

Volume 3, Issue 1

Education Leader

Budgeting Basics



pennsylvania
DEPARTMENT OF EDUCATION

Bureau of Special Education
Pennsylvania Training and Technical Assistance Network

As an education leader, you are responsible for building the relationships needed to foster a collaborative budget planning and implementation process. You must have a basic understanding of fiscal matters and must work collaboratively with others in the budget process. It is important to work closely with local educational agency (LEA) business professionals and be willing to accept input from staff, parents, and community stakeholders to guide decision making.

Education leaders must understand the integrated and complex process of budgeting in order to align funds to maximize student results. This requires education leaders to be:

- Visionary
- Communicative
- Persuasive
- Collaborative
- Data Driven
- Student Centered
- Results Focused

The special education budget is a living document that may change throughout the fiscal year, depending on the changing needs of students with disabilities. Therefore, to effectively plan for the budget process, the education leader must continually evaluate, analyze, and be prepared to make required revisions. As an education leader, you are accountable for the use of funds, so it is imperative to demonstrate integrity, fairness, and ethical behavior in the budget process.

LEAs are required to account for their spending in two main ways. First, they must identify spending based on why the expenditures are made. There are five educational

Education leaders must understand the integrated and complex process of budgeting in order to align funds to maximize student results.

cost categories: instruction; support services; noninstructional services; facilities acquisition, construction, and improvement; and other financing uses. Instruction costs represent the largest portion of this type of spending.

Second, LEAs record spending according to what they purchase. These costs provide a different perspective on spending. The various things LEAs may purchase include salaries, benefits, services, supplies, and expenditures for facilities. These are known as objects of expenditure. Salaries and benefits represent the largest portion of this type of spending.

An LEA budget is a legal document that sets limits on how much an LEA can spend for various purposes throughout the year and that provides for other financial controls and accountability. Those controls and accountability are fundamentally important because LEAs use public funds. Action taken in obtaining and spending these funds is part of the public trust given by citizens to their elected officials.

Budgeting, vision, and planning should be an integrated practice. Budgeting for special education instructional programming requires thoughtful and sound decision-making. Education leaders must be familiar with collected data and review areas, such as

those listed in the Needs Assessment/Data Analysis chart on the following page, to align decision-making that impacts the budgeting process. For example, as the education leader reviews the LEA's data and discovers that there is a need to increase the effectiveness of reading instruction for students with disabilities, the leader must then explore research-based reading instructional materials that will support the identified needs (e.g., decoding, comprehension, teacher professional development) and estimate the cost of such to allocate for the appropriate section of the budget (e.g., staff, supplies, professional development, conference/training attendance). In addition, by using concrete data to justify the decisions being made, allocation of funds can be clearly defined and justified to constituents.

As an education leader, you must be prepared to determine the budgetary needs of students with disabilities served in your LEA and to oversee the expenditures as you provide the services required by each student's IEP. In today's financial environment, it is essential to be accountable to the needs of students. Understanding basic budgeting principles will assist you in this very important aspect of leadership.

Needs Assessment/Data Analysis

Students	Staffing	Programs and Services	Student Results/Outcomes
<ul style="list-style-type: none"> • Number • Grade levels • Disabilities/Degree of need • Diversity • Technology needs • Incoming/Outgoing • Placements 	<ul style="list-style-type: none"> • Numbers • Professional • Paraprofessional • Related service • Grade levels • Other considerations 	<ul style="list-style-type: none"> • High-incidence disabilities • Low-incidence disabilities • LEA-operated programs and services • Consortium, IU, APS placements 	<ul style="list-style-type: none"> • Graduation rates • Post-school outcomes • Referral rates • LRE data • Evaluation timelines • Due Process results • Suspensions and expulsions • Restraints and seclusions • Referrals to law enforcement • Mental health needs • Achievement results



Glossary

Budgeting for special education is an intricate process with its own language and specific technical skills. Education leaders must gain these required skills to effectively plan for and provide appropriate services for students with disabilities in their LEA. The following glossary provides a listing of terms you will encounter when working on a budget.

Important Terms

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. The mission of the GASB is to establish and improve standards of state and local governmental accounting and financial reporting that will:

- Result in useful information for users of financial reports, and
- Guide and educate the public, including issuers, auditors, and users of those financial reports. (www.gasb.org)

Revenue (i.e., income) is the source of money received by the school to operate programs. Revenue can come from various sources, most commonly, federal (e.g., Title 1, IDEA), state (e.g., state subsidies, contingency funds) and local (e.g., local/property taxes).

Expenditures are the money that is spent to operate all aspects of programs.

Generally Accepted Accounting Principles (GAAP) is a standard set of functions and objects codes for expenses and revenue that

enables effective auditing of finances. GAAP refers to the standard framework of guidelines for financial accounting used in any given jurisdiction; generally known as accounting standards or standard accounting practice. These include the standards, conventions, and rules that accountants follow in recording and summarizing and in the preparation of financial statements.

Types of Funds

General funds are unrestricted and may be used for any budgeted purpose. In governmental and nonprofit accounting, this account covers all receipts, appropriations, and expenditures other than those that specifically require separate funds. The general fund accounts for most of an entity's revenues and expenditures.

Categorical funds are ear-marked for specific categories and restricted to specific programs (e.g., IDEA/Transportation).

Block grants refer to a large sum of money granted with only general provisions as to the way it is to be spent; funding is designated for a specific purpose (less prescriptive than categorical funding), such as Title 1.

Sources of Income/Revenue

Federal funding (e.g., IDEA, Title 1) is generally program-specific and can come from a number of sources, including the U.S. Department of Education, the U.S. Department of Health and Human Services, and the U.S. Department of Agriculture. Federal funding can be in the form of grants or

subsidies provided directly by the federal government or through the commonwealth.

State Basic Education Funding (BEF) (e.g., contingency funds, special education funds) is the largest subsidy provided by the commonwealth to its public school districts to help meet instruction costs. Funds flow from a number of appropriations enacted annually by the Pennsylvania legislature and signed into law by the governor.

Local funding (taxes) includes the real estate tax, the earned income/net profits tax, and an assortment of other nonproperty taxes.

Grants may be available and applied for from federal and state government, and also from foundations, businesses, and agencies. Specific requirements of the granting entity must be followed and should match your request with a priority of the funding agency.

Sources of Special Education Funds

IDEA/federal funds are used to support school age and preschool special education. Congress has never appropriated the 40 percent of excess costs associated with special education services. These funds must be used effectively to support programs and to protect local taxpayer contributions.

State funds include contingency funds and Institutionalized Children's Program funds.

School-Based ACCESS Program (SBAP) funds require that specific guidelines be followed to document and report covered services

for reimbursement. LEAs are eligible to receive reimbursement for medically necessary services provided to students who receive special education. These services must meet specific criteria of the state's Medicaid program and are being provided in accordance with the student's IEP. These funds reduce LEA dependency upon local taxes to serve students with disabilities.

Pennsylvania Accounting Codes

LEAs, like businesses, use their accounting systems to keep track of financial activities. In addition, they must assure the public that public monies are received and spent in keeping with legal requirements and the adopted budget.

In order to evaluate their financial status, all LEAs need to track and analyze their revenues, expenditures, assets, liabilities, fund balances, and related financial activities. The state established a standard accounting system for these purposes, using agreed upon function and object codes.

These codes are used to delineate how funds and expenditures are reported. They are adopted by the LEA for use and detail how an expenditure will be financed, why an expenditure is being made, what is being purchased, for what grade/department/unit, during which fiscal year, and for which student group the instructional purchase is being directed.

Function codes include:

- 1100 – General Education
- 1200 – Special Education

Expenditures by Types of Items Purchased

Expenditures are also measured by the type of service or commodity purchased (called objects of expenditure), including salaries; benefits; purchased professional and technical services; purchased property services; other purchased services; supplies; expenditures for property; other objects; and other financing uses.

Object codes include:

- 100s – Salary

Salaries include payments of salaries and overtime to regular full-time and part-time employees, such as teachers, administrators, office and clerical staff, and building maintenance personnel.

- 200s – Benefits

Benefits and related cost of employment provided to these employees include such items as medical and life insurance, disability, Social Security contributions, retirement contributions, professional development costs/tuition reimbursements, unemployment compensation contributions, and workers' compensation.

- 300s – Contracted Service Expenses

The cost of architects, engineers, auditors, dentists, medical doctors, lawyers, accountants and other consultants, as well as contracted teachers, are known as

purchased professional and technical services or contracted service expenses.

- 400s – Rentals and Leases

Rental and lease include costs associated with the provision of educational services.

- 500s – Travel Expenses

Travel Expenses include costs for LEA personnel to travel to required sites, conferences, etc.

- 600s – Supplies

Supplies generally include consumable items such as books, calculators, paper, pencils, and educational software.

- 700s – Equipment Expenses

Equipment items are more durable educational products that are expected to last longer than supplies. These may include computers, classroom furniture, specialized seating for students with physical disabilities, etc.

Commonwealth of Pennsylvania

Tom Wolf
Governor

