

**Public School Finance Unit**  
**Budget Planning & Preparation Pt II**

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# Budget Planning & Preparation

## Today's Topics:

- Recap of 11/7/24 [training](#)
- Forecasting Revenue
- Forecasting Expense
  - FTE and compensation planning
  - Replacement Planning
- Other Funds
- Fund 21
- Fund 31
- Statutory requirements

# Budget Planning & Preparation

## Finance Professional Budgeting Primary Roles:

- Source of creditable accurate financial information & stewardship
- Resource the organization in a responsible way.
- Ensure District statutory compliance
  - [Assurance of Financial Accreditation](#)
- Knowledge of Resources & Events

# Budget Planning & Preparation

## Purpose of a Budget

A budget provides a plan of financial operation embodying an ***ESTIMATE*** of proposed Revenues and Expenditures

- Detailed budget planning allows a district to **reflect** educational values and needs, aligning with the **district's strategic plan**.
- The structure and format provided by a well-designed budget **promotes rational decision-making** regarding the importance of various district services.
- Staff and the board are assisted in educational planning as well as in the prioritization and planning of all district operations through the allocation of resources.

# Budget Planning & Preparation

## Budget Development Components

- Develop Timeline of deliverables for BOE, Staff, Community
- Develop Guiding Principles
- Develop a Priority list of needs
- Develop Changes in Revenue Forecasts
  - Total Program grows by CPI, roughly. What is Count Trend?
- Develop Changes in Expense Forecasts
  - Forecast Compensation Scenarios & Forecast Positions & FTE
  - Communicate with Vendors (health & liability insurance, utilities, supplies, purchased services, etc) to gauge cost increases
  - Current program reviews & replacement schedules
  - New programs (Recurring vs. Non-Recurring)

# Budget Mechanics

- A comprehensive budget system ***must*** be integrated with the financial accounting system.
- A layperson should be able to understand the budget document. Consistent with other districts & audit layout.
- FY25-26 Budget template on PSFU website.
  - Will not be fully “accessible”
- ***What is District Finance Philosophy/Goal***
  - ***Small Budget to Actual Variances OR***
  - ***Always better than budget?***

# Budget Planning & Preparation

## Timeline & Calendar

- **January-February-March**
  - Present Timeline and Calendar to BOE
  - Develop and Present Guiding Principles
  - Prepare Preliminary Revenue forecasts
  - Prepare Preliminary Compensation forecasts
  - Prepare Preliminary other expense forecasts
  - *Review current programs Actual to Budget variances & previous year*
- **March-April**
  - Present a prioritized list of options to BOE:
    - short vs long term
    - Recurring and Non-recurring
    - Provide cost estimates and implementation issues
  - Fine tune revenue forecast-1st run from Legislature after March Forecast.
  - Fine tune expense forecast
- **May-June**
  - Final School Finance Act from Legislature
  - Finalize and present Budget documents to BOE

# Budget Planning & Preparation

## Popular District Budgeting Strategies

- **Incremental Change-What is Changing**
  - This presentation will focus on this strategy
- **Zero Based-Justify everything**
  - Helpful if there are major changes, but rarely is a district starting at zero every year
- **Student Based**
  - Mostly utilized by larger districts with multiple schools at all levels in order to ensure equitable distribution of FTE and Resources.
  - Also delegates more budget authority to schools.



***Other Funds  
Start with these First***



# Budget Planning & Preparation

## Other Funds

- **Fund 18 Risk Management (sub-fund of General Fund)-Optional**
  - Strongly consider collapsing into the General Fund. A few checks and one less fund to manage. (same program & object codes in fund 10)
- **Fund 19 CPP (sub-fund of General Fund)-Optional**
  - Strongly consider using the General Fund for UPK. If holding a CPP reserve, can either spend out of Fund 19 or the General Fund by coding expenses to grant code 3141. (same program & object codes in fund 10)
- **Fund 22 Government Designated-Purpose Grants. Optional**
  - Depending on number of Grants, consider collapsing into the General Fund. (same program & object codes in fund 10)
  - If maintaining Fund 22, only grants that are Request for Funds or grants that must have Revenue = Equal should be in Fund 22
- **Fund 23 Pupil Activity Special Revenue**
  - Does district subsidize/transfer GF dollars to Fund 23 for Athletics? Consider moving the Programs supported by GF to GF and have the remaining money be fundraised or donation, not taxpayer funds.
- **Fund 4X Capital Projects**
  - Revenue is usually a transfer from GF or Bond Proceeds in Fund 41
  - Expenses are the expected project costs.



# Budget Planning & Preparation

## Fund 21 Nutritional Services

- [Healthy School Meals for All](#)
  - Participation in the National School Lunch Program.
    - Including collecting Free & Reduced Forms for district under 40% free/reduced percentage (More complicated)
  - State reimburses the paid students to the level of the federal free rate for breakfast and lunch.
- How are food costs trending?
- Excess Cash Issues?
  - Less GF Transfer
  - Spend on Kitchen equipment

# Budget Planning & Preparation

## Fund 31 Bond Redemption

- **For Expense:**
  - Review district bond schedule for 12/1/24 Principal/Interest payments & 6/1/25 Interest payment. Include any pay agent fees
- **For Revenue:**
- Consider the Cash Balance of 12/2/24 to the scheduled 2025 debt service payments.
  - If that percentage is greater than 5-10% for stable assessed valuation(residential) or 10-15% for less stable assessed valuation(oil & gas) districts, consider how much Property Tax to budget as revenue.
- Building up a Fund balance in fund 31 is effectively over charging taxpayers in earlier years to the benefit of taxpayers later.

# *General Fund*



# *Forecasting Revenue*



# Budget Planning & Preparation

## Forecast Revenue Changes from Previous Years

- **What's Changing in FY 25-26?**
  - Total Program components
    - Per Pupil Funding & Count
  - UPK Funding & count
  - Local voter-approved Mill Levy Overrides
  - Specific Ownership tax & Other Local
  - Other State Revenue
  - Federal Revenue - (New or Expiring grants)
  - Transfers to other Funds
    - If alerted about Nutritional Services excess cash in FY24 Audit review, consider transferring less from GF

# Budget Prep

- **New** School Finance Formula [HB24-1448](#), replaces 1994 Law
  - **THEN**, the Governor and State Budget upset apple cart with proposing no Student Count averaging, down from 4 years, **WHICH**
  - **LEADS** to Multiple Runs-Student Count Averaging
  - **NOW** 1448 may have to be paused due to some “triggers”
  - **ALSO**, Federal Law Changes
- FY25 January Run is the Baseline
  - Change will be compared to FY25
- A lot of “Talk” out there...Next Solid Numbers End of March



# HB 24-1448 (New School Finance Act)

- Implementation over 6 years, starting in FY 25-26
- First-year cost of 6-year implementation: \$95M
- The Size Factor will be capped at 6,500 students
- The Cost-of-Living Factor will be capped at 23% (see Appendix B)
  - Districts who have seen a loss from COL will be given the option to go to their voters to make up their loss of funding
- Increase weights to .25 for at-risk, ELL, and Tier A SpEd
  - Special ed dollars to be dispersed to AUs
- Increases minimum funded pupil count to 60
- At-Risk concentration factor for districts under 7,000
- Averaging unknown

# Budget Planning & Preparation

## Annual Total Program Questions

- **Is Funded Pupil Count(FPC) growing or decreasing?**
- **Is Per Pupil Funding (PPF) growing or decreasing?**
  - **How much is CPI?**
    - 2.3%. Annually the Base funding amount increases by CPI, per Amendment 23
    - What is the Budget Stabilization Factor (BSF) going to do, increase/decrease/flat?
- **Budget Stabilization Factor (BSF)**
  - Will it come back? OR will less averaging do the trick?

# Budget Planning & Preparation

## Forecast Funded Pupil Count (FPC)

- **Funded Pupil Count (FPC):**
  - Rely on district enrollment estimates more than the State's. ***District knowledge is more accurate than the State's.***
  - Forecast Suggestion: Use a Low, Mid, High Values for possible Student count changes.
- **Averaging different this year**
  - **Need to know how 5Yr, 4YR, 3YR, 2YR, 1YR Averaging**
  - 12th Grade is leaving being replaced with new Kindergarten students
  - District grade cohort growth or loss?

### Factors to consider:

- FPC is now averaged K-12, extended high school, & On-line Multi District FTE.
- 12th Grade is leaving being replaced with new Kindergarten students
- District grade cohort growth or loss?
- Notice Governor's Request FPC compared to District expectations.
- *If District is declining, may want to do few years future forecasting*

# Budget Planning & Preparation

## Forecast Per Pupil Funding (PPF)

Items to Forecast: Total Program is largest portion of revenue

- Per Pupil Funding (PPF) : 5 Possible dollar amounts in one fiscal year
  - Preliminary look given in Governor's November/January request
  - March Forecast is published
  - Long Bill is introduced in late March
  - The School Finance Act is introduced in April/May
  - The School Finance Act is passed in early to mid May(hopefully)
  - January adjustment after count and local property tax are finalized.
  - Possible March Supplemental
- **Resource:** - [School Finance Unit page](#)-Under *Public School Act*-Funding and payment information - Pick correct year. *Careful on what periods are being compared.*
- Note: SFA may be late this year due to State budget challenges

# Budget Planning & Preparation 1994 & 1448 1, 3, 5 Yr Averaging

	Low	Mid	High	Low	Mid	High
	1994 - 1 YR	1994 - 3 YR	1994 - 5 YR	1448 - 1 YR	1448 - 3 YR	1448 - 5 YR
<b>Funded Pupil Count</b>	FY26	FY26	FY26	FY26	FY26	FY26
States's Estimated FY26	1,545.5	1,545.5	1,545.5	1,545.5	1,545.5	1,545.5
FY25 October FTE Count		1,535.0	1,535.0		1,535.0	1,535.0
FY24 October FTE Count		1,567.5	1,567.5		1,567.5	1,567.5
FY23 October FTE Count			1,644.0			1,644.0
FY22 October FTE Count			1,662.5			
<b>AVERAGED FPC</b>	<b>1,545.5</b>	<b>1,549.3</b>	<b>1,590.9</b>	<b>1,545.5</b>	<b>1,549.3</b>	<b>1,573.0</b>
FPC Change v FY25	-56.8	-53.0	-11.4	-56.8	-53.0	-29.3
FPC Change v FY25 %	-3.54%	-3.31%	-0.71%	-3.54%	-3.31%	-1.83%
<b>Other Counts</b>	<b>14.5</b>	<b>14.5</b>	<b>14.5</b>	<b>14.5</b>	<b>14.5</b>	<b>14.5</b>
<b>Per Pupil Funding</b>	1994 - 1 YR	1994 - 3 YR	1994 - 5 YR	1448 - 1 YR	1448 - 3 YR	1448 - 5 YR
FY25 January PPF	\$11,746	\$11,746	\$11,746	\$11,746	\$11,746	\$11,746
FY26 PPF Estimates	\$12,054	\$12,050	\$12,003	\$12,354	\$12,350	\$12,416
FY26 FPC Estimates	<b>1,560.0</b>	<b>1,563.8</b>	<b>1,605.4</b>	<b>1,560.0</b>	<b>1,563.8</b>	<b>1,587.5</b>
Total Program	\$18,803,921	\$18,843,346	\$19,269,312	\$19,272,133	\$19,312,230	\$19,709,898
<b>FY26 v FY25 Total Prog. Var.</b>	<b>(\$186,179)</b>	<b>(\$146,754)</b>	<b>\$279,212</b>	<b>\$282,034</b>	<b>\$322,130</b>	<b>\$719,798</b>
PPF Change %	2.62%	2.59%	2.19%	5.18%	5.14%	5.71%
FPC Change %	-3.51%	-3.28%	-0.71%	-3.51%	-3.28%	-1.81%
Total Program Change %	-0.98%	-0.77%	1.47%	1.49%	1.70%	3.79%



# Budget Planning & Preparation 1994 & 1448 1, 3, 5 Yr Averaging

## Total Program Y.O.Y. Change

Variance From FY25 January Total Program		
<b>1994 - 1 YR</b>	<b>1994 - 3 YR</b>	<b>1994 - 5 YR</b>
(\$186,179)	(\$146,754)	\$279,212
<b>1448 - 1 YR</b>	<b>1448 - 3 YR</b>	<b>1448 - 4 YR</b>
\$282,034	\$322,130	\$719,798

# Budget Planning & Preparation

## Total Program Wrap Up

- **Total Program is the largest revenue item.**
  - Use District Count compared to State Count figures
  - PPF is best place to be aggressive or conservative in budget
- **Per Pupil Funding estimate timeline**
  - Governor's November/January
  - March Forecast & Long Bill late March-Best early estimate
  - School Finance Act (SFA) Late April-Early May-Best estimate.
  - True up in January when Count and Property Tax is known
- **Forecast Funded Pupil Count**
  - Certified November
- **Local and State Share Split**
  - Certified December

# *Forecasting Other General Fund Revenue*



# Budget Planning & Preparation

## Forecast Revenue Changes from Previous Years -

- **Mill Levy Overrides**
  - A fixed *specific* mill amount will change when Net Assessed Value change
    - Odd years are Reassessment years. Does district expect AV growth? Contact County Assessor.
  - A fixed *dollar* amount MLO will not change regardless on Valuation.
- **Specific ownership tax change-(vehicle registration taxes)**
  - How is the trend over past years?
  - Gross amount not necessarily the amount on the “run”
- **Change in Allocations to other Funds**
  - Review Nutritional Service transfer with impacts of Healthy School Meals for All & Excess Cash Issues.
  - Review Fund 4X project list and fund appropriately
  - Forecast Fund 11(Charter School) per the district’s specific distribution calculation.
- **Other Local impacts and changes?**
- **Other Legislative changes affecting state revenue- APRIL FPP Meeting**

## Forecast Revenue Changes from Previous Years - *Continued*

- **New and Expiring Grants**
  - ESSA(Title Funds) will post Preliminary allocations in May-June. Current year allocations are best estimates.
  - Other Grants
    - Review how the spending is progressing in current year to determine carryover.
    - *Review FY24's Audit for Accounts Receivable and Unearned Revenue.*
- **BEST PRACTICE: Business office should have records for all grants**
  - Application, Budget, Allowable Expenses, Award Letter, Access to Request for Funds.
  - Actual to budget variances performed monthly, or at least Quarterly.

# *Forecasting Expenses*

# Budget Planning & Preparation

## Forecast Expenses Changes from Previous Year

### Items to Forecast: What's changing in FY25-26?

- District programs and services should be considered for redesign, reduction, supplementation or elimination.
- PERA rate 21.4% & Medicare rate 1.45%
  - *What is your net effective rate. FY25 Total PERA/Medicare divided by FY25 Gross Salary.*
- Health Care & other Benefit cost changes
- Operating expenditure growth
  - Utilities, Internet/telecom, Insurance, other Purchased Services, Supplies, & Equipment.

# Budget Planning & Preparation

## Forecast Expenses Changes from Previous Year

### Items to Forecast: *Salary & Benefit*

- Anticipated salary/staffing change
  - For each wage schedule
    - # of FTE(*Don't forget Vacancies*), Cost of Current Schedule, Cost of Step, Cost of Adding 1%. *Don't forget to add PERA, Medicare, other payroll employer paid items.*
      - Know what a step is in \$ and % terms
      - Know the staff demographics
        - Experienced vs New
        - Masters vs. BA
    - General Ledger/Payroll system may produce a report. If not create manually in excel.
- **Wage growth happens when the % increases is larger than the CPI**

# Budget Planning & Preparation

## Forecast Expenses Sample Scattergram

- [PFSU website](#) - under the *Statutory Compliance & Reporting*
- Both Licensed/Salary and Classified/Hourly Scattergrams
- Input current schedules & FTE, don't forget vacancies.
- Next tab calculates the cost of step
- Next tab has the "stepped FTE" with the ability to add a % to the schedule or to add a fixed dollar to the base
- Things to consider:
  - Fixed Dollar or Fixed Percentage step schedule?
    - Fixed percentage is equal to all.
  - Growing the Salary schedule is important to attract new staff
  - How competitive is your schedule to neighbors
  - Calculates average wage & benefit cost.
  - Is this the year to add significant dollars to schedule
  - Minimum wage 1/1/25 with ~\$14.81, may want to adjust in June instead of January on Hourly schedule.
    - *Estimate for 1/1/26 is \$15.18 - 15.25, adjust for July Not January*

## Replacement Schedule Items

**Strong Fiscal Stewardship includes establishing a Replacement Schedule to avoid fiscal cliffs**

- **Curriculum**
  - Best Practice 5-8 year rotations
- **Transportation**
  - 15-20 year replacement schedule
  - 5-10 year replacement schedule
- **Technology**
  - Technology 5-8 years
- **Facilities**
  - Facilities requires constant investment-Build 5 year plan
- Excellent non-recurring items to spend on Fund Balance



# Budget Planning & Preparation

## Suggestion: Single page summary

- 1. Forecast Revenue Changes from Previous Year**
  - a. Changes in Total Program-Count & Funding
  - b. New or Expiring Grants
  - c. Changes in Allocation to other Funds
  - d. Mill Levy Override potentials
  - e. Other Revenue
- 2. Forecast Expenses Changes from Previous Year**
  - a. Known or Mandated**
    - i. Health Insurance
    - ii. PERA
    - iii. Purchased Services (Liability insurance, Utilities, etc)
  - b. Variable depending upon remaining resources**
    - i. Program Enhancements (Priority ranking of Requests)
    - ii. Compensation
- 3. Cumulative total shows when Revenue = Expense**
- 4. Revenue = Expense-Ok, Revenue>Expense-Ok (why?), Revenue<Expense-What's the plan?**



# ***Fund Balance & Budgeting***

# Budget Planning & Preparation

## **FUND BALANCE USAGE-Training 1/16/25**

- Deficit Spending, expenses higher than revenues, is not a long term fiscally responsible position.
  - When considering using Beginning Fund Balance, focus on non-recurring items that do not create ongoing deficits. It is easy to deficit spend, it is difficult to correct
  - Using Beginning Fund Balance on recurring expenses (compensation) leads to ongoing deficits.
  - Role of finance is to alert BOE and district of consequences of using Beginning Fund Balance 22-44-105(1.5)(a)&(c).

# Questions to ask when considering fund balance

- What is the budget to actual variance for revenues?
- What is the budget to actual variance for salaries & benefits?
- What is the budget to actual variance for other expenses?
- Is the district saving up for major expenses (BEST/Construction)
- Are certain schools/depts NOT spending their budget? Why?
- Are certain departments regularly overspending their budget?
  - Are there controls to prevent this?
  - Is it a result of unforeseeable circumstances?
  - Is it a recurring or non-recurring problem?
  - Is there a process to address these challenges on a regular basis?
- What is the budgeted recurring/non-recurring mismatch?
  - What is the calculation of recurring revenues - recurring expenditures?
  - If spending FB on recurring items, what is the plan for how deficit spending will end?
- Are there unusual non-recurring items included in the budget?
  - Grants, especially ESSER, expire. What expenses are not expiring.

# Strategies to Deploy Fund Balance

## If trying to decrease Fund Balance

- Use more aggressive budgeting. Revenues < Expenses will lower Fund Balance.
  - Need to understand historical actual to budget variances
- How up to date are the following replacement plan items:
  - Vehicle Fleet (yellow and white fleet)
  - Curriculum
  - Technology
  - Deferred Facility Maintenance
- Other non-recurring items:
  - Staff Bonuses (with or without PERA)
  - Professional Development
  - Facilities always has needs (carpet, paint, mowers, plows, small equip, building improvements, etc)
  - Special projects or events
- What is the plan to not have ongoing deficits if spending on recurring expenses

# Strategies to Increase Fund Balance

## If trying to grow Fund Balance

- Revenues > Expenses will grow Fund Balance
- Budget FPC & PPF conservatively
- Make sure staffing budgets are accurate
- Build cushion into expenditure budgets in order to mitigate surprises
- Capture the savings from staffing vacancies
- Make sure you use modeling for more accurate expenditure estimates
- Consider leveraging alternative sources of revenue:
  - Indirects on Nutritional Services(only applicable if you are not transferring money from GF) & Grants
  - Investment Income
  - Maximize State categoricals
  - Capture General Fund savings from grant covered expenses-Supplanting issue-

# *Statutory Requirements*



# Budget Planning & Preparation

## Statutory Required Budget Documents

- Appropriation Resolution 22-44-107- **Budget “Appropriation Reserve” for all funds using the full fund balance.**
- Use of Beginning Fund Balance for each fund, if applicable, 22-44-105(1)(d.5)
- Use of Interfund Borrowing Resolution 22-44-113
- [Uniform Budget Summary](#) (located at bottom left under Statutory Compliance and Reporting section)
- Multi Year Budget Document by Program & Object. Also, Revenues & expenses per pupil.
  - Previous year Actual (FY24)
  - Current year Budget (FY25)
  - Forecast ending year (FY25)
  - Ensuing year Budget (FY26)
  - Variance of FY26 & FY25
- All are listed on the [Assurances of Financial Accreditation](#)

# Budget Planning & Preparation

## Reminders

- The June Budget is an estimate
  - Total Program, PPF & FPC, not known. Staffing not known
- Can revise budget by January 31
  - Strongly recommended
- Be the source of creditable accurate financial stewardship
- You are resourcing the organization in a responsible way. Not a policy maker!
- A comprehensive budget system must be integrated with the financial accounting system.
- Compliant with the [FPP handbook](#) - Mandatory budget content



# Budget Planning & Preparation

## Contact for Budget Issues

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