

The Anatomy of a School District Budget Deficit

Introduction

Budget deficits happen for variety of reasons. It's important to understand the anatomy of a budget deficit in your school district, and whether the shortfall can be mitigated with short-term and/or long-term solutions. There are 10 categories of district finance to consider:

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| 1. Decreases in Revenue | 6. Obligations and Liabilities |
| 2. Enrollment v. Capacity | 7. Non-public Tuition Costs |
| 3. Fixed Personnel Costs | 8. Budget v. Actual Expenditures |
| 4. Variable Personnel Costs | 9. Administrative v. Instructional Costs |
| 5. Capital Projects | 10. Overspending and Underspending |

Read on to uncover some key questions to ask when analyzing the root cause of your budget shortfall.



Revenue

1. Decreases in Revenue

Is a decrease in revenue attributable to a decrease in the number of students enrolled?

Is a decrease in revenue attributable to a reduction in the state (or city) per student student funding formula base?

Is a decrease in revenue attributable to significant change within the makeup of the student body, such as reduction in the number of special education students?

Is a decrease in revenue due to lower amounts of funds raised locally, such as through property taxes, mill levies, etc.?

Is a decrease in revenue attributable to the reduction or expiration of non-local grants?

How does your district compare to others in the state in terms of per-pupil funding by source (state v. local)? Do districts with similar student populations and property wealth receive similar state and local support?

2. Enrollment v. Capacity

Is enrollment decreasing, increasing, or about the same every year? If there has been a substantial, consistent reduction in enrollment over a few years, what systemic changes has the district made to meet student needs at these new enrollment levels?

What is the enrollment capacity v. current enrollment of each school building in the district?

How many of them are substantially under-enrolled (less than 70% of capacity)?



Costs

3. Fixed Personnel Costs

How accurately did your district forecast the cost of benefits in recent years? How does benefits cost factor into your budget planning?

Has there been an increase in labor costs, such as adding teacher positions or scheduled increase in base salary?

Are vacancies included in the budget?

4. Variable Personnel Costs

Has there been an increase in variable costs, such as performance bonuses, substitute teacher coverage, external consultants, or overtime pay? Are these increases in line with district forecasting?

What has been the pattern of budget v. expenditures for variable personnel costs, such as overtime, substitutes, part-time staff, consultants, sick leave, stipends, and bonuses for the past 3 years?

Has the district been strategic in its use of full-time or part-time staffing?



Liabilities

5. Capital Projects

Has there been or are there future anticipated increases in non-recurring costs, such as capital costs, technology purchasing or new textbook adoption?

Have recent capital projects been planned or unexpected (force majeure)?

Have recent capital investments run on time, on budget, and successfully met their goals?

Are capital costs able to be adequately financed, or are capital projects drawing on General Fund (operational) revenue streams?

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6. Obligations and Liabilities

Has there been an increase in obligations, such as payment to pension fund or payment or maintenance of minimum fund balance?

7. Nonpublic Tuition Costs

What is the trend in costs for students who are placed in non-district schools due to extraordinary needs? How does the outplacement rate and costs per pupil compare to other school districts?



Process Issues

8. Budget v. Actual Expenditures

What were the actual expenditures last fiscal year and current year-to-date spending, and how do they compare to the proposed budget?

What is the total salary and benefits cost of all current vacancies and are they factored into the proposed budget?

Are there certain accounts, objects, or functions with patterns of overspending or underspending that can be reallocated?

Does the district typically set aside budgeted contingencies to address unforeseen expenses? If so, are they over- or under-utilized?

Does the district set aside contributions to a fund balance or "rainy day" fund to the budget? Have they met or exceeded state or bond requirements?

Is the district required to maintain a fund balance? If so, has there been a need to withdraw from the fund to cover any deficits?

9. Administrative v. Instructional Costs

What percent of total spending is administrative costs?

Do administrative costs make up less than 10% of the budget?

What is the breakdown of central office expenditures compared to school-level expenditures?

How have these buckets grown or shrunk over the past 5 years?

10. Overspending and Underspending

Were there any large, unexpected expenditures that required immediate attention?

Are areas of over/under spend known "ahead" of time or catching you by surprise at the end of the year?

Are there areas of over/under spending at the school level?

Does the district set targets for accurate forecasting of expenditures accounts, for example, "All materials and supplies accounts will be within 1% of the original budget"? How many accounts fail meet these targets?

Has the district rolled out a new strategy or process in the past five years, such as revisiting transportation routes, adding new schools or new school structures, implementing student-based allocation, etc.?

Have there been any other increased costs?

As you work with your district to answer these questions and better understand the nature of your budget deficit, it's important to consider a combination of short and long-term solutions. Some of these issues may result in one-time emergency situations, while others are structural deficits that may require several years of reorganization.