

Budget 101

How a School Budget is Put Together

A presentation by John Serapiglia
Business Administrator



What is a School Budget?

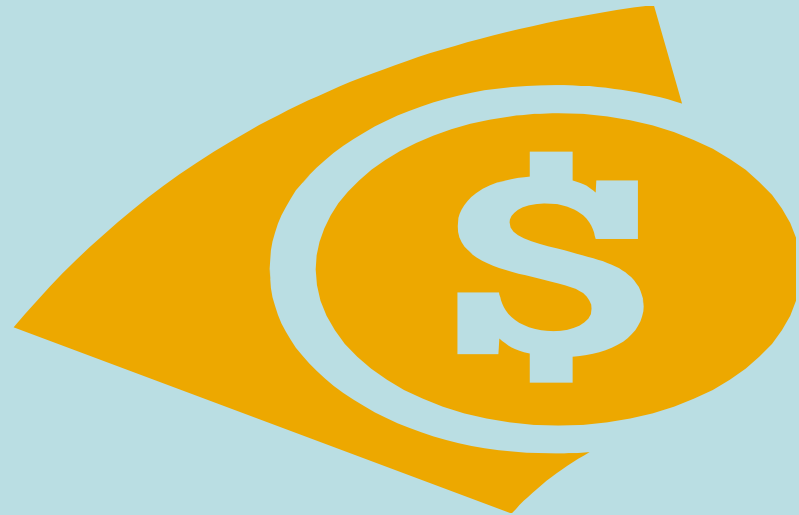
- A School Budget in theory **is about our priorities for our students.** We want it to be about our children and their goals for their future.
- **However, in reality it is very much about money. Decisions are made with finances in mind.**
- Schools operate on a fiscal calendar (July 1st through June 30th). Budgets are put together between December and February of that *preceding* year.
- Whatever is done, Board must follow these **two simple rules:**

Tax revenue must be within cap or with cap plus
waivers

Revenues must equal expenses

Where does the money come from?

- Budgets are funded through various revenues. The main sources of revenue are:
 - Local Taxes
 - State Aid
 - Federal Aid
 - Grants
 - Interest
 - Tuition
 - Budgeted Surplus / Reserve Withdrawals



Important points on revenue:



- While expenses can and do change during a year, the main revenues for schools (taxes and aid) DO NOT



- We cannot ask for more money if expenses begin to rise during the year – instead we must spend less in other areas (cut staff, programs, supplies, repairs, professional development, etc.)

Where does the revenue go?

- Salaries & Benefits
- Out of district Tuition costs
- Utility costs
- Repairs / Maintenance
- Professional Services
- Technology and Transportation costs
- Supplies, Textbooks and Materials
- Support Services



Budgetary Restrictions



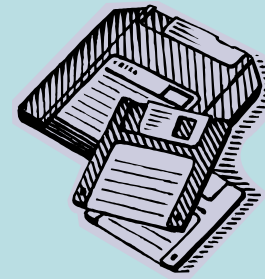
- There is a Budget Cap: Law states that we can only raise local taxes 2% from year to year
- We ARE eligible to ask for more of an increase for certain costs that increase more than 2% (waivers and banked cap)

How does the Board decide what goes into the Budget?

- BA looks at trend analysis / estimates / proposals and estimates the upcoming year's costs.
- Superintendent works with Administration to: project numbers of students, look at special education numbers, analyze current staffing to meet these needs.
- Principals and Administrators make recommendations regarding building needs and instruction and program.
- Review mandated costs:
 - Salary and Benefits (somewhat flexible depending on class sizes District wants)
 - Tuition (based on current enrollments, IEPs, trend analysis)
 - Audit / Insurance / Attorney
 - Testing Services
 - Contracts
 - Energy and Transportation

What is left to consider?

- Prior costs represent “fixed” costs of budget
- What is left are the “soft” costs, which include:
 - School supplies
 - Textbooks
 - Professional Development (actually becoming a mandated cost)
 - Maintenance
 - Supplies for Departments



What does the BA do next?

- Business Administrator compiles Expense side of budget – Next works on Revenue side:
 - State aid is a figure given to us by Department of Education in Feb.
 - Federal aid calculated on trend analysis and projections
 - Interest calculated by trend analysis and projection
 - Tuition based on current / expected contracts and trend analysis
- Comes up with estimated revenues (Exclusive of taxes)



The Tax Number is calculated

- Basically simple subtraction



Preliminary expenses - state and federal aid - interest and tuition and other revenue = local taxes needed to support budget

What happens if the final number is over the cap?

- Look to cut expenses – sharpen the pencil
 - Shared services
 - Increase efficiencies
- Tap into surplus / Reserves
- Look at waivers / banked cap (for expenses that have more than a 2% increase).
 - Waivers are regulated by State
 - Must receive approval for them
 - Try to avoid
 - Available in certain areas for certain expenses



If expenses need to be cut....

Cuts are considered and done in consultation with Administrative Staff, the Finance Committee and Board of Education, the Superintendent's Office and the Business Office



How a Budget is approved...

- When revenues equal expenses within cap constraints, the Board has a preliminary budget
- This budget is presented to the Board and taxpayer (usually in March)
- The Board then votes to approve this budget



How a Budget is approved..cont'd

- After Board approval, the preliminary budget is sent to the State of NJ's county office for approval
- When the county approves, the preliminary budget becomes the district's Final Budget
- The Final Budget is again presented to the public and voted on by the Board
- *Changes can still occur at this point*
- When Board approves Final Budget, it becomes approved budget for the next school year

Didn't we use to get to vote on budget?

- Short answer...yes.
- Change in law allowed school boards to move elections to November and for Final Budget to forgo voter approval as long as they fell within constraints (2% tax cap or using waivers / banked cap)
- For Boards that moved to November, what can be voted on is Second Questions

Second Questions

- Second questions are additional spending proposals
- Voted on separately from budget (voted on in November for additional spending in current year)
- Cannot contain programs needed to run the school (to give students Thorough and Efficient Education)
- If voted down items in second question cannot become part of regular budget for rest of year

Questions?

- Any questions can be asked now or can be asked of Business Administrator via:
 - Phone: 973-389-2842
 - Email: jserapiglia@mrhs.net
- Budget Schedule to posted online Thank you