

WASHOE COUNTY SCHOOL DISTRICT

Reno, Nevada

Budget Work Session December 15, 2009

TITLE: DISCUSSION OF WIDELY USED BUDGETARY APPROACHES AND PROPOSED BUDGET PROCESS FOR THE FISCAL YEAR 2010-11 BUDGET

FROM: Gary S. Kraemer – Chief Financial Officer

PRESENTER(S) & PRESENTATION TIME: 30 minutes
Gary S. Kraemer, Chief Financial Officer

DATE REPORT WRITTEN: December 2, 2009

SUMMARY: The Board will be provided a description of widely used budgetary approaches, the budget process that the District has used in the past, as well as a proposed Fiscal Year 2010-11 budget process timeline and calendar. Alternative budgetary development approaches will be discussed. The Board will be asked to provide direction to staff on the 2010-11 budget approach(s) to use, the budget process and timeline to use.

ADDITIONAL BACKGROUND INFORMATION:

Budgetary Approaches

The District has traditionally used a “roll forward” budgetary approach whereby the prior fiscal year’s budget is rolled forward to become the starting point as a base for developing the next fiscal year’s budget. The base budget is then adjusted for a number of items including, but not limited to salary increases relating to step increases on the salary schedules, projected enrollment changes, utilities and fuel increases, general inflation, incremental costs relating to the opening of new schools, etc.

The most widely used budgetary approaches are discussed in Attachment A, which was taken from a publication of the National Center for Education Statistics (NCES). These different approaches all have their advantages and shortcomings, which are discussed in the attachment.

Line-item or “traditional” budgeting generally doesn’t provide decisionmakers with enough useful performance information unless it is augmented with supplemental program and performance information.

Performance budgeting is based on standard costs of inputs and number of units or levels of service to be provided. Limitations of this approach include insufficient standard cost information, incomplete evaluation of the effectiveness of programs in achieving the organization’s goals, the quality of the services or the outputs produced. It has proven most effective for routine activities that are easily measured, such as accounts payable processing and vehicle maintenance, which are normally a modest portion of a school district’s total activities.

Program budgeting’s focus is primarily on programs of work and secondarily on objects. Its emphasis is on identifying fundamental objectives of the entity and relating all program budgets to these activities. It is more long-term oriented and includes evaluations of different program alternatives.

Limitations exist in the implementation of this approach. Changing long-term goals, lack of consensus on fundamental objectives, lack of adequate program and cost data and administration difficulties can be a problem in using this approach. However, this approach can be useful when used as a planning device in connection with other budget approaches and to provide supplemental information as part of the budget process.

Zero-based budgeting (ZBB) requires program activities and services be justified annually during the budget development process. Decision packages are developed on the basis of program activities, program goals, organizational units and so on. Costs of decision packages are produced to accomplish various defined outputs or outcomes. These packages are then ranked by their importance in reaching organizational goals and objectives. The thrust of ZBB is the elimination of outdated efforts and related costs, and the concentration of resources to where they are most aligned to the entity's goals and objectives. The shortcomings of ZBB are the significant amount of paperwork, staff planning and staff time needed to implement this approach. This approach may be more effective if only performed on a periodic basis on some programs instead and has not been used on a widespread basis by schools.

Site-based budgeting is considered practical for school systems in combination with other approaches. It allows campus decisionmakers to control their budgets in areas where they have authority. In the District's case, staffing allocations are controlled centrally, but each school has control over how their operating budgets, i.e., non-salary/non-benefit budgets are spent (subject to State minimum expenditure requirements (MER) relating to textbooks, instructional supplies, etc).

Outcome-Focused budgeting is an approach that concentrates on more effective use of resources at all levels of government. It is the practice of linking the allocation of resources to the production of outcomes, especially those programs that use the resources more effectively. The approach is closely linked to the planning process and focuses on outcomes, goals and objectives that are identified and ties to the budget allocations for their achievement.

Proposed Budgetary Approach for Fiscal Year 2010-11

It is apparent from the preceding section that there are a myriad of ways to approach the District's budget process for the upcoming year. Because of staffing and time limitations, as well as being in the early stages of implementing the Budget Module in the IFAS/BitTech financial software system, we are somewhat constrained in what process we are able to recommend for next year. A new superintendent and two new executives also complicates the situation further because they have not been involved with our District's system and budget process before and their experiences with other processes need to be considered.

After having several meetings and discussions with Dr. Morrison and others, we are proposing the following for the Fiscal Year 2010-11 budget process:

1. Strengths/Weaknesses/Opportunities/Threats (SWOT)
 - a. The Board is planning on having a retreat in January 2010 to conduct a SWOT analysis of the District. Trustees want to conduct a SWOT analysis and incorporate it into the strategic plan. Information from the analysis and the plan will be referred to during the budget process. This item will allow Trustees to discuss what they want included in the retreat and provide direction to staff regarding the agenda for the retreat and the processes to use.
2. Roll Forward budget process with the following additions/changes:
 - a. Deputy Superintendent
 - i. Identify certain programs and use a combination ZBB and Outcome-Focused budget approach

- ii. Explore Site-Based budgeting approach and determine if more control over allocations can be given to sites
- b. Chief Operating Officer
 - i. Identify certain programs and use a combination ZBB and Outcome-Focused budget approach
 - ii. Explore Site-Based budgeting approach and determine if more control over allocations can be given to sites

The serious economic situation, declining enrollment and the high likelihood of a special legislative session is clouding up the District's financial position and ability to maintain and expand programs. As a result, the budget process and approach, and the identification and ranking of programs to the District's main goals and objectives becomes even more important and will require significant effort on everyone's part to accomplish as much as possible in these constrained times.

Staff is requesting input from the Trustees on the proposed budget process and approach as shown above.

Budget Process Timeline

The proposed budget process and timeline is shown in Attachment B.

PREVIOUS BOARD ACTION: None.

ATTACHMENTS:

Attachment A: Budgetary Approaches from the NCES-Financial Accounting for State and Local School Systems-2003 Edition

Attachment B: Budget Process and Timeline for Fiscal Year 2010-11

BOARD POLICY/DISTRICT GOAL: District Goal #3 - Blueprint for Student Success - Ensuring Community Collaboration and Goal #5 – Developing Efficient and Effective Support Operations.

LEGAL: N/A

FINANCIAL: Provides budget for funding to continue District programs.

ALTERNATIVES: N/A

SUPERINTENDENT'S RECOMMENDATION: that the Board of Trustees provides staff with direction regarding the Fiscal Year 2010-11 budget approach, budget process and timeline