

**Missouri Department of Elementary and Secondary Education
School Finance**

The School Budget

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Each political subdivision of this state must prepare an annual budget, and the governing body of each subdivision must appoint a budget officer. These requirements are established by Sections 67.010 and 67.020, RSMo, respectively.

A school budget is an instrument that provides a definite financial policy for direction of the business operations of a school district. It provides a detailed outline of the probable expenditures and the anticipated revenues during a specified period of time.

The budget is one of the most important legal documents of a school district. It is not a static document but rather a working document that changes throughout the year, through board approved budget amendments, as actual financial data change.

The budget must be prepared carefully and thoroughly to encompass the broad spectrum of events and activities which occur during a fiscal year. The budget should be prepared on the same basis of accounting as the accounting records are maintained (cash or accrual).

The district auditor AND the Missouri School Improvement Program Review Team will review the district's budget to ensure it is presented in a format that meets the requirements described below.

Section 67.010, RSMo, requires that the annual budget present a complete financial plan for the ensuing budget year, and include the five specific pieces of information described in the following paragraphs:

A budget message describing the important features of the budget and major changes from the preceding year. This is a very general portion of the budget and should explain how the budget was developed, who was involved in its development, and why the proposed solutions to acknowledged needs were selected. The goals and objectives of the school district should be stated and related to the budget design. There should be a detailed explanation of what the activities proposed in the budget are designed to do in regard to the achievement of stated goals and objectives.

Estimated revenues to be received from all sources for the budget year, with a comparative statement of actual or estimated revenues for the prior two years, itemized by year, fund, and source.

Proposed expenditures for each department, office, commission, and other classification for the budget year, together with a comparative statement of actual or estimated expenditures for the prior two years, itemized by year, fund, function, and object. When program budgeting is used, estimated expenditures should also include location and program.

A schedule detailing the amount required for the payment of interest, amortization, and redemption charges on the debt of the political subdivision.

A general budget summary that includes the “general budget summary” and “budget transfer summary detail” that will together summarize the budgetary requirements of the district, thus allowing the district to meet the full statutory requirement of the budget detail. The “general budget summary” includes information concerning:

- assessed valuation
- unadjusted and adjusted tax levies by fund
- estimated beginning balances by fund
- estimated revenues by fund
- estimated expenditures by fund
- estimated transfers from and to each fund

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- estimated ending fund balances by fund
- estimated restricted fund balances by fund

The “budget transfer summary detail” includes individually identified interfund transfers specified by statute or administrative rule. The total of these individual “transfers to” must equal the total estimated “transfers from”.

Section 67.010, RSMo, states **“In no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year....”** This statutory provision prohibits a district from budgeting for a negative fund balance in any fund.

Budget Preparation

Budget Responsibilities

It has been the general practice among local boards of education to assign the tasks of the budget officer to the superintendent of schools. There is a trend, particularly among larger districts, to appoint someone other than the superintendent to supervise the preparation and operation of the budget. School board policies should define the administrative chain of command for the budget officer giving due consideration to the superintendent as the chief executive officer.

The importance of a budget was taken into consideration by members of the General Assembly when Section 67.020, RSMo, was adopted because this statute directs that: “All officers and employees shall cooperate with and provide to the budget officer such information and such records as he/she shall require in developing the budget.”

Cooperation and involvement of all personnel within the framework of established policies is very important to the efficient preparation, adoption, and operation of a school district’s budget. The budget process must involve a number of people who have knowledge of the educational needs of the community and can provide accurate data in regard to the financial potential of the district. Members of the board of education, citizens, students, teachers, and members of the administrative staff should be involved in the planning process that culminates in the preparation of the budget document. For example, it is important that all necessary purchases be made to support the instructional programs of the district. Therefore, the classroom teacher must be involved if the desired materials, etc., are to be obtained in proper quantities. It is also important to involve the persons responsible for building maintenance, pupil transportation, food services, and all other activities or services for which the school district accepts full or partial responsibility.

Many people must be involved in gathering data but the budget officer must determine those requests that merit priority attention when the budget document is finally prepared for presentation to the board of education.

The members of the board of education are responsible for knowing how priorities were determined and how each fits into the pattern to achieve the goals and objectives of the district. This body must assume the legal obligation of budget adoption.

When officially adopted by the board of education, the budget becomes one of the most important documents in a school district. Again, many people must be involved to place into operation plans that are contingent on the budget approval. The budget officer must check and approve requisitions, issue purchase orders, check incoming shipments, apportion materials and supplies, and maintain accurate control of the business affairs of the district. At regular intervals, the budget officer should report, through the superintendent, to the board of education and all participating district personnel concerning the state of the budget.

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The budgeting cycle (preparation, adoption, implementation, operation, control, and evaluation) is a continuous process. Preparation for the next fiscal year must be carried on while implementation, operation, control, and evaluation of the budget for the current year are proceeding to completion.

An approved budget becomes a public document and must be made readily available to the public. The budget officer should provide for reasonable access to the budget by interested citizens of the school district.

Information Needed for Budget Preparation

Educational Program

An educational program should have a clear statement of educational philosophy as developed cooperatively by all parties concerned. It should include the rules and regulations of the board of education that provide the written policies of the district including information concerning the following:

- attainable goals and objectives for the improvement of school programs and pupil achievement
- length of school term
- organizational plan
- salary schedule
- pupil data (enrollment, membership, average daily attendance, pupil transportation, pupil progress charts, follow-up studies of graduates, etc.)
- teaching personnel data (qualifications, experience, and special abilities of each teacher)
- curricular offerings (required courses, elective courses, and cocurricular programs in the areas of music, athletics, speech and dramatics, publications, student council, etc.)
- facility data (available classroom space, adaptability of available classrooms for changes in curriculum, available space for outdoor activities, and available space for special services)
- textbook, equipment, and supply data in regard to present inventory and the amount of these items needed to support the educational programs
- special services in support of educational programs (pupil transportation, health services, food services, etc.)

Cost Estimates

When estimating costs, one needs to consider policy changes by the board of education that may influence educational costs. Contracted obligations, such as for certificated personnel, non-certificated personnel, transportation services, school food services, architectural services, building construction, debt service, and payments to other districts must be considered. Furthermore, amounts required to meet departmental budgets, desired additional services, normal increases in costs of established programs, equipment, supplies, and operation and maintenance of the school plant must be considered when estimating costs.

Available Revenue

Estimates of available revenue should be based upon past experiences of the district. The sources of revenue should be carefully evaluated and consideration given to the balances carried forward from the previous year. The district should evaluate program and funding changes at the state and federal level, as well as local changes (e.g., changes in local property taxes due to growth within the district, business closures and tax levy elections).

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While the following listing represents the majority of funds available to school districts, for most districts, the major budget (revenue) focus will revolve around three revenues. These three revenues are current property taxes, Basic Formula, and Proposition C. All attempts should be made to accurately calculate these revenues and compare them to historical trends and official estimates from the Department of Elementary and Secondary Education. A school district budget that does not accurately project these three revenues will almost certainly have to be amended at some point in the year.

Local Sources:

- Current Taxes
- Delinquent Taxes
- School District Trust Fund (Proposition C)
- Intangible Taxes (Financial Institution Taxes)
- M & M Surtax
- In Lieu of Tax
- All other sources of local revenue

County Sources:

- Fines, Overplus, Escheats, etc.
- County Stock Insurance Fund
- Penalties Paid by Concentrated Animal Feeding Operations
- State Assessed Railroad and Utility Taxes
- Federal Properties (Forest, Mineral Lease, Flood Control)
- All other sources of county revenue

State Sources:

- Foundation Program including the Basic Formula – State Monies, Basic Formula – Classroom Trust Fund, Small Schools Grant, Transportation Aid, Early Childhood Special Education, Educational Screening Program Entitlements/PAT, Vocational/At-Risk (per Section 167.332, RSMo), and Career Ladder
- Career Education, State (per Sections 178.480 - 178.530, RSMo)
- Food Service
- All other sources of state revenue (Adult Education & Literacy (AEL), and various grants)

Federal Sources:

- Career Education Aid
- Title I-ESEA - Improving the Academic Achievement of the Disadvantaged, Title V-ESEA - Innovative Education Program, Title II, Part A, ESEA - Teacher and Principal Quality and Professional Development, and Title III, Systemic Improvement Grant
- Individuals with Disabilities Act (IDEA)
- Impact Aid
- School Food Services
- Workforce Investment Act (WIA)
- Adult Education & Literacy (AEL)
- All other sources of federal revenue

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Non-Current Sources:

- Receipts from Sale of Bonds
- Receipts from Refunding Bonds
- Net Insurance Recovery
- Sale of School Buses
- Sale of Other Properties

Sources of Information

Within the School System:

- certificated personnel of the district
- non-certificated personnel of the district
- pupils of the district
- pupil accounting records of the school
- financial accounting records of the school
- members of the board of education

Outside the School System:

- county officials-assessor, collector, treasurer, and clerk
- patrons of the district
- current literature
- information from other school districts of similar size
- district's independent auditor
- the Department of Elementary and Secondary Education

Classification and Use of Information

As information is assembled, it should be arranged in a logical order which will clearly present the educational needs of the students of the district, the educational objectives to be attained through the budget period, the estimated costs of attaining the stated objectives, and the methods by which the needed money will be obtained.

A great deal of time should be spent in determining the long-term educational goals of the district. These goals should reflect the thinking of a wide segment of the community and be adopted by the board of education. From the adopted goals, the educational objectives for the budget period should be determined. These objectives should be determined by the most pressing educational needs of the students involved in the educational process and should be both realistic and attainable.

Goals and objectives should be developed and adopted in order that budget preparation may proceed along a time schedule. A possible schedule may be similar to the following:

February - Preliminary budget estimates of revenues and expenditures should be prepared and distributed to members of the board of education.

March - Preliminary budget hearing should be held by the board. Revisions to the preliminary budget, based upon recommendations of the board of education, should be made following the February meeting.

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April - Revisions to the preliminary budget should be approved by the board of education. The tentative tax levy for the next school year should be determined. (The board of education should cautiously and carefully approach staff salary and personnel increases at this time of the year. Significant changes through May of any legislative session may alter funding available to school districts. The board of education would not want to extend itself beyond what it is capable of funding from local and state sources.)

June - Final balances should be determined and the budget adjusted accordingly. The tentative budget should be formally adopted by the board of education.

Finalizing the Budget

Presentation

The preliminary draft of the budget presented to the board should contain justification for items presented.

This justification should be thoroughly discussed and understood by board members. Each plan (educational, spending, and financing) should be discussed by the board and each should have a consensus of opinion in favor of acceptance or suggested changes.

All changes agreed to by the board should be incorporated into the final budget. The final budget document should be in the hands of the board members well in advance of the June meeting, thus enabling the members to evaluate the changes and become familiar with the document prior to adoption.

Adoption of the Budget

All documents, resolutions, special motions, etc., required of the board of education in the approval process should be presented in draft form. These documents should include resolutions of approval for the tax levy and the budget, motions concerning the levy, and other data pertinent to the needs of each particular school district.

The adoption of the budget should be done, if possible, at the last meeting of the board of education prior to the beginning of a fiscal year. *Expenditures of a school district are governed by the budget approved by the board of education, and, until a new budget is approved, the budget approved for the preceding fiscal year will regulate the district's business activities.* When all members of the board of education have had an opportunity to examine the proposed final budget and have had their questions satisfactorily answered, a formal motion should be made, recorded in the minutes of the meeting, and voted upon. A majority of the board voting to adopt the budget indicates a formal approval and acceptance of the budget. After acceptance by the board of education, provisions of the new budget will be a controlling factor in the business operations of the school district.

Budget Amendments

It is the responsibility of the budget officer to monitor the business affairs of the district and, when necessary, recommend budgetary changes through the administrative chain of command to the board for action. Adoption of a budget change should proceed through the board meeting in a manner similar to that for the budget adoption. All motions for change and the vote upon the motions must be recorded in the official minutes of the meeting. When changes are officially adopted by the board of education, they become effective immediately and must be adhered to in the business operations of the school district.

Chapter 67, RSMo, requires that a budget amendment shall be made (stating reasons in the board minutes) prior to actual expenditures for a given fund(s) exceeding the officially approved budget for that fund(s).

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Individual expenditure categories may be in excess of budgeted amounts, but the total expenditures by fund are not to exceed the budgeted amount.

The Department recommends that budget amendments be made if it becomes apparent that second level (2nd digit) expenditure functions or third level (3rd digit) revenue objects will be exceeded. Local boards of education may, at their discretion, develop policies concerning formal action on budget amendments at the third or fourth level or by campus.

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