

Public School Finance Unit Budget Planning & Preparation March 9, 2023

Budget Planning & Preparation

Today's Topics:

- Recap of [10/27/22](#) 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 FY22 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

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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 & 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

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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.

Forecasting Revenue

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Forecast Revenue Changes from Previous Years

- **What's Changing in FY24?**
 - Total Program components
 - UPK & CPP
 - Local voter-approved Mill Levy Overrides
 - Specific Ownership tax & Other Local
 - Other State Revenue (Small Rural Expiring 6/30/23)
 - Federal Revenue - (New or Expiring grants)
 - Transfers to other Funds
 - If alerted about Nutritional Services excess cash in FY22 Audit review, consider transferring less from GF

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Annual Total Program Questions

- **Is Funded Pupil Count(FPC) growing or decreasing?**
 -
- **Is Per Pupil Funding (PPF) growing or decreasing?**
 - **How much is CPI?**
 - 8.0%. 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.**
 - Governor's January request ~\$120 Million
 - Long Bill not introduced as of today

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Forecast Funded Pupil Count (FPC)

Items to Forecast: 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 possible Student count changes.

RESOURCE: [School Finance Unit page](#)

- Rows 84-89 contain 5 years of count and the average formula.
- Rows 92-102 add CPP, On-line, Ascent, Charter Institute if applicable.
Row 103 is total FPC.

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Forecasting Fund Pupil Count (FPC)

			Low	Mid	High	Governor Jan
			FY24	FY24	FY24	Request
	FY23	FY24 Change v FY23	(100.0)	0.0	100.0	251.5
FY23 October FTE Count	4,241.0	Estimated FY24	4,141.0	4,241.0	4,341.0	4,492.5
FY22 October FTE Count	4,360.5	FY23 October FTE Count	4,241.0	4,241.0	4,241.0	4,241.0
FY21 October FTE Count	4,455.0	FY22 October FTE Count	4,360.5	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	4,455.0
FY19 October FTE Count	4,622.0	FY20 October FTE Count	4,676.5	4,676.5	4,676.5	4,676.5
AVERAGED FPC	4,471.0	AVERAGED FPC	4,374.8	4,394.8	4,414.8	4,492.5
		Variance from FY23	-96.2	-76.2	-56.2	21.5
		% Variance from FY23	-2.15%	-1.70%	-1.26%	0.48%

Factors to consider:

- Preschool Special Education FTE will be excluded in FY24's 5-year Average FPC.
- The Preschool Special Education FTE remains in previous year's FPC.
- FPC is now averaged K-12, extended high school, & On-line Multi District FTE. *CPP is not in Funded Pupil Count for FY24.*
- 12th Grade is leaving being replaced with new Kindergarten students
- District grade cohort growth or loss?
- Notice Governor's Request FPC compared to District expectations.
- *If District is declining, may want to do few years future forecasting*



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2/23/23 FPP Slides 35-57

Forecasting Preschool

Source of Revenue	Preschool Revenue	
	FY23	FY24
	CDE Total Program	CDEC
CPP	.5 PPF	UPK Rate for Hours
Special Education	.5 PPF	UPK Rate for Hours
Tuition	???	UPK Rate for Hours

Factors to consider

- CPP is not in Funded Pupil Count for FY24. FPC is now averaged K-12, extended high school, & On-line Multi District FTE.
- Discuss with Program staff & LCO:
 - Hours that all students will attend to know rate to apply
 - Added hours may increase labor cost
 - How many slots to “hold” for IEP students during the year
- Hold harmless is total paid to district/school in FY24 compared to FY23 CPP revenue
- Recommended to use General Fund UPK Revenue is 10-3010-3897
- Use Fund 10 or 19 to spend down any CPP fund reserve by expensing items to CPP grant code 3141 until reserve is spent.



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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 108.0% (FY23 \$7,478.16, FY24 \$8,076.41, \$598.25 increase.
 - Buy down of the Budget Stabilization is possible, amount not known now.

Items to Forecast: A few options to consider

- Use the Governor's request from November/January combined with the three low, mid, & high FPC to create 3 different Total Program options compared to current year's Total Program
- Suggestion: Create a Low, Mid, High Values from the Current year's PPF.
 - High might equal Governor's January PPF.
 - Mid might equal 97.5% of the High PPF.
 - Low might equal 95% of High 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
FY23 January PPF	\$9,243	\$9,243	\$9,243
PPF Estimates	95% Gov Jan	97.5% Gov Jan	Gov Jan
PPF Estimates	\$9,662	\$9,916	\$10,170
FPC Estimates	4,374.8	4,394.8	4,414.8
Total Program	\$42,268,917	\$43,579,581	\$44,900,414
FY23 Total Program Var.	\$941,274	\$2,251,937	\$3,572,771
FPC Change %	-2.15%	-1.70%	-1.26%
PPF Change %	4.53%	7.28%	10.03%
Total Program Change %	2.28%	5.45%	8.64%

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			
FY24 Change v FY23	(100.0)	0.0	100.0
Estimated FY24	4,141.0	4,241.0	4,341.0
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
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Variance From FY23 January Total Program Student Count			
<i>Per Pupil Funding</i>	Low	Medium	High
<i>Low</i>	941,274	1,134,512	\$1,327,750
<i>Medium</i>	\$2,053,613	\$2,251,937	\$2,450,260
<i>High</i>	\$3,165,953	\$3,369,362	\$3,572,771



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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**
 - 5 year averaging: FY24's Preschool Special Education FTE is not included. Previous years the Preschool FTE is included.
 - CPP is no longer in Total Funded Pupil Count
 - Known November/December 2023

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 change
 - 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 4/28/23**

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Forecast Revenue Changes from Previous Years - *Continued*

- **New and Expiring Grants**
 - ESSER II & 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 FY22's Audit for Accounts Receivable and Unearned Revenue.
 - Small Rural Funding expiring 6/30/23
- **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 FY24?

- 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 Total PERA/Medicare divided by FY23 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

Items to Forecast: *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.
- **Wage growth happens when the % increases is larger than the CPI**

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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 1/1/24 with ~\$14.74, may want to adjust in June instead of January on Hourly schedule.

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Replacement Schedule Items

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
 - By 1/1/25, can't use 15 passenger vans after 2025
 - **Possibly** by 1/1/2025, busses (B,C,D vehicles) older than XX years can't be used any longer
 - **Possibly** by 1/1/2025, 9-12 passenger vans if XXX,XXX miles or XX years can't be used any longer
- **Technology**
 - Technology 5-8 years
- **Facilities**
 - Facilities requires constant investment-Build 5 year plan
- Excellent non-recurring items to spend on Fund Balance

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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
 - 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

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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



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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
- **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.



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Fund 21 Nutritional Services

- Optional-[Healthy School Meals for All](#)-FPP Meeting [2/23/23](#) Slides 20-34. [FAQ](#)
 - 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.
- Conveniently, FY21 & FY22 all students were treated for free under the Summer Seamless Option, comparing to this year's should provide variance on quantity of meals to expect.
- How are food costs trending?
- Excess Cash Issues?
 - Less GF Transfer
 - Spend on Kitchen equipment

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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 5-10% for stable assessed valuation(residential) or 10-15% 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

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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 (FY22)
 - Current year Budget (FY23)
 - Ensuing year Budget (FY24)
 - Variance of FY24 & FY23
- 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
- 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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