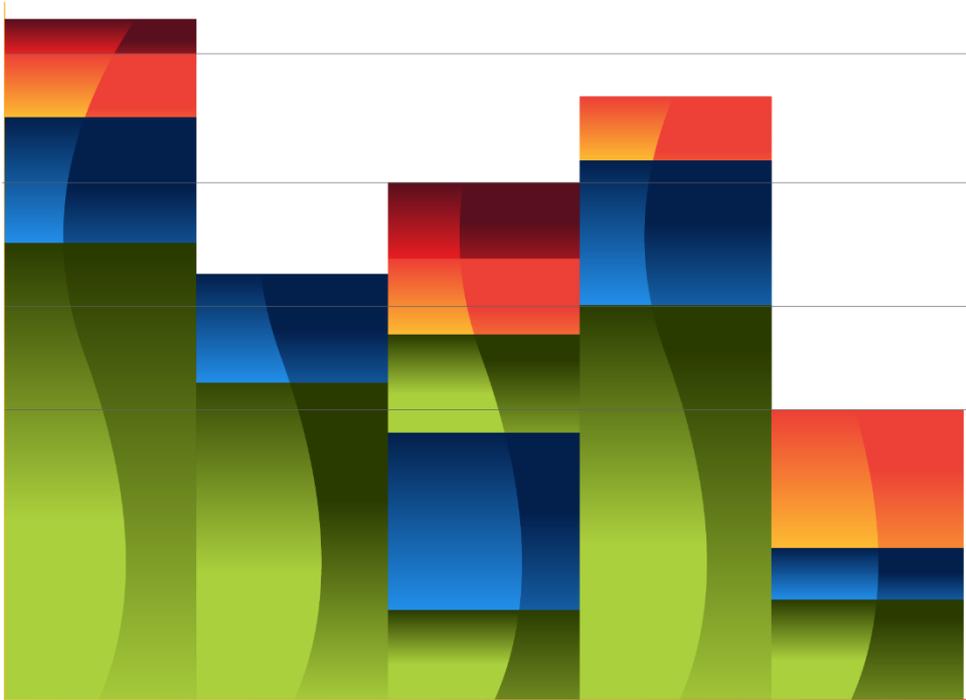


BUDGET and FINANCE



SCHOOL FINANCE 101
VASBO
SPRING CONFERENCE – MAY 15, 2023

Leigh Burden, Chief Finance Officer



WHAT YOU
NEED TO
KNOW



**Fiduciary Duty
and the Budget**

Fiduciary Duty

LEGAL AUTHORITY

Malfeasance

Virginia Code, [Section 22.1-89 – Management of Funds](#)

“Each School Board shall manage and control the funds made available to the School Boards for public schools and may incur costs and expenses.”

What this means...

The School Board determines how the funds are to be spent. The local governing body determines appropriation levels.

Fiduciary Duty

LEGAL AUTHORITY

Malfeasance

Virginia Code, [Section 22.1-91](#) – Limitation on expenditures

“No school board shall expend or contract to expend, in any fiscal year, any sum of money in excess of the funds available for school purposes for that fiscal year”

What this means...

The School Board can not exceed the appropriation levels determined by the local governing body.

Malfeasance



Fiduciary Duty

LEGAL AUTHORITY

Needs-Based Budget

Virginia Code, Section 22.1-92

“It shall be the duty of each division superintendent to prepare, with the approval of the school board, and submit to the governing body or bodies appropriating funds for the school division, by the date specified in § 15.2-2503, the estimate of the amount of money deemed to be needed during the next fiscal year for the support of the public schools of the school division....”

What this means...

The Superintendent proposes a needs-based budget regardless of revenue assumptions. The School Board approves the budget and conveys to the local governing body who determines appropriation levels.

Statutory Requirements

Legal Duty to Manage and Control Funds

Virginia Code, Section 22.1-89

The “School Board shall manage and control the funds made available to (it) for public schools and may incur costs and expenses.”

Fiduciary Duty

Virginia Code, Section 22.1-91

“No school board shall expend or contract to expend, in any fiscal year, any sum of money in excess of the funds available for school purposes for that fiscal year”

Needs-Based Budget

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“It shall be the duty of each division superintendent to prepare, with the approval of the school board, and submit to the governing body or bodies appropriating funds for the school division, by the date specified in § 15.2-2503, the estimate of the amount of money deemed to be needed during the next fiscal year for the support of the public schools of the school division....”

Public Hearing

Virginia Code, Section 22.1-92

“Before any school board gives final approval to its budget for submission to the governing body, the school board shall hold at least one public hearing to receive the views of citizens within the school division...”

Who is minding the store?

- Superintendent
- CFO/Assistant Superintendent/Director of Finance
- Program Managers/Principals
- School Board

Who has a Budget Role?

- Superintendent's role
 - Development of needs-based budget
 - Compensation decisions
- School Board's role
 - Direction to Superintendent on priorities
 - Public hearings (formally advertised) & public input
 - Submission to local governing body
- Local Governing Body's role
 - Appropriation

Budget Development: Other Key Players

- Parents and School Communities
- Cabinet
- Leadership Team
- School Administrators
- Employees
- Employee Advisory Groups
- Education Associations

The Budget Development Process



Budget Development - Timeline

July through December

- Superintendent solicits input on budget priorities.

September through October

- Budget requests are submitted.
- Baseline budget is reviewed and recommended.
- Budget development strategy is communicated.
- Per-pupil staffing budgets are prepared.
- Stakeholder input is gathered.

Budget Development - Timeline

November

- School Board receives a fiscal forecast.
- Review of new resources requests.
- Enrollment projections are developed.
- Proposed budget is prepared.

December

- Governor introduces State budget.
- Proposed budget is finalized.

Budget Development - Timeline

January

- Superintendent releases proposed budget.
- Superintendent engages with the community to discuss the proposed budget.
- School Board reviews the proposed budget and holds work sessions and public hearings.

Adds & Deletes/Mark-up resulting in Advertised Budget

- Final work session
- Base motion (Supt Proposed, or certain amount)
- Amendments – costing vetted by Budget staff
- Time limit on remarks
- Budget neutral
- Transmittal to BOS



Budget Development - Timeline

February through April

- School Board adopts the FCPS advertised budget.
- County Executive releases the County's advertised budget including a proposed transfer to FCPS.
- School Board presents its budget request to the Board of Supervisors.
- County conducts budget work sessions and holds public hearings on advertised budget.

Budget Development - Timeline

May

- County Board of Supervisors adopts budget, tax rates, and transfer to FCPS.
- Superintendent proposes reductions to reconcile to funding levels.
- School Board holds public hearings on budget.
- School Board conducts budget work session to reconcile to funding levels.
- School Board adopts approved budget.
- July 1, new fiscal year begins.

Final Reconciliation

- Reconciliation work session
- Adds and deletes
- Final adoption

Budget Question Process

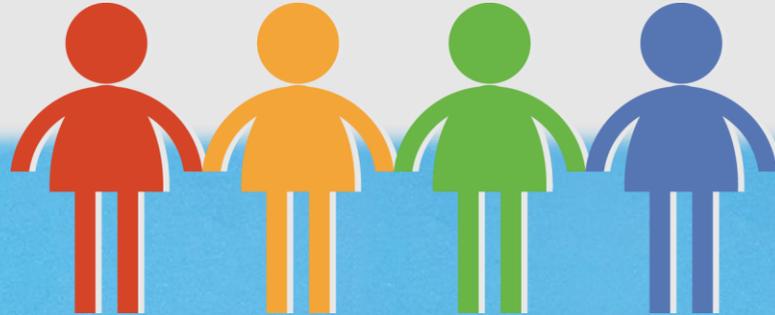
- Question and answer period; Year-round
- Budget questions are directed to the CFO
- Questions tracked by Budget Office
- Responses will not come back in order asked
- Budget assigns to Leadership Team (LT) members
- LT members direct their staff to provide response
- Budget Office provides costing, compiles and edits
- Routed through Senior Leadership for Approval
- Published on website

Budget Calendar – FY 2024 Tentative*

COUNTY DATES		FCPS DATES
	Superintendent releases FY 2024 Proposed Budget	January 12, 2023
	School Board holds public hearings on budget (January 24 if needed)	January 23, 2023
	School Board adopts FY 2024 Advertised Budget	February 23, 2023
February 21, 2023	County Executive presents FY 2024 Advertised Budget	
February 28, 2023	Joint County/Schools Budget Committee Meeting to discuss FY 2024 budget and tax rate	February 28, 2023
March 7, 2023	Board of Supervisors advertises FY 2024 tax rates	
April 11-13, 2023	Board of Supervisors holds public hearings on FY 2024 Budget	
May 2, 2023	Board of Supervisors marks up FY 2024 Budget	
May 9, 2023	Board of Supervisors adopts FY 2024 Adopted Budget	
	School Board holds public hearings on budget	May 16, 2023
	School Board adopts FY 2024 Approved Budget	May 25, 2023
	FY 2024 Budget Year begins	July 1, 2023

Examples of Budget Reports

- Budget reports
 - Trend data
 - Comparisons with previous year
 - Explanations of changes – cost of salaries
 - Enrollment projections
 - Peer comparisons



Enrollment and Staffing

How is Enrollment Projected?

- Division-wide, pyramid, and school level trend analysis
- Cohort survival ratios
- Birth to kindergarten ratios
- Modifications and adjustments
e.g. boundaries, housing, special programs

How is Staffing Calculated?

- Divisors based on school size and percentage of students eligible for free or reduced priced meals
- Special program allocations
e.g. immersion, advanced academics, special education
- Ratios dictated by FCPS Staffing Standards and the Standards of Quality (SOQ)

SOQ – Elementary

	<u>P/T ratio</u>	<u>Max Class</u>
Kindergarten	24 to 1	29
Classes > 24 require an aide		
1 st grade	24 to 1	30
2 nd grade	24 to 1	30
3 rd grade	24 to 1	30
4 th grade	25 to 1	35
5 th grade	25 to 1	35

FCPS General Education Staffing Standards

	<u>Divisor</u>	<u>Max Class Size</u>
Kindergarten (IA for all classes)	25	28
Elementary School	20 to 26	27 or 29
Middle School*	27.90	
High School*	31	
High School English*	24	

*Formula includes factors to account for teacher periods (5) and student periods (7)

Needs Based Staffing

Schools with more free/reduced price meals eligibility receive additional staffing either through a smaller divisor (elementary beginning at 20% FRM) or a weighted-factor (middle and high beginning at 25% FRM)

FCPS English Language Learners (EL, ELL, ESL, LEP, ESOL)

SOQ *20 per thousand*

1 per 50 students

FCPS Elementary

1.0 per (45, 55, 60, or 73) students based on EL level
rounded to the nearest 0.5 position

Secondary

L1 students for 5 periods divided by 75

L2 students for 5 periods divided by 90

L3 students for 3 periods divided by 125

L4 students for 2 periods divided by 150

rounded to the nearest 0.17 position

FCPS Technology

SOQ

1.0 FTE per 1,000 students (tech resource teacher)

1.0 FTE per 1,000 students (tech support)

FCPS School-based Technology Specialist (Teacher)

Elementary	1.0 per school
Middle	1.0 per school
High	1.0 per school

FCPS Technology Support Specialist (Tech Support)

Elementary	0.5/1.0@750/1.5@1,250
Middle	1.0/1.5@1,250
High	1.0 / 1.5@1,250 / 2.0@2,500

Selected FCPS Non-Salary Allocations

Per Pupil

Instructional Supplies	\$31.37
Computer Supplies ES/HS, MS	\$2.10, \$6.70
Postage* ES, MS, HS	\$2.07, \$5.41, \$9.37

*90% held central for bulk mailing rates

Per Teacher

Staff Development	\$34.25
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Finance

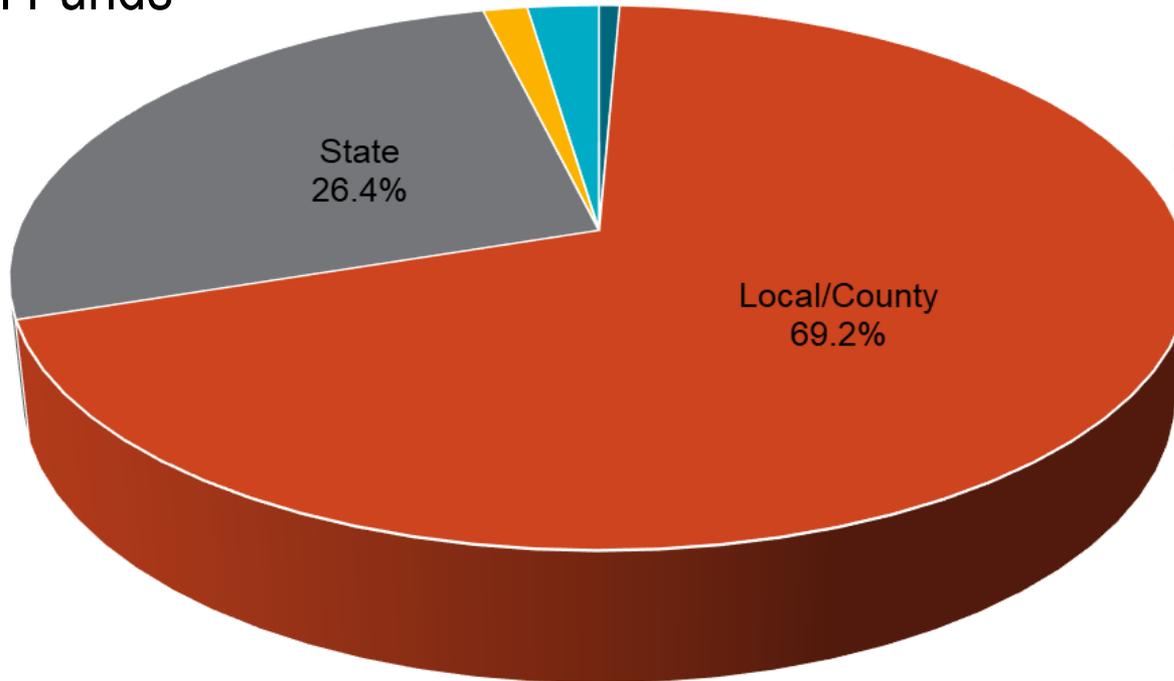


Where does the money come from?

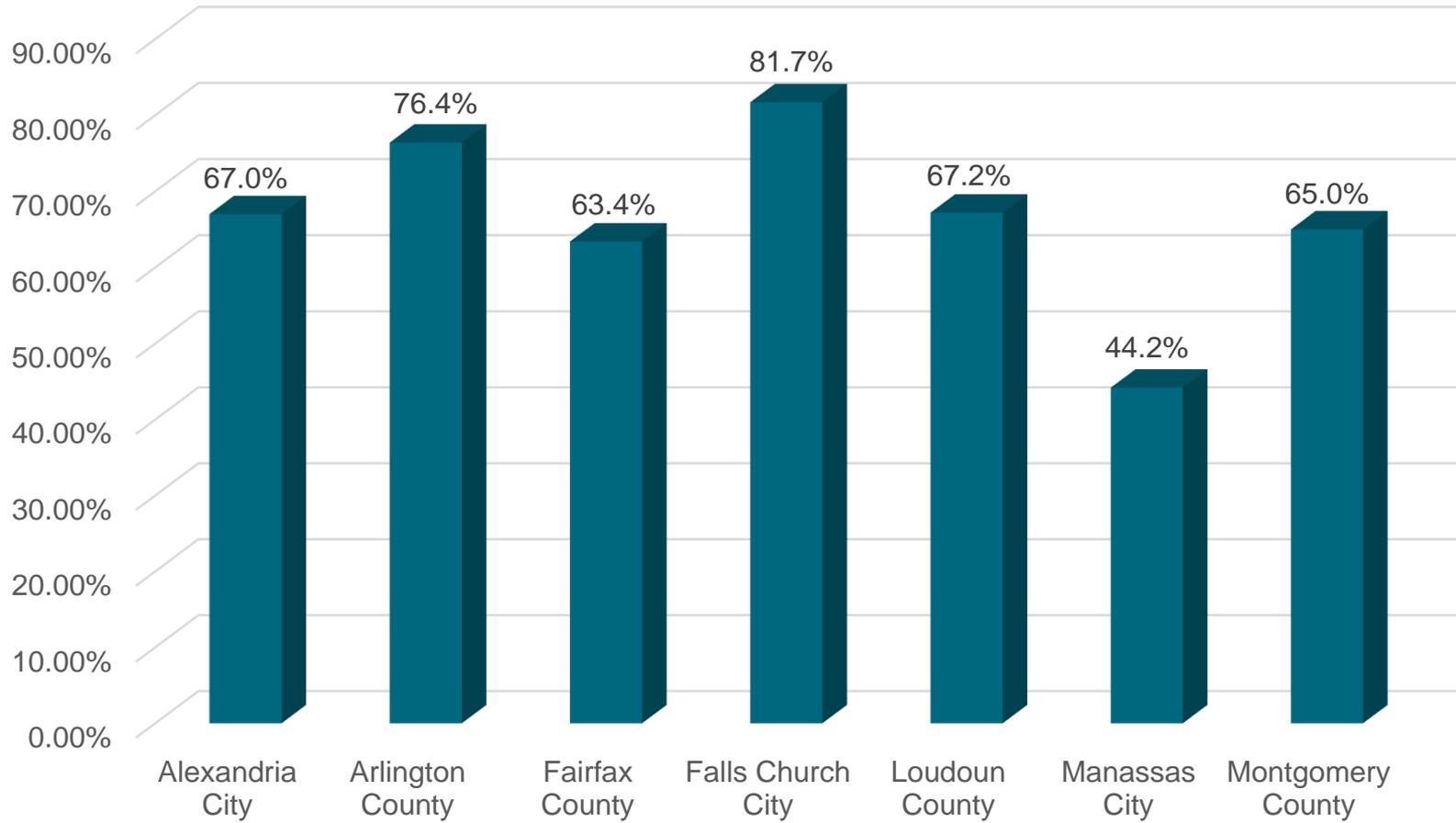
FY 2023

Amount (\$ in millions)

Carryover/Reserves	\$21.9
Local/County Funding	\$2,275.3
State Revenue	\$869.7
Federal Funds	\$47.2
Others	<u>\$76.1</u>
Total	\$3,290.1



Local/County Funding



State Funding

- State Funding is appropriated in the following budgetary categories:
 1. Standards of Quality (SOQ)
 2. Incentive Programs
 3. Categorical Programs
 4. Lottery Proceeds Fund

State Funding & the Local Composite Index



COMPONENTS

- True Value of Property
- Adjusted Gross Income
- Taxable Retail Sales

Comparison of LCI for Surrounding Jurisdictions			
Division	2020-2022	2022-2024	Variance
Manassas Park	.2755	.2733	(0.0022)
Manassas	.3611	.3562	(0.0049)
Prince William	.3799	.3739	(0.0060)
Loudoun	.5466	.5450	(0.0016)
Fairfax	.6541	.6532	(0.0009)
Alexandria*	.8000	.8000	0.0000
Arlington*	.8000	.8000	0.0000
Fairfax City*	.8000	.8000	0.0000
Falls Church*	.8000	.8000	0.0000

*The local composite index is capped at 0.8000.

FCPS LCI - .6532

According to the LCI, locally we should be able to pay for about 65.3 percent of the costs of education and the Commonwealth should pick up 34.7.

Sales Tax Calculation Basic Aid Calculation

Weldon Cooper Total	1,594,621
Weldon Cooper FCPS	227,347
FCPS Percentage	14.26%

Education share 1.125%	\$1,741.5 million
------------------------	-------------------

FCPS percentage	14.26 %
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Sales tax funding	\$248.3 million
-------------------	-----------------

ADM (K-12)	170,528
State per pupil amount	<u>\$7,194</u>
Total	\$1,226,777,353

Less sales tax	(\$248.3 million)
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Total Basic Aid	\$978.5 million
-----------------	-----------------

State share (1- LCI 0.6532)	0.3468
-----------------------------	--------

State funding	\$339.3 million
---------------	-----------------

Selected Federal Funding Sources (Grants)

- Title VIB - IDEA is a federal law that governs how states and school divisions provide special education to students with disabilities
- Title I – Funding to school divisions with a high percentage of students from low-income families
- Title II – Highly qualified teachers
- Title III – English Language Learners (ELL, LEP, ESL)
- Head Start – Comprehensive pre-school program for students living in poverty
- Medicaid Reimbursement – Potential to provide resources to offset Special Education services
- ESSER funding – federal funds to address the pandemic

Federal Pandemic Relief Funding

The purpose of the Federal pandemic relief funds to public schools is to help safely reopen and sustain the safe operation of schools and address the impacts of COVID-19 on the nation's students by addressing students' academic, social, emotional, and mental health needs.

Funding Sources:

CARES (ESSER I)

Coronavirus Relief Funding (CRF)

CRRSA ESSER II

ARPA ESSER III

ESSER Set-Aside Grants

ESSER III Spending Plan—Overview

The ESSER III grant requirements direct that division spending be aligned to four major categories:

- Student Academic & Social, Emotional, Mental Health (Wellness) Needs
- Unfinished Learning or Learning Loss
- Prevention and Mitigation Strategies
- Other Grant Approved Use of Funds

Pandemic Funding	Notification Date	Spend Date
CARES	May-20	Sep-22
Coronavirus Relief Funding (CRF)	Sep-20	Dec-20
ESSER II	Jan-21	Sep-23
ESSER III	Mar-21	Sep-24
ESSER Set-Aside Grants	Various	Various

ESSER III Spending Plan—FCPS

The final FCPS ESSER III Spending Plan was developed based on:

- Priorities identified via Community Engagement Process
- School Board Priorities
- Leadership Team Identified Needs
- Funded 29 Initiatives across three years (FY22, FY23, FY24)
- 88% allocated to Student Academic/Wellness & Learning Loss
- 40% spent as of Sept 30, 22--36% of the grant period elapsed



Selected Other Funding Sources (FCPS)

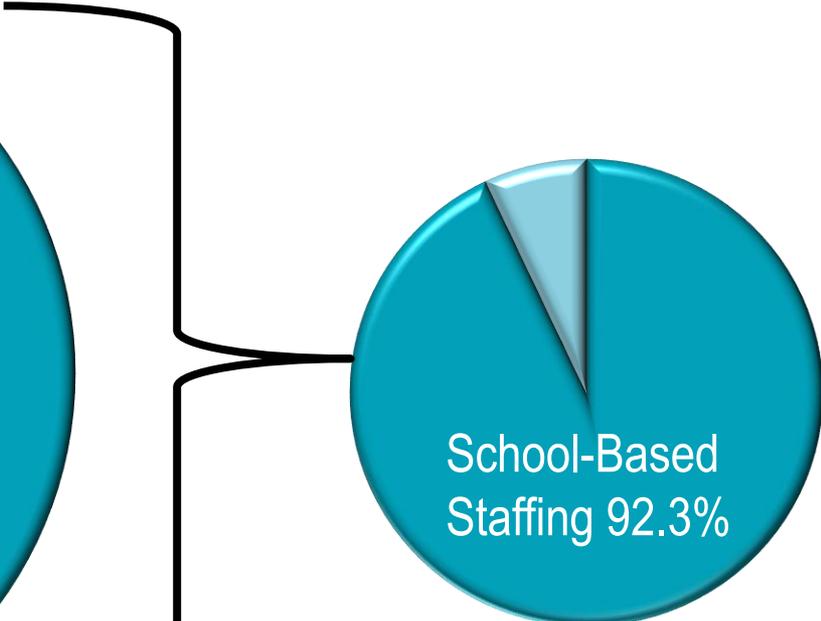
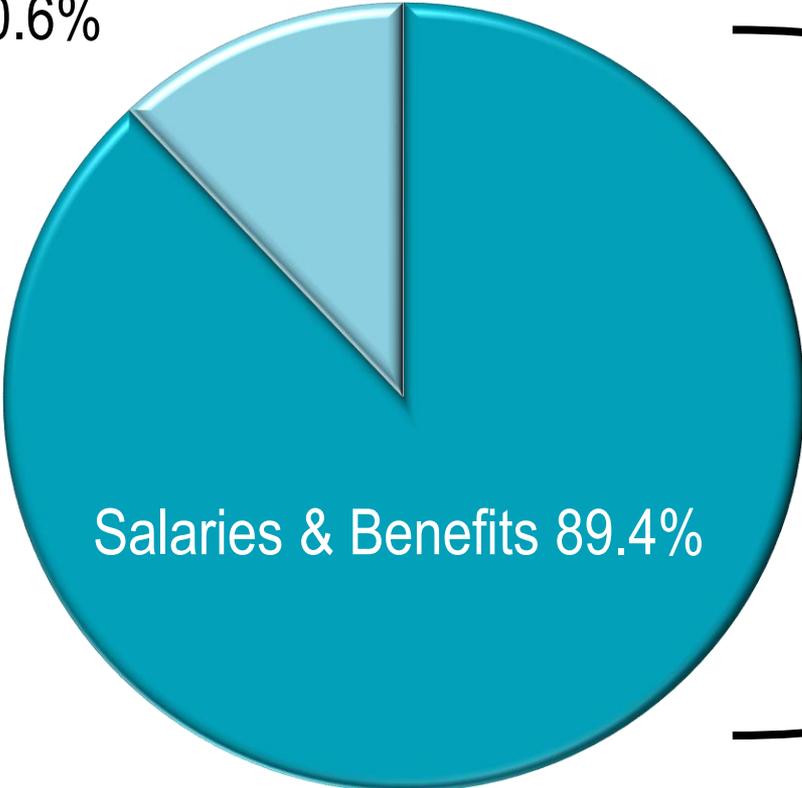
AP Test Fees (first 6 free)	\$93 per test
Community Use of Facilities	Rental Varies
Parking Fees	\$200
Tuition	Varies

Expenditures



Where does the money go?

All Other Costs
10.6%



Over ninety-two percent of the positions funded in the budget are school based.

Source: FY23 Approved Budget

A Focus on Instruction



Instruction	78%
Operation & Maintenance	8%
Pupil Transportation	6%
Technology	4%
Administration	3%
Facilities	1%

Fund Balance/Surplus/Savings

- Code Requirements

Virginia Code, [Section 22.1-100](#) – Unexpended School Funds

“.....All sums derived from local funds unexpended in any year shall remain a part of the funds of the governing body appropriating the funds for use the next year.....”

What this means...

All surplus funds revert to the local governing body at the end of the Fiscal Year.

Fund Balance/Surplus/Savings

Why It Happens and Why It Matters

- Lapse and turnover defined
- K-12 labor intensive industry

Addressing Surplus

- Budget a negative number against salaries/benefits
- Other variables
- Predicting human behavior

CAUTION – Salary surplus often the only flexibility the division has

Final Words on Surplus

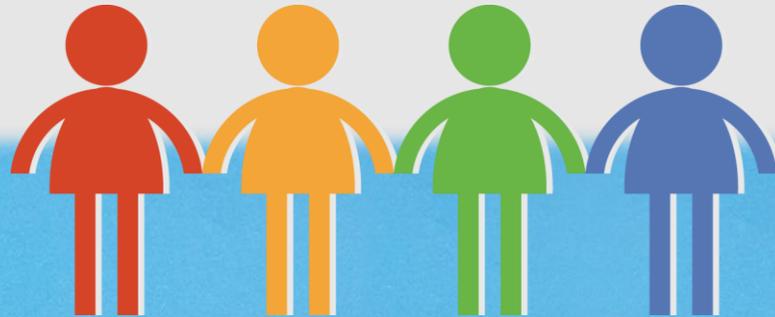
- Surpluses are not a surprise
- All school division's budgets should have unspent funds
- School divisions cannot exceed their appropriations

Typical Employee Benefits

- VRS
- Optional life insurance
- 403B and/or 457
- Healthcare, Rx, dental, vision
- Short-Term Disability
- Long-term disability

FY23 FCPS Employee Benefits Rates (employer share)

VRS Professional Rate	16.62% of salary
VRS Retiree Medical	1.21% of salary
ERFC (local retirement)	6.70% of salary
FCERS (non-contract)	28.88% of salary
FICA	7.65% of salary
Healthcare, Dental, Vision (Ind/Family)	\$9,472 to \$20,984



Student Activity Funds

School Activity Funds

- Funds used for purpose collected
- Projects shall contribute to educational experience
- Funds derived by student body used for student body
- Students encouraged to participate in management
- Funds managed with sound business practices

Note no oversight responsibility of PTAs/PTOs/Boosters

Top 10 things I know about School Bookkeepers



- 10) They are under-resourced. The demands and expectations of their jobs are great, and they don't have enough time to get things completed as quickly as they would like.
- 9) They wear many hats working in a main office, receptionist, secretary, bookkeeper, as well as handle or respond to complaints.
- 8) They place orders for materials and supplies and advise the teachers and administrators about financial procedures.
- 7) Most of them have payroll responsibilities.
- 6) They are more than just bean counters—their mandate is fiscal accountability.
- 5) They constantly provide information and analysis to assist school leadership in sound decision making.
- 4) Finance people are typically forthright, with a strong work ethic and a can-do attitude!
- 3) They typically don't have a hidden agenda—all of us have a goal of efficiency, accuracy and responsiveness.
- 2) They show up every day and put forth 100%. They want to do their jobs well...and feel a sense of pride and accomplishment.
- 1) They take their role as fiscal stewards of public funds very seriously.

Student Activity Funds

A Common Sense Approach

- Never Sign Financial Documents Without Reading
- Never Sign a Blank Check
- Personally Open and Review Bank Statements
- Hire Bookkeepers with Accounting Experience
- Don't Rely on Auditors
- Practice the Smell Test

Financial Reporting/School Board Oversight



School Board Monitoring & Financial Reporting

- Monthly financial reports
 - Reporting by state category
- Quarterly financial reports
 - Expenditure and revenue summaries

Reporting Requirement

Virginia Code, Section 22.1-115 System of accounting; statements of funds available; classification of expenditures

“The State Board...shall establish and require of each school division a modern system of accounting...and the fiscal agent shall render each month to the School Board a statement of the funds available for school purposes...by major classifications”

What this means...

The School Board should receive a monthly report by state category

Monthly Report Sample

<i>State Category</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Year-to-Date Actual</i>	<i>Budget Balance</i>	<i>Percent Expended</i>
<i>School Operating Fund</i>					
<i>Instruction</i>	\$741,077,856	\$747,917,545	\$481,841,013	\$266,076,532	64.4%
<i>Admin., Attendance & Health</i>	\$66,119,321	\$71,680,927	\$47,901,269	\$23,779,658	66.8%
<i>Facilities</i>	\$2,652,433	\$6,322,328	\$4,761,296	\$1,561,032	75.3%
<i>Operations & Maintenance</i>	\$74,613,307	\$77,352,151	\$63,070,549	\$14,281,602	81.5%
<i>Pupil Transportation</i>	\$55,886,597	\$60,468,768	\$28,245,866	\$32,222,902	46.7%
<i>Technology</i>	\$41,395,213	\$47,077,552	\$33,226,794	\$13,850,758	70.6%
<i>Operating Fund</i>	\$981,744,727	\$1,010,819,271	\$659,046,787	\$351,772,484	65.2%
<i>School Nutrition Services</i>	\$27,763,933	\$27,763,933	\$16,794,044	\$10,969,889	60.5%
<i>Total Fiscal Year</i>	\$1,009,508,660	\$1,038,583,204	\$675,840,831	\$362,742,374	65.1%

Quarterly Report Sample

FY16 Operating Budget Financial Review

<u>Expenditures</u>	<u>Revised Budget</u>	<u>Actual Expend.</u>	<u>Encum.</u>	<u>Balance</u>	<u>% Expended</u>	<u>Projected</u>	<u>Proj. Balance</u>
Personnel	\$864,591,278	\$556,442,983	\$0	\$308,148,295	64%	\$297,060,186	\$11,088,109
Contractual Services	\$30,738,253	\$17,539,579	\$5,870,565	\$7,328,109	76%	\$7,328,109	\$0
Internal Services	\$13,942,321	\$3,608,432	\$0	\$10,333,889	26%	\$10,333,889	\$0
Utilities	\$15,902,421	\$10,286,592	\$5,615,829	\$0	100%	\$0	\$0
Communication	\$4,512,796	\$2,985,114	\$1,139,611	\$388,071	91%	\$388,071	\$0
Insurance	\$1,352,731	\$1,260,370	\$0	\$92,361	93%	\$92,361	\$0
Materials, Supplies, Minor Equip	\$30,246,639	\$21,241,639	\$4,222,107	\$4,782,893	84%	\$3,782,893	\$1,000,000
Travel and Continuing Education	\$1,520,384	\$1,074,189	\$134,446	\$311,749	79%	\$311,749	\$0
Leases & Rentals	\$712,036	\$574,085	\$137,952	\$0	100%	\$0	\$0
Other Operations & Maintenance	\$2,489,019	\$987,893	\$533,341	\$967,785	61%	\$967,785	\$0
Capital Outlay	\$9,014,368	\$3,524,803	\$236,484	\$5,253,081	42%	\$5,253,081	\$0
Transfers of County funds to SI Fund	<u>\$7,000,000</u>	<u>\$7,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>100%</u>	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$982,022,247	\$626,525,680	\$17,890,334	\$337,606,233	66%	\$325,518,124	\$12,088,109

<u>Revenue</u>	<u>Revised Budget</u>	<u>Actual Revenue</u>	<u>Balance</u>	<u>% Received</u>	<u>Projected</u>	<u>Proj. Balance</u>
County	\$670,054,107	\$670,054,107	\$0	100%	\$0	\$0
State	\$286,290,734	\$202,790,017	\$83,500,718	71%	\$83,500,718	\$0
Federal	\$87,807	\$222,613	-\$134,806	254%	\$0	-\$134,806
Other	\$11,022,034	\$5,652,855	\$5,369,179	51%	\$5,369,179	\$0
Appropriated Fund Balance	<u>\$14,567,565</u>	<u>\$0</u>	<u>\$14,567,565</u>	<u>0%</u>	<u>\$14,567,565</u>	<u>\$0</u>
Total Revenue	\$982,022,247	\$878,719,591	\$103,302,656	89%	\$88,869,897	-\$134,806
Projected Change to Fund Balance						\$12,222,915

Designated for FY2017

Total Projected Undesignated Fund Balance @ March 31, 2016 \$7,000,000

School Boards Need To Know

- There is no magic button....
- Massive staff resources for report development & analysis
 - Ad-hoc reporting capabilities limited
 - Manual input/changes to reports often needed
 - Reports must be checked for accuracy/reasonableness

Last Thoughts on School Board Oversight

- Reliable people/reliable data
- All forecasts are wrong
- Don't rely solely on auditors
- Ask Superintendent or CFO
- Budget Manual for Virginia School Boards





THINGS YOU SHOULD KNOW!

Other Stuff You Should Know

- Misinformation
- The things I've learned
- Simplify, simplify, simplify
- Strategies to cut spending

Misinformation

- If your version isn't out there, it doesn't exist.
- Tell the story better.
- Everyone has to help.

The Media Sometimes Gets It Wrong



The Washington Post

Superintendent Seeks Increase Of \$800 Million Expected Enrollment Growth Among Catalysts for Request As, the system's chief proposed this week raising spending ...

LOUDOUN INDEPENDENT

Superintendent Proposes \$1.6 Billion Budget

Loudoun Times-Mirror

EDITORIAL: Pennies from heaven: That surprising school surplus

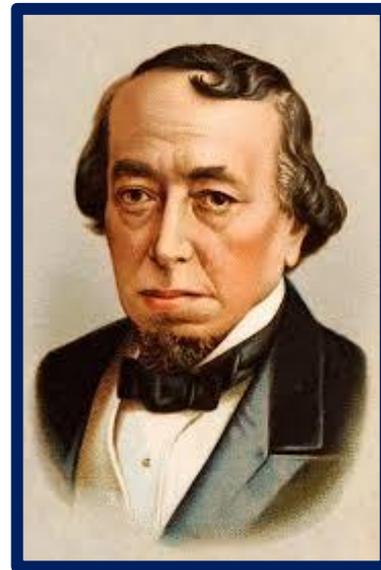
A rather unfunny thing happened on the way to the Loudoun County School Board forum last week: the emergence of a whopping \$20.2 million surplus in the school...



Data – Cherry picking, Lies and Statistics



“There are three kinds of lies:
lies, damned lies, and
statistics.”



1874-1880
British Prime Minister
Benjamin Disraeli

What can we do?

- Correct people if you hear financial misinformation
- Provide correct financial information
- Provide correct financial information early and often
- Provide correct financial information to the right people

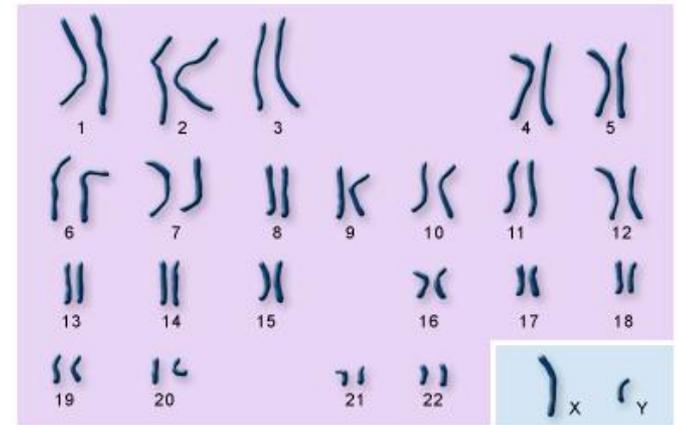
Duke University Study

But it is not really that simple.....It is very difficult to get folks to let go of common beliefs.



What is stored in a camel's hump?
FAT

How many chromosomes do people have?
46 (23 pairs)



autosomes

sex chromosomes

U.S. National Library of Medicine



Who and How?

Who?

Parents
Staff/Teachers
Friends
Neighbors
PTA
Taxpayers



How?

Meetings
E-mail
Newsletters
Person-to-Person



360k Parents



40k FCPS Staff



A Coherent Message

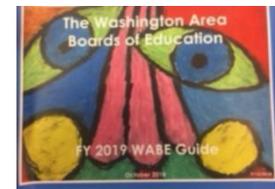
It is important that we each see ourselves as **Ambassadors** and provide a coherent **Message** about money at all times.

To do that we have to be consistent, repetitive, and saturate the community with the facts.



Simplify, Simplify, Simplify

- What kind of information is needed?
- What can be easily understood?
- The right data will tell your story.
- Peer comparisons
 - Pupil/teacher ratios
 - Cost per pupil
 - Teacher salaries
 - School-based and non-school based positions



The Right Information

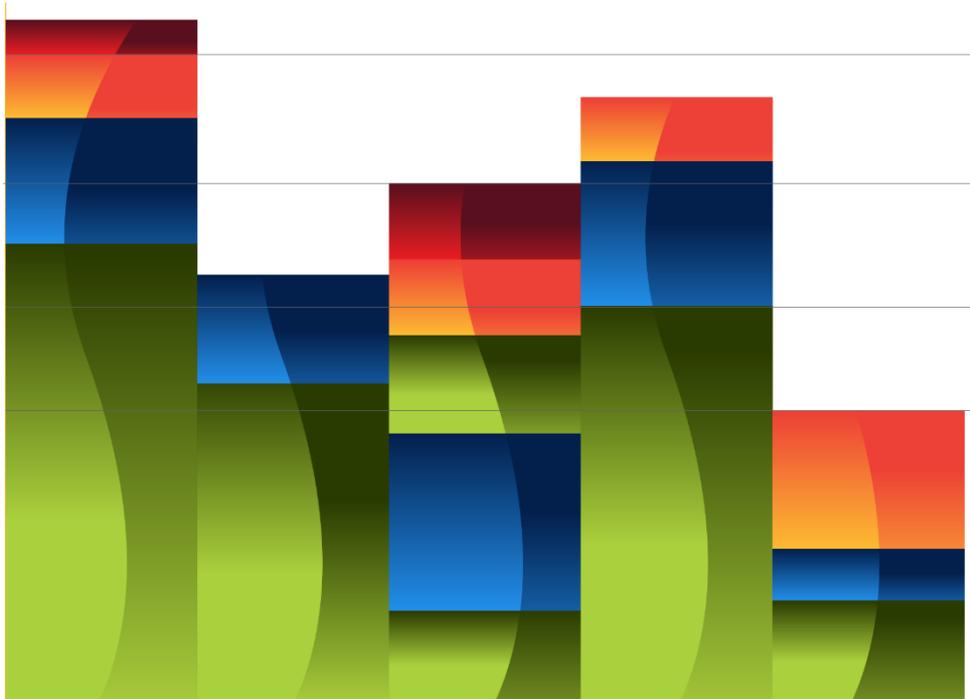
- Total School Operating budget
- Number of students and schools
- Full-time equivalent positions
- Cost per pupil and how does it rank in your area
- Average pupil teacher ratios for ES, MS and HS
- The percentage of the County's local tax funding that comes your school division.
- Percentages of school-based and non-school-based employees in your school division.



Strategies to Cut Spending

- Last in first out
- Reduce staffing greater than SOQ
- Review current vacancies
- Reduce extended contracts
- Increase class size
- Healthcare co-pays and deductibles
- Class Scheduling
- Reduce employer share of healthcare
- Defer equipment replacement plans
- Mid-year salary enhancements
- Increase fees
- Selective elimination of programs

Questions?



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