

# Navigating Future General Fund Budgets

School Boards Annual Convention

February 17, 2023

# Caveat

# Funding Sources

- General Fund – the primary operating fund of the district
- Special Revenue and EIA Funds – federal and state funds which are allocated for a specific purpose – Restricted
  - Now includes Pupil Activity Funds
- Debt Service Fund – for the payment of principal and interest on general obligation debt
- Project or School Building Fund – for the construction, deferred maintenance, renovation, and acquisition of school facility needs
- Food Service Fund – for the receipts and expenses of USDA approved meal and snack programs

# Basics & Best Practices

- Budget is typically about 85% personnel costs
- Understand your local requirements for budget adoption
- Plan and prepare
- Set district priorities
- Pay for the priorities
- Ensure sustainability
- Allow enough time to complete the budget process!

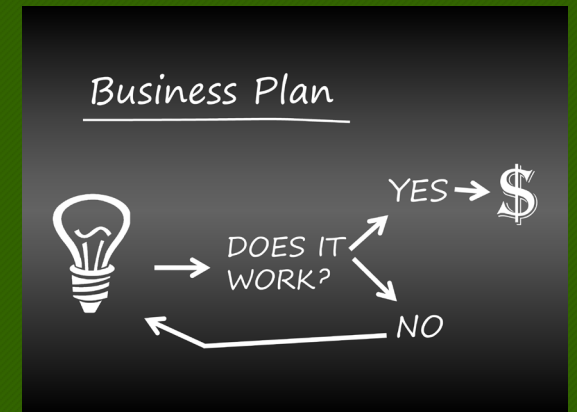
# Budget

- An estimate of income and expenditures for a set period of time



# Plan and Prepare

- Develop reliable policies and principles to guide the budget process
- Establish in-district and community partnerships to strengthen the budget process
- Analyze current successes and deficiencies of your plan
- Have an effective communication strategy
- Establish a budget prep calendar



# Calendar

## SAMPLE BUDGET PREP CALENDAR

2023 – 2024 Budget Preparation Timeline

| <u>Date</u>  | <u>Action</u>  |
|--|--|
| January – June 2023  | Monitor General Assembly legislative session   |
| January 17, 2023   | Legislative Session Begins   |
| January 31, 2023   | Finance/Facility Board Meeting – Begin budget comments, if any   |
| January – February, 2023<br>Session dates:<br>January 31<br>February 9, 13, 21, & 27 | Principals advised to provide Superintendent and CFO with written funding needs/requests, staffing analysis – due date TBD<br>(meet with Principals)   |
| February 21, 2023  | Board Meeting – Budget comments/legislative update/outlook   |
| February 28, 2023  | Finance/Facility Board Meeting – Budget comments, if any   |
| March 7, 2023  | Board Meeting – Budget comments/legislative update/outlook   |
| March 21, 2023   | Board Meeting – Budget comments/legislative update – More detail of prelim budget if available   |
| March 21-31, 2023  | 135-day ADM analysis   |
| March 28, 2023   | Finance/Facility Board Meeting – Budget comments as needed   |
| About April 1, 2023  | Current year line item budget to all fund custodians; including current budget, YTD expenses, encumbrances to project new year budget needs. – due April 19, 2023                                      |
| Early April, 2023  | Initial faculty and staff (FTE) projections, changes, needs, etc. (from February meetings)   |
| April 3 – 7, 2023  | Calculate preliminary revenue projections based on legislative news at the time, WPU's, ITPA, millage outlook, etc.  |
| April 4, 2023  | Board Meeting – Budget preview/legislative update/outlook  |
| Mid to Late April, 2023  | Fund custodian budget request due- review and prioritize for budget  |
| April 21, 2023   | Prepare Public Hearing Notice for publication announcing readings of the budget in May & June (must be at least 15 days prior to each meeting)   |
| April 25, 2023   | Finance/Facility Board Meeting – Budget comments as needed   |
| April 28, 2023   | Tentative General Fund spending cutoff for current year. Use in projection of new year budget outlook and disclosure to Board on balances.   |
| May 2, 2023  | Board Meeting – Draft copy of budget summary to board in preparation for 1 <sup>st</sup> /2 <sup>nd</sup> reading(s) later in May  |
| May 16, 2023   | Board Meeting – Present 23-24 budget reading; Plan for this to be second reading (officially), as 1 <sup>st</sup> reading can be informal at prior May reading or F/F meeting.                         |
| May 30, 2023   | Finance/Facility Board Meeting – Budget comments as needed   |
| June 6, 2023   | Board Meeting – Formal presentation of new year budget to Board. FINAL READING/ADOPTION  |
| Remainder of June, 2023  | Monitor legislative changes that may affect adopted budget. Make revisions/amendments as needed. Hold meetings as necessary.<br>Prepare final copies of budget with any revision as directed by Board. |
|  | CFO and Board Chairman to notify County Treasurer and Auditor of millage requirement.  |
| June 20 – 30, 2023   | Additional budget reading could be scheduled on any of these dates, if required  |
| As soon as possible following budget adoption  | Send budget to Board, and post on website for agencies and public  |

# Set Priorities



- Develop Goals
- Consider feedback and requests from stakeholders
- Use research and data to develop instructional priorities
- Evaluate the “tough” choices to make among multiple priorities



# Pay for Priorities

- Address these first
- Apply cost analysis to ensure adequate budget
- Evaluate general fund expense budgets to ensure academic priorities are met
  - The financial plan should be representative of the instructional mission
- Look at other funding sources that could fund other priorities

# Ensure Sustainability

- Put strategies into practice and evaluate the results
- Understand impacts of non-recurring dollars

# Building the General Fund Budget

- CFOs use historical performance to build budgets (Assumptions are necessary)
  - Change in assessed values
  - Salary/Fringe budget to include vacancies (remember.....makes up about 85%)
  - Inflationary factors
- Understand your tax base
  - Use history as an indicator
  - Strong relationship with county officials



# Building the General Fund Budget

- How does your district follow the legislative process?
- Take into account non-recurring revenues when assessing future needs
- Consider enrollment and staffing projections
- Be aware of where your fund balance stands

# Fund Balance



- Fund balance = Assets (what a district owns) – Liabilities (what a district owes)
- Do not confuse with bank or cash balances
- Consider having a minimum fund balance policy
  - What is a “good” fund balance?
    - GFOA recommends 14% - 16%; or minimum of two months
    - Do you know what your district’s is?
- Cash portion of fund balance helps during slow tax collection periods
- Can be used for small construction or unforeseen negative impacts
- Fund balance can be controlled or “assigned”
- Without maintaining the minimum, the district could be placed on watch designation (Fiscal Accountability Act calls for 8%)
- Rating agency importance

# Where are we headed?



New Education Funding  
&  
Local Impacts

# New Education Funding



## ➤ State Aid to Classrooms

- Strategy is to fund education based on a statewide average student:teacher ratio
- Based on a projected student:teacher ratio and average teacher salary to determine the State share
- State vs. Local share is 75% to 25%
- Districts must now match EIA funds received (75/25)
  - Consolidated line items – Existing
  - Consolidated line items – New/Proposed

# New Education Funding



| Weights                          | EFA         | State Aid to Classrooms |
|----------------------------------|-------------|-------------------------|
| K-12 Students                    | 1.0         | 1.0                     |
| Pre-career and CTE               | 1.29        | 1.2                     |
| Residential Treatment Facilities | 2.1         | 2.1                     |
| Special Education                | 1.74 - 2.57 | 2.6                     |

| Add-On Weightings           | EFA | State Aid to Classrooms |
|-----------------------------|-----|-------------------------|
| Gifted and Talented         | .15 | .15                     |
| Academic Assistance         | .15 | .15                     |
| Limited English Proficiency | .20 | .20                     |
| Pupils in Poverty           | .20 | .50                     |
| Dual Enrollment             | .15 | 0                       |



# New Education Funding



- Average Daily Membership divided by the student:teacher ratio determines the number of classrooms the state will fund
  - $752,928$  (ADM) divided by  $11.2$  (student:teacher ratio) =  $67,223$  classrooms funded.  
Districts have flexibility to determine how to use their allocation.
- Cost of a teacher plus fringe (Master's degree + 12 years experience) on State Minimum Teacher Salary Schedule, NOT DISTRICT AVERAGE
  - FY 23 = \$69,153 STATE
- Each district receives its share of the total State funds based on its proportion of total weighted pupils and the district's ability to pay as measured by the Index of Taxpaying Ability

# Impact of Proportionate Share



## ➤ Example

### ➤ Student:Teacher Component

|            | Projections WPU | Projections P/S | 45th day WPU | 45th Day Proportionate share | Difference in P/S | Difference in Funding |
|------------|-----------------|-----------------|--------------|------------------------------|-------------------|-----------------------|
| District A | 2,347.73        | 0.185090%       | 2,317.24     | 0.180162%                    | (0.0000493)       | (258,955.02)          |
| District B | 5,637.44        | 0.444442%       | 5,669.40     | 0.440787%                    | (0.0000366)       | (263,682.61)          |
| District C | 38,668.13       | 3.048505%       | 39,926.72    | 3.104238%                    | 0.0005573         | 2,018,297.86          |

# Local Impact



- To some degree, we just don't know yet
- FY 22-23 updates recently received by districts
  - State WPU and ratio adjustment
- FY 23-24 the EIA match requirement will be fully implemented (75/25)
- Heightened requirement to understand your local tax base, assessed valuations, and Index of Taxpaying Ability

# Local Impact



## ➤ Bottom line.....

- The State of South Carolina expects its school districts to raise revenue to support their public schools.
- The amount each district is expected to raise is based on a combination of its property values and a defined share of the amount calculated by the state.

# ESSER and the General Fund

- Who remembers the ARRA Stimulus days?
- Let's recall the intent of the ESSER initiatives
- Commonly addressed needs in school districts
  - Learning Loss; 20% minimum requirement of the awards
  - Increased staffing to address learning loss and other needs
  - Technology
  - Sanitation, healthier school environment, and air quality
- Do you know what your district's approach to the ESSER plans was?
- Continuation of these activities could have a substantial future impact to your general fund budget

# What can go wrong...

- Forget to hold or post the public hearings as required by law
- Use fund balance you really don't have to balance the budget
- Use one-time revenue more than once
- Overlook small things that can become big the next year
- Overestimate revenues
- Underestimate expenditures
- Adopt a budget without some form of contingency
- Forget to certify your mill levy to the county by the deadline
- Use an enrollment/staffing forecast that is too high
- Fail to ask questions and challenge the process throughout

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Questions

Thank you for attending!