

# Chapter 2

## Budgets



v1.01 : Revised 5/13/2022

### Changes

Chapter	Section	Change(s) Made	Revised
2 Budgeting	All Sections	Introduced v1.01	

### Overview

The budget is arguably the most important publication that a local education agency (LEA) presents to its local citizenry. The budget is an expression of an LEA's operating and financial intent for the upcoming fiscal year. The budget serves as a guide and control of educational operations while protecting local resources and promoting financial accountability and transparency.

Budgeting is the process of allocating finite resources to the prioritized needs of an organization. Adoption of a budget implies that a set of decisions has been made by the governing board and administrators that culminates in matching a LEA's resources with the needs and wants of the citizenry. The budget is a product of research and careful planning and outlines, in detail, estimated expenditures and how they will be financed by the LEA.

This guide is developed by the Financial Operations Department of The Utah State Board of Education and is intended to help Utah LEAs regarding budget development and budgetary compliance with selected statutes and administrative requirements. We are continually looking to improve this guide and will be adding material as it becomes available or deemed beneficial.

For questions or concerns with the contents of this guide, please let the USBE financial reporting and compliance team at [schoolfinance@schools.utah.gov](mailto:schoolfinance@schools.utah.gov).

# Table of Contents

- Changes.....1**
- Overview.....1**
- Table of Contents.....2**
- Definitions.....2**
- Budget Officer Requirements.....3**
  - Warrants Drawn by Budget Officer.....3
  - Monthly Budget Reports.....4
- LEA Governing Board Requirements.....4**
- Public Hearing Requirements.....4**
- Formulating a Budget.....5**
  - Undistributed Reserve.....5
  - Limits on Appropriations.....5
  - Interfund Transfers.....6
  - Debt Service.....6
- Amending a Budget.....6**
  - The Final Budget.....7
- Frequently Asked Questions (FAQs).....7**
- Appendices.....7**

# Definitions

As used in this Chapter:

- “Appropriation” means an authorization to make expenditures and to incur obligations for specific purposes.
- “Budget” means a plan for financial operations for a fiscal period, embodying estimates for proposed expenditures for given purposes and the means of financing expenditures.
- “Budget officer” means:
  - For a school district, the school district’s superintendent; or
  - For a charter school, an individual selected by the charter school governing board.
- “Expenditures” means decreases in net financial resources from other than interfund transfers, refundings of general long-term capital debt, and other items indicated by GASB.
- “Fund” means an independent fiscal and accounting entity with a self-balancing set of accounts, composed of financial resources and other assets, all related liabilities and residual equities or balances and changes in those resources, assets, liabilities, and equities that, when recorded, are segregated for the purpose of carrying on specific activities or attaining certain objectives, according to special regulations, restrictions, or limitations.
- “GASB” means the Governmental Accounting Standards Board that is responsible for accounting standards used by public entities.
- “LEA governing board” means:
  - For a school district, the local school board; or
  - For a charter school, the charter school governing board.
- “Public hearing” means a hearing at which members of the public are provided a reasonable opportunity to comment on the subject of the hearing.
- “UPEFS” means the Utah Public Education Financial System.

# Budget Officer Requirements

Before June 1 of each year, the budget officer shall prepare a tentative budget, with supporting documentation, to be submitted to the budget officer's LEA governing board ([U.C.A. § 53G-7-302\(2\)](#)).

The tentative budget and supporting documents shall include, at a minimum, the following items ([U.C.A. § 53G-7-302\(3\)](#)):

- A. The revenues and expenditures of the preceding fiscal year;
- B. The estimated revenues and expenditures of the current fiscal year;
- C. For a school district, an estimate of the revenues for the succeeding fiscal year based upon the lowest tax levy that will raise the required revenue, using the current year's taxable value as the basis for this calculation.
- D. A detailed estimate of the essential expenditure for all purposes for the next succeeding fiscal year; and
- E. The estimated financial condition of the school district or charter school by funds at the close of the current fiscal year.

The tentative budget shall be filed with the district business administrator or charter school executive director for public inspection at least 15 days before the date of the tentative budget's proposed adoption by the LEA governing board ([U.C.A. § 53G-7-302\(4\)](#)).

## Warrants Drawn by Budget Officer

The budget officer of an LEA governing board may not draw warrants on school district or charter school funds except in accordance with and within the limits of the budget passed by the LEA governing board<sup>1</sup>.

## Monthly Budget Reports

The business administrator or budget officer of an LEA governing board shall provide each governing board member with a report, on a monthly basis, that includes, at minimum, the following information:

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

Within five days of providing the monthly report to an LEA governing board, the business administrator or budget officer shall make a copy of the report available for public review<sup>2</sup>.

---

<sup>1</sup> [U.C.A. § 53G-7-307. Warrants drawn by budget officer](#)

<sup>2</sup> [U.C.A. § 53G-7-309\(3\). Monthly Budget Reports](#)

# LEA Governing Board Requirements

Before June 30 of each year, a LEA governing board shall adopt a budget and make appropriations for the next fiscal year ([U.C.A. § 53G-7-303\(2\)](#) and [U.C.A. § 53G-7-303\(4\)](#)).

Within 30 days of adopting a budget, an LEA governing board, or designee, shall file a copy of the adopted budget with the state auditor **and** the Utah State Board of Education. The copy filed with the State Board of Education shall be submitted through the UPEFS system utilizing GASB accounting and financial reporting standards.

## Public Hearing Requirements

Before the adoption or amendment of a budget, a local school board shall hold a public hearing, as defined in [U.C.A. § 10-9a-103](#), on the proposed budget or amendment ([U.C.A. § 53G-7-303\(3\)\(a\)](#)).

The public hearing shall comply with [Title 52, Chapter 4, Open and Public Meetings Act](#).

At least 10 days prior to the public hearing, a local school board shall (see [U.C.A. § 53G-7-303\(3\)\(b\)](#)):

- Publish a notice of the public hearing in a newspaper or combination of newspapers of general circulation in the school district;
- Publish a notice of the public hearing electronically in accordance with [U.C.A. § 45-1-101](#);
- File a copy of the proposed budget with the local school board's business administrator for public inspection; and
- Post the proposed budget on the school district's internet website.

A notice of public hearing on a school district's proposed budget shall include information on how the public may access the proposed budget.

## Formulating a Budget

### Undistributed Reserve

A local school board may adopt a budget with an undistributed reserve. The reserve may not exceed 5% of the maintenance and operation budget adopted by the local school board.

The local school board may appropriate all or part of the undistributed reserve made to any expenditure classification in the maintenance and operation budget by written resolution adopted by a majority vote of the local school board setting forth the reasons for the

appropriation. The local school board shall file a copy of the resolution with the state board and the state auditor.

The local school board may not use undistributed reserves in the negotiation or settlement of contract salaries for school district employees ([U.C.A. § 53G-7-304](#)).

## Limits on Appropriations

An LEA governing board may not make an appropriation in excess of its estimated expendable revenue, including undistributed reserves, for the following fiscal year.

For a school district, in determining the estimated expendable revenue, any existing deficits arising through excessive expenditures from former years are deducted from the estimated revenue for the ensuing year to the extent of at least 10% of the entire tax revenue of the district for the previous year ([U.C.A. § 53G-7-305\(4\)](#)).

For a school district, in the event of financial hardships, the local school board may deduct from the estimated expendable revenue for the ensuing year, by fund, at least 25% of the deficit amount.

For a school district, all estimated balances available for appropriations at the end of the fiscal year shall revert to the funds from which they were appropriated and shall be fund balances available for appropriation in the budget of the following year.

For a school district, an increase in an appropriation may not be made by the local school board unless the following steps are taken<sup>3</sup>:

- The local school board receives a written request from the district superintendent that sets forth the reasons for the proposed increase;
- Notice of the request is published:
  - in a newspaper of general circulation within the school district at least one week before the local school board meeting at which the request will be considered; and
  - in accordance with [U.C.A. § 45-1-101](#), at least one week before the local school board meeting at which the request will be considered; and
- The local school board holds a public hearing on the request before the local school board's acting on the request.

## Interfund Transfers

A school district shall spend revenues only within the fund for which they were originally authorized, levied, or appropriated.

---

<sup>3</sup> [U.C.A. § 53G-7-305\(7\). Limits on appropriations -- Estimated expendable revenue](#)

Except as otherwise provided, school district interfund transfers of residual equity are prohibited. A interfund transfer of residual equity may be granted by the State Board of Education when a district states its intent to create a new fund or expand, contract, or liquidate an existing fund. The State Board of Education may also authorize an interfund transfer of residual equity for financially distressed districts as defined in [U.C.A. § 53G-7-306\(4\)](#). A residual equity transfer is now sometimes referred to as an 'operating transfer'.

## Debt Service

For school districts, all debt service levies not subject to certified tax rate hearings shall be recorded and reported in the debt service fund. Amounts from these levies remaining in the debt service fund at the end of a fiscal year shall be used in subsequent years for general obligation debt retirement. Any amounts left in the debt service fund after all general obligation debt has been retired may be transferred to the capital projects fund upon completion of the budgetary process required under [U.C.A. § 53G-7-303](#)<sup>4</sup>.

## Amending a Budget

An LEA governing board may reduce a budget appropriation at the LEA governing board's regular meeting if notice of the proposed action is given to all LEA governing board members and to the district superintendent or charter school executive director, as applicable, at least one week before the meeting ([U.C.A. § 53G-7-305\(3\)](#)).

The original budget is the first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law.

## The Final Budget

The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, wherever signed into law or otherwise legally authorized.

---

<sup>4</sup> [U.C.A. § 53G-7-306. School district interfund transfers](#)

# Frequently Asked Questions (FAQs)

Coming Soon

# Appendices

Coming Soon