

## CHAPTER 6

### BUDGETING

The board of directors of the school district is a certifying board which means it has the power or duty to certify any tax to be levied or sum of money to be collected by taxation. The County Board of Supervisors is the levying board which means it has the power to levy a tax. Fiscal year means the period of twelve months beginning on July 1 and ending on the following June 30. Tax means any general or special tax levied against persons, property, or business, for public purposes as provided by law. The term "state board" for purposes of budgets means the state appeals board **(24.2)**.

The fiscal year of cities, counties, and other political subdivisions of the state shall begin July 1 and end the following June 30. For the purposes of this section, the term political subdivision includes school districts [and AEAs] **(8.51)**.

School districts are subject to chapter 24 **(257.7(1))**.

AEAs do not certify or levy taxes. School districts include revenues and expenditures for the program and services of the AEA in the school district budgets.

### AEA Advisory Group

The board of directors of each AEA shall appoint an advisory group to make recommendations on policy, programs, and services to the board. The advisory group shall provide input, feedback, and recommendations to the board regarding projected future needs, and shall provide a review and response to any state-directed study or task force report on AEA efficiencies or reorganization **(273.15(1))**.

The advisory group shall consist of the following:

- a. A minimum of 3 superintendents employed by school districts served by the AEA, at least one of whom shall represent a small school district, at least one of whom shall represent a medium-sized school district, and at least one of whom shall represent a large school district.
- b. A minimum of 3 principals employed by school districts served by the AEA, at least one of whom shall represent an elementary school, at least one of whom shall represent a middle school, and at least one of whom shall represent a high school.
- c. A minimum of 4 teachers employed by school districts served by the AEA, at least one of whom shall represent early childhood teachers, at least one of whom shall represent elementary school teachers, at least one of whom shall represent middle school teachers, and at least one of whom shall represent high school teachers. At least one of the teachers appointed shall also represent special education and at least one of the teachers appointed shall represent general education. At least one of the teachers appointed shall represent related personnel, including but not limited to media and technology specialists and counselors.
- d. A minimum of 3 parents or guardians of school age children receiving services from the AEA, at least one of whom shall be the parent or guardian of a child requiring special education.
- e. One member who represents accredited nonpublic schools located within the boundaries of the AEA **(273.15(2))**.

In appointing members of the advisory group pursuant to subsection 2, the AEA shall collaborate with the superintendents and school boards of the school districts served by the AEA **(273.15(3))**.

All member appointments made pursuant to subsection 2 shall comply with sections 69.16, 69.16A, and 69.16C. In addition, every reasonable effort shall be made to appoint members to provide balanced representation based on age, experience, ethnicity, district size, and geography **(273.15(4))**.

The advisory group shall meet at least twice annually and shall submit its recommendations in a report to the board of directors of the AEA at least once annually. The report shall be timely submitted to allow for consideration of the recommendations prior to program planning and budgeting for the following fiscal year **(273.15(5))**.

### Estimates

The board of each school district shall estimate the amount of the proposed expenditures and proposed receipts for the general school purposes at a time and in a manner to effectuate the provisions of chapter 257 and sections 256B.9 and 256B.11. Compliance with chapter 24 shall be observed **(298.1)**.

All estimates required by law shall be made and filed a sufficient length of time in advance of any regular or special meeting of the board at which tax levies are authorized to be made to permit publication, discussion, and consideration thereof and action thereon **(24.4)**.

The estimates required shall be fully itemized and classified so as to show each particular class of proposed expenditure, showing under separate heads the amount required in such manner and form as shall be prescribed by the state appeals board **(24.5)**.

A school district may include in the estimate required, an estimate for an emergency fund. The school board may assess and levy a tax for the emergency fund at a rate not to exceed twenty-seven cents [\$0.27] per thousand dollars of assessed value of taxable property. However, an emergency tax levy shall not be made until the school district has first petitioned the state appeals board and received its approval **(24.6(1))**.

- a. Transfers of moneys may be made from the emergency fund to any other fund of the school district for the purpose of meeting deficiencies in a fund arising from any cause. However, a transfer shall not be made except upon the written approval of the state appeals board, and then only when that approval is requested by a two-thirds [2/3] vote of the board of directors of the school district.
- b. Notwithstanding the requirements of paragraph "a," if the municipality if a school corporation, the school corporation may transfer money from the emergency fund to any other fund of the school corporation for the purpose of meeting deficiencies in a fund arising within 2 years of a disaster as defined in section 29C.2, subsection 1. However, a transfer under this paragraph "b" shall not be made without the written approval of the school budget review committee (SBRC) **(24.6(2))**.

No district shall certify or levy in any fiscal year any tax on property subject to taxation unless and until the following estimates have been made, filed, and considered:

1. The amount of income for the several funds from sources other than taxation.
2. The amount proposed to be raised by taxation.
3. The amount proposed to be expended in each and every fund and for each and every general purpose during the fiscal year next ensuing, which shall be the period of twelve months beginning on the first day of July of the current calendar year.
4. A comparison of such amounts so proposed to be expended with the amounts expended for like purposes for the two preceding years **(24.3)**.

School districts and AEAs are required to budget, account for, and report each and every expenditure. Interagency transactions including whole and partial grade sharing, personnel sharing, and other sales of services are shown gross and shall not be shown net. If the agencies bartered for services rather than issuing payments, the barter is reported and budgeted as if payment had been made.

School corporations containing territory in adjoining counties may vote and estimate all taxes for school purposes in dollars and cents per thousand dollars of assessed value **(298.5)**.

The amount of the difference between the receipts estimated from all sources other than taxation and the estimated expenditures for all purposes, including the estimates for emergency expenditures, shall be the estimated amount to be raised by taxation upon the assessable property within the school district for the next ensuing fiscal year. The estimate shall show the number of dollars of taxation for each thousand dollars of the assessed value of all property that is assessed **(24.8)**.

The board of the school district or and the board of the AEA shall annually budget specified funds to implement a plan which shall provide for the professional development of all staff **(IAC 281--12.7)**.

The administrative expenditures as a percent of the school district's general fund for a base year exceed five percent [5%]. Annually, the board of directors shall certify to the department of education the amounts of the school district's administrative expenditures and its general fund. [This is accomplished on the CAR-COA.] AEAs have the same requirement. Administrative expenditures means expenditures for executive administration, which is the total cost of the office of the superintendent in a school district or chief administrator in an AEA **(279.45, 273.13)**. Both administrative expenditures and total expenditure exclude fund modifications (such as interfund transfers and AEA flowthrough) for purposes of this calculation.

IPERS contributions must come from the same fund as the employee's salary and must be budgeted **(OAG #76-9-27)**. In Iowa, this would also be true of FICA.

School districts shall pay for the programs and services provided through the AEA and shall include expenditures for the programs and services in their budgets, in accordance with this section **(273.9(1))**. The department of management shall deduct the amounts calculated for special education support services, media services, AEA teacher salary supplement district cost, AEA professional development supplement district cost, and educational services for each school district from the state aid due to the district pursuant to chapter 257 and shall pay the amounts to the respective AEA on a monthly basis from September 15 through June 15 during each school year. The department of management shall notify each school district of the amount of state aid deducted for these purposes and the balance of state aid shall be paid to the district. If a district does not qualify for state aid under chapter 257 in an amount sufficient to cover its amount due to the AEA as calculated by the department of management, the school district shall pay the deficiency to the AEA from other moneys received by the district, on a quarterly basis during each school year **(257.35(1))**.

AEA boards shall prepare an annual budget estimating income and expenditures for programs and services as provided in sections 273.1 to 273.9 and chapter 256B within the limits of funds provided under section 256B.9 and chapter 257 **(273.3(12))**.

Up to thirty percent [30%] of the budget of an AEA for media services may be expended for media resource material including the purchase or replacement of materials required in subsection 273.6(1) **(257.37(2))**. This will include:

- a. A materials lending library, consistent of print and nonprint materials.
- b. A professional library.
- c. A curriculum laboratory, including textbooks and correlated print and audiovisual materials.
- d. Capability for production of media-oriented instructional materials.
- e. Qualified media personnel.
- f. Appropriate physical facilities.
- g. Other materials and equipment deemed necessary by the department of education **(273.6(1))**.

If an AEA does not serve nonpublic school students in a manner comparable to services provided public school pupils for media and educational services, as determined by the state board of education, the state board shall instruct the department of management to reduce the funds for media services and educational services one time by an amount to compensate for such reduced services. The media services budget shall be reduced by an amount equal to the product of the cost per pupil in basic enrollment for the budget year for media services times the difference between the enrollment served and the basic enrollment recorded for the area. The educational services budget shall be reduced by an amount equal to the product of the cost per pupil in basic enrollment for the budget year for educational services times the difference between the enrollment served and the basic enrollment recorded for the area. This applies only to media and educational services which cannot be diverted for religious purposes. Notwithstanding this subsection, an area education agency shall distribute to nonpublic schools media materials purchased wholly or partially with federal funds in a manner comparable to the distribution of such media materials to public schools as determined by the director of the department of education **(257.37(5))**.

The costs of special education support services provided through the AEA shall be funded as provided in chapter 257 **(273.9(3))**.

AEA boards are authorized to receive and expend money for providing programs and services as provided in sections 273.1 to 273.9, and chapters 256B and 257. All costs incurred in providing the programs and services, including administrative costs, shall be paid from funds received pursuant to sections 273.1 to 273.9 and chapters 256B and 257 **(273.3(2))**.

The AEA board is authorized to make application for, accept, and expend state and federal funds that are available for programs of educational benefit approved by the director of the department of education, and cooperate with the department in the manner provided in federal-state plans or department rules in the effectuation and administration of programs approved by the director, or approved by other educational agencies, which agencies have been approved as state educational authorities **(273.3(9))**.

The Department of Education may direct the Department of Management to deduct amounts from the portions of school district budgets that fund special education support services in an AEA. The total amount deducted in an area shall be based upon excess special education support services unreserved and undesignated fund balances in that AEA for a school year as determined by the Department of Education **(257.36)**.

Funds generated for educational services shall not be expended by an AEA for the purpose of assisting either a public employer or employee organization in collective bargaining negotiations under chapter 20 if the public employer is a school district, or the employee organization consists of employees of a school district, located within the boundaries of the AEA **(273.12)**.

The AEAs shall transfer to the department of human services an amount equal to the nonfederal share of the payments to be received from the medical assistance program pursuant to chapter 249A. The nonfederal share amount shall be transferred to the medical assistance account prior to claims payment. This requirement does not apply to medical assistance reimbursement for services provided by an AEA under part C of the federal Individuals with Disabilities Education Act [IDEA]. Funds received under this section shall not be considered or included as part of the AEA's budgets when calculating funds that are to be received by AEAs during a fiscal year **(256B.15(7))**.

For the budget year beginning July 1, 2002, and each succeeding budget year, notwithstanding the requirements of section 257.37 for determining the budgets and funding of media services and education services, an AEA may, within the limits of the total of the funds provided for the budget years pursuant to section 257.35, expend for special education support services an amount that exceeds the payment for special education support services pursuant to section 257.35 in order to maintain the level of required special education support services in the AEA **(257.37(6))**. Notwithstanding section 257.37, an AEA may use the funds determined to be available under section 257.35 in a manner which the AEA determines is appropriate to best maintain the level of required AEA special education services. An AEA may also use unreserved fund balances for media services or education services in a manner which the AEA determines is appropriate to best maintain the level of required AEA special education services **(257.35(9))**.

The director of the department of education shall approve the salaries of AEA administrators **(256.9(30))**.

The AEA board shall include in the budget submitted each year such sums as it deems necessary to carry on its reorganization work under chapter 275 **(275.7)**.

## **Basis of Budgeting**

School districts and AEAs are required to conform to generally accepted accounting principles (GAAP) for accounting and reporting commencing with the school year beginning July 1 1996 **(257.31(4))**. School districts are required to conform to GAAP for budgeting commencing with the school year beginning July 1, 2006 **(IAC 289—6.5)**. AEAs have actually followed GAAP for accounting, budgeting and reporting since their creation in the 1970's.

Governmental accounting provides for the situation where legal provisions conflict with GAAP, though none currently do in Iowa. Statement 1 of GAAFR says, "Where financial statements prepared in conformity with GAAP do not demonstrate finance-related legal and contractual compliance, the governmental unit should present such additional schedules and narrative explanations in the comprehensive annual financial report as may be necessary to report its legal compliance responsibilities and accountabilities. In extreme cases, preparation of a separate legal-basis special report may be necessary....Conflicts between legal provisions and GAAP do not require maintaining two accounting systems. Rather, the accounting system may be maintained on a legal compliance basis, but should include sufficient additional records to permit GAAP-based reporting."

When GAAP provides more than one method for accounting for a financial transaction, the department of education may determine which method shall be used for school districts and AEAs to ensure consistency in reporting as required by Iowa Code **(256.9(18))**.

## **Publication**

Each school district shall file with the board secretary the estimates required to be made in sections 24.3 to 24.8, at least twenty (20) days before the date fixed by law for certifying the same to the levying board and shall fix a date for a budget hearing, and shall publish the estimates and any annual levies previously authorized as provided in section 76.2, with a notice of the time and place of the hearing which shall be held not less than ten (10) nor more than twenty (20) days before the hearing. The publication shall be in a newspaper published in the district, if any, if not, then in a newspaper of general circulation in the district **(24.9)**.

The verified proof of publication of the notice shall be filed in the office of the county auditor and preserved by the auditor. No levy shall be valid unless and until such notice is published and filed **(24.10)**. The cost of publishing the notices and estimates and the actual and necessary expenses of preparing the budget shall be paid out of the general fund **(24.16)**.

The AEA board shall give notice of a public hearing on its proposed budget by publication in an official county newspaper in each county in the territory of the AEA in which the principal place of business of a school district that is a part for the AEA is located. The notice shall specify the date, which shall be not later than March 1 of each year, the time and the location of the public hearing **(273.3(12))**.

## Hearing

The board shall meet at the time and place designated in the notice, at which meeting any person who would be subject to such tax levy, shall be heard in favor of or against the same or any part thereof **(24.11)**.

## Certification

The chairperson of the board of directors of the school district shall certify the adopted budget in duplicate to the [control] county auditor not later than April 15 of each year. One copy of the budget shall be retained on file in the office by the county auditor and the other shall be certified by the county auditor to the state appeals board. The department of management shall certify the taxes back to the county auditor by June 15 **(24.17)**.

By April 15, the school board shall also provide the following to the department of management:

- A copy of the board resolution for the budget guarantee, if any,
- A copy of the ballot question or resolution for a new or renewed VPPEL that is not 100% property tax, if any, and
- A copy of the ballot question or resolution for a new or renewed instructional support levy program, if any.

By May 1, the school board shall provide:

- A copy of the ballot question for a new or renewed VPPEL that is 100% property tax, if any, to the department of management, and
- A certified copy of a new bond resolution, if any, to the control county auditor.

Before issuing bonds, the school board shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the district sufficient to pay the interest and principal of the general obligation bonds within a period named not exceeding the time specified in section 76.1 [which is 20 years from date of issue]. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the district is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the district until funds are realized to pay the bonds in full. The levy shall continue to be made against property that is severed from the school district after the filing of the resolution until funds are realized to pay the bonds in full. If the resolution is filed prior to May 1, the annual levy shall begin with the tax levy for collection commencing July 1 of that year. If the resolution is filed after May 1, the annual levy shall begin with the tax levy for collection in the next succeeding fiscal year. However, the school board may adjust a levy of taxes made under section 76.2 for the purpose of adjusting the annual levies and collections for property severed from the district, subject to the approval of the director of the department of management. If funds, including reserves and amounts available for temporary transfer, are found to be insufficient to pay in full any installment of principal or interest, a public issuer of bonds may anticipate the next levy of taxes pursuant to this section in the manner provided in chapter 74, whether the taxes so anticipated are to be collected in the same or a future fiscal year. **(76.2)**.

The annual levy shall be sufficient to pay the interest and approximately such portion of the principal of the bonds as will retire them in a period not exceeding twenty years from date of issue **(76.1(2)"a")**.

A school district which has issued obligations in anticipation of schoolhouse [now VPPEL] tax receipts may, at time of issuance, certify the annual levy of an amount which is within tax limits approved by the voters when computed on adjusted taxable valuation of the school district for the fiscal year preceding the year in which the obligations are issued, and the county auditor must annually levy that amount until the obligations are satisfied, regardless of changes in school district property values in future years **(OAG #87-12-12)**.

The proposed AEA budget as approved by the AEA board shall be submitted to the state board of education, on forms provided by the department of education, no later than March 15 preceding the next fiscal year for approval. The state board shall review the proposed budget of each AEA and shall before May 1, either grant approval or return the budget without approval with comments of the state board included. An unapproved budget shall be resubmitted to the state board for final approval not later than May 15. The state board shall give final approval only to budgets submitted by AEAs accredited by the state board or that have been given conditional accreditation by the state board **(273.3(12))**. The AEA budget submitted to the state board shall include the budgeted expenditures for the educational program provided to children residing in juvenile homes **(282.31(1)"a")**.

## Levying

After the hearing has been concluded, the school board shall enter of record its decision in the manner and form prescribed by the state appeals board and shall certify the same to the county. The county board of supervisors shall enter upon the current assessment and tax roll the amount of taxes which it finds shall be levied for the ensuing fiscal year in each municipality for which it makes the tax levy **(24.12)**.

At the time required by law the board of supervisors shall spread the tax rates necessary to produce the amount required for the various funds of the school district as certified by the school board, for the next succeeding fiscal year, as shown in the approved budget in the manner provided by law. One copy of the tax rates shall be certified by the board of supervisors to the state appeals board **(24.19)**.

The board of supervisors shall at the time of levying taxes for county purposes levy the taxes necessary to raise the various funds authorized by law and certified to it by law, but if the amount certified for any such fund is in excess of the amount authorized by law, it shall levy only so much thereof as is authorized by law **(298.8)**.

A greater tax than that so entered upon the record shall not be levied or collected for the school district proposing the tax for the purposes indicated and a greater expenditure of public money shall not be made for any specific purpose than the amount estimated and appropriated for that purpose, except as provided in sections 24.6 [emergency levy] and 24.15 [taxes voted by people]. All budgets set up in accordance with the statutes shall take such funds into account, and all such funds, regardless of their source, shall be considered in preparing the budget **(24.14)**.

No tax shall be levied by any school district in excess of the estimates published, except such taxes as are approved by a vote of the people, but in no case shall any tax levy be in excess of any limitation imposed now or hereafter by the Constitution and laws of Iowa **(24.15)**.

The several tax rates and levies of the school district thus determined and certified in the manner provided in section 24.1 through 24.19, except such tax rates and levies as are authorized by a vote of the people, shall stand as the tax rates and levies of the school district for the ensuing fiscal year for the purposes set out in the budget **(24.20)**.

A school district cannot issue warrants for any amount which is greater than the amount estimated and appropriated for the particular fund upon which the warrants are issued for the year **(1926 Op. Att’y Gen. 302 (#26-2-27))**.

A tax levied to pay invalid indebtedness is itself invalid **(Treep v. Independent School district of Pocahontas, 1932, 213 Iowa 944, 240 N.W. 247)**.

## **Budget Protest**

Not later than April 25, a number of persons in the school district equal to one-fourth of one percent of those voting for the office of governor, at the last general election in the district, but the number shall not be less than ten, and the number need not be more than one hundred persons, who are affected by any proposed budget, expenditure or tax levy, or by any item thereof, may appeal by filing with the county auditor of the county in which the school corporation is located, a written protest setting forth their objections to the budget, expenditure or tax levy, or to one or more items thereof, and the grounds for their objections. If a budget is certified after April 15, all appeal time limits shall be extended to correspond to allowances for a timely filing. Upon the filing of the protest, the county auditor shall immediately prepare a true and complete copy of the written protest, together with the budget, proposed tax levy or expenditure to which objections are made, and shall transmit them to the state appeal board, and shall also send a copy of the protest to the board of the district **(24.27)**. The state appeal board, within a reasonable time, shall fix a date for an initial hearing on the protest which shall be held in the county in which the school district is located. Notice of the time and place of the hearing shall be given by certified mail to the appropriate officials of the school district and to the first ten property owners whose names appear upon the protest, at least five days before the date fixed for the hearing. At all hearings, the burden shall be upon the objectors with reference to any proposed item in the budget which was included in the budget of the previous year and which the objectors propose should be reduced or excluded; but the burden shall be upon the school board to show that any new item in the budget, or any increase in any item in the budget, is necessary, reasonable, and in the interest of the public welfare **(24.28)**. It shall be the duty of the state appeal board to review and finally pass upon all proposed budget expenditures, tax levies and tax assessments from which appeal is taken and it shall have power and authority to approve, disapprove, or reduce all such proposed budgets, expenditures, and tax levies so submitted to it upon appeal; but in no event may it increase such budget, expenditure, tax levies or assessments or any item contained therein **(24.30)**. After a hearing upon the appeal, the state appeal board shall certify its decision to the county auditor and to the parties to the appeal as provided by rule, and the decision shall be final. The county auditor shall make up the records in accordance with the decision and the levying board shall make its levy in accordance with the decision. Upon receipt of the decision, the school board shall correct its records accordingly, if necessary. Final disposition of all appeals shall be made by the state appeal board on or before April 30 of each year **(24.32)**.

The manner in which objections shall be presented, and the conduct of hearings and appeals, shall be simple and informal and in accordance with the rules prescribed by the state board for promptly determining the merits of all objections so filed, whether or not such rules conform to technical rules of procedure. Such record shall be kept of all proceedings, as the rules of the state board shall require **(24.31)**.

### **Appeal for Suspension of Limitations**

If the property tax valuations effective January 1, 1979, and January 1 of any subsequent year, are reduced or there is an unusually low growth rate in the property tax base of a school district, the school district may appeal to the state appeal board to request suspension of the statutory property tax levy limitations to continue to fund the present services provided. A school district may also appeal to the state appeal board where the property tax base of the school district has been reduced or there is an unusually low growth rate for any of the following reasons:

- a. Any unusual increase in population as determined by the preceding certified federal census.
- b. Natural disasters or other emergencies.
- c. Unusual problems relating to major new functions required by state law.
- d. Unusual staffing problems.
- e. Unusual need for additional funds to permit continuance of a program which provides substantial benefit to its residents.
- f. Unusual need for a new program which will provide substantial benefit to residents, if the school district establishes the need and the amount of the necessary increased cost.

The state appeal board may approve or modify the request of the school district for suspension of the statutory property tax levy limitations **(24.48)**.

### **Amendment**

The authorized expenditures of a school district during a base year shall not exceed the lesser of the budget for that year certified under section 24.17 plus any allowable amendments permitted in section 257.7, or the authorized budget, which is the sum of the combined district cost for that year, the actual miscellaneous income received for that year, and the actual unspent balance for the preceding year **(257.7(1))**.

If actual miscellaneous income for a budget year exceeds the anticipated miscellaneous income in the certified budget for that year, or if an unspent balance has not been previously certified, a school district may amend its certified budget **(257.7(2))**.

Budget estimates adopted and certified in accordance with chapter 24 may be amended and increased as the need arises to permit appropriation and expenditure during the fiscal year covered by the budget of:

1. unexpended cash balances on hand at the close of the preceding fiscal year and which cash balances had not been estimated and appropriated for expenditure during the fiscal year of the budget sought to be amended, and
2. also to permit appropriation and expenditure during the fiscal year covered by the budget of amounts of cash anticipated to be available during the year from sources other than taxation and which had not been estimated and appropriated for expenditures during the fiscal year of the budget sought to be amended **(24.9)**.

Such amendments to budget estimates may be considered and adopted at any time during the fiscal year covered by the budget sought to be amended, by filing the amendments and upon publishing them and giving notice of the public hearing in the manner required in section 24.9 [which is the same procedure used for the original budget that is being amended]. Within ten days of the decision of the school board, the proposed amendment of the budget is subject to protest, hearing on the protest, appeal to the state appeal board and review by the state appeal board, all in accordance with sections 24.27 to 24.32, so far as applicable. A local budget shall be amended by May 31 of the current fiscal year to allow time for a protest hearing to be held and a decision rendered before June 30. An amendment of the budget after May 31 which is properly appealed but without adequate time for hearing and decision before June 30 is void. An amendment to budget estimates accepted or issued under section 24.9 are not within section 24.14 **(24.9)**. A budget could not be amended before July 1 of the fiscal year to which the budget applies.

Because amendments can be appealed and voided, and because section 24.14 prohibits a greater expenditure of public money for any specific purpose than the amount estimated and appropriate for that purpose, budgets shall be amended prior to making any expenditures which would exceed the amount the school district estimated and certified **(24.14)**.

The Iowa Code does not include a budget amendment process for AEAs. This would leave the AEA with no process by which it could exceed its original budget approved by the state board of education. Therefore, as a practical matter,

AEAs would amend their budgets in a similar way as school districts: The AEA would follow the same procedures it followed for its original budget to publish, give notice of a public hearing, and submit to the state board of education for approval. The amendment must be submitted prior to May 31 and prior to expending any amount greater than it has originally submitted as was approved.

## **Cash Reserve**

The board of directors of a school district may certify for levy by April 15 of a school year, a tax on all taxable property in the school district in order to raise an amount for a necessary cash reserve for a school district's general fund. The amount raised for a necessary cash reserve does not increase a school district's authorized expenditures as defined in section 257.7. For fiscal years beginning on or after July 1, 2012, the SBRC shall limit the school district's cash reserve levy to a level that is not excessive as determined by the SBRC and does not exceed the cash reserve limitation in subsection 3. In subsection 3, for fiscal years beginning on or after July 1, 2012, the cash reserve levy for a budget year shall not exceed twenty percent of the general fund expenditures for the year previous to the base year minus the general fund unexpended fund balance, as defined in section 257.2, for the year previous to the base year **(298.10)**.

Annually the SBRC shall review the amount of property tax levied by each school district for the cash reserve authorized in section 298.10. If in the committee's judgment, the amount of a district's cash reserve levy is unreasonably high, the committee shall instruct the director of the department of management to reduce that district's tax levy computed under section 257.4 for the following budget year by the amount the cash reserve levy is deemed excessive. A reduction in a district's property tax levy for a budget year under this subsection does not affect the district's authorized budget **(257.31(15))**.

If a school district receives less state school foundation aid under section 257.1 than is due under that section for a base year and the school district uses funds from its cash reserve during the base year to make up for the amount of state aid not paid, the board of directors of the school district shall include in its general fund budget document information about the amount of the cash reserve used to replace the state school foundation aid not paid **(257.34)**.

A school district may certify a cash reserve levy pursuant to Code to provide cash to replace withheld state aid and allow the district to meet authorized expenditures even though utilization of this levy will cause variation in the property tax rates among districts **(OAG #90-2-9(L))**.

## **Building an Operating Budget**

The primary purpose of a budget is to translate the educational priorities of the district or AEA into financial terms. It should be a well-conceived plan for financing the educational activities of the district or AEA for a given period of time.

The first step in building a budget is to assess the educational needs of the school community. The provisions in the Code of Iowa regarding budget limitations automatically signify the necessity to arrange the needs in the order of priority. Within the limitations, the priorities can be scheduled to the extent funds are available. These limitations may restrict the desires of those fitting the plan to the financing available.

Building a new budget is a continuous process and should involve long-term strategic planning, analysis and evaluation by the board, superintendent or chief administrator, staff, students, and the community. In the case of an AEA, it should also involve the local school districts within the AEA.

The preparation of the budget involves three distinct plans: the educational plan, the expenditure plan and the financing plan.

### **The Educational Plan**

The AEAs exist to support local school districts. The education of children is the primary public purpose of a school district, therefore, the first consideration should be to provide a sound educational plan. This plan should give a picture of the entire school program and will indicate the involvement of personnel and materials which will be needed to carry out such a program. The educational philosophy, mission, goals, and policies of the board should be expressed in sufficient detail to justify the expenditure plan which, when limited to the financial plan, will fulfill the priorities as established.

### **The Expenditure Plan**

This plan should contain an analysis of the cost of the proposed educational plan with both long-range and immediate goals outlined in such a way as to show continuity. Different groupings of expenditures should be available for various information needs of management. This can be accomplished through Uniform Financial Accounting (UFA), which is a Management Information System (MIS).

### **The Financial Plan**

This plan should contain an analysis of the anticipated revenues and other financing resources which will be available to finance the expenditure plan.

## **Budgeting Philosophies**

### **Program-Based Budgeting**

Program-Based Budgeting is a technique in which expenditure plans are formulated and resources appropriated on the basis of the expected services to be performed by organizational units. A line-item approach is used for object or source detail, organized by function or program, and may also be organized by organizational units such as high school or elementary school.

Program, Planning, and Budgeting Systems (PPBS) is a type of program-based budgeting. It emphasizes a systematic analysis of the goals and objectives of the school district, identification of viable alternative methods of achieving these objectives, estimation of the costs of each alternative, estimation of the effectiveness of each alternative, decision making based on the greatest effectiveness for the resources applied in achieving the stated objectives, and a follow-up evaluation of the alternatives selected for future year decisions.

### **Zero-Based Budgeting**

Zero-Based Budgeting is a technique which prepares several service level alternatives based on funding levels for both existing and new program initiatives. Resources are appropriated to the various programs based on the priority of these alternatives. It involves justification of each item in the entire budget during each budgeting cycle as well as consideration of the consequences of not funding a specified program.

### **Activity-Based Budgeting**

Activity-Based Budgeting is a technique originally developed to assist for-profit entities remain competitive in global markets. It is designed to give management information to continuously improve performance and reduce costs. It is a continuous process involving strategic planning and value analysis. It identifies support costs and their relationship to products or outcomes, and determines the best index to count or measure the activity rather than use of a single cost accounting measure. This gives a more accurate costing of school district services and is particularly appropriate in a time when finances are tight and choices of activities must be made.

The first step to implement activity-based management is to define the mission, establish a strategic plan, determine activities of the district, and assign responsibility. The next step is to have all personnel chart their daily work activities according to the key (major) activities defined in the first step. Activities which fit the listed district activities are all considered value-added activities, and accordingly, non-value added activities are those which don't fit any of the activities listed. This should continue for at least three months to identify cyclic work. In the next step, accounting personnel cost out each activity based on the mission of the entity to determine the actual cost of conducting that activity. They will consider direct costs as well as indirect costs, and costs in terms of number of personnel and use of personnel time. Management then evaluates non-value-added activities to choose which, if any, to abandon. Management also evaluates the value-added activities to determine if the benefits derived from the activity justify the cost. The goal of personnel is to focus all work toward the strategic plan and the mission and to identify methods to reduce the cost of conducting each activity and to continuously improve service.

Businesses which have implemented activity based management find it very useful in evaluating the real costs of activities and in focusing the entire organization on the mission.

Even though allocating indirect costs is done for purposes of this budgeting method, such costing would never be done in the accounting records of a governmental entity. Instead this costing would be handled on spreadsheets or in a database using uploaded information from the accounting system.

### **Curriculum-Based Budgeting**

Curriculum-Based Budgeting is a technique which has been developed to effectively communicate the needs and purposes of the school district to its internal and external publics. It incorporates many of the techniques from earlier budgeting systems. It involves developing an overall mission and strategic plan individual to the school district and based on the needs identified through input from all of the publics. The plan includes specific goals and objectives. Frequently these objectives are organized around the curriculum of the school district. Each objective is costed in a way similar to activity-based budgeting, and then all of the objectives are prioritized. Potential resources are determined. The objectives, costs, and resources are analyzed and adjusted until a satisfactory balance is achieved. Each year the results of each objective and its cost are analyzed to determine effectiveness, to reevaluate priorities, and to provide management information.

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