

Budgeting in Today's Times

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Topics

- The purposes of the budget process and document
- Where does the money go?
- Budget decisions and calendar
- Budgeting in tough economic times
- Measuring and retaining financial strength
- Questions on the budget and the morning's information

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What the Budget Does

- Shows revenue sources and amounts and relates resources to the educational program
- Informs the public on program and costs
- Provides a guide for evaluation and comparisons-- historical and outside
- Motivates planning and careful decisions
- Serves as a measure of a district's financial strength
- The budget is a fluid plan, responding to changing needs and economic realities from year-to-year.
- The budgeting process is a continuous one, and includes planning for the following year and several years beyond.

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Information Found in Budget Document

- Projected revenue from local, state, federal sources
- Projected expenditures according to their purpose (e.g. instruction, student services, building expenses, administration) and the type of expenditure (e.g. salaries, benefits, supplies, etc.)
- Revenue and expenditures are organized in "buckets" of money, corresponding to the "funds" used to account for them.
 - General operating funds--a blend comprising one controlled tax levy
 - Education
 - Building Operations and Maintenance
 - Transportation
 - Pension contributions and FICA for non-certificated staff
 - Debt Service Fund--solely for payments of bond interest and principal
- Information on the financial strength of the district
 - Beginning and projected ending balances for the year
 - Operating surpluses and deficits and borrowing plans

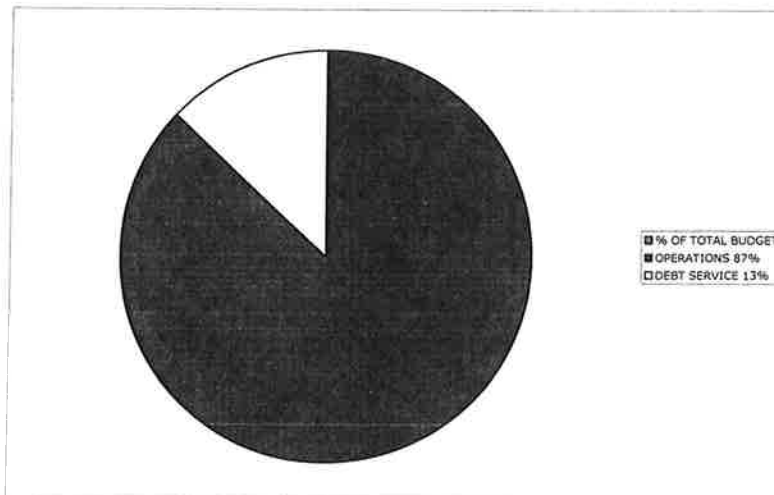
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Understanding Where the Money Goes

- The District 304 budget can be compared to:
 - The extent to which it meets locally determined needs for the educational program and related support services.
 - State and national averages, which reflect the expenditures of large and small districts as well as the diversity of programs and conditions across the nation. (Measured by the National Center for Educational Statistics-U.S. Department of Education)
 - By comparing budget expenditures by type and by purpose to those averages.

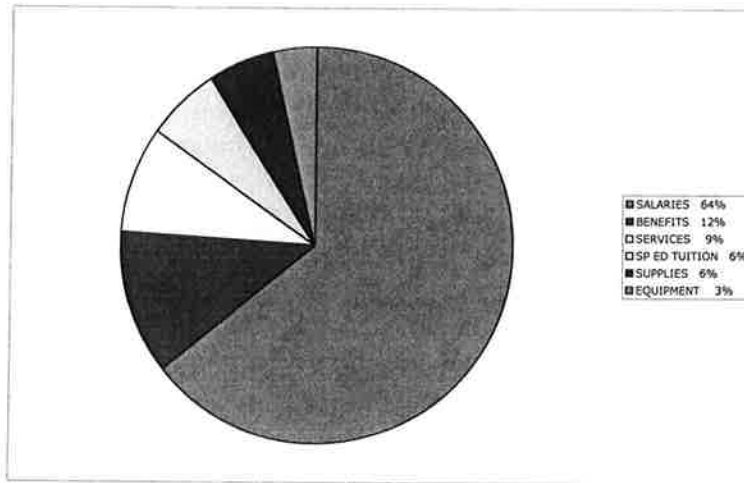
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Total Budget Expenditures-\$85.7 Million



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Operating Budget Expenditures-\$71.1 Million



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District 304's Expenditures by Type

(National Average Percentages Are Shown in Bold)

- Total 2011-12 budget is \$ 85.7 million
 - \$ 71.1 million (83%) is for day-to-day operations.
 - \$ 14.6 million (17%) is for debt service.
- Of the operating budget:
 - 64% is for salaries
 - 12 % is for benefits
 - 9 % is for purchased personal services
 - 6 % is for outside special education costs
 - 91% is for educational & personal services (**95%**)
 - 6 % is for supplies and materials (**4%**)
 - 3 % is for equipment and other "capital" items (**1%**)

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District 304's Expenditures by Purpose

Compared to State and National Averages
(Food services expenditures are typically covered by revenues)

Purpose	Geneva %	Illinois %	National %
Instruction	58	59	61
Staff Support	4	5	5
Student Support	6	6	5
Administration	10	13	11
Building Maint. & Operations	15	9	10
Transportation	5	5	4
Food Services	2	3	4
Total	100	100	100

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Budget Drivers and Decision Calendar Faculty Staffing

- Elementary school teaching staff numbers are driven by enrollment and established pupil staff ratios.
- High school staffing is driven by the "course book" and student enrollments by department as well as periodic changes in the curriculum (e.g. changes in foreign language offerings.)
- Special education staff levels respond to student needs as diagnosed by a process in which teachers, support staff, parents, administrators, and sometimes students participate. These services and staff levels are regulated by state and federal law.
- Educational staff budgeting is largely accomplished by the end of the first semester; support staff decisions come later in the year.

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Budget Drivers and Decision Calendar Materials and Support Services

- Budgets for materials and services are often tied to revenue growth (e.g. CPI) and are being frozen or reduced in many districts.
- Major material and equipment purchases (e.g. textbooks, technology) have an element of discretion and compete among each other during budget planning. Decisions often relate to school improvement plans.
- Operations budgets (buildings, transportation, food service) levels respond to standards and service levels and to the costs of utilities, fuel, food and contracted services and also to regulatory requirements.
- These budgets can be prepared in the winter, following completion of a tentative faculty staffing plan.

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Budget Drivers and Decision Calendar Discretionary Expenditures

- Capital items, such as large equipment, major building repairs and improvements, buses etc. undergo extensive review as to the degree and timing of the need, and are among the last items budgeted, sometimes after bids are received.
- Long-term planning for capital needs is necessary, with the plan updated each year according to the urgency of immediate needs and available funds.
- As the school year comes to a close, overall plans to prioritize discretionary expenditures are reviewed and final decisions made.
- It is on the expenditure side where schools may exert control over the budget, since revenue levels are primarily controlled by other agencies and economic factors.
- The state drives many expenditures through unfunded mandates even while reducing its contribution to revenues.

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Geneva's Expenditure Control Measures

- \$5.6 million reductions made over 2 year period through 2010-11.
- \$500,000 operating surplus in 2011-12 budget (.7%)
- Reductions are typical of those districts that desire to maintain both program quality and financial strength through tight budgeting practices, especially those not central to the educational program.
 - Fine tuning teaching and support staff to maintain desired ratio
 - Freeze in non-certified employee salaries
 - Reductions in extra-curricular activity costs
 - Reductions in material allocations, printing, postage, substitutes
 - Savings in energy costs through conservation, operating changes
 - Controls on entry level salaries, conference travel
 - Reductions in transportation from route schedule changes, field trips, longer bus "buy back" period, in-house special ed transportation, other
 - Reductions in building operating staff, overtime, supplies, equipment and building improvements

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More Drastic Expenditure Reductions

- Districts in financial distress must cut into the bone of the educational program and overall quality by such upsetting moves as:
 - Closing, reorganizing and consolidating schools
 - Hurtful increases in class size that affect how teachers teach
 - Reductions in high school course offerings, shorter days, and restrictions on the number of classes students may take
 - Reduction of special education services to the minimum required by law
 - Elimination of art, music, physical education
 - Cuts and/or imposition of fees in athletics and extra-curricular activities
 - Curtailment of technology and other program improvements
 - Reduction in standards and staff for building cleaning and maintenance, transportation and food services
- District 304 has been able to avoid these types of cuts through prudent financial management and budgeting as recession has placed limits on revenue growth.

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Achieving and Maintaining Financial Strength

- Measures of financial strength
 - An educational program that achieves at or above current standards of excellence and has the ability to grow and improve to serve students well in the future.
 - A long-term plan for the District's program, staff, facilities and support services that relates needs for resources to specific goals.
 - High grades on measures of strength as by state and national agencies. Criteria of strength include:
 - Adequate reserves and operating cash balances
 - A budget that is balanced or shows a surplus
 - Available short and long-term credit
 - For bond ratings, strong economic health of the community, and other government units as well as the school district.

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A Strong Fund Balance Will:

- Provide investment capital to improve student achievement
- Produce investment income
- Enable the district to ride out tough times
- Reduce the cost of short-term borrowing
- Provide flexibility to meet unexpected needs, and fund one-time expenditures
- Contribute to a higher ISBE financial health score and bond rating.
- District 304 Board policy calls for a minimum 30% opening fund balance. July 1 marks the high point of that balance, which annually declines in the spring, before taxes are received.
- The District's financial advisor projects that reserve levels may decrease to the minimum adequate level by the start of 2014-15.

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District 304 is Currently Strong

- An improved financial profile score will qualify for the highest “Financial Recognition” rating when the latest State ratings are issued.
- A strong reserve position will provide a cushion during the doubtful outlook for state and federal funding in the coming years.
- A balanced budget has been achieved through expenditure controls.
- Available bonding power exists should borrowing be required.
- The District holds a high AA+ bond rating.
- The Board has adopted Action Plans to provide sufficient resources to meet the needs of students while maintaining the District’s financial stability.

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Thank you for your attendance
and participation.

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Sources and Acknowledgments

- District 304 Annual Budget
- District reports on revenues, expenditures and budget actions
- 2011-12 Board of Education Purpose, Goals and Administrative Action Plans
- Illinois Bureau of the Budget
- Illinois Department of Revenue
- Illinois State Board of Education financial section
- Kane County Assessor and Clerk (property tax information)
- William Blair & Company (bond consultant)
- PMA Financial Network (financial consultant)
- Publications of the Illinois Association of School Boards
 - Essentials of Illinois School Finance
 - Understanding School Finance
 - Playing Fair with the Children of Illinois
- Board Members Kelly Nowak and Bill Wilson
- Superintendent Dr. Kent Mutchler and Assistant Superintendent for Business Services Donna Oberg.