Key Points

• The budget presentation is one of a school district’s most important policy documents. As such, districts need to consider how the presentation is organized, what information is included, and how it is presented.

• It is recommended that a district organize its budget in five major sections: challenges faced by the district; goals; strategies and initiatives being pursued; the financial plan; and risks to long-range financial sustainability. A district should consider other matters in its budget presentation, including inclusion of all funds in the budget, detailing full cost of services, using program accounting judiciously, and providing contextual information, such as enrollment figures, number of teacher workdays, personnel time budgeted for critical strategies, etc.

Related Award Program Criteria

• **Criterion 4.D.1: The Challenges (Mandatory).** The budget document should describe the challenges faced by the applicant — the ones that primarily shaped the budget discussion for that year.

• **Criterion 4.D.2: Goals (Mandatory).** The budget document should present the district-wide goals that guide resource allocation and how the goals are applied to individual school sites.

• **Criterion 4.D.3: Strategies and Initiatives (Mandatory).** The budget document should describe strategies that the applicant will pursue to achieve its goals. The budget document should highlight the most important initiatives the applicant is undertaking in support of its strategies.

• **Criterion 4.D.4: Financial Plan (Mandatory).** The financial plan section of the budget document should describe the applicant’s expected revenues, expenditures, reserves, and debt and capital spending.

• **Criterion 4.D.5: Long-Term Financial Sustainability (Mandatory).** The budget document should describe the long-range sustainability of the applicant’s financial trajectory, looking out a minimum of three years beyond the existing year.

• **Criterion 4.D.6: Understandability and Usability (Mandatory).** The budget document is designed so that it can be navigated and understood by the non-expert reader.
**Introduction**

The budget presentation is one of the most important policy documents that a school district produces because it describes how the community’s resources are being allocated to create the best value for the community and its children.

This best practice document describes:

I. Fundamental organization of the budget presentation

II. Special issues and considerations in the budget presentation

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### I. Fundamental Organization of the Budget Presentation

**Background.** There are two major organizing principles for conveying the budget presentation. The first is to tell the story of the budget by describing the challenges that the district faces and how the budget plan will help the district overcome those challenges and achieve better results. The second is to focus the presentation on the needs of the primary audience for that presentation, the school board.

**Recommendation.** Districts should use their budget to communicate the following: challenges faced by the district; goals; strategies and programs being pursued; the financial plan; and risks to long-range financial sustainability.

**The challenges.** The challenges section of the budget presentation should set forth a limited number of the most important challenges faced by the district. The challenges should be the ones that primarily shape the budget discussion for that year. Each district will face unique challenges and the district’s analysis of its strategic and financial environment will suggest which challenges are the critical ones. Example of the types of challenges that might be described in the budget presentation include:

- Student under-performance in key areas or by large subgroups
- Funding declines
- Demographic trend changes, such as rapidly increasing or decreasing enrollment, significant changes in the tax base, or changes in the socioeconomic composition of the student body
- Legal environment changes that have a significant impact on the budget, such as changes to state or federal legislation
- Workforce challenges, such as retention or professional capacity

- Important capital asset acquisition or maintenance needs

The presentation should use comparative data to put the challenges in context. Two ways to help the audience to better understand the nature and magnitude of the challenge are a historical trend analysis of the district’s own data, and a benchmark analysis against other districts.

Districts should also take other steps to help the audience better appreciate the challenges, such as anecdotes that help to personify the challenge and translate data to a personal scale. For instance, a financial challenge might be presented on a cost-per-student basis, rather than as an aggregate number.

**Goals.** The budget presentation should present the district-wide goals that guide resource allocation. The district-wide goals should be applied to individual school sites and customized to be relevant to the specific challenges faced by each particular school site.

However, depending on the size and management system of the district, the budget presentation may or may not include school-site level goals in the budget presentation itself. Where school-site goals are not included in the budget presentation, the presentation should clearly indicate to readers where they can obtain a copy of the school-site goals.

The goals presented in the budget should roughly parallel the “SMARTER” goal development framework described in Best Practice in School Budgeting 2A — Develop Goals. While the development of the goals should take account of the entire SMARTER framework, the presentation can focus on just those aspects most important to communicating an understanding for the goals to the audience for the presentation. This should include: precise outcomes (specific); performance
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measures (measurable); academic focused (relevant); and time period for accomplishment (time-bound).

**Strategies and initiatives.** The strategies and initiatives describe how the challenges will be addressed. The budget presentation should describe strategies that the district will pursue to achieve its goals. The budget presentation should then highlight the most important initiatives the district is undertaking in support of its strategies. The description of each initiative should address:

- **What the initiative will accomplish, relative to the district’s challenges and goals.** The presentation should make clear why the district is undertaking each particular initiative and what will be different as a result. The presentation should describe the logic behind how the initiative is presumed to have an impact.

- **Cost, where determinable.** To the extent possible, the cost of the initiative should be included. The budget presentation should also be clear if the costs are:
  - One-time/short-term (such as might be the case with a special project) or ongoing.
  - All-new spending or a repurposing of existing funds/resources. If existing resources are being repurposed, the budget presentation should also describe what activities the district is discontinuing in order to make funding of the new initiative possible.

  In cases where the district’s cost-accounting methods make it impractical to determine the precise cost of an initiative, the budget presentation should still address the two bullet points above.

- **Accountabilities and schedule.** The presentation should describe who is responsible for the success of each initiative and the timeline for completion of the initiative or when the initiative is anticipated to make an impact.

**Financial plan.** The financial plan summarizes how the district is allocating its resources to best meet its challenges and achieve its goals. The financial plan section of the budget presentation should address the following items: revenues, expenditures, reserves, and debt and capital.

- **Revenues.** The budget presentation should show the district’s total revenues for the year. The presentation should present revenues from all funds and sources, and also by the district’s most important accounting funds. The presentation should identify the most important sources of revenue and provide the reader with insight into major trends, revenue projections, assumptions underlying the revenue forecast, and other points of analysis that are critical to the district’s financial capacity.

- **Expenditures.** The budget presentation should show expenditures for the district as a whole and also by major organizational units, with school sites being the most important organizational unit.

**A “Programmatic Element” versus a ‘Program’**

Traditionally, in public budgeting, a “program” is defined as a set of activities with a common goal. However, state-mandated charts of accounts and reporting requirements might render development of a full program structure impractical for a school district. Programmatic elements may be a more realistic alternative for presenting the full range of expenditures undertaken by the school district. Examples of a program might include a dropout prevention program or a tutoring program for students struggling to meet standards, whereas a programmatic element might simply be “extra assistance for struggling students within the regular school day.”

Within a given organizational unit, objects of expenditure (e.g., personnel, contractual services, commodities) are traditionally the most common way to classify expenditures. Districts should go further by classifying expenditures by programmatic element, not just objects of expenditure. A programmatic element is a categorization of direct budgetary inputs (e.g., dollars and personnel) that can be clearly associated with a service provided by the school. Examples of programmatic elements might include instruction in core subjects, extra assistance for struggling students within the regular school day, or instruction for English Language Learners.

The expenditures section of the budget presentation should describe how staff is allocated according to the programmatic elements. Ideally, it also shows the time allocated for critical strategies. This might include, for example, the number of minutes per...
week for reading and math instruction in elementary schools, the time available for teachers to collaborate each week, the amount of time for extended-day education and summer school, the number of periods in the schedule for middle and high school, how many periods each teacher instructs, the number of instruction days per year, and the number of days that are free of pupils for professional development. These time allocations are critical drivers of a district’s cost structure and are highly relevant to student achievement.

Finally, the budget presentation should discuss any major trends, assumptions, or other points of interest that are critical to a full understanding of the district’s cost structure. Examples might include important external influences like inflation, contractual obligations, legislative requirements, or internal policy changes like new programs or discontinued programs.

- **Reserves.** The budget presentation should describe the district’s policy on reserves, including the district’s target level of reserves for its major accounting funds. The presentation should then describe major anticipated changes to the reserve levels.

- **Debt and capital.** The budget presentation should describe the district’s major debt issues and the purposes of those issues and how the district’s current debt levels relate to relevant debt limits (e.g., as might be established by the district’s financial policies).

  The budget presentation should describe the capital projects being undertaken by the district and should provide a reference to the district’s long-range capital improvement plan. The budget presentation should discuss the extent to which the district’s asset acquisitions are on budget and on schedule and should also discuss the anticipated impact on the operating budget.

**Risk to long-range financial sustainability.** The budget presentation is primarily focused on the upcoming fiscal year, but the budget presentation should also consider the long-range sustainability of the district’s financial trajectory, looking out a minimum of three years beyond the existing year. Specific elements that should be included in the budget presentation include:

- **Long-range enrollment projections.** Enrollment is a primary determinant of expenditures and, often, revenues.

- **Long-range financial projections.** Revenue and expenditure projections show the district’s future financial position and may foreshadow potential budget shortfalls.

- **Risk analysis.** The budget presentation should highlight the risks to ongoing financial sustainability that are of the greatest local significance. Examples of common risks that districts might consider include:
  - District’s ability to continue to fund its strategies and initiatives. Improvements due to new initiatives often take multiple years to fully manifest. Might financial constraints or other forces prevent the district from providing a coherent, consistent approach to its strategies over a multi-year period?
  - Grant funding. Does the district’s grant policy result in the district taking on grant-funded programs that are unsustainable (i.e., that create ongoing commitments that the district has to fund out of discretionary monies after the grant ends) and/or that distract the district from its strategic goals?
  - Personnel costs. Are personnel costs sustainable? This might include the district’s ability to afford contractual wage increases and the affordability of post-employment benefits.
  - Tax base changes. Are there important vulnerabilities in the district’s tax base that could impact the district’s revenues?
  - Capital projects. Can the district afford to build and/or maintain the capital assets it believes are necessary? Does the district’s capital asset acquisition plan adequately consider the impact on the operating budget of the acquisitions (e.g., the cost to operate and maintain)?
  - New technologies. What implications do new technologies have for the district’s budget? Can the district afford to maintain the new technologies it would like to acquire and afford to train staff to effectively use the new technology?
  - Pensions and Other Post-Employment Benefits (OPEB). Pensions and other post-employment benefits are high-profile long-term liability for many school districts. The budget presentation should help readers understand the status of these liabilities.
II. Special Issues and Considerations in the Budget Presentation

**Background.** In addition to the essentials described in the foregoing sections, there are a number of other matters that districts should consider in the budget presentation in order to fully realize a budget that best aligns student achievement with resource allocation.

**Recommendation.** A district should address the following in its budgeting presentation.

- **Include all funds in the budget.** In many districts, the general operating fund is often considered “the budget,” when in fact there are a multitude of different budgets representing the many special funds the district receives (e.g., Title I funds, grants, etc.). This approach fragments resources, making for a less coordinated approach to serving students. A district should report all funds in its operating budget, showing how all resources are used to improve student achievement. Ideally, this integration is not just a matter of reporting, but reflects integrated operations and planning between these funds as well.

- **Demonstrate transparency in spending.** Line-item budgets are intended to enhance control over the budget process, but fail to do so if they do not accurately reflect how a district is spending its money. For example, if the costs of student transportation are distributed among line items for “salaries,” “fuel,” “equipment,” and “contracted services,” without a connection to the broader service of student transportation, then it would be very difficult to discern the true cost of student transportation. Districts should develop presentation methods that more accurately describe the full cost of providing services. Programmatic elements, described earlier in this document, can be used to provide transparency on how the district is spending its money.

- **Use true program accounting judiciously.** Elsewhere in this document, it is recommend that districts present the budget using programmatic elements, which allow a more practical alternative to classic “program” accounting for many school districts. While true program accounting is more precise than programmatic elements and could provide greater management insight, the practical challenges in setting up and maintaining true program accounting can be considerable. Hence, districts should consider developing and tracking true program budgets for the most important or strategic programs, especially those that entail significant costs. In addition to tracking costs, districts should track the results produced by these programs in order to be able to evaluate the cost effectiveness of this spending.

- **Provide context.** It can be difficult for the reader of the budget presentation to fully understand a district’s strategies and budget without context. Therefore, the budget presentation should include contextual information such as enrollment numbers, number of teacher workdays, and the personnel time that has been budgeted for critical strategies.

Endnotes

2. Note that a programmatic element is not intended to capture indirect costs.