

Education Finance Glossary

Understanding the complex lexicon of terms related to education finance can be overwhelming. This glossary includes essential vocabulary terms and definitions to help you confidently articulate and communicate about school finance.

A

Account: A descriptive heading that lists recorded financial transactions that are similar in terms of a given frame of reference, such as function, object, or source.

ADA: Average Daily Attendance

ADM: Average Daily Membership

Allocation: Dollars that are directed to schools or students based on a variety of factors, including student need and enrollment

Associated Student Body (ASB) Funds: One name for money earned/spent (usually in cash) from school-based student activities. For example, this may include PTA/PTO fundraisers, after-school sports/clubs, school dances or BBQs, concessions at a football game, etc.

B

Bond: James. Also, a way to finance construction and other capital projects. Bonds must be approved by taxpayers through ballot measures in local elections and usually involve long-term debt financing.

Budget: The total amount of money available to be planned for each fiscal year. Budgets at the district level are a combination of state, federal, and local funding sources. Budgets at the school level are a combination of allocations from the district.

C

Capital Projects: Investments in buildings and infrastructure. These are typically funded through a bond or other one-time funds and budgeted for separately from the general fund.

Categorical Aid: Financial support from state and federal governments targeted for particular categories of students, special programs, or special purposes.

Chart of Accounts: The structure and logic for accounting codes, which organize dollars by funding source, cost center, function, and other relevant information segments.

We refer to the Chart of Accounts as both the logic for how each segment fits together, and the structure and hierarchies within a segment (for example, Locations -> High Schools = 100 -> JFK High School = 101)

Coding: A system of numbering, or otherwise designating, accounts, entries, invoices, vouchers, etc., in such a manner that the symbol used quickly reveals specific required information.

Cost Center: The department or other units (often schools) within the district to which costs may be charged for accounting purposes.



D

Debt Service: Loan repayments, typically budgeted for separately from the general fund.

Discretionary: Dollars that a school principal or department head has complete autonomy over and can use as they deem best.

E

Encumbrance: Purchase orders, contracts, salaries or other commitments which are chargeable to an appropriation and for which a part of the appropriation is designated. They cease to be encumbrances when paid, when an actual liability is established, or at the end of the budget year. An encumbrance may be re-established in the subsequent year's budget.

English Language Learners (ELL, ESL): Students for whom English is not their native language. These students typically require supplemental English as a Second Language (ESL) certified support staff and are required to take additional ESL assessments.

Enrollment: The total number of students. This may refer to the total student population in the district, the total student population in a school, or a sub-group of the student population, such as special education.

ESEA: Elementary and Secondary Education Act. A significant piece of legislation reauthorized every five years at the federal level that guides federal policy around K-12 education. Each authorization may have a separate, more popular, name (No Child Left Behind, Race to the Top, ESSA, etc.)

ESSA: Every Student Succeeds Act. The latest (2015) reauthorization of ESEA. Especially relevant to our work, it includes provisions related to equity and finance, such as around reporting per-pupil spending.

Expenditure: The dollars actually spent (as opposed to planned) at a school or district. These should consistently be compared to total funding (revenue) and the annual plan for spending (budget).

F

Fiscal Year (FY): The annual period for an operating budget. The most common school district fiscal year runs from July 1 to June 30 and is named for the closing calendar year. For example, July 1, 2018-June 30, 2019 is referred to as Fiscal Year 2019, often abbreviated FY19.

Free or Reduced Price Lunch (FRPL): An indicator of poverty; students qualify for Free or Reduced Price Lunch when their family income falls below a standard poverty level. FRPL is a metric used to calculate how much Title I funding a district receives.

FTE (Full-Time Equivalent): Often misunderstood to mean Full-Time Employees, in school finance FTE stands for Full-Time Equivalent. Regarding the people employed at a district, it is the ratio a person works out of the 40 possible hours in a workweek. Someone working 60 hours a week would be 1.5 FTE, and someone working 10 hours a week would be .25 FTE. In reference to higher education, FTE relates to a student's class load, where full time may be 14 hours of classwork per week and a student enrolled ½ time would be considered .5 FTE.

Fund Balance: The amount of money a school district has, typically held in cash or cash equivalents, that is not meant for spending in the current fiscal year. These are sometimes called "rainy day" funds or contingency funds. Some states have restrictions on the allowable size of a fund balance that

require districts to ensure they are spending their revenue on current students. However, it is generally seen as good financial management to maintain a fund balance that can offset economic slow downs that result in loss of revenue and ensure a positive cash flow balance in case revenue receipts are not received in a timely fashion.

Funding Formulas: A customized combination of enrollment and staffing ratios and/or student-based funding weights to calculate funding allocations to districts or schools. Funding formulas are generally intended to make funding fair and equitable based on the student needs.

Funding Source: Where revenue dollars originate. Some common funding sources are federal grants related to legislation such as the Individuals with Disabilities Education Act, state tax revenue like state lottery proceeds, and local tax receipts, primarily from property taxes.

G

General Fund: The unrestricted operating budget for the year, primarily including state and local revenue. *Note: these dollars are unrestricted because the district chooses how to spend these dollars, with no specific external restrictions.*

Governmental Fund: A classification of funds which include the General Fund, Special Revenue Funds, Debt Service Fund, Permanent Funds, and Capital Project Funds.

I

Interfund Transfers: Permanent transfers from one account to another account within the same fund.

L

LEA: Local Education Agency. The local unit of school administration, such as a school district or a charter organization.

Levy: The total of taxes or special assessments imposed by a governmental unit. Also the act of imposing taxes or special assessment.

Limited English Proficient (LEP): A student who has a language background other than English, and the proficiency in English is such that the probability of the student's academic success in an English-only classroom is below that of an academically successful peer with an English language background. There is typically special weighting (additional funds) for Limited English Proficient students.

M

Mill: A rate used in calculating property taxes expressed in units of one-tenth of one cent or 0.001 of one dollar, instead of reporting tax levies in terms of millage.

P

Per-Pupil Expenditures: The dollars a school district *spends* in one fiscal year divided by the number of students the district is responsible for educating. This differs from per-pupil revenue because districts can contribute and withdraw money from “rainy day” funds (see Fund Balance) so revenues will not always reflect expenditures. The Every Student Succeeds Act requires that districts report per-pupil actual expenditures at the school level broken down by federal and state and local fund sources.

Per-Pupil Revenue: The dollars a school district *receives* from all funding sources in one fiscal year divided by the number of students the district is responsible for educating.

Position Control: The act of planning for the salary and benefits of employees at a district to be sure that the district can afford the employees they expect to pay.

R

Restricted Fund: State or federal allocations with restrictions on who or what money can be spent. For example, some dollars may be restricted for spending on low-income students or certain types of resources, such as literacy materials.

Revenue: The amount of money coming into the district from state and federal allocations and local tax dollars. Typically, revenue increases and decreases with enrollment.

S

Segment: (as it relates to chart of accounts) A piece of the account string that contributes meaning/ a definition of that account. Common examples are: Funds (denote the source of dollars), Object (denote what dollars are being spent on, such as salaries, benefits, supplies), Locations (denote the locations

where dollars are spent), Cost Centers (denotes who holds and controls the dollars), Projects (denotes if money is targeted at a specific project), and Functions (denotes why resources are spent, such as instruction, support staff, etc)

Site- or School-Based Management (SBM): A system by which some level of autonomy is given to site leaders (e.g., principal, teachers, community) in the budgeting process. This autonomy is not reliant on the former two movements.

Special Education (SPED): Students who qualify for targeted funding and services under the Individuals with Disabilities in Education Act (IDEA).

Student Activities Fund: Another name for money earned/spent (usually in cash) from school-based student activities. For example, this may include PTA/PTO fundraisers, after-school sports/clubs, school dances or BBQs, concessions at a football game, etc.

Student-Based Budgeting (SBB): A system in which the funding available to a school is based on the overall enrollment of the school. In its simplest form it is an assigned dollar per-pupil multiplied by enrollment to determine a total budget allocation.

T

Title I Funding: Federal dollars allocated to school districts based on the number of low-income (defined as qualifying for Free or Reduced Priced Lunch) students in the district. These are often highly restricted funds.

W

Weighted Student Funding (WSF): A student-based funding system by which individual students, based on their characteristics (e.g., low income, ELL, or SPED status), are given additional funding in the form of a “weight,” suggesting they need a percent of funding over the base level of funding. For example, a low-income student may have a weight of .4, meaning the funding for that student will be 1.4 times the base level of funding.



Now that you can talk the talk, it's time to walk the walk.

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