

The Comprehensive Guide to School Budget Planning



Introduction

Creating a school budget is probably the single most labor-intensive project a school district's business office undertakes every fiscal year. Perhaps unsurprisingly, creating the school district's budget is also the most important annual project a school business office will be responsible for. The school budget is not just a fiscal planning document or an expense tracking tool, but a tangible deliverable of the educational promises of the district to its community. Boards of education, superintendents and administrative teams set all kinds of worthwhile educational goals for a district every year. However, none of the goals will be achieved if they aren't definitively represented in the school's budget.

As important as the school budget is to achieving the educational goals of the district, the process for developing a good budget is not complicated. While different regions and regulations affect certain aspects of the budget development process, the general steps are universal. This article will cover the basic steps for creating a school budget and the best practices.



Best Practices for Developing a k-12 School Budget

Before we begin with the steps, it's good to have a solid foundation. Understand these best practices before beginning your K-12 school budget.

Best Practice #1: Develop a Calendar

Perhaps the single most important organizational tool for developing a K-12 school budget is the budget calendar. No budget development process is complete without one! The budget calendars are best built backwards starting from the end. In most locales, the end of the budgeting process is the formal budget adoption vote by the school board or government authority. Most states have their own statutory budget adoption deadlines that must be strictly adhered to. The school business official must ensure a calendar is developed that schedules input from all relevant programmatic staff AND allows the developed budget to meet every required statutory deadline.

Nevertheless, only a fraction of organizations that can benefit from e-commerce follow through with establishing an online store. Conversely, every major organization has an online presence.

The budget calendar can also serve as an index for tracking the budget development process. The sample budget calendar snippet below shows how a budget calendar document can track the budget development process:

The budget calendar should be shared with both the administrative team and the board of education so that all stakeholders are aware of relevant timelines.

Dates	Action	Responsible Parties	Evidence
10-1-21	School allocations, budget forms and instructions are provided to principals and supervisors	Business Office	Allocation document and updated budget forms
11-15-21	Meeting with Director of Facilities	School Business Official, Facilities Director	Meeting minutes, updated long range facility plan

Best Practice #2: Salaries - Start Early & End Late

According to the National Center for Education Statistics, 64% of school budget expenditures are on staff salaries alone (NCES 2020). Given this expenditure category's dominance, it is important to get this category as accurate as possible for your budget. By starting the salary analysis early in your budget development calendar, you can nail down the impacts of advancing staff on guides and new positions needed. It is best to build a staffing roster, complete with new positions, early. Then repeat the process much later. Staffing is never as constant as school business officials would like. Throughout the year, there are leaves, retirements, lateral guide movements, resignations and terminations.

Build a complete staffing roster by the end of the first couple of months of your budget calendar. Then redo the process during the last couple of months of your budget calendar. The latter roster has much more accurate budgetary numbers than the former, as it almost always picks up several mid-year staffing changes that occur in the middle months of the budget development process. The earlier staffing roster is helpful because it gives you a good approximation of what at least 64% of the budget will look like.



Best Practice #3: Leverage Broker Projections

According to the National Center for Education Statistics, employee benefits account for 23% of school budget expenditures (NCES 2020). Health insurance is almost always the largest expenditure in the benefit category. Some districts procure their own health insurance, others belong to state run or regional joint insurance funds. Forecasting the increase in health insurance premiums requires a crystal ball. If a crystal ball is unavailable, the next best thing is to use an insurance professional to give a budgetary forecast of where health insurance premiums will go. If your district is in a state run or regional joint insurance fund, there will likely be an official projection you can use. It is always helpful to be able to point to the forecast of an insurance industry expert to defend your health insurance budget numbers.

Best Practice 4: Be a Fly on the Wall in Curricular Administration Meetings

Some school business officials look to avoid getting stuck in administrative team meetings that pertain to curriculum and programming. You might take the view that staying in your lane is the safest bet. However, there are benefits to keeping your finger on the pulse of what is happening in some of these programmatic meetings. Business officials, on occasion, have to remind administrators that the new program enhancement they had been excitedly promoting for months, was not budgeted for anywhere in the submitted departmental budget forms. It is always easier to make an adjustment during the budget development process than after the budget is adopted. Staying abreast of new initiatives can help you scan their budget submittals to make sure key items haven't been left out.

Best Practice 5: Rank Line-Item Submissions

This is probably the simplest budgeting practice that pays the most dividends in terms of making the budget process more efficient. Over the course of the budget development calendar, many stakeholders are making budgetary requests. Very rarely have school business officials had the joy of being able to include every single budget request in the next year's budget. Making cuts is a foundational part of the process. Deciding what cuts to make can lead a business official into myriad conversations about which items to reduce and why. Requiring all budget development stakeholders to enter their requests in priority order, allows you to make cuts that cause minimum pain without engaging a back and forth over the cuts that are needed for the budget. Sometimes an emergent need is identified 75% of the way through the budget development process. Having the priorities ranked allows a school business official to make cuts and accommodate the emergent need without going back to everyone for input on items to cut.



Best Practice 6: Develop Three Budgets

The closer you get to finalizing your budget, there will always be a significant variable or two that you don't know the outcome for. You need to be ready to quickly pivot after finding out if those major unknowns are positive or negative. In some states, districts receive their state aid revenue allocations barely more than two weeks before their budgets must be submitted. Sometimes you get pleasantly surprised when you receive more state aid than anticipated, and sometimes you find yourself with a giant revenue hole after a reduction. You will have to make some guestimates of where the settlement amounts will come in at. Then you need two contingency plans, one for a favorable settlement and one for an unfavorable settlement.





Steps for Creating a K-12 School Budget

Now that you know the best practices for creating a school budget, you can get started on the process. Follow these eight steps to begin.

Step 1: Understanding the Sequel

Unless you are creating the very first budget in a school district's history, the budget you are creating is a sequel to last year's budget.

How many lapsed appropriations did last year's budget end with? All uncommitted budget appropriations lapse at a year's end. Doing some quick analysis on lapsed appropriations is always a great place to get some good pointers for developing the upcoming budget. Look at the prior year's lapsed appropriations and make a list of notes. This ensures you will remember to address them during the budget process for the coming year.

For example, if you run a report on lapsed appropriations for supplies and materials for the total district, you may find unusually large funds left over in the supply accounts. This could be an indication that the people responsible for estimating the supply lines aren't very good at doing so. Maybe they leave fixed dollar amounts every year in the budget work papers without inventorying what they have and projecting what they need. If you were to inspect their offices or classroom closets, you might be overwhelmed by the sight of supplies still unused from past years.

Another thing you might find in a past budget is unusually large transfers in some account lines. Perhaps large transfers into the legal lines were required due to a difficult negotiations process or a lawsuit. This would be something to make a note of to investigate later in the budget process. Will the expenditures tied to those unusual transfers be continued in the budget you are about to develop?

The answers to some of the above questions and the analysis of last year's budget will likely guide your approach to the current year's budget. Maybe it's time for zero-based budgeting for supply lines. Maybe a "keep it at last year's level" approach will suffice in other areas.

Step 2: Make Assumptions

Before you get deep into the process, you are going to have to make big picture assumptions. 75-80% of all school budgets are comprised of employee salaries and benefits. Any factor that impacts staffing is going to be a heightened concern during the budget development process. The number one factor that impacts staffing is enrollment. Before your team gets deep into the budget process, you are going to have to make some educated guesses regarding enrollment trends. Has the district's enrollment been increasing or decreasing? Are there major housing projects under construction in the district that have either just finished or will finish early in the next fiscal year? Some districts will pay to have a demographer to do a study every few years before beginning the budget planning process.

The illustration below shows a summary of one such demographic study (Grip, 2017).

Year	PK	K	1	2	3	4	5	SE ²	PK-5 Total
Historical¹									
2008-09	14	91	104	108	117	153	124	45	756
2009-10	10	90	99	106	116	116	159	40	736
2010-11	0	93	99	107	106	115	117	41	678
2011-12	32	84	93	101	109	111	117	40	687
2012-13	19	79	96	101	113	106	114	57	685
2013-14	16	67	95	106	110	124	106	66	690
2014-15	31	78	80	99	112	112	121	54	687
2015-16	38	77	85	91	104	114	118	44	671
2016-17	32	61	79	87	90	102	117	63	631
2017-18	26	55	71	85	86	93	106	74	596
CSR 5-Yr. Ratios		1.9217 ³	1.1184	1.0698	1.0212	1.0125	1.0237	0.1263 ⁴	
Projected									
2018-19	32	50	62	76	87	87	95	62	551
2019-20	32	44	56	66	78	88	89	57	510
2020-21	32	63	49	60	67	79	90	56	496
2021-22	32	61	70	52	61	68	81	54	479
2022-23	32	61	68	75	53	62	70	53	474

Notes: ¹Data as provided by the New Jersey Department of Education (<http://www.nj.gov/education/data/enr>) and the Bernards Township School District.

²Self-contained special education enrollment/Ungraded Students

³Birth-to-kindergarten ratio based on last four historical years

⁴Average proportion of self-contained special education/Ungraded students with respect to PL-5 subtotals based on the last two years of historical data

Enrollment trends at the elementary level may mean an increase or decrease in class sections. A projected increase in class sections may require hiring new staff. Significant projected decreases may require reductions in force (RIFs) of instructional staff. The assumptions you make on the projected enrollment are going to guide conversations with the administrative team on staffing and programming in the next steps.

Step 3: Establish Priorities with the Administrative Team

USteps one & two are important, but they are often done internally to the business office. Step three is the point at which the budget development process becomes a team effort. Developing school budgets would be trivial if school districts only attempted to do everything they did last year. In reality, the budget must match the district's instructional goals.

The business office needs to give the superintendent and their administrative team some deadlines for a deliverable of a statement of budget priorities. Budget priorities can be such things as reducing class size, adding support for special education students, adding social and emotional learning to the curriculum, expanding pre-school, launching aftercare or raising test scores. All of these must be developed outside the business office. However, the business office must pressure the administrative team to define the priorities, rank them and then agree to keep expenditure discussions tethered to the agreed upon list of priorities.

Step 4: Staffing the Priorities

As mentioned before, 75-80% of every school budget is staffing salaries & benefits. Therefore, the most important part of the budget development process is staffing. Once the administrative team has set and ranked the budget priorities, the budget development team needs to assess the staffing needs to meet the priorities. Does improving literacy scores for certain grade levels have additional staffing needs? What does an increased focus on social and emotional learning look like from a staffing perspective?



Step 5: Budgeting for Staff Expenses

Getting the staffing compensation costs as accurate as possible is perhaps the most important part of the budget development process. This process is a lot easier if you are within contract terms for the district's collective bargaining contracts. With settled contracts, your staffing unknowns should be largely maternity & disability leaves, their replacements and retirements. The latter typically offers favorable breakage, so zeroing in on a reasonable estimate for the former is hopefully the largest challenge when all your contracts are settled.

Things can get very dicey when your collective bargaining contracts are unsettled and both sides are very far apart. In these circumstances, different school business officials use different tactics. One helpful tactic involves plugging in the average increase for surrounding districts' settlement rates.

Some business officials plug in a little less than the regional average and inflate some other areas in order to get deals done. For example, if the regional average settlement is 3.0%, you might build your budget with a 2.8% increase for salaries and tuck 0.2% of the base salary into another budget area that can be transferred later.

You also need to get conservative projected increases for benefit lines such as health and dental insurance. Leveraging a district's insurance broker is a good way to get reasonable projected increases with minimal effort.

Lastly, you want to look at your compensated absences report and account for some possible retirements as well as sick day and vacation payouts.

Step 6: Stick to Priorities Your Team Sets

Begin step six by returning to the priorities list identified by the administrative team. Now you are looking at capital projects and investments in infrastructure. Have items from the district long range facilities plan made it onto the budget priority list? Sometimes buildings and grounds directors aren't even included in high level administrative meetings on budget priorities. You will need to consult with them and the district's long range facility planning documents to see if things like HVAC equipment needs replacing. Other considerations could come from the transportation department. Do buses need to be replaced or added?

Additional big ticket expenditure areas like utilities and worker's compensation insurance need projections. Lastly, the department budgets need to be worked on.

Step 7: Determining Who Gets the Bill

Some school business officials build budgets by projecting the revenue side of the budget first and then using that to tell the administrative team what the district can afford. While it is ultimately a matter of preference, it is an incredibly healthy exercise to have administrative teams identify and rank their priorities first. In a favorable year, the administrative team might just go and spend what they have just because they can. If you got them to set their priorities and rank them, and then you have favorable conditions that allow you to implement your spending plan with money left over, you have greater control on how to direct the surplus. Conversely, if you are having an unfavorable year, and you have cut some spending, everyone is on the same page as to what the priorities are, making spending cuts easier for all to swallow.



Regardless of which stage you start your revenue projections at, you need to project all your local, state and federal revenue sources. Do you have local tax caps to contend with? What is the state budget foreshadowing about educational aid? How stable are the federal entitlement grant allocations? Do you have reliable facility rental revenues or large competitive grant awards? When you add up all of the different revenue sources, if they do not meet or exceed your planned expenditures, you will need to begin looking at which expenditures to remove. Fortunately, you will already have had your administrative team rank the budget priorities. You then remove expenditures tied to the lowest priority items until the expenditure side matches the revenue projection of your budget.

Step 8: Share and Finalize

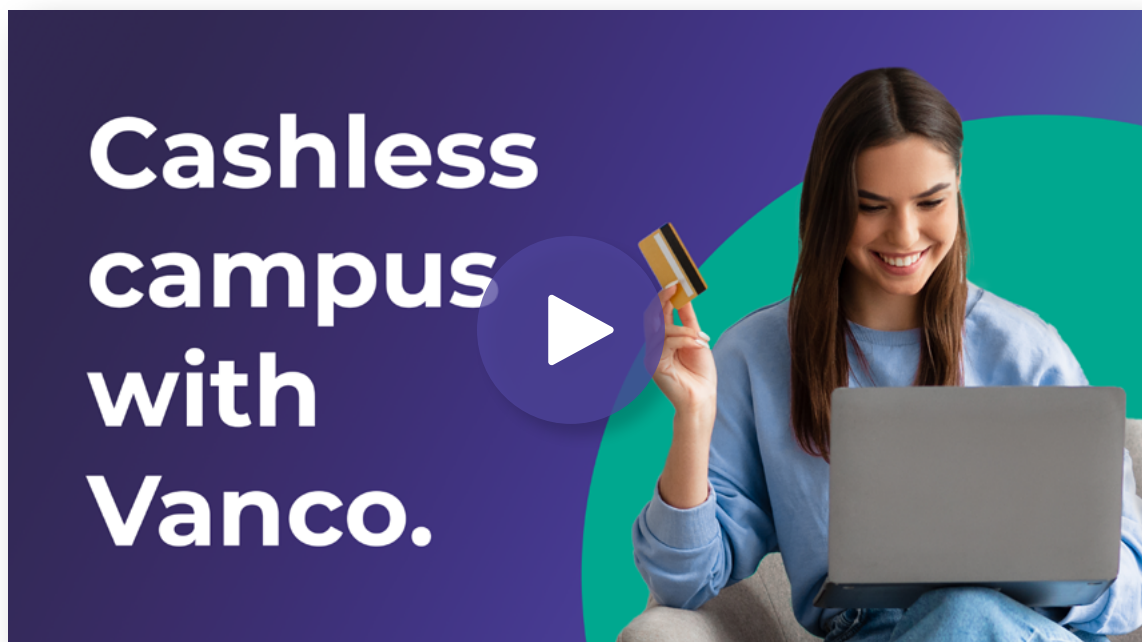
Now that expenditure plans have been matched to their revenues, share the resulting plan in executive summary form with the budget stakeholders beginning with the administrative team, the board, the staff and then the community. There may be some modifications that are needed as priorities shift. However, this last stage ensures everyone reaches a level of acceptance with what the district aims to accomplish for the coming year and what goals need to be postponed.

Source

National Center for Education Statistics. (2020, April). The Condition of Education.
https://nces.ed.gov/programs/coe/indicator_cmb.asp

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