

Board Adopted: May 28, 2019 [NEW] [Routine Review]  
Board Revised: June 22, 2020 [Routine Review, Revised]  
Board Information: April 24, 2023 [Routine Review, Revised]  
Board Approval: May 22, 2023 [MSBA Model Policy / Modified / Revised]

Contact: Executive Director Finance and Support Services

## **POLICY 701      BUDGET PROCESS**

### **I.      PURPOSE**

To provide direction for the development and the sharing of an annual budget.

### **II.     GENERAL STATEMENT OF POLICY**

Administration will develop a budget to be presented for Board action that:

- Conforms with all federal, state, and local laws.
- Conforms with the Board's general financial philosophy
- Aligns with the Board's goals
- Aligns with the District's Strategic Plan

The School Board's general financial philosophy is as follows:

#### Philosophy:

- Establish levels of funding, which will provide quality education for the District's students.
- Invest resources to achieve the greatest educational returns and the greatest contributions to the educational program in relation to dollars expended.
- Use the best available techniques of long-range planning, budget development, and budget administration, and to establish efficient procedures for accounting, reporting, purchasing, contracting, payments, auditing, and all other areas of fiscal management.
- Maintain adequate fund reserves so that the District avoids the negative financial impact associated with borrowing for normal operational needs, and has resources for emergencies and crises.
- Establish guidelines for requesting inter-fund transfers, intra-fund transfers and changes in budget appropriations.
- Boards' annual Goals.

*Legal References:* Minn. Stat. § 123B.10 (Publication of Financial Information)  
Minn. Stat. § 123B.76 (Expenditures; Reporting)  
Minn. Stat. § 123B.77 (Accounting, Budgeting, and Reporting Requirements)

School Board  
INDEPENDENT SCHOOL DISTRICT 271  
Bloomington, MN

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## **REGULATION 701      BUDGET PROCESS**

### **I.      PREPARATION OF THE BUDGET**

Budget preparation shall include the following phases:

#### **A.      Preliminary Budget**

The preliminary budget is a rough estimate of total revenues and expenditures in General Fund. It will be prepared between January and February of each year and presented to the School Board (Update Financial Planning Model with Prior Mid-Year Adjustments).

#### **B.      Adopted Budget**

Approval of the adopted budget will be no later than June 30<sup>th</sup> of each year and will include the following:

1.      Current and projected year-end balances.
2.      Statements of estimated revenues by fund and source.
3.      Statements of estimated expenditures by fund and program.
4.      Statement of any potential variances that could significantly affect the budget.

#### **C.      Revised Budget**

The revised budget will incorporate itemized amendments to the adopted budget. Said amendments, insofar as possible shall reflect changes in enrollment, legislation, negotiations, and other circumstances having a material impact on the District's finances. Typically, approval of the revised budget will be in December or January; however, budget amendments may be submitted for School Board approval whenever material deviations are recognized and quantified.

Upon School Board approval, the budget represents administration authorization for all expenditures projected during the fiscal year.

## II. BUDGET RESERVE POLICIES

The following reserve policies should guide administration in preparing budgets:

- A. It is desirable to have an unappropriated and undesignated balance in each of the district's operating funds to:
  1. Provide a positive cash position at all times.
  2. Provide a cushion to smooth out revenue and expenditure variances.
  3. Cover appropriation deficiencies.
  4. Retain credit worthiness and a high bond rating.
  5. Provide for unexpected or emergency expenditures.
  
- B. Therefore, the School Board desires to maintain a minimum 4.5% of the annual expenditure budget as unassigned fund balance in the General Fund.
  1. When a fund balance is at or below 5.5% but greater than 4.5% of projected annual expenditures, administration shall specifically alert the School Board to this condition and propose options for the School Board to consider. Options might include actions such as:
    - a. Limiting new program proposals
    - b. Reductions in per-pupil allocations for non-personnel expenses
    - c. Adjustments in staffing ratios
    - d. Other economy measures, which do not materially degrade quality of program offerings or services.
  2. When a fund balance is at or below 4.5% of projected annual expenditures, administration shall specifically alert the School Board to this condition and shall propose measures to improve the balance. Such measures could include:
    - a. Eliminating new program proposals
    - b. Reductions in program offerings or services
    - c. Increases in student/staff ratios
    - d. Seeking additional revenues through referendum or other means.
  3. Annually, the School Board will consider administration's recommendation, review economic conditions and financial prospects and decide if the 4.5% unassigned fund balance is realistic.
  
- C. The School Board also desires to maintain a minimum fund balance in all Other Funds (Food Service (10%), and Community Education (8%)) of annual expenditure budget.

1. General Fund is responsible for any negative balances occurred in these funds.
2. If a fund balance is projected to fall below desired minimum, administration will bring options to the School Board to address shortfall during the next budget cycle.
  - a. Budget reductions
  - b. Change desired fund balance minimum
  - c. Use General Fund resources to restore to minimum

### III. GUIDELINES FOR BUDGET DEVELOPMENT

Administration should consider the following School Board adopted guidelines when making budgetary decisions regarding expenditures and expenditure reduction.

#### A. General Considerations Affecting More Than One Fund

1. Extra consideration for services with other governmental agencies, private groups, or families themselves (at least potentially) when making budget reductions.
2. Apply budget modifications objectively across all buildings in the District.
3. Where possible, make personnel cuts through attrition as opposed to layoffs.
4. Do not restore or add programs/services/personnel unless they are sustainable on a long-term basis.
5. Uphold Federal and State laws and regulations, policies and administrative regulations of the School Board, and contractual obligations with employees.
6. Consolidate programs or operate on a reduced basis in order to retain programs, eliminate if program-funding reductions does not meet public expectations.

#### B. Budgetary Considerations Regarding Education-Related Items (General Fund)

1. Despite budget reductions, the educational system should remain progressive and dedicated to quality, serving the various capabilities and interests of all students. Efforts to promote student learning, advance administrative and instructional uses of technology, promote professional development, and improve programs should persist.
2. Maintain the integrity of basic programs. Use the District's Mission, Vision, Beliefs, and Strategic Policies as a guide in establishing priorities for need to reduced or eliminated programs.

3. Within the General Fund, seek methods of cutting expenses that minimize the impact on the educational program.
  4. Consider budget reductions, which adversely affect the fewest pupils.
  5. Consider expanding class sizes to avoid total elimination of specialized programs such as art, music, technology education, and enrichment activities.
  6. Consolidate programs or operate on a reduced basis, rather than totally eliminating programs.
  7. Rather than funding a program at a very minimal level, eliminate the program altogether to avoid misconceptions and misplaced expectations.
  8. Where possible, allow desired services to remain on a "pay-as-you go" basis or via user fees; regularly update fees and rental rates to reflect market conditions and reasonably reflect actual costs.
  9. Make cuts in services that might be subsidized by other groups such as parent/teacher organizations and booster groups.
- C. Budget Considerations Regarding Operations and Maintenance as well as Capital Expenses
1. Give strong consideration to health, safety, and risks of litigation.
  2. Avoid cutbacks in areas such as preventative maintenance, which, if not conducted on a timely basis, may lead to greater costs over the long term.
  3. Reduce the use of purchased or contracted services, using existing personnel wherever possible.
  4. If cleaning cutbacks are made, attempt to spread the reductions in service such that the impact of the reductions is as minimal as possible.
  5. Revise building user fees and rents to reflect actual costs of operating the buildings.
- D. Budgetary Considerations Regarding Transportation Services
1. Consider eliminating or consolidating services where possible.
  2. Review all transportation services not required by law.
  3. Consider providing some services on a fee for service basis.

- E. Considerations Regarding the Process for Budgetary Decision-making
1. Each recommended adjustment would be accompanied by an impact statement for consideration prior to making budgetary decisions.
  2. Recommendations may take several forms, including but not limited to elimination, consolidation, delay, increasing revenues, and alternative methods of delivery of service. The impact statement will address implications of the type of reduction.
  3. Consideration of the judgments of employees relative to consequences and likely impact of proposed budgetary reductions are to be considered.
  4. When budget cuts are site-specific, implications of the cut on other sites, and on programs and services across the District are to be considered.
  5. Consideration given to community expectations regarding types and quantity of educational services; that is, budgetary decisions ultimately are to recognize community values and priorities as expressed through individual citizens, organized groups, employees, and elected school officials. Whenever possible, opportunities for communication and consultation with multiple stakeholders will be provided prior to making budgetary decisions.
- F. Communicating Regarding School Finance Concerns
1. Lobby for adequate funding of public schools.
  2. Work to increase public awareness of the District's financial concerns.

#### IV. TRANSFERS BETWEEN FUNDS

School Board must authorize transfers between funds (inter-fund).

#### V. AUTHORIZED ADJUSTMENTS TO BUDGET

The Superintendent or designee may authorize expenditures within a fund from any available sources and authorize adjustments in individual expenditure accounts based on receipt of miscellaneous revenues (an example: donations) within the authorized budget appropriations, providing no budgeted activity or purpose is materially changed.

##### A. Data Required for Transfer Requests

1. Source of Funds – The request must specify the source of funds for the transfer or additional appropriations.

2. Availability – Business Office must determine and verify that such funds are presently available and uncommitted in some other category included in the budget of the school or department concerned.
3. All transfers require a Budget Change Request Form.

B. Administrative Approval

The regular procedure for review and approval of purchasing requests should be followed. All requests must have the approval of the appropriate administrator in charge of the program budget.

C. Routing of Requests

1. Administrative approval routing must precede Business Office review.
2. Requests for verification of account balances and availability of funds must be sent to the Business Office.