

## SCHOOL BUDGETING

*Winter 2018*

Once Catholic Schools Week is behind us, most schools begin the budgeting process. Although there are a variety of programs, revenue sources, and school expenses, when budgeting it is important to focus on the **key financial drivers**. Typically, drivers comprise of four revenue sources and three expense categories that include the following:

### Revenue sources:

1. **Tuition** is typically the largest funding source for Catholic K-8 schools representing, on average, about 60% of revenue. When budgeting this number, it is important to calculate both the gross and net tuition. The difference between gross and net tuition is the financial aid and discounts offered to the families. The gross tuition is estimated by multiplying the stated tuition times the budgeted enrollment. The financial aid and discounts are determined by the principal and school leadership. This may be difficult to estimate at budget time as the need for financial assistance is growing in many schools.

2. **Annual Fund/Fundraising** includes fundraising events such as the marathon or a gala along with an annual fund usually targeted to parents, grandparents and alumni. The expenses may be budgeted as a reduction in revenue or may be included in expenses. The annual fund is an area that may not have been

utilized fully by some schools. Many schools are trying to grow revenue in this area by developing a giving program. This effort may target alumni, current parents and grandparents, and parishioners.

3. **Grants**-internal (parishioners) and external (foundations) funding has grown as a percentage of total revenue but typically represents about 15% for most nonprofits. Many schools have created a dedicated fund to receive donations to support families in paying tuition. In addition, the parish may also have a second collection to support this fund. Some grants exclude operating expenses and thus should not be included in the annual operating budget.

4. **Parish Investment** represents the amount of funding provided by the parish (parochial school) or by several parishes (consolidated or regional school). Communication between the school and the parish is important to understand the funding model between the parish and the school. Any changes to the funding model should be communicated in a timely fashion in order to make those adjustments.

### Expenses:

1. **Salaries and benefits** are the largest expense for schools. This is roughly 75-80% of the operating budget. Due to the nature of this

expenditure, a detailed analysis by individual is essential to estimate the expense. This analysis should also calculate the FICA, medical, dental, pension and other benefit programs provided by the school.

2. **Program expense** includes instructional and administrative expenses. Adjustments should be made for adding new programs or discontinuing any current programming. In

some cases, this expense may be estimated by using a set amount per student.

3. **Facility expense** includes the repairs, maintenance and utility expenses of the school. This estimate should be coordinated with the parish if the school is part of the parish campus. In some cases, the school may be sharing space with the parish. This may entail an expense allocation from the parish.

## SCHOOL BUDGETING TOP 10 LIST

As you prepare the budget, review the following helpful list for ideas.

1. **What is happening in your parish or community?** When budgeting, consider what is happening in the community around you. This may be the local community, the state or even the federal environment. Consider the impact to the school, families, and the parish and the corresponding impact to the budget.

2. **Implement good financial practices and sound internal controls.**

3. **Recognize school decisions may require parish commitment before the budget is finalized.** When preparing the budget, recognize that the school budget typically is part of a larger parish budget for parochial schools.

4. **Be realistic in budgeting assumptions.** It is important to reflect the actual results of the current year when creating the next year's budget. When the budget is started early, it is easier to start the process with the previous budget. This may lead to problems if the current results are not factored into the budget. Review the trends from the past few years. Does the budget align with recent trends? If not, is there a conscious decision to change the outcome. Have you implemented a new strategy or initiative?

5. **Determine the impact of discounting (tuition discounts).** Most schools offer discounts to employees and families for early payment or multiple children. These discounts are important for various reasons. It is also important to factor these discounts into the budgeting process. Consider the impact of discounting when creating the budget.

6. **Be purposeful in financial aid (process for granting).** Offering financial assistance and scholarships is important in maintaining and growing enrollment. However, the total amount budgeted for financial assistance should be kept in mind. If the actual amount of financial aid is larger than budgeted, additional funds may need to be raised to offset the increased cost. There may be funds available from foundations and support from parents and parishioners. Communicate the need for financial assistance to the community to support this growing need.
7. **Know your enrollment retention numbers.** Many revenue and expense items are based on enrollment. Be realistic when budgeting and adjust the budget for changes in enrollment, both positive and negative.
8. **Involve key school and parish leadership.** The school and parish leadership may be aware of situations that may impact the budget. Discussions with leadership is important in order to create a relevant budget. Does the school and parish budget align? If not, what categories overlap and which ones have been omitted.
9. **Communicate with parents, staff and the parish.** Once the budget is complete, enlist help from the stakeholders by communicating the goals and objectives. The community can more fully support the school once the need has been made known.
10. **Promote the intangibles of Catholic education!** There are many intangible benefits from attending Catholic Schools. Tell your story including testimonials. Communicate why Catholic Education is important.