



# Budgeting Basics

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# Role of Business Official: Budget

- Establish, maintain, and review effective and accurate budgeting practices within established accounting guidelines and regulations to support the educational process
- Monitor and control expenses as authorized in approved budgets for all district financial activities
- Manage business and financial dealings effectively by following district policies, state laws, and good business practices
- Develop scenarios projecting expected revenues and expenses
- Provide transparent information and reporting

# **Role of Business Official: Budget** **(Most Importantly)**

- Support the education process but keep the district fiscally solvent, compliant, and out of trouble.

# A School Business Official is responsible for 100+ different things...

Don't forget to keep an eye on the budget at all times!!!!



# How are Schools Funded?



Local non-homestead property taxes

State School Aid Fund

State Grants

Federal Grants

Countywide Millages

Local non-tax sources

Bond Issue (Infrastructure only)

Sinking Fund (Infrastructure only)

# Funding for General Operations: Foundation Allowance and Property Taxes

- School funding shifted from local control to state control with the passage of Proposal A in 1994.
- Each year, the state legislature sets the amount of money each school district is permitted to receive for general operations, called the foundation allowance.
- Each district receives the foundation allowance (per pupil funding amount).
- For 2016-2017, the minimum foundation is \$7,511 per student; some schools get more

# Funding for General Operations- Foundation Allowance and Property Taxes

- Your foundation allowance accounts for the majority of revenue for most districts
- Calculated by: Foundation per pupil x Number of pupils = Foundation allowance
- The foundation allowance is collected from a combination of:
  1. Local property taxes
  2. State School Aid Fund

# Funding for General Operations: Foundation Allowance and Property Taxes

- For property taxes, the county assessor determines taxable values of all properties by May 1
- County assessor reports online DS-4410
- DS-4410 is used to calculate “assumed local revenue” on State Aid Status Report
- “Assumed local revenue”
  - Non-homestead taxable value x 18.0000 mills
  - Commercial personal property x 6.0000 mills



# Funding for General Operations: Foundation Allowance and Property Taxes

- District requests tax millage levy rates on Form L-4029
- Tax levy for non-homestead operational, debt services, sinking fund, and recreation fund
- Form L-4029 sent by District to county clerk, equalization, township treasurers
- Due May 31 for summer or summer/winter levy
- Due September 30 for winter levy

# Funding for General Operations: Foundation Allowance and Property Taxes

- State School Aid amount is determined by calculating total foundation allowance minus assumed local revenue
- Won't receive more than foundation per pupil multiplied by amount of pupils
- Review and balance your State Aid Financial Status Report. Every month review for accuracy and if anything looks wrong, investigate then; don't wait

# Create a Budget Timeline

## July through June

- Every district will be different based on needs, policies, ect
- Fall count day
- November/December/January: First budget amendment
- By January: Start discussions with Supt. and board of education on next year's budget for preliminary talks, potential decision making, which can be done at a board meeting or with a sub-committee such as a budget committee if your district has one

# Create a Budget Timeline

## July through June

- February/March: Second budget amendment if needed
- February-Governor's Budget Proposal
- Winter count day
- February through June-Work with board, supt., and administration on next year's budget
- June-Final amendment of current year budget
- June-Finalize next year's budget-Budget Hearing

# Enrollment Projections

- Important as enrollment will affect revenues (foundation allowance primarily) and staffing needs
- Can be done internally or externally
- If done internally, review trends of your district and nearby districts
- If done externally, firms can be hired to do the work.
- Always keep board of education up-to-date on enrollment, both presently and with future projections

# Staffing

- Be sure good communication is there between administration and business office on staffing needs
- Salaries, Wages, and benefits can make up 70 to 90 percent of most general fund budgets
- Budgeting for salaries and benefits needs to be accurate in order to have an accurate budget
- Have good budgeting practices on how changes in staffing can affect the budget, either in salaries and/or benefits

# State Budget Information

- Where can this information be found?
  - MSBO, ISD, MDE, and from other business officials from other districts
- The state budget can affect individual districts differently so be sure to read and understand all the details and how it impacts your district

# Grants

- Be sure to keep up-to-date on grants
- Don't record revenue unless you have corresponding expenses to match up with revenue
- Be sure at fiscal year end to watch for any unearned revenue when budgeting for grant revenue
- Making sure expenses in the budget match with budgets in MEGS+ for grants such as Title 1A and Title IIA and for other grants your district may have a budget for



# Budget Assumptions: Revenue

- Change in student count
- Change in foundation allowance
- Changes from grants
- Changes from local sources
- Changes from your ISD
- Changes to any federal monies the district receives

# Budget Assumptions: Expenditures

- Changes to wages and salaries per collective bargaining agreements (teacher steps, % increases) or board action
- Update corresponding benefits
  - FICA
  - Retirement (Annual Rate Changes October)
  - Workers Compensation
- Any unemployment costs to budget for?

# Budget Assumptions: Expenditures

- Update insurance premiums for staff.
  - If increases are not known at time of budget proposal, use best information from known historically and as always, be conservative
- Non-Personnel Changes need to be reviewed and updated:
  - Examples include instructional supplies, transportation, athletics, and technology

# Presenting of the Budget

- Each district will be different per needs/wants of board of education and community
- Be transparent
- Show assumptions and talk about them
- Give board of education at minimum budget information on a functional level for expenditures and by source for revenues

# Presenting of the Budget

- Be sure to have copies of budget for handout at board meetings for board of education, administration, and others in attendance that may want a copy
- Present the estimates and facts as they are
- Be sure to post to district website within 15 days of adoption for website transparency purposes

# After Budget Approved/Adopted

- Monitor and make sure budget is in line with what is actually happening
- Report changes that may be necessary and variances from budget to actual
- Budget to actual reports should be reviewed at a minimum on a monthly basis to the full board of education or a budget sub-committee, which will continue to provide full transparency

# After Budget Approved/Adopted

- Review balance sheet to make sure all account balances are accurate
- Reconcile the balance sheet accounts at a minimum on a monthly basis
- Keep an eye on cash flow

# After Budget Approved/Adopted

- The process never ends
- Day to day tasks, reporting, and policies can be very consuming, but as mentioned before and will be mentioned again, keep an eye on the budget
- Better to rectify an error or change earlier than later



**A School Business Official is  
responsible for 400+ different things  
and the list keeps growing...**

Don't forget to keep an eye on the budget at all times!!!!



# Questions?

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- Thank you!