



Budget Development Process

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Chief Financial Officer

Agenda Item IV A (SchoolOrgWorkGroup)
Meeting Date: 05-16-18



Objectives

- Budget Build Process
- Budget Assumptions and Challenges
- AB469 Challenges
- Summary of Gibson Report and MGT Audit

Governing Laws, Policies, and Regulations

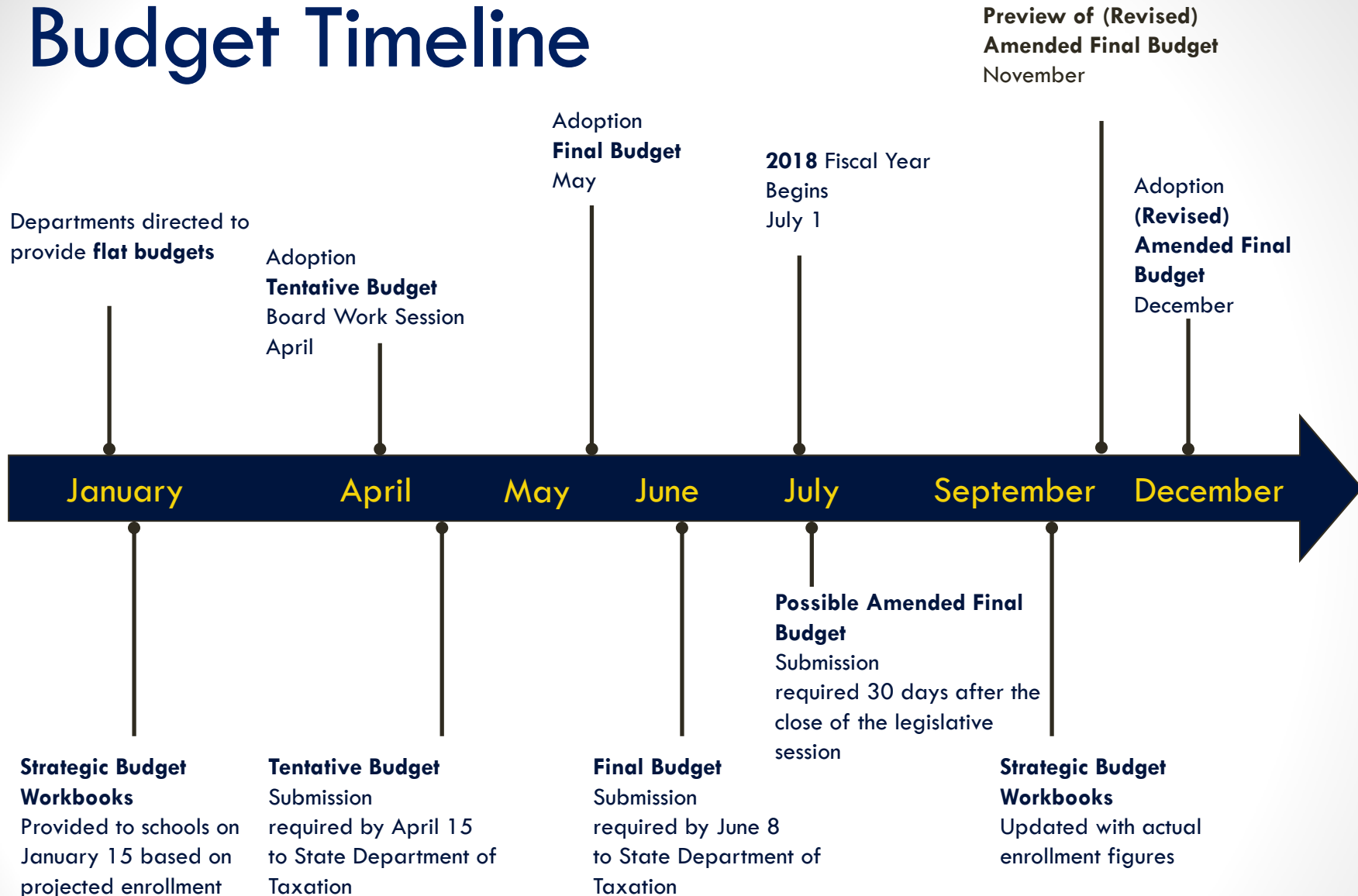
Nevada Revised Statutes (NRS) 354

- Defines the various fund types
- Governs the calendar of events for annual budget adoption and submission of financial reports

Board Policy

- R-3110 Budget development and components of ending fund balance
- R-3130 Administration of the budget

Budget Timeline



Components of Budget



Revenues



**Salaries
and
Benefits**



**Supplies
and
Other**

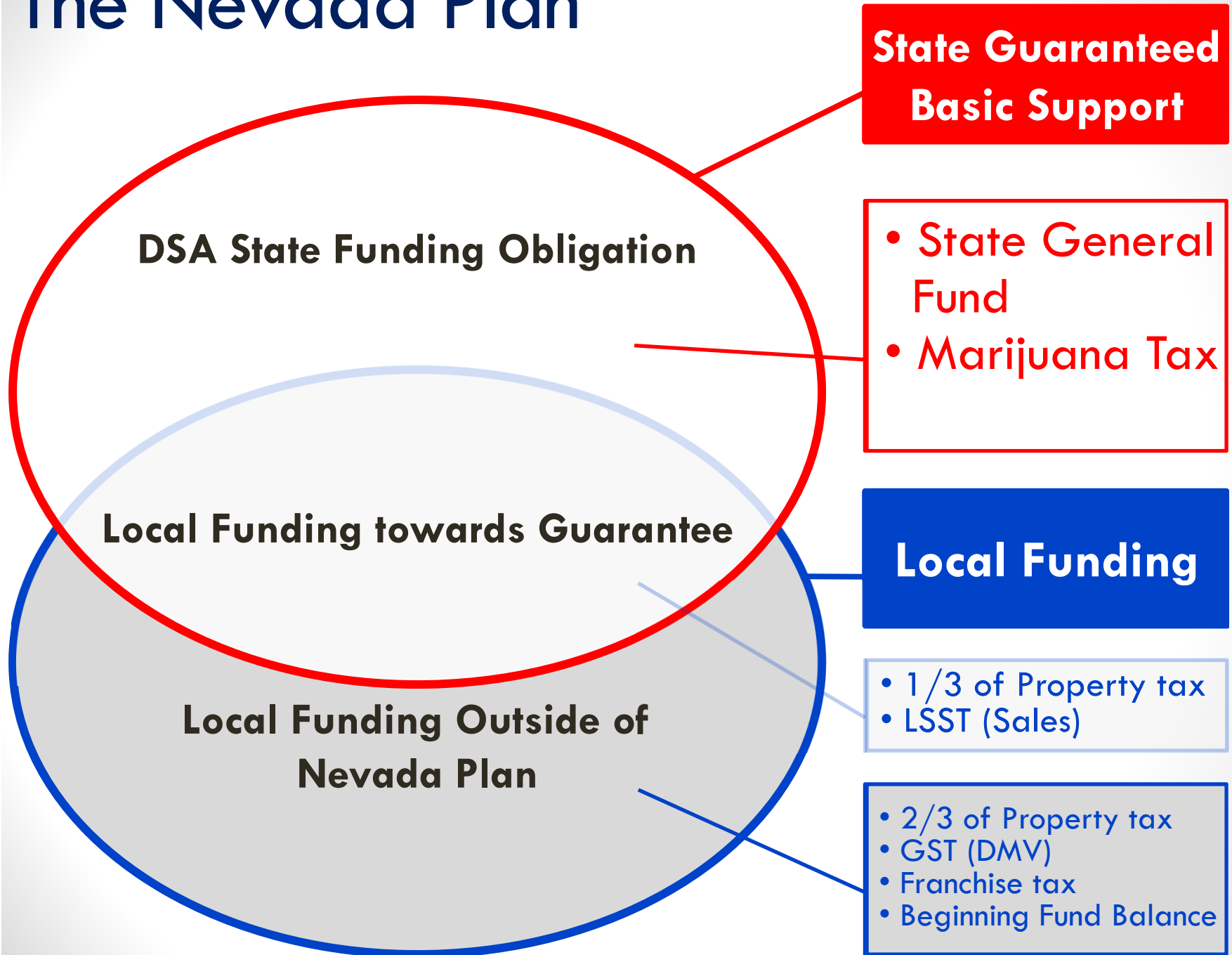
Budget Creation Process (Revenues)



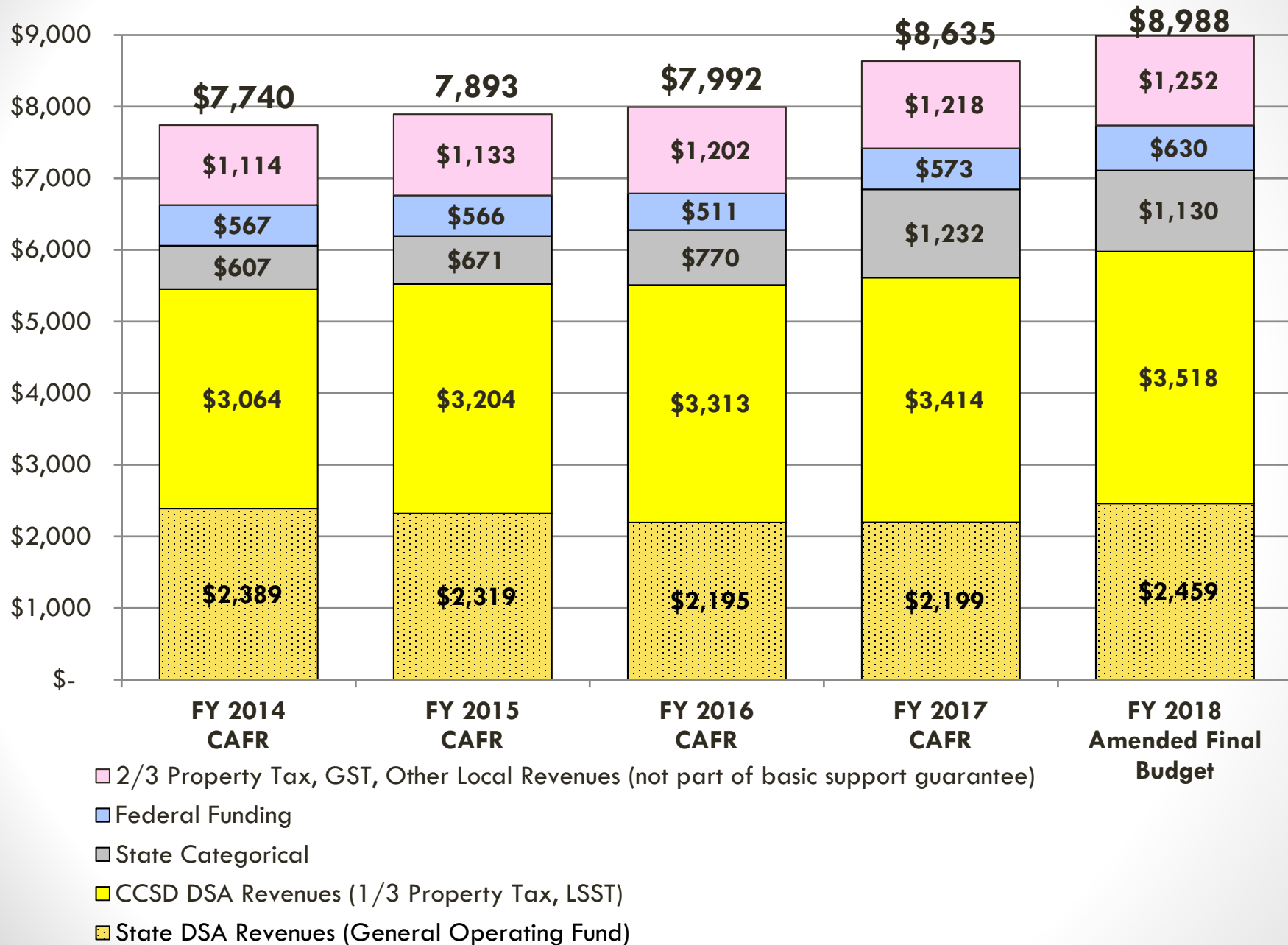
DSA

- The **Nevada Plan** establishes a **State Guaranteed Basic Support**
- CCSD historically gets 96% of stated Nevada Department of Education (NDE) statewide Distributive Student Account (DSA)

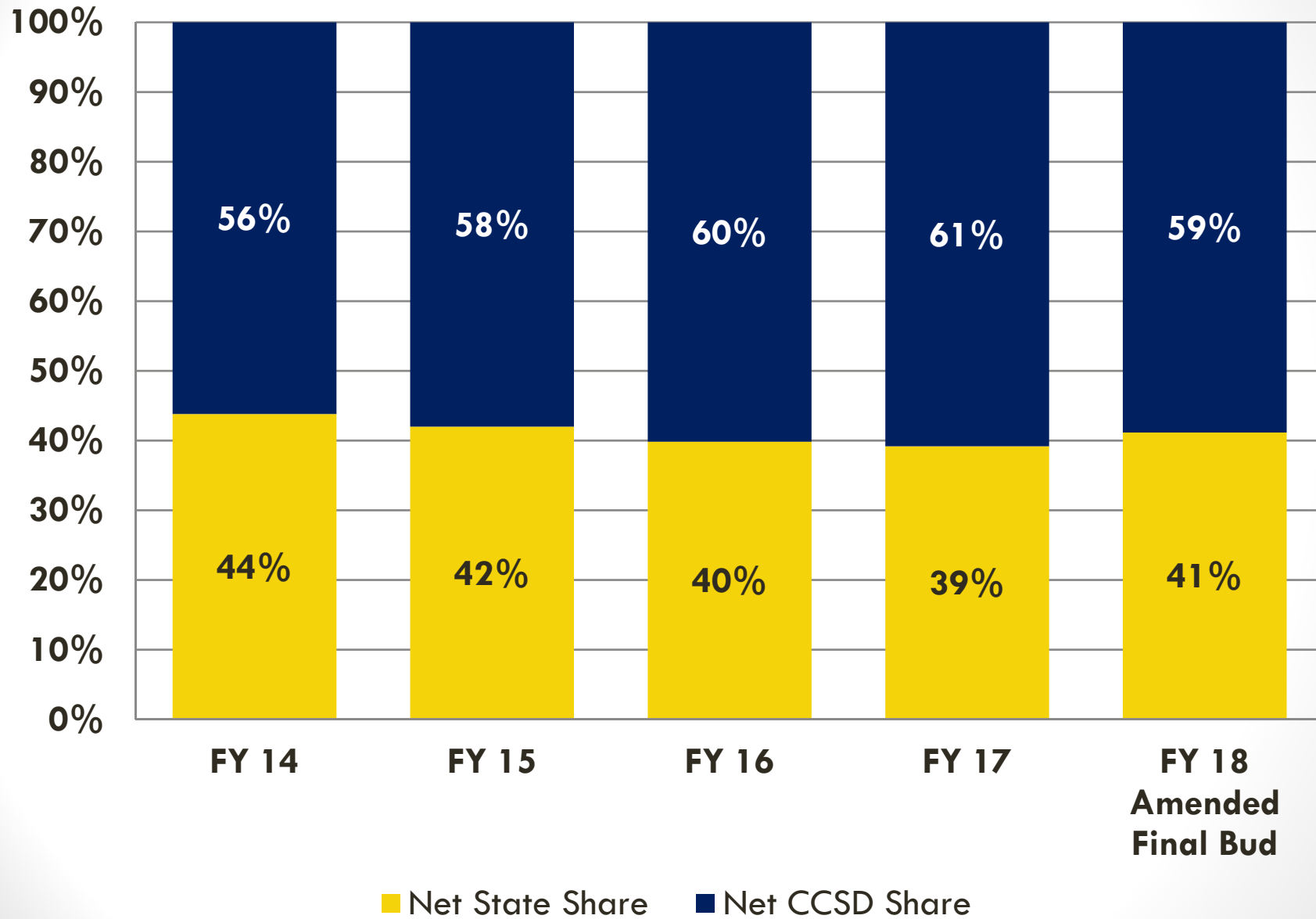
The Nevada Plan



Per Pupil Funding



Guaranteed Basic Support



Strategic Budget Development

- Currently, budgets for schools are developed using a model based on enrollment of the schools.
- This model is defined in our Comprehensive Annual Budget Report
- This model is based on budgeting for positions within the strategic workbooks of schools through enrollment and ratios.
- Additionally the budget provides funding for non-personnel costs such as supplies based on a per pupil basis.

Strategic Budget Development Timing

- December
 - Enrollment projections from Zoning & Demographics
 - Verify student/teacher ratios with HR
 - Average salaries from Budget Department
 - Title I allocations from Title I Department
- January 15 – February 15
 - Strategic Budget workbooks available to schools for planning
 - Schools may request additional funding above allocation
 - Off-ratio appeal process
- February 15 – February 21
 - Workbooks available to SAS's for approval
- February 22 – March 23
 - HR and Strategic Budget team reconcile workbooks
- August – September (count day)
 - Strategic budgets reopened to allow staffing adjustments based upon changes in enrollment

Revenue Projection Process

Tentative Budget

- Tentative Budget Revenue Projections for General Operating Funds

General Fund

- **General Fund:**
 - Projected DSA Basic Support per Pupil based on Historic ratio of CCSD to Nevada Department of Education (NDE) statewide DSA (approx. 96%)
 - Multiply projected Basic Support per Pupil by Projected Student Enrollment by school for following school year
 - Trend: Local School Support Tax (LSST) (Sales tax) (from NVDOT)
 - Trend: 1 / 3 Ad Valorem (Property tax) (from NVDOT)

Special Education

- **Special Education:**
 - Use previous year's Special Ed weighting file from State with Projected Student Enrollment by School for following school year

This process is preformed twice each fiscal year. First, in January to be used in the Tentative and Final Budget development, then in October to be used in the Amended Final Budget development.

Budget Creation Process (Salaries and Benefits)

Salary Projections

- Based on Actual payroll data (assume workers will still be with District)
- Apply appropriate Step and Column increases (“roll-ups”) as well as Longevity, Add-on days, Extra Pay (i.e., employee groups with active contracts)
- Calculate Vacant FTEs: Budgeted FTEs (from AFB) – Actual FTEs
- Multiply Vacant FTEs by actual average salary (by labor group)
 - (For Licensed, multiply by “new-hire” rate)
- Result is projection of next year’s annual **Base Salaries** by Position

Add Benefits

- Multiply Total Base Salary by Fringe Rates
- Add Employee Group Insurance (EGI) per “headcount”
- Result is the annual **Employee Benefits** by Position

Fringe Rates:

PERS	0.2800
OIM	0.0085
SUI	0.0005
Medicare	<u>0.0145</u>
	0.3035

Total Salary and Benefits

- Add together: **Base Salaries + Employee Benefits**
- Result is draft of annual **Total Projected Payroll** cost at 100% staffing for District

This process is preformed twice each fiscal year. First, in January to be used in the Tentative and Final Budget development, then in October to be used in the Amended Final Budget development.

Budget Creation Process (Salaries and Benefits, continued)

Student Projection

- Projected Student Enrollment by School for following school year created by **Demographics Department**

FTE staffing requirements

- **Required FTEs** for each position calculated using projected student enrollment and student-to-employee ratios for Licensed, Support Staff, and Administrators

Compare FTEs

- Compare **required FTEs** to existing **actual FTEs** by position to determine needed increases or decreases to FTE level
- Use calculated average per Position

Post to State Forms

- Enter **Salaries** and **Benefits** into the **Nevada State Forms**

This process is preformed twice each fiscal year. First, in January to be used in the Tentative and Final Budget development, then in October to be used in the Amended Final Budget development.

Budget Creation Process (Supplies and Other)

Calculate Supplies

- Calculate the Supplies and other requirements for each school using Projected Student Enrollment by School
- General Supplies for Departments are based on previous year

Other

- Utilities, Transportation, Legal, Maintenance, etc.
- Budget based on historic trends and direct input from department managers

Post to State Forms

- Post districtwide amounts into the **Nevada State Forms**

Budget Challenges

- **Timing: NRS, Legislative Calendar vs Budget Calendar, Timing of Strategic Budgets prior to District Budget**
- **Manual Payroll Processes**
- **Risk Management (Actuarial Impacts)**
- **Demographics (estimating enrollment)**
- **Legacy Program (Current Payroll) to SAP Program**
- **Bargaining Unions' Contracts**
- **Arbitration Decisions**
- **AB469 and Process for Service Level Agreements (SLA)**

AB469 challenges

- AB469 challenges
 - Ambiguous language
 - Carry forward
 - Is Negative carry forward allowed
 - How to treat attrition?
 - Substitute costs (not in Strategic Budgets)
 - Rural not defined in NRS
 - “Proportional” language not defined in NRS
 - Transfer in Responsibilities (autonomy)
 - Potential loss of economies of scale
 - Potential lack of flexibility in central staffing
 - Complexity in building SLAs for services

AB469 proposed solutions

- AB469 potential solutions
 - Working with Nevada Department of Education (NDE) on clarifying ambiguities.
 - Proposed our position that negative carry forward is a potential result
 - Attrition (Vacancy Savings) has been budgeted to be utilized by the Local School Precincts (LSP)
 - Substitute costs (not in Strategic Budgets) will reduce vacancy savings at LSPs
 - Rural defined in memo to NDE
 - “Proportional” language defined in memo to NDE
 - Transfer in Responsibilities (autonomy) primarily addressed by SLAs
 - No solution for lack of economies or scale or flexibility in Central Services staffing

Definition of Attrition

- CCSD Definition: a reduction in salary expenses as a result of savings generated by vacant positions
- Vacant positions generate attrition
- Dollar amounts for vacancy savings are calculated using average salaries. (*Licensed* uses “new hire average”)
- Attrition can be thought of as negative budgeted expenses
- Historically, attrition has been used to balance budgets and to fund one-time projects
- The “shelf life” of attrition is at most one year and should not be considered a source of funds for projects, contracts, or positions lasting longer than one year
- Failing to use attrition would result in a ballooning ending fund balance

Attrition Illustration – Prior Practice

	(in millions)
Budgeted Resources	\$ 2,444.4
Budgeted Districtwide Expenditures	
Strategic Budget:	
Salaries	\$924.5
Benefits	<u>379.2</u>
Total Strategic Budget Salaries	\$1,303.7
Supplies & Other	<u>\$68.0</u>
Total Strategic Budget	\$1,371.7
All Other Budgets:	
Salaries	\$585.5
Benefits	\$264.4
Total Salaries & Benefits	<u>\$849.9</u>
Other	\$241.5
EFB	<u>\$47.1</u>
Sub-total	1,138.5
Total Budgeted Districtwide Expenditures	<u>\$2,510.2</u>
Budgeted Revenues Less Budget Expenses (Shortfall)	<u>-\$65.8</u>

Attrition Calculation

Calculated Vacancy Attrition \$ 69.7 million

(Based on number of open positions at average salary amounts.)

Required Attrition

(from prior slide)

\$ 65.8 million

Estimated Unused Attrition \$ 4.1 million

Application of Attrition

(figures in millions)

Budgeted Resources	\$ 2,444.4
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Budgeted Districtwide Expenditures

Strategic Budget:

Salaries	\$924.5
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Benefits	<u>379.2</u>
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Total Strategic Budget Salaries	\$1,303.7
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Supplies & Other	<u>68.0</u>
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Total Strategic Budget	\$1,371.7
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Salaries	\$585.5
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Benefits	<u>\$264.4</u>
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Total Salaries & benefits	\$849.9
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Applied Licensed Attrition (licensed classroom)	\$-15.4
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Applied All Others Attrition	<u>-50.4</u>
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Sub-total	\$784.1
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Other	\$241.5
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EFB	<u>47.1</u>
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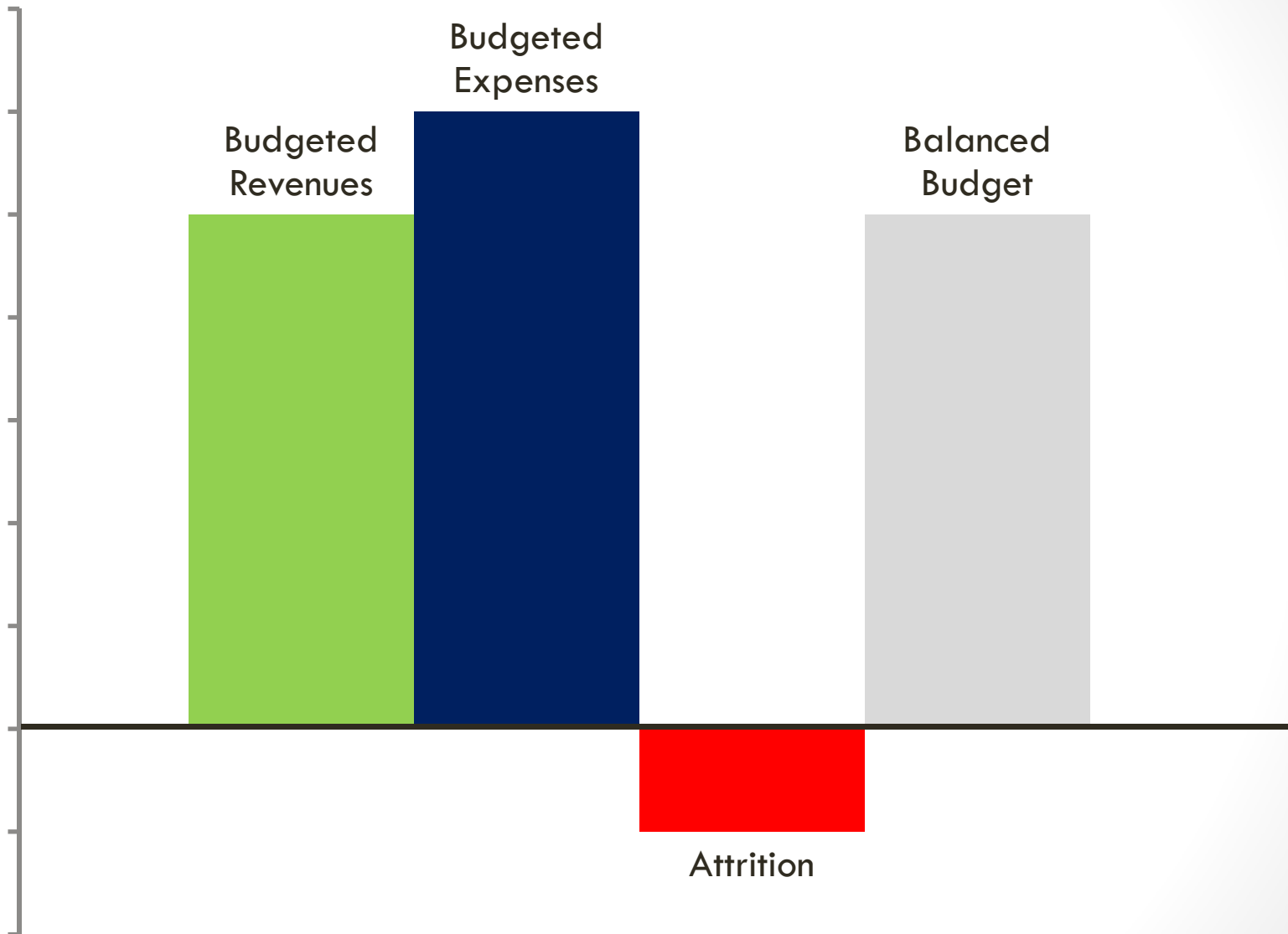
Sub-total	\$1,072.7
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Total Budgeted Districtwide Expenditures	\$ 2,444.4
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Budgeted Revenues Less Budget Expenses (Balanced)	\$0.0
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(22)

Balancing the Budget



Review of Gibson Report and MGT Audit

Recommendation	CCSD Implementation of Recommendations	
Change sequencing of budget and planning.	Gibson	<ul style="list-style-type: none"> • Performance assessment results analyzed by schools in September. • Begin school performance plan development in November. • Moved up the demographic projection from March to December. • School Organizational Teams (SOT) assist and advise the principal on budget development in January and February.
Assign codes to specific programs and District priorities to demonstrate the alignment to District initiatives.	Gibson	Pledge of Achievement: <ul style="list-style-type: none"> • Strategic Imperatives • Focus Areas
Modify and expand the Empowerment School budget approach to all schools.	Gibson	<ul style="list-style-type: none"> • Strategic Budgets expanded to half of the schools in fiscal year 2015-2016. • Strategic Budgets expanded to all comprehensive schools in fiscal year 2016-2017. • Mandated in AB394
Enhance transparency and usefulness of the budget by presenting budgets at functional and school levels.	Gibson	Creation of the online Open Book Web site.
Consider the purchase of a budget development module <i>after</i> upgrade of Human Resources legacy systems.	Gibson	A request for proposal for a human capital management system has been created.
Conduct annual budget “kick-off” sessions.	MGT	Currently being done for school principals.

Questions?



Clark County School District

