

FY2019 Budget Frequently Asked Questions (FAQs)

1. **CHANGES TO THE BUDGET**
2. **TRANSPORTATION COSTS IN THE SCHOOL BUDGET**
3. **USING AVAILABLE FUNDS TO AVOID CUTS NEXT YEAR**
4. **FREE CASH FROM EDUCATION EXPENSE VARIANCE**

1. **Changes to the Budget**

Q:

Why do things happen that are not as they appear in the Budget?

A:

In an environment where “fake news” and conspiracy theories tend to keep us all distracted if not amused, it is perhaps understandable to ask if there is not a good deal of “smoke and mirrors” going on. The fact is that budgeting is less mysterious and more complicated than that.

The first thing to understand is that the Budget is a plan developed a year in advance to implement the prioritized goals of the District based on the best available projections.

During the budget process

- All proposed expenditures are prioritized based on goals
 - For example, an Art teacher serving 500 students might have a higher priority than a Latin teacher serving 60 students. This is not to say that a Latin Teacher doesn't enrich students and the school community in important ways.
- Insufficient funding to implement all the goals requires that the spending plan be prioritized
 - The budget is determined by how much of the prioritized needs the funding will support
 - For example, if the next priority to be funded is a Paraprofessional position for \$20,000, then an additional \$20,000 of funding would include that position in the final budget, otherwise it would not “make the cut”.

The Budget is a living document

- Events may dictate a reassignment of funding
 - For example, a particularly snowy winter will require more funding than what was budgeted based on an average year. On the other hand, a snowless year may free up resources for other priorities.
 - For Example, an out-of-district placement for a special needs student beyond the anticipated will require funding be transferred from other budget priorities to cover the cost.
 - For example, a brutally cold winter with power outages leads to a bumper crop of frozen and burst pipes, which will require funding be transferred from other budget lines to cover the cost.
- Some planned-for costs may change over time, requiring an adjustment to the budget and prompting a transfer between budget lines
 - For example, there might be a sale on a planned-for textbook series, freeing up funds to be transferred to cover other priorities such as science lab materials.
 - For example, a planned hire to replace a retiring teacher may be budgeted for \$55,000 but \$60,000 was required to fill the position

The Budget ends on June 30 each year

- A municipal entity, such as the school District, cannot carry over unexpended or unencumbered funds to the next year.
- Funds that were not expended on the priorities identified in the budget are used to purchase needed items identified on a district-wide prioritized list.
 - For example, during the budget process \$15,000 of curriculum materials were cut in order to fund other items prioritized as an immediate need. The need is still acute so they may be placed on the district-wide prioritized list for possible purchase with unexpended funds.
 - For example, the technology replacement schedule was underfunded by \$132,000 in the FY2019 budget, allowing the average age of computer equipment to stretch even further beyond their life expectancy. Replacing the oldest equipment that aged out during FY2016 would cost \$37,000. This may be placed on the district-wide prioritized list for possible purchase with unexpended funds.

2. Transportation Costs in the School Budget

Q:

If Regular Transportation were budgeted on the City side, as it was in the past, would that take care of the projected \$720,000 funding gap for FY2019?

A:

Regular Transportation costs for the schools (the Big Yellow Buses) has been budgeted in, and paid from, the School Budget since at least FY1998.

Transportation costs do not count when calculating Net School Spending. Therefore, if the cost of Regular Transportation were to be removed from the school budget (reallocated to the City budget), then the amount of "Budgeted Costs that do not apply to NSS" would also have to be reduced.

As the illustration below demonstrates, there would be no effect on the budget gap.

Net School Spending Budget		
<u>Revenue</u>	FY19 House Ways & Means	FY19 If Transportation was Not In School Budget
State Funding		
Chapter 70	19,695,852	19,695,852
Total State Funding	<u>\$ 19,695,852</u>	<u>\$ 19,695,852</u>
Appropriation to meet Required NSS	9,085,400	9,085,400
Funded Over NSS	930,379	930,379
Total City of Gardner Funding	<u>\$ 10,015,779</u>	<u>\$ 10,015,779</u>
Total Funding	<u>\$ 29,711,631</u>	<u>\$ 29,711,631</u>
 <u>Expense</u>		
School Budget		
PAYROLL ACCOUNTS	17,536,472	17,536,472
EXPENSE ACCOUNTS		
Regular Education Instruction	166,163	166,163
Special Education Instruction	159,310	159,310
Support Services	124,605	124,605
Program / Staff Development	56,316	56,316
Other Programs	987,267	987,267
School Administration	202,773	202,773
Central Administration	245,717	245,717
Information Sevices	330,145	330,145
Facilities	1,149,054	1,149,054
Transportation	1,496,763	788,643
Utilities	511,517	511,517
Other Operations & Control Accounts	715,395	715,395
Total Budgeted Expenses	<u>\$ 6,145,026</u>	<u>\$ 5,436,906</u>
Restoration / Adds / Cuts	\$ 114,047	114,047
Total School Budget	<u>\$ 23,795,544</u>	<u>\$ 23,087,424</u>
Budgeted Costs that do not apply to NSS	(1,598,263)	(890,143)
City Budgeted Indirect Costs	8,234,536	8,234,536
Total Net School Spending Expense	<u>\$ 30,431,817</u> (720,186)	<u>\$ 30,431,817</u> (720,186)

3. Using Available Funds to Avoid Cuts Next Year

Q:

Why doesn't the School Department use funds it has available in the Circuit Breaker Revolving Fund to reduce the funding gap and avoid cuts next year?

A:

While technically possible, this avoidance strategy is short sighted. It simply postpones the cuts, as can be seen in the illustration below. In addition, this maneuver would disrupt the predictable "best practices" budgeting methodology just recently introduced.

Circuit Breaker Revolving Fund						
	FY16	FY17	FY18	FY19	FY19	FY20
	Actual	Actual	Actual	Budget	Alt. Budget	Budget ?
Revenue	293,372	386,345	303,378	342,550	342,550	342,550
SE /Out of Dist Place	180,762	254,358	386,345	303,378	545,928	342,550
Contracted Services						
Total Expenses	180,762	254,358	386,345	303,378	545,928	342,550
Net	112,610	131,987	(82,967)	39,172	(203,378)	-
Beginning Balance	141,748	254,358	386,345	303,378	303,378	100,000
Current Year	112,610	131,987	(82,967)	39,172	(203,378)	-
Ending Balance	254,358	386,345	303,378	342,550	100,000	100,000
				Add	242,550	
				Cut		(203,378)

As you can see, using this method is fiscally unsound as it creates an immediate gap of \$203,378 for the FY20 budget. The Schools would need this money in addition to any increase to maintain level services.

It essentially puts off the inevitable.

4. Free Cash from Education Expense Variance

Q:

I noticed that the City's Free Cash report at the end of FY2017 listed \$200,927 as having come from Education. Does this mean that the schools did not really need all that money and returned it to the City?

A:

The amount appearing in the Free Cash report is made up of several items.

The bulk of it is made up of School Expenses encumbered in FY17 but not yet paid by June 30 (the close of the fiscal year). These expenses were paid when invoices came in during FY18 using the FY17 funding. The details of this \$135,738.59 are listed on the next page.

Another large chunk was a refund from an Out of District placement, which was paid to the City after the close of the fiscal year. Unfortunately, because of the timing, the freed up funds could not be used for other School District priorities.

Total FY17 Expenses Paid in FY18 with FY17 Funding	135,738.59
Out of District Tuition refund in July	60,777.00
Voc Tech Tuition Cost variance in City Budget	34.00
Unaccounted for in quick review.	4,377.41
	<u>200,927.00</u>

Carry Forward Encumbered FY17 Expenses									
13960 - 68000 - 10001									
YEAR	PER	JOURNAL	EFF DATE	SRC	T	REF1	PO/REF2	AMOUNT	COMMENTS
2018	'01	' 387	'07/29/201	POM	4	'009924	'2176	18,964.29	'YE CARRYOVER ENCUMB 2017
2018	'01	' 304	'07/29/201	POM	4	'000259	'1491	15,864.26	'YE CARRYOVER ENCUMB 2017
2018	'01	' 267	'07/29/201	POM	4	'016002	'619	10,800.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 257	'07/29/201	POM	4	'013478	'269	9,455.62	'YE CARRYOVER ENCUMB 2017
2018	'01	' 343	'07/29/201	POM	4	'011959	'1873	8,275.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 371	'07/29/201	POM	4	'005208	'2097	6,698.10	'YE CARRYOVER ENCUMB 2017
2018	'01	' 297	'07/29/201	POM	4	'000662	'1361	6,550.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 350	'07/29/201	POM	4	'009924	'1941	5,700.94	'YE CARRYOVER ENCUMB 2017
2018	'01	' 264	'07/29/201	POM	4	'000119	'450	4,980.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 331	'07/29/201	POM	4	'014667	'1792	4,950.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 381	'07/29/201	POM	4	'010010	'2147	4,172.56	'YE CARRYOVER ENCUMB 2017
2018	'01	' 382	'07/29/201	POM	4	'010010	'2148	4,107.86	'YE CARRYOVER ENCUMB 2017
2018	'01	' 258	'07/29/201	POM	4	'015945	'273	3,154.64	'YE CARRYOVER ENCUMB 2017
2018	'01	' 306	'07/29/201	POM	4	'008189	'1524	3,000.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 337	'07/29/201	POM	4	'003018	'1858	2,918.13	'YE CARRYOVER ENCUMB 2017
2018	'01	' 379	'07/29/201	POM	4	'007907	'2145	2,220.84	'YE CARRYOVER ENCUMB 2017
2018	'01	' 342	'07/29/201	POM	4	'008372	'1869	1,488.27	'YE CARRYOVER ENCUMB 2017
2018	'01	' 380	'07/29/201	POM	4	'007907	'2146	1,110.42	'YE CARRYOVER ENCUMB 2017
2018	'01	' 367	'07/29/201	POM	4	'000157	'2090	1,000.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 315	'07/29/201	POM	4	'008189	'1643	1,000.00	'YE CARRYOVER ENCUMB 2017
2018	'02	' 91	'08/09/201	POE	4	'005107	'3338	950.00	'INSTALL BALL VALVES IN CAFE SI
2018	'01	' 254	'07/29/201	POM	4	'015945	'234	650.66	'YE CARRYOVER ENCUMB 2017
2018	'01	' 344	'07/29/201	POM	4	'016772	'1881	500.36	'YE CARRYOVER ENCUMB 2017
2018	'01	' 369	'07/29/201	POM	4	'000712	'2093	500.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 368	'07/29/201	POM	4	'000597	'2091	500.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 324	'07/29/201	POM	4	'008189	'1698	500.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 266	'07/29/201	POM	4	'007907	'494	413.90	'YE CARRYOVER ENCUMB 2017
2018	'02	' 171	'08/17/201	POE	4	'005107	'3468	400.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 281	'07/29/201	POM	4	'005586	'902	323.59	'YE CARRYOVER ENCUMB 2017
2018	'03	' 146	'09/15/201	POE	4	'013835	'3698	320.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 349	'07/29/201	POM	4	'016387	'1925	300.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 255	'07/29/201	POM	4	'000062	'248	240.85	'YE CARRYOVER ENCUMB 2017
2018	'06	' 258	'12/28/201	POE	4	'000062	'4160	159.96	'YE CARRYOVER ENCUMB 2017
2018	'01	' 362	'07/29/201	POM	4	'004370	'2058	150.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 262	'07/29/201	POM	4	'001295	'350	130.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 253	'07/29/201	POM	4	'000062	'182	79.98	'YE CARRYOVER ENCUMB 2017
2018	'01	' 286	'07/29/201	POM	4	'001295	'1164	65.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 296	'07/29/201	POM	4	'000460	'1359	30.00	'YE CARRYOVER ENCUMB 2017
2018	'01	' 252	'07/29/201	POM	4	'005208	'169	19.26	'YE CARRYOVER ENCUMB 2017
2018	'01	' 242	'07/29/201	POM	4	'000460	'84	15.00	'YE CARRYOVER ENCUMB 2017
								122,659.49	
13960 - 68000 - 10003									
YEAR	PER	JOURNAL	EFF DATE	SRC	T	REF1	PO/REF2	AMOUNT	COMMENTS
2018	'02	' 77	'08/10/201	API	1	'005208	'2095	7,585.80	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'005208	'1862	1,579.00	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'016637	'2188	1,110.00	'YE CARRYOVER ENCUMB 2017
2018	'03	' 43	'09/07/201	API	1	'000405	'2140	729.90	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'005208	'1863	489.93	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'007731	'2186	451.00	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'003140	'2185	330.00	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'013419	'832	297.00	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'000122	'1846	90.75	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'000662	'1749	90.00	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'000817	'1566	90.00	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'011588	'2187	81.99	'YE CARRYOVER ENCUMB 2017
2018	'03	' 43	'09/07/201	API	1	'006569	'1982	68.72	'YE CARRYOVER ENCUMB 2017
2018	'03	' 43	'09/07/201	API	1	'006569	'1952	51.95	'YE CARRYOVER ENCUMB 2017
2018	'02	' 77	'08/10/201	API	1	'005334	'1865	33.06	'YE CARRYOVER ENCUMB 2017
								13,079.10	
Total Carry Forward Encumbered FY17 Expenses Paid in FY18 with FY17 Funding								135,738.59	