Texas Education Agency

Support Seminar 1
Financial Plan Considerations

Application Finance Criteria: Framing the Discussion

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Strong Responses
• In the Attachment-Budget Narrative, present a detailed, realistic, and viable budget narrative that clearly explains **reasonable, well-supported revenue and cost assumptions**. • In the Financial Plan Workbook, present a viable **budget that will support the proposed programs**, including services for students with disabilities, emergent bilingual students, and gifted and talented students. • In the Attachment-Budget Narrative, present a viable **contingency plan** to meet financial needs if anticipated revenues are not received or are lower than estimated. • Outline **sound systems, policies and processes** for financial planning, accounting, purchasing, and payroll, including a description of how the financial team will **establish and maintain strong internal controls**, ensure compliance with all financial reporting requirements, and conduct independent annual financial and administrative audits. • Differentiate the **roles and responsibilities** of the school's administration and governing board for school finances. • Provide a plan that will likely align the school's financial management practices with the Charter Financial Integrity Rating System (FIRST). • In the Attachment-Audit Report, demonstrate the entity applying for the charter has liabilities that are less than 80% of its assets. (if applicable)

Financial Plan - Components

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Start-Up Plan Year 0

- Details a comprehensive plan **from post-approval to opening**
- Specifies tasks, timelines, and individuals responsible for each task

Financial Plan Workbook

- Establishes a detailed budget across a variety of domains

Budget Narrative

- **Supports the assumptions and projections** presented in the Financial Plan Workbook
- **Provides a clear contingency plan** in the event of revenue shortfalls

Evidence of Financial Support

- Identifies **dollar amounts, property, and/or other sources** that will be available upon award
- Provides an opportunity to **include letters of intent, commitment, MOU's**, and/or contract agreements

3

Financial Plan - Common Revenue Streams

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State Funds

- **State funds constitute the bulk** of a charter school's revenue.
- Public schools in Texas receive state funds based on the **Average Daily Attendance** (ADA) of students.
- The Foundation School Program (FSP) is the source for ADA funds. It is broken down by Tier One, Tier Two, and "Other Program" allotments.

Grant Funds

- Applicants may budget for up to $900,000 in **Federal Charter School Program** (CSP) Start-Up Grant funds.
- Charter schools may apply for **both TEA and external** grant opportunities.
- The Texas Education Agency posts all grant opportunities.

Philanthropic Funds

- **Charter schools may utilize fundraising** and other alternative philanthropic activities.
- Charter may accept philanthropic funds from **both public and private sources**.
- All **donations must be voluntary** and not subject or conditional upon enrollment.

Financial Plan - Timing of Revenue

Application Drafting Phase

- Applicants **do not receive state or federal funding** during the drafting phase.
- Applicant should begin:

  - exploring and applying for grant awards; and

  - preliminary conversations with philanthropic donors

Start-Up Year (Year 0)

- Newly authorized charter schools **do not receive Foundation School Program (FSP) funds** until students are served in Year 1.
- Newly Authorized charter schools **may receive and/or utilize**:

  - CSP Start-Up funds;

  - Grant funds;

  - Philanthropic funds; and/or

  - Lines of credit

Year 1 and Beyond

- Charter schools are **prohibited from charging tuition and/or some fees.**
- Charter schools:

  - start **to receive state aid allotments** in Year 1;

  - have some **CSP implementation funds** to spend in Year 1;

  - receive federal funds (if applicable); and

  - continue to utilize any other local funds

Financial Plan – Development

Baseline Assumptions

When making assumptions, **use a reasonable basis** like per student, per teacher, square footage

Ensure that you understand **how grant payments are structured** (ie. Reimbursement)

Enrollment Projections

Projections should be conservative and **supported by a strong contingency plan** in the event of under-enrollment

Projections should also account for enrollment conversion

Scaling Costs

Some **costs will increase** as the students and staff increase; other costs increase at a different rate

Positive Operating Budget

Revenues must exceed or equal expenses, if not, what needs to be corrected

The Financial Plan Workbook - Considerations

Familiarize yourself with the workbook and how data from one screen/tab carries over and feeds to others. Before you input your actual numbers, take some time to navigate through the worksheet and get comfortable.

Before submitting, ensure that…

Assumptions

Match information provided in the budget narrative; and match other areas in the application spend funds or generate revenue

Notes Columns

Provide clear explanations for all assumptions made in the Startup,Y1, & Assumptions Tab

Enrollment Tab Information

Reflects all student populations i.e., special education, compensatory education, emergent bilingual, etc.

The Financial Plan - Next Steps

Qualified Team

Ensure the **most qualified team members are crafting the budget** and financial plan workbook.

Budget development is not a one-person show! All team members should review the budget as it is developed, using milestones and check-ins.

Archived Resources

Applicants **should review prior capacity interviews** (HERE) to hear common questions and/or areas of clarification

Applicants should also **review prior application submissions** (HERE), including the proposed budgets of proposed charter schools

Quality Controls

Develop a process to ensure that multiple team members review and **verify completion and alignment**.

Designate a person(s) to **challenge the proposed budget** to check for deficiencies and/or weak contingency planning