



# a closerLOOK



## Understanding the school district budget process

**The annual general fund budget is one of the most important legal documents that a school district will develop.**

The district's spending plan is based on its educational and operational needs, and the amount of revenues that are available. How a district moves from drafting to adopting its budget includes a series of key decisions, so it's important to understand the process and the timeline.

### **Budget cycle**

Like the state, school districts' fiscal years operate from July to June. As required by law, school districts must pass a budget by June 30 each year. This requires a lot of planning and even some estimation since the deadline coincides with the state budget deadline – school districts do not yet know their allocation from the state when they must develop and pass a budget.

The budget cycle includes planning, preparation, adoption, implementation and monitoring, and evaluation. This five-step process spans the course of three years: planning, preparation and adoption in the year prior to a budget's effective date, implementation and adoption when the current budget year is underway, and



evaluation in the months following budget closeout in June. As such, school district budget years overlap and in the fall, school districts are managing aspects of three budget years simultaneously. This continuous budget cycle flows as follows:

BUDGET YEARS	ACTIVE MONTHS											
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Estimating for Year 3												
(Next year)	Preliminary budgets must be completed in January with constant review thereafter											
Accounting for and projecting Year 2												
(Current Year)	District fiscal years operate from July to June											
Close out activities Year 1												
(Prior Year)	Audit reports must be completed by December 31											

School districts have legally mandated deadlines within the planning year to allow for proper, transparent planning and public comment. Advertising the budget and public hearings are a key part of the budget development process.

However, the major difficulty for school boards is that the school district budget deadline is the same date as the state budget deadline. Therefore, school boards must analyze last year’s revenues, estimate local tax effort projections, and estimate expected contributions from the state. They make estimations on several unpredictable variables in order to develop each annual budget. Many districts need to revise their budgets in the months following the passage of the final state budget, which makes the work of school district budgeting especially difficult.

### Act 1 exceptions and limitations

Act 1 of 2006, the Taxpayer Relief Act, limits school boards’ power to raise real estate taxes. School districts must keep local tax increases within the Act 1 Index unless they file and are approved for an exception by the Pennsylvania Department of Education (PDE). As a result, absent increases in state funding, school boards are often forced to develop “resource-driven” budgets, meaning available revenues determine and define what programs school districts can offer or continue. Other limitations of Act 1 include the short list of allowed exceptions and that the index calculation allows for higher local taxation in poorer school districts – the very districts whose residents cannot afford higher taxes.

### Mandates impact school district budgets

Many school districts are forced to confront difficult choices as they face the financial pressures from increases in mandated costs. The challenge of developing resource-driven budgeting, and complying with numerous state and federal mandates that are often unfunded or underfunded, limits school boards’ ability to shave away portions of the budget as would be required using resource-driven budgeting.



Mandates are cost drivers that impact district budgets. School districts generally have only 10-15% of each annual budget that is discretionary spending. The rest of the 85-90% is eaten up by costs over which the school district has little or no control. This small proportion of budget flexibility combined with unpredictable contributions from the state exacerbate education budgeting issues. School boards work to carefully craft an efficient budget that balances the needs of students and local taxpayers. Meaningful relief from the mandates consuming much of their budgets would be a welcome and critical step toward improving public education in Pennsylvania.

### **Partners in the process**

Adopting an annual budget is one of the most significant functions of the school board. As state government and local school districts are partners in funding public schools, it is important for legislators to understand the budgeting process. Public education needs the support of the General Assembly and a continuing dialogue between legislators and school leaders is essential.

Legislators are encouraged to visit their public schools to learn more about what it takes to provide all the components of a successful educational experience. School leaders are the connection between their students and the policymakers whose decisions reach from the halls of the Capitol to the classrooms. PSBA can help make those visits and connections happen and is a resource when it comes to understanding the school district budgeting process.

The *Show Them What It Takes* project is happening in districts across the state. It's easy to arrange! Visits can be in person or virtual and are set up through one of PSBA's Advocacy Ambassadors, who contact the legislators and help coordinate the events with the district administrators.

See page four for a complete listing of the 2023 budget deadlines.



## Deadline Date

## School District Must:

<p><b>January 26, 2023</b> <i>(110 days prior to primary election)</i></p>	<p>Make 2023-24 proposed preliminary budget available for public inspection or adopt resolution indicating that it will not raise the rate of any tax by more than its index.</p>
<p><b>January 31, 2023</b> <i>(Five days after resolution adoption)</i></p>	<p>Submit a copy of resolution adopted pursuant to 311(d)(1) and proposed tax rate increases to PDE.</p>
<p><b>February 5, 2023</b> <i>(10 days prior to preliminary budget adoption deadline)</i></p>	<p>Give public notice of the intent to adopt the 2023-24 preliminary budget unless resolution was adopted under Section 311(d)(1) indicating that it will not raise the rate of any tax by more than its index.</p>
<p><b>February 15, 2023</b> <i>(90 days prior to primary election)</i></p>	<p>Adopt the 2023-24 preliminary budget unless resolution adopted under Section 311(d)(1).</p>
<p><b>February 20, 2023</b> <i>(85 days prior to primary election)</i></p>	<p>Submit 2023-24 preliminary budget containing proposed tax rate increases to PDE.</p>
<p><b>February 23, 2023</b> <i>(One week prior to filing of request for referendum exception)</i></p>	<p>Publish notice in newspaper of intent to request approval from PDE for a referendum exception.</p>
<p><b>March 2, 2023</b> <i>(75 days prior to primary election)</i></p>	<p>Seek approval from PDE for referendum exceptions requiring their approval.</p>
<p><b>March 17, 2023</b> <i>(60 days prior to primary election)</i></p>	<p>Submit referendum question seeking voter approval of tax rate increase in excess of index to the county board of elections.</p>
<p><b>No later than May 31, 2023</b> <i>(optional action)</i></p>	<p>Adopt resolution rejecting 2023-24 property tax allocation. This action can only occur if the PDE has notified school districts by May 1, 2023, that there are enough funds in the Property Tax Relief Fund to make a distribution to school districts in 2023-24. (This action applies only if a school district has not rejected a previous state property tax allocation.)</p>
<p><b>No later than May 31, 2023</b></p>	<p>Adopt 2023-24 proposed final budget and mail to PDE.</p>
<p><b>June 5, 2023</b></p>	<p>Submit copy of resolution (if adopted) rejecting 2023-24 property tax allocation to PDE. (See May 31, 2023)</p>
<p><b>June 10, 2023</b> <i>(20 days prior to final budget adoption deadline)</i></p>	<p>Make 2023-24 proposed final budget available for public inspection on PDE.</p>
<p><b>June 20, 2023</b> <i>(10 days prior to final budget adoption deadline)</i></p>	<p>Offer public notice of its intent to adopt the 2023-24 final budget.</p>
<p><b>June 30, 2023</b> <i>(annual deadline)</i></p>	<p>Adopt the 2023-24 final budget.</p>
<p><b>July 15, 2023</b> <i>(annual deadline)</i></p>	<p>Submit 2023-24 final budget to PDE.</p>