

Funding and Budget Review

State Charter Schools
Commission of Georgia



Terence
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Accountability
Manager

ITEMS TO BE COVERED

- SCSC School Funding Overview
- S.M.A.R.T. Budgeting Tips

FUNDING OVERVIEW

3 TYPES OF FUNDING

1. State
2. SCSC Supplemental Funding
3. Federal

STATE/QBE

- The Quality Basic Education Act was enacted into law by the 1985 session of the Georgia General Assembly.
- The Act set out the provisions for educational funding for grades Kindergarten through twelve.
- Pre-K is not funded through QBE.

QBE

- QBE is divided up into two parts
 - Amounts based on the number and types of students (Grade specific, Special Education, ...)
 - Training and Experience (T&E) of Staff

STATE/QBE (CONT'D)

- Georgia utilizes a state funding formula that is based on the full-time equivalent (FTE) student counts in nineteen instructional programs.
- Cost components are identified for each program.
- Programs are weighted to reflect estimated costs associated with each program.

QBE

- Student Counts are submitted by each school district twice a year
 - October
 - March
- Based on the collected FTE counts, a formula is used to calculate the amount of funding FTEs (3 Count)
- The FTE count records the actual classes the students are attending for six segments of the school day.
- FTEs are then multiplied the QBE funding amount for each QBE program
- This will yield the amount of QBE funds earned for students
- Training and Experience is calculated separately and added to the student portion

WAIVERS

- The QBE Act (as amended) imposes certain requirements on school systems:
 - Maximum class sizes
 - Minimum expenditure levels
 - Employment requirements for Certificated Staff
- Charter schools have the ability to waive these requirements through specific or broad flexibility waivers.
 - A charter school may waive most state laws and SBOE rules, with the exception of those pertaining to health and safety, funding formulas, and accountability provisions.

Components of the QBE Formula

DIRECT INSTRUCTIONAL COSTS

Include salaries and benefits for Teachers, paraprofessionals (Kindergarten only), Subject Specialists (Art, Music, Physical Education, Foreign Language), Counselors, Technology Specialists.

Consumable Materials, Textbooks, Travel, and Equipment Replacement.

INDIRECT INSTRUCTIONAL COSTS

Funds for Central Administration.

Funds for School Administration.

Facility Maintenance and Operations.

Funds for 20 Additional Days of Instruction.

Media

- Media Specialist salary and benefits
- Operations costs

PROGRAMS AND PROGRAM WEIGHTS

- There are 19 different QBE programs.
- Six of these programs are for Exceptional Education students (Mild Resource, Moderate Resource, Moderate Self-Contained, Severe Self-Contained, Inclusion, and Gifted).
- QBE is a weighted funded formula based upon cost differentials for students in each program.

PROGRAMS AND PROGRAM WEIGHTS

■ Examples include:

- Grades 9-12 is the Base Unit Cost and carries a weight of 1.0000 and a fully funded rate of \$2,430.57.
- Kindergarten carries a weight of 1.6508.
- Middle School carries a weight of 1.1310.

TRAINING AND EXPERIENCE (T&E)

- The formula provides salary funding for a T-4 teacher with 0 years of experience.
- T&E funds are provided to compensate for education and the difference between beginning and experienced teachers.
- The information is obtained from the CPI (Certified Personnel Information) report submitted to GADOE each October.

SCSC Supplemental Funding

SCSC SUPPLEMENTAL FUNDING

- Calculated by the Georgia Department of Education, Finance and Budget Office.
- 2 components:
 - State funds equal to the average amount of local revenue and state equalization grant funding for the five school districts with the lowest assessed valuation per student, and
 - The statewide average of total capital revenue per full-time equivalent student.
- Calculation= (Average Total Revenue of the 5 school districts with the lowest assessed valuation – state funding of those districts – federal funding of those districts + state equalization grants of those districts) + the statewide average of capital revenue per FTE

What does all this look like?

FINANCIAL REVIEW WEB SITE

- http://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000
- Web site use to access allotment sheets, monthly QBE Payment Advice, QBE funding formula information

BUDGETING

FORWARD FUNDING

- Forward Funding is defined as receiving funding for those items now that will be earned later in the year earlier.
 - Only additional grades are forward funded(QBE Only).
 - The SCSC will collect estimates from all the schools early in the Fiscal Year.

MONTHLY QBE PAYMENTS

- Current Allotment Sheet
- Less: All monthly payments made Y-T-D
- Amount of Allotment Sheet left to be paid this FY
- Divide by the remaining number of months in the FY
- Monthly QBE Payment

MIDTERM ADJUSTMENT

- Funding is updated for Amended Budget.
- The GADOE “3 Count” is used to update FY 2014 funding and to determine FY2015 funding.
- SCSC Schools with FTE gains receive additional funding.
- SCSC Schools with declining enrollment DO Not lose QBE Funds in the Amended Budget (Hold Harmless).
 - They will loose funding in the following Fiscal Year.

COMMISSION FEE

- A fee of 2% is withheld from all amounts on the allotment sheet
- Used only for funding of the Commission

AUSTERITY CUT

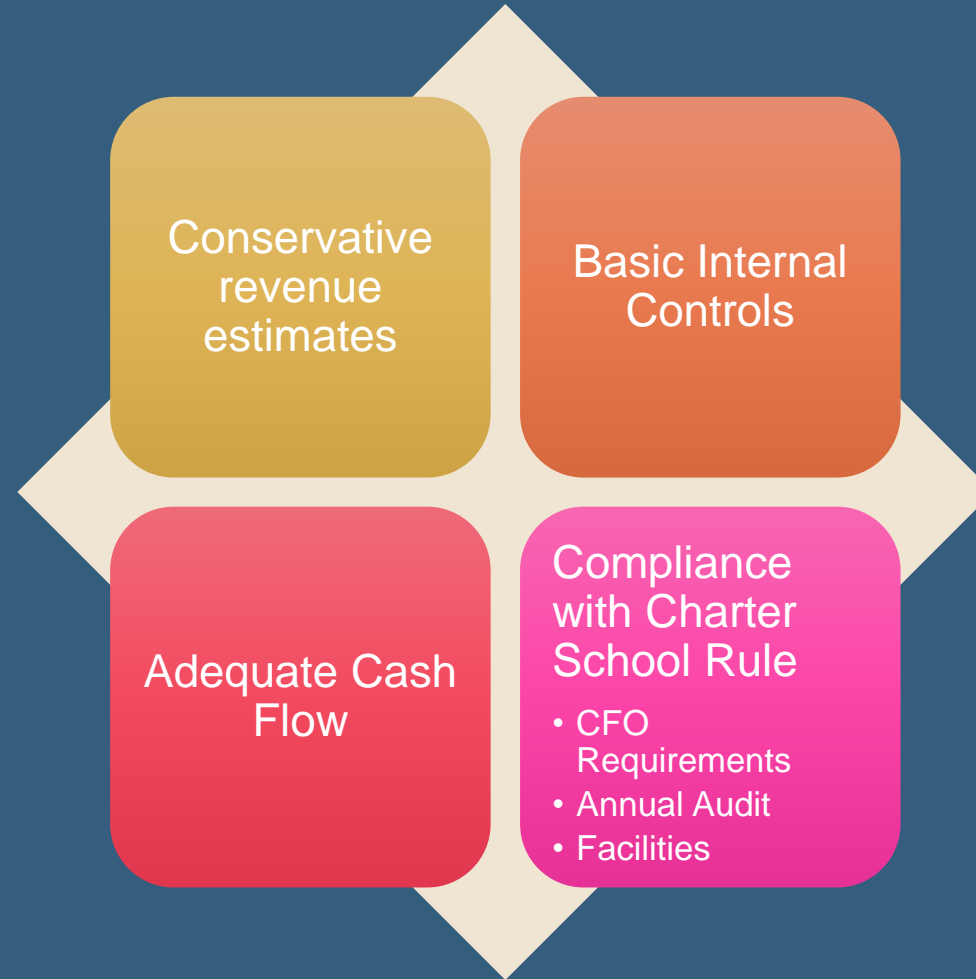
- Due to the current economic conditions in Georgia an austerity reduction is included in the calculation of state funds earned by a school system.
- The deduction is approximately 14% of state funds earned by a school system.
- This deduction is identified on the allotment sheets as an amended formula adjustment.

Operational/ Financial Plan

What is a reasonable budget/financial plan?
How do we make accurate, conservative
revenue estimates?



REASONABLE FINANCIAL PLAN



COMMON BUDGET MISTAKES

Overestimating
Funding

Underestimating
Expenses

Including
Competitive Grants
as a Guaranteed
Source of Revenue

Budget Deficits
w/o Deficit
Reduction Plan

Negative Ending
Cash Amounts

Fuzzy Assumptions

Writing SMART Goals



Performance Goals

Mission and Vision
Statement



Academic,
Organizational, and
Fiscal Performance
Goals

S

- SPECIFIC

M

- MEASURABLE

A

- AMBITIOUS &
ATTAINABLE

R

- REALISTIC/REFLECTIVE OF
MISSION/RESEARCH-
BASED/RIGOROUS

T

- TIME-PHASED/TIME-
BOUND

SMART GOALS: EXAMPLE 1

SMART

- The CFO and Principal at Achievement Charter School will complete a 2-day winter workshop on Governmental Accounting by January 31.

Not So SMART

- 2 administrative staff members at Achievement Charter School will receive professional development training.

SMART GOALS: EXAMPLE 2

SMART

- The unrestricted days cash available for Achievement Charter will increase from 30 days to 60 days by year end.

Not So SMART

- The leadership at Achievement Charter will improve fiscally by year end.

SMART GOALS: EXAMPLE 3

SMART

- Achievement Charter School will reduce the school's debt ratio from 1.0 to .70 by the end of Q1 in FY16.

Not So Smart

- Achievement Charter School will transform a \$300,000 fund deficit to a \$6,000,000 fund balance by year end.

GROUP ACTIVITY: SMART GOALS

Work as a team to write a SMART goal for your school. (5 min)



2 or 3 groups will share your SMART goal with the whole group. **Justify** what makes it SMART. (5 min)



FINANCIAL REPORTING

- Audit and DE046(GADOE) reports are due on October 1 of each Fiscal Year.
 - Audit Reports are due to the Commission and the GADOE Charter School Division.
 - You must have a statement in your petition that you will have an independent external audit performed each year by a Georgia licensed CPA.

FINANCIAL REVIEW

- It is a best practice to establish financial goals so that the school leadership can gauge performance and fiscal growth.
- Examples:
- $\text{Unrestricted Days Cash} = \text{Unrestricted Cash} / (\text{Total Expenses} / 365)$
 - $\text{Unrestricted Days Cash} > 90 \text{ days}$
- $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$
 - $\text{Current Ratio} > 1$
- $\text{Debt Ratio} = \text{Total Liabilities} / \text{Total Assets}$
 - $\text{Debt Ratio} < 1$

FINANCIAL REVIEW(CONT'D)

- Working Capital= Current Assets-Current Liabilities
 - Working Capital>\$0
- Efficiency Margin(Profit Margin)= Change in Net Assets/Total Revenue
 - Efficiency Margin>0%

BASIC INTERNAL CONTROLS

Performance
Reviews

Information
Processing
Controls

Physical
Controls

Segregation of
Duties

Authorization
and Document
Based Controls

CFO REQUIREMENT

At the time you submit your petition you should have a highly qualified CFO

Name the person OR provide details of job qualification and rigorous hiring process

List how their qualifications match state requirements

CFO REQUIREMENT

State Requirements

A baccalaureate or higher degree in business, accounting, or finance from an accredited college or university and a minimum of four years experience in a field related to business or finance; or

Documented experience of ten or more years in the field of business and financial management

FACILITIES

Make reasonable rent or mortgage estimates when a facility hasn't been secured

- Provide documentation to support your estimate

Provide all information requested on the application

- Geographic region
- Facility descriptions
- Permits, Certificate of Occupancy and documents of ownership/lease
- Etc.

USEFUL LINKS

School System Revenues/Expenditures

- http://app3.doe.k12.ga.us/ows-bin/owa/fin_pack_revenue.entry_form

QBE Reports

- http://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000

Questions

