules & FTE, don't forget vacancies.
- Next tab calculates the cost of step
- Next tab has the "stepped FTE" with the ability to add a % to the schedule or to add a fixed dollar to the base
- Things to consider:
 - Fixed Dollar or Fixed Percentage step schedule?
 - Fixed percentage is equal to all.
 - Growing the Salary schedule is important to attract new staff
 - How competitive is your schedule to neighbors
 - Calculates average wage & benefit cost.
 - Is this the year to add significant dollars to schedule
 - Minimum wage 1/1/25 with ~\$15.15. Adjust in June instead of January on Hourly schedule.

Budget Planning & Preparation

Replacement Schedule Items

- Strong Fiscal Stewardship includes establishing a Replacement Stagger schedule to avoid fiscal cliffs
 - **Curriculum**
 - Best Practice 5-8 year rotations
 - **Transportation**
 - 15-20 year replacement schedule
 - **Technology**
 - Technology 5-8 years
 - **Facilities**
 - Facilities requires constant investment-Build 5 year plan
- **Excellent non-recurring items to spend on Fund Balance**

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
 - e. Other Revenue
- 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 (Priority ranking of Requests)
 - ii. Compensation
- 3. Cumulative total shows when Revenue = Expense**
- 4. Revenue = Expense-Ok, Revenue>Expense-Ok (why?), Revenue<Expense-What's the plan?**

Fund Balance & Budgeting

Budget Planning & Preparation

FUND BALANCE USAGE-Training 1/19/23

- Deficit Spending, expenses higher than revenues, is not a long term fiscally responsible position.
 - When considering using Beginning Fund Balance, focus on non-recurring items that do not create ongoing deficits. It is easy to deficit spend, it is difficult to correct
 - Using Beginning Fund Balance on recurring expenses (compensation) leads to ongoing deficits.
 - Role of finance is to alert BOE and district of consequences of using Beginning Fund Balance 22-44-105(1.5)(a)&(c).

Questions to ask when considering fund balance

- What is the budget to actual variance for revenues?
- What is the budget to actual variance for salaries & benefits?
- What is the budget to actual variance for other expenses?
- Is the district saving up for major expenses (BEST/Construction)
- Are certain schools/depts NOT spending their budget? Why?
- Are certain departments regularly overspending their budget?
 - Are there controls to prevent this?
 - Is it a result of unforeseeable circumstances?
 - Is it a recurring or non-recurring problem?
 - Is there a process to address these challenges on a regular basis?
- What is the budgeted recurring/non-recurring mismatch?
 - What is the calculation of recurring revenues - recurring expenditures?
 - If spending FB on recurring items, what is the plan for how deficit spending will end?
- Are there unusual non-recurring items included in the budget?
 - Grants, especially ESSER, expire. What expenses are not expiring.

Strategies to Deploy Fund Balance

If trying to decrease Fund Balance

- Use more aggressive budgeting. Revenues < Expenses will lower Fund Balance.
 - Need to understand historical actual to budget variances
- How up to date are the following replacement plan items:
 - Vehicle Fleet (yellow and white fleet)
 - Curriculum
 - Technology
 - Deferred Facility Maintenance
- Other non-recurring items:
 - Staff Bonuses (with or without PERA)
 - Professional Development
 - Facilities always has needs (carpet, paint, mowers, plows, small equip, building improvements, etc)
 - Special projects or events
- What is the plan to not have ongoing deficits if spending on recurring expenses

Strategies to Increase Fund Balance

If trying to grow Fund Balance

- Revenues > Expenses will grow Fund Balance
- Budget FPC & PPF conservatively
- Make sure staffing budgets are accurate
- Build cushion into expenditure budgets in order to mitigate surprises
- Capture the savings from staffing vacancies
- Make sure you use modeling for more accurate expenditure estimates
- Consider leveraging alternative sources of revenue:
 - Indirects on Nutritional Services(only applicable if you are not transferring money from GF) & Grants
 - Investment Income
 - Maximize State categoricals
 - Capture General Fund savings from grant covered expenses-Supplanting issue-

Other Funds
***(Maybe do these first so you know
the transfers)***

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Other Funds

- **Fund 18 Risk Management (sub-fund of General Fund)-Optional**
 - Strongly consider collapsing into the General Fund. A few checks and one less fund to manage. (same program & object codes in fund 10)
- **Fund 19 CPP (sub-fund of General Fund)-Optional**
 - Strongly consider using the General Fund for UPK. If holding a CPP reserve, can either spend out of Fund 19 or the General Fund by coding expenses to grant code 3141. (same program & object codes in fund 10)
- **Fund 22 Government Designated-Purpose Grants. Optional**
 - Depending on number of Grants, consider collapsing into the General Fund. (same program & object codes in fund 10)
 - If maintaining Fund 22, only grants that are Request for Funds or grants that must have Revenue = Equal should be in Fund 22
 - Create a faux Revenue and Expense grant to provide Appropriation pad.

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Other Funds

- **Fund 23 Pupil Activity Special Revenue**
 - Does district subsidize/transfer GF dollars to Fund 23 for Athletics? Consider moving the Programs supported by GF to GF and have the remaining money be fundraised or donation, not taxpayer funds.
- **Fund 4X Capital Projects**
 - Revenue is usually a transfer from GF or Bond Proceeds in Fund 41
 - Expenses are the expected project costs.

Budget Planning & Preparation

Fund 21 Nutritional Services

- Optional-[Healthy School Meals for All](#)
 - Participation in the National School Lunch Program.
 - Including collecting Free & Reduced Forms for district under 40% free/reduced percentage (More complicated)
 - State reimburses the paid students to the level of the federal free rate for breakfast and lunch.
 - [Adult Price](#) should be calculated, if under a GF transfer is required.
- How are food costs trending?
- How is labor trending?
- Excess Cash Issues?
 - Less GF Transfer
 - Spend on Kitchen equipment

Budget Planning & Preparation

Fund 31 Bond Redemption

- **For Expense:**
 - Review district bond schedule for 12/1/23 Principal/Interest payments & 6/1/24 Interest payment. Include any pay agent fees
- **For Revenue:**
 - Consider the Cash Balance of 12/2/22 to the scheduled FY24 debt service payments.
 - If that percentage is greater than 10-15% for stable assessed valuation(residential) or 20-35% for less stable assessed valuation(oil & gas) districts, consider how much Property Tax to budget as revenue.
 - Particularly, for districts that have to increase Total Program mills to comply with HB20-1418, if you have a high % of 12/2/22 cash compared to FY24 payments, this can give tax relief by certifying less revenue.
 - Building up a Fund balance in fund 31 is effectively over charging taxpayers in earlier years to the benefit of taxpayers later.

Statutory Requirements

Budget Planning & Preparation

Statutory Required Budget Documents

- Appropriation Resolution 22-44-107- **Budget “Appropriation Reserve” for all funds using the full fund balance.**
- Use of Beginning Fund Balance for each fund, if applicable, 22-44-105(1)(d.5)
- Use of Interfund Borrowing Resolution 22-44-113
- [Uniform Budget Summary](#) (located at bottom left under Statutory Compliance and Reporting section)
- Multi Year Budget Document by Program & Object. Also, Revenues & expenses per pupil.
 - Previous year Actual (FY23)
 - Current year Budget (FY24)
 - Current year Forecast (FY24)
 - Ensuing year Budget (FY25)
 - Variance of FY25 & FY24 Budget
- All are listed on the [Assurances of Financial Accreditation](#)

Budget Planning & Preparation

Reminders

- The June Budget is an estimate
 - Total Program, PPF & FPC, not known. Staffing not known
- Can revise budget by January 31
 - Strongly recommended
 - The next budget is better than the previous
- Be the source of creditable accurate financial stewardship
- You are resourcing the organization in a responsible way. Not a policy maker!
- A comprehensive budget system must be integrated with the financial accounting system.
- Compliant with the [FPP handbook](#) - Mandatory budget content

Budget Planning & Preparation

Contact for Budget Issues

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