

# Shelby County Board of Education

2001

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07/28/15

## ANNUAL OPERATING BUDGET

### I. PURPOSE

To develop a financial plan for the District that describes the programs and services to be offered during the fiscal year that is aligned with the Shelby County Board of Education's (the "Board") established vision, goals, and priorities for the District.

### II. SCOPE

This policy applies to the annual operating budget for the fiscal year beginning July 1 and ending June 30 the following year.

### III. DEFINITIONS

- A. Expenditure Categories – expenditures are classified into categories by fund, function, object, department, location and project.
- B. Governmental Funds – are comprised of the General Fund, Capital Projects Fund, and the Special Revenue Funds.
- C. Special Revenue Funds – are comprised of Non-Federal Programs, Federal Programs, and the Nutritional Services funds.
- D. Proprietary Funds – are comprised of Internal Service Funds composed of printing services, warehouse, health, insurance, unemployment, and the Achievement School District funds. The health insurance and unemployment funds are self-insured and not appropriated in the annual budget process.
- E. State Major Function Expenditure Categories – include the following: instruction; instructional support; student support; office of the principal; general administration; fiscal services; other support services; student transportation; plant services; community service; charter schools; retiree benefits; food service; debt service; and capital outlay.
- F. Object Code Expenditure Categories – include the following: salaries; employee benefits; contracted services; supplies and materials; other charges; debt service; and capital outlay.

G. Discretionary Funds – are unrestricted (also referred to as non-salary and non-benefit object funds). This does not include Special Revenue Funds-Non-Federal Funds.

#### **IV. POLICY STATEMENT**

The Board shall adopt a budget and appropriate funds for each fiscal year prior to the beginning of that fiscal year. In accordance with state law<sup>1-4</sup> and regulations and Board policy, the Superintendent and Chairman of the Board of Education shall submit a budget to the State. The budget proposal should be:

- Balanced;
- Based upon conservative revenue estimates;
- Directed at the Board’s results/ends and operational goals and priorities;
- Based upon clearly revealed assumptions consistent with Board policy and contract conditions and include provisions for:
  - programs to meet the needs of the entire student body
  - staffing arrangements adequate for proposed programs
  - maintenance of the system's equipment and facilities
  - efficiency and economy; and
- Presented in a clearly understandable format.

The District’s budget is the legal basis for the establishment of funding. It is the legal document which describes the programs to be conducted during a given period of time. It is the operational plan, stated in financial terms, for the conduct of all programs in the District. The annual budget process is an important function of the District’s operations and should serve as a means to improve communications within the organization and with the residents of the community.

Public school budgeting for the school district is regulated and controlled by legislation, State Board of Education regulations, Shelby County Board of Commissioners, and local school Board requirements.

The Board further recognizes that the budget provides the framework for both expenditures and revenues for the year and translates into financial terms the educational programs and priorities for the system. The approval of the annual budget by the Board provides authorization to the Superintendent and the administrative staff to expend any or all of the amounts appropriated to the limit of each individual fund for the specific budget year.

## **Budget Development and Adoption Process**

### ***Board Priorities***

In order to guide the Superintendent and staff's budget preparation work, by no later than the October Regular Board Meeting, the Board, in conjunction with the Superintendent, shall do the following:

1. Conduct a Board Priorities Workshop to establish the District's priorities for the upcoming fiscal year. The priorities should be driven by on-going review of District programs and operations through assessment workshops and based on the goals of the District as evidenced by a long-term strategic plan and/or the District's core beliefs and commitments. The priorities should be well-defined to meet expressly stated values of the District;
2. Rank and assign a numerical ranking to each District priority prior to its approval;
3. Prior to the Board Priorities Workshop, the Board may solicit community (i.e. students, parents, teachers, principals, staff, external organizations, etc.) input on the District's priorities by any method deemed appropriate, including but not limited to community meetings, on-line surveys, etc.; and
4. Approve the District's priorities at a Regular Business or Special Called meeting.

The approved District priorities serve as a clear statement of the Board's priorities for the budget, allowing staff to develop the budget in accordance with this policy, which incorporates and shows evidence of how the budget accomplishes the Board's priorities.

### ***Budget Officer***

The Superintendent is designated as the budget officer to oversee the daily administration of the system's budget. The budget shall set forth in itemized form the amount necessary to operate the District for the fiscal year.

The Board Chair or designee and the Superintendent or designee shall establish an annual budget development process and calendar. In order to provide guidance in the development of the budget, the Board shall annually establish District priorities based on identified District needs and goals and on realistic projections of available funds.

The Superintendent or designee shall oversee the preparation of the District's proposed budget for approval by the Board and shall involve appropriate staff at all levels in the development of budget projections.

### ***Budget Controls***

#### **Governmental Funds**

Transfer of funds between governmental funds are prohibited unless the transfer to/from (Other Financing Source/Use of Funds) is included in the budget and subsequently approved by the Board.

#### **Transfers**

General - Transfers **between** State Major Function Expenditure Categories (i.e., instructional, operational, and other service accounts) shall be made upon the recommendation of the Superintendent and approval by the Board and Shelby County Board of Commissioners.

Line item transfers requests **within** a State Major Function Expenditure Category - All line item transfers within a State Major Function Expenditure Category shall be made upon recommendation of the Superintendent and approval of the Board. Consideration for approval by the Board requires justification, which shall include, but is not limited to, the nature, rationale/computation, impact if not funded and alignment with the District's strategic plan for which the proposed expenditure is directly related.

Object Code Expenditures – With the exception of the “Money Due Board” budget, Board approval is required for line item transfers from salaries and benefits to discretionary accounts. In the event the Superintendent (or designee) or Chief Finance Officer determines the line item transfer is required before Board approval can be obtained, the line item transfer shall be presented to the Board for approval at the next scheduled Board Regular Business or Special Called Meeting.

Other Restricted Budgets/Allocations – Line item transfers from the following budgets are prohibited unless recommended by the Superintendent and approved by the Board:

- Textbooks
- Human Resources/Procurement Advertisement
- Utilities
- Transportation
- Legal

- Alarms
- Retirees Health Insurance
- Charter School Allocations
- Summer School
- Debt Service
- Trustee Fees

### **Discretionary Funds**

If such funds are not used by the end of the fiscal year within the General Fund, then they shall revert to the General Fund-Fund balance unless otherwise approved by the Board.

### **New Positions**

#### *General*

The Superintendent or designee shall report to the Board, on a monthly basis, all new positions not previously identified and approved in the Budget. The report shall include the job description, salary, fund, and rationale for the new position, including but not limited to, the impact if not filled and alignment with the District's strategic plan for which the proposed position is directly related.

#### *Grant-Funded Positions*

Prior to hiring for grant-funded positions, the Board shall approve the position(s) by resolution. In the event the Superintendent determines the grant-funded position requires filling before Board approval, the position(s) shall be presented to the Board for approval at the next scheduled Board Regular Business or Special Called Meeting. The resolution shall include, but not be limited to, the job description and title, employee classification (e.g. full-time, part-time, etc.), salary, and duration of funding. The Board shall receive on a monthly basis a list of all newly hired grant-funded positions.

### **Carry Forward Encumbrances**

Upon approval of the Board, purchase orders greater than \$5000 related to contracts for services or engagement letters for legal services will be carried over at year end to the new fiscal year and the budget in the new fiscal year will be increased via carry forward encumbrance budget transfer.

### ***Budget Content***

The Superintendent or designee shall ensure that the District's proposed budget is clearly presented and effectively communicated to the Board, staff, and public.

She/he may modify or supplement the format prescribed as necessary for these purposes.

The Superintendent or designee shall, at a minimum, ensure that the District's proposed budget shows a complete plan and itemized statement of all proposed expenditures and all estimated revenues for the following fiscal year, together with a comparison of revenues and expenditures for the current fiscal year. The budget shall also include the appropriations limit and the total annual appropriations.

### ***Budget Format***

The Superintendent shall utilize a budget format consistent with nationally recognized standards (i.e., ASBO, GFOA, etc.).

### ***Public Input***

The Board encourages public input in the budget development process in accordance with this policy (see above Section *Board Priorities # 3*). Additionally, the Board shall provide an opportunity or opportunities for public input on the proposed budget through any method deemed appropriate by the Board (i.e., community meetings, public hearings, teleconference, on-line survey, etc.).

## **Budget Approval, Amendments and Continuation**

### ***Budget Approval and Amendments***

The Board is responsible for adopting a budget and submitting the approved budget to the Shelby County Board of Commissioners for approval in accordance with applicable local and state law. Any subsequent amendment that increases the overall total adopted budget (includes all funds) shall also require the Board's approval by adoption of a Budget Resolution and submission to the Shelby County Board of Commissioners for approval.

### ***Continuation Budget***

In the event a budget is not adopted for operation by July 1, in accordance with State law, the Shelby County Board of Commissioners must approve a continuation budget and the District budget for the year just ended shall continue in effect until a new District budget has been adopted. A continuation budget is not valid beyond October 1 of the current fiscal year for purposes of the District's eligibility to receive State Basic Education Program (BEP) funds.

## V. RESPONSIBILITY

- A. The Superintendent is responsible for developing an annual budget, submitting it to the Board for adoption, and managing the budget after adoption. The Superintendent is also responsible for submitting the District budget to the Shelby County Board of Commissioners.
- B. The Board is responsible for annually establishing the District's priorities, adopting/approving a budget for the operation of the District, including any amendments, and ensuring a continuation budget is adopted when necessary.
- C. The Superintendent and Chairman of the Board are responsible for filing a copy of the budget with the Commissioner of Education within the time limits mandated by the State.
- D. The Superintendent or designee is responsible for coordinating public input.

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Legal References:

- 1. TCA 49-2-203
- 2. TCA 49-2-301(b)(Z); (W)(i)(ii)
- 3. TRR/MS 0520-1-2-/13(2)(a)
- 4. Tennessee Internal School Uniform Accounting Policy Manual; Section 4-19
- 5. TCA 49-3-316(d)

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Cross References:

**Original Adoption: 10/30/12**

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The District's budget is the financial plan for the operation of the school system and will be developed in accordance with the procedure listed below.

The Superintendent, consistent with Board policy, will determine the manner in which the annual budget is to be compiled consistent with the Board's established vision, goals, and District priorities and issue instructions to the staff. She/he will also establish a time schedule for the preparation of the budget to be known as the "budget calendar."

## **BUDGET DEVELOPMENT**

**Planning and Compilation:** The Superintendent and cabinet members will involve appropriate staff members in the budget planning process. Budget planning will be related to the Board's identified priorities to support the District's goals, objectives, and programs. It should include an assessment of existing programs and an examination of alternative program possibilities.

**Requests:** Based upon the Board's established District priorities, estimates of the appropriations needed to finance the educational programs will be made. These budgetary estimates will then be summarized, supported, and recommended to the Board.

**District Priorities:** An integral part of the budget preparation procedure will be that of projecting revenues. If the program needs or requests are in excess of the funds available, priorities must be determined by the Board and Superintendent.

**Presentation and Publication to the Board:** The proposed budget must be submitted to the Board along with a statement describing the major objectives of the educational program to be undertaken by the District during the fiscal year.

**Public Input:** The Board will provide an opportunity or opportunities for public input on the proposed budget through any method deemed appropriate by the Board (i.e. public hearings, community meetings, on-line surveys, etc.) to elicit from the citizenry constructive suggestions for improving the proposed budget or hear any objections to the proposed budget prior to its final adoption. The time, date, location and/or type of public input shall be included in the budget calendar.

## **BUDGET MANAGEMENT**

**Responsibility for Administering:** The budget will be managed by the Superintendent.

**Methods and Procedures:** The Superintendent will be guided in the responsibility of budget management by the limitations as established by state law, budgetary restrictions, and applicable Board policies.

**Budget Process:** The adopted budget defines the funding priorities of SCS in accordance with policy. The budget is prepared using Zero/Goal Based Budgeting. All expenditures are justified by Budget Center Managers (BCMs), aligned to the District's Strategic Plan and must reflect the original or amended budget.

All funds budgeted/programmed are for that specific and intended use. Funds not expended shall revert to the District's general fund unless otherwise approved by transfer or where applicable, by the Board.

### **BUDGET TRANSFERS:**

Should an unforeseen expenditure arise and there is a need for a BCM to amend their operating budget, the BCM shall prepare a Budget Transfer Request form and provide sufficient justification that substantiates and supports the budget transfer.

Sufficient budget must be available in order to process a transfer.

Line item transfers from salaries and benefits to operations and maintenance accounts and from other restricted budgets/allocations as provided in policy are not permitted.

Line item transfers between major budget categories (e.g. instructional accounts, instructional support services, and other service accounts) shall be made upon the recommendation of the Superintendent and approval by the Board.

The Budget Transfer Request:

<http://www.scsk12.org/uf/webadmin/foundation/finance/files/2015/Budget%20Amendment%20Cover%20Sheet.pdf> shall provide the Nature, Rationale/Computation, Impact if Not Funded and alignment to the District's Strategic Plan for which the proposed expenditure is directly related. These criteria are the same as required of the BCM when justifying their original proposed budget. The Budget Transfer Request Form requires the user to complete the Fund, Project, Function, Detail Object and Location.

**BUDGET AMENDMENTS:**

If increases to a budget are required throughout the year (after the current Fiscal Year budget has been adopted), a Budget Resolution must be approved by the Board.

The Budget Resolution Process is coordinated through the Chief Finance Officer or Superintendent designee. The process is provided under the following link: <http://www.scsk12.org/uf/webadmin/foundation/finance/files/2015/Budget%20Amendment%20Cover%20Sheet.pdf> or may be obtained from the office responsible for budget and fiscal planning.

*Carry Forward Encumbrances*

The Superintendent or designee will submit a resolution amending the operating budget to the Board for approval for authorized carry forward encumbrance adjustments as soon as the carry forward budget transfer is entered into the accounting system. Once approved by the Board, a resolution will be submitted to the Shelby County Board of Commissioners to ratify the increase in the budget.