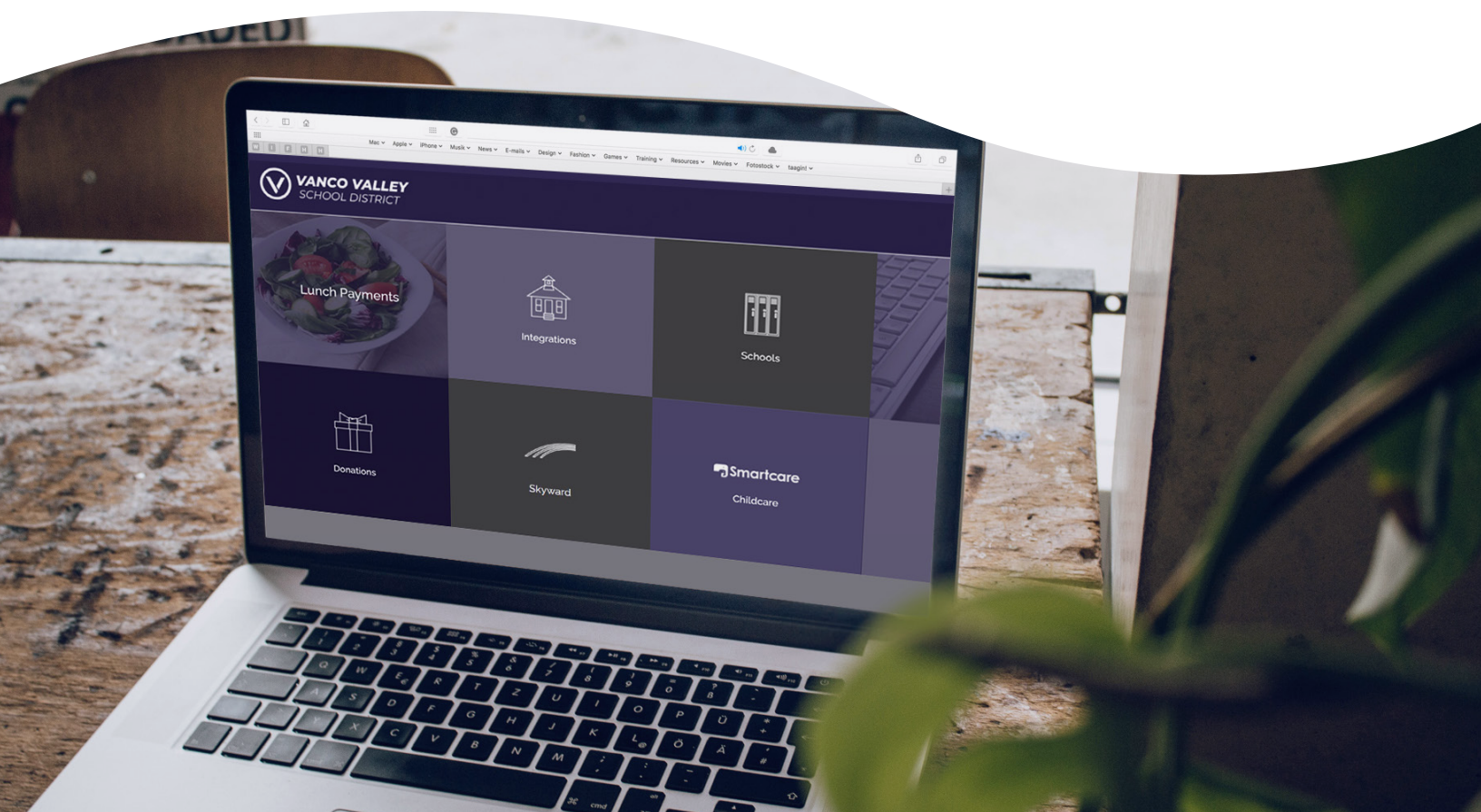


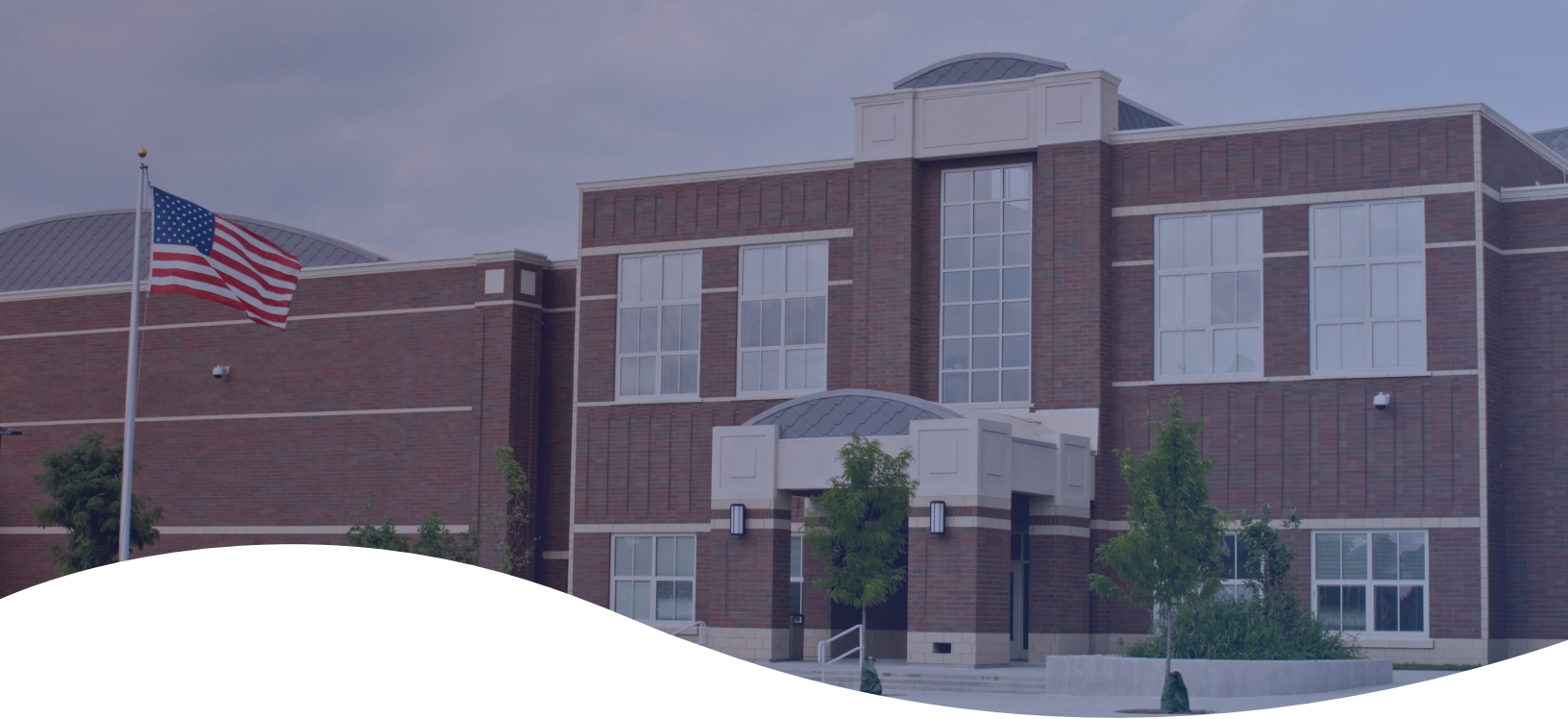
The Complete School Finance Management Guide



Table of Contents

The Role of Principals in School Finance Management	3
How to Get Communities to Buy In	5
How to Manage School Finances Effectively	7
Cost-Saving Ideas for School Districts	10
K-12 School Budgeting	16
5 Tips to Surviving Your Next School Audit + a 105 Point Checklist	24
Conclusion	27
Take Just 7 Minutes to See How 1,300 District Save Countless Hours on Payments.	28





The Role of Principals in School Finance Management

School districts operate differently around the country, and each has its own rules on who is responsible for the distribution of funds. In more cases than not, once those funds are distributed to the school, the school principal plays a big part in how money is spent.

The role of a school principal in financial management is bigger than most people may think. Look at schools as micro-businesses or departments operating within [silos](#). Principals are competing for budget dollars, headcounts and control over the direction of their school.

The school district determines how much money is allocated to schools. In most states, the allocation of funds is based on per-student amounts. Additional funding is given to schools with large student populations coming from low-income neighborhoods. Other schools get increased funding for hosting magnet programs.

School principals have four primary duties under school finance management.

1 Create a Budget for Their School

Consider it a budget within a budget within a budget. States distribute funds to school districts. The districts create a budget and distribute money to their schools. The principal is then charged with setting a budget for their location.

The district sets the guidelines on how funds are allocated. There are items a principal can include in their budget, and things they cannot.

School budgets must get approval from the district's accounting office.



An effective budget is one driven by obtainable action items geared towards the success of the students and staff. If the principal is acting like the CEO of a business, they understand their overall success is dependent on reaching the school's overall objectives, paired with state objectives.

The shareholders are the taxpayers and when the school fails, to them it's a sign of poor or ineffective leadership. Therefore, a principal is held to a higher standard and can get reassigned or demoted at the discretion of their superiors.

2 Manage Teacher Salaries

How much flexibility a principal has when it comes to teacher salaries is dependent upon how the school district operates. Some districts have pay scales, while others have set percentage ranges based on evaluation levels. In most cases, the principal has set standards on how much of the budget is allotted to teacher salaries.



Often, some school personnel falls under the budget of different departments. For example, school maintenance personnel are under building maintenance and assigned to various schools. The same can apply to administrative staff.

Principals still play a role in the evaluation process, which impacts the district's overall payroll budgets.

3 Oversee Fundraising Activities

As schools look for creative [ways to stretch their budgets](#), fundraising remains a high priority. Without it, many clubs and extracurricular activities would suffer tremendously or cease operation.

Principals are hired to run schools, not to become the creator, organizer and collector of fundraisers. What ends up happening is schools rely on Parent Teacher Associations (PTA) and booster clubs to fundraise.

Although students, clubs and sports teams are the driving force behind bringing in revenue, the principal is responsible. They must ensure all activities are within the boundaries set by the district. They must also approve any products or services being sold in [online stores](#) or fundraisers.

In addition, when fundraisers are held off-campus or involve sponsors and advertisements, the principal must sign-off on it.

4 Keep Accurate Accounting

School districts have accounting departments that utilize financial management software. Principals and staff members are required to keep accurate accounting by utilizing this software. They cannot create their own records management outside of mandated programs.

To avoid improprieties, schools are assigned bookkeepers or accounting specialists whose job functions include recording financial transactions. This is a check and balance put in by the district to ensure every dollar is accounted for and money is calculated with accuracy.



How to Get Communities to Buy In

There's a lot that goes into financial management in public schools. Several factors affect school spending. Everything from public policies to the state of the economy is crucial to funding.

There is little districts can do to affect the larger issues, but there are approaches to effectively manage school resources. Let's look at a few.

1 Develop Community Partnerships

Local school districts need community partners. Schools are in the business of educating children. These children have parents who are business owners, who run and attend local churches and belong to civic organizations.

Who has more of an incentive to rally behind their local school than the people who rely on them to educate their children?

Community partnerships are useful when it comes to fundraising and supporting sports teams and civic clubs. These partnerships become instrumental in dealing with new policies and legislative changes.

2 Stay Abreast of Policy Changes and Communicate via Public Forums

It's vital to stay abreast of legislation that will impact your school district. This information has to get disseminated quickly, so districts aren't caught off guard. The same is true for local districts making changes to school budgets within their control.



The best way to deal with these changes is to get information out to the community via public forums. In some places, voters must approve measures that affect the budget of local school systems. By keeping the lines of communication open, you increase the prospects of a favorable outcome.

Too often, people show up for major elections and opt-out of mid-term elections, which have more local initiatives on the ballot. Even then, they don't appear to give much thought to local amendments.

Informed voters will show up at the polls to support causes they believe in. They'll also get others to participate in the process.

3 Remain Transparent

Transparency is the key to good communication. Understand your audience and build effective ways to relay information at a level that's easy to understand.

When addressing the community, it's important to remember the language you use and the information you'll present will need to be catered to them so it's easy to understand. Don't get lost in the details you and your team are focused on.

In addition to making the big picture clear, you'll need to focus on the details that are most important for your community. The person delivering the message has to take the information and create messaging, images, videos, etc., based on who they are talking to. This means 20 principals may have 20 different PowerPoints, but the facts must remain the same.





How to Manage School Finances Effectively

There are ways schools can manage finances effectively both inside the school and at the district level. It's a joint effort and everyone has to make a contribution.

1 Eliminate Excess Spending

Both the district and principals can eliminate excess spending. Take a good look at your budgets and see what you can cut that doesn't negatively impact the learning process.

Don't take it upon yourself to decide what should get cut. Get input from your district employees, school staff and the community.

Review employees and job descriptions. For example, assistant principals earn higher pay than deans of students. Some schools save money by not hiring an assistant principal for each grade level.

Look to your local colleges that have teaching programs. Fill vacant teaching assistant roles with college students in need of credit hours.

Another cost-saving option is to have the maintenance department rotate personnel to your various buildings based on need.



2 Set Milestones

In order to manage finances well in public schools, administrators need to have the right tools to measure success. The best way to have accurate measurements is to set milestones and benchmarks in specific areas.



If you're trying to cut excess spending and operate in financial efficiency, the best way to do it is by having clear expectations and obtainable goals. Some goals are short-term while others are long-term.

Districts must communicate their overall plan to every school. They are also responsible for following up and developing a response when goals aren't met. Whether the goals were too ambitious or simply need revised, this is a key part of the process.

3 Implement Ongoing Evaluation of Spending Goals

Once spending is under control, the next step is to evaluate ongoing spending and ensure schools and the district office aren't drifting back into old spending habits.

It's all about constructing a new normal. See what worked naturally in your overall plan for financial management and improve on it. If there were goals that weren't easily obtainable or caused a downward shift in processes, they should be reviewed, revised or eliminated.

4 Consider Operational Partners

Schools are in the business of educating students. However, a large portion of school district budgets is spent on roles that have nothing to do with education. Can schools benefit from business partnerships?



Businesses of all sizes have figured out there are positions and even full departments that don't require full-time staff. Some outsource and others consolidate roles.

Businesses making these tactical decisions save money in the long run. They also get exposed to a better talent pool.

Let's take a quick look at how school districts can incorporate this idea into financial management in public schools.

A. Information technology is probably the biggest industry for entering into service partnerships. Big savings could come in the form of exploring options for help desk services. This alone could potentially create savings in the IT budget.

B. School lunch programs are [a safeguard for the health and wellbeing of children](#). Districts understand that in some instances, these may be the only meals some children receive all day.

At the high school level, explore options to generate revenue. Consider adding vending machines or a la carte options provided by an outside vendor.

C. Schools already outsource security. Many districts have partnerships with local law enforcement agencies. Others use private security firms.

5 Incorporate Accounting Software for Schools

Implementing accounting management software into school finance management offers a great return on investment. These programs help streamline processes in different areas of the school's accounting responsibilities.

The most valuable tool is online payments, which allow parents and vendors to easily submit payments online. The software then works with your accounting tools, streamlining reconciliation and record keeping.

Eliminate the need for parents to send cash or checks to school with their children, who may lose them or forget to turn them in. With online payment software, parents can pay for:



School Meal Programs



Sports Fees



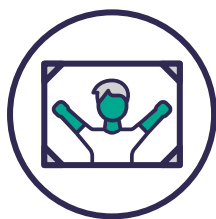
Field Trips



Overdue Library Fees



PTA Dues



School Pictures



AP Exam Fees



And More!

Within their individual accounts, parents can see records of their payments and receive receipts. For school lunches, they know when it's time to reload food cards.

The ease and convenience of using the software increase the likelihood that payments will be made on time.

5 Implementing Change

When it comes to implementing new ideas, expect push back from school personnel and parents. It's human nature to resist change.

At the end of the day, school districts must make the best decisions for the good of the majority. In general, the most cost-effective solution is usually the best choice. On the most basic levels, these changes might not seem like a lot, but over time, you'll have measurables to show cost-savings.



Cost-Saving Ideas for School Districts

When you're working with limited funds in a school district, you need to look for new places where you can save money. Fortunately, there are many ways to trim costs without compromising the quality of a child's education. With some careful budgeting and creative solutions, you can continue providing a strong education to the children in your district.

Start by Reviewing Your Budget

In order to arrive at informed cost-cutting strategies for schools, you need to understand where your money comes from — and where it goes. Before you start picking apart individual departments or slashing line items, it's good to take stock of your budget. Sit down with your leadership team and look at your current budget together and ask your financial officer to take the lead so you can understand what all of the numbers mean.

Since you're at the mercy of local, state and federal tax money, you can't count on your sources of money increasing each year. In fact, those numbers could dry up at times. When you're mapping out a budget for the next fiscal year, factor in the uncertainty of your funding sources.

To be ready for anything, you'll want to look for places in your budget where your spending has grown significantly in the past several years and you'll want to compare schools within the district to find your weakest links.

Start planning your budget in the winter. If you don't receive the same amount of funding you previously received from your state government, you may need to start planning for some cuts. Always be ready to make changes before you're forced into an uncomfortable position. Revisit your budget every month or quarter to understand spending habits. Are you spending too

much on new technology that goes unused or repairs to aging cooling systems? You may need to reroute money to help fortify a struggling school. Or you may find areas where you can cut spending to produce a more balanced budget. With several schools offering similar experiences in your district, you should be able to find places where you can ask your employees to move between schools as needed.

Become More Energy Efficient

One of the biggest ways to cut school budget expenses is to become more energy efficient. Energy costs can gash a school budget. In fact, experts suggest that around 30 percent of a school district's energy is not used in the most efficient way possible.



The good news is that there are ways to become more energy efficient. One way is to keep track of energy usage to see when it spikes and make adjustments. As one easy change, don't fire the kilns in the art rooms at peak times of day.

If you're operating with outdated equipment, it might be time to invest in new and more efficient heating and cooling systems. Look for ENERGY STAR equipment when you're ready to upgrade. This designation ensures that you'll be using products that meet government standards for more efficient energy use.

While you're tackling building upgrades, evaluate the status of things like insulation, lighting and roofing conditions. These important components of your district's buildings can impact the comfort level of your students and employees. A drafty building means that you'll be cranking up the thermostat more — and that leads to higher energy bills.

As you make changes, it's important to get buy-in from your staff. They need to understand how they can contribute to a more efficient and effective district and they even can involve students in the process.

Be sure to turn off lights in all spaces that are not being used and minimize lighting in the hallways. Set the thermostat appropriately – to reduce energy use when people are not in the building. Even consider starting school a week later after the holiday break to reduce the heating costs.

Track energy usage each day. Have all schools in the district partner with each other to get better energy prices. In the long run, simple steps like this can chip away at energy costs.

Embrace Other Learning Formats

Whether online or hybrid, you may be able to cut costs by using alternative learning formats — plus you'll impress parents with your eagerness to be at the forefront of education.



Investigate hybrid learning. With hybrid learning options, students get the best of both worlds. They'll get access to teachers through in-person instruction as well as online activities.

Because students will meet with their teachers online for at least part of the time, you may be able to save some money. Teachers can work with a larger pool of students virtually, and teachers can

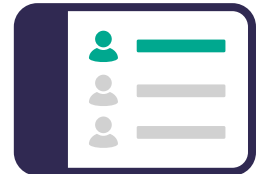
also share resources. You'll also cut down on the amount of time you need to serve students in your facilities.

You can also trim costs by asking teachers to collaborate and work across multiple classrooms, too. In addition, you can cut down on the need for paper materials because most of the content is online.

While digital and hybrid learning approaches do require investing in learning management systems, the cost can pay off in the long run. If you use these platforms efficiently, you can open up your educational programming to a larger audience and this can produce a new revenue stream.

Evaluate Staffing

While evaluating staffing needs can be a fraught process, it is important to do it if you have too many employees. On the front end, be open and transparent about your process and be as gracious and thorough as possible.



Understand Whether Layoffs Are Necessary

Layoffs represent the most extreme course of action when you're looking at cost-cutting strategies for schools. No one likes to see a situation arise where layoffs enter the conversation, but it is a reality to consider. For an under-enrolled school in a struggling district, you may need to cut down on personnel.

Understand what your layoff policies look like and make changes to help you retain your strongest teachers. Look at performance evaluations to determine who your weakest teachers are and gather as much information as you can before making any decisions.

Evaluate administrators, too. Could you have one principal overseeing multiple schools? Do you need as many administrators as you have in place since they earn higher salaries?

Be wary of laying off teachers. In doing so, you may save money — but you'll raise doubts about the quality of your district's education. Make this a last-resort option.

Incentivize Retirement

Do you have a number of teachers approaching retirement age? If your budget is in a challenging spot, you may want to incentivize early retirement. Teachers can retire as early as age 55, but many may want to teach longer to ensure stronger retirement savings. Because more experienced teachers command higher salaries, they are expensive employees to keep on the payroll.



Consider offering cash or health coverage incentives to get your older teachers to retire early. Offering a reduced salary and benefits may be enough to entice a 59-year-old teacher to take the money and run. You also could establish a rewards program so that teachers who announce retirement are awarded for doing so early.

Be sure to check the legal ramifications of what you're doing. Discuss options with your board and [financial team](#), too. You need to plan these offers early so that you can save money by enacting them.

Make Careful Decisions

Ultimately, when you're thinking about eliminating a position, you need to move forward carefully. You can expect significant savings by removing a salary and benefits package — but consider the outward appearance of such a decision.



Reformat Benefits Packages to Save Money

With the average benefits package adding up to 30% of an employee's overall compensation, you know that organizations like school districts are paying a lot in benefits. Beyond the base salary, a district would be paying an additional \$15,000 for a teacher making \$50,000.

One of the more effective cost-cutting strategies for schools is to trim benefits packages. If your teachers are a part of a union, you'll need to negotiate this reduction in benefits with the union, which can be more complicated. The process can also vary between states.

Whether you're negotiating with a union or not, you don't want to erase the perks of working at your district without careful consideration of available alternatives. If you're trimming benefits packages, consider making just a few key adjustments. For example, you can increase deductibles in the health coverage plan that you offer.

If you offer additional health care coverage to retired employees, mandate that they've worked for your district for a longer period of time in order to receive it. Not only will this exclude some people from this big financial benefit, but it may encourage more allegiance to your district.

With so many considerations, it is helpful to use a school management system. You can track benefits costs, as well as analytics related to finances and payroll. You'll be able to catch small budgetary increases before they snowball into bigger issues.

Manage Facilities Better to Trim Costs

When you manage your facilities and look for places to be more efficient, you can create cost-cutting strategies for schools. Are the schools in your district underused or unchecked? Then it's time to implement a game plan that will cut out the budgetary fluff.

For starters, assess the usage of your schools. Do you have a master plan? Before you make any rash decisions, work with your leadership team to determine the status of each building and how it will evolve going forward.

Are there warehouses or other facilities that are sitting idle? Sell off any property that isn't being used or lease it to a third party.

Look into renting your school buildings on the weekends, too. There may be a community organization that needs the space — and that will result in some revenue for your district. Make sure that you have documents in place so that renters know the expectations, fees and policies if there is any damage to the property.



When a new building goes up or another one is repaired, know how these facility changes fit into a master plan. Schedule routine checks on all heating and cooling systems, floors, windows and bathrooms. Assign staff in your district to complete minor repairs, such as painting, to save costs over hiring a painting service.

Maintenance staff should be trained to handle HVAC problems, plumbing issues and carpentry matters. Disperse maintenance staff across multiple buildings, too, so that the buildings with the most need always have someone ready to attend to a problem.

Look for Ways to Cut Costs in Student Organizations and Athletics



Aside from charging fees for students participating in sports and arts, you'll want to find a way to keep your costs down. If the fees are too high, it will make it harder for students from low-income households to participate in school activities.

Sports, arts programming and student organizations all contribute significant costs to your school district. When you're looking into cost-cutting strategies for schools in your district, don't look away from these programs. Instead, implement tactics that can save money without eliminating offerings.

With your athletics events, establish a strong base of volunteers to help out at games. That way you won't need to rely on hired staff. To go a step further, help start a booster program that can generate independent funds to support your athletic programs.

Don't jump on the uniform bandwagon and upgrade uniforms each season. Stretch the time between upgrades, and only buy the equipment that is essential for a given sport. Ask students what they already own.

Charge for tickets at games, and use a [streamlined ticketing system](#) for your athletics events. From basketball to baseball, you can save time and money by choosing an online platform. You won't need to hire people to staff ticket counters or deal with the clunkiness of cash transactions.

A thriving music program is a major draw for any school district. With that said, you need to keep tabs on costs for trips, concerts and other events in your music program. You could even set up an [online store](#) to help offset costs and generate revenue.

Consider using an inter-district loan program for supplies and materials that student organizations use. This way you won't be purchasing multiple sets of the same type of media in each school.

Understand and Reduce Transportation Costs



If you're living in a district with bussing, then you know that fuel costs can add up quickly. Transportation costs can gouge a district budget and with fluctuating oil prices, it's difficult to know how much you should set aside in your budget for travel.

For employees going on field trips, enact a little more surveillance. Hands-on educational experiences such as trips to museums and monuments are a critical part of an educational experience, but they come at a cost.

Work with your educators to find out the necessity of the trip as well as places where they could trim costs. Ask them to go with brown bag lunches for students rather than meals at a restaurant and require teachers to map out a budget for the trip that their supervisor will see.

Try using a computer program to determine the most effective bus routes so the vehicles don't amass a lot of excess miles and consider using volunteer parents and community members as your bus drivers to save on wages.

Reduce Paper Usage

Gather information on how often departments are making copies and understand the purpose of their reports. Could they just as easily be shared online? If they could, find ways to go paperless with department reports — and cinch in the expense limits for copies in each department.

- Eliminate forms requiring supervisor signatures to save on paper
- Ask your employees to bring laptops and tablets to meetings rather than printouts of necessary documents.
- Restrict printing access at the school so only essential items are printed.
- Send attachments on emails rather than cross-campus mail.
- Don't mail grades and other notices.
- Communicate with parents your rationale for eliminating paper waste in the district so they can help.

With tasks such as class registration, job applications and check requisitions, aim to go paperless in these areas, too. Make it easy for applicants to apply for positions through an online portal. And let guidance counselors work with students to complete class registration and provide access to grades.

Invest in Cheaper and Healthier Lunches

By swapping slices of pizza for hummus and carrots, you can save money and provide your students with a more nutritious meal. Healthier students will be alert in class — and help your bottom line.

But contrary to common perceptions, the schools serving healthier lunches are [doing as well](#) if not better than those serving standard lunches. The healthier lunches, which are loaded with vegetables and whole grains, are an attractive option in a country with an obesity epidemic. In fact, some schools are even seeing a profit after making significant changes to their lunch offerings.

Reduce Student Lunch Debt

The average school is shouldering thousands of dollars in lunch debt and that debt is expected to grow each year. Some districts are turning to donations and crowdfunding to get the money that they need.

You can also save money and improve students' lunchtime experience by using an online system to manage school lunch payments. By [simplifying school lunch payments](#), you can give students an easy way to pay for their meals through an online system — and you'll help them get their food faster.



K-12 School Budgeting

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! 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.

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.

<i>Dates</i>	<i>Action</i>	<i>Responsible Parties</i>	<i>Evidence</i>
10-1-25	School allocations, budget forms and instructions are provided to principals and supervisors	Business Office	Allocation document and updated budget forms
11-15-25	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: Participate 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. Approximately 75-80 percent 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

Steps one and 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 percent of every school budget is staffing salaries and 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 a crucial 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 and 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 challenging 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's 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 need 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.

5 Tips to Surviving Your Next School Audit + a 105 Point Checklist

Preparing for an Audit

For many school business officials, the annual audit is the most daunting event of the year. Even the most senior officials can grow nervous in the months leading up to the audit. In reality, these reports aren't designed to expose your mistakes. They're there to offer transparency and insight into the current state of things and point out where improvements can be made.

The best possible outcome of the annual audit is to receive a Comprehensive Annual Financial Report (CAFR) where an independent auditor declares that there were no findings to share. Fortunately, this is entirely attainable, so long as you follow the right advice.



1 Think About What the Auditor Will Need

By far, the single most tedious and intimidating part of preparing for an audit is getting all of the paperwork, filings, ledger books and contracts in order. As part of a comprehensive report, you'll have literally a hundred things to show them, and that's why you should begin preparing early. However, in the midst of gathering all your official financial records, it's sometimes easy to forget about the "introductory" information the auditor will need.



The auditor will require some basic information to compile the report. If you haven't thought about providing basic information because you've been too busy stressing about everything else, it can add yet another bump in the road. Some of the basics they'll require include the organizational chart, a list of consultants and advisors, and a roster that details current officials with their terms of employment and expiration.

You'll feel much more confident going into the audit if you take some time to prepare everything the auditor is likely to review. We created a [105-point checklist](#) to walk you through all of the items.

2 Communicate Frequently and Politely

There's no denying that the annual audit can be a stressful time, which is why it's worth reminding yourself that the auditor is just another human simply doing their job. Don't take anything the auditor questions as an attack on your person. It can certainly be discouraging when an auditor finds an error, but the learning process that results is invaluable.



After you receive the letter from your auditor, take the time to review it in detail. If you have questions, ask them sooner rather than later. Try to keep the lines of communication open, being mindful of the fact that the auditor is just as busy as you are.

3 Take Your Time During Review

When it comes to the task list, always give yourself extra time so you never end up rushing. If this is your first K-12 audit, it can be difficult to estimate how much time you'll need to get through it all. If possible, speak to another official who is familiar with the district's policies and requirements to help you estimate--and then add extra time on top of that.



With each document you submit, avoid skimming. While it's time-consuming, make sure you review every page. Ideally, you won't spend many consecutive hours reviewing documents as this can lead to you missing crucial information and mistakes. Instead, try to schedule everything so that you only spend an hour or two at a time checking over facts and figures.

4 Delegate Early and Often

It can be tempting, especially for less senior officials, to try and prepare for the audit all on your own. This may be a result of taking the audit very seriously, as you should, but it often only gets you more stressed and restrains your ability to prepare thoroughly and confidently. Ideally, as soon as you have the task list in front of you, you'll start delegating to fellow staff members.



Giving fellow staff members some tasks associated with the audit will officially make them stakeholders in the process, which means they'll be motivated to support and assist with the audit process as much as they can. While you should be mindful of not overwhelming any one staff member with more than a few tasks at a time, recognizing the value they can offer is important to getting through the audit process without losing too much sleep.

5 Get Ready for the On-Site Visit

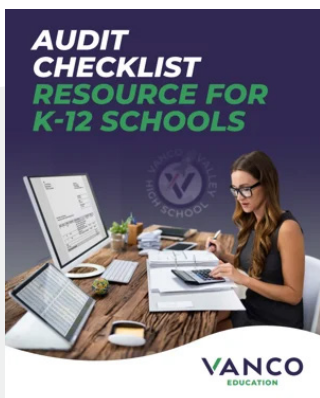
In the days leading up to the auditor's on-site visit, make sure that you coordinate with your registrar, set aside an appropriate place for the meeting, confirm that the auditor has received the submitted documents, and give them access to the necessary systems. Before the auditor arrives, it's also important to have your notes at the ready.



While reviewing documents, you may have come across items that you believe the auditor will question, like why an unexpected expense was categorized as X instead of Y. If you reached out to the auditing firm or another entity earlier in the year to get their feedback on how you should categorize that transaction, you should be prepared to show the email thread or provide contact information for the person you spoke to.

As you gain more experience with K-12 audits, you'll likely find yourself second-guessing documents less often and more easily identifying elements the auditor is likely to bring up. Still, if anything catches your eye, it's worth making a note on it just in case the auditor wants to discuss it. As they say, you're better safe than sorry.

With the right preparation, you'll find that this annual audit flies by and they'll only get easier from here. Come up with a process of preparation, review and discussion that works for you and you'll soon have a fool-proof system to help you survive every audit in your career.



Need even more information?
Check out our free [105-point checklist](#).

Conclusion

Federal, state and local mandates aren't going anywhere. They are there to protect schools and to ensure children receive every advantage afforded to them. The best financial success stories come from districts and schools that have figured out how to manage school finances effectively.

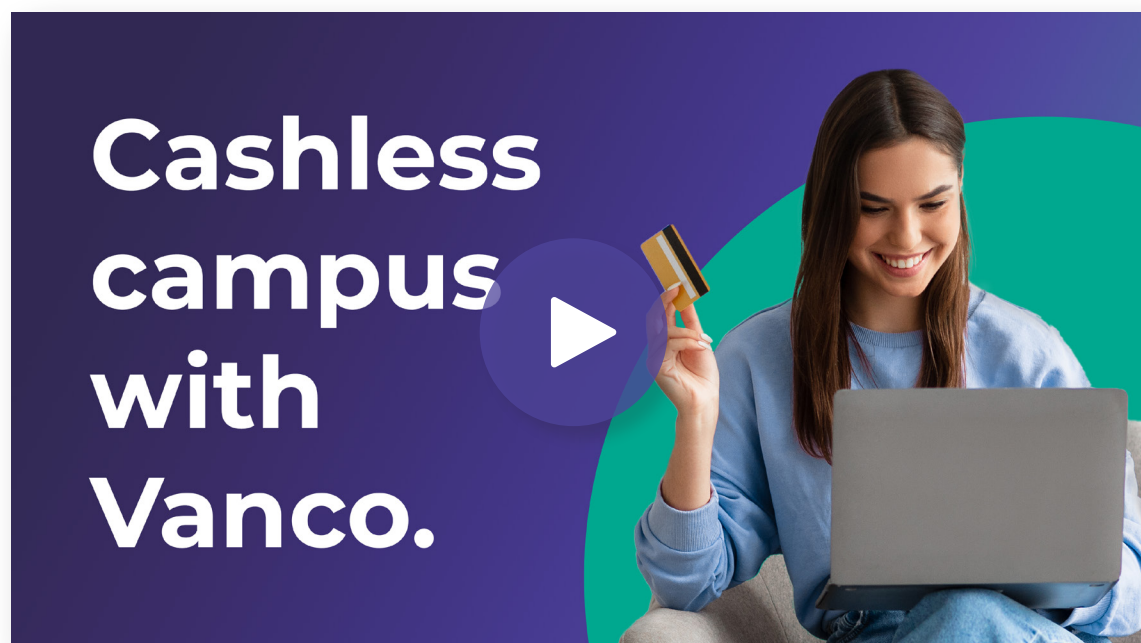
There's a lot to consider and every decision impacts someone or some department. School district employees, community members, parents and students are all stakeholders. Their input is valuable and needed.

Changes, whether big or small, make a difference. Remember to set measurable goals and follow timelines. Always be prepared to make decisions if they will help reduce operational costs without causing harm to the staff and students.



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