

GLOSSARY OF SCHOOL BUDGET TERMS

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.

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.

BOCES: Board of Cooperative Educational Services

Budget: A plan of financial operation expressing the estimates of proposed expenditures for a fiscal year and the proposed means of financing them.

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

Budget Cap: In the event of a school budget defeat and the adoption of a contingent budget, school districts must cap their tax levy at the same level as the current year, which is an effective 0 percent cap on this source of revenue. This cap on the tax levy is an element of the property tax levy cap the state implemented in 2011. Previously, contingent budgets placed a cap on expenditures. For more on this, see the definition of a contingent 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 Outlay: An expenditure that is generally more than \$20,000 and results in the ownership, control or possession of assets intended for continued use over long periods of time. These can include new buildings or building renovations and additions; new school buses; as well as new equipment (i.e. desks, computers, etc) and library books purchased for a new or expanded school building.

Combined Wealth Ratio: Referred to as the CWR, this is a key number used in calculating state aid allocations to schools. This number is a decimal fraction which represents the composite of a district's income wealth and property wealth. A CWR of 1.0 is considered "average wealth".

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. However, 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.

Contingent 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 contingent budget immediately after the first budget defeat. In the event of a school budget defeat and the adoption of a contingent budget, school districts must cap their tax levy at the same level as the current year, which is an effective 0 percent cap on this source of revenue. There are no exemptions from this cap. This cap on the tax levy is an element of the property tax levy cap the state implemented in 2011. Previously, contingent budgets placed a cap on expenditures. A contingent budget also caps on 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 contingent 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, is part of the cost of operating the school district. Employee benefits include the district cost for health insurance premiums, dental insurance, life and disability insurance, Medicare, retirement, social security and tuition reimbursement.

Equalization Rate: In simple terms, an equalization rate represents the average level of assessment in each community. For example, an equalization rate of 80 means that, on average, the property in a community is being assessed at 80 percent of its market value. The words "on average" are stressed to emphasize that an equalization rate of 80 does not mean that each and every property is assessed at 80 percent of full value. Some may be assessed at lower than 80 percent, while others may be assessed at higher than 80 percent.

Equalization rates are established by the New York State Board of Equalization and Assessment. School districts that comprise more than one city, town or village must use the equalization rate to determine the tax rates for each municipality. The purpose is to bring some semblance of equity to how the taxes are distributed in any one school district, so that ideally a home with a full market value of \$100,000 in one community will pay the same taxes as a home with a market value of \$100,000 in the next community, regardless of how those two homes are assessed.

ERS: Employees' Retirement System

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 through 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 a July 1 through June 30 fiscal year.

Fund Balance - Reserved/Unreserved: 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.

Reserved fund balance is the portion of fund balance set aside for specific purposes such as the Reserve for Encumbrances, Reserve for Repairs, or Tax Certiorari Reserve, etc. Each reserve fund has certain establishment and use requirements.

Unreserved fund balance is the residual amount of fund balance after all reserves have been taken into account. Unreserved fund balance consists of appropriated (designated) fund balance and unappropriated (undesignated) fund balance.

- **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.
- **Unappropriated Fund Balance** - A school district is permitted by the state 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.

Gap Elimination Adjustment: The GEA is a formula-based portion of state education aid which is withheld from a district's annual allocation of state aid in order for New York State to balance its budget.

PILOT (Payment in Lieu of Taxes): Payment in lieu of taxes (often abbreviated as PILOT) is an agreement in which a municipality receives a payment in place of property tax revenue from a property owner. It is intended to compensate the municipality for the loss of property tax revenue.

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.

Reassessment: A reassessment is a systematic analysis of all locally assessed properties (both commercial and residential) to achieve a stated uniform percentage of value. The goal of a reassessment is to assure that each assessment reflects current market prices and that each property owner pays only their fair share of the tax burden. With a reassessment comes a shift in the tax burden to those whose property values have risen faster than average. This process does not result in a windfall of new revenue for the town, county, or school district nor does the reassessment change the total amount of taxes that the school district must collect; it merely redistributes who pays them. In theory, rising assessments will result in a decrease in the tax rate (everything else being equal), as there is now a larger tax base from which the school may generate the same amount of tax dollars. If a property owner's assessment

doubles, their tax bill will not double - in fact, it may remain about the same, increase slightly, or even decrease depending on the final tax rate.

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.

Simple Majority: Over 50 percent voter approval.

State Aid: The operational aid received from New York State used toward providing education to a school district's students. Until New York State passes its budget, the district does not know exactly how much to expect in state aid, but a school district is required to present its budget to voters on the third Tuesday in May. To meet that mandate, the district usually must estimate its state aid revenues.

Super Majority: Over 60 percent voter approval.

State Department of Education: The New York administration department that oversees public elementary and secondary education.

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 Base Growth Factor: The year-to-year increase in the full value of taxable real property in a school district due to physical or quantity change (e.g., new construction, additions and improvements). Value changes due to market fluctuations are not included. This figure is part of the eight-step "tax levy limit" calculation, and will be provided to each district by the state's Department of Taxation and Finance.

- **Allowable Levy Growth Factor:** One factor in the eight-step tax levy limit calculation, this figure accounts for inflationary change. It is limited to the lesser of 2 percent or the change in the consumer price index

Tax Levy: The total amount of property taxes a school district must collect to balance its budget, after accounting for all other revenue sources including state aid. The tax levy is the basis for determining the tax rate for each of the cities, towns or villages that make up a school district. On the day of the school budget vote, residents will vote on the adoption of a budget with an estimated tax levy.

- **Allowable Tax Levy Limit:** Or "**Maximum Allowable Levy Limit.**" This number is arrived at by using an eight-step formula prescribed by New York State. The levy limit dictates the maximum percentage by which a district may propose to increase the tax levy year-to-year for which a 51-percent or greater margin of voter approval is required. (See "**simple majority**" definition, above.) If a school district proposes to exceed their allowable tax levy limit, they must secure a 60-percent or greater margin of voter approval or a "**super majority.**"

Despite its name, it does not set a limit on the tax levy that a school district can propose; just a threshold for what level of voter support is needed.

Tax/Tax Equalization 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. Equalization rates are set by the NYS Office of Real Property Services (ORPS).

TRS: Teachers' Retirement System

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