

# Best Fiscal Management Practices

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*Southern Echo School Finance Training - 2004*

Jackson, MS

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# Workshop objectives

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1. To highlight the importance of sound fiscal management practices;
2. To offer a set of guiding principles for managing school and district finances;
3. To offer suggestions for how various stakeholders can contribute to the decision-making processes involved in school finance.

# School Finance—Why so important?

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- ❑ Education matters - A high quality education is vitally important for productive citizenship, and is a guaranteed right for all children in most state constitutions.
- ❑ Money matters - A high quality education requires an adequate level of resources, levels not present in many places—particularly low property wealth areas.
- ❑ Fiscal Management matters – Given limited levels of resources and the mission to provide all children with high quality learning opportunities, making effective and efficient use of resources is crucial to success.
- ❑ The courts matter - Courts are increasingly raising concerns about fiscal management practices in school finance cases (e.g., NC's *Leandro case*).

# Guiding Principles

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# 1. Integrity

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Fiscal management practices should be implemented in ways that promote and sustain the integrity of the school district and the community, with schooling institutions earning the trust of citizens, and citizens practicing civic responsibility. Crucial here is the avoidance of conflicts of interest, and of *the appearance of conflicts of interest*.

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## 2. Efficiency

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## 4. Funding Quality and Equity

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Fiscal management practices should ensure that all schools and programs are provided with sufficient resources to provide a quality education to all students. Policies and practices should also ensure the fair distribution of resources to students taking into account the individual needs of students and the diverse and unique circumstances of schools and school districts. Significantly, funding equity is both an inter-district and intra-district concern—i.e., the distribution of state funds to districts should reflect fairness in meeting the needs of individual districts; likewise, the distribution of those funds by the district should reflect fairness in meeting the needs of individual schools.

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## 5. Public Involvement

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## 6. Transparency

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# 7. Accountability

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## 8. Competence/Professionalism

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The individuals who are responsible for handling and spending public dollars for education should demonstrate a professional level of competence in fiscal management. Local and/or state organizations should require and provide for the provision of training that will enable individuals to reach the level of competence.

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# Opportunities to contribute

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# The Fiscal Management Process

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- 1) Planning the budget
  - 2) Formal review and approval of the budget
  - 3) Implementing the budget
  - 4) Monitoring and evaluating the expenditure of funds
  - 5) Communicating with the public about how funds are used to support schools
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# Planning the budget: Roles and responsibilities

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## **Parent/Student/Community Member:**

- ❑ This stage of the budgeting process is the most open, and allows for the greatest public input;
- ❑ Find out what opportunities for input exist and take advantage of them;
- ❑ Get copies of all budget documents and make an appointment with school officials to have them explained in non-technical language;
- ❑ Find out what revenue or funds the school district expects to receive;
- ❑ Attend board meetings, asking questions, and learning as much as possible about both the budget and the process followed by the school district for creating that budget;
- ❑ Make specific suggestions about programs or projects you would like to see the school district do next year;
- ❑ Offer comments or propose changes in the budget;
- ❑ If the school district is not cooperative or open during the budget planning process, talk to people who can help such as state education leaders, lawyers and the news media.

## **School Official (Superintendent, Principal, Finance Administrator, etc.):**

- ❑ Develop a budget planning process and timeline that allows for public sharing and input, and communicate that process and timeline;
- ❑ Make certain that all communications regarding the budget are prepared in an easily understood format, using non-technical language as much as possible;
- ❑ Ensure that members of governing bodies (school councils, school boards, committees) have received sufficient training to be able to understand the budget and contribute to its development;

# Planning the budget: Roles and responsibilities, 2

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## **Governing Body (Board of Education, Site-based Decision-making Council):**

- ❑ Understand the mission of the school district, and use that mission as a guiding principle in setting priorities
- ❑ Understand that the “priorities” of the strategic plan are to be addressed after essential services are funded;
- ❑ Take steps to obtain additional/alternative funds when needed, including generating additional local funds through the (1) exercise of local taxing authority where it exists, or (2) lobbying local government for additional financial support.
- ❑ Participate in any available training or workshops that will increase knowledge of budget planning and/or school finance in general—contact your state school boards association for information;
- ❑ Ask school district staff to explain budget documents in layperson terms and ask tough questions of those persons putting the budget together;
- ❑ In all deliberations and decision-making about the budget, make an effort to think *holistically* – that is, taking into account the “big picture” and the idea that the budget reflects in numbers what the school district as a whole values and wants to accomplish;
- ❑ Insure that the public and all stakeholders are invited to fully participate in the budget planning process.

## **State Department of Education:**

- ❑ Mandate training for school finance administrators, school board members, and site-based decision-making councils where they exist—the emphasis for these training workshops should be developing knowledge and skills regarding budgeting and school finance, and establishing a common terminology.
- ❑ Set guidelines for district budget processes that encourage the setting of school and district goals through community and public involvement, which allow some flexibility in how goals are to be achieved;



# Review & Approval: Roles and responsibilities

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## **Parent/Student/Community Member:**

- ❑ Know who your local school board representatives and school officials are, and how to contact them to ask for information or share concerns/ideas;
- ❑ Know and understand what opportunities for public involvement exist (e.g., many states require that final budget approval take place in a public meeting). If public input is allowed, speak out about questions, concerns or proposals;
- ❑ Review draft budget documents made available to the public;
- ❑ Look for evidence that priorities set out in planning stages have remained;
- ❑ Meet with school officials to get answers to questions or confusing parts of the budget.

## **School Official (Superintendent, Principal, Finance Administrator, etc.):**

- ❑ Revisit the mission/beliefs of the district and the priorities identified in planning stages as the lens for examining and proposing/considering changes to draft budgets—throughout, use the language of the district mission/belief statements to discuss budget items;
- ❑ Know and adhere to all state requirements with regard to review and approval;
- ❑ Look for additional opportunities to involve various constituencies (e.g., advisory boards, budget committees, etc.) in reviewing draft budgets;
- ❑ Maintain transparency by providing public (readable, non-technical) budget documents--in particular, and in the case of approval processes that include a public meeting, make the proposed budget available to interested parties available early enough to allow for review and questions/clarifications prior to the meeting itself;
- ❑ Develop and broadly distribute to the community a simple document that explains the budget in layperson language.

## **Governing Body (Board of Education, Site-based Decision-making Council):**

- ❑ Revisit the mission/beliefs of the district and the priorities identified in planning stages, and continually return to them as draft budgets are reviewed and changes are proposed—throughout, use the language of the district mission/belief statements to discuss budget items;
- ❑ Participate fully in the review approval process by reading and understanding the entire budget document, asking questions as necessary, and participating in discussions about proposed changes;
- ❑ Be able and prepared to answer the question “how does this expenditure promote student learning?” for budget items;
- ❑ Insure public and stakeholder involvement.
- ❑ Make sure the budget is written and presented in an easily understood format.

## **State Department of Education:**

- ❑ Mandate, at the very minimum, that review and final approval of the district budget take place in an open meeting, and that the proposed budget be made available to the public in advance of the meeting;
- ❑ Set guidelines for district budget review and approval that emphasize community and public involvement;

# Implementation: Roles and responsibilities

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## **Parent/Student/Community Member:**

- Attend school board and other public meetings at which finances are to be discussed, review available documents, and ask questions as necessary;
- Meet with school officials and/or contact board members to discuss questions and concerns.

## **School Official (Superintendent, Principal, Finance Administrator, etc.):**

- Use a uniform chart of accounts (i.e., a standardized list of accounts that includes a specific title and number assigned to each account);
- Prepare and make available to the public monthly budget updates by gross area (preferably, no more than one page front and back);
- Be able and prepared to explain perceived oddities in the budget (e.g., large jump related to beginning year salary encumbrance) in a non-defensive, educational manner;
- Be able and prepared to answer the question “how does this expenditure relate to the mission/beliefs and/or promote student learning?” for any out-of-budget expenditures;
- Make certain that board members understand budget documents and expenditure reports.

## **Governing Body (Board of Education, Site-based Decision-making Council):**

- Participate in any available training or workshops that will increase knowledge of budget implementation and/or school finance in general;
- Carefully review all financial statement documents provided, with an emphasis on adherence to budget priorities;
- Ask questions of the superintendent and/or finance administrator as necessary;
- Be able and prepared to answer the question “how does this expenditure relate to the mission/beliefs and/or promote student learning?” for any out-of-budget expenditures;

## **State Department of Education:**

- Mandate and provide professional development/training for school finance administrators and school board members;
- Set reasonable guidelines for standardization of accounting (e.g., accrual accounting) and chart of accounts usage

# Monitoring and evaluating: Roles and responsibilities

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## **Parent/Student/Community Member:**

- ❑ Attend the board meeting at which the annual audit results are reported, review available materials, and ask questions as necessary;
- ❑ Participate—and encourage others to participate—in any school surveys that are intended to assess program effectiveness, etc.;
- ❑ Meet with school officials.

## **School Official (Superintendent, Principal, Finance Administrator, etc.):**

- ❑ Develop and implement a process for *ongoing* monitoring and evaluation of expenditure of funds;
- ❑ Ensure that documents providing public information on evaluations (e.g., CPA audit) contain an easily understood executive summary/management letter;
- ❑ Use the mission statement/district beliefs as a guide for monitoring and evaluating the effectiveness and efficiency of expenditures;
- ❑ Include program evaluation as a key component in evaluating expenditures;
- ❑ Use the audit as a management tool—e.g., as a significant piece of evidence in the evaluation of programs, services and personnel.

## **Governing Body (Board of Education, Site-based Decision-making Council):**

- ❑ Know the purposes of evaluation/auditing, and determine to use the results as a learning tool for enhancing future efforts. The annual audit provides a check and balance for boards to know if there is either incompetence or fraud/mishandling of funds in the fiscal affairs of the district;
- ❑ Participate in any available training or workshops that will increase knowledge of financial evaluation and/or school finance in general;
- ❑ In reviewing the results of a financial audit or program evaluations, continue to revisit the mission/beliefs of the district, and to consider findings in light of priorities and student needs;
- ❑ Review and accept expenditure reports on a monthly basis;
- ❑ Approve the annual audit/management letter in an open meeting.

## **State Department of Education:**

- ❑ Set guidelines regarding processes for annual evaluation of fund expenditure that emphasize transparency and accountability, but that allow some flexibility in how goals are to be achieved (e.g., alternatives to CPA audits);

# Communication: Roles and responsibilities

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## **Parent/Student/Community Member:**

- Read and consider communications from the school or school district;
- Ask questions about issues/communications that are unclear
- Request additional information that you need, and that would enable you to better contribute to the success of the schools in teaching and learning;
- Meet with school officials to present questions and comments.

## **School Official (Superintendent, Principal, Finance Administrator, etc.):**

- Actively seek opportunities to inform the public about schooling and school finance issues;
- Present information in a style and format that is accessible, meaningful, and understandable by all (included here is the issue length and the need to prepare summary/synthesis documents);
- Broadly distribute a year end report that informs stakeholders about the source of funds, how funds were expended, what programs and services were supported by the budget and how the budget impacted students and the district.

## **Governing Body (Board of Education, Site-based Decision-making Council):**

- Seek out the insights of community members, and encourage them to attend and participate in board meetings, committee work, etc.;
- Provide a check for determining the accessibility/meaningfulness/ understandability of document prepared by the district office;

## **State Department of Education:**

- Develop and make available sample documents that provide school leaders with models for communicating budgetary and other information to parents;
- Provide support for the development of school and district websites and other resources for communicating with the public;

# For additional information

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