

A blue pen with a silver tip is positioned diagonally across the upper left portion of the image. The background is a light blue grid with several thick, dark blue horizontal bars, resembling a bar chart or budget spreadsheet. The overall image has a soft, semi-transparent blue overlay.

# Best Budgeting Practices and Board Communications

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# Let's build a budget

A School Budget describes a district's plan for the upcoming year.

It should convey your values and priorities

A tool for monitoring actual results

Provides foundation for next year

It is a PROJECTION

It should be reviewed monthly

It should align with your goals

Should be highly sustainable.

Should be "equitable" yet realize there is special programming potentially at each school.

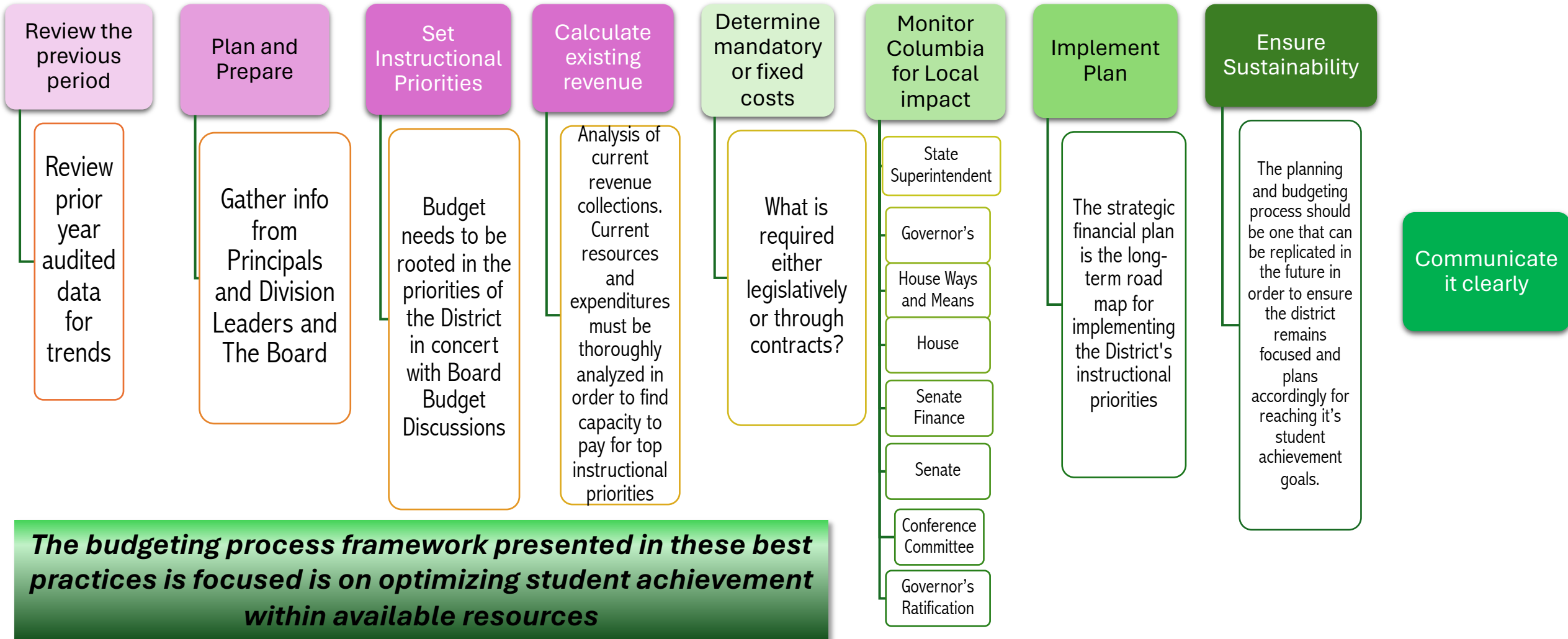
*It is a living, breathing document....not something to put on a shelf*

# Overview of Budgeting Process



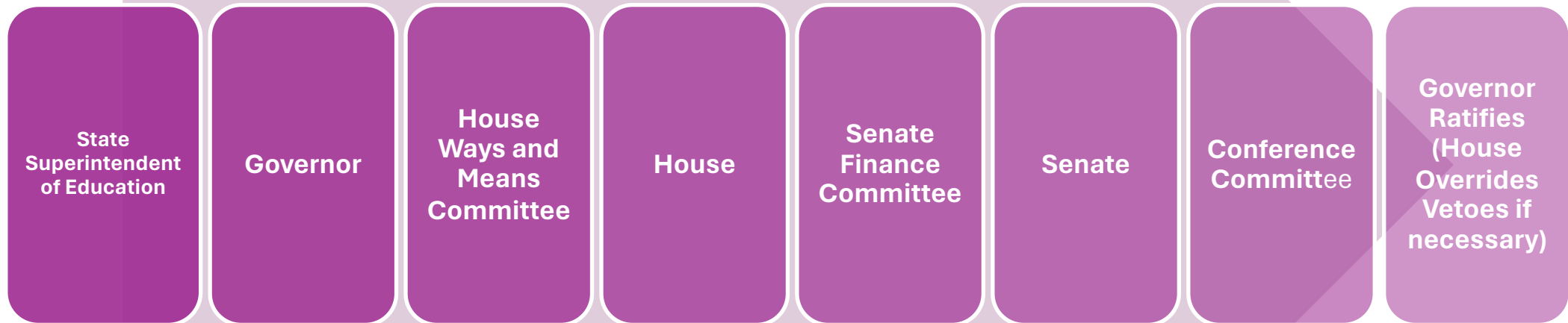
# Budgeting Best Practices Overview

## *Key budget process steps*





# State Budget Process



# Know what your key issues and challenges are and be able to communicate those



Enrollment



Staffing



Loss of Federal or  
One-time funds



Age of Buildings



Deferred  
Maintenance



State Funding  
Status



Teacher Pay



Any Education  
Reform

Don't be afraid to say what you know.....and what you don't know!

# What you should know about your budget

- Know your taxbase
  - Since local revenues are a critical part of your budget you need to know what is happening to your tax base.
    - Multi year history of different classes of property
    - County auditor can provide the info
    - Meet with Auditor and Assessor and gain insight
- CFO's use history to build budgets
  - What are the assumptions?
    - Increase/Decrease in Assessed Value
    - Salary/Fringe budget for vacancy
    - Inflationary % on contractual services?
  - What are the areas of conservatism?
  - What are enrollment projections?
- Determine Budget Prep Calendar and Distribute
  - Required Public Notice of Budget Hearing
    - 15 days before meeting date
    - Very specific format



# Ten things you can do wrong in developing your budget

1. Forget to hold or post the public hearings as required by Law.
2. Use fund balance you really don't have to balance the budget.
3. Use one-time only revenues more than once.
4. Overlook something that is small now but will be big next year.
5. Overestimate Revenue.
6. Underestimate Expenditures.
7. Adopt a budget without some form of contingency.
8. Forget to certify your mill levy to the County by deadline.
9. Use an enrollment forecast from anyone who doesn't have to live the the adjustments if the forecast is too high.
10. Fail to ask questions and challenge the process throughout.





# What to do when there just aren't enough \$\$

- Stretch class sizes. Take on an “at or slightly above” mentality
- Make sure all teachers are teaching maximum number of periods. If you build in two planning periods per day, could look at reducing in order to keep staff.
  - Monitor gaps in schedules
  - Closely scrutinize schedules
- How can positions be combined and the work still accomplished?
- Cross train to eliminate subs or overtime.
- Try to manage energy costs better.
- Share services with other districts and “pay” for those services with an indirect cost charge...fiscal agent status on certain things.
- If food service fund isn't truly profitable and able to charge indirect cost and pay benefits as formula allows, look at ways FS can become profitable so that the GF can get an indirect benefit.
  - Push for free/reduced apps or CEP status
  - 40/40/5 concept
  - Get your FS Director to train with highly profitable districts that are similar in demographics.
  - FS Director should know how to use commodities in creative ways
  - Do not overstaff.
  - Consider contracting
  - Review and react to participation levels

# What to do when there just aren't enough \$\$

- Look into a custodial staffing analysis. Be careful though. You can reduce staff but do you do it at the detriment of proper upkeep and maintenance of facilities. Can't do this for long.
- If ability to purchase district vehicles is within your capital budget/debt service, then consider the merits of requiring employees to drive a district vehicle in lieu of reimbursement especially in instances where a group is going. Must do proper driving record checks etc for insurance. Or in instances of PD agree to pay the cost of the PD/registration but mileage is non reimbursable.
- Can't do this if you mandate the PD.
- Share staff expertise between neighboring or peer districts. Never underestimate the value of networking. Make it a priority.
- Ask your audience! People know what needs to be cut. Some of it is perception but some can be so beneficial.
- Maximize Medicaid Revenue.
- Bus route optimization and analysis. Are our "conveniences" costing us?
- What can you contract?

# Know your Goals



**Recommend a  
balanced budget**



Continue to recruit and retain staff in all services areas by adjusting salary schedules to remain competitive or achieve competitiveness



Maintain reasonable class sizes at all levels



Provide staffing to be in compliance with established state ratios/regulations



Continue to identify ESSER and other federal program positions needed to be shifted to the General Fund after funds expire



# Communicate your Process



## Spartanburg 7 School District General Fund Budget Calendar 2024-2025

Draft

November - January	
	<ul style="list-style-type: none"> <li>Review FY23 budget/actual to denote areas of concern</li> <li>Distribute HR Intent Forms</li> <li>Schedule Principal Budget Meetings</li> <li>Begin FY24 expenditure account review to denote areas of concern</li> <li>Intent Forms due to HR</li> </ul>
February	
	<ul style="list-style-type: none"> <li>Conduct Principal/Director Budget Meetings</li> <li>Cabinet discuss/develop budget priorities and process for FY25</li> <li>Staffing meetings with principals to discuss recommendations for contract renewals, work on staffing projection worksheet, and budget projections.</li> <li>Expenditure Analysis</li> <li>House Ways &amp; Means Budget Deliberations</li> <li>Board of Economic Advisors Meets</li> </ul>
March	
	<ul style="list-style-type: none"> <li>Finance begins preliminary revenue projections based upon SDE proposed budgets, Governor's proposed budget and other local, state and federal info.</li> <li>Begin calculation for projected value of mill for 2024-2025</li> <li>Calculate allowable millage increase based on formula</li> <li>Review miscellaneous known and required budgetary increases</li> <li>Review State Teacher Salary Schedule for impact</li> <li>Review FY23-24 General Fund Budget for recurring Addenda</li> <li>Determine staffing allocations based on projected 90<sup>th</sup> day</li> <li>Visions Position Budgeting Workshop with SC User Group</li> </ul>
March 5	<p><b>Regular Board Meeting</b> – Recommend Professional Staffing to Board – Administrative Contracts</p> <ul style="list-style-type: none"> <li>Distribute Contracts to Professional Staff</li> <li>Classified Letters and Letters of Agreement sent to employees</li> <li>House Floor Budget Debate</li> <li>Senate Finance Committee Budget Deliberations Tentatively Begin</li> </ul>
March 26	<ul style="list-style-type: none"> <li><b>Business Services Committee - General Fund Budget Workshop</b></li> <li>Initial Work FY23-24 Fund Balance Projections</li> </ul>
April	
	<ul style="list-style-type: none"> <li>Update budget prep system for vacancies and final comparison to HR staffing database</li> <li>HR and Finance finalize all staffing/personnel budget issues</li> <li>Budget advertisement in the paper for Public Hearing (prepare calculations for ad)</li> <li>Continue monitoring current year local revenue projections for fund balance effect</li> <li>Senate Floor Budget Debate Tentatively Set</li> </ul>
April 25	<ul style="list-style-type: none"> <li><b>Board General Fund Work Session – General Fund Budget Update</b></li> </ul>
May	
	<ul style="list-style-type: none"> <li>All contract changes for FY24-25 in budget prep for update to ledger</li> </ul>
May 28	<ul style="list-style-type: none"> <li><b>Board General Fund Budget Work Session</b></li> </ul>
June	
June 4	<p><b>Regular Board Meeting AND PUBLIC HEARING –General Fund Budget – APPROVAL</b></p>



# Discuss your Staffing

- Staffing allocations are based on enrollment by grade within each school and based on District staffing targets/pupil teacher ratios.
- We utilize federal funds to lower class sizes even further for Title 1 schools.

Grade	Staffing Target
K5	1:24
1 <sup>st</sup> Grade	1:18
2 <sup>nd</sup> Grade	1:19
3 <sup>rd</sup> Grade	1:20
4 <sup>th</sup> Grade	1:22
5 <sup>th</sup> Grade	1:22





# Have a Fund Balance Discussion

**What is fund balance?** Accumulation of operating surpluses and deficits since the beginning of a district's existence. Assets minus liabilities.

**What fund balance is not? Cash** - Just like it sounds, cash balances show the amount of cash you have on hand which is different from fund balance.

*A district can have a seemingly high fund balance and still not be able to meet cash flow needs.*

Why is an *adequate* fund balance important?

- **Financial Stability** – provides buffer against unexpected expenses, revenue shortfalls, or emergencies.
  - *Critical for meeting financial obligations and avoiding disruptions in educational services.*
- **Cash Flow Management** – helps smooth out cash flow fluctuations throughout year. Expenses tend to be constant throughout year and predictable. Revenues are sporadic and sometimes not predictable.
  - *Ensures districts can cover expenses even when revenue collections are delayed or irregular.*
- **Bond Rating and Borrowing Costs** – national rating agencies (Moody's and S&P) use fund balance as one metric in assessing a school districts financial health when assigning bond ratings. The rating agencies see fund balance as a measure of fiscal responsibility which leads to a higher credit rating.
  - *Higher credit ratings lead to reduced borrowing costs and reduced impact to the taxpayer when a district needs to finance capital projects.*
- **Stability in Operations** – provides resources to address unforeseen situations without resorting to drastic measures such as furloughs, reduction in force, program cuts or tax increases.
- **Investment in Capital Projects** – a portion of fund balance can be earmarked for capital projects or facility improvements allowing the district to address critical infrastructure needs without relying solely on debt financing or tax increases.

**What are best practices related to fund balance as quoted by Government Finance Officers Association (GFOA) and how do they define "adequate" reserves?** (GFOA Best Practices- Fund Balance Guidelines for the General Fund)

GFOA states "it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates....the adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances.....for example, governments that may be vulnerable to natural disasters, more dependent on volatile revenue sources, or potentially subject to cuts in state and/or federal grants may need to maintain a higher level in the unrestricted fund balance.....furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of the recommended minimum two month level.....amounts of fund balance over any policy may reflect a structural trend governments should analyze and be cognizant of but in any case, such measures should be applied within the context of long term forecasting thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time."

**Bottom Line.....Strong Fund Balance is prudent financial management and it protects taxpayers and employees from unexpected changes in financial condition.**

**Determination of adequacy of fund balance is a local Board matter.**

- Fund Balance helps to ensure financial stability when changes in tax base occur
  - Mary Black transition to NFP
  - Two parcels recently placed in FILOT
- Cash Flow Management
  - District has not sold TANs in a decade
- Bond Ratings
  - Early and important question in bond rating process for referendum
- Used to help offset/fund capital projects



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## Board Financial Communications

- Should have monthly financial report that not only contains a spreadsheet of budget to actual on at least General Fund BUT ALSO, a small narrative of what the numbers mean and what is financial outlook.
  - Be honest and upfront. No Surprises. If something looks "off" say so and then always say you will continue to monitor status. Show you are "on it" but not panicked, yet.
- There is a balance between needing to tell Board Members information and transparency and not setting up for micromanagement.
  - *If a Board member requests a specific piece of data or analysis, etc. share result with all board members.*
- Review prior presentation methodologies and know what they are used to getting before you change. There is comfort in format sometimes and changing could lead to distrust. If you do change, explain the benefits of the new presentation.
- During budget process, determine early what and how often to meet with Board. What was done prior to you? Some districts have many board meetings during budget process and some have very few.
  - *When you have multiple readings of the budget, try and not let the third or final reading deviate much if at all from second.*

# Final Budget Thoughts

- To begin with use presentation format that Board is accustomed to and slowly morph into where you want them to arrive.
  - Detail in Committee/Workshops
  - High level summary for Final Reading
- Don't try to be too fancy. Simple is always best.
- Study, study, study before board workshops. Anticipate questions. Have your materials with you in the budget meetings.
- Have another person there with you to take notes as it is hard to listen, take notes, and respond.
- Once you get a good format/presentation, stick with it. Don't feel the need to change every year.
- Use shared drives in OneNote to archive assumptions, etc with your staff.

