


Building Better Budgets


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edtec
Charter School Specialists
BUSINESS • OPERATIONS • PERFORMANCE

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Introductions



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A sound, realistic budget is critical to school success

- Support the goals and objective of school program
- Reflect short and long-term spending plans
- Key element of petitions, grants, loan applications
- Regularly reviewed and used to guide decision making

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Session Objectives

During our session today we will...

- 1 Identify key elements of budgets and how to utilize them strategically
- 2 Discuss some of the key considerations of budgeting for Georgia schools
- 3 Learn from real-world examples how to implement these budgeting strategies

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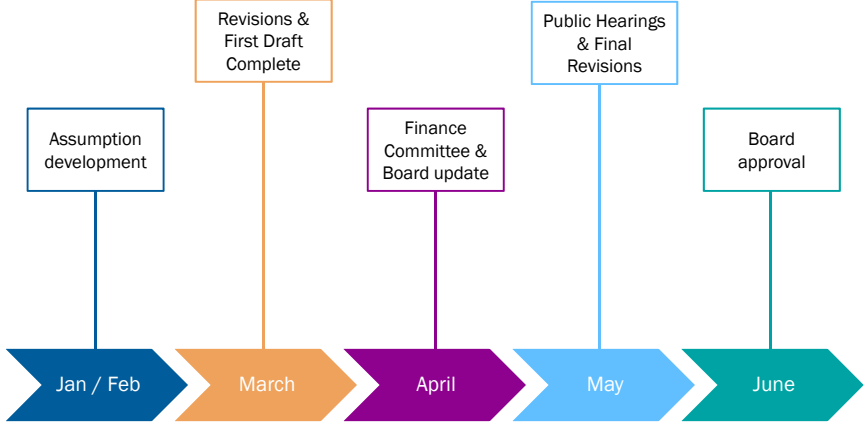
Budget summaries contain a number of key elements

Revenue	Identified sources of federal, state, and local funds; broken-down into line-item detail for each
Expenses	Broad categories such as personnel/benefits, professional services, supplies, etc. also broken into line-item detail
Operating Income	Revenues minus expenses, monthly and yearly
Fund Balance / Reserve	Sum of all operating incomes for all years of operation
Key Assumptions	For each revenue and expense line item, the key assumptions that inform the budget line

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The budget development process spans months

A sample budget development timeline...



Assumption development

Revisions & First Draft Complete

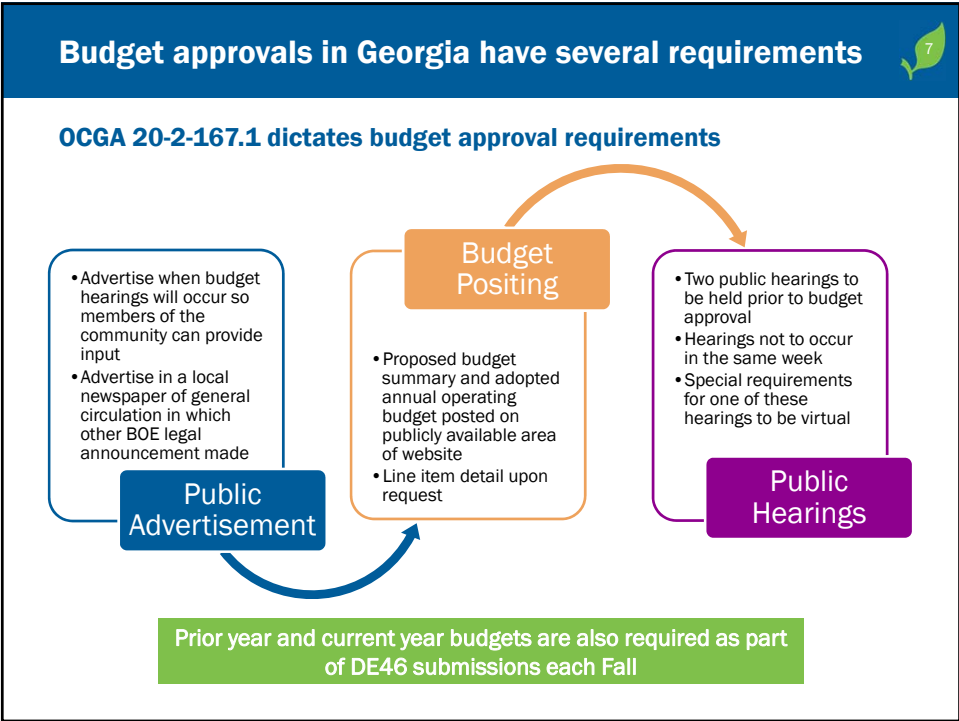
Finance Committee & Board update

Public Hearings & Final Revisions

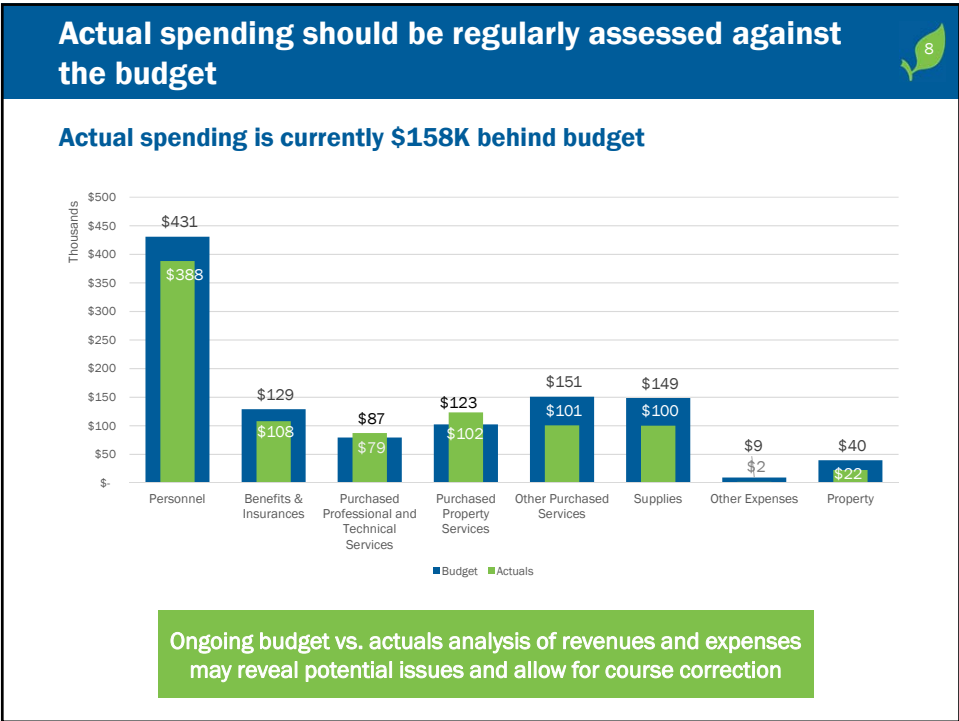
Board approval

Jan / Feb March April May June

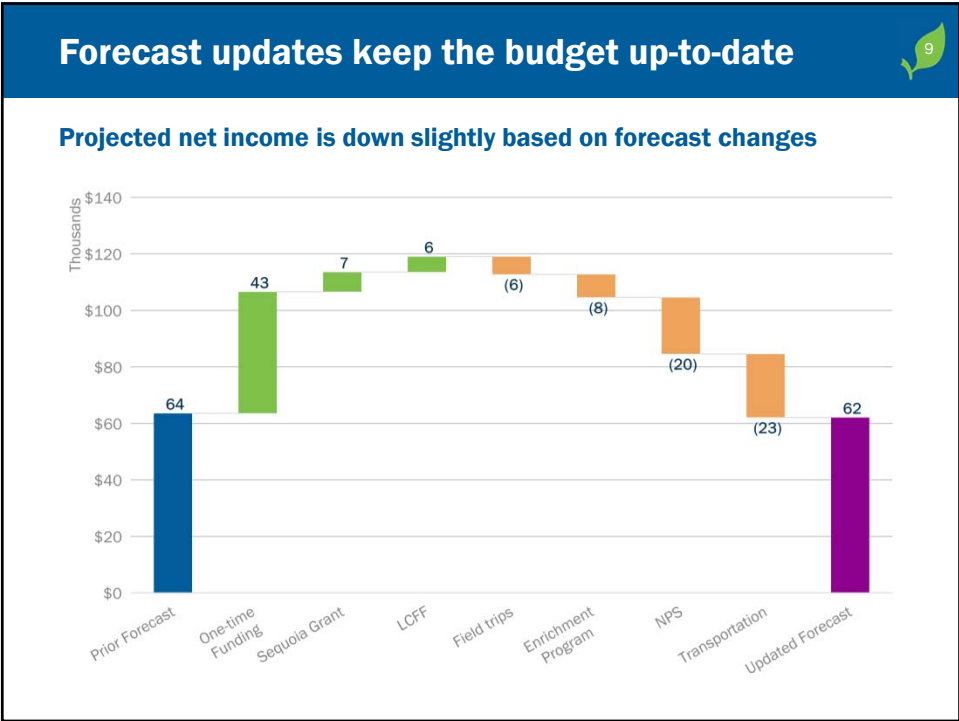
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A dashboard can assess performance against key metrics and flag areas of concern 10

				Board Meetings					
	Metric	Target	Legend	9/12	10/10	12/12	2/6	4/10	6/19
Revenue	Enrollment	157	>157 155-156 <155	166	158	159	158		
	Fundraising received to date	\$1.2M	\$500K+ \$250-499K \$0-250K	\$3,600	\$36.1K	\$515K	\$625K		
Expenses	Expense variance to budget	No less than -5%	>-4% -4 to -5% <-5%	-1%	-1%	-2.6%	-4.0%		
Ops	Uncategorized revenue & expense	<\$5,000	<\$5000 \$5K-7K >\$7000	\$0	\$0	\$26,389	\$0		
Cash	Days Cash	4 Months	120 60-120 <60	55	51	40	35		
Sustainability	Year-end fund balance (forecast)	15.0%	>14% 10-14% <10%	18.6%	18.5%	15.5%	14.4%		

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Restricted and multi-year budgets 11

<p>Restricted budgeting can also be useful to assess fiscal health and track progress</p> <ul style="list-style-type: none"> • Track progress of spending and determine where interventions or draw downs are needed • Grant period considerations to ensure funds are spent in proper time period • Cash flow considerations for reimbursement-based grants 	<p>Multi-year budgets can help support long-term strategic plans</p> <ul style="list-style-type: none"> • Especially helpful when planning for major investments such as facility acquisitions • Proactive consideration of increases over time such as health insurance, salary increases, etc. • Update as new information becomes available and assumptions shift (e.g. HB787)
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A solid budget is essential to controlling cash flow 12

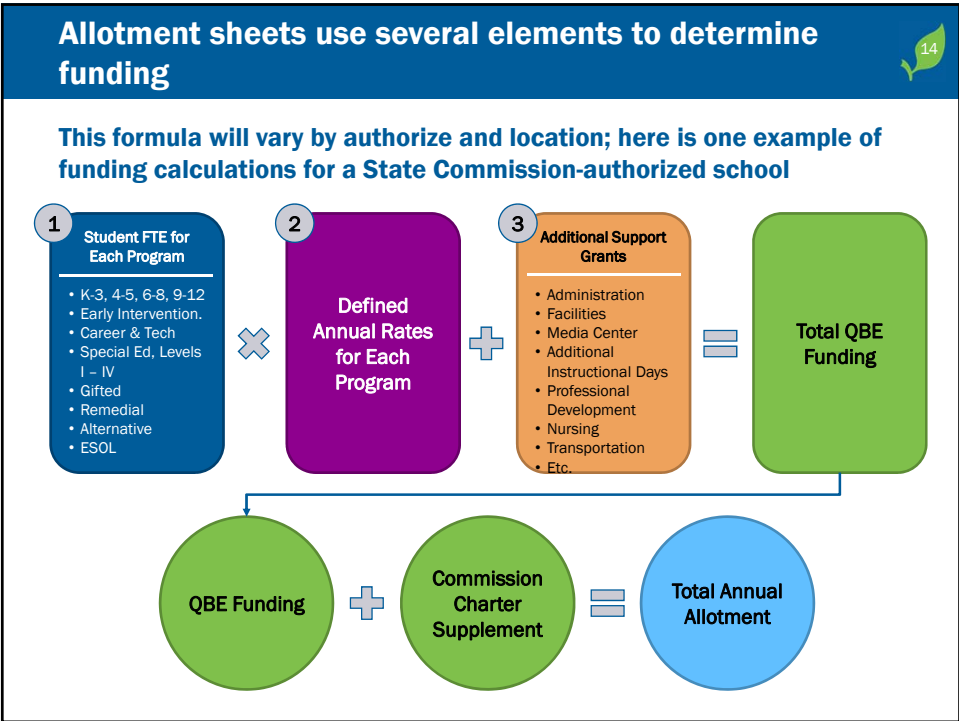
<p>Be Realistic</p> <ul style="list-style-type: none"> ▪ Do not overstate revenue projections ▪ Do not underestimate expenses, especially critical items 	<p>Estimate Conservatively</p> <ul style="list-style-type: none"> ▪ Use conservative estimates for enrollment projections, particularly if new or growing ▪ Projections that do not come to fruition will ultimately hurt your cash flow ▪ Do not underestimate expenses, especially critical items 	<p>Manage Cash Flow</p> <ul style="list-style-type: none"> ▪ Create annual cash flow during budgeting process to ensure revenues and expenses “work” ▪ Use past trends in revenue and spending ▪ Be realistic about when expenses will hit and use the cash flow as a dynamic tool
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Cash flow statement shows actual and projected cash activity

	2017-18												Forecast	Remaining Balance
	Jul Actuals	Aug Forecast	Sep Forecast	Oct Forecast	Nov Forecast	Dec Forecast	Jan Forecast	Feb Forecast	Mar Forecast	Apr Forecast	May Forecast	Jun Forecast		
Beginning Cash	64,768	448,441	347,191	333,873	280,773	180,801	610,750	548,892	470,451	505,183	493,092	423,576		
REVENUE														
L/CFF Entitlement	-	22,963	45,927	77,745	30,618	30,618	48,991	30,618	59,417	34,157	32,627	32,627	481,228	34,922
Federal Revenue	-	-	92,481	-	-	92,481	8,600	8,600	101,080	8,600	8,600	101,080	430,621	9,102
Other State Revenue	-	-	-	-	-	26,148	354	354	5,073	15,967	5,073	5,073	78,201	20,160
Other Local Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fundraising & Grants	85,000	-	-	-	-	370,000	-	-	-	45,000	-	-	500,700	700
TOTAL REVENUE	85,000	22,963	138,407	77,745	30,618	519,246	57,945	39,571	165,570	103,723	46,299	138,779	1,480,750	64,884
EXPENSES														
Certificated Salaries	33,507	30,313	30,899	30,899	30,899	30,899	30,899	30,899	30,899	30,899	30,899	30,899	471,500	(0)
Classified Salaries	6,630	8,447	13,825	13,825	13,825	13,825	13,825	13,825	13,825	13,825	13,825	13,825	153,824	-
Employee Benefits	14,882	7,893	10,895	9,350	9,094	9,094	11,141	9,350	9,350	8,215	8,215	4,073	111,814	-
Books & Supplies	4,195	41,054	43,616	35,743	35,743	37,443	21,928	21,928	21,928	21,928	21,928	21,928	332,140	-
Services & Other Operating Expenses	27,383	34,544	44,600	33,189	33,189	46,720	34,272	34,272	45,397	33,210	33,210	46,741	446,785	-
Capital Outlay & Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Outflow	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	86,986	131,220	152,825	131,975	131,719	146,950	120,933	119,141	131,966	116,944	116,944	128,034	1,515,669	-
Operating Cash Inflow (Outflow)	(1,986)	(108,257)	(14,448)	(54,230)	(101,101)	372,296	(62,988)	(79,570)	33,603	(13,221)	(70,645)	10,745	(24,919)	64,884
Revenues - Prior Year Accruals	148,501	-	-	-	-	56,523	-	-	-	-	-	-	-	-
Other Assets	8,473	6,000	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable - Current Year	(21,315)	(123)	-	-	-	-	-	-	-	-	-	-	-	-
Summer/holdback for Teachers	250,000	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	-	
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash	448,441	347,191	333,873	280,773	180,801	610,750	548,892	470,451	505,183	493,092	423,576	435,456		

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Passage of HB787 has brought critical changes to the funding model 15

- Vertical and Horizontal Growth**
 - Provides forward funding to state and local charters for addition of grades and >2% growth in existing grades
 - Funds provided at beginning of year
- State Charter Supplement**
 - Increase basis from five poorest districts in state to amount equal to state average of local revenues per student*
 - Amounts vary by location and attendance zone
- Capital Funds**
 - Increase for charters operating in expensive districts
 - Capital funding for virtual schools to offset technology costs
- RESA Eligibility**
 - State charters now eligible for services provided by and membership in Regional Education Service Agencies

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Timeline to establish final funding rate 16

A sample timeline to determine initial and final annual allotments...

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    graph LR
      A[Detailed rate sheet available from GDE along with FY19 allotment sheets] --> B[June]
      B --> C[July]
      C --> D[Revise revenue based on rate sheet & FTE count]
      D --> E[October]
      E --> F[Participate in Oct FTE count]
      F --> G[November]
      G --> H[Make internal forecast revisions based on Oct count]
      H --> I[March - April (or earlier)]
      I --> J[Make final revenue revision based on mid-term adjustment]
  
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Salary and benefits are a major component of charter school expense 17

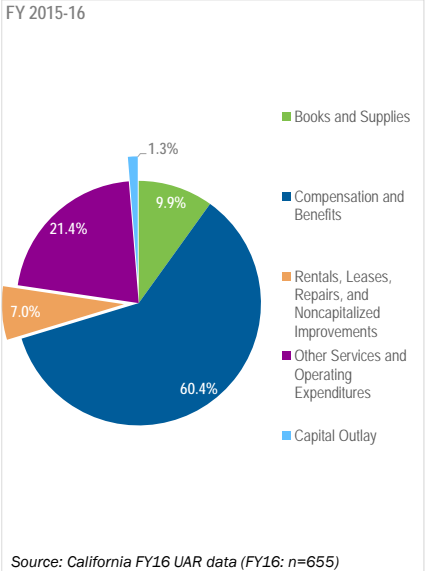
Compensation includes not only salary but additional items such as:

- **Stipends**
- **Performance-based bonuses**
- **Overtime**

Benefits may include not only health care contributions (medical, dental, vision) but also:

- **PTO and leave policies**
- **Cell phone reimbursements**
- **Health & wellness subsidies**
- **Other fringe benefits**

As a large share of expenses, staff costs are often the first place to look for savings



Source: California FY16 UAR data (FY16: n=655)

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Employer TRS contributions have steadily risen in recent years... 18

...whereas employee contribution rates have remained constant

Fiscal Year	2013	2014	2015	2016	2017	2018	2019
Employer Rate	11.41%	12.28%	13.15%	14.27%	14.27%	16.81%	20.9%
Employee Rate	6%	6%	6%	6%	6%	6%	6%

In addition to employer TRS contributions, other payroll taxes include:

- **Social Security (unless opt-out)**
- **Medicare**
- **State Unemployment**
- **Worker's Compensation Insurance**

Source: Teachers Retirement System of Georgia: <https://www.trsga.com/employer/contribution-rates/>

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Cost drivers and replacement cycles should also be considered when budgeting



Identify other major expense categories such as:

- **Facilities**—both rent or principal/interest, but also utilities, maintenance, etc.
- **Food Service**
- **Contracted Services** – special education, after school programming, technology support, substitutes, bookkeeping, audit, etc.
- **Supplies** – instructional, marketing, extracurricular, janitorial, etc.
- **Other items** such as field trips, membership fees, insurance, recruitment (students/staff), copiers, etc.

Consider what is driving the costs above and use those to establish budget estimates

- **Staff or teacher FTE, all or new students, square feet, classrooms, etc.**

In multi-year budgets, factor in the replacement cycles for items such as computers

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Thank you!

ADDITIONAL QUESTIONS? CONTACT US:

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