Developing a Sound School Budget
Assumptions Tab
Student enrollment drives discretionary revenues

- Schools with a minimum scale of 100 students in their first year will have more than $1 MM to spend after paying classroom teachers
- By contrast a school with 70 students will have only about half as much
<table>
<thead>
<tr>
<th>Assumptions</th>
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<tbody>
<tr>
<td><strong>Transportation</strong></td>
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<tr>
<td>- Common error – not including busing costs for schools in operation outside the DOE calendar</td>
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<tr>
<td>- Students only eligible for busing K-6 and more than ½ mile from school (K-2), 1 mile from school (3-6)</td>
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<tr>
<td>- Are only bused if route available</td>
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<tr>
<td><strong>Facility</strong></td>
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<tr>
<td>- DOE shared, DOE alone, private facility</td>
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<tr>
<td>- For non-DOE shared, schools typically forget to include costs for security, nursing, cleaning and maintenance</td>
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<tr>
<td>- Private facility plan information can be entered into spreadsheet</td>
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</tbody>
</table>
Revenue Tab
Assumptions

- **Enrollment**: include attrition for grades no longer backfilling (attrition 5%-10%)
- **Special education**
  - May 2010 Act: targets for special education
  - To meet these targets, need to serve students requiring high, full-time resources (>60% i.e., CTT, 12-1, 8-1)
  - Comparing district numbers for K-5, remember that special education rises over these grades
- **Free and reduced price lunch**
  - Typically reduced price lunch ¼ of free lunch
Per pupil funding
- Per pupil funding is supposed to be based on the last 2 years expenditure by the district
- However, the teachers unions convinced the legislature to freeze charter funding in school year 2009-10 at 2008-09 levels
- There was a similar push last spring to freeze 2010-11 funding to 2008-09 levels

Fundraising
- The recession has hurt individual donations and foundations
- Only a small number of foundations fund charter schools in NYC
- Grants are becoming much more competitive
Per pupil funding

- **General education funding**
  - Based on student enrollment dates in school

- **Special education funding**
  - Two types of IEP-driven services
    - **Does not require full-time staff** (i.e., speech, OT, counseling).
      - Outsource to DOE or use school staff/contracted services
    - **Requires full-time staff** (i.e., CTT, 12-1, 8-1, full-time para)
      - Can NOT outsource to DOE
      - Use school staff/contracted services
      - Discharge student to district
Revenue: Per pupil funding

- Special education funding
  - If the school (NOT the DOE) is providing staff / contracted services for IEP-required services, the school receives additional per pupil payment of:

<table>
<thead>
<tr>
<th>Funding amount (SY 10-11)</th>
<th>Service level on IEP</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>20% of the school day</td>
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<tr>
<td>$10,390</td>
<td>20-59% of the school day</td>
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<tr>
<td>$19,049</td>
<td>&gt;60% of the school day</td>
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</table>

- Track per pupil and IDEA special education funding and ensure it is spent on special education-related expenses, not general operating expenses
Title I and II
- Treated as unrestricted in this budget tool

E-rate
- Not filled in because differs greatly from school to school depending on technology plan, # of free and reduced lunch students

CSP
- A competitive grant – Out of 27 schools that opened in 2010, 8 schools received funding (30% chance)
Compensation Tab

INSTRUCTIONAL STAFF
Why are charter schools recommended for closure?

- In New York state
  - #1 reason – academic failure
  - Charter schools trade autonomy for accountability
  - NY authorizers hold schools accountable
    - This year, Harlem Day charter school and Ross Global charter school are being recommended for closure for poor academic performance
  - All the hard work and money involved in starting a charter school is wasted if the school cannot reach its academic goals
How long does a charter have to reach academic success?

- May seem like 5 years
- However from opening day to starting the renewal process, actually 4 years
- High stakes tests (state ELA and math tests) come sooner than you think
  - K-1: 2 years and 10 months
  - K-2: 1 year and 10 months
  - 3-8: 10 months
- The most important hire for a new school is the instructional leader
From the get-go, the stand-alone instructional leader has more responsibilities than the CMO instructional leader

<table>
<thead>
<tr>
<th>Typical CMO</th>
<th>Typical Stand Alone</th>
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<tbody>
<tr>
<td><strong>Network level</strong></td>
<td><strong>School level – Role of Instructional leader</strong></td>
</tr>
<tr>
<td>• Curriculum decisions and development</td>
<td>• Curriculum decisions and development</td>
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<td>• Assessment decisions and development</td>
<td>• Assessment decisions and development</td>
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<td>• Professional development</td>
<td>• Professional development</td>
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<td>• Teacher evaluation methodology</td>
<td>• Teacher evaluation methodology</td>
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<tr>
<td>• Recruitment</td>
<td>• Recruitment</td>
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<tr>
<td><strong>School level – Role of Instructional leader</strong></td>
<td>• Hiring teachers</td>
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<td>• Hiring teachers</td>
<td>• Coaching teachers</td>
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<td>• Coaching teachers</td>
<td>• Evaluating teachers</td>
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<tr>
<td>• Evaluating teachers</td>
<td>• Implementing instructional changes based on assessments</td>
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<td>• Implementing instructional changes based on assessments</td>
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</tbody>
</table>
Instructional leader role

- Instructional leader has:
  - More responsibilities than CMO instructional leader, often including:
    - developing and implementing a new curriculum
    - developing and implementing a new assessment strategy
  - Very short time frame to get school to academic success
  - Large number of staff to oversee – from roughly 10-14 staff the first day to up to 40 by year 3
  - Challenging urban student population, usually already academically behind

- Best candidate?
  - *Can prove success in a similar role* – has rapidly brought a school to academic success – especially experience in implementing curriculum and assessments
  - Has overseen a similar number of staff
  - Has worked with a similar student population and similar grades
Tradeoff for all hiring: proven experience vs. $
How much does a proven instructional leader cost?

Closest competitors for talent

- **NYC DOE**
  - *Starting* salary for first year elementary school principal: $123,457

- **Stand-alone** (2008 Form 990, top performing schools 4th grade ELA, Math - 2009)
  - $160k, $163k, $143k, $132k, $125k

- **CMO** (2008 Form 990, top performing schools 4th grade ELA, Math)
  - $148k, $120k, $129k, $106k, $111k
  - Note: CMO instructional leader typically has fewer responsibilities than a stand-alone instructional leader
Teacher hiring equation

But... watch out for compensation creep. Faculty compensation is typically largest single item of total budget

$\uparrow$

Experience
- Proven classroom management skills
- Proven ability to achieve academic success with similar student population

$\downarrow$

Failure
How much does a proven teacher cost?

Closest competitors for talent
- Charter schools historically tended to pay DOE scale + 10%
- NYC DOE starting salary for a teacher with no masters degree is $45,530

<table>
<thead>
<tr>
<th>Experience level</th>
<th>DOE pay scale</th>
<th>DOE + 10%</th>
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<tbody>
<tr>
<td>Starting teacher – no masters</td>
<td>$45,530</td>
<td>$50,083</td>
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<td>3-years experience – no masters</td>
<td>$48,836</td>
<td>$53,720</td>
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<tr>
<td>3-years experience with masters</td>
<td>$54,329</td>
<td>$59,761</td>
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</table>
• New targets for special education students
  ○ Schools need to serve more resource-heavy special education students
  ○ Full time special education professional cannot be outsourced to DOE
  ○ Require special education teachers
• Special education administration typically requires 0.5 person in a year 1-2 school, may be higher for middle school / high school
#1 surprise for 1st year schools, especially K-5: behavioral problems in students

- Typical school has 2-3 students per 50 children requiring significant behavioral intervention.
- Strong school culture and routines can alleviate some of these issues – typically requires some time before school year formally starts to instill culture and routines. Dean of Students can manage culture and discipline functions.
- However, some children will require counselor / social worker to create and implement behavior modification plans – sending children to office to be dealt with by instructional leader or business staff is not a solution.
Compensation Tab

BUSINESS STAFF
What are the business functions of a charter school?

- Operations
- Finance
- Facility/real estate
- Human resources
- Technology
- Marketing
- Development / fundraising
- External relations (community engagement, etc.)

Common error in designing a school— not realizing that schools must have a finance function – either outsourced or inhouse. One person alone cannot handle operations and finance.

Will evolve into full-time positions depending on school needs.
Mismanaging public funds is serious

- “An audit by the state of Texas has found rampant financial mismanagement at three family-run Dallas area charter schools...The Texas Education Agency has forwarded its findings to the Dallas County district attorney's office for possible prosecution...They (the schools) have been the target of numerous state audits and investigations into allegations of nepotism, sloppy record-keeping and loose financial controls.” (American School and University, 2008)

- “Historic Native Charter School Closed for Financial Mismanagement. A school founded 30 years ago to provide a nurturing atmosphere for Native American children is on the verge of collapse because financial oversight is so lacking...a recent state-mandated audit revealed more than $160,000 missing...The executive director is under investigation.” (American Indian AirBlog, 2008)

How did 2010 schools organize their business staff?

<table>
<thead>
<tr>
<th></th>
<th>Finance</th>
<th>Operations</th>
<th>Combined</th>
<th>Other</th>
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Private facility Schools

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</table>
How did 2010 schools organize their business functions?

- **Operations** – requires at least 1 full-time staff
  - School-related services: food, transportation
  - Student-related services: recruitment, enrollment, reporting, etc
  - Student movement: arrival, dismissal, lunch
  - Facility management: cleaning, set-up, security
  - Staff oversight: office staff

- **Finance**: 3 separate levels of experience. In-house or outsource
  - Low: ~3 days bookkeeping and purchasing
  - Medium: Create and manage budgets, create financial statements, oversee grant reporting, audit, regulatory reporting. In small schools, manage HR
  - High: CPA – either accountant or auditor
Historically, DOO/DOF positions have high turnover

Reasons:

- Hiring inexperienced or under-qualified staff
- Not dedicating enough budget resources to this area
- Not hiring enough junior staff – e.g., having the DOF do bookkeeping; DOO handle lunch room duty
- Not defining the job – 10 page job descriptions
- Excluding business staff from a leadership role in the organization
- Having business staff report to someone with no business experience
- Having the wrong person interviewing business staff
Compensation Tab

LEADERSHIP STAFF AKA
DO WE NEED AN EXECUTIVE DIRECTOR?
Thinking about what a charter school is...

- **School – needs an instructional head**
  - This is the person that oversees instruction and instructional staff. Can be called school leader, principal or even executive director – refer to as Principal

- **A non-profit educational service provider – needs business head(s)**
  - In new charter schools, tends to be the person(s) in charge of a functional area

- **Who reports to whom?**
  - For stand-alone schools, business head typically reports to instructional head
    - 1 person responsible to board
    - Feels like a traditional school, where principal is at the top
  - Keep in mind, however:
    - Most instructional heads have no experience with the business side of a charter school
    - Having the instructional leader oversee the business side of a charter school takes time away from their key duty – academic achievement
  - For CMOs, more common to have co-leaders of school
Thinking about what a charter school is...

- Where does adding an executive director level make sense?
  - School is planning to replicate
  - School has large business project, such as a new facility
    - But may be better structure to add in a new business head, not put someone above instructional leader
  - Many senior staff covering instruction and business – executive director ties it all together
How have new schools organized themselves?

- **2010**
  - 1 school Executive Director, Principal – school is planning to replicate
  - 1 school Co-Leaders
  - 11 schools Principal is head of school – business reports to principal

- **2009**
  - 4 schools Executive Director, Principal
  - 1 school Executive Director, Asst. Principal
  - 6 schools Principal is head of school

- **2008**
  - 2 schools Executive Director, Principal – 1 school planning to replicate
  - 1 school Co-Leader
  - 5 schools Principal
Expenses Tab
Expenses

- **Instructional expenses**
  - Textbooks and materials, classroom supplies, assessment materials, educational software, etc
  - Instructional consultants

- **School services**
  - Food and meal expenses
  - Transportation expense (if your school year is longer than NYCDOE school year)

- **Operational expenses**
  - Telephone, internet, mail, copy, office supplies
  - Paper is always much higher than you would expect, especially if not using box curriculum
  - Operational consultants (e.g. accounting, legal, IT)
Additional expenses if in not in DOE shared space

- **Nursing**
  - Department of Health provides a nurse if you have more than 300 students
  - Otherwise, hire a nurse on staff (could be part-time) or outsource to an agency

- **Facility-related expenses**
  - Maintenance
  - Cleaning
Food Service Tab
Food Costs

Food program consists of three components

• **SchoolFood costs**
  - NYCDOE SchoolFood charges $1.50 for lunch and $0.75 for snack

• **Parent contribution**
  - Full price students are billed $1.50 for lunch and $0.75 for snack
  - Reduced-price students are billed $0.25 for lunch and $0.15 for snack

• **Federal Reimbursement**
  - Federal government reimbursement amounts to:
    - $1.50 for free price lunch and $1.25 for reduced-price lunch
    - $0.75 for free price snack and $0.60 for reduced-price snack
Capital Expenses Tab
Capital Expenses: Technology and Furniture

- **Technology expenses**
  - Classroom technology: computers, smart boards, projectors
  - Staff technology: computers, printers
  - School-wide technology: networking

- **Furniture expenses**
  - Classroom furniture
Cash Flow Tab
18-month cash flows

- **Revenue cash flows**
  - Per-pupil funding is disbursed every 2 months; first invoice is due in June and first payment is received in July

- **Payroll cash flows**
  - Teacher payroll typically starts August 1
  - Administrative staff payroll starts July 1

- **Expense cash flows**
  - Upfront start-up expenses in July and August include
    - classroom supplies, furniture and computers and technology
    - insurance
  - School-year expenses: school services (food, transportation), operational expenses (office supplies, phone, internet, etc)
Keep in mind when creating your financial plan

- 80/20 rule: 80% of your budget will have the same assumptions as other schools – don’t reinvent the wheel
- Staffing will make or break your school; err towards more senior (and expensive!) candidates that have demonstrated prior success
- Understand where your school’s expenses will differ dramatically – e.g., higher special education, private facility
- Be conservative, especially with per pupil revenue and fundraising