

# CSDC's Boarding Pass

## Charter School Budgeting Fundamentals for Board Members

CSDC Boarding Pass  
Podcast 2024

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# Goals and Objectives

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General overview of charter school budgeting including:

- Role of the Governing Board
- Purposes and role of various types of budgets
- Budget development timeline, process, and best practices
- Understanding revenue estimation
- Understanding expenditure estimation
- Budget-balancing and resource allocation



# Charter School Budgeting Overview

# Charter Schools Operate in a Dynamic Environment

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To develop effective budget scenarios, school leaders must track developments at the Federal, State and Local Levels. For example:

- **Federal:** Shifts in the CA/Federal Relationship, Accountability, political landscape
- **State:** Union Activity, Economic Changes, Wage and Hour Laws, Accountability, Politics
- **Local:** Shifting demographics, labor shortages, covid impacts ...and the list goes on...
- Your budget will need to be finished before you have all the final information

***CSDC Members have access to Charter Currents and Charter Weekly—which provide timely information and insight to the political, regulatory and legal reality for charter schools in California.***

# Types of Budgets

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- **Roll-over**

- Typically starts with prior year or years, uses a cola and rolls over amounts to new year

- **Zero Based**

- Everyone starts with \$-0- and builds budget from there each year
  - Time consuming, not always thoughtful or genuine

- **Stacked Ranked**

- What are the non-negotiables
- Budget from highest rank (most important) down to lowest
- Used to eliminate unnecessary expenses, may have some interesting outcomes depending on the group involved

- **Others?**

# Budget Development: Other Common Levels of Focus

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- Budgeting may be conducted or focused at various levels
  - **Line-item budgeting**
    - Budgeting where line items, usually by object, are the primary focus and level of control
  - **Function-based budgeting**
    - Where functions (e.g., instruction, administration, support services, etc.) are the primary focus
  - **Program-based budgeting**
    - Where program (e.g., regular education, special education, Title I, etc.) are the primary focus
  - **All of the above (3 dimensional budgets)**

# Common Charter Budget Problems

- Lack of mission alignment, or board budget policies
- Lack of board/stakeholder engagement, understanding
- Lack of budgets for restricted/reserved resources
- Unrealistic, ungrounded assumptions
- “Minimalist” budget developed only to satisfy charter-granting agency
- Budget ignored after adoption\*
- Inflexible budget assumptions\*
- Untrained staff preparing and managing budgets
- *Segregated planning (LCAP) and budget processes*



# Budgets Serve Many Purposes: Planning

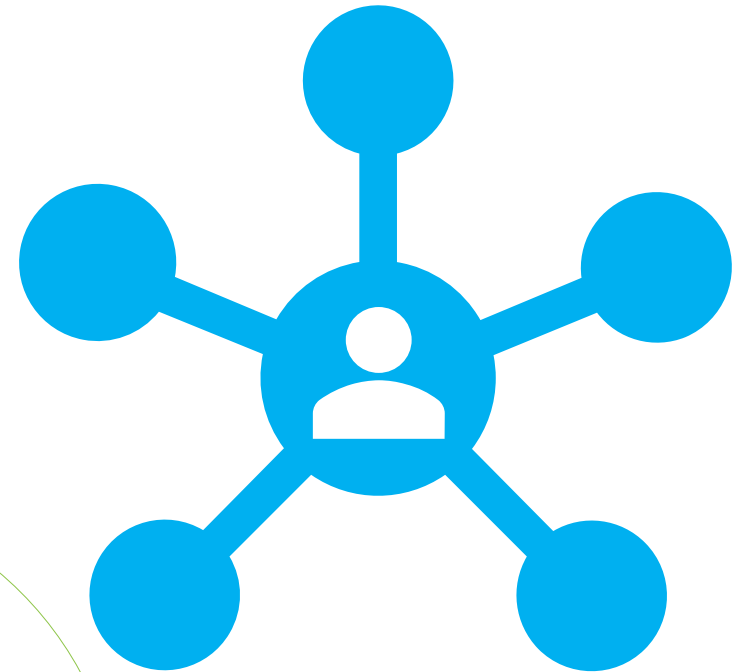
- Budgets are a **planning** tool
  - Forces management and leadership to identify, agree on key assumptions and thus outcomes
  - Tangible, fiscal allocation of strategic, programmatic and structural assumptions
  - Helps to identify whether planned assumptions are sustainable





# Budgets Serve Many Purposes: Management

- Budgets are a **management** tool
  - Establishes fiscal and other benchmarks and targets
  - Clarifies staffing levels, positions, full-time equivalents (FTE)
  - Identifies how much school administrators and program managers may spend and how
  - Organizes revenues and expenditures for compliance and grant management purposes
  - Regular review of these items is essential



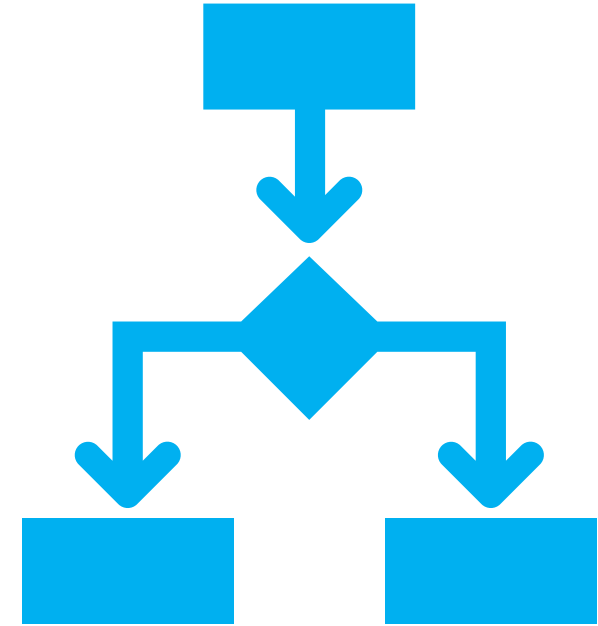
# Budgets Serve Many Purposes: Communication

- Budgets are a **communication** tool
  - Tangible expression of school's mission
  - Demonstrate that you “put your money where your mouth is”
  - Establishes/demonstrates fiscal accountability (or lack of sustainability)
  - Puts life into stakeholder infused educational plans
  - Parent view of LCAP and other systems are essential to inform all stakeholders of your priorities



# Budgets Serve Many Purposes: Internal Control

- Budgets are an *internal control* tool
  - Board's official authorization of expenditures, staffing and reserves
  - Often with some degree of line-item transfer authority (w/in a balanced budget context)
  - Delegation of expenditure authority to administrative staff
    - Usually part-and-parcel of broader set of fiscal policies and procedures
    - Budget to actual-measurement tool
    - Timeliness of reporting to board, stakeholders, budget leads



# Budget Development: Process, Timeline and Roles

# Typical Budget Development Steps and Adoption Process Overview

- Identify approach, timeline & process
  - Including LCAP and budget in **coordinated timeline/calendar** is a practical necessity
- Engage stakeholders—  
programmatic leads + LCAP
- Review progress, identify needs, priorities, challenges, opportunities
- Estimate prior-year balances
- Identify key assumptions
- Estimate budgeted revenues and expenditures
- Draft budget & LCAP documents
- Repeat, iterate key steps, until it balances & works
- Finalize budget & LCAP documents
- Formal review, LCAP hearing, & board adoption
- Submit copies to granting agency, county superintendent
- \*\*May take multiple cycles depending on the development of peripheral and tangential pieces.

# Budget Development: Timeline and Calendar

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Charter schools typically adopt and amend a formal timeline or calendar for developing and monitoring their budgets

- ✓ Reflecting a mix of legal, operational, practical, and political requirements and priorities
- ✓ Budget calendar helps keep process on-track and avoids ambiguity over who is responsible for what, and when
- ✓ Fiscal year and state budget timing dictate much of the calendar: July 1-June 30 budget cycle a practical necessity due to various mandates
- ✓ May help to backwards map from when authorizer expects to have approved budget (allow for board meetings, committees etc). Your budget may be due sooner than expected

# Charter School Budgets & State Budget Timelines

## California State Budget Annual Timeline

- Charter school revenues are largely dependent on the funding provided in the state budget
- So must be aware of state's budget development and adoption calendar (or lack thereof when late)
- You'll need to monitor state budget process to project revenues in most fiscal years
  - CSDC, others provide estimates
  - You need to be an educated consumer to use them
  - State budget process frequently varies from the "normal"



# Budget Development Timeline\*: State Budget

- January: Governor proposes budget for upcoming fiscal year
- March-May: Legislative budget committees review governor's proposed budget
- Mid-May: Governor proposes revisions to original January proposal ("May Revise")
  - Usually mostly caseload and other updates
  - Sometimes includes major fiscal policy changes
- May-June:
  - Legislative committees adopt budget
  - Assembly and Senate adopt budgets
  - Conference committee addresses differences in Assembly and Senate budgets
- June 15<sup>th</sup>: Full houses adopt aligned budget (Constitutional deadline is frequently blown)
  - Governor signs budget, has line-item veto authority\*
- Late Summer-Full Legislature finally passes trailer bills, final budget and other necessary items.



*\*State budget adoption subject to delays, particularly during recessions*



# Budget Development: Basic Legal Requirements for Charter Schools

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- Must adopt budget **by July 1** and submit to granting agency
- Not bound to the many other detailed requirements applicable to districts
  - **No “sunshine,” public hearing, single/dual adoption, etc. requirements**
  - **Sound management and practical factors may demand similar practices**
- Many charter petitions and “MOUs” contain additional requirements
  - **Review your charter and any MOUs to know what is in yours! (reserves, deadlines, information, etc.)**

# Other Budget Requirements

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- Budget adoption by July 1 (budgets include 2 additional years of estimates)
- 1st Interim (actuals as/of October 31, revised budget, 2 additional years of estimates)
  - June/July budget is often without final gov't information
  - Often without final staffing/enrollments
  - 1<sup>st</sup> interim is typically the “working budget”
- 2<sup>nd</sup> Interim (actuals as/of January 31, 2<sup>nd</sup> revised budget, 2 additional years of estimates)
  - Typically, not much change from 1<sup>st</sup> interim, note big changes
- Unaudited Actual (End of Year information) due September 15
- Authorizers often require board review/approval of interim budgets

# Basic Legal Requirements for Charter Schools' LCAP

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- Develop and annually update LCAP to include goals/outcomes, annual actions, aligned assessments for all students and by student subgroups developed in consultation with specific stakeholders
- LCFF laws require charter schools to demonstrate that the increase in quality and/or quantity of services for high-need pupils is proportional to increase in LCFF supplemental and concentration funds
- Must adopt at a public hearing by July 1 (*same as annual budget deadline*) and update annually
- Beginning this 2023-24 SY, also must provide a mid-year update on or before February 28 at a regularly scheduled board meeting\*



# Budget Management: Board and Staff Roles

# Budget Management: Board and Staff Roles

- Staff typically drive the budget planning and adoption process
- Board should test assumptions, ask challenging questions and approve/veto budget
- Important to reach mutual agreement over **who, what, when, and how**
- LCAP requirements add to the mix, effectively mandating annual strategic plan refresh as part of budget process



Typical Governing Board Roles	Typical Staff Roles
Adopt and amend budgeting policies	Assist board w/analysis and technical support
ID “high level” budget priorities	Prepare draft budgets and documents
Receive public/stakeholder input	Facilitate stakeholder input and engagement
Review and respond to draft budgets	Monitor and report to board and granting agency
Adopt budget, monitor and amend	

# Board and Staff Roles

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- Typical budget development steps:
  - Board adopts/updates fiscal-related policies
    - Including defining key budget roles and responsibilities
    - Compensation Expectations
  - Joint board, staff review of progress to-date, identify needs
  - Board also typically adopts broad budget priority statements and parameters
    - May also have adopted strategic or other plans
  - Staff use board-adopted priorities and parameters to guide development of draft budgets and scenarios
  - Staff identify starting point (prior year ending balance projections) and key budgeting assumptions
  - Engage stakeholders at strategic points throughout
  - Create flexible models and worksheets

# Governing Board's Budget Policies

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- Board budget policies are not legally required, but often are a good practice
- Can range from very general to very detailed (general is better)
- Common budgeting policy contents:
  - Calendar and process
  - Roles and responsibilities
  - Ground rules and goals
    - Assumptions
    - Cash & reserve targets
    - Staffing
    - Compensation increases

Free Sample Board Policies for CSDC Members :

<https://www.chartercenter.org/resources-tools/charter-school-governing-board-sample-policies>

# Governing Board's Budget Priorities

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- Helpful for board to provide initial guidance on top priorities to staff prior to developing initial budget drafts
  - Compensation increases
  - Projects or new pilot programs
- Board should at least review needs assessment and mission-based priorities
  - What do they mean in fiscal terms?
  - How do we “put our money where our mouth (vision) is?”
- Presumably in close coordination with LCAP development
- Staff can help initiate process, provide alternatives, identify threats and opportunities
- Begins process of building board consensus
  - Or continues it if board has prior long-term plans
  - All stakeholders should be able to articulate priorities and expected outcomes in the budget

