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The School District Budget

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ABSTRACT

A budget represents a school district's education plan in numerical terms. There are three major components of a budget: the educational program of the school district and the revenue and expenditures needed to implement the education plan. In this article, I discuss the major components of a budget document, and briefly define fiscally independent and fiscally dependent school districts.

The budget document reflects the priorities and decisions of a school district's leadership. Once decision makers have established their priorities and determined what programs they want, it is through the budget that the necessary resources are allocated to implement those priorities. The budget document provides a guide for evaluating the school district programs and serves as a way of keeping the public informed about the activities of the school district.

The Budget Defined

In its simplest terms, a school district budget translates the school district's education plan into numerical terms (Brimley & Garfield, 2008; Garner, 2004; King, Swanson, & Sweetland, 2003; Odden & Picus, 2008). Thus, a budget can be defined as a document which specifies the planned expenditures and anticipated revenues of a school district in a given fiscal year, along with other information relating to the fiscal elements of the educational programs and needs of the school district.

There are three major components of a budget (see Figure 1). As shown in Figure 1, these components are the educational program of the school district, expenditures, and revenue. A description of the school district's educational program should form the base of the triangle. This provides the foundation on which to base decisions about the level of expenditures needed to operate the school district. Expenditures and revenue are represented on the vertical axes of the triangle to reflect that expenditures must be less than or equal to revenues if the budget is to remain balanced.

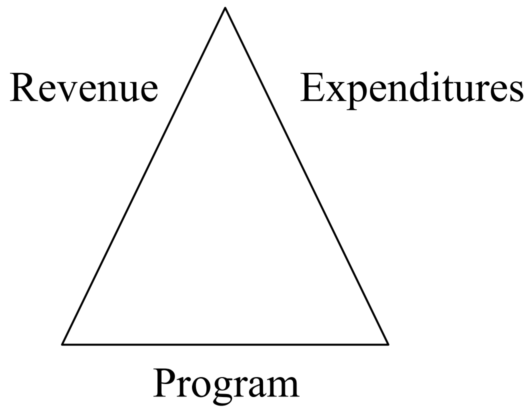

Figure 1. Major components of a school district budget.

Expenditures and Revenue

Expenditures

Education expenditures are divided for accounting purposes into current expenses, capital improvement, long-term and short-term debt payment, and interest payment. In addition, the U.S. Department of Education in conjunction with the Association of School Business Officials (ASBO) has developed a uniform system of classification of current expenses that most state departments of education have accepted and are using.

Current expenses.

Current expenses include all monies disbursed for the daily operation of schools. They are usually classified in the annual budget under the following four categories: *instruction*, including regular programs (elementary, middle/junior high school, high school), special programs, and adult/continuing education programs; *support services*, including attendance and health services, pupil transportation services, food services and student activities, plant maintenance, support services–instructional staff, and support services–general administration; *community services*, including recreation, civic activities, and nonpublic school services; and *non-programmed charges*, including payments to other governmental units.

Capital outlay.

Items that are constructively consumable during a single fiscal year (e.g., salaries, textbooks, and supplies) are listed under current expenses; an item with a life expectancy of more than one year is considered a capital expense. Thus, capital outlay includes all permanent additions to existing land, buildings, and equipment. It differs from expenditures for plant maintenance in that capital outlay represents an extension of the existing plant.

Debt service.

Debt service includes the payment of short- and long-term loans and revenue payments for the principal and interest on these debts. Principal payments are made directly, as in the case of serial bonds, or into a sinking fund for retiring long-term bonds.

If a school district pays for capital extension out of current tax revenues or on a pay-as-you-build basis, there is no need for a budget classification for debt service, except short-term or floating debts. By law, school districts raise all their own revenue to meet the communities' needs, including capital extension, which sometimes necessitates borrowing funds for that purpose (Alexander & Alexander, 2011). The use of credit for plant extension, therefore, represents an additional handicap to school districts, because debt service is a prior budgetary obligation that may carry over from one year's budget to the next until the debt is paid. And the total expense of long-term borrowing for capital extension generally more than doubles the cost of the school plant. *Interest payments* are made as they fall due.

Revenue

Although, in the past, public schools depended chiefly on local sources of revenue for their support, the relative percentage of local and state contributions has changed greatly within nearly three-quarters of a century. In the 1929-1930 school year, local districts contributed 82.7 % of the total revenue for the operation of public schools in the United States. In the 2008-2009 school year local revenue for public education had declined to 44.2 % and state appropriations were 48.7 % nationally. The remaining balance of 7.1 % was derived from federal funds (U.S. Department of Education, 2010). The change has resulted in a better balanced revenue system generally, and, in many cases, better equalized educational opportunity for all schoolchildren.

Current expenditures and debt payment remain largely dependent on the general property tax. State appropriations are derived primarily from the general property, sales, and income taxes. The regular federal contributions are taken from the general treasury and represent income from all sources of federal taxation. The local school district has comparatively little authority over the methods and sources of financing its schools; this is a state responsibility. The Tenth Amendment to the U. S. Constitution confers on the state not only the authority to regulate and control education but also to devise and implement its own system of taxation.

Thus, the authority of local school districts to raise and collect taxes for schools is a power that must be conferred on them by the state legislature. Furthermore, not all districts have the same taxing power. The legislature can classify school districts and delegate varied financial powers to those dependent on their classification.

Basically, there are two broad classifications of school districts with respect to their power to tax and raise funds for public schools: fiscally independent and fiscally dependent school districts. The vast majority of the nearly 15,000 public school districts in the nation are fiscally independent.

Fiscally independent school districts.

These school districts are granted legal authority by the state legislature to set the tax rate on real property, within state constitutional and legislative limits; to levy and collect taxes for the support of local schools; and to approve the expenditure of the funds collected. States require local school boards to prepare budgets of proposed expenditures. In fiscally independent school districts then, boards of education have a relatively free hand in determining how and where expenditures are to be made, subject to limitations on the total amount by the state's constitution or statute. For example, in Florida local school authorities levy and collect taxes for school purposes, independent of the local county or city governments. However, Florida state law sets a legal limit on the tax rates that can be established by local boards of education (Alexander & Alexander, 2011). Similarly, in Kentucky state statutes grant local school boards authority to tax property for the support of public schools (Kentucky Revised Statutes, Chapter 160.593, 2002).

Fiscally dependent school districts.

In this configuration, the Board of Education prepares and adopts a budget specifying the anticipated expenditures and projected revenue needs. Then a different municipal government may reduce the total budget or eliminate items not required by state law and apportion the school taxes. For example, in Chicago statutory language authorizes the school tax levy to be a cooperative endeavor, joining the Board of Education and city officials. Although the local board performs all the preliminary steps in the budget process—preparation, review, and adoption—no school taxes can be forthcoming without the adoption by the city council of an ordinance levying the tax. Similarly in Alaska, Maryland, Massachusetts, New Hampshire, New York, and Pennsylvania, school districts are fiscally dependent on the municipal government to apportion taxes for school purposes (Alexander & Alexander, 2011).

Conclusion

At the most basic level, a budget document should include an introduction describing the school district's educational plans, the expected revenues, and how revenues are to be expended. In fiscally independent school districts, school boards have a relatively free hand in determining how and where expenditures are to be made, subject to limitations on the total amount by the state's constitution or statute. In fiscally dependent school districts, statutory language authorizes the school tax levy to be a cooperative endeavor, joining the school board and city officials. The budget document provides a guide for evaluating the school program and serves as a way of keeping the public informed about the activities of the school.

References

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