Amplifying Our Voice: Leading Boldly for Our Students, Our Professions, and Our Union

Life Cycle of a Budget

Bob Maleta
NEA Sr. Financial Analyst & Accountant
COMPETENCY: STRATEGY AND FISCAL HEALTH

• NEA Leadership Competency progression level:
  • Level 1: Foundational

• NEA Leadership Competency theme:
  • Understands the interdependency of strategic planning, budget development, and business policy
NEA Strategic Goal and NEA Organizational Priority:

• NEA Strategic Goal
  • Building the capacity of the local, state and national union to ensure the success of public education

• NEA Organizational Priorities
  • Supporting Professional Excellence
What is the budgeting process at your association?
Life Cycle of a Budget

- Evaluating the budget
- Creating the budget
- Approving the budget
- Executing the budget
- Strategic Plan
Mission Driven Organizations

While a corporation’s success is measured by its bottom line and stock value, a nonprofit organization’s success is measured by its ability to achieve its mission. A nonprofit’s mission statement establishes its purpose with both passion and conviction. It should be the foundation upon which all plans and decisions are made.

Source: NESC Roundtable March 10, 2016
Mission Statement

• Why the association exists
• Whom do we serve
• How are we serving them
• It is grounded in the community issue we are seeking to address

Source: NESC Roundtable March 10, 2016
Vision

The directional, motivational statement describing:

- Whom do we serve
- How are we serving them
- It is grounded in the community issue we are seeking to address

Source: NESC Roundtable March 10, 2016
The National Education Association
Vision, Mission, and Values
Adopted at the 2006 NEA Representative Assembly

Lily Eskelsen García
President
Rebecca S. Pringle
Vice President
Princess R. Moss
Secretary-Treasurer
John C. Stocks
Executive Director

THE NATIONAL EDUCATION ASSOCIATION
We, the members of the National Education Association of the United States, are the voice of education professionals. Our work is fundamental to the nation, and we accept the profound trust placed in us.

OUR VISION
Our vision is a great public school for every student.

OUR MISSION
Our mission is to advocate for education professionals and to unite our members and the nation to fulfill the promise of public education to prepare every student to succeed in a diverse and interdependent world.

OUR CORE VALUES
These principles guide our work and define our mission:

Equal Opportunity. We believe public education is the gateway to opportunity. All students have the human and civil right to a quality public education that develops their potential, independence, and character.

A Just Society. We believe public education is vital to building respect for the worth, dignity, and equality of every individual in our diverse society.

Democracy. We believe public education is the cornerstone of our republic. Public education provides individuals with the skills to be involved, informed, and engaged in our representative democracy.

Professionalism. We believe that the expertise and judgment of education professionals are critical to student success. We maintain the highest professional standards, and we expect the status, compensation, and respect due all professionals.

Partnership. We believe partnerships with parents, families, communities, and other stakeholders are essential to quality public education and student success.

Collective Action. We believe individuals are strengthened when they work together for the common good. As education professionals, we improve both our professional status and the quality of public education when we unite and advocate collectively.
2018-2020 Strategic Plan and Budget
Presented to the Representative Assembly July 2018
Strategic Planning

The vision, mission, and core values drive all the association does. It is the foundation upon which the strategic plan is formulated. The strategic plan:

• Identifies the successes, weaknesses, opportunities, and threats likely to influence the achievement of association’s vision, mission, and core values

• Defines the strategic goals and objectives to be prioritized

• Establishes the tactics and activities the association will undertake to achieve its strategic goals and objectives
The 2018-2020 Strategic Plan and Budget

Enterprise Operations
Strategic Framework – Goal

To achieve our mission, and realize our vision of a great public school for every student, we, the NEA, will grow and strengthen our Association and promote quality public education by:

• advancing opportunities that will identify, organize, and engage new and early career educators; amplify the voices of all educators; support our members’ professional growth; and promote social justice for our students, our communities, and our nation;

• securing a pro-public education environment for students, educators, and families; and

• building the capacity of the local, state, and national union to ensure the success of public education.
Strategic Framework – Strategic Objectives

Provide Professional Support

Advance Racial Justice in Education

Recruit and Engage New and Early Career Educators

Increase Educator Voice, Influence and Professional Authority

Expand Organizational Capacity

Provide Professional Support
Strategic Framework – Tactic; Activity; Outcome

- Tactic – a general statement that identifies a specific, or immediate action

- Activity – a specific action that carries out or implements the tactic

- Outcome – a measurement of the activity success
Strategic Plan

• Addresses the:

  • What – tactics and activities to be achieved and completed
  • Who – individuals who have responsibility for each tactic and activity
  • When – timeline for which tactics and activities must be completed
  • How much – financial resources available to complete each tactic and related activities
Strategic Objective 6

Enhance Organizational Capacity

- Provide Professional Support
- Advance Racial Justice in Education
- Recruit and Engage New and Early Career Educators
- Increase Educator Voice, Influence and Professional Authority

Enhance Organizational Capacity
Strategic Objective 6 (cont’d):

Enhance Organizational Capacity

• Organizing
• Technology
• Fiscal Health (page 9)
• Leadership Development
• Partnerships
Strategic Objective 6 (cont’d)

3 Fiscal Health

1 Partner with affiliates to achieve financial stability and sustainable fiscal health, improve the effectiveness of accounting and operating controls, and design and deliver effective financial training for staff, management, and leaders at all levels of the association.

- Provide technical support and training to affiliate staff, management, and leaders to strengthen affiliates’ capacity to achieve financial stability and substantial fiscal health.

980,402 980,402
Life Cycle of a Budget

Creating the budget

Evaluating the budget

Strategic Plan

Approving the budget

Executing the budget
What is a Strategic Budget?

• Identifies revenue streams to fund the strategic plan

• Allocates resources to priorities in strategic plan

• A tool used to control spending decisions
Why Have a Strategic Budget?

It is your Fiduciary Duty!

It is an Internal Control!
Other Types of Budgets

• Operating budget – a detailed projection of all estimated income and expenses during a given period – usually a year or two

• Capital budget – a plan for the association’s capital expenditures – acquiring new assets or repairing existing assets

• Programmatic budget – a detailed projection of all estimated income and expenses for a specific program or activity
Common Budgeting Mistakes

• Not setting goals and objectives prior to building the budget
• Not planning for one-time expenses
• Not budgeting for reserves
• Over-estimating revenues and under-estimating expenses in order to balance the budget
• Preparing a budget that is solely based on prior year numbers
• Not documenting assumptions used in creating the budget
Design the Strategic Budgeting Process

• Read the association’s bylaws

• Identify who will be involved and their responsibilities

• Set timelines and key deadlines
Design the Strategic Budgeting Process (Cont’d)

• Information gathering and analysis:

  • Past – revenue generation and spending history

  • Present – current year-to-date revenue generation and spending

  • Future – projection of revenues and expenses
Communication

• Clearly communicate how the identified opportunities and threats will impact revenue and expense estimates

• Reflect on strengths and weaknesses and lessons learned

• Explain underlying assumptions and other information to be gathered in the budget creation
Assumptions

• Political, economic, social and technological factors

• Analyze current year-end forecast, current budget variances

• Balance sheet strength – debt covenants; surplus needs

• Seasonality

• Document assumptions
“The Bottom Line”

• Balanced budget (pgs. 6 and 10)

• Deficit budget

• Surplus budget
Funding the Strategic Plan - Revenue

- Past membership count records and full time equivalents
- Projected recruitment reports
- External circumstances – e.g. loss of payroll deduction
- Partner with State association to develop accurate membership counts
- Be realistic. Avoid overestimating revenues
## Budgeted Revenue

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Active – Teaching Professionals</td>
<td>1,705,000</td>
<td>1,574,000</td>
<td>1,449,000</td>
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<tr>
<td>Active – Education Support Professionals</td>
<td>295,000</td>
<td>271,000</td>
<td>246,000</td>
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<td>Active – Life</td>
<td>40,200</td>
<td>38,600</td>
<td>38,600</td>
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<td>Agency Fee</td>
<td>31,000</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Retired – Annual</td>
<td>97,000</td>
<td>97,000</td>
<td>97,000</td>
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<tr>
<td>Retired – Life</td>
<td>215,000</td>
<td>221,000</td>
<td>221,000</td>
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<tr>
<td>Subscriber</td>
<td>13,000</td>
<td>13,000</td>
<td>13,000</td>
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<tr>
<td>Reserve and Staff</td>
<td>3,600</td>
<td>4,750</td>
<td>4,750</td>
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<td>Student</td>
<td>54,000</td>
<td>45,500</td>
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<td><strong>Total Members</strong></td>
<td>2,453,800</td>
<td>2,264,850</td>
<td>2,114,850</td>
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<tr>
<td><strong>Revenue</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Active – Teaching Professionals</td>
<td>322,245,000</td>
<td>302,208,000</td>
<td>282,555,000</td>
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<tr>
<td>Active – Education Support Professionals</td>
<td>34,072,500</td>
<td>31,571,500</td>
<td>29,151,000</td>
</tr>
<tr>
<td>Active – Life</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Agency Fee</td>
<td>5,859,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Retired – Annual</td>
<td>3,395,000</td>
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<tr>
<td>Retired – Life</td>
<td>1,250,000</td>
<td>1,250,000</td>
<td>1,250,000</td>
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<tr>
<td>Subscriber</td>
<td>65,000</td>
<td>65,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Reserve and Staff</td>
<td>298,800</td>
<td>402,275</td>
<td>407,675</td>
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<tr>
<td>Student</td>
<td>810,000</td>
<td>682,500</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>367,995,300</td>
<td>339,574,275</td>
<td>317,506,175</td>
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<tr>
<td>Other Income and Adjustments</td>
<td>590,000</td>
<td>620,000</td>
<td>620,000</td>
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<tr>
<td>NEA Foundation Endowment Fund</td>
<td>(1,885,300)</td>
<td>(1,711,875)</td>
<td>(1,574,375)</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$366,700,000</td>
<td>$338,482,400</td>
<td>$316,551,800</td>
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</table>
Expenses

- Fixed costs – costs that remain more or less unchanged irrespective of revenue levels:
  - Debt
  - Contractual expenses – rent, insurance, etc.
  - Collective bargaining agreements (possibly)
  - Depreciation
  - Board mandated expenses
  - Other obligations - retiree health insurance
Budgeting for Variable Expenses

Variable costs – expenses that change by level of activity

Budgeted Revenue

*Minus*

Budgeted Fixed costs

*Equals*

Available for strategic spending – variable costs
## Total Budget Comparisons By Line Item

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Salaries/Fringe Benefits</td>
<td>$116,030,017</td>
<td>$104,816,730</td>
<td>$97,203,930</td>
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<tr>
<td>Non-Staff Wages</td>
<td>6,055,361</td>
<td>5,136,982</td>
<td>5,142,538</td>
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<tr>
<td>Travel - Staff</td>
<td>8,431,476</td>
<td>6,970,854</td>
<td>6,970,854</td>
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<tr>
<td>Travel - Non-Staff</td>
<td>12,190,457</td>
<td>12,784,038</td>
<td>12,784,038</td>
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<tr>
<td>State and Local Projects</td>
<td>137,323,712</td>
<td>130,681,778</td>
<td>124,931,222</td>
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<tr>
<td>Publication Costs</td>
<td>4,755,706</td>
<td>3,450,375</td>
<td>3,450,375</td>
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<tr>
<td>Office Expenses</td>
<td>7,155,181</td>
<td>6,085,091</td>
<td>6,085,091</td>
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<tr>
<td>Administrative Expenses</td>
<td>19,502,331</td>
<td>17,422,984</td>
<td>17,422,984</td>
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<tr>
<td>Machinery and Equipment</td>
<td>6,534,027</td>
<td>6,278,551</td>
<td>6,278,551</td>
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<tr>
<td>Outside Services</td>
<td>46,837,662</td>
<td>42,639,145</td>
<td>34,066,345</td>
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<tr>
<td>Conference/Meeting Expenses</td>
<td>8,366,348</td>
<td>8,576,625</td>
<td>8,576,625</td>
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<tr>
<td>Recovery - External</td>
<td>(9,482,278)</td>
<td>(8,360,753)</td>
<td>(8,360,753)</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$363,700,000</strong></td>
<td><strong>$336,482,400</strong></td>
<td><strong>$314,551,800</strong></td>
</tr>
<tr>
<td>Contingency Fund</td>
<td>3,000,000</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>Total Budget</strong></td>
<td><strong>$366,700,000</strong></td>
<td><strong>$338,482,400</strong></td>
<td><strong>$316,551,800</strong></td>
</tr>
</tbody>
</table>
Draft Budget

• Create a consolidated budget spreadsheet and all support schedules developed during the creation process

• Develop an initial draft budget and verify that it aligns to the strategic goals and objectives

• Is the budget realistic?
Draft budget (cont’d)

• Share draft budget with the appropriate board committee for review

• Adjust the draft budget as needed – there will probably be multiple iterations of the draft budget!

• Document all revised assumptions and justifications

• Allow for plenty of time for review and revisions
Budget Approval

• Distribute the draft budget and other supporting information to the full board of directors prior to board meeting

• Present budget proposal to the board of directors highlighting the assumptions, challenges and resources behind the budget numbers

• Address board questions, recommendations, and make revisions as needed

• Present to the Representative Assembly for approval
Life Cycle of a Budget

- Creating the budget
- Approving the budget
- Executing the budget
- Evaluating the budget

Strategic Plan
Executing the budget

• Budget execution is the process by which the financial resources made available in the approved budget are directed and controlled toward achieving the strategic goals and objectives.

• Budget execution involves adherence to internal policies and procedures and compliance with laws and regulations.

• Ensure all interested parties understand the details of the budget.
Executing the budget (cont’d)

• Review to ensure expense line items are charged to the appropriate general ledger account

• Stick to the approved budget!

• Generate narrative and financial reports for review as needed
Life Cycle of a Budget

- Creating the budget
- Approving the budget
- Executing the budget
- Evaluating the budget
- Strategic Plan
Evaluating the budget

• Monitoring the budget:
  • Actual vs. budget
  • Variances – Why?
    • One time expenses
    • Imprecise assumptions used when creating the budget
    • Seasonality
Evaluating the budget (cont’d)

• Determine the timeline for distributing reports and review

• Monitor performance reports and financial variance reports on a monthly basis

• Tough decisions will be made in the process of evaluating the budget
Evaluating the budget (cont’d)

• Implement a policy requiring all variances within a certain threshold be explained to the board of directors

• Explain any unexpected costs

• Document strengths, weaknesses, and lessons learned. Use in developing next year’s budget creation
Sample Strategic Budget
Takeaways: Keys to a Successful Strategic Budgeting Process

• Clearly identify strategic objectives that are aligned to the association’s vision, mission, and core values

• Determine the financial resources needed and available to achieve the strategic objectives

• Involve staff, volunteers, and board members in the process to improve accuracy and dependability of the budget

• Document! Don’t rely on memory! Write down assumptions and justifications used in preparing the budget. This will help in managing the budget throughout the year
Questions?
Contact Information

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202-822-77433
Session Outcomes

The content from this session can be used in the following ways in your current position/role:

• Learn and understand strategic budgeting basics for maintaining your association’s fiscal health

• Understanding the life cycle of a budget and how a sound strategic budget is developed from the association’s strategic plan

• Understand the tools used in monitoring the strategic budget
Closing

• Please complete the evaluation for this breakout session by using the NEA Summit Mobile App!

• Please visit the Leadership Development Resources website at www.nea.org/leadershipdevelopment