

# Louisiana Charter School Budgeting

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# What's to Be Covered

- Revenues
- Personnel
- Other than Personnel
- Start-up
- Cash Flow
- Self-perform vs. Outsource
- Where to Start

# Revenues

## It's all about the kids

- Each regular student = \$9,102 base revenue (EBR)
  - Target missed by 6 students → Need to cut 1 teacher
  - Target missed by 25 students → Need to cut 4 teachers
- Be thorough in researching and estimating enrollment
  - Look at population demographics, including proximity to actual building
  - Look at surrounding schools → Why would a student go to my school
- Students only count if they are enrolled on count day
  - Build in attrition → Some families may not like your program

# Revenues – Continued

## Not all students are created equal

- **Poverty Level** → Measured by those eligible per free & reduced lunch forms
  - The forms need to be collected from parents at the beginning of each year. No form (or other direct certification), no money.
  - About \$650 NCLB funds/**eligible** student
  - Primary funds: Title IA (targeted to disadvantaged/at-risk students); Title IIA (Professional Development); Title IID (Technology in the classroom); Title IVA (Safe & Drug Free); ARRA Title IA (Stimulus monies)
- **Food Service** → Federal & money from parents
- **E-rate** → Federal subsidization of telecommunications & networking
- **Special Education** → Federal IDEA funds & ARRA-IDEA funds
- **Start-up** → Federal PCSP funding
- **State Categoryicals** → School Improvement, Education Excellence
- **Donations** → School specific grants and donations

# Revenue Long Term

- Attrition is real → Student mobility happens during the year and over the summer
  - Are your behavior policies going to turn off some families?
  - Are you going to hold students back that are not on grade level?
  - Are you going to take in students in upper grades even though they are not on grade level?
  - 100 6th graders does not equal 100 7th graders the next year.
    - If you lose 10 students, do you have 3 classes of 30 or 4 of 22.5?
- Beware of Prior Year Counts → In many cases federal grants are paid based on counts from the previous year meaning you get less money when you expand
- Startup funds don't last forever → Beware of building in long-term uses of short-term funds

# Personnel

## Major Decisions

- Class Size
  - Students are not widgets...they don't come in nice little blocks of 25.
    - Don't budget at class size maximums.
  - Staffing formulas need to be flexible to accommodate unequal sections.
    - Just because you want your math teacher to teach 6 sections of 25, does not mean there are exactly 6 sections for them to teach. What happens if you only get 120 kids? Do you create 6 sections of 20? Can you afford it?
- Teaching Periods vs. Student Periods
  - If students attend 8 class periods but teachers only teach 6, you need 2 extra teachers for every 6 classes of kids.
- Special Education – Inclusion or Self-Contained
  - Your SPED populations may be higher than the surrounding area.

# Personnel – School Support

What kind of support personnel will you have?

- Executive Director
- Principal/Assistant Principals/Deans/Directors
  - One per set of grades? One per grade?
- Social Workers
- Guidance Counselors
- School Secretaries
- Special Education Specialists
  - Speech, OT/PT, etc
- Substitute Teachers
- Aids/Tutors
- Librarian
- Athletics/After School

# Personnel – More than education

What kind of support personnel will you need?

- Kids need to get to school → **Bus drivers**
- Kids need to eat → **Food service workers**
- Kids need to be safe → **Security** (Day & Night)
- Dirt builds up → **Custodians** (Day & Night)
- Things break → **Maintenance**
- Computers don't support themselves → **Technology**
- Things come up all the time → **Operations Manager**
- Data needs to be entered → **Data/Student Information Manager**
- People need to be hired → **HR & Recruiting**
- Bills need to be paid → **Business Manager/Bookkeeper**



# Benefits

## Do you participate in

- TRSL (State pension plan)
  - Yes → 15.5% employer match
  - No → Political issue and issue recruiting experienced teachers
  - Do you offer a 403b?
    - Match?
- Medical / Dental / Vision
  - How much do you contribute?
- Life, Disability, Unemployment, Workers Compensation, FSA, HSA, etc.

Keep in mind, Benefits are used for recruiting & retention.

# Personnel – Long term

- Remember, students are not widgets
  - They do not come in nice little blocks of 25
    - It is a lot easier to recruit for students at the entering grade level than higher grade levels
- Cutting is bad for morale
  - Implementing unsustainable programs may not be the way to go
- When do you build the infrastructure?
  - It is hard to afford early
    - But not building an infrastructure creates burnout and significant risk of knowledge loss if one person leaves

# Other Than Personnel

- Legal
- Insurance
- Management company
  - Operations and/or Education
- Special Education Consultants
- Professional Development
- Are you outsourcing
  - Transportation, custodial/maintenance, food service, security
    - **Maybe through the district**
- Copiers
- Telecommunications
  - Internet, phone, cell phone
- Books
  - Textbooks & Workbooks
- Classroom supplies
- Capital

# Start-up

It is a lot harder than it looks!!! You are building a school from scratch with little outside support and limited funds!

- You need to hire a principal and a full staff
- A curriculum design needs to be developed
  - School culture & discipline policies
- Buildings need to be fixed up
- Financial systems need to be developed from scratch
- HR policies and benefit plans need to be researched
- Technology needs have to be fulfilled
- You need to consider whether to outsource major functions like food service, custodial, security & transportation
- And yes, **you need kids**
  - How do you convince a parent to go to your school with no track history rather than the local school?

# Start-up Costs

- Early hires
  - Generally schools hire an executive director, principal, operations manager, secretary and maybe 1 or 2 others months before the first day
- Consultants are likely needed to help with start-up
- Books and materials
  - Need to be ordered **before** the first day of school
- Capital is expensive
  - computers, furniture, facility improvements

## **Federal startup funds come after the fact**

- Vendors don't trust the credit of new companies
- Banks don't either
- Before you commit → Do you really have the financial resources to start a school?

# Cash Flow

**Cash is King!** It is also scarce, especially at the beginning.

- You may not see a dollar before July 25th, yet school starts weeks later
  - How do you fund early hires?
  - How do you fund the first major payroll (if you train early)?
  - How do you fund your initial infrastructure like servers, computers, printers, facility improvements, startup office, advertising
    - Federal funds generally have a delay before approval and funding. You easily may not see startup funds until September and categorical funds until December
- The 25th is really close to the 30th
  - In July 2009, the 25th is a Saturday; what if you get a live check on the 27th (Monday).
    - Will the funds clear your bank before you need to process payroll on July 31st. What happens in November when Thanksgiving messes up your timing?
  - If you run bi-weekly payrolls, what happens when you have three payrolls in one month?

# Cash Flow

- Project cash flow on both a monthly and intra-month basis until you have enough cash to survive.
  - Small disruptions can mean missing payroll
- Be very cognizant of the timing of revenues and payroll
  - Remember the payments come at the end of the month.
  - Some things need to be purchased early in the year, while others are later in the year
- Think about prepayments/deposits such as insurance, utility deposits, custodial prepayments

# Paperwork & Forms

- Grant applications are submitted through
  - An Electronic Grants Management System (EGMS)
  - Paper / hardcopy
  - Or both
    - Depending on the grant.
- Your first attempt **WILL** be rejected
  - You need to know **ALL** the forms that need to be submitted for each grant
    - Multiple readers with multiple requirements
    - Especially in the first year, it may very well take months to “negotiate” the grants
- Money doesn't flow in many cases until you have a certain level of approval ...meaning later than you think



# Sample Cash Inflow Timing

## Sample Cash Inflows % of Accrued Revenue By Grant Revenue Streams

Revenue Title	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Receipts % of Revenue
Base													
Base - State	8.9%	8.9%	8.9%	11.3%	11.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	100%
Base - Local	9.0%	9.0%	9.0%	8.6%	8.6%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	100%
Federal													
Title IA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	86.7%	0.0%	0.0%	87%
Title IIA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	78.2%	0.0%	20.8%	97%
Title IID													0%
Title IIIV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	85.8%	0.0%	14.4%	100%
Title V													0%
PCSP - Implementation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100%
IDEA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	71.8%	0.0%	21.4%	93%
School Improvement	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
Other													0%
Other													0%
PCSP - Planning	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100%
Federal 12													0%
State													
Restructuring grant													0%
Certificated Pay Increase	0.0%	20.5%	10.2%	10.2%	10.2%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	100%
St Support Worker Supplement	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100%
Leap Remediation													0%
St Support Worker Supplement													0%
LEAP Remediation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
Math Fellows	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
National Certified Teacher	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
Other													0%
Other													0%
Local & Philanthropy													
Philanthropy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
Coca-Cola	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100%
Coca-Cola Vending													0%
Sporting events	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
Other Local Unrestricted Funding													0%
Miscellaneous Revenues	0.0%	0.0%	0.0%	17.8%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	100%
Food Service Collections	0.0%	0.0%	0.0%	0.0%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	100%
Other													0%
Other													0%
Local & Philanthropy 10													0%
Local & Philanthropy 11													0%
Local & Philanthropy 12													0%
<b>Total</b>	<b>7.0%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.8%</b>	<b>7.7%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>9.8%</b>	<b>8.1%</b>	<b>11.3%</b>	<b>8.1%</b>	<b>10.5%</b>	<b>92.6%</b>

Note: Revenue receipts for restricted grants are highly related to how quickly your grant applications and drawdown requests are approved. The timing of your actual receipts may vary considerably from this sample, which should be used for illustrative purposes only.

# Self-perform vs. Outsource

- Most charter schools are started for educational purposes.
  - Non-educational responsibilities can become distractions and can be overly time-consuming
  - Non-educational programs are very hard to run and have tons of pitfalls
    - Ex: Food service – If you don't collect all of the lunch forms from parents you will not only lose food service revenue but also ancillary revenues. If you don't serve a meal that meets the official requirements, you don't get reimbursed for it either.
- In many cases the district can or may be required to provide these services at “cost”
  - Unfortunately “cost” may be open to interpretation
    - The RSD was proactive for FY10 in negotiating these rates so individual schools didn't have to.

# Where to Start

## Step 1: Read over prior successful charter applications

- Get an idea for the type of expenditures in the budget and programs you may or may not run

## Step 2: Research different educational models to

- Determine your basic personnel structure

## Step 3: Review the required

- Budgeting template
- Annual financial report
- LAUGH (Louisiana Accounting Manual)

## Step 4: Create a functional template

- One that is consistent with the core educational design
- Matches the Louisiana accounting structure
- Allows for scenarios
- Allows for multi-year projections

# Where to Start

## Step 5: Research your key assumptions

- Add them to the model
  - Remember some assumptions should be based on student count, some teacher/staff count and others just fixed costs
- When modeling avoid driving everything off a single scenario
  - Color code things that need more research

## Step 6: Verify that you have estimates for every line item

- If you do not know the exact numbers, put an estimate in

**DO NOT LEAVE IT BLANK**

## Step 7: Run scenarios with things that can move

- Until you are happy with the results