

Governing for Greatness Series

Build a Better Budget



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Mary Bradley | Robbie Montalbano | Erin Lillibridge



NATIONAL CHARTER SCHOOLS
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A Community Designed to Elevate Your Boards

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FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Build a Better Budget

National Charter Schools Institute Board Network Webinar

February 22, 2024

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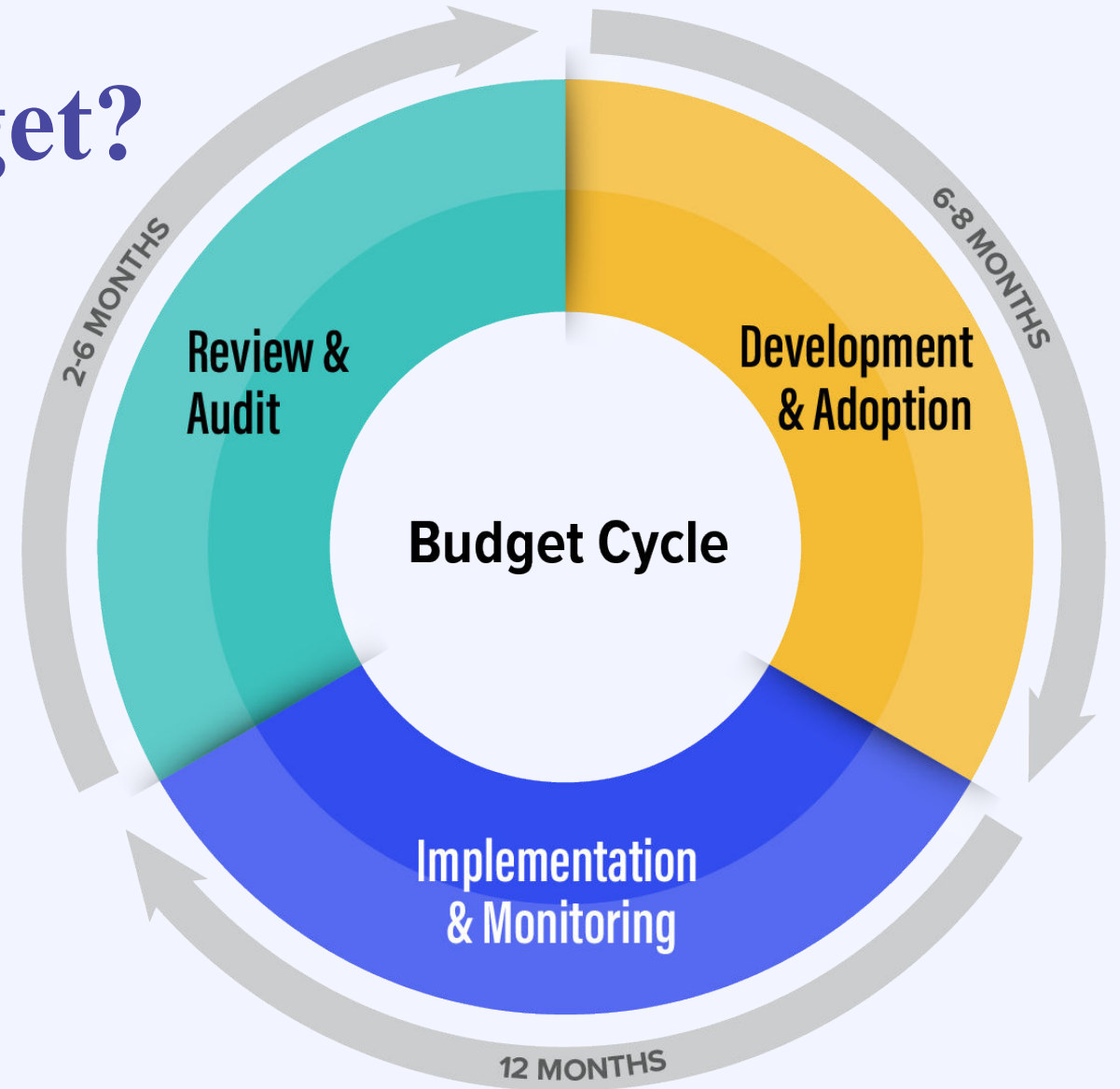
Goals for Session



- Define a better budget
- Key steps in development
- Considerations for monitoring
- Tips and best practices
- Why good budgeting matters
- Other tools and resources

What is a Better Budget?

- Guide for financial health and sustainability
- Overview of how the organization plans to spend its money
- Blueprint centered around the primary goals and objectives of the organization
 - Not an accounting statement
 - Not a target or wish list
- Flexible plan with a life cycle of approximately 18-24 months



Key Steps in Development – Income

Administration Activities	Board Considerations
Develop reasonable and transparent assumptions (e.g., enrollment)	What are the sources for assumptions, and are they clear and reasonable based on industry standards, trends, local events?
Understand primary funding sources (ongoing vs one-time)	Are expiring one-time resources identified (e.g., carryover funds)? Restricted spent before unrestricted?
Calculate formula-driven funding correctly	How does funding compare to prior years, and do increases or decreases align with formula changes?

Key Steps in Development – Income (cont.)

Administration Activities	Board Considerations
Develop contingency plans to address uncertainties (e.g., private funds, donations, fundraising)	How much does the school rely on private funds, donations or fundraising for basic operations? What is the impact if not received or reduced?
Ensure compliance with funding requirements	Has the school returned unspent funds? Or had any audit or compliance findings related to federal funds? Other restricted program funds?

Key Steps in Development – Expenses

Administration Activities	Board Considerations
Address ongoing cost pressures (retirement contributions, healthcare, cost-of-living adjustments, special programs)	Are assumptions for ongoing cost pressures, clear and reasonable based on industry standards, trends, local events?
Use position control data (i.e., adjust staffing, project costs accurately)	Does the board approve position changes? Salary schedules? Staffing ratios for certificated/classified/administrative positions?
Avoid using one-time sources for ongoing expenses	Does the board approve plans for one-time funds?

Key Steps in Development – Expenses (cont.)

Administration Activities	Board Considerations
Account for all program costs, including maximum allowable indirect costs	Is there a plan to eliminate, reduce or control unrestricted fund transfers to restricted programs (e.g., special education)?
Ensure facility needs are included in the budget (ongoing and long-term costs)	Does the school have any facility-related debt? Are bond covenants monitored and fulfilled?
Assign or commit reserves above the recommended reserve level when one-time costs or unfunded/contingent liabilities exist	Did the board adopt a reserve policy to address use of excess funds/reserves? Unfunded/contingent liabilities?

Considerations for Budget Monitoring

Charter school boards should:

- Ensure budget assumptions are written and updated regularly (monthly, quarterly, or periodically depending on organization).
 - Budget revisions should be posted in the financial system routinely (if available) and communicated to the board regularly (e.g., board-approved compensation increases).
- Receive regular monthly financial reports (i.e., budget to actuals, income statement, balance sheet, cash flow projection).

Sample Monthly Report:

Board Financial Update

Considerations for Budget Monitoring (cont.)

- Ensure human resources, payroll, and budget staff meet regularly to support position control process and accuracy of personnel expenses.
 - Ensure salary and benefit budgets are monitored and adjusted regularly (i.e., encumber personnel costs in financial system (if available), and reconcile budget, payroll and position control).
- Be proactive in monitoring fiscal health (i.e., review multiyear financial projections and develop plans to address projected budget deficits, inadequate reserves, or expiring or insufficient restricted funds).
- Update multiyear financial projections regularly and use when making decisions.
 - **The charter school board is the first level of oversight.**

Tips and Best Practices for Success

- Ensure budget aligns with established strategic plans.
- Address identified issues as soon as possible (e.g., budget deficits).
- Solicit input from all interested parties (i.e., budget advisory committee, parents, board, administrators, bargaining units and department/program staff).
- Document policies and procedures impacting budget development (e.g., acceptance of grants or other restricted funds that may affect fiscal health).
- Avoid relying solely on a prior-year rollover budget method.
- Adopt and/or follow a budget calendar process to organize workload and complete timely budget.

Why is Good Budgeting Important?

- Provides a structure to review and prioritize programs to best serve students.
- Supports the allocation of resources to key areas for academic success.
- Demonstrates accountability and transparency to donors, grantors, and authorizing agencies.
- Contributes significantly to financial health and sustainability for the future.



Additional Tools to Manage Fiscal Health

FCMAT has developed several tools to assist charter schools in managing their fiscal health.

- [Indicators of Risk or Potential Insolvency](#) - A list of indicators of risk or potential insolvency based on more than 30 years of experience working with local educational agencies in California.
- [Fiscal Health Risk Analysis](#) - A tool to analyze essential functions and processes in a local educational agency to analyze its fiscal health and risk of insolvency.
- [Accounting and Best Practices Manual](#) - A great source for charter school administrators, board members, directors, office managers, accountants, back-office service providers, bookkeepers and others who are responsible for charter school activities.

Next Steps

- Assess whether your finance committee and board are ready for budget season. If not, what do you need to do?
- Ensure clarity of roles during the formation of the budget and ongoing monitoring.
- Ensure budget alignment with your school strategic plan, priorities, and goals.
- Work with your leadership team to establish a strong budget monitoring process throughout the year. Discuss reports, expectations, etc.

Question?

Answer



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Connect with Us!

More information is also available on our websites at:

fcmat.org and nationalcharterschools.org

Join Us for Our Next Board Webinars

Upcoming Topics...

March

School Safety

April

Strategic Planning

May

Board Development



Upcoming A-GAME Convenings

Learn more: Nationalcharterschools.org/agame

Register at: www.CharterInstitute.org/2024-AGAME-Convenings

**APR
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Virtual Convening (*Free*)

Meet with your peers online, Wednesday, April 3, 2024 at 1:00 pm EST.

**MAY
2-3**

In-Person Convening

Join your peers in Chicago, IL, from 12:00 pm, May 2 through 3:00 pm, May 3 (Thursday and Friday). NACSA will cover the registration cost for the first 50 NACSA member organizations.

Registration Deadline: April 5

Not Yet an A-GAME member? The A-GAME community is free to join. You can access valuable resources and tools!





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