**Policy Booster: Fiscal Management**

With continued low increases in the state cost per pupil and the budget strife that has placed upon school district leaders, there’s never been a time when a fiscal management local board policy was more important.

In the attached draft policy, there are specific requirements regarding general fund budget forecasting of tax rates, spending authority and fund balance. We’ve included sections in which your school board can set ranges and targets of expected unspent authorized budget and fund balance (unreserved unassigned cash balance). There’s a clear expectation of budget amendment, claiming additional spending authority, and regular financial reporting to the school board. There is a provision for including a contingency amount in budget preparations. Lastly, there’s a recommended Audit Committee including membership, terms, and processes for this important community stakeholder oversight.

This policy is recommended best practice, but not mandated by the state. However, this policy adopted by the school board will help to clearly steer budget decision-making expectations, making reactions to enrollment changes and likely continued low levels of state funding more easily implemented and communicated.

There are several places in this policy that require the board to set their target and there is no one recommended range or metric that will fit every board’s or community’s comfort level. This takes at least one and often several conversations at the board table about what level of risk your school board will collectively tolerate and what ranges of expectations provide them comfort. The conversation is also an opportunity to clearly delineate between spending authority (unspent authorized budget) and fund balance (cash), which is a valuable conversation that cannot be revisited enough, in our opinion.

Setting targets: For example, in the draft policy goal for Unassigned General Fund Balance, the amount should minimally meet the cash flow needs of the district and may include an additional cushion based on the collective comfort level of the Board. Larger districts tend to have smaller percentages and smaller districts tend to have larger percentages, but there is no one right answer. Enrollment and expenditure trends and recent experiences with financial pressures may influence what’s best. Involvement and attention of stakeholders including their tax rate expectations may play a role in some districts but not in others.

We suggest you include this in your 700 series section of your board policy manual, at least in the ISFIS Policy Starter Manual, it would go in that section titled: Purpose of Non-instructional and Business Services. If you utilize the free on-line hosting of your policy manual, the number is irrelevant since you and stakeholders can search for any word or phrase and find it. Contact us if you would like more information about on-line hosting of your policy manual. Under additional resources below, Linn-Mar CSD provides an example of ISFIS online hosting of a school board policy manual.

**Learning Resources and Examples**

The ISFIS [Board Building Blocks](https://www.iowaschoolfinance.com/board_building_blocks) module on Financial Duties of the Board includes some information on financial goal setting. This module includes a video, PPT and discussion guide. We are available to support district leaders in financial goal setting if you need assistance.

We have found two examples of local board finance policies that have different ranges/targets that you might find helpful:

Linn-Mar CSD Financial Policy 801.4 is seen here (hosted by ISFIS Policy Services): <http://policy.linnmar.k12.ia.us/policy/8014-general-fund-reserves-and-fund-balance-reporting>

Ames CSD board policy on Fiscal Management is found here: <https://drive.google.com/file/d/0B4RWFxB0PypfWFF5UzZFc1pER2s/view>

**Sample Draft Policy**

We’ve attached a sample Board Policy to this Policy Booster for your reference. Contact [margaret@iowaschoolfinance.com](mailto:margaret@iowaschoolfinance.com) or [larry@iowaschoolfinance.com](mailto:larry@iowaschoolfinance.com) with questions.

Virtual facilitated board workshops on financial goal setting for your school board are included with ISFIS subscription and facilitated board workshops in your district are available at a reduced consulting rate for ISFIS subscribers. Let us know if we can help further with this conversation.

***The “dot your I’s and cross your T’s” disclaimer:*** *This Policy Booster is not a substitute for legal advice, but rather, the impetus to get the local ball rolling. Check with your local school attorney and consider the impact this policy will have on other policies, handbooks, bargaining agreements, administrative procedures and forms in the district.*

**#723 Fiscal Management Draft Policy**

**General Fund Budget**

The District shall prepare an annual 5-year general fund budget forecast that includes estimates of unspent authorized budget (spending authority), as well as restricted, assigned and unassigned fund balances available at the end of each fiscal year. The estimates shall be prepared utilizing scenarios for likely State Supplementary Assistance (SSA) rates and enrollment projections. The projections shall include estimates of property tax rates and income surtax rates, if applicable.

**Monthly Update**

The Treasurer shall report monthly to the Board as to actual revenue and expenditures for the month and year-to-date, as compared to budgeted revenues and expenditures and compared to historical revenues and expenditures (both in dollar amounts and percentages), for each fund maintained by the district. The Treasurer shall provide context with respect to current year variances between budgeted and historical revenues and expenditures.

**Budget Amendments**

The District shall amend the certified budget, when necessary, at the earliest practical date after receipt of knowledge indicating that the budget must be amended and prior to any statutory deadline. Monthly budget reports shall include amended amounts at the earliest possible date after the receipt of knowledge indicating that the budgets must be amended.

**Assigned and Unassigned General Fund Balance**

The District’s goal for its assigned plus unassigned general fund balance at June 30 is a minimum of XX percent of that year’s revenue. The District will certify annually a cash reserve levy if needed to restore, reach and/or sustain the desired fund balance. A fund balance of a minimum of XX percent helps the District to achieve the highest possible credit ratings from rating agencies, such as Moody’s and Standard and Poors. Higher credit ratings are directly related to lower interest rates on long-term debt issued by the District. Sufficient fund balances also eliminate short-term borrowings and related interest expense in the general fund and protect the District if the State of Iowa reduces funding mid-year. A report on meeting this target will be made annually to the Board.

**Unspent Budget Authority**

The Unspent Budget Authority is the remaining legal spending authority at the end of the fiscal year. The district’s Unspent Budget Authority at June 30 shall be no less than XX percent with target of XX percent and a maximum of XX percent of its general fund budget (spending) authority. The calculation shall divide the Unspent Budget Authority by the Maximum Authorized Budget to determine the percentage. Maintaining an adequate Unspent Budget Authority provides legal authority to spend the undesignated, unreserved fund balance. A report on meeting this target will be made annually to the Board.

**Contingency**

The district shall prepare a budget that includes a contingency of at least XX percent of the general fund budgeted expenditures.

**Modified Supplemental Amount**

The district shall solicit from the School Budget Review Committee additional Modified Supplemental Amount (spending authority) where it may be available for items such as special education deficit, increasing enrollment, budget guarantee, open enrollment not on prior year count, English Language Learner, and any other lawful purposes. The board shall be provided a resolution to approve the maximum request authorized. Any award of Modified Supplemental Amount may be levied as a cash reserve levy, in full, in the next available budget year. For recurring program deficits that are predictable and estimable, the district shall levy in advance for the immediately succeeding year as part of the general cash reserve levy if the deficit causes the estimated assigned and unassigned to fall below the minimum required. Grants of spending authority not funded by the state or other sources may ultimately be levied against property taxes.

**Audit Committee**

The Board of Directors shall have an Audit Committee consisting of one board member and an alternate appointed by the Board President, a public member with financial expertise, a public member representing the business community, and the District’s School Business Official (ex officio). The members of the Audit Committee will have three-year staggered terms. It shall be the responsibility of the Audit Committee to (1) review the previous year’s draft audit report to ensure that the recommendations are addressed and (2) review the implementation of the current year’s budget. The Audit Committee shall meet approximately three times a year. The Audit Committee shall be considered a subcommittee of the Board and shall meet the requirements of the open meetings law. Audit Committee minutes will be provided to the Board.