Commonly Used Budget Terms

Below are a few definitions to help you follow the school budget process in New York State.

Bond: Money borrowed to pay for a school district expenditure. Typically, the money is used for capital expenditures, such as the purchase of buses or the construction or renovation of a building, although in some cases school districts also issue bonds for other large expenditures such as the repayment of back taxes in a certiorari settlement. The goal in borrowing is to spread the cost out over a period of years and lessen the cost to taxpayers in any one year. By definition, a bond is a written promise to pay a specified sum of money, called the face value or principal amount, at a specified date in the future (the maturity date), together with periodic interest at a specific rate.

Budget: A plan of financial operation expressing the estimates of proposed expenditures for a fiscal year and the proposed means of financing them.

Budget calendar: The schedule of key dates that the Board of Education and administrators follow in the preparation, adoption and administration of the budget.

Budget cap: In the event of a school budget defeat and the adoption of a contingent budget, school districts must cap their spending increase at 120% of the Consumer Price Index or 4 percent, whichever is lower. For more on this, see the definition of a contingent budget.

Capital outlay: An expenditure that is generally more than $20,000 and results in the ownership, control or possession of assets intended for continued use over long periods of time. These can include new buildings or building renovations and additions, new school buses; as well as new equipment (i.e. desks, computers, etc.) and library books purchases for a new or expanded school building.

Consumer Price Index (CPI): An index of prices used to measure the change in the cost of basic goods and services in comparison with a fixed base period. Also called cost of living index. However, the CPI does not take into account many of the items that cause school district budgets to rise, such as the increasing cost of health insurance, liability insurance and retirement contributions.

Contingent budget: Under state law, school boards can submit a budget to voters a maximum of two times. If the proposed budget is defeated twice, the board must adopt a contingency budget. The board also has the option of going directly to a contingent budget immediately after the first budget defeat. Under a contingent budget, the district may not increase spending by more than 120 percent of the Consumer Price Index or 4 percent, whichever is lower. The items exempt from this cap are tax certiorari and other legal settlements, debt service (mortgage payments), and costs associated with enrollment growth. Under a contingent budget, the percentage of the budget devoted to administrative costs cannot increase from what it was in the prior year's budget or the last defeated budget, whichever is lower. Once a contingent budget is established, community residents are no longer allowed to petition boards of education to put additional items up for a separate vote.

Employee benefits: Amounts paid by the district on behalf of employees. These amounts are not included in the gross salary. They are fringe benefits, and while not paid directly to employees, are part of the cost of operating the school district. Employee benefits include the district cost for health insurance premiums, Medicare, retirement, social security and tuition reimbursement.

Equalization rate: In simple terms, an equalization rate represents the average level of assessment in each community. For example, an equalization rate of 80 means that, on average, the property in a community is being assessed at 80 percent of its market value. The words "on average" are stressed to emphasize that an equalization rate of 80 does not mean that each and every property is assessed at 80 percent of full value. Some may be assessed at lower than 80 percent, while others may be assessed at higher than 80 percent.

Equalization rates are established by the New York State Board of Equalization and Assessment. School districts that comprise more than one city, town or village must use the equalization rate to determine the tax rates for each municipality. The purpose is to bring some semblance of equity to how the taxes are distributed in any one school district, so that ideally a home with a full market value of $100,000 in one community will pay the same taxes as a home with a market value of $100,000 in the next community, regardless of how those two homes are assessed.

Expenditure: Payment of cash or transfer of property or services for the purpose of acquiring an asset or service.

Fiscal Year: A fiscal year is the accounting period on which a budget is based. The New York State fiscal year runs from April 1 through March 31. The fiscal year for all New York counties and towns and for most cities is the calendar year. School districts in the state operate on a July 1 through June 30 fiscal year.

Fund Balance: A fund balance is created when the school district has money left over at the end of its fiscal year from either under spending the budget or taking in additional revenue. Part of the fund balance (appropriated fund balance) may be applied as revenues to the district's following year budget. A portion – up to four percent of the total budget – may also be set aside (unappropriated fund balance) to pay for emergencies or other unforeseen problems.

Fundamental Operating Budget (FOB): The total amount of money required to pay for current year programs, staffing and services at next year's prices — i.e., what the next year's budget would be if the current year's budget were simply "rolled over."

Revenue: Sources of income financing the operation of the school district.

Salaries: The total amount paid to an individual, before deductions, for services rendered while on the payroll of the district.

Tax base: Assessed value of local real estate that a school district may tax for yearly operational monies.

Tax levy: Total sum to be raised by the school district after subtracting out all other revenues including state aid. The tax levy is used to determine the tax rate for property owners in each of the cities, towns or villages that make up a school district.

Tax levy limit: The amount the district's tax levy may increase without requiring a supermajority to approve a proposed budget (60 percent of votes plus one). Each district must use a state formula that begins with an increase of 2 percent or the level of inflation (whichever is less) and add back certain exemptions. The result is often a number higher than 2 percent.

Tax rate: The amount of tax paid for each $1,000 of assessed value of property. In districts that cover just one municipality, the tax rate is figured simply by dividing the total assessed property value by 1,000 and then dividing that again into the tax levy (the amount of money to be raised locally). In districts that encompass more than one municipality, the formula for figuring the tax rate is more complicated. It involves assigning a share of the total tax levy to each municipality and applying equalization rates to take into account different assessment practices.

STAR: The New York State School Tax Relief (STAR) program provides exemptions from school taxes for all owner occupied, primary residents, regardless of income.

Supplies: Consumable materials used in the operation of the school district including food, textbooks, paper, pencils, office supplies, custodial supplies, material used in maintenance activities and computer software.

Support services: The personnel, activities, and programs that enhance instruction. These include attendance, guidance, and health programs; library personnel and services, special education services, professional development programs, transportation, administration, buildings and ground operations; and security.

Three-part budget: School districts must, by law, divide their budgets into three components – administrative, capital and program – and each year they must show how much each portion has increased in relation to the whole budget. A further definition of the three components is as follows:

Administrative Budget Component: These expenditures include office and administrative costs; salaries and benefits for certified school administrators who spend 50 percent or more of their time performing supervisory duties; data processing; public information; legal fees; property insurance; and school board expenses.

Capital Budget Component: This covers all school bus purchases, debt service on buildings, and leasing expenditures; tax certiorari and courtordered costs; and all facility costs, including salaries and benefits of the custodial staff; service contracts, maintenance supplies and equipment; and utilities.

Program Budget Component: This portion includes salaries and benefits of teachers and supervisors who spend the majority of their time teaching; instructional costs such as supplies, equipment and textbooks; cocurricular activities and interscholastic athletes; staff development; and transportation operating costs.