

Introduction to the Budget Format and Process

This section explains the budget process, document format and an easy approach to reviewing the budget.

What is a Budget?

A budget is a planning tool that matches the financial, material, and human resources available with the requirements to complete the Board's priorities and the educational program for 509J students. It also includes information about the organization, and identifies the policy direction under which the budget was prepared. Although a budget is often discussed as a financial document, the budget is really the result of many different planning processes that determine the direction of 509J.

Why Prepare a Budget?

All school districts in Oregon are required to adopt a budget annually or biannually. State law sets common procedures for all Oregon local governments and sets minimum standards to promote citizen participation. It defines the fiscal year that begins on July 1 and ends on June 30. State law also requires that local jurisdictions establish a Budget Committee.

However, even if there were no legal requirement to budget, 509J would complete a budget. The budget process allows our staff to forecast resources, and develop a plan to provide a quality education within available resources.

BUDGET FORMAT

The budget document is divided into five sections: Introduction, Overview of the Recommended Budget, School and Department Information, Fund Summaries, and Appendices.

The Introduction includes the Superintendent's Budget Message, information about the budget, and information about the District. The Overview of 2008-09 Recommended Budget contains the Community Budget Guide, which summarizes key information about the district and its budget. The School and Department Information provides school-level demographic information and information about the departments that support the schools. The Fund Summaries section contains revenue and expenditure information for each of the District's thirteen separate funds:

- **General Fund.** This is the largest of the District's funds and covers the operations of schools, including expenditures for salaries and benefits, supplies, textbooks, utilities, and other general expenses. The Local Option Levy revenue and expenditures are contained in the General Fund. General Fund expenditures are presented in four major program areas: Instructional Services, Support Services, Community Services, and Other Accounts. Each of these program areas is further divided into functional categories and expenditure summaries.

Revenues for the General Fund come from two main sources: 1) local property taxes, which are collected from homes, businesses, and other property within the school district's boundaries; included in this is the Local Option Levy, and 2) the State School Fund, taken mainly from Oregon's income tax. All public schools in Oregon receive State School Funding each year.

In November, 2006 voters approved a five-year Local Option Levy. The funds from this levy will be used to support academic

achievement, K-5 music skills and appreciation, and the health and physical fitness of all students. \$3.89 million from this levy has been budgeted for the 2008-09 school year. This money will continue to provide 22 FTE classroom teachers to reduce class sizes throughout the district, and to support activities, athletics and vocational and extended learning opportunities at the high schools. At the elementary level, it will also fund 4 FTE literacy coaches and 6 FTE for K-6 Music and PE specialists.

The other twelve funds are:

- Student Body Funds. Money the schools receive from students and parent groups for purposes such as special school projects, field trips, and various student activities. The District acts as an agent for the student groups.

- Early Retirement Fund. Corvallis School District offers an early retirement incentive program. This program began in the early 1980's in lieu of salary increases. Collective bargaining agreements obligate the District to provide a salary stipend and health insurance for up to seven years following retirement for qualified employees. Payments from the General Fund provide the amount needed to fund the program on a pay as you go basis. The most recent actuarial update shows an unfunded net present value (NPV) liability of \$4.7 million for the stipend portion of the program and \$2.2 million unfunded (NPV) liability for the insurance portion.

- In July 1996, non-represented employees agreed to end their early retirement incentive program through a phase out of benefits with the last benefit paid June 30, 2008.
- Classified staff agreed to end their early retirement incentive program with the last retirees entering the program on

June 30, 1998. The final payments will be made on June 30, 2008.

- Licensed employees agreed to modify the plan in 1998 and again in 2005. The terms of the agreement are summarized in the Early Retirement Fund Highlights (Fund Summaries: Special Revenue Funds). The last benefit payments will be made on June 30, 2017.

- District Donation Fund. The Corvallis Public Schools Foundation receives donations into the Foundation Agency Fund (see below), and as it determines what grants and gifts are appropriate, it makes a monthly payment into this District Donation Fund. All payments for the gifts and grants are then made through the District's accounts payable process and paid out of the District Donation Fund.

- Food Services. All 509J schools serve students hot and nutritious breakfasts and lunches that meet requirements established by the U.S. Department of Agriculture, recognizing the direct link between good nutrition and an increased likelihood of student success. This fund gets its revenue from cash sales, and from state and federal subsidies based on the number of meals served. 509J also contracts with the Philomath School District to operate their program as well as Zion Lutheran School, several local day cares, the Grace Senior Center and other smaller entities.

- Land Fund. The Land Fund was established in January, 1998 to set aside proceeds for purchase of property in locations desirable for future schools and to receive proceeds from the sale of property.

- Grants Fund. The Grants Fund accounts for local, state, and federal grants

received by the District for specific programs. The major source of revenue is from two federal grants: Title IA supports efforts to increase achievement in reading and math among the economically disadvantaged students, and IDEA is a program that provides funding for education of disabled students.

- Designated Revenues Fund. This fund is used to separately account for gifts from a variety of private sources. A number of self-supporting programs are tracked in this fund, including kindergarten enrichment programs, Outdoor School, and field trips.

- Debt Service Fund. This fund is used for the collection of property taxes for voter-approved bond levies, and to pay the scheduled debt service payments.

- PERS Bond Debt Service Fund. This fund is used to collect a portion of the PERS benefit payments attributable to salaries and to pay the scheduled debt service payments on the bond that pays down the PERS unfunded liability.

- New Schools Bond Proceeds Fund. This fund accounts for the new school construction bond proceeds that were sold in February, 2003 and the costs associated with the construction projects. The fund will be essentially depleted during 2008-09.

- Insurance Fund. This fund combines the risk management and employee benefits programs in the District. Insurance premiums are charged as a benefit expenditure on a per-covered-employee basis to other funds. The offset is revenue to the Insurance Fund, out of which the insurance premiums are paid to the insurance carriers. The remaining fund balance is available to cover deductibles on District plans.

- Foundation (Agency) Fund. The Corvallis Public Schools Foundation is an agency fund held on behalf of the Corvallis Public Schools Foundation. It is funded through donations and operates as a separately governed 501(C)(3) non-profit corporation. It receives donations into this fund, and after determining appropriate grants and gifts, makes payments to the District Donation Fund. Grants and gifts are then distributed through the district's accounts payable process.

What basis of accounting does the District use?

The District uses the modified accrual basis of accounting for its governmental funds. Under this method, revenues are recognized when they become both measurable and available to pay for current operations. Property taxes are considered available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred.

Internal service funds and non-expendable trust funds use the accrual basis of accounting, like most businesses. Revenues are recognized when earned and expenses are recognized when incurred.

BUDGET PROCESS

How do you estimate resources the District will have?

Business staff develops projections for each type of revenue 509J receives. These projections are based on specific knowledge of some factors and assumptions about others. Most of the District's General Fund falls within the State Funding Formula. The State Formula is based on Average Daily Membership (ADMw) weighted for specific factors including special education, poverty, and English-as-a-Second-Language programs. Enrollment forecasts are critical for projecting General

Fund revenues. Estimates of formula dollars per ADMw are also critical.

Revenue estimates are made cautiously since estimating too high may result in setting an expenditure budget that cannot be supported by current revenues.

What is the process for the District's operating budget?

Operational reviews of the budget system begin in the fall. In 2007, a task force of representative administrators reviewed the school budget allocation system, and recommended changes to the superintendent more fully described in the Budget Allocation and Weighting Method (Appendix B). Also in the fall of 2007, a second task force including business managers from the city, county, a budget committee member, and a retired school district business manager and district staff met to review the district's Fiscal Policies. A key change recommended and adopted by the Board added a Rainy-Day Reserve to help the district manage the state's volatile funding during economic downturns (Appendix K).

District staff begins estimating the budget allocations in late fall, considering:

- Known cost factors for utility, insurance, social security costs, contribution rates to employee pension and retirement funds, and other similar costs;
- Required elements of the budget such as insurance, utilities, and transportation costs; and
- The projected cost of employee salaries and benefits, which is the largest expenditure in the District budget. Careful attention is given to step increases, bargaining agreements, and any other major change in the employee salary schedules. The budget estimates for salaries are translated into an average position cost that represents

the average cost for a full-time teacher's salary and benefits.

As with the revenue estimates, fiscal prudence demands that expenditure estimates be as accurate as possible. The schools' budgets are allocated on the basis of each school's projected enrollment, weighted by the special factor for poverty described above. In the spring, principals develop recommended school budgets with input from parents and staff. After staffing for the specifically-funded positions, Principals have the discretion to staff their schools in the manner they deem best to meet the Board goals and the nature of their unique circumstances.

Each school and department is responsible for developing their budget for staff, supplies, and equipment within their allocations. The school and department budgets are then collapsed into the district's recommended budget.

After months of preparation, the superintendent presents a recommended, balanced budget to the budget committee in May. The budget committee then reviews the recommended budget and receives testimony from patrons. The budget committee can make revisions to the budget.

The budget committee concludes its work by approving a budget and a tax levy. The approved budget then moves to the Board for final public input and adoption by June 30th. The District operates within the adopted budget.

The public is always welcome!

Public comment is always encouraged at budget committee meetings and Board meetings. Patrons may speak in favor or opposition to the proposed budget or request revisions.

Notice of the first budget committee meeting is published twice in the local newspaper between five and 30 days before the first meeting. At the first meeting, the superintendent gives a budget message that calls attention to significant changes in the District's programs or financial condition and explains the recommended budget.

The budget document itself estimates how much it will cost 509J to operate its schools and programs for the next fiscal year. For comparison, the document also reviews the District's actual and budgeted expenditures for the past three years.

Before adopting the budget, the school board publishes a summary of the approved budget in the newspaper and allows one final round of citizen comment at a public hearing. The public hearing is advertised between five to 30 days before it is held.

The school board may change the budget before it is adopted. However, the taxes needed to balance the budget may not be increased above the legal limits or bond principal and interest requirements. The board cannot increase the expenditures in any one fund by more than 10 percent without publishing a revised summary of the budget and holding another budget hearing on the revisions.

Supplemental Budgets

If the school District receives unanticipated revenues, then it is possible to use a supplemental budget to authorize expenditure of these revenues in a current fiscal year. However, a supplemental budget cannot be used to authorize a tax levy.

The school board may adopt a supplemental budget at a regular public meeting if the expenditures in the supplemental budget are less than 10 percent of the annual budget fund being

adjusted. If the expenditures are more, the school board must first publish the supplemental budget and hold a special hearing.

2008-09 BUDGET CALENDAR

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| Sept. 2007 | Budget review of building allocations based on actual enrollment |
| Dec. 2007 | Develop enrollment and revenue forecasts for 2008-09 |
| Jan. 2008 | Report to Board to update prior year actual and current year anticipated revenues |
| Feb. & Mar. 2008 | *Principals develop school budgets, taking input from staff and parents |
| May 12, 2008 | *Superintendent's Budget Message and recommendations presented and Budget Review Committee Begins |
| May 19, 2008 | *Budget Review Committee Second Meeting |
| May 27, 2008 | Budget Review Committee Third Meeting |
| June 23, 2008** | *Final Board budget hearing and adoption of budget for 2008-09 |

*Denotes opportunities for board and community input

**Meeting date may be changed with advance notice.