

## **Budget glossary**

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

**Administrative Budget Component:** One of three categories that must be reported by school districts. 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; supplies; legal fees; property insurance; and school board expenses.

**Appropriated Fund Balance:** Any portion of a district's fund balance from the previous fiscal year that is applied as revenue to the district's following year's budget. This reduces the amount of money that must be generated by taxes.

**Base proportions:** Base proportions determine how the tax burden is distributed between residential and commercial properties in the town. Changes in the base proportion do not change the overall district tax levy, but instead change how much of the tax levy is paid by homeowners and how much is paid by owners of commercial properties. Base proportions are determined by the NYS Office of Real Property Services (ORPS).

**Board Budget:** Spending plan adopted by the Board of Education.

**Bond:** 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 specified rate.

**Budget:** A plan of financial operation outlining 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 school district, Board of Education, and administrators follow in preparation, adoption, and administration of the budget.

**Budget Year:** The fiscal year immediately following the current year.

**Capital Budget Component:** One of three categories that school districts must show in their proposed budgets, this covers: all transportation capital, debt service, and lease expenditures; legal judgments and settled claims; custodial costs and all facility costs, including service contracts, supplies, utilities, maintenance, repairs, construction, renovation, debt and leasing costs.

**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. Examples: the construction or acquisition of buildings and equipment, initial equipment of buildings or additions or the initial acquisition of library books and research periodicals for a new 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/Contingency:** 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 contingent budget (or go to contingency) with a ZERO percent tax levy increase. Under a contingent budget, there are no capital, court order/judgments or pension exemptions and there is no growth factor. 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, and non-contingent expenses must still be removed from the budget.

**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 employees. Employee benefits include the district cost for health insurance premiums, dental insurance, life and disability insurance, 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% of its market value. The words "on average" are stressed to emphasize that that an equalization rate of 80 does not mean that each and every property is assessed at 80% of full value. Some may be assessed at lower than 80%, while others may be assessed at higher than 80%. 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 to 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 July 1 through June 30 fiscal years.

**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 may also be set aside (unappropriated fund balance) to pay for emergencies or other unforeseen occurrences.

**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."

**Homestead:** Residential properties.

**Maximum Allowable Tax Levy Limit:** The Tax Levy Limit plus allowable exemptions results in the maximum allowable tax levy, which is the highest tax levy a district can propose and still only need a simple majority (50 percent +1) to pass.

**Non-homestead:** Commercial properties.

**Program Budget Component:** One of the categories that must be presented in the district's proposed budget, 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; and transportation operating costs.

**Proposed Budget:** Also called Administrative Proposal. Spending plan developed by school administrators prior to Board adoption. School districts are required by New York State to show their proposed budgets in three categories: administrative, program, and capital.

**Reassessment:** A reassessment is a systematic analysis of all locally assessed properties (both commercial and residential) to achieve a stated uniform percentage of value. The goal of a reassessment is to assure that each assessment reflects current market prices and that each property owner pays only their fair share of the tax burden. With a reassessment comes a shift in the tax burden to those whose property values have risen faster than average. This process does not result in a windfall of new revenue for the town, county, or school district nor does the reassessment change the total amount of taxes that the school district must collect; it merely redistributes who pays them. In theory, rising assessments will result in a decrease in the tax rate (everything else being equal), as there is now a larger tax base from which the school may generate the same amount of tax dollars. If a property owner's assessment doubles, their tax bill will not double - in fact, it may remain about the same, increase slightly, or even decrease depending on the final tax rate.

**Reserved Fund Balance:** Reserved fund balance is the portion of fund balance set aside for specific purposes such as the Reserve for Encumbrances, Reserve for Repairs, or Tax Certiorari Reserve, etc. Each reserve fund has certain establishment and use requirements.

**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.

**STAR:** The New York State School Tax Relief (STAR) Program provides exemption for school taxes for all owner-occupied, primary residents, with a combined income of less than \$500,000. Senior citizens with combined incomes that do not exceed \$62,200 may qualify for an enhanced exemption.

**State Aid:** State Aid is additional money that the state gives to districts, to be used in different areas, such as lowering the tax levy, etc. Until the state passes its budget, the district does not know exactly how much to expect in

state aid, but school districts are still required to present their budgets to voters on the third Tuesday in May. To meet that mandate, the district had to estimate its state aid revenues.

**State Department of Education/SED:** The New York administration department that oversees public elementary and secondary education.

**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 and provide for the general operation of the school district. This includes attendance, guidance, and health programs; library personnel and services; special education services provided by speech and language pathologists, physical therapists and occupation therapists; professional development programs, transportation, administration, buildings and ground operations, and security.

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

**Tax Certiorari:** The legal process by which a property owner can challenge the real estate tax assessment on a given property in attempt to reduce the property's assessment and real estate taxes.

**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 makes up a school district.

**Tax Levy Limit:** The threshold dictated by an 8-step state formula that determines the highest tax levy BEFORE exemptions that a school district can propose and still need a simple majority to pass.

**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.

**Unappropriated Fund Balance:** A school district is permitted to keep up to four percent of its fund balance in an unappropriated fund. This money may be used to pay for emergency repairs and other unforeseen occurrences.