

Creating Effective Fiscal Impact Presentations

It's 11:30 a.m. when you step into the elevator to go down to the boiler room to find out why there is no heat in the central office on this cold Monday morning. Your superintendent steps in behind you.

"I just got off the telephone with the chair of the school board," he says. "The executive director of a local special-education services collaborative—an old friend of hers—told her that our school district could save thousands of dollars a year by outsourcing one of our 14-student special-needs programs to his for-profit company. Why don't you give him a call, pull together some numbers, and be prepared to answer her questions tonight at 7:00."

The superintendent steps off the elevator at the lobby; you continue to the basement. After you help the custodian repair the boiler, grab lunch at your desk, and return telephone calls to staff members regarding payroll problems, you estimate you have approximately two hours to "pull together" a fiscal impact analysis.

Sound familiar? This type of request is common in the fast-paced world of school business officials. We are expected to give "informed opinions" on a wide variety of topics based on the best information at hand.

So, in addition to honing our "elevator speeches"—what we would tell someone about our profession in an elevator from the sixth floor to the lobby—we should also be prepared to give six-minute fiscal impact presentations to our school boards and the public with little more than a few moments' notice.

Let's get started!

Step One: Gathering Facts and Sleuthing

You don't always have the luxury of time to do expansive research to prepare a detailed cost-benefit or cost-effectiveness analysis. And unless you work in a central office that has somehow missed the economic downturn of the past five years, you probably don't have personnel who can spare the time to get together in a "focus group" setting to brainstorm the issues.

So, you're on your own to gather facts and formulate assumptions to build a credible presentation.

The central figure in today's inquiry is the executive director of the special-education collaborative who has a



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By Richard H. Weeks

Preliminary Educational Collaborative Proposal

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	FY 2004 (previous year)	FY 2005 (current year)	FY 2006	FY 2007	FY 2008
1 Educational collaborative proposal	\$0	\$0	(\$467,722)	(\$519,171)	(\$576,280)
2 Transportation	\$0	\$0	(\$85,678)	(\$89,962)	(\$94,460)
3 One-time charges/testing	\$0	\$0	(\$16,500)	\$0	\$0
4 School district program expenses	\$420,685	\$453,221	\$478,200	\$502,110	\$532,237
5 Net cost	n/a	n/a	(\$91,700)	(\$107,023)	(\$138,503)

Notes

- 1—The collaborative's proposal for FY 2006 is \$467,722. Tuition and expenses could increase by 11% in each of the following fiscal years, based on the performance during the past two years with a neighboring school district. It is suggested that the school district negotiate a three-year contract to lock in anticipated expenses.
- 2—Transportation expenses would be the responsibility of the district. This estimate is based on related costs in a neighboring school district. State procurement statutes require competitive bidding.
- 3—One-time charges by the collaborative would include student testing and acquisition of special-needs equipment.
- 4—The district's proposed FY 2006 budget includes \$478,200 for negotiated personnel contracts and fixed special-needs expenses. School district personnel, supplies, and equipment costs are estimated to increase at 5% in FY 2007 and 6% in FY 2008.
- 5—The net cost of outsourcing this special-needs program to the educational collaborative for the next three fiscal years could be an additional \$337,226 more than current program expenses. This would be attributable mostly to transportation expenses.

financial interest in outsourcing your students. You call him and repeat what your superintendent told you. He is surprised that *you* are contacting him—not the school committee chair or superintendent—and is immediately on the defensive.

“What is your proposal?” you ask.

He replies, “We would charge you \$467,722 in tuition and expenses for your 14 students for the next academic year.”

“Does that include roundtrip transportation for the students from their homes in our district to your collaborative?” you ask.

“No, it does not,” he says.

You wonder, “Educationally, what would you offer these 14 students that we are not presently offering?”

He responds in special-education jargon that only he and the Creator understand and you sense that his proposal is coming apart at the seams. You thank him for his time, politely hang up, and then call your district's special-education administrator for more information. Unfortunately, she is out of the office.

You recall a conversation last month at your affiliate's regional roundtable meeting regarding this collaborative. A colleague of yours bitterly complained about how “tuition and expenses” had escalated at a rate of 11% in each of the past two years. You telephone your colleague to confirm this figure and ask about the prevailing special-education transportation costs in your region.

He tells you that he transports 12 students to this collaborative for an annual charge of \$68,500. You know that procurement of transportation services in your state would be subject to competitive bidding.

Within arm's reach is your proposed budget for the upcoming fiscal year, complete with backup notes on per-

sonnel wages and benefits and special-needs expenses. You have copies of negotiated employment agreements and capital improvement plans that are useful in forecasting expenses during the next three fiscal years.

Without too many interruptions, you have 75 minutes left to draft your fiscal impact analysis for tonight's meeting.

Step Two: Following Presentation Guidelines

Prepare a simple chart with financial data accompanied by written notes (see example above). Review this handout with your superintendent before the meeting and make sufficient copies for all participants.

The chart could include five columns of data: the previous fiscal year, the current fiscal year, and a forecast of the upcoming three fiscal years. That would provide a broad perspective to decision makers about the fiscal impact of any programmatic change.

Remember the old adage “Don't estimate when you can calculate”? If you have enough time to figure something out, don't estimate. When verbally delivering your report, clarify data that have been “estimated” or “calculated.”

Estimate savings conservatively and costs liberally when writing a report that is preliminary or will undergo considerable change before final consideration. If you estimate the range of expenses to be between \$20,000 and \$40,000, write \$40,000. During your presentation you can verbally state, “There is an estimated range here between \$20,000 and \$40,000. For our purposes now, we will assume \$40,000 in expenses.” If you estimate savings of between \$75,000 and \$95,000, state \$75,000 in your report.

Always clarify the date when a fiscal impact analysis begins. State, municipal, and school district fiscal years begin on July 1. In this example, the educational collaborative, a private company, may have a fiscal year beginning

January 1. Proposals tied to the federal fiscal year could begin October 1. Academic years typically begin in August or September.

Remember to include benefits and other applicable personnel-related expenses with wages when estimating staff additions or reductions. Use a fixed percentage for each classification of employees. For example, use a teacher's base wage plus 28.9% of that teacher's wage for benefits. For custodians, the wage may include only 17.2% for benefits. Identifying these percentages and updating them throughout the fiscal year are an important resource to have for all of your financial management duties.

Use the dollar sign when writing numbers, even if the line items are zero. For example, use \$35,000 or \$0. Round figures to the nearest dollar but do not round up to the nearest \$100. Unless you are preparing an impact analysis for something like your school district's consideration of a tax-levy ballot election, avoid using cents or mills.

Step Three: Making the Presentation

Discuss your findings, present your chart, and then wait for questions. In this case, your superintendent could mention

some pros and cons regarding the collaborative's proposal.

He might say, "Upon further analysis, the district might realize cost savings by outsourcing this program. It's possible that the collaborative could do a better job meeting the educational needs of these 14 students." He could say, "We might jeopardize receipt of some state and federal grants if we outsource these students. We depend on the grants to fund testing and tutoring services for other special-needs students besides these 14. I think it would be a good idea for our special-education administrator to prepare a more in-depth review of this matter before we bring it to the school board for further review."

The meeting is nearly over and you made it through with flying colors. But don't hold your breath. Next week—or tomorrow—you could be delivering another impact analysis on the merit of repairing or replacing the boiler for the central office. Although school business officials prefer to stay away from the heat, they do have to keep warm. ■

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