



# The School District Budget Process

**BUDGETS PROVIDE A DESCRIPTION** of a school district's program plans for the upcoming year. They include an estimate of the money a district will receive (revenues) and the district's plan for spending those funds (expenditures). The state government in California largely controls school district revenues. Each year, the Legislature and governor decide how much funding will go to public education and how those funds will be allocated. Decisions about how the funds are spent largely rest with local school districts, which face a number of constraints as they decide on their priorities.

## Where does the operating money for local public schools come from?

In California, the state provides about 61% of the operating funding for schools from its General Fund. Local property taxes contribute less than 21%, and federal funds provide 11%. Proceeds from the lottery generally add up to less than 2% of the total. School districts have one other source of funds, commonly referred to as "local miscellaneous revenues." These can come from a variety of sources, such as lease income, donations, food service sales, and parcel taxes. Statewide, these average about 6% of revenues, but that varies dramatically from district to district. (School districts may also receive additional monies, often from local bonds, that are earmarked for facilities.)

Most of the funds that school districts receive are for them to use at their discretion. These are called general purpose funds. About one-third of district revenues are intended by the state or federal government for specified purposes and programs. These are called categorical funds. In 2006–07 California has more than 80 separate categorical programs, such as teacher professional development and Special Education programs for students with disabilities.

## Who decides how education funds are spent in local school districts?

Within specific parameters, each district makes its own choices about how to spend the funds it receives. The local school board is responsible for approving the district budget and the expenditure decisions made by district staff.

Although districts control the salaries and benefits they pay employees, districts almost always determine the amounts through a collective bargaining process with

employee unions. Union contracts can also affect a number of other district expenditures related to working conditions, such as class sizes and number of workdays.

Districts decide which voluntary state and federal programs they will operate for students, including everything from K–3 Class Size Reduction to summer school. But if they choose not to participate, they lose the funding for that program. They are also required by law to put resources into some programs, such as Special Education and school lunches.

Districts choose how much to invest in the construction, maintenance, and upgrading of their facilities. However, state law controls what buildings may be used as classrooms, requires including features such as accessibility for the disabled, and specifies that some maintenance services must be performed by school district employees. In addition, state law prohibits districts from using money raised through local bonds for anything but the facilities promised as part of the bond measure.

## What are the major budget pressures facing school districts?

Local school districts have very few opportunities to raise additional funds, no matter what their needs. The state decides how much revenue they have to work with each school year. State leaders do not finalize that decision until they pass the state budget, an action that is legally required by the end of June but which has in some years been delayed to as late as September. Further, the state provides its support for schools through income and sales tax revenues that can change dramatically from year to year.

When the state faces a difficult or uncertain budget, school districts must prepare for the worst and hope for the best. They have to adopt their preliminary budgets by June 30, regardless of state action or inaction. They are also required by law to provide notice by March 15 to most employees, particularly teachers, if layoffs are a possibility. Yet they may not know the exact amount of revenue they will be able to spend until months later. This is why teachers sometimes receive layoff notices (or "pink slips") but ultimately keep their jobs.

The bulk of school district expenditures go to employee salaries and benefits—more than 80% in most districts. A

district's response to budget cuts or even flat funding almost always includes eliminating personnel.

For about half the school districts in the state, a major concern is shrinking enrollments. Because a large portion of education funding is based on the number of students attending school in a district, revenues decrease along with a decline in the number of students. However, the overall costs of a school do not go down with the loss of a few students. For example, a district typically has to lose 20 or 30 students before it cuts one teaching position. Thus districts with declining enrollments often face a budget squeeze that is particularly challenging, though the state provides them with some additional funding to cushion the impact.

### How does collective bargaining affect district spending decisions?

Some of the most important district spending decisions are made at the bargaining table between the district governing board and employee unions. Granting a raise in a given year, or for multiple years, is just one of many issues negotiated.

Collective bargaining also determines what kinds of automatic raises teachers and other employees will receive for experience and continuing their education. These increases for individuals are in addition to any cost-of-living increase. Bargaining with teacher and other employee unions also decides working conditions, such as maximum class sizes, teacher preparation time, the number of days school is open, and more. Each of these decisions directly affects the district's budget.

### How can I make sense of school budget information?


Every parent, educator, businessperson, and resident has the right to examine most school district financial records. These are public documents. However, school districts are allowed to charge for extra costs incurred in providing records, including data collection and copying.

School district budget documents can be complicated and difficult to understand. Many school districts work hard to clarify their budgets for the public. They are likely to report expenditures down to the school level and go out of their way to explain the meaning behind the numbers. Other districts may not clearly explain their financial documents. A variety of resources are available to help districts do this job well and to explain the school finance system to their various constituents.

### What can the public do to affect local school budget decisions?

Various opportunities exist for public input. In order to effectively influence issues they care about, parents and community members need to understand which spending decisions are made at the school level and which the district controls. Further, being aware of how—and when—such decisions are made helps ensure that public input is both appropriate and timely.

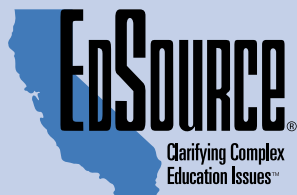
For example, most schools have a School Site Council that influences some expenditure decisions. Many school districts have Budget Advisory Committees that consider district-level decisions. School principals and district administrators typically seek comments from these groups and manage the process of collecting both public and staff input as they develop budgets. The school board makes the final decision at a public meeting based on the recommendations of the district administration.

Actual collective bargaining is almost always done in closed meetings between the district and the union. However, school districts are required to make public (“sunshine”) both union and district proposals before bargaining begins and ask for public input. At the end of the process, districts must explain the contract they have agreed to and again provide an opportunity for public comment. 

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## How can I find out more?

- For further explanations of California's school finance system and updates on current budget action, go to: [www.californiaschoolfinance.org](http://www.californiaschoolfinance.org) or [www.edsource.org](http://www.edsource.org)
- School Services of California, Inc., has free software available to help school district officials prepare “User Friendly Budget Displays.” It is available at: [www.sscal.com/ufb\\_soft.htm](http://www.sscal.com/ufb_soft.htm)
- For district-level financial statements, including comparisons to state averages and other districts, go the District pages of the Ed-Data Partnership website: [www.ed-data.k12.ca.us](http://www.ed-data.k12.ca.us)



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