

CHAPTER 2

BUDGETING

Overview

The school budget is the most important single publication which the school district presents to its local citizens. The budget expresses the local district's plan for operating its schools, and displays, in dollars, the school district's educational program plan. The budget serves as both a guide and control over the operations of the district during the fiscal year.

School Districts

The superintendent, as budget officer of the board, should furnish the leadership in developing the budget through various significant steps. The superintendent or his designee, such as the school business official, is responsible for initiating the budgeting process and ensuring that the steps leading to final acceptance of the budget and approval by the board of education are carried out efficiently. The budget should be based on the best information available at the time it is prepared. The persons in the best positions to provide this information for each area should be involved in the budgeting process at their level of responsibility and at the appropriate time. The superintendent has the responsibility for coordinating the overall budget scheme and providing for such factors as growth, inflation, etc. It is the superintendent's responsibility to maintain the highest level of education services possible within the amount of available funds. A carefully prepared budget with periodic evaluation is essential to the attainment of this goal.

Budgeting helps the superintendent and his staff to plan together on what needs to be done, how it will be done, and by whom. The benefits of budgeting may be summarized as follows:

1. Establishes a plan of action for the coming fiscal year.
2. Requires an evaluation of past programs and activities in relation to planned programs and activities.
3. Necessitates the establishment of goals and work plans.
4. Provides security for the administration by assuring the financing approval of the course of action for the fiscal year.
5. Necessitates foreseeing expenditures and estimating revenue.
6. Requires orderly planning and coordination throughout the organization.

7. Establishes a system for evaluation and management control.
8. Provides an orderly process of expansion in both personnel and facilities.
9. Provides for coordination with accounting and auditing to meet legal requirements and proper administrative accountability.
10. May serve as a public information device.

Schedule and Legal Requirements

The budget process should be cyclical, a continuous function consisting of the general basic steps of planning, coordinating, interpreting, approving, administering, and evaluating. These are suggested continuous activities, and although any one of them may take place throughout the fiscal year, there are certain times when one activity or another may be intensified.

The Open and Public Meetings Act (52-4) requires there be notice to the public including the: agenda, date, time, and place. The notices must be given within 24 hours for emergency meetings, and at least once each year for annual meetings which are scheduled in advance. They must satisfy the requirement for public notice by (1) a written notice on posted on the public office, place where the meeting will be held, or on the Utah Public Notice Website, and (2) by providing notice in the local newspaper, or local media source. Meeting should be recorded along with written minutes that will also be kept for public records which include: date, time, place, names of members, substance of all matters, vote decision, name of each person who provides testimony or comments, and any other information requested to be recorded in the minutes.

Important Utah legal requirements related to the school district budget are summarized as follows: for additional important detail refer to the laws cited

(53G-7-302) School District Budget - Superintendent Responsibility

The Superintendent of each school district is the Budget Officer of the district. Prior to June 1 of each year, the budget officer shall prepare and file with the local school board a tentative budget with supporting documents that shall include the following items:

- Revenues and expenditures of the preceding fiscal year.
- The estimated revenues and expenditures for the current fiscal year.
- An estimate of the revenues for the next succeeding fiscal year based upon the lowest rate of tax levy that will raise the required amount of revenue by using the current years taxable value as the basis for this calculation.
- A detailed estimate of the essential expenditures for all purposes for the next year.

- The estimated financial condition of the district at the close of the current fiscal year.

Such tentative budget shall be filed with the district business administrator for public inspection at least fifteen (15) days prior to the date of the proposed adoption by the local school board.

(53G-7-303) Local School Board Budget Procedures

Before June 30th of each year, a local school board shall adopt a budget and make appropriations for the next fiscal year. Prior to adoption, the business administrator shall review for public inspection, a public hearing notice will be posted, and the proposed budget shall be posted on the district's website.

(53G-7-304) Undistributed Reserve

Utah law further states that the district may adopt a budget containing an amount known as the Undistributed Reserve. This reserve shall not be more than five percent of the maintenance and operation budget adopted by the board of education in accordance with a scale developed by the State Board of Education.

Appropriations may be made from the undistributed reserve to any expenditure classification in the maintenance and operation budget by written resolution adopted by a majority vote of the board, setting forth the reasons for the appropriation and then filed with the State Board of Education and the state auditor.

The undistributed reserves may not be used in negotiation or settlement of contract salaries for school district employees

GASB 54, in 2010, replaced the term Undistributed Reserves with Stabilization Arrangements or more commonly referred to as "rainy-day" funds, Economic Stabilization, or Budgetary Stabilization. Under GASB 54, stabilization arrangements are classified as unassigned in the general fund unless certain criteria are met, then they may be reported as restricted or committed. Stabilization amounts may only be reported in the Special Revenue Fund if derived from specific revenue sources. We are working on updating the State Code to be more consistent with these changes in GASB 54.

(53G-7-305) Limits on Appropriations

A budget appropriation may not be made in excess of its estimated expendable revenue, including undistributed reserves.

Any budget appropriation may be reduced by action of the board of education at any regular meeting of the board, if notice of the proposed action is given to all members of the board and to the superintendent of the district at least one week in advance.

An increase in an appropriation may not be made by the board unless the board receives a written request from the district superintendent setting forth the reason for the request, the notice of request is published at least one week prior to the board meeting where it will be in consideration, and the board holds a public hearing on the request prior to action on the request.

(53G-7-307) Warrants Drawn by Budget Officer

Budget officers may not draw warrants on school district funds which exceed the limits of the budget passed by the local school board.

(53G-7-308) Emergency Expenditures

In the case of emergencies that involve a loss of life or great loss of property, the discussed rules do not apply to appropriations.

(53G-7-309) Monthly Budget Reports

On a monthly basis, budget officer of each governing board shall furnish each board member a report detailing:

- The amounts of all budget appropriations
- The disbursements as of the date of the report
- The percentage of the disbursements as of the date of the report.

A copy of the report shall be made available for public review within 5 days.

Charter Schools

A budget shall be provided to the local charter school board before June 30 for adoption. The approved budget shall be submitted to the USOE on the approved AFR form by July 15 of each year. (See R 277484)

Charter Schools are exempt from the provisions of 53G-7-Section 3.

While many of the items listed above for school districts are not required for charter schools, many of the concepts may be of use in preparing, explaining and using a budget. For example, the monthly budget reports can be a valuable internal control mechanism for the charter school to make sure everything is running smoothly at the school.