

BUDGET GLOSSARY

Administrative Budget Component:

One of three general fund budget categories that must be reported by school districts. This category includes expenditures in such areas as: curriculum development; property and casualty insurance; costs associated with the Board of Education, District meetings, and the offices of the Superintendent, business, and assistants for instruction and personnel, including all salaries and benefits for certified school administrators who spend 50 percent or more of their time performing supervisory duties, e.g. building principals and assistant principals; office supplies; data processing; and legal fees other than those relating to student matters.

Appropriated Fund Balance:

The portion of a district's total fund balance from the previous fiscal year that is applied as revenue to the following year's general fund budget. This reduces the amount of money that must be generated by taxes.

Assessed Value:

The value of your property as determined by your local property assessor. This value can change based on your municipality's equalization rate, the market, or in the event your municipality undergoes a reassessment. It is used to determine the amount of taxes you pay and the amount of STAR exemption you receive.

Assessment Roll:

A list of properties and their assessed value in your municipality. This is a public document and can be accessed at your local assessor's office.

Bond:

Money borrowed to pay for 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 single 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 specified rate.

Budget:

A financial plan for the operation of a school district, outlining the estimates of proposed expenditures for a fiscal year in order to meet the goals of the district; and the proposed means of financing those expenditures.

Budget Timeline:

The schedule of key dates that the school district, Board of Education, and administrators follow in preparation, adoption, and administration of the district's budget.

Capital Budget Component:

One of three categories that school districts must show in their proposed general fund budgets, which include the following categories: debt service and lease expenditures; any bus purchases; legal judgments and settled claims; custodial, maintenance, security, and grounds salaries and benefits, and all facility related costs, including service contracts, supplies, utilities, maintenance, repairs, minor construction or renovations; and any transfers to the Capital Fund for major construction projects.

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Capital Reserve:

A reserve account a district may establish and use to pay expenses associated with bonds, transportation and facility projects. Any use of funds from the capital reserve requires voter authorization (district residents typically see this in the form of BKW's annual bus proposition on budget vote day).

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. 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 contributions to the State's employee retirement systems.

Contingency Budget:

Under state law, school boards can submit a budget to voters a maximum of two times in one year. If the initial proposed budget is defeated, the board may choose to submit the same budget to the voters again; submit a revised budget to the voters, or go directly to a contingency budget immediately after the first budget defeat. Under a contingency budget the Board may not increase the tax levy above the amount previously authorized by the voters in the prior year. There are no exemptions, exclusions, or growth factor options permitted within this budget. Under a contingency 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 less. Once a contingency budget is established, community residents are no longer allowed to petition boards of education to put additional items up for a separate vote. Further, any costs associated with the community's use of a district's facilities must be paid for by the community organization or member who is granted such use; and no new equipment may be purchased or new capital construction permitted.

Employee Benefits:

Amounts paid by the district on behalf of employees. These amounts are not included in employees' 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, State retirement contributions, social security and tuition reimbursement.

Employee Benefit Accrued Liability Reserve (EBALR):

This reserves accounts for the value of accrued benefits due to employees upon termination of service for vacation, sick leave, personal leave, etc.

Encumbrance Reserve:

This reserve account allows the district to pay for budget items that carry from one fiscal year into the next. For example, if the district orders new technology equipment in June of 2010, but the purchased items do not arrive until July (when the new fiscal year begins); the purchase order can then be paid from the reserved funds without affecting the new year's school budget.

Equalization Rate:

Represents the state's judgment of how closely assessed values in your town match the "true market value" of the properties. It is a ratio of a municipality's total assessed value to its total market value. In the case of school taxes, the equalization rate helps determine how the school tax levy is shared among a district's municipalities. A municipality that has an equalization rate of 100 percent means that municipality is assessing property at full market value. Thus, property

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owners are paying the most accurate share of that municipality's tax burden, including school taxes.

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 New York 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 under spending the budget and/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 needs (as determined by the Board of Education) and, if not used, becomes a part of the following year's fund balance as well.

General Fund Budget:

The budget placed before the voters of a school district for their consideration and approval, including the revenues to support the budget. Most all districts also develop and operate budgets for the school lunch/breakfast program, the capital fund, and the special aid fund (related to programs for students with special needs).

Insurance Reserve:

This reserve is used to pay liability, casualty and other types of losses, except those incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee.

Program Budget Component:

One of the three categories that must be presented in the district's proposed budget. This budget component 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 all transportation operating costs, excluding bus purchases.

Proposed Budget:

Also called the Administrative Budget Proposal; the 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.

Revenue:

Sources of income financing the operation of the school district.

Retirement Contribution Reserve Fund:

This reserve is for use in funding employer retirement contributions. i.e. any portion of the amount(s) payable by an eligible school district to the New York State and Local Employees' Retirement System. This reserve fund may not be used in relation to the New York State Teachers' Retirement System; nor may a reserve fund be set up for such purpose.

Salaries:

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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 a specific dollar exemption for school taxes for all owner-occupied, primary residents, regardless of income. Basic STAR is available to all homeowners regardless of age or income, while Enhanced STAR is available to seniors ages 65 and older who meet a certain income requirement.

STAR Exemption Floor:

The minimum percentage a STAR exemption must represent from the previous year's exemption. Up until 2007, individual STAR exemptions had to be set at least 95 percent of what they were the previous year (meaning they couldn't decrease by more than 5 percent). In 2008, the floor was changed to 90 percent, so STAR exemption amounts could not decrease by more than 10 percent. Currently, the floor is 89 percent (or no more than an 11 percent reduction). These changes are attributed to the declining housing market. It is important to note this is a minimum percentage and not all STAR exemptions would change by that percentage; STAR exemptions could end up going down by less than 11 percent, not changing at all, or even increasing. These outcomes depend on the municipality.

STAR payment:

Money the state pays school districts to reimburse them for the revenue lost through the STAR exemptions.

State Aid:

State Aid is the money that the state provides to districts through the application of numerous formulas to be used in different areas, such as lowering the tax levy, purchasing textbooks and certain instructional technology, 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 must estimate its state aid revenues.

State Department of Education:

The New York State department that oversees public elementary and secondary education.

Supplies:

Consumable materials used in the operation of the school district including paper, pencils, office supplies, custodial supplies, material used in maintenance activities, printer ink cartridges, food items for classroom use, etc. These differ from contractual expenses which relate to services provided or work performed by outside vendors.

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; transportation; administration; buildings and ground operations; and security.

Tax Base:

Assessed value of local real estate that a school district may tax for the funding of yearly operations.

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Tax Certiorari:

The legal process by which a property owner can challenge the real estate assessment on a given property in attempt to reduce the property's assessment and, as a result, the real estate taxes to be paid on that property.

Tax Levy:

Total sum to be raised by the school district after subtracting out all other revenues, including state aid and appropriated fund balance and/or the use of reserve funds. The tax levy is used to determine the tax rate for property owners in the district.

Tax Rate:

The amount of tax paid for each \$ unit 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 which 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 by applying equalization rates which take into account the different assessment practices in each municipality.

Unappropriated Fund Balance:

A school district is permitted to keep a portion of its total fund balance, equal to an amount of up to 4 percent of the following year's budget total. These monies are kept in a separate fund which may be used to pay for emergency repairs and other unforeseen occurrences, as determined by the Board of Education. Unused monies within this fund become part of the following year's total fund balance.

Unemployment reserve:

The district's financial reserve account used to pay unemployment insurance benefits as determined by the State and Federal government.

Workers Compensation Reserve Fund:

This reserve is used to fund Workers Compensation expenses, related to medical and legal expenses and self-insurance administrative costs.