Is a school district budget like a business budget?

Business and government budgeting are more different than alike.

School District Budgets

- Once a school budget is set and the monies appropriated, the district is legally bound to the budget for that year. The budget may not be increased mid-year.
- The district must stay within the amounts appropriated for each expenditure category. Any changes from the established budgets require formal approval by the Board.
- Many of the major expenses are set via contracts and may not be negotiable.
- Revenues are fixed and may not be increased during the period of the budget without formal approval by the Board.
- Districts are encouraged to hold costs steady or to reduce costs.
- Districts are required to use Generally Accepted Accounting Principles (GAAP). The GAAP comprise a set of “best practices,” like using a double-entry method, that seek to ensure that financial records are accurate and uniform. GAAP also requires a mandated public audit.

Business Budgets

- Business budgets are typically more dynamic; a business may do many things to increase sales revenue.
- A business is not legally required to use a budgeting process.
- A business can implement and use its budget as it pleases, and may even abandon its budget midstream.
- Sales or production projections are typically set higher each year.
- Staff increases/bonuses are based on revenue and may change.
- A business may choose to pass on its costs to its customers via increases in pricing. In contrast, government has to raise taxes to increase spending (except in the case of federal deficit spending).

What is the role and purpose of a school district budget?

- To pay for programs, services and facilities required to educate students who are assigned to our district.
- Outlines a district’s plan for the upcoming year as related to anticipated revenues and expenditures.
- Provides school districts and their leaders with an opportunity to justify the expenditure of public funds.
- Funds the visions and values of the school district (e.g. smaller class sizes, arts programming)

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Who is involved in the school district budget?
The school district budget involves many different individuals and entities across several levels of government.

- At the local/district level, budget discussions involve school administrators, school boards, school employees and community members.
- At the state level, the governor, state legislators and the state education agency are involved in setting and managing state funding and state policy, including state equalization formulas.
- At the national level, the federal education department and members of Congress are involved in education funding and federal policy, such as ESSA or IDEA.

Where do the resources for our school district budget come from?
School budget resources come from a combination of:

- Local - Property Taxes: 91%
- State - State Funding: 4%
- Federal - Grants: 1%
  - IDEA: Federal government funds are used to support special education at about 17% which is less than half of the promised 40% of the national average per pupil expenditure.
  - ESSA: Titles I, II, III and IV are entitlement funds based on a variety of factors including the wealth of the community, the demographics and the federal priorities.
- Tuitions, Transportation, Facility Use Fees: 1%
- Use of Surplus: 3%

What are the major budget categories for school districts?

- Staffing - Individuals required to deliver educational programs (Contracted)
- Benefits - Healthcare and pension contributions (Contracted or Mandated)
- Transportation - buses and drivers to transport students
- Facilities – to ensure students attend schools that are clean, safe and well maintained
- Energy - a school is lit during the day, heated in the winter and cooled in the summer
- General liability and Workers Compensation Insurance
- Curriculum and Staff Development - curriculum, training and instructional support to ensure teachers are able to provide students with the necessary knowledge and skills
- Athletics and Co-curricular Programs

What is a budget cap?
In 2010, Governor Christie lowered the allowable annual tax levy increase for school budgets from 4 to 2 percent, eliminated most waivers, and abolished the requirement that the public vote for budgets that come in at or below the 2 percent cap. Budgets that exceed 2 percent and that utilize any waivers permissible may be submitted to a vote by the community.

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HVRSD Budget FAQs

What are budget cap waivers?
School districts may only exceed the 2 percent cap for certain reasons, to include: increases in enrollment, budgeted health care costs, deferred pension cost(s), and adjustments (plus or minus) for responsibility shifted from/to another entity.

What is (a?) banked cap?
If a school budget increases by less than 2 percent in a previous year, officials have the authority to exceed the 2 percent cap by that difference in a subsequent year. For example, if a school district spends $1,000,000 less than allowed by the 2 percent cap, the district may exceed the 2 percent cap by $1,000,000 in the following year’s budget. Cap monies accumulate; school districts have three years to utilize the spending authority realized though savings from prior years.

What is surplus or fund balance?
Unspent monies that are left over at the end of the school year are referred to as surplus. These monies must be applied to the budget the following year as either tax relief (applied to debt service costs (?)) or may be placed in capital reserve for construction projects. Budgets are sometimes “frozen” during the course of the budget year; spending and to generate surplus that may be applied to the following year’s budget as a means of tax relief or may be placed in the capital reserves.

When are school budget monies spent?
Continuously, throughout the year.
• Tax dollars are collected from the local government monthly and deposited into the bank.
• School districts draw down on those account balances as needed.
• Federal dollars in school budgets are also spent throughout the school year, with the rule of ‘first in, first out.’ Federal dollars are only reimbursed after they are spent, meaning districts must have cash on hand in order to spend.

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Steps to Building a Budget
(many steps may occur concurrently and/or repeatedly)

Step One: Enter contracted items assuming existing staffing and enrollments
  ● Salary Increases
  ● Benefits Increases
  ● Transportation
  ● Special Education

Step Two: Zero-based budgeting
  ● Budget managers are instructed to develop budgets based on what is needed to fund current programming
  ● New programs are outlined

Step Three: Review of budget requests and contracted increases
  ● Administrative review of requests
  ● Priorities and/or new programs and services

Step Four: Economizing programs and staffing
  ● Staffing vs. enrollment
  ● Program effectiveness
  ● Savings through breakage, staff reductions or program changes
  ● Prioritization of needs (academic vs. other programs)

Step Five: Comparison of revenue vs. expenses
  ● Expenses within cap?
  ● Expenses within available banked cap?
  ● Expenses within waivers available?
  ● Ratables
  ● Surplus from previous year’s budget

Step Six: Review by Board of Education
  ● Priorities and/or new programming requests
  ● Overall tax impact directive by the Board

What comes first, the budget or the tax increase discussion?

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