

Budget Glossary

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.

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 a 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 plan of financial operation outlining the estimates of proposed expenditures for a fiscal year and the proposed means of financing them.

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

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 Reserve: A reserve account the district uses to pay expenses associated with bonds, transportation and facilities. 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 retirement contributions.

Contingency Budget: 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 contingency budget. The board also has the option of going directly to a contingency budget immediately after the first budget defeat. Under a contingency budget, the district may not increase spending by more than 120 percent of the Consumer Price Index or 4 percent, whichever is lower. The items exempt from this cap are tax certiorari and other legal settlements, debt service (mortgage payments), and costs associated with enrollment growth. 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 lower. 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.

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.

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 purchase order does not arrive until July (when the new fiscal year begins), the purchase order can be paid without affecting the school budget thanks to the encumbrances reserve.

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 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 owners are paying the most accurate share of that municipality's tax burden, including school taxes. Equalization rates for the district's seven towns are sent to the school district by late August.

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.

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.

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, 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 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 must estimate its state aid revenues.

State Department of Education: 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 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 4 percent of its fund balance in an unappropriated fund. This money may be used to pay for emergency repairs and other unforeseen occurrences.

Unemployment reserve: The district's financial reserve account used to pay unemployment benefits.