

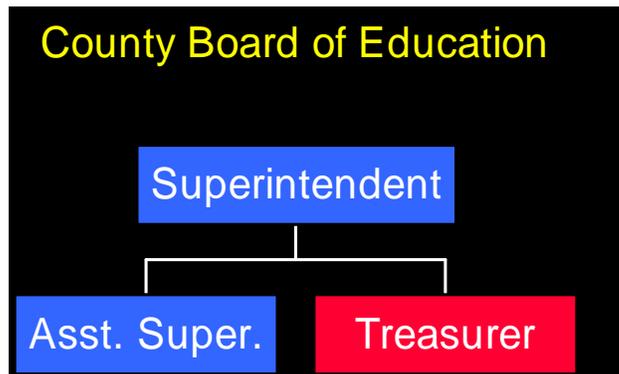


West Virginia DEPARTMENT OF
EDUCATION

School Finance 101 for New Superintendents

Presented by
Amy Willard
Executive Director
Office of School Finance

Recommended Organizational Structure



Annual Financial Reports

Annual GAAP-basis financial statements are due to WVDE on September 28th annually in accordance with WVC §18-9-3a. These financial statements must be approved by the local board and published in the newspaper.



Monthly Financial Reports

State Board Policy 8100 requires that the Treasurer/CSBO provide a monthly report to the local board which indicates at a minimum the following information for each fund:

- Beginning cash balance
- Current month's receipts
- Current month's disbursements
- Current month's ending cash balance – must be broken out with bank location and type



Monthly Financial Reports, Cont'd

- The Office of School Finance released a recommended monthly report format in May 2015. This format is not required – a different format can be used as long as the minimum requirements of Policy 8100 are met.
- The recommended format is posted on the WVDE website. <https://wvde.us/finance-and-administration/school-finance/forms-checklists-templates/>
- WVDE has automated the recommended monthly report format in ZOOM-e to make the preparation of the monthly report easier for CSBOs.



Monthly Financial Reports, Cont'd

There may be other supplemental financial reports that your local board may wish to see each month or which the CSBO feels are important to present to the local board.



Annual Budget

- The county's annual budget must be approved by the local board and sent to WVDE annually in accordance with the budget calendar. The latest submission date for the budget allowed by statute is May 30th.
- Upon submission of the budget, the Office of School Finance performs an analytical review of the submitted data and sends review comments to the CSBO that require either explanation or correction in the budget.
- Once all review comments have been resolved, the Office of School Finance recommends the budget to the State Superintendent for approval and an official approval letter is issued.



Annual Budget, Cont'd

- It is important that the county monitor actual spending against the amounts budgeted.
- If line items are overspent, the county should submit budget revisions to the local board and then WVDE for approval.
- Depending on the financial situation in a county, the county may want to consider implementing the WVEIS Stop-Control feature on purchase orders.
- All counties are required to encumber payroll by the end of October annually.



Important Budgetary Concepts

- Must understand that approximately 80-85% of a school district's expenditures are related to personnel costs.
- Must understand the state aid funding formula and use it to make personnel recommendations during personnel season.
- Must understand the level of salaries/benefits and personnel over formula that the excess levy can afford.

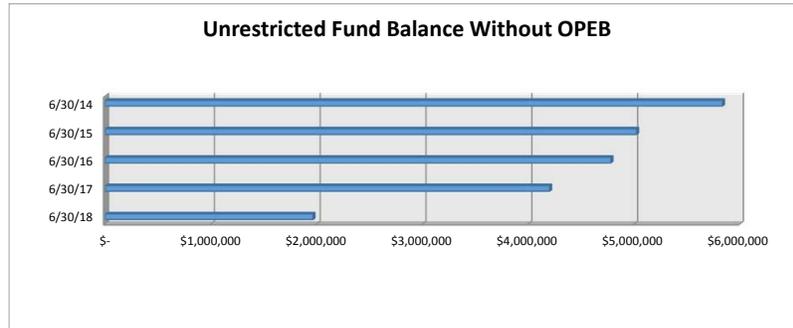


Unrestricted Fund Balance Trend

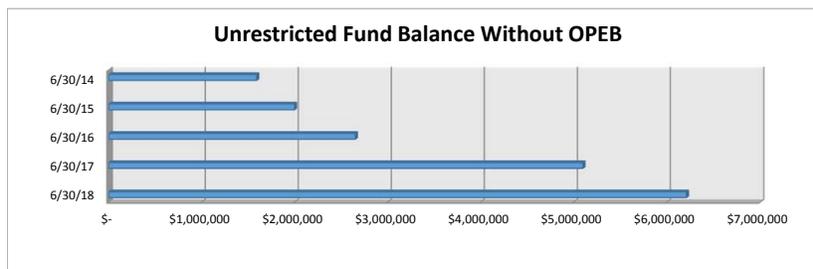
- Districts should monitor their general current expense fund unrestricted fund balance trend.
- Unrestricted Fund Balance = Sum of Committed, Assigned and Unassigned Fund Balances.
- The county's unrestricted fund balance will ideally increase annually or stay at a constant level.
- WVDE has historically recommended that the balance be at least 3-5% of total expenditures, but the GFOA recommends it be at least 2 month of operating expenditures (which is roughly 16.7%).



Sample Declining Fund Balance



Sample Increasing Fund Balance



10 Common Contributing Factors to Deficit Fund Balances



Note: This list is not intended to be a comprehensive list of reasons a county may be in a deficit.



10 Common Contributing Factors

- Decrease in enrollment from previous year without corresponding reduction in number employed.
- Employment of personnel in excess of number allowed/funded by PSSP without an alternative funding source.
- Overspending on construction projects.



10 Common Contributing Factors

- Excess number of extended employment contracts for professional educators and service personnel (contracts beyond 200 days).
- Providing more services than required, or providing them in a less efficient manner.
- Operation of a larger number of school facilities than necessary.



10 Common Contributing Factors

- Expenditures in excess of available revenues (balancing budget with carryover fund balance)
- No excess levy or a reduced levy (less than maximum rate)
- Failure to adjust spending for a decline in assessed values/reduced excess levy collections.
- Obligation of funds without the approval of the CSBO.



Analyzing the County Board's Financial Situation and Reducing Costs



Expenditures by Object

The “Expenditure by Object of Expenditure for Current Operations” report can be used to compare the expenditures of county boards of education by object code. The report shows expenditures by object code for all county boards, as well as a state total and statewide percentages by object code.



Potential Areas for Reduction

- As reflected by the “Expenditure by Object of Expenditure for Current Operations” report, salary and fringe benefit related expenditures account for approximately 80% of the total expenditures in the general current expense fund.
- Unless action is taken to change staffing during personnel season, county boards of education are unable to make reductions in personnel, salaries, benefits, etc.
- That only leaves a window of approximately 20% of your expenditures that could potentially be reduced mid-year. Of that 20%, many of those expenditures are fixed in nature and cannot be reduced (ex: utilities, flood insurance, property insurance, etc.).



Potential Areas for Reduction

- While it is important to analyze all categories of spending for the county board, the area where potential cuts can make the biggest impact on the county’s overall budget is personnel.
- All county boards should make sure that their staffing levels align with their projected funding for FY20.



Analyze Staffing Levels

Utilize the staffing pages from PCOMPS20 to review the staffing level of the county board:

- How many positions is the county over formula for professional personnel and service personnel?
- What number of personnel can the excess levy support?

**Draft PCOMPS20 staffing pages are expected to be released in mid-November.



Excess Levy Funding for Positions

- It is recommended that all county boards of education do an analysis of exactly how many positions their excess levy can support.
- The “salary” lines from many excess levies combine the county salary supplement and funding for positions over formula in the same levy line. Fulfilling the county salary supplement for all employees should be considered first since statutorily required. Then, any remaining funds in the levy line would support full positions.
- Look at actual levy collections, not just what the levy was projected to bring in at the time of the election.



Professional Personnel Staffing

- In addition to the number of positions over formula, you must also consider those professionals employed in positions not eligible for state aid funding (most common examples: Directors of Supportive Services, TSS, Occupational Therapists, Physical Therapists, etc.).
- When determining what reductions to make for professional educators, be sure to consider the Professional Instructional (PI) ratio.



Professional Personnel – Extended Contract Days

- The State Aid Funding formula only covers the basic 200 day contract for eligible professional personnel.
- Any contract days beyond 200 must be paid with local sources.
- When considering cuts, it is important to consider whether all current extended contract days are necessary.



Service Personnel – Extended Contract Days

- For service personnel, the state aid funding formula funds the full extended contract term instead of just the regular 200 day term. For example, a 261 day employee = 1.305 FTE.
- One way to reduce the number of service personnel over formula is to cut extended days instead of full positions.
- When cutting extended days, must be sure to treat all employees in the same classification the same.



Utilizing New PSSP Flexibility

- In times of budgetary concerns, county boards should consider the additional flexibility granted by HB 2561 to spend previously restricted state aid for alternative purposes:
 - Bus Replacement – Up to \$200,000 can be spent for alternative purposes
 - Step 7a – Up to 50% (previously 25%) can be used for the employment of personnel
 - Step 7a – Up to 25% can be used for alternative purposes
 - Step 7b – Up to 100% can be used the employment of Technology Systems Specialists (TSS)
 - Step 7b – Up to 50% can be used for alternative purposes



Special Education Related Funding Considerations



Special Education Considerations

- Under IDEA, as long as a county board of education is meeting Maintenance of Effort requirements, there are no supplanting issues when personnel are moved between local and federal sources.
- This allows county boards of education to maximize all special education related funding sources by changing the funding source for particular employees as needed.



Maximizing Medicaid Funding

- There is no “one size fits all” approach for determining which staff should be paid through federal funds in order to maximize Medicaid dollars.
- Employees/contractors paid 100% with federal funds are unable to bill Medicaid or be included on the annual cost report.
- For county board employees, it is generally best to pay direct service providers (speech therapists, occupational therapists, physical therapists, psychologists, etc.) with local funds and pay teachers and aides with federal funds. The direct service providers generate a higher return on the annual cost report.



Maximizing Medicaid Funding

- If the county utilizes contractors for Speech, Occupational or Physical Therapy, it maximizes the Medicaid cost settlement to pay them with local funds instead of federal funds.
- Contractors do not have the RMTS ratio applied on the cost report, so a greater portion of their cost is captured on the cost report compared to an employee.
- Although paying contractors with local funds may maximize the Medicaid cost settlement, it may not be financially feasible to pay for the contractors with local funds since Medicaid does not cover the full cost of those contractors. Some county boards can only afford to pay contractors using federal IDEA funds.



Maximizing Medicaid Funding

- The CSBO and Special Education Director can help analyze the best way to establish federal/local funding sources for personnel who provide Medicaid services.
- When making changes, county boards must make sure that all Maintenance of Effort requirements continue to be met.



High Cost / High Acuity Funding

- All county boards should be sure to apply for High Cost/High Acuity funding if they have students who meet the eligibility requirements.
- The High Cost/High Acuity applications are generally due in August each year for the previous fiscal year. Applications are reviewed and awards issued in approximately late fall.



Out-of-State Placement Funding

- If a county board has eligible students who have been placed in an out-of-state program (not through a court-ordered placement), they are encouraged to apply for the competitive state grant set aside to reimburse counties for this cost.
- The applications should be sent out by the Office of Special Education in November 2018 and the first deadline associated with the application is anticipated to be late January 2019.



Child Nutrition Related Funding Considerations



Tips for Maximizing Funding

- Apply for every equipment grant opportunity to offset costs for needed equipment that would otherwise be paid with local funds.
- Take advantage of grants offered by the American Dairy Association – Mid East.
- Make good use of the USDA Donated Commodities program.



Meals Per Cook Hour

- It is recommended that county boards perform Meals Per Cook Hour calculations regularly.
- If these calculations show that a school has excess labor, focus on increasing participation at that school.
- Analyzing these calculations can help with staffing decisions during personnel season, as they will show schools which may need additional cooks as well as those schools with excess labor that could potentially be reduced for the upcoming school year.



Community Eligibility Program

- If a county board of education is not currently participating in CEP and has not already requested a Financial Impact Analysis from the Office of Child Nutrition, it is recommended that you do so in order to see if CEP can actually save the county money.
- If a county is already participating in CEP, any policy or activity that encourages increased participation in the program will help lower the county's local contribution.



Increasing Participation

- Every meal served by the county generates some level of federal revenue.
- The Office of Child Nutrition recommends that all county boards operate to maximize revenue, not necessarily reduce costs.
- As long as the county doesn't have to increase labor costs, the variable cost (food, supplies) associated with each additional meal is less than the amount of the federal reimbursement.
- Limiting the amount of dollars spent on food costs could actually cost the county money if the reduced food quality results in lower participation and lower federal revenues.



Breakfast Strategies

- Breakfast is the most profitable meal for county boards of education.
- Increasing breakfast participation will decrease the county's sponsor contribution to the program.
- Make sure that all schools are adhering to the breakfast strategy requirement. Child Nutrition Directors often need the support of the Superintendent to make sure that all principals/schools are complying.



Breakfast Strategies

- To help increase breakfast participation, some county boards have had success in having a breakfast participation contest among schools. The school with the highest breakfast participation each month is recognized in some way by the Superintendent.
- Again, as long as the increased participation doesn't require additional labor, every additional meal served helps lower the county's sponsor contribution to the program.



Miscellaneous Child Nutrition Tips

- Continually review the procurement process to ensure that the best pricing possible is obtained for food and supplies.
- Monitor the amounts charged for items such as extra milks and adult meals to ensure that the county is charging more than the cost of each item/meal. The cost per meal can be found on the annual report in Primero.
- Make sure that cooks are not overproducing.



Questions?

