

# Budget Development

GOV 122



## Introductions

### Introductions

- Dale Keagy – Southern York County SD (Retired)



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## Learning Objectives

At the conclusion of this section, you will be able to:

- Compare and contrast the two major budgeting philosophies
- Compare and contrast the three major budget preparation methodologies
- Identify the philosophy and methodology used by your school district
- Explain the concept of a “budget mandate” and provide examples

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## Budget Development

Major concepts for this unit:

- Board roles and responsibilities
- Philosophy and methodology
- Matching methodology with philosophy
- Unfunded mandates

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## Board Responsibility

- Provide education to all school age individuals in the district
- Provide facilities for instruction
- Operate within legal limits
- Balance educational needs and available resources



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## Opposing Philosophies

### Expenditure (Program) Driven



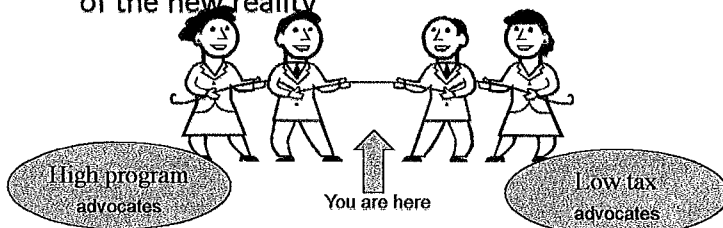
### Revenue (Resource) Driven



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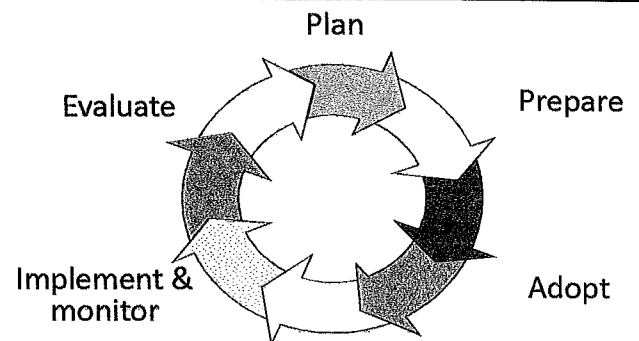
## The Balance

- “Program driven” is the classic theoretical model for municipal budgeting
- “Resource driven” is the practical application of the new reality



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## The Budget Process



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## Budget Development and Monitoring A Continuous Process

Estimating for  
Year 3  
(Next year)

Preliminary budgets must be completed in January with constant review thereafter

Accounting for  
and projecting  
Year 2  
(Current Year)

LEA fiscal years operate from July to June

Close out  
activities for Year  
1  
(Prior Year)

Audit reports must be completed by December 31

July Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun

## Board Role

- Board role in process should be established and understood as the first step
- Centralized process: Tends toward extensive board involvement in details
- De-centralized process: Tends toward reliance on strategic planning goals and broad guidelines – reacts to administrative proposals

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## Open Discussion Questions



1. What are some example budget assumptions for the administration? No new taxes? No program cuts? No new programs?
2. Should a school board be involved in developing and reviewing budget detail? To what extent?
3. What is the proper role of the strategic plan in budget development?

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### Concept

Zero Based

Level of Service

Allocation (Site) Based

### Characteristic

Departments justify existence in each cycle; each component starts at "zero"

Assumes current level of service plus cost adjustment; starting assumption is that last year's program is, at least, duplicated; add from there

Board determined blocks of funding given to departments and buildings; managers develop budget plans within a given allocation and submit

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## Zero-Based

- Advantages:
  - Forces creative and critical thought
  - Has broad public appeal
- Disadvantages
  - Time consuming
  - Sets stage for factional in-fighting

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## Level of Service

- Advantages
  - Ease of preparation
  - Easily understood
  - Focuses energy on improvements
- Disadvantages
  - Guarantees additive nature of expenditure stream
  - Programs continue regardless of value

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## Allocation (Site) Based

- Advantages
  - Encourages departmental accountability and creativity
  - Places analytical work where it is best understood
  - Empowers staff
- Disadvantage: Requires board (and superintendent) to delegate authority

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## Practical Exercise

1. Based on your understanding of your school district's culture, which budget method would work most effectively?
2. Based on your goals as a board member and personal budget philosophy, which method/style do you favor?



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## The Concept of Mandate

- Common usage definition not same as applied in public school finance
- A common term in policy debate
- In school budgeting: *A revenue constraint or spending requirement imposed by law that makes your job more difficult*
- The “unfunded mandate”

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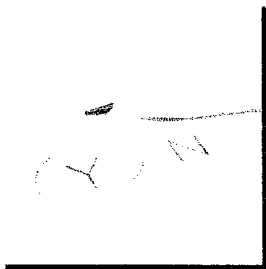
## Budget Mandate Examples

- Index limits tax rate increase
- Tax increase limits fund balance
- Special education service requirements
- IU/CTC payments
- Charter/Cyber payments
- Debt payments
- Prevailing wage law

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## Let's Review with a Quiz



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## Quiz – Question 1

TRUE or FALSE: “Program driven” budgeting emphasizes the expenditures budget and program delivery.

This is a classic governmental budgeting concept; the needs are defined and accepted and revenue is created to pay for them.

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## Quiz – Question 2

TRUE or FALSE: “Resource driven” budgeting is not a common, contemporary approach in Pennsylvania school districts.

FALSE: Because of shrinking local revenue and limitations on a board’s ability to impose taxes, an increasing number of school boards are being forced to allow resources to define program and not the converse.



## Quiz – Question 3

TRUE or FALSE: The site-based approach to budgeting implies a de-centralized budgeting methodology.

This methodology allows buildings and departments to develop detailed budgets within the broader, lump sum allotments; detailed budgets are not developed at the board level.



## Quiz – Question 4

TRUE or FALSE: “Level-of-service” budgeting implies an exhaustive analysis and redetermination of program needs each year.

FALSE: This is a more apt description of “Zero-based” budgeting, a very time-consuming process; level of service budgeting tends to assume a repeat of all programs with a “cost-of-living” increase.



## Quiz – Question 5

TRUE or FALSE: An unfunded mandate is a state-required expenditure without an adequate state-provided revenue stream.

A commonly cited example of an unfunded mandate is school-district required payments to cyber-charter schools. Another is required transportation for non-public students. There are many more examples.



This learning event connects with the following PSBA  
*Standards for Effective School Governance*

- II. Models responsible governance and leadership
- III. Governs through policy
- IV. Ensures that effective planning occurs
- V. Monitors results

