

FEATURES

Budgeting Process Practices for Catholic Schools

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In many respects the school budget is the living story of the school's activities and challenges and successes. It chronicles the recent history, the people, the priorities and the problems that all Catholic school communities face. The purpose of this article is to describe the process of building a school's budget and indicate the key areas where those involved in the budgeting process may consult the Guidelines section of the *National Standards and Benchmarks (NSBECS)* for insights into specific questions that need to be addressed in your own budgeting process. Accompanying suggestions to this article on oversight and operations practices are available at www.NCEA.org/backpack.

For many people, building a budget sounds easy: examine income and decide where it ought to be spent. A Catholic school budget, however, is a more complicated proposition. An overall financial plan should be put in place. The plan flows from the school's mission, and what it holds to be the most important aspects of its work with families. The school budget reflects this plan in operational terms, on a yearly basis. Your plan should take into account:

- the multiple revenue streams for the school and their stability;
- current and projected enrollments based upon trends, local census data and enrollment management activities;
- the status of the facilities;
- the pay scale of the faculty;
- the dynamic costs of benefits; and
- the major programming the school has endorsed as essential to its mission.

Catholic schools today have unique histories that are recorded in their past budgets. For many schools, budgeting guidance is provided by the (arch)diocese. It is essential that the budgeting process does not simply replicate the choices made within past budgets. Rather, the process should look forward, with an eye towards the strategic situation within which the school finds itself. These key questions need to be addressed:

Key budgeting questions

- What is the actual cost of education for each student? Does the current budget

- What is the actual cost of education for each student? Does the current budget information allow such a calculation to be determined easily? How much does it cost the school to leave “empty seats”?
- Is there a “pie chart” function that allows budget makers to adjust revenues and expenses within larger parameters that ensure long term viability? For example, salary and benefits should not exceed 75-80 percent of total revenues.
- How many students are receiving financial aid? What amount? How many more students could attend if financial aid were increased by a certain amount? Does the school have access to this information?
- What significant relationships does the accurate depiction of the budgetary information allow to be recognized and analyzed? For example, the salary and benefits amount ought to be roughly equal to the amount of tuition and fees collected.

Because a significant portion of school budgets is wrapped up in the fixed costs of salary and benefits, these amounts should be directly tied to the school’s mission effectiveness. Do the faculty and staff embody the future of the school’s mission from both an evangelical and academic perspective? Programming tied to student achievement should be funded according to the school’s strategic priorities; and full use of federal and state revenues should be filed correctly and be an integral component of the budget’s revenue lines.

In the specific case of a needed budget reduction due to an enrollment drop or an unforeseen capital expenditure, it is advisable not to uniformly reduce the entire budget by a particular percentage. For example, if the budget needs a 2 percent reduction in order to balance, a uniform 2 percent “across the board” reduction will damage strategically important programs just as a strategy is in a growth phase. Rather, retain strategically important programs at previously agreed upon levels and reduce other areas at a higher rate. In other words, do not cut a STEM program in its infancy when it may be vital to the school’s future.

In general, the budget process should reflect versions examined and analyzed by several members of the school stakeholder groups. Key figures in this group should be the principal, the business manager, the chairs of the school and parish finance committees and any other people indicated by the school’s bylaws. Budgetary authorization should be given by the school board, the pastoral council and, ultimately, the pastor or school president. The budget is a crucial mission document that requires input, review and a growth-centered mindset to engage the entire community.

Just as the school year is governed by the academic calendar and the liturgical calendar, so the school finances should be managed according to a calendar. Generally this is a function for school leaders, pastors, and finance committees.

General Budgeting Considerations

1. Do you have a “pie chart” or some graphic showing income and expenses so that

1. Do you have a pie chart or some graphic showing income and expenses so that everyone understands how the school is financed and how it spends its money?
2. Do you have a facility and technology plan to address long-term capital needs? Anything else relevant to a strategic plan?
3. Do you have a three- to five-year financial plan?
4. Is there an annual set aside of 3–5 percent?

Income Considerations

1. What are the school's revenue streams? Are they sustainable? Volatile? Do people understand the percentages? How much does each stream provide (70-15-15 percent, or other)?
2. Fund-raising dollars should be budgeted conservatively. Ideally, a portion of the year's fund-raising should be held in reserve and shouldn't be relied on for operating expenses.

Expense Considerations

1. What is your "ACE"? (the actual cost of education for each student) How does your ACE compare to your actual tuition? How are you addressing the gap between ACE and tuition?
2. How do your tuition & fees compare to your wages and benefits? (high performing schools are nearly equal)
3. How much revenue do you collect from each student? (i.e., what is the average tuition collected per student?) Your tuition and fees should approximate your wages and benefits expenses, generally about 70–80 percent of your revenue/expenses.
4. Your salary matrix should approach 80–85 percent of the local public school's. You should have a well-defined salary matrix with lanes and steps. Everyone should be on the same matrix. Any deviation must be approved by the finance committee and have documentation as to the reason.
5. While certain people maintain that an effective Catholic elementary school should have over 200 K-8 students, it's more important to pay attention to the teacher-student ratio. What is your student-teacher ratio? How does that compare to your competitor schools or Catholic schools of like size?
6. How is financial aid funded? Does it at least approach 5 percent of your total expected tuition revenue?
7. Have you calculated your unfunded tuition assistance (e.g., faculty/staff discounts, multi-child discounts, etc.)?