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## A Study of the Purposes, Basic Processes, and Criteria Involved in Setting up an Effective School Budget

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A STUDY OF THE PURPOSES, BASIC PROCESSES,  
AND CRITERIA INVOLVED IN SETTING UP  
AN EFFECTIVE SCHOOL BUDGET

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A Research Paper  
Presented to  
the Graduate Faculty  
Central Washington State College

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In Partial Fulfillment  
of the Requirements for the Degree  
Master of Education

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by  
James D. Storie

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THIS PAPER IS APPROVED AS MEETING  
THE PLAN 2 REQUIREMENT FOR THE  
COMPLETION OF A RESEARCH PAPER

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Ernest L. Muzzall  
FOR THE GRADUATE FACULTY

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## CHAPTER I

### INTRODUCTION

#### I. STATEMENT OF THE PROBLEM

As the title indicates, this paper will attempt to set forth the purposes, basic processes, and criteria involved in setting up an effective school budget.

#### II. LIMITATIONS OF THE PROBLEM

The writer found an almost unlimited number of resource materials regarding the processes and criteria for preparing a school budget, but most of them presented the same ideas. The area of budget-making, being extremely limited by the laws of the State of Washington, follows a rigid pattern of development.

The writer is also somewhat limited by his experience. He has taught in the junior high school for three years and has never been involved in the process of budget making beyond making budget requests to his principal. The study is somewhat further limited by the length of time available.

### III. DEFINITION OF TERMS

Budget. A budget is a systematized statement which forecasts the expenditures and revenue of an individual, an organization, or an institution during a given period of time. A well-formulated school budget consists of three parts: an educational plan, an expenditure plan, and a revenue plan. In school affairs the budget period is always one year. "This year is known as the fiscal year which in most states extends from July 1 to June 30, and, the dates of its beginning and ending are prescribed by statute" (12:359).

First-class districts. A first-class district in Washington is defined as a district having 10,000 people living within its boundaries (15:82).

Second-class districts. This includes any other school district in Washington containing an incorporated city or an area of one square mile with a population of at least 300 or maintaining a fully accredited high school. All other districts shall be districts of third class (15:82).

## CHAPTER II

### THE BUDGET

#### I. HISTORY

Budgeting originated in business and industry and spread finally to schools (8:346). Practically all of the fifty states now require a budget of some form or other, the purpose being to better manage the expenditures of the school districts (8:346).

Budgeting in public schools is an extremely new process of handling funds. Washington, one of the pioneers in budgeting, adopted a comprehensive state budgeting system in 1915 (8:157). One of the first studies of budgeting procedures was made by Twente in 1922 (8:346). He found that budgetary practices in public schools were undeveloped and non-standardized. DeYoung, in 1932, made a more extensive study of the same type. He found more uniformity in budgeting procedures required by the various states. Chase and Morphet, in 1947-1948, found that school officials were fully responsible for budgeting practices in thirty-one states (8:347).

"The school budget is the most important single document which any school system has" (11:96). It expresses the plan and



program. It is the expression of the school's policies in operation. There are four important phases of work in connection with the budget: its planning and making; its presentation, involving understanding of the whole and its several parts by the school board, staff, and citizens; its acceptance and adoption by the school board, which makes it the legal instrument of the school system; and its actual operation over the period of time it covers (11:96).

The budget gives educational objectives a monetary value. The superintendent and school board must distribute the money where it will do the most good for the greatest number of students. The budget, then, is actually a tool in the building of a school program and cannot be overlooked. The Encyclopedia of Educational Research quotes Simpson and Lake as saying:

Some trends in budget-making over the past fifty years are: (a) greater participation of lay professional groups, (b) growing importance of the leadership role of the superintendent, (c) responsibility for initiating budgetary planning being given to a single educational authority other than the finance officer who may or may not be subordinate to the superintendent, (d) growing recognition of the importance of long-term planning as opposed to a one-year or short-term basis, and (e) less emphasis on the mechanical aspects and more concern with the budget as an expression of social needs of the nation (6:164).

## II. LIMITATIONS

The budget, based upon estimates of available facts, will require some modification as the year progresses. Although the educational program and its associated financial plan set goals to be attained, both have been anticipated in advance and will require change in view of further knowledge and unforeseen conditions. An administrator who plans on a balance at the end of the year or one who mismanages the funds in any other way is defeating the purpose of the budget.

To help maintain a successful budget, a listing of some of its limitations as presented by Engelhardt and Engelhardt follows (3:552-53).

1. The budget is not a watchdog of the treasury.
2. The budget cannot be substituted for good administration.
3. The budget will be as good as the executive makes it.
4. The budget improves as the administration improves.
5. The budget should not be discarded because of failure to use it advantageously.
6. Responsibility should not be placed on the budget.
7. The budget should not be followed blindly.
8. Judgment should be used. Remember the budget is based on estimate.

9. The budget should not be allowed to run the school and to kill initiative.
10. Remember the budget is to good administration what bookkeeping is to good accounting.

### III. DEVELOPMENT OF A SCHOOL BUDGET FOR FIRST-CLASS DISTRICTS IN WASHINGTON

The State Division of Municipal Corporations provides the necessary budget forms for first-class districts. It also determines the classification within the budget, the expenditures to be included in each classification, and the accounting and cost systems to be used (15:114).

Directors of each school district prepare a preliminary budget for the ensuing fiscal year on or before April 2 in each year. Immediately following the completion of the preliminary budget, the board of directors publish a notice that they have completed and filed the budget with the school district clerk. Any taxpayer may examine it at this time by calling on the clerk. On the first Friday in May, the board of directors meet for the purpose of fixing and adopting the budget for the ensuing fiscal year.

A notice of this meeting designating the time, place, and stating that any taxpayer may at this time be heard must be circulated.

The board examines the budget in detail and adopts the budget item by item. On the first Monday in October, the board will meet to make any revisions brought forth by enrollment requirements. Again taxpayers may voice their opinions on such revisions. "On or before the first Wednesday following the first Monday in October the board must file a copy of the budget with the board of county commissioners and send a copy to the State Division of Municipal Corporations" (15:114).

Budget appropriations lapse at the end of the fiscal year, but the accounts remain open for a short time to pay late claims.

#### IV. SECOND AND THIRD-CLASS DISTRICT BUDGETS

Detailed budget forms are sent to each district by the Superintendent of Public Instruction, who determines the schedule to be followed. A public hearing must be held after the budget has been drawn up. The board then approves or revises the budget before it is sent to the county superintendent. The budget must be filed in the county superintendent's office before August first for revision and review by the county reviewing committee (15:115).

The budget is then examined by the reviewing committee and any taxpayer who wishes may be heard. The amount of the budget

is now fixed by this committee. Copies of the budget will be filed with the County Superintendent, the Superintendent of Public Instruction, and the County Auditor for the Board of County Commissioners on or before the Friday following the election at which special taxes are voted (15:115).

## V. FUNCTIONS

The budget serves many practical purposes. A few of these as stated by DeYoung are (1:Ch. I):

1. The budget serves as an instrument of education. When properly used the budget serves as a tool in improving our schools.
2. It gives a detailed schedule of the educational, financing, and expenditure plans in their cost roles.
3. It aids in the examination of both the existing and newly proposed educational programs.
4. The faculty, business managers and administration can better understand the problems related to the educational requirements and finances with the aid of a good budget.
5. In cases where the public is involved in the preparation of a good school budget a great deal of confidence can be obtained by them.
6. The administration is more likely to look for more sources of revenue when they can see a detailed schedule of estimations of receipts.
7. The accounting system is controlled somewhat by the budget, encouraging wise spending. This measure promotes

both economy and efficiency of the system.

8. Improvement of accounting procedures is encouraged by classifying expenditures.
9. Control of extra-curricular activities is brought to light through proper utilization of the budget.
10. The educational aims and objectives are forecast, through a long range program, into the future.

Many more practical services can be seen by working with and studying the budget form itself.

## VI. BUDGETARY CYCLE

The budget uses past experiences to project the educational objectives and aims into the distant future, but it is broken down into yearly segments for practical utilization. Although taxes are levied each year and the spending program in governmental business is usually approved for a twelve-months' period in advance, the budget has falsely been looked upon as an annual transaction. Building operations and maintenance are extended over a long period of time, but payment of this indebtedness is included in the yearly budget.

Engelhardt and Engelhardt (3:510) agree that "budgetary control is impossible without considering past performance, present conditions and future possibilities, and hence has been considered as having a cyclic movement."

The true cycle that appears is that the budget is estimated on previous expenditures, is operating on the present, and the future is being determined.

## VII. STANDARDS ESSENTIAL TO BUDGETARY CONTROL

The budget controls such items as standards for service requirements such as salaries, for services rendered, quantity and quality of material items purchased, and for plant needs. The more accuracy obtained in these areas the more valuable the estimates will be. As the accuracy of the budget improves, educational objectives can be met more closely. Before the standards can be met, though, the lay public must determine how much tax revenue they are willing to contribute, the major changes in the educational objectives and program, and the building that is to be done. Rosenstengel and Eastmond (14:178) say that "budget making involves both legislative and executive functions."

The actual preparation of the budget is arranged in three steps: the development of the educational aims and objectives, interpreting the educational objectives into expenditures, and determining the sources of revenue (8:352).

Engelhardt and Engelhardt state the following in regard to

budgetary control:

Basic to an intelligent budgetary control are standards for service requirements and production; for service and material payments; for consumption, quality, and use of materials and supplies; and for plant needs. The more accurate the unit of measure for each of these elements, the more valuable and reliable the estimates of need will be and the more efficient and extended will be the service rendered by the schools (3:509).

Educational plan. The educational program of the budget shows the community the scope of the school program proposed for the ensuing year and is the basis for the expenditure and financing programs. The educational specifications reflect the policies of education in the community; they are based on past experience and project the plan into the future.

Rosenstengel and Eastman state that the kind and extent of education to be provided is determined by answering such questions as (14:179):

1. What should be the purpose of education?
2. What are the special community needs to be met during the year?
3. What is the best type of school organization for the particular community?
4. What should be the upper and lower limits of free education in the community?
5. What should be the supervisory program?



6. What should be the inservice training program for teachers and other employees?
7. What should be the qualifications of the teachers?
8. What should be the salary schedule?
9. What should be the policy pertaining to financing co-curricular activities?
10. What should be the policy on furnishing books, supplies, and materials free to pupils?
11. What should be the teacher-pupil ratio?
12. What should be the kind of school plants constructed?

Numerous questions of this type need to be answered by the parents, patrons, teachers, pupils, school board members, and administrators as the basis upon which the educational program is built.

Expenditure plan. The educational plan must be translated into an expenditure plan. The quality realized from the educational plan is determined in part by the efficiency of the expenditure estimates. The expenditure estimates must balance with the estimated income. Estimating expenditures is an extremely complicated process and every known aid should be used.

Administrators translate specifications into expenditures by either the lump-sum or detailed analysis method. The detailed analysis method, more difficult to prepare, is used by those administrators who

try to make the budget a sound educational instrument (14:180).

Accurate expenditure estimates are accomplished through analysis of past costs in relation to present needs. The accounting ledgers should contain past records of everything that has been purchased.

Staff members make requests for needed equipment on two levels, the minimum and desirable. The minimum is the actual needs for maintaining the program and the desired would include everything for improvement beyond the minimum standards of the department (14:181). These requests are then translated into minimum and desirable expenditures in the preliminary budget. Rosenstengel says that two columns of expenditures, minimum and desirable, would give the board a better view of the expenditures required to maintain the program or to improve it (14:183).

The use of a file to keep budget information through the year has been found quite valuable by administrators. Information on such things as costs, insurance premiums, individual requests, and costs of various items are kept to help in the process of estimating expenditures (14:183).

"The administrator will save time in preparing the budget if he plans some organization for recording the estimated expenditures as he collects his data" (14:183). A worksheet showing the expenditures

for the past two or three years and the current budget with its minimum and desirable requests is recommended. This information will give the administrator a rough draft of proposed expenditures. He will then make comparisons with the historical data to arrive at the estimates for the final draft (14:183).

Each part of the school system should get its fair and just proportion of the expenditures. That is to say, in order to carry on the program as effectively as possible, one area cannot be neglected when money for new materials is distributed. Comparisons are usually made with previous years to determine the cost of operation. Comparisons to neighboring schools of comparable size can also be made to determine a relationship between what the schools are offering so that improvements can be made.

## VIII. FINANCIAL PLAN

The third part of the budget is financing. Too often the budget is determined by set amounts of income for the school district. The recommended solution, however, is to develop the educational program and then determine the amount of money needed to operate this program (14:185).

Although the sources of revenue for support of education come from federal, state, county, and local sources, the proportions

vary greatly from state to state. The older schools were dependent upon local sources for revenue, but as the population became more urban the revenues too were moving to the urban communities. The local revenue resources became so unequal between communities that the state stepped in with equalization to insure minimum standards of education. There has been a tendency to increase the amount of state aid for equalization of districts in Washington.

According to the Research Department of W. E. A. pamphlet, "Let's Figure Our School District's Revenues," for the biennium 1961-1963 the school dollar for the average Washington district will come from these sources: State funds 66 per cent, Local taxes 20 per cent, Miscellaneous funds 6 per cent, Federal funds 5 per cent, and County funds 3 per cent (18:1).

The present formula for collecting funds, as presented by the Research Department of W. E. A., is as follows (18:1):

Local taxes

Valuation times regular levy (14 mills)

Valuation times special levy (if any)

County funds

Attendance times 17 cents

State funds

Elementary attendance times 51 1/2 cents

Transportation (60 per cent of costs)

Equalization

Educational units times \$2852.57 (1962-1963)

Federal funds

Vocational

Federal M. and O. (P. L. 874)

National Defense Education Act

Federal forest funds

Other (Indian education, milk, school lunch)

Non Tax Revenues

Student fees

Tuition

Investment earnings

Other

Non Revenue Receipts

Lunchroom

Insurance adjustments

Fines

Refunds

Sale of supplies

Other

Ideally, the income should cover the cost of everything that has been proposed in the educational program. Unfortunately, however, many times the educational program must be revised somewhat to balance with the revenues.

The administrator must now figure the total revenue and determine whether this will cover adequately the expenditures. When the budget is completed, it will represent an equilateral triangle with educational objectives as the base and expenditure and financial plans representing the other two sides holding the triangle together (14:178). The administrator now presents the budget to the school board for approval.

## CHAPTER III

### SUMMARY

Constructing an effective school budget includes three sets of criteria. First is the educational plan. Within this plan is reflected the philosophy and educational objectives in terms of the children's needs. This is to say, the amount of, kinds, and length of education must be determined.

Secondly, there is the expenditure plan. The educational objectives must be translated into expenditures to determine the cost of educating the children. The expenditures are determined primarily by studying old budgets, translating them into present costs, and determining the expenses of additional materials and services.

Thirdly, there is the financial plan. After the educational objectives have been translated into expenditure figures, the sources of income to cover these costs must be determined. Basically, the revenue comes from local taxes, county, miscellaneous, and federal and state funds. The amount from each source varies greatly, and there is a great deal of variance between districts.

When the finances balance with the expenditures and the expenditures meet the needs of the educational objectives, the budget

should prove to be instrumental in the adequate education of the children.

The budget, then, is a tool in the hands of school administrators, who must use this tool wisely so that educational objectives will become a reality.



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