



# BUDGETING

## Recognized Best Practices

### Regulatory Framework

Michigan legislators enacted the Uniform Budgeting and Accounting Act (UBAA), which was amended by Public Act 493 in 2000, making specific sections, specifically the budget-related sections, applicable to charter public schools. A summary of those requirements is as follows:

- The board is required to designate, by resolution, a Chief Administrative Officer (CAO), who assumes final responsibility for the preparation and presentation of the recommended budget and controls the budget throughout the year.
- The board is required to approve a budget timeline.
- The CAO is required to prepare a budget for the school's General Fund and any Special Revenue Fund (i.e., Food Service Fund).
- The original budget for the General Fund and any Special Revenue Fund must be presented in a 3-column format (last year, current year projection, and proposed budget).
- The school is required to publish a public hearing notice in a general circulation newspaper.
- The school is required to present the original budget for the General Fund and any Special Revenue Fund at a properly noticed public hearing before it is approved by the board.
- The board is required to approve, by resolution, the original budget for the General Fund and any Special Revenue Fund prior to July 1.
- All budget amendments are required to be approved by resolution by the board as soon as it becomes apparent that the revenues are going to be less than the original estimate or expenditures are going to be greater than those used to formulate the budget.
- Any violations of the Uniform Budgeting and Accounting Act, as disclosed in the audited financial statements (in the absence of reasonable procedures to detect the violation), shall be filed with the State Superintendent of Public Instruction and reported to the Attorney General.

The UBAA and the State School Aid (MCL 380.1220) requires that a school cannot pass a budget with cumulative negative fund balance. See [MCL 380.1220](#) for requirements should a school operate under a deficit budget.

### MCCSA Guiding Principles and Standards

MCCSA has adopted Principles and Standards (Standards) that guide authorizers as they develop strong authorizing practices. Focusing on performance and accountability ensures that student success remains paramount to authorizing decisions. MCCSA Standards include Overseeing and Evaluating a Charter Public School which states "Excellence in authorizing means understanding the responsibility of establishing a comprehensive system that monitors and evaluates school performance and compliance. This system should provide the necessary information to oversee, evaluate and

periodically report the performance of the charter public school...” The Standards explain that a comprehensive oversight system includes monitoring and evaluating fiscal performance. Budgets and the budgeting process play an important role in a school’s financial performance.

## What is a budget and why is it important?

Being strategic when budgeting maximizes the charter public school’s ability to achieve future success through the accomplishment of its mission. A budget is a tool that helps create a roadmap for implementing strategies. By creating the roadmap, the board is defining strategic expectations and what they want to achieve. Setting these clear expectations allows for a strong accountability system to ensure the roadmap is followed and goals are achieved.

Budgets also serve as an integral part of the school’s system of internal control. Having a budget helps the board remain disciplined in organizing the school’s finances, which is the first step to knowing the school’s overall financial health. A budget forces the school and the board to strategically plan and focus on financial resources and obligations.

## Budgeting Process Best Practices

Budgeting is the process of making financial goals for a school and creating a plan to achieve those goals. The budgeting process starts with the identification of needs by reviewing organizational documents such as the mission, strategic plan, educational program, assessment results, and school improvement plans.

Working collaboratively to identify needs and establish budget priorities provides the best opportunity for success of student achievement. To ensure this occurs, the school should create a budget team representing multiple stakeholders including the school board, school administration, teachers and staff. The budget team will provide the necessary insight to align budget priorities appropriately. The budget team should establish a budget process timeline that provides ample time for collecting the necessary information, building of the budget, review by the board, and necessary revisions.

Once the budget is complete, the school should develop a communication plan for internal and external stakeholders. It is important for internal stakeholders to understand the budget as they will be integral in helping ensure the expectations of the budget are met. It is important for external stakeholders to have transparent insight into the budget so that they understand the identified priorities and have realistic expectations.

The budget process should also include a monitoring process throughout the year for the charter public school board to review the budget and make necessary adjustments should revenue or expenditures not materialize as expected.

## Budget Monitoring and Evaluation Best Practices

Budgets provide the board and other stakeholders, such as authorizers, the confidence that the charter public school has allocated resources appropriately to fulfill the mission of the school and is fiscally responsible. Authorizers should review the original budget and amended budgets to ensure the projected revenue and expenditures are realistic based upon the previous year’s numbers and that the school is not projecting a deficit. If an authorizer has concerns about a school’s financial status, the authorizer may review the budget in more detail.

All board members, even with a CAO and a finance committee, should be held accountable to know and understand the budget and spending plan of the charter public school. Specifically, a board should:

- Ensure compliance with the UBAA as described above.
- Participate in the budget team (treasurer and one additional board member).
- Review the original budget to ensure alignment with the school's priorities.
- Review the budget on a regular basis, comparing the budgeted revenues and expenditures to the actual revenues and expenditures, per the interim financial statements, to ensure the budget is being followed and expectations are being met.
- Approve an amendment as soon as it becomes apparent that the revenues are going to be less than the original estimate or expenditures are going to be greater than those used to formulate the budget.
- Compare the final budget to the results of the audited financial statements to understand the accuracy of the budgeting process.

## Reflective Questions

Has your organization developed a system to oversee and monitor the charter public school's budget?

How do you determine if a charter public school is fiscally responsible and living within its means?

## Resources

[Original Budget Review](#)

[Amended Budget Review](#)

[Budget Assumptions Worksheet](#)

[Budget Requirements](#)

Budget Transparency Guidance - MDE