

Breaking Down the School Budget: Revenues vs. Expenditures

Each year, all school districts in New York state (except the “Big 5”) develop and adopt a proposed budget for the following school year. That proposed spending plan is presented to district voters for their approval at the Annual School Budget Vote on the third Tuesday in May. A school district budget must be balanced — i.e., total expenditures must equal total revenues.

What are expenditures?

An expenditure is the payment of cash or transfer of property or services for the purpose of acquiring an asset or service. In other words, expenditures are what it costs to run the school district—the “spending” side of the budget.

School districts are required to publicly report their annual expenditures using a “three-part budget” format:

- **Program Budget Component:** Includes items such as salaries and benefits of teachers and supervisors; instructional costs such as supplies, equipment and textbooks; and transportation operating costs.
- **Administrative Budget Component:** Includes items such as office and administrative costs; salaries and benefits for certified school administrators; data processing; public relations; supplies; legal fees; property insurance; and school board expenses.
- **Capital Budget Component:** Includes items such as all transportation capital, debt service, and lease expenditures; legal judgements and settled claims; custodial costs; and all facility costs, including service contracts, supplies, utilities, maintenance, repairs, construction, renovation, debt (payment for building projects), and leasing costs.

What are revenues?

Revenues are sources of income financing the operation of the school district. Generally, the typical sources of school district revenues are the following:

- **State and federal aid:** Includes an assortment of aids (Foundation aid, expense-driven aids, building aid etc.). State and federal aid amounts vary by district and change annually.
- **Fund balance:** A fund balance is created when the school district has money left over at the end of its fiscal year from either underspending 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.
- **Interest payments:** For example, from money market and checking accounts.
- **Misc. income:** Includes items such as rental income, day-school tuition, summer school tuition, athletic admissions, and funds received for providing various services to outside organizations/agencies (e.g., transportation).
- **Tax levy:** The total sum the district raises in property taxes. This is generally the last piece of the revenues puzzle, after all other revenue sources are accounted for.

Tax levy vs. tax rate: What's the difference?

Districts add up estimates of all revenue sources, and the difference between that amount and the TOTAL BUDGET AMOUNT (total expenditures) becomes the **TAX LEVY**. In other words, whatever cannot be funded from other sources MUST be funded through the collection of local property taxes. The **TAX LEVY** refers to this aggregate amount of revenues from property taxes and includes all taxes collected from all properties across all towns within the school district.

The **TAX LEVY INCREASE** is the difference between the tax levies (total amount of taxes to be collected) from one year to the next.

Figuring out the Tax Rate

Generally ...

$$\frac{\text{TAX LEVY}}{\text{Total Town Assessed Value (in thousands)}} = \text{TAX RATE per \$1,000 of assessed property value}$$

However, given that districts are usually composed of multiple towns, things like equalization rates need to be factored in (to spread the tax burden appropriately across the towns), which is why business officials need to be the ones who figure the tax rates.

The **TAX RATE INCREASE** is the difference between the tax rates (amount per \$1,000) from one year to the next.

Any tax rate figures used by the district during budget season are estimates. Final **TAX RATES** are usually set by the district in August of any given school year, after receiving finalized assessment rolls from each town and final equalization rates from the state's Office of Real Property Services (ORPS).

Figuring out the Tax Bill

The amount a property owner pays in school taxes is determined by multiplying the **TAX RATE** by the Assessed Value of the property (in thousands). A property's Assessed Value for taxing purposes may be reduced by one or more of various tax exemptions (e.g., STAR).