

Public School Finance Unit Budget Planning & Preparation February 24, 2022

Budget Planning & Preparation

The **Public School Finance Unit** provides *support* to school districts in the *implementation of requirements* set forth by the legislature and Colorado state *statute*.

This includes implementation of the distribution of school finance formula funding and other funding streams.

In addition, we provide support to districts and boards of cooperative educational services (BOCES) by *assisting with submission of required financial data*, providing reports of financial data and assisting with the implementation of various school finance legislation.

The School Finance Unit also provides *technical guidance and capacity building* to district finance teams.

Budget Planning & Preparation

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[School Finance Unit Webpage](#)

Join the School Finance Email List - Send an email to finance-subscribe-request@codelist.cde.state.co.us with the subject "Join finance"

Check out communications <http://www.cde.state.co.us/communications>

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!

Topics for Finance Leaders with limited Budgeting Experience:

- Process, planning, and setting guiding principles
- Forecasting revenue and expenses
- FTE and compensation planning
- Replacement Planning
- Statutory requirements

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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, and Guiding Principles

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Purpose of a Budget

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

- 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.
- 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*

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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.
 - 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

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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
 - Current program reviews & replacement schedules
 - New programs (Recurring vs. Non-Recurring)
- Develop a Priority list of needs See Slide 27 for sample

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Timeline & Calendar

- **Includes dates:**
 - BOE, SAC, DAC meetings
 - Expected Information from Legislature
 - Other district specific deadlines
- **Statutory Requirements on the [Assurances of Financial Accreditation](#)**
 - A proposed budget for fiscal year 2020-21 was submitted to the board by May 31, 2021. 22-44-108(1)(c)
 - Notice was made in accordance with law that the proposed budget is available for public inspection. 22-44-109
 - The budget for fiscal year 2022-23 was adopted by the board by June 30, 2022. 22-44-110(4)
 - Modifications to the budget after January 31, 2023, were made through adoption of a supplemental budget by the board. 22-44-110(5)

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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 and FY21's*
- **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.
 - Fine tune expense forecast
- **May-June**
 - Final School Finance Act from Legislature
 - 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

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Guiding Principles-Continued

Samples to Consider for your district

- **Follow Strong Fiscal Responsible Practices for a Public Entity**
 - *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***
- **Needed and wanted resources will outweigh resources available**
 - *Achieve a balance between compensation and program enhancements*
 - *Immediate Needs compared to Building for Future*
- **District programs and services will be considered for redesign, reduction, supplementation or elimination.**
- **Remain true to core beliefs-(mission, vision, commitments, and ideals) and core programs.**
- **Strategic Plan, State and Federal mandates, Improvement Plans will guide decisions.**

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Popular District Budgeting Strategies

- **Incremental Change-What is Changing**
 - This presentation will focus on this strategy
- **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.
- **Focus will be on General Fund today**

Questions?



Forecasting Revenue and Expenses

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Forecast Revenue Changes from Previous Years

Prep Work

- **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?**
 - **By Object Code**
 - **By Line Item**

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Total Program Questions

- Is Funded Pupil Count(FPC) growing or decreasing?
- Is Per Pupil Funding (PPF) growing or decreasing?
 - How much is CPI?
 - This year is 3.5%. That is the amount that BASE funding increases per Amendment 23
 - What is the Budget Stabilization Factor (BSF) going to do, increase or decrease?
- **All indications, the BSF will decline this year.**
 - Governor's November request \$150 Million
 - JBC Staff February figure setting \$250 Million

Budget Planning & Preparation

Forecast Revenue Changes from Previous Years

Items to Forecast: Total Program is largest portion of revenue

- **Funded Pupil Count (FPC):**
 - K-12 FTE (includes Preschool Special Education)
 - 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 possible Student count changes.

RESOURCE: [School Finance Unit page](#)- 1)Public School Act-Funding and payment information-2)FY 2021-22 School Finance Funding- 3)Link named *FY 2021-22 District Funding Calculation Worksheet - JANUARY 2022*.

- Rows 85-90 contain 5 years of count and the average formula.
- Rows 93-103 add CPP, On-line, Ascent, Charter Institute if applicable.
Row 104 is total FPC.

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Forecasting Fund Pupil Count

			Change Numbers to calculate new Estimates		
			Low	Mid	High
			FY23	FY23	FY23
	FY22	FY23 Change v FY22	(100.0)	0.0	100.0
FY22 October FTE Count	4,360.5	Estimated FY23	4,260.5	4,360.5	4,460.5
FY21 October FTE Count	4,455.0	FY22 October FTE Count	4,360.5	4,360.5	4,360.5
FY20 October FTE Count	4,676.5	FY21 October FTE Count	4,455.0	4,455.0	4,455.0
FY19 October FTE Count	4,622.0	FY20 October FTE Count	4,676.5	4,676.5	4,676.5
FY18 October FTE Count	4,702.5	FY19 October FTE Count	4,622.0	4,622.0	4,622.0
AVERAGED FUNDED PUPIL COUNT	4,563.3	AVERAGED FUNDED PUPIL COUNT	4,474.9	4,494.9	4,514.9
Plus CPP	129.0		129.0	129.0	129.0
	4,692.3		4,603.9	4,623.9	4,643.9
		Variance from FY22	-88.4	-68.4	-48.4
		% Variance from FY22	-1.88%	-1.46%	-1.03%

In this example, 100 more students in FY23, still results in 48.4 less FPC due the FY18's 4,702.5 falling out of the 5 year average.

Factors to consider in creating Low, Mid, & High

- 12th Grade is leaving being replaced with a new Kindergarten
- Do you have grade cohort growth or loss?



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Forecast Revenue Changes from Previous Years

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 request
 - The School Finance Act is introduced in March
 - The School Finance Act is passed in early to mid May
 - 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 Revenue Changes from Previous Years

- **Per Pupil Funding (PPF):**
 - Inflation percentage applied to Base Funding 103.5%
 - Buy down of the Budget Stabilization is highly probable, by what amount is mystery

Items to Forecast: A few options to consider

- Use the Governor's request from November combined with the three low, mid, & high FPC to create 3 different Total Program options compared to current year's Total Program
- Create a Low, Mid, High Values from the Current year's PPF.
 - Low might equal 104.5% of current year's PPF.
 - Mid equals 106% of current year's PPF.
 - High equals 107.5% of 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

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Forecasting PPF & Total Program Y.O.Y. Change

	Low	Mid	High
FPC Estimates	4,603.9	4,623.9	4,643.9
FY22 January PPF	\$8,554	\$8,554	\$8,554
<i>PPF Growth Estimates</i>	<i>104.50%</i>	<i>106.00%</i>	<i>107.50%</i>
Per Pupil Funding Estimates	\$8,938	\$9,067	\$9,195
Total Program (Count times PPF)	\$41,151,582	\$41,923,609	\$42,700,768
Var. from FY22 Total Program	\$1,008,420	\$1,780,447	\$2,557,606
Variance From FY22 January Total Program			
Student Count			
<i>Per Pupil Funding</i>	Low	Medium	High
<i>Low</i>	1,008,420	1,187,188	\$1,365,956
<i>Medium</i>	\$1,599,112	\$1,780,447	\$1,961,781
<i>High</i>	\$2,189,805	\$2,373,705	\$2,557,606

- Depending on your district's specific situation adjust the factors to give you a range of possibilities to discuss within the district while waiting for the final estimate the legislature provides in May.

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Total Program Wrap Up

- **Total Program is the largest revenue item.**
- **Per Pupil Funding estimate will be known early-mid May**
- **Forecast Funded Pupil Count**
 - **5 year averaging**
 - **Known in Fall**
- **Forecast a Per Pupil Funding**
 - **Governor's November request**
 - **Create your own range of possibility**
 - **Know that both are just estimates until at the earliest the School Finance Act gets introduced-late March-early April**
 - **January will be *Final*, unless a supplemental is proposed to Legislature.**

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Forecast Revenue Changes from Previous Years - *Continued*

- **Mill Levy Overrides**
 - A fixed *specific* mill amount will change when Net Assessed Value change
 - Odd years are Reassessment years.
 - A fixed *dollar* mill amount will not change regardless on Valuation.
- **Specific ownership tax change-(vehicle registration taxes)-*Very High last few years***
- **Change in Allocations to other Funds**
 - Review Nutritional Service transfer with impacts of the Seamless Summer Option
 - 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 4/29/22**

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Forecast Revenue Changes from Previous Years - *Continued*

- **New and Expiring Grants**
 - ESSER - verify that the current approved application and Budget is still the current plan.
 - **Latest ESSER timeline [Jan 20, 2022 Office hours](#) , Scroll to bottom of page to find powerpoint, PAGE 25 for dates and deadlines**
 - 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
- **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

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Forecast Expenses Changes from Previous Year

- **Prep work-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
- **Develop a process to collect budget information from leaders.**

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Forecast Expenses Changes from Previous Year

Items to Forecast:

- **District programs and services should be considered for redesign, reduction, supplementation or elimination.**
- **Updated PERA rate 21.4% from 20.9% July 2022**
- **Health Care & other Benefit cost changes**
- **Operating expenditure growth**
 - Utilities, Internet/telecom, Insurance, other Purchased Services, Supplies, & Equipment.

FTE and compensation planning

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Forecast Expenses Changes from Previous Year

Items to Forecast: *Most important Expense item*

- 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.
- **Wage growth happens when the % increases is larger than the CPI**



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Forecast Expenses Changes from Previous Year - Continued

Items to Forecast: *Most important Expense item*

- Staffing FTE Summary
- By School, Division, Department
- If School Based include “Rules & Methodology”
- ***FTE Controls***
 - Budget Vacancies
 - Manage grant FTE carefully
 - What happens when grant expires?
 - Develop process & document for FTE additions

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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?**

Replacement Planning

Replacement Schedule Items

Items to Forecast:

Strong Fiscal Stewardship includes establishing a Replacement 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

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Mill Levy Override (MLO) Options

- **Successful campaigns:**
 - Funds a specific and clear need
 - Timing is crucial
 - Developed with a strong community network & committee
 - Staff supported
 - On-going vs Sunsetting?
- **General MLO in the General Fund 22-54-108**
 - Generally, the maximum is 25% (30% if small rural) of Pre- Budget Stabilization Total Program
- **Transportation “Excess Cost” MLO 22-40-102 (1.7)**
 - Strategy of many to buy vehicles & have MLO Sunset
- **Capital construction, new technology, existing technology upgrade, and maintenance needs MLO 22-54-108.7**
- **RESOURCE: [School Finance Unit page](#)** Under Elections & Mill Levy-Link Mill Levies and Override Revenues.
 - “Table” section lists district specific mills
 - “Revenue” section details general MLO capacity

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FUND BALANCE USAGE

- **Deficit Spending, expenses higher than revenues, is not a long term fiscally responsible position.**
 - *It is easy to deficit spend, it is difficult to correct*
 - When considering using Beginning Fund Balance, focus on non-recurring items that do not create ongoing deficits. This means don't fund payroll out of fund balance.
 - Using Beginning Fund Balance on recurring expenses (compensation) leads to ongoing deficits.
- **Role of finance is to ALERT B.O.E. and district of consequences of using Beginning Fund Balance**
 - **22-44-105(1.5)(a)&(c).**

Statutory Requirements

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Statutory Required Budget Documents

- Appropriation Resolution 22-44-107
- Use of Beginning Fund Balance for each fund, if used, 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 (FY21)
 - Current year Budget (FY22)
 - Current year Forecast (FY22)
 - Ensuing year Budget (FY23)
- All are listed on the [Assurances of Financial Accreditation](#)

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Professional Budget Document [FPP Handbook](#)

- 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 Resolutions
- 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](#)

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Other Funds

- **18. Strongly consider collapsing into the General Fund.**
- **19. Strongly consider collapsing into the General Fund.**
Calculate the CPP PPF amount.
- **22. Strongly consider collapsing into the General Fund.**
- **21. If Applicable, how has the Seamless Summer Option changed the economics of that fund.**
 - **GF subsidy higher or lower?**
 - **Food is Expensive**
- **23. Athletics & Activities vs Fundraisers.**
- **31. Principal and Interest payments. Consider the Fund Balance**
- **41-46. Capital Projects priorities**
- **70s. Budget to previous year Actuals**



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Wrap up slide

- The June Budget is an estimate
 - Total Program, PPF & FPC not known
- Can revise budget by January 31
 - Supplemental appropriated after January 31
- Be the source of creditable accurate financial stewardship—*Manage the Guiding Principles*
- You are resourcing the organization in a responsible way.
- A comprehensive budget system must be integrated with the financial accounting system.
- Compliant with the [FPP handbook's](#) Mandatory budget content

Budget Planning & Preparation

2 hours later and still have questions?

Contact for Budget Issues

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