

Financial Planning for School Districts Part I

AASBO
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David Smith
AASBO

FINANCIAL PLANNING I

This two-part session will focus on the school budget planning process. The session will cover GFOA Best Practices in School District Budgeting (principles), Alabama law related to the annual budget, techniques and methods of developing the budget, to include development of a budget calendar, compilation and preparation, expenditure and revenue estimations, budget edit checks and presenting effective budget presentations to your board. Session will also cover the tools available in the accounting software for building the budget.

Crane Operators • Mill Forester • Maintenance Technicians

AL Alabama

16 Alabama: Second worst in state-funding cuts to education

By Casey Fennell | cfennell@al.com
Email the author | Follow on Twitter
Last December 10, 2015 at 12:21 PM

Alabama ranks second worst in the country in state K-12 education funding cuts, with state support down 17.3 percent since the start of the Great Recession, according to a report released Thursday by the Center on Budget and Policy Priorities.

CBPP is a nonpartisan policy research organization based in Washington, D.C. Oklahoma has seen deeper per-student state funding cuts since 2008 than Alabama has, the report detailed.

Overall, Alabama cut its total state and local investment in K-12 schools by 11.5 percent per student between 2008 and 2014, the seventh worst cut in the nation.

This erosion in education support could make it harder for workers to compete for highly skilled jobs in the global economy, said Karoline Forrester, executive director of Arise Citizens' Policy Project via press release. Cutting education also could make it more difficult for communities to attract well-paying jobs and could deprive local businesses of a strong customer base, Forrester said.

Gifts and Toys

Gift shopping?

FINANCIAL PLANNING I

We are in a different business environment

- New Normal

Will have to make do with less

Must operate our schools at a more efficient level

Insure the programs and services we are funding are effective and can be measured

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The cuts in education funding requires us to evaluate the programs and services we provide and decide what should be maintained and what should be eliminated.

- Less Quantity
- Higher Quality

GFOA best practices recommends a cohesive budget process that is centered on aligning resources with student outcomes through strong collaboration of academic and finance staff.

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Emphasis on Productivity In Education of Students

Performance measures

- Effectiveness
- Efficiency
- Greater demand for accountability
- Better use of staff and resources
- Cost/benefit analysis of all services

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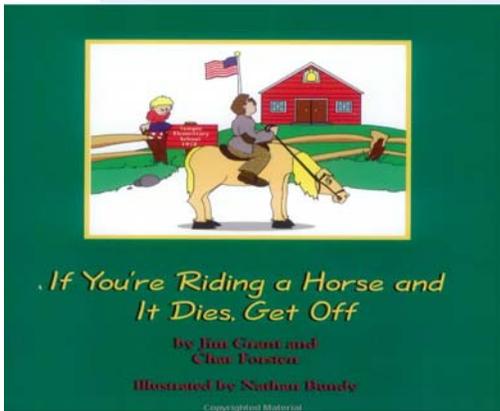
Use of technology must play a role in becoming more efficient and effective

- If it is being utilized in private sector, why not in educational/public sector

Let go of sacred cows

Stop trying to ride a dead horse

Change is good !



BEST PRACTICES IN SCHOOL DISTRICT BUDGETING

GFOA has developed a series of Best Practices in School District (District) Budgeting, which clearly outline steps to developing a budget that best aligns resources with student achievement goals. This document summarizes the key themes from those Best Practices which are available at www.gfoa.org.¹

Approved by GFOA's Executive Board: January 2015

<http://www.gfoa.org/best-practices-school-district-budgeting>

GFOA BEST PRACTICES IN SCHOOL DISTRICT BUDGETING

- Step 1. Plan and Prepare.
- Step 2. Set Instructional Priorities.
- Step 3. Pay for Priorities
- Step 4. Implement Plan.
- Step 5. Ensure Sustainability.

GFOA BEST PRACTICES IN SCHOOL DISTRICT BUDGETING

- Step 1. Plan and Prepare.** The planning and budgeting process begins with mobilizing key stakeholders, gathering information on academic performance and cost structure, and establishing principles and policies to guide the budget process.
 - Develop principles and policies to guide the budget process.** Budget principles and policies formalize standards and fundamental values that should govern the budgeting process.
 - Establish a partnership between the finance and instructional leaders.** A collaborative process increases the likelihood that the decisions made will be supported after the budget process is over.
 - Analyze current levels of student learning.** The current state of academic performance must be assessed to determine what course of action to take.
 - Identify communications strategy.** The budget process should include a plan to inform participants, stakeholders, and the general public about how the budget process works, why each decision was made and how to provide input in the process.

GFOA BEST PRACTICES IN SCHOOL DISTRICT BUDGETING

- Step 2. Set Instructional Priorities.** The budget needs to be rooted in the priorities of the district. Intentionally created instructional priorities provide a strong basis for developing a district's budget and strategic financial plan, as well as presenting a budget document.
 - Develop goals.** Goals should be thoughtfully developed and structured to be specific, measurable, and reasonable in order to provide a strong foundation for the budget process.
 - Identify root cause of gap between goal and current state.** By finding root causes of problems, a district can identify the most effective solutions to achieving its goals.

GFOA BEST PRACTICES IN SCHOOL DISTRICT BUDGETING

Step 2. Set Instructional Priorities- continued

Research & develop potential instructional priorities. The district's instructional priorities should be informed by practices proven by research and also be limited in number to focus on items critical to optimizing performance.

Evaluate choices between instructional priorities. A district needs to weigh its different options for achieving its goals against one another in order to focus on those with the greatest potential for student achievement impact

GFOA BEST PRACTICES IN SCHOOL DISTRICT BUDGETING

Step 3. Pay for Priorities. Current resources and expenditures must be thoroughly analyzed in order to find capacity to pay for top instructional priorities.

Apply cost analysis to the budget process. A cost analysis and staffing analysis are essential to identifying how the district might allocate its limited resources.

Evaluate & prioritize expenditures to enact the instructional priorities. Instructional priorities need to be thoroughly quantified as a first step to determining how much money is needed to implement the priorities and where that money will come from. Trade-offs need to be weighed to examine whether the costs, financial or otherwise, of implementing an instructional priority are viable

APPLY COST ANALYSIS TO THE BUDGET PROCESS

- Staffing Analysis- Program/Site
 - Cost of Services
 - Per Unit Cost
 - Instructional Services- program/school/
 - Support Services

- Allow district to make more informed decision on resources used
- Academic return on investment (A-ROI)

GFOA BEST PRACTICES IN SCHOOL DISTRICT BUDGETING

Step 4. Implement Plan. The "strategic financial plan" is the long-term road map for implementing the district's instructional priorities. A "plan of action" describes how the strategic financial plan will be translated into coherent actionable steps.

Develop a strategic financial plan. A strategic financial plan provides a three to five year perspective on how the district will pursue its instructional priorities and how success will be determined.

Develop a plan of action. Roles and responsibilities for implementing the strategic financial plan should be made clear for greater accountability.

Allocate resources to individual school sites. Resources have the most direct impact at school sites and should be allocated transparently and consistent with the district's overall strategy.

Develop budget document. A budget document needs to be well organized and also clearly lay out the challenges the district is facing and how the district's strategies and financial plan will address these challenges.

GFOA BEST PRACTICES IN SCHOOL DISTRICT BUDGETING

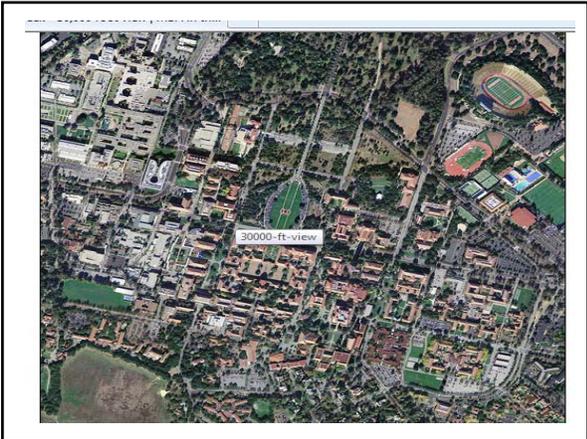
Step 5. Ensure Sustainability. The planning and budgeting process should be one that can be replicated in the future in order to ensure the district remains focused and plans accordingly for reaching its student achievement goals.

Put the strategies into practice and evaluate results. To ensure timeliness and accountability, the district should establish a system to implement the plan and monitor its progress while making necessary adjustments to stay on track.

- Committee
- Governmental Budgeting and Fiscal Policy



The image shows the cover of a GFOA Best Practice document titled "Best Practices in School District Budgeting". The cover features the GFOA logo at the top left, which consists of the letters "GFOA" inside a circle. Below the logo, the text "Government Finance Officers Association" is written. The main title "GFOA Best Practice" is centered, followed by the subtitle "Best Practices in School District Budgeting". The cover includes a "Background" section, a "Recommendation" section, and a URL at the bottom: <http://www.gfoa.org/sites/default/files/Budget%20BP%20-%20School%20District%20Budgeting.pdf>



FINANCIAL PLANNING I

We must have a 30,000 foot view of where we are, what we are doing and where we are going.

The budget has many dimensions:

- Political
- Managerial
- Planning
- Communications
- Financial

FINANCIAL PLANNING I

- SBA needs to be a sophisticated planner
 - No longer a number cruncher
 - Financial managers who can communicate and relate to individual and groups
 - Expert in financial matters with the ability to plan and work with people

CSFO VS. ACCOUNTANT

The accountant's role is that of basic record keeping and [financial reporting](#). Some call it score keeping or bean counting.

As the CFO, you must know accounting and financial reporting - that is a given; however, your skill set better be much broader. A CFO has to understand the operations of the business and how the financial system interrelates with operations. You have to understand capital structures and business funding and you must know how to manage cash. You have to understand business risks - both financial and non-financial - and know how to mitigate those risks. You have to know strategy and be able to see the big picture. And you must be able to make decisions. Finally, the one CFOs most often miss, you must understand people and be an effective communicator.

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Good Financial Practices

- Organizational goals
- Policies and plans to achieve the goals
- Allocation of resources through the budget that is consistent with goals, policies and plans
- Measuring performance of what has been accomplished with resources

FINANCIAL PLANNING I

✓ Budgeting should have a long range plan perspective and not be simply an exercise in balancing revenues and expenditures one year at a time

✓ Districts must consider the long-term consequences of budget decisions and the impact over multi-years and whether the programs can be maintained.

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- Integrate budget process with missions and goals and priorities of school district
- Program based budgeting
 - Student based funding
- Significant input from public
- Increased board oversight
 - Demand careful and complete explanations

FINANCIAL PLANNING I

- Educational/Strategic Plan
- Facility Plan
- Capital Plan
- Technology Plan
- Financial Planning
 - Budget
 - Analysis (How are we doing?)
 - Multi-Year Forecasting

REASONS FOR IMPROVING PERFORMANCE

Challenges faced by school business administrators

- Increasing financial pressures
- Increased accountability
- Perception of our educational systems



WHNT 19

Military Discount on New Homes!

Charter schools expected to open in Alabama in 2017

POSTED BY PINE UNIVERSITY, 2:01 PM ASSOCIATED PRESS

MONTGOMERY, Ala. (AP) — Charter schools are expected to open in Alabama in 2017.

Ed Richardson, chairman of the Alabama Public Charter School Commission, said Tuesday that the fall of 2017 is when the first charter school is expected to open in the state.

The commission on Tuesday worked on an application template for groups interested in starting charter schools. The template is expected to be approved within a few months.

Applicants will have to submit information about their financial management, operations plan and curriculum.

Charter schools are publicly funded schools that are free from the regulations put on other schools and may be run by private groups.





AL

Alabama Accountability Act groups award 3,600 scholarships

108

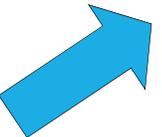



By Mike Dixon | mikedixon@al.com
 Email this article | Follow on Twitter
 on October 21, 2015, at 3:38 PM, updated October 21, 2015, at 3:38 PM

Tax exempt organizations created under the Alabama Accountability Act awarded about 3,600 scholarships totaling \$8.2 million during the quarter that ended Sept. 30.

MOST READ

- Alabama governors offer rare look inside military and war...
- Public foot shoves pickup truck...
- Alabama scientist, one of nation's top black female physicists, breaks ground in cancer research


WHY SCHOOL SYSTEMS FAIL

Failure at the Top

Financial Management or Mismanagement

Systems Designed for Compliance Not Performance

Lack of Communication

Lack of Direction

Lack of Planning



SIGNS OF PERFORMANCE PROBLEMS

Constant Fire Fighting

Constant Last Minute Decision Making

Reactionary Management

Continuous Increase in Costs

High Number of Grievances

Poorly Maintained Facilities



SIGNS OF PERFORMANCE PROBLEMS

High Absenteeism

Declining Enrollments

High Drop Out Rate



HIGH PERFORMANCE SCHOOL CHARACTERISTICS

- Customer Focused
- Shared Leadership
- Investing in and Involving Employees
- Emphasizes Teamwork
- Use of Long-Range Plans**
- Committed to High Quality
- Demand for Continuous Improvement



MISSION OF BUDGET PROCESS

The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.

BUDGETS

- ✓ Provide a financial plan for the district
- ✓ Important at all levels of organization
- ✓ Critical element for success
- ✓ Assesses financial condition
- ✓ Creates roadmap for future

PRINCIPLES OF THE BUDGET PROCESS

Establish Broad Goals to Guide Board's Decision Making

- Strategic /Educational Plan

Develop Approaches to Achieve Goals

- Financial policies
- Develop educational, operating and capital plans
- Develop programs and services consistent with plans

ELEMENTS OF THE BUDGET PROCESS

Develop a Budget Consistent with Approaches to Achieve Goals

- Develop a process for preparing and adopting a budget
- Develop and evaluate financial options
- Make budget choices

Evaluate Performance and Make Adjustments

- Monitor, measure, evaluate
- Make changes when needed

BUDGET PROCESS



- Long and short range budget priorities
- Set up realistic budget calendar
- Delegate responsibilities and authority for the budget
- Develop a budget review process
- Present the budget
- Manage the budget

ESSENTIAL ELEMENTS OF BUDGETING

What do you need?

What will it cost?

Where will the money come from?

If resources are limited, how do you prioritize?

How do you keep track of the money spent and the balance?

BUDGET PREPARATION

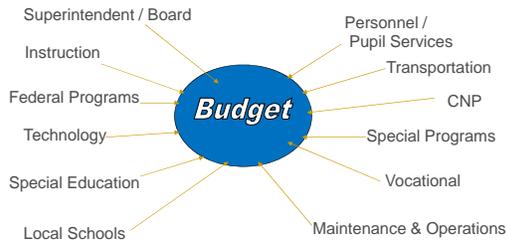
Involve all departments and programs

Understand where you spend your dollars

Understand what you can afford



All departments and programs must be involved in budget preparation



BUDGET RESPONSIBILITIES

Delegate responsibilities for the budget

- The educational decisions and the expenditure of approved budget funds must be controlled by the appropriate supervisor.
- The budget office is a service arm to assist with the organization and administration of the budget. It should control spending within established guidelines.

TEAM APPROACH

Business operations are affected by every educational decision

Educational operations are affected by every business decision

Budget is a solution not just an expenditure

FINANCIAL PLANNING I

Questions??????

Next- Public Budget Hearings

Financial Planning for School Districts Part I

Sources:

- “ Best Practices in School Budgeting, Government Finance Officers Association, January 2015
- “ What You Should Know About Your School District's Finances,” Dean Michael Mead
- “ Recommended Budget Practices;” National Advisory Council on State and Local Budgeting, GFOA
