

## **INFORMATION TO USERS**

**This manuscript has been reproduced from the microfilm master. UMI films the text directly from the original or copy submitted. Thus, some thesis and dissertation copies are in typewriter face, while others may be from any type of computer printer.**

**The quality of this reproduction is dependent upon the quality of the copy submitted. Broken or indistinct print, colored or poor quality illustrations and photographs, print bleedthrough, substandard margins, and improper alignment can adversely affect reproduction.**

**In the unlikely event that the author did not send UMI a complete manuscript and there are missing pages, these will be noted. Also, if unauthorized copyright material had to be removed, a note will indicate the deletion.**

**Oversize materials (e.g., maps, drawings, charts) are reproduced by sectioning the original, beginning at the upper left-hand corner and continuing from left to right in equal sections with small overlaps. Each original is also photographed in one exposure and is included in reduced form at the back of the book.**

**Photographs included in the original manuscript have been reproduced xerographically in this copy. Higher quality 6" x 9" black and white photographic prints are available for any photographs or illustrations appearing in this copy for an additional charge. Contact UMI directly to order.**



University Microfilms International  
A Bell & Howell Information Company  
300 North Zeeb Road, Ann Arbor, MI 48106-1346 USA  
313/761-4700 800/521-0600



**Order Number 9431314**

**Budgetary decision-making in Michigan school districts: A  
comparative study**

Sielke, Catherine C., Ph.D.

Michigan State University, 1994

**Copyright ©1994 by Sielke, Catherine C. All rights reserved.**

**U·M·I**

300 N. Zeeb Rd.  
Ann Arbor, MI 48106





BUDGETARY DECISION-MAKING IN MICHIGAN SCHOOL DISTRICTS:  
A COMPARATIVE CASE STUDY

By

Catherine C. Sielke

A DISSERTATION

Submitted to  
Michigan State University  
in partial fulfillment of the requirements  
for the degree of

DOCTOR OF PHILOSOPHY

Department of Educational Administration

1994

## ABSTRACT

### BUDGETARY DECISION-MAKING IN MICHIGAN SCHOOL DISTRICTS: A COMPARATIVE CASE STUDY

By

Catherine C. Sielke

Reliance on property taxes is a persistent educational issue. In Michigan, a power equalizing formula has brought some equity to school districts. However, the State has been unable to fund the formula at an appropriate level, so the disparities have grown. Delays in timely passage of the annual State Aid Act have created revenue uncertainties. Research conducted in public organizations other than school districts has shown that the amount of wealth and the certainty of that wealth affects the decision-making processes. Organizations with greater wealth and greater certainty of wealth are more likely to engage in rational decision-making; those with less wealth and less certainty of wealth are more likely to engage in garbage can decision-making. Incremental decision-making is most often used by organizations with resources between these two extremes. This study investigated budgetary decision-making in four school districts representing different combinations of wealth/less wealth and certainty/less certainty. The specific characteristics that were examined were planning, linking goals to budgeting, evaluating past expenditures, reaching timely decisions, openness and inclusiveness, and vulnerability to the environment. Data were obtained through

interviews. Financial documents and board minutes were reviewed. Research clearly suggests that certainty of wealth has a greater impact on budgetary decision-making than does the amount of wealth. The districts with more certainty of wealth displayed those characteristics most closely associated with rational decision-making; the districts with less certainty of wealth displayed those characteristics most closely associated with garbage can decision-making. In the districts with revenue certainty, boards of education were in the background, the business official was highly visible, lines of authority were clear, and expectations were understood. Districts with revenue uncertainty had boards that were active while the business official was in the background, lines of authority unclear, and expectations were not understood. Research suggests that certainty of revenues is more important than wealth.

Copyright by  
CATHERINE C. SIELKE  
1994

## ACKNOWLEDGMENTS

I owe a debt of gratitude to the many people who had a part in this dissertation. There are some people who made special contributions. I would like to thank my guidance committee, Drs. Ellen Kossek, Gary Sykes, and Suzanne Wilson, for their many helpful suggestions. I especially thank my committee chairperson and advisor, Dr. Philip Cusick, for his encouragement, his suggestions, his time, his helpful criticisms, and his friendship.

On a more personal note, I wish to thank my family, especially my son, Jeffrey, and my husband, for their love, support, encouragement, and patience. I especially thank my husband, Malcolm, for his computer expertise and skills, his unwavering support and encouragement, his patience, and most of all, for his unselfishness. Thank you.

## TABLE OF CONTENTS

	Page
LIST OF TABLES . . . . .	ix
LIST OF FIGURES. . . . .	x
CHAPTER I. INTRODUCTION AND PURPOSE OF THE STUDY. .	1
The Background. . . . .	1
The Property Tax . . . . .	1
The Property Tax, Local Control and School District Funding. . . . .	3
The Property Tax and Unequal Funding	4
Attempts to Equalize Funding . . . . .	5
The Michigan Experience. . . . .	8
Uncertainty of Wealth. . . . .	10
Theoretical Framework . . . . .	13
Decision-Making Theory and Budgeting Theory . . . . .	13
Organizational Decision-Making and Wealth . . . . .	15
Purpose and Research Questions. . . . .	17
Methodology . . . . .	21
Pilot Study . . . . .	24
Significance of the Study . . . . .	28
CHAPTER II. REVIEW OF THE LITERATURE . . . . .	30
Decision-Making Theory . . . . .	30
Rational Decision-Making Theory. . .	30
Incremental Decision-Making Theory .	34
Garbage Can Decision-Making Theory .	36
Budgeting Theory. . . . .	39
Definition of a Budget . . . . .	39
Characteristics of Public Budgets. .	40
Budgetary Decision-Making. . . . .	42
Rational Budgeting . . . . .	46
Incremental Budgeting. . . . .	51
The Effects of Wealth and the Garbage Can Model of Budgeting . . . . .	57
Chapter Summary . . . . .	65

III. METHODOLOGY. . . . .	66
Introduction. . . . .	66
Theoretical Framework . . . . .	66
Selection of the School Districts . . . . .	70
Data Collection . . . . .	71
Validity. . . . .	73
Reliability . . . . .	75
Field Procedures. . . . .	76
Data Analysis . . . . .	78
Chapter Summary . . . . .	79
IV. PRESENTATION AND ANALYSIS OF DATA. . . . .	81
District A. . . . .	82
The Setting. . . . .	82
The Principals and Special Education	
Director . . . . .	84
Board Member and Teacher . . . . .	96
Central Office Administrators. . . . .	99
Document and Observation Data. . . . .	108
Analysis of the Findings . . . . .	115
District B. . . . .	122
The Setting. . . . .	122
The Principals . . . . .	125
The Directors. . . . .	136
Board Member and Teacher . . . . .	142
Central Office Administrators. . . . .	146
Document and Observation Data. . . . .	155
Analysis of the Findings . . . . .	162
District C. . . . .	170
The Setting. . . . .	170
The Principals and Community	
Education Director . . . . .	173
Board Member and Central Office	
Administrators . . . . .	182
Document and Observation Data. . . . .	192
Analysis of Findings . . . . .	199
District D. . . . .	205
The Setting. . . . .	206
The Principals and Special Education	
Director . . . . .	207
Transportation and Maintenance	
Directors. . . . .	218
Board Member and Teacher . . . . .	219
Central Office Administrators. . . . .	224
Document and Observation Data. . . . .	231
Analysis of Findings . . . . .	239
Across District Analysis. . . . .	245
Revenue. . . . .	246
Process. . . . .	251
Expenditure. . . . .	259
Balance and Implementation . . . . .	261

V. FINDINGS AND CONCLUSIONS . . . . .	264
---------------------------------------	-----

Reviewing the Research Questions. . . . .	265
General Findings. . . . .	275
The Conclusion. . . . .	278
Reflections on the Literature . . . . .	279
Further Reflections . . . . .	284
Suggestions and Recommendations . . . . .	289

#### APPENDICES

A. DISTRICT A'S FINANCIAL DATA. . . . .	291
B. DISTRICT B'S FINANCIAL DATA. . . . .	295
C. DISTRICT C'S FINANCIAL DATA. . . . .	299
D. DISTRICT D'S FINANCIAL DATA. . . . .	303
E. INTERVIEW QUESTIONS. . . . .	307

LIST OF REFERENCES . . . . .	314
------------------------------	-----



## LIST OF TABLES

Table		Page
4.1	District A Expenditures. . . . .	110
4.2	District B Expenditures. . . . .	157
4.3	District C Expenditures. . . . .	193
4.4	District D Expenditures. . . . .	233
4.5	Revenue Comparison . . . . .	248
4.5	Expenditure Comparison . . . . .	260
A.1	District Profile . . . . .	291
A.2	1988-1992 Expenditures . . . . .	292
A.3	Budget to Actual Comparison. . . . .	294
B.1	District Profile . . . . .	295
B.2	1988-1992 Expenditures . . . . .	296
B.3	Budget to Actual Comparison. . . . .	298
C.1	District Profile . . . . .	299
C.2	1988-1992 Expenditures . . . . .	300
C.3	Budget to Actual Comparison. . . . .	302
D.1	District Profile . . . . .	303
D.2	1988-1992 Expenditures . . . . .	304
D.3	Budget to Actual Comparison. . . . .	306

## LIST OF FIGURES

Figure		Page
4.1	Budgeting Model for District A . . . . .	116
4.2	Budgeting Model for District B . . . . .	163
4.3	Budgeting Model for District C . . . . .	200
4.4	Budgeting Model for District D . . . . .	240
4.5	Composite Budgeting Model. . . . .	247
5.1	Districts' Decision-Making Characteristics .	274

## CHAPTER I

### INTRODUCTION AND PURPOSE OF THE STUDY

The purpose of the study was to describe and explain the differences in budgetary decision-making in school districts of varying wealth and varying certainty of wealth.

The background and theoretical framework will establish that: there is a property tax; there is a belief that the property tax is a form of local control; there is a heavy reliance on the property tax; there is an inequality in wealth due to the reliance on the property tax; there is uncertainty of wealth due to the reliance on and local control of the property tax; and there is some evidence that such inequalities of wealth and uncertainties in wealth result in different types of decision-making.

#### The Background

##### The Property Tax

Property taxes have existed in this country from its earliest beginnings. According to Jensen (1931) the first form of property tax levied on colonists was called a "quitrent" and was payable to the Crown. The quitrent was a

remnant from the feudal period in Europe when land was owned by a feudal lord and not by those who lived on and farmed it. In an agrarian society as we were in the 1700s and 1800s, one's property was a reflection of one's wealth. Therefore, farmers were taxed on the number and quality of their acreage. People who lived in towns were taxed on the size and value of their home.

During the early 1800s, state constitutions introduced the concepts of universality and uniformity. Universality meant that all property, both land and personal property, would be taxed. Uniformity meant that all property would be taxed at an **equal** rate. According to Renson, Benson, McClelland, and Thomson, (1965) the concepts of universality and uniformity in taxation were the most important contribution to the property tax by Americans. Benson et al. stated that universality and uniformity "were powerful tools in the widespread attempt to guarantee that the property tax be 'general' and 'equal' and truly reflect the American concept of democracy" (p.44).

Pennsylvania in 1873 was the first state to discard the uniformity principle when it began classifying land according to its usage for tax purposes. For example, some of the property classifications were residential, industrial, agricultural, and timberlands. Because each classification could have its own tax rate, property was no longer taxed uniformly. By the early 1900s, the classification movement

had spread throughout the United States, and methods of taxing property have remained unchanged.

The Property Tax, Local Control and School District Funding

Throughout its history, the property tax has remained a good, reliable source of revenue for operating schools and providing other local government services. According to Burrup, Brimley and Garfield (1988), Cline and Shannon (1983), and Jones (1985), the property tax has many advantages. The property tax is highly productive and more stable than other taxes as it is less dependent on the general state of the economy. The property tax is highly visible; the bill is sent directly to the property owner and is paid directly to the local taxing unit. The tax is easily collected by the local government, and its payment is not easily avoided. The property tax provides fiscal accountability as taxpayers can see a direct link between the payment of taxes and the provision of services such as education. The property tax allows the community to recapture for its own use some of the value it has created. Cline and Shannon refer to the property tax as the "sheet armor for local fiscal independence" (p.47). The property tax for schools, because it is regulated and controlled by local boards of education and approved by local citizens, extends the concept of local control which is cherished in this country. According to Burrup et al. (1988) local control means that people who live ". . . in small towns and neighborhoods can make their voices heard in determining

who shall be educated and by what process" (p 131). The ability to select school board members who set district policy and to vote for or against millage is highly valued.

#### The Property Tax and Unequal Funding

The property tax provides a major source of revenue for school districts. All property has an assessed value. In Michigan, property is usually assessed at 50% of its market value for the purposes of taxation. This value is called its State Equalized Value (SEV). Property equalization reduces the gap in property taxes paid by people who own homes of differing values in the same community. For example, without equalization, a person owning property with a market value of \$100,000 would owe \$100 per mill levied, while the person owning property with a market value of \$50,000 would owe \$50 per mill levied. With equalization at fifty per cent, however, the first property owner would owe only \$50 per mill, and the second property owner would owe \$25 per mill. The value of the property within a school district's boundaries is the district SEV. The district generates revenue by levying a tax rate, expressed in mills (1/1000 of a dollar), on the SEV. In a school district with a large tax base, each mill that is levied generates more dollars than can be generated in a district with a smaller tax base. For example, one mill levied on an SEV of \$100,000 will generate \$100; one mill levied on an SEV of \$1,000,000 will generate \$1,000. A district with an SEV of \$100,000 would have to levy 10 mills

to generate the same number of dollars that a district with an SEV of \$1,000,000 can generate with 1 mill. Therefore, a school district with a larger SEV has the ability to generate more funds for schools than a district with a smaller SEV. Because of differences in property wealth of school districts, the reliance on the property tax as a major source of school district revenue has created disparities in dollars available to districts to fund their educational programs.

So far, it has been established that there is a property tax; there is a belief that the property tax is a form of local control; there is a heavy reliance on property tax; and there is an inequality in wealth due to the reliance on the property tax. The inequality of taxable property wealth and the reliance on the property tax to finance school districts has created differences in funds available to different school districts. The next sections will establish that even though efforts have been made by states to equalize funding, inequalities still exist.

#### Attempts to Equalize Funding

Education, because it is not addressed in the United States Constitution, is a state responsibility. Prior to 1900, states provided funds to schools in several ways. According to Garms, Gutherie, and Pierce (1978) a common method of distributing funds was a flat grant based on pupil enrollment. This method favored city schools because they had more pupils. Rural districts had fewer pupils but often found

they had to hire more teachers on a per pupil basis, thereby increasing per pupil costs. According to Jones (1985) other states provided a matching grant based on a standard percentage of the dollars raised through the local property tax levy. Under this system a district that raised \$20,000 locally received an additional \$10,000 from the state, and a district that raised \$10,000 received \$5,000. Although both approaches gave local districts more dollars with which to fund their programs, neither the flat grant nor the matching grant attempted to equalize the number of dollars available in different schools district.

Cubberley, a pioneer in school finance, was the first to recognize and write about the problems associated with differences in wealth available to fund education in different school districts. In 1906 he stated that "the duty of the state is to secure for all as high a minimum of good instruction as possible" (p. 17). Cubberley suggested that states provide a flat grant to school districts based on the number of teachers employed and pupils in attendance. Although Cubberley, at the turn of the century, attempted to address the differences in city and rural schools, his proposal is not considered a solution to school district inequities. Cubberley did, however, focus attention on the concept that education is a state and local partnership and set the stage for the development of state school aid plans (Jones, 1985).



By 1970, approximately 55% of the revenues for school districts came from local sources; 45% came from state sources; and 5% came from federal sources (Burrup et al., 1988). Even though states were providing a large portion of the funding, great differences in the level of funding available to individual school districts still existed. In 1971, the California Supreme Court handed down a landmark decision in the **Serrano v Priest** case. The court found that the funding of schools in California violated the equal protection clause of the Constitution. At issue was the fact that disparities in funding existed between school districts. According to Burrup et al (1988) the court found that due to:

heavy reliance on property taxation, school districts with a low value of taxable property per child cannot levy taxes at high enough rates to compete with more affluent districts; in many instances they cannot even provide funds for a minimum program of education. (p. 146)

The court ruled that it did not matter whether or not the districts provided an adequate education. The issue was that unequal dollars violated the equal protection clause of the California Constitution because the disparities allowed some districts to offer a higher quality program than others. The court ordered a change in education funding in California. The decision opened the door for others to sue districts on the basis of inequitable funding and provided an incentive for states to evaluate their funding methods.

### The Michigan Experience

Prior to 1973, Michigan schools received state aid based on a Strayer-Haig formula (Caesar, McKerr & Phelps, 1974). This type of formula attempts to compensate for differences in school districts' tax bases by giving more state aid to those districts with lower SEVs. State aid was calculated using "a deductible millage formula which subtracted, from a specified foundation program or 'gross allowance,' the amount which a given number of mills would produce in each district" (p.3). The difference between the gross allowance and the amount raised locally was the state aid. In 1972-73, a school district levying 30 mills with a per pupil SEV of \$10,000 received \$300 from the local levy and \$515 from the state for a total of \$815 per pupil. On the other hand, a school district levying 30 mills with a per pupil SEV of \$35,000 received \$1,050 from the local levy and \$84 from the state for a total of \$1,134 per pupil. The formula provided poorer districts with additional funding for programs, but wealthier districts still had more dollars per pupil to spend. While this formula did make more funds available to low-SEV districts, it did not correct the disparities in wealth among districts.

On August 14, 1973, SB110, also known as the Bursley Act, was signed into law. The Bursley Act provided for state aid to education based on an equal yield concept. Under the Bursley Act, districts that levied the same number of mills would receive the same number of combined local and state

dollars regardless of the district's SEV. This legislation placed Michigan as a front runner in the move to provide equal funding to all school districts (Caesar et al., 1974).

Twenty years after the passage of the Bursley Act, Michigan school districts vary widely in the wealth available to them for Michigan has not funded the formula in the amounts needed to maintain the equal yield concept. Kearney and Chen (1989) point out that if the policy goal to guarantee equal revenue to school districts levying the same number of mills regardless of the district's taxable wealth (SEV) were being attained, "there should be no relationship between property tax wealth and basic revenues or expenditures. Not only do we find such relationships, but their strength and magnitude generally increase [from year to year]" (p. 364). According to an article in the Monroe Evening News (Krolak, 1992) Jefferson Schools in Monroe County levied 21.75 mills and spent \$8,412.85 per student for the 1989-90 school year. On the other hand, Dundee Schools, also in Monroe County, levied 30.53 mills and spent only \$3,228.17 per student. These figures provide a striking illustration of the inequities in school district funding that exist in Michigan.

The current Michigan state aid formula is a combination of a flat grant per student and a dollar amount per mill levied. The flat grant per student can be increased if the district qualifies for curriculum related incentives. The calculation of this formula produces a gross membership allowance or GMA. The difference between the GMA and the

dollars the district can raise locally through property taxes is the district's state aid. If the local district has a high SEV, the local property tax levy is able to raise more than the GMA; the district then receives no state membership aid and is referred to as being out-of-formula. In 1991-92, according to Michigan Department of Education report R2743 (1992), approximately one third of Michigan's school districts were out-of-formula.

So far, it has been established that there is a property tax, there is a belief that the property tax is a form of local control; there is a heavy reliance on the property tax; and there is an inequality in wealth due to the reliance on the property tax. The next section will establish that uncertainty in wealth is due to reliance on the property tax and local control of the property tax.

#### Uncertainty of Wealth

Property taxes for Michigan schools must be approved by voters in the school district. Local taxpayers control, through voting in millage elections, the number of mills to be levied and, therefore, the available resources. Continued voter support of millage means certainty of wealth or resources for the district. Voter lack of support for millage, means uncertainty of wealth or resources for the district. Property wealth, i.e. a high SEV, does not guarantee certainty of wealth. A district may have a high SEV, but if voters are reluctant to approve millage levies,

the district, even though it has property wealth, has very limited resources. On the other hand, a district with a low SEV but a high millage rate can have certainty of wealth and many resources because the state aid formula rewards high local taxing efforts.

An out-of-formula district with strong voter support of millage does have advantages other than more wealth. Because the out-of-formula district generates the major portion of its wealth from the local property tax, it enjoys greater local control over its finances. An out-of-formula district is better able to project its revenues because the majority of funding is based on the locally approved mill levy. Further, the district is better able to control its cash flow, since the tax dollars are paid to local government by specific due dates which typically do not vary from year to year. Therefore, past records are reliable indicators of when these local revenues will be available to the district.

In-formula districts, because they rely on state aid for a portion of their funding, do not enjoy the same degree of local fiscal control. The state aid act must be approved annually by the legislature and be signed by the governor. Even though information is available describing the various versions of the bill, it may be well into the fiscal year before the state aid act is passed and a school district's state aid revenue can be calculated. Further, state aid is subject to executive order cuts, which means that the projected revenue that had been budgeted can be changed.

Recently, changes in the timing of state aid payments and the warnings that payments may be withheld due to cash flow problems have further eroded local fiscal control for in-formula districts.

So far, it has been established that there is a property tax; there is a belief that the property tax is a form of local control; there is a heavy reliance on the property tax; there is an inequality in wealth due to the reliance on the property tax; and there is uncertainty of wealth due to reliance on and local control of the property tax.

The inequality of taxable property wealth and the reliance on the property tax to finance school districts has created differences in funds and certainty of those funds available to different school districts. Even though efforts have been made by states to equalize funding, discrepancies continue to exist. Researchers have studied organizations (other than school districts) of varying wealth and varying certainty of wealth. The purpose of this study was to describe and explain differences in budgetary decision-making in school districts of varying wealth and varying certainty of wealth. Attention will now be turned to the matter of what discrepancies in wealth and uncertainty in wealth do to organizational processes, particularly organizational decision-making.

## Theoretical Framework

The theoretical framework for this study is derived from two strands of theory: decision-making theory and budgeting theory. This section will present decision-making theories, budgeting theories that are representative of the decision-making theories, and evidence that differences in wealth and differences in certainty of wealth result in different types of decision-making.

### Decision-making Theory and Budgeting Theory

Organizational decision-making theory began with the work of Simon (1957, 1982), March and Simon (1958), and Cyert and March (1963). Cyert and March developed computer simulations based on two basic assumptions: that goals of an organization are clearly known and that decision-makers act with perfect knowledge. Simon (1957, 1976, 1982) recognized that the purpose of the organization limits the available choices for alternative resource use. According to Simon (1976) the organization's objective ". . . is the means whereby their [owner, consumer, employee] organizational activity is bound together to achieve a satisfaction of their own diverse personal motives" (p. 17). Hence Simon's theory is known as bounded rationality. Simon states (1976) that the organization achieves its objectives by integrating behavior through substantive and procedural planning. To overcome the human limitations, individuals and organizations adapt

decision-making procedures. Instead of searching for optimal choices, decision makers **satisfice** or look for satisfactory choices. According to Chichura (1989), the rational decision-making model emphasizes knowledge and understanding of the resources necessary to reach desired goals. The process of rational decision-making links resources and goals. Cibulka (1987) states that budgeting processes such as planning, programming, budgeting systems (PPBS), performance based budgeting, and zero based budgeting.

Incremental decision-making theory emerged because Lindblom (1959, 1979) believed that the theories of rational decision-making did not match reality. Lindblom states that the decision-makers do not consider all possible alternatives, and analysis is limited. There is a heavy reliance on past history. Instead of making decisions that require major changes, small incremental steps are taken. Incremental decisions avoid conflict because they are not radical, and they are easier to correct if they prove wrong or unpopular. Wildavsky (1979) used the term incremental budgeting to describe the budgeting model that does not examine the previous years' expenditures (the base) but adds to them in small, generally across the board, increases. The incremental model relies on past history but does not evaluate it. Once an item appears in a budget, funding will most likely continue whether or not the expenditure meets an organizational goal. Since effectiveness is not evaluated, the status quo is maintained and conflict is avoided. Maintenance of the status



quo and avoidance of conflict are more important than meeting an organizational goal.

Cohen et al. (1972) developed the garbage can decision-making model. They theorized that garbage can decision-making occurs in organized anarchies. Goals are ambiguous; the organization uses trial and error. Under the garbage can decision-making model, problems are usually not resolved; avoidance or oversight are the more common methods of approaching problems. In garbage can budgetary decision-making, there is an inability to plan for the use of resources, budgets are subject to many revisions as decisions are made over and over again, and budgets that are not fully implemented because of inability to reach decisions in a timely manner.

#### Organizational Decision-Making and Wealth

Wildavsky (1975, 1979) studied the budgetary processes of the federal government, municipal governments, and other national governments and found that differences that occur in budgeting are caused by differences in wealth, predictability of wealth, organization of the political institution, values assigned to those who budget, and dollar size of the budget. The findings of Wildavsky (1975, 1979), Rubin (1980, 1990a, 1990b), Levine (1980), and Pammer (1990) provide evidence of differences in budgetary decision-making in organizations of varying wealth. All of the researchers found that wealthier organizations engaged in more planning activities,

particularly on a multi-year basis, and more often linked organizational goals to their use of resources. The researchers reported more innovative approaches to problem solving and more risk taking by wealthier organizations. The budgeting processes used in wealthier organizations then, closely align themselves with rational decision-making theory.

Wildavsky (1975) studied bureaucracies that were experiencing constant growth. He found that these bureaucracies tended to simplify budgeting decisions by adding dollars to each line item without questioning the previous year's expenditures.

Wildavsky (1975), Rubin (1980, 1990a, 1990b), Levine (1980) and Pammer (1990) also found that the ability to predict the availability of wealth affected decision-making. Organizations that were less wealthy or were experiencing a decline in wealth had more difficulty in predicting available resources. These researchers found that the less able the organization was to predict its wealth, the more chaotic the decision-making process became. The processes found in less wealthy organizations or in organizations experiencing decline in wealth align themselves with garbage can decision-making.

The background and conceptual framework have established that: there is a property tax; there is a belief that the property tax is a form of local control; there is a heavy reliance on the property tax; there is an inequality in wealth due to the reliance on the property tax; there is uncertainty of wealth due to the reliance on and local control of the

property tax; and there is some evidence that such inequalities of wealth and uncertainty of wealth result in different types of decision-making.

### Purpose and Research Questions

The purpose of the study was to describe and explain differences in decision-making about resources in school districts of varying wealth and varying certainty of wealth.

Studies of organizations other than schools have shown that wealthier organizations use rational decision-making and budgeting. Organizations of increasing wealth use incremental decision-making and budgeting. Less wealthy organizations and those experiencing declining wealth use garbage can decision-making and budgeting. Studies further show that organizations with greater certainty of wealth use rational decision-making and budgeting. Uncertainty of wealth tends to produce garbage can decision-making and budgeting. The criteria which were used to assess the decision-making in other organizations were used to assess decision-making about resources in school districts. The argument of this study was that varying wealth and varying certainty of wealth will result in different types of budgetary decision-making in school districts as was the case with other organizations that were studied.

The use of organizational goals is one criterion used to assess decision-making. Rational decision-making emphasizes the importance of linking organizational goals to decision-

making; therefore, rational budgeting emphasizes linking resource usage to organizational goals. Incremental decision-making is usually based on maintaining the status quo and minimizing conflict. Agreement with the decision is more important than whether or not the decision is linked to a goal. Garbage can decision-making occurs when ambiguous goals exist. Therefore, the first research question is:

1. Are there differences in linking decisions to organizational goals in school districts of varying wealth and varying certainty of wealth?

Planning is the second criterion used to assess decision-making. Rational decision-making and rational budgeting rely on planning for resource availability and usage. Revenue, expenditure, and cash flow projections are part of planning. Alternative uses of resources, which may involve different service delivery systems, are considered in planning. Incremental decisions do not rule out planning, but because only small changes from the status quo occur, planning is not essential. Planning is not part of the garbage can decision-making and budgeting processes. Therefore, the second research question is:

2. Are there differences in planning in school districts of varying wealth and varying certainty of wealth?

Evaluation is the third criterion used to assess decision-making. Cost-benefit analysis and program

effectiveness are key elements in rational decision-making and rational budgeting. Such analyses provide a basis for deciding how to use resources. Decisions to continue to fund programs when they are not effective are not rational. Incremental decision-making limits evaluation. Comparisons of previous years' expenditures provide a guide to projecting future fiscal matters. Evaluation is generally not used to decide to fund programs. Evaluation is not part of garbage can decision-making and budgeting. Therefore, the third research question is:

3. Are there differences in evaluating previous organizational decisions in school districts of varying wealth and varying certainty of wealth?

A fourth criterion used in assessing decision-making is the openness of the process and the number of decision-makers involved. Rational decision-making and rational budgeting are completely open processes. Many people who have a stake in the achievement of organizational goal(s) are included. Community needs and values are considered. Decisions are reached that are easily defended. Incremental decisions are usually made by a consistent group of decision-makers. The process is not particularly open because decisions are often reached through negotiations between administrative levels. In the garbage can model, the decision-makers often change. In budgeting, the process can evolve into decisions being made

by only one or two people in a top down fashion. Therefore, the fourth research question is:

4. Are there differences in openness and inclusiveness in decision-making processes in school districts of varying wealth and varying certainty of wealth?

The fifth criterion used to assess decision-making is time. Research has shown that less wealthy organizations take more time to make decisions. Poor planning, lack of evaluation of decisions, or decisions reached behind closed doors can create the need re-consider decisions. In garbage can decision-making, issues are rarely resolved by the first decision reached, and decisions are often made over and over as new information becomes available. Findings of budgeting in less wealthy organizations show that decisions may be reached too late to be of value or new circumstances present themselves that make implementation of the decision impossible. Rational decision-makers use time to plan, evaluate and prioritize to prepare for the decision event. Because incremental decision-making emphasizes maintaining the status quo and minimizing conflict, minimal time is spent on decision-making. Therefore, the fifth research question is:

5. Are there differences in time usage in decision-making in school districts of varying wealth and varying certainty of wealth?

The sixth criterion used to assess decision-making is vulnerability to the environment outside the organization. Garbage can decision-making occurs in organizations that are highly vulnerable to the environment. The organization finds itself unable to plan and unable to implement decisions due to circumstances it cannot control. The organization that has engaged in rational decision-making, however, has made surveying the environment and planning for possible changes part of its decision-making process. Incremental decision-making attempts to minimize the effects of the environment by making only small changes that can easily be reversed. Therefore, the sixth research question is:

6. Are there differences in the influence of the environment outside of the organization on the decision-making process in school districts of varying wealth and varying certainty of wealth?

### Methodology

The purpose of the study was to describe and explain differences in decision-making about resources in districts of varying wealth and varying certainty of wealth. To carry out the purpose, the researcher used budgeting as the indicant which varied just as the concept of decision-making varied.

The researcher used a case study approach; four individual case studies were conducted and the findings were compared. Four districts were selected. One school district

was wealthy with certainty of wealth; another was wealthy with uncertainty of wealth; a third was less wealthy with certainty of wealth, and the fourth was less wealthy with uncertainty of wealth. Wealth was determined by dividing the revenues available to the district through its local mill levy and its state membership aid by the number of pupils. Certainty of wealth was determined by the district's millage rate. Financial and millage information was obtained through Michigan Department of Education reports.

Data were collected through open-ended structured interviews with key participants in the budgetary process. The participants included the superintendent, the business official, central office administrators, building principals, a union official, and a board of education member. Interview questions gathered information about the five clusters of decisions Rubin (1990b) identified as essential to the budgeting process. The questions for each cluster were developed to elicit information which related to the six criteria used to assess decision-making that formed the basis of the research questions of this study.

Other documents such as audit reports, Form B reports, budgets, board minutes, notes, and memos were used to verify the responses given in the interviews. Numerical data allowed the researcher to trace the financial condition of the district and will provide a quantifiable analysis of the result of the budgetary decision-making process. Board



minutes provided documentation of the process. Pattern-matching was used in the analytical component of the study.

Internal validity of this study was addressed through triangulation which consists of using multiple sources of evidence to support a finding (Yin, 1989). Yin (1989) lists six specific sources of evidence to be used in triangulation.

Four of those six were used by this researcher: minutes, other written reports of events; archival records; interviews; and direct observations.

Case studies are often criticized for lacking in external validity. The school districts that were selected may not be representative of all school districts. However, Cusick (1983) states that a field study is an:

attempt to unravel and explain a human event. . . .  
If the event is significant, and the account is  
intelligible and plausible, then the result can be  
of value to those interested and involved in  
similar events. (p. 135)

Since allocation of resources is required in all school districts, the event studied here, budgetary decision-making, is significant and the results can be of value to all districts.

Reliability of a study can be greatly increased through careful documentation of the procedures used by the researcher (Miles & Huberman, 1984; Yin 1989). The researcher created an easily retrievable data base that consisted of case study notes, interview data, documents and quantitative data. The study included citations within the report to the relevant portions of the case study data base. The researcher

documented the procedures that were followed in the data collection process.

### Pilot Study

A pilot study was conducted in April of 1993 in a school district in the Detroit area. The district would be considered wealthy with certain revenues. The district is in the top 10% in terms of dollars available on a per pupil basis. The district is out-of-formula and has a history of strong community support in millage elections.

Nine administrators in the district were interviewed during a three day period. The interviews lasted approximately one hour with two exceptions: an administrator who had been in the district only six months was unable to answer many of the questions made that interview very short. The interview with the business official took two hours. Additional time was spent in consultation with the business manager to procure documents. Although audits, other financial reports, employee contracts, fourth Friday reports, district goals, employee contracts, and board minutes were all made available to the researcher, only the minutes and goals were reviewed as part of the pilot.

Uniformity in the answers to the interview questions was startling. There was knowledge of current board goals which had been adopted in response to Public Act 25. Interviewees stated that these are curriculum oriented. Although they are

not discussed directly during the budgeting process, the dollars do get spent on curriculum. One of the goals included staff development, and each of the principals indicated that within their building budgets they were allocating more funds for staff development. One administrator expressed concern that the district had changed from adopting more local goals, which had included goals on the financial management of the district, to adopting the more global goals to meet state mandates.

All interviewees agreed that the district had a multitude of plans. One administrator said that nothing was done in the district that was not well researched, thought out, and planned. The 1993-94 budget is completed and projections for 1994-95 were being discussed. Everyone expressed concern over the uncertainties of revenue projections because of what is happening in Lansing. However, the district has several plans, based on differing assumptions, in place to cut expenditures if that is necessary. Plans are also in place for curriculum development which allow for systematic replacement of textbooks and materials. There are plans for replacement of furniture, roofs, and other types of capital outlay, although the researcher was told that only major projects that could be covered by a building and site fund were being completed. The Board has requested that a plan for preventive maintenance be developed. Plans for the systematic training of staff are in place.

The budgeting process is very open and inclusive. The researcher was told that ALL budgeting decisions are reached at administrative team meetings. Building administrators are given a per pupil allowance for their building over which they have complete autonomy. This allowance does not include salaries and benefits, utilities, or textbooks. Building administrators varied in allocation processes within their own building budget. All mentioned that they operated under site based management. At the high school, department heads, in consultation with their respective staffs, and a representative from the union met with the principal and allocated the funds. In some buildings support personnel and community members are included in the allocation process because they are part of the School Improvement Team. One elementary school principal told me that the teachers wanted no part of budgeting. Central office administrators review their previous line items and request funds for those line items for the ensuing year. All administrators must justify, in at least a few sentences, every proposed expenditure. If cuts in expenditures are necessary, criteria for those cuts are developed by the entire administrative team. Budgets are presented to the board of education at all day workshops which are open to the public (but no one attends), and the board reviews the budget line item by line item. Administrators expressed pleasure that they were included in so much of the decision-making and that they were kept so well informed as to the financial condition of the district.

The administrators of this district spend a lot of time gathering information, considering alternative courses of action, and planning. The budget for 1993-94 is ready to be adopted with the acknowledgement that the June ballot proposal, of which details were unknown at this time, may necessitate a revision. However, in spite of the uncertainties, plans are in place so that the budget will be balanced and spending can occur. The two statements that were made over and over were that "kids come first" and "program will not be cut." Board minutes revealed that the budget is generally adopted in the spring prior to the ensuing fiscal year, revised in the fall after the revenues are more certain, and revised in the spring prior to the close of the fiscal year for "minor adjustments." The researcher was told that during the last few years, one "threat" had been made that spending would have to stop because the district was running out of money; but spending continued as projected. Another instance was pointed out that a math program had been adopted but a hold needed to be put on purchasing the textbooks due to a lack of funds.

The pilot revealed that some of the interview questions were redundant and needed to be deleted. The order in which some of the questions were asked needed to be changed. It was decided that a review of school district documents prior to visiting the site would make the researcher more knowledgeable about the district and guide some of the interviewing.

### Significance of the Study

The importance of this study was the comprehensiveness with which the researcher chose to examine the processes used budgeting in school districts. This study focused on decision-making about the entire budgetary process including raising revenues, expending funds, balancing the budget, implementing the budget, and deciding who will be involved in the process and to what extent. The choice of four cases studies representing school districts with differing levels of wealth and differing levels of certainty of that wealth provided an understanding of how the financing of education in Michigan impacts organizational decision-making.

Specific contributions or potential outcomes include the following:

1. The study adds to the body of knowledge about organizational decision-making in general.
2. The study provides a comprehensive understanding of how school districts makes decisions about budgeting.
3. The study provides a broader understanding of the relationship between the level of available resources and the decision-making processes used to allocate those resources.
4. The study provides a broader understanding of the relationship between certainty of resources and the

decision-making processes used to allocate those resources.

5. The study has policy implications for educational leaders and politicians regarding the effects of wealth and the certainty of wealthy on organizational decision-making.

## CHAPTER II

### REVIEW OF THE LITERATURE

The purpose of the study was to describe and explain differences in budgetary decision-making in school districts of varying wealth and varying certainty of wealth. The purpose of this chapter is to review the literature from the two strands of thought identified in the theoretical framework: decision-making theory and budgeting theory.

#### Decision-Making Theory

This section will review the literature of three decision-making theories: rational, incremental, and garbage can.

##### Rational Decision-Making Theory

Rational decision-making is described in the works of March and Simon (1958), Simon (1957, 1976, 1982) and Cyert and March (1963). In a decision-making situation, the rational decision-maker knows all the available alternative choices and all the consequences that are connected with each alternative. The decision-maker has the ability to rank all of the sets of



consequences that may occur. If there is no risk involved in the decision, the choice quickly becomes clear. If uncertainty or risk enters the process, then the decision-maker will choose the alternative with the least worst consequences.

According to economists Cyert and March (1963), who developed computer simulations of decision-making, rationality relies on two assumptions. One is that the goals of an organization are clearly known; in economics, for example, the goal is profit-maximization. The second assumption is that decision-makers act with perfect knowledge. Using the computer simulation, all available information about all possible alternatives for resource use could be fed into the computer, and it could produce a decision that would maximize profit. The theory has been called rational decision-making because the model eliminated the possibility of the decision being made on anything other than logic.

According to Simon (1982):

The classical model calls for knowledge of all the alternatives that are open to choice. It calls for complete knowledge of, or ability to compute, the consequences that will follow on each of the alternatives. It calls for certainty in the decision maker's present and future evaluation of these consequences. It calls for the ability to compare consequences, no matter how diverse and heterogeneous, in terms of some consistent measure of utility. (p. 481)

Chaffee (1983) summarized the basic tenets of classic rationality by describing it as a normative theory in which goals are known, needed information is obtainable, adequate

resources are available, prediction is feasible, effects are judged according to criteria, and cause-effect relationships are known.

Simon (1957, 1976, 1982) explored the constraints or limitations of classic rationality. Simon recognized that the purpose of the organization limits the available choices for alternative resource use. Simon (1976) uses the example of a shoe factory. Decision-making about resource usage for the shoe factory would not include the consideration of using resources for any purpose other than making shoes. The organization's purpose or objective is shared by the owners, the consumers, and the employees. The owner wants to make a profit; the consumer wants to purchase a good product; and the employee wants to earn an income. According to Simon (1976) the organization's objective "is the means whereby their [owner, consumer, employee] organizational activity is bound together to achieve a satisfaction of their own diverse personal motives" (p. 17). Hence Simon's theory is known as bounded rationality. Bounded rationality is what most researchers are referring to when they refer to rational decision-making. Simon acknowledges that decision-making in private organizations is simpler than in public organizations. Simon (1976) states, "The private organization is expected to take into consideration only those consequences of the decision which affect it, while the public agency must weigh the decision in terms of some comprehensive system of public or community values" (p. 69).

Simon (1976) states that the organization achieves its objectives by integrating behavior through substantive and procedural planning. Substantive planning involves broad decisions about the values to which the organization will direct its activities, the methods which will be used to attain those values, and the knowledge, skills and information that are needed to make particular decisions. Procedural planning involves designing and establishing the ways to direct attention, information and knowledge so that specific day-to-day decisions are made to conform with the substantive plan.

Simon (1957, 1982) recognized limitations on human abilities to have perfect knowledge and to compute and predict the consequences of alternative selections. The causes of these limitations are risk, uncertainty, and incomplete information about alternatives. To overcome human limitations, individuals and organizations adapt decision-making procedures. Instead of searching for optimal choices, decision makers **satisfice**, looking for satisfactory choices. The organization forms an aspiration level as to how good an alternative choice should be, and then searches for the choice that will satisfice. Simon (1982) states, "Aspiration levels are not static, but tend to rise and fall in consonance with changing experiences. In a benign environment that provides many good alternatives, aspirations rise. In a harsher environment, they fall" (p. 483). Abstract goals are replaced with tangible subgoals that can be observed and measured.

Even though limitations exist, Simon believes that individuals and organizations can engage in rational decision-making. Simon (1982) states, "If human decision-makers are as rational as their limited computational capabilities and their incomplete information permit them to be, then there will be a close relation between normative and descriptive theory" (p. 480).

#### Incremental Decision-Making Theory

The intellectual origin of incremental decision-making is in the work of Lindblom (1959, 1979). After examining the emerging theories of classic and bounded rationality, he concluded that the processes they described did not match reality. In an article called "The Science of Muddling Through" (1959) Lindblom describes a decision-making process that relies on successive limited comparisons. Lindblom believes that rather than evaluate all possible outcomes, decision-makers in actuality list only those which occur to them, relying heavily on their own past experience. Lindblom states that decision-makers select the first alternative that seems minimally acceptable. Analysis is severely limited. Many possible outcomes and alternative potential policies or decisions are neglected; and affected values are ignored. Lindblom states that this process is typical in public organizations and bureaucracies. In public organizations it is difficult to identify whose values - citizens, Congressmen, public administrators - should be considered. If values can

be agreed upon, they are difficult to rank. According to Wildavsky (1979), Boyd (1982), and Cibulka (1987) the incremental decision-making model is often referred to as a bureaucratic model of decision-making. Decisions are made to preserve the bureaucracy. Decisions are reached based on the collective self-interests of those involved. These self-interests may include maintaining power and prestige or striking bargains between opposing groups so that a work environment can be maintained. Lindblom (1959, 1979) believes that the decision-maker intertwines goal setting with the analysis of action needed to remedy a situation; there is no separation of means and ends. A good decision is one that brings agreement whether or not it is the best means to an end.

Lindblom defends incrementalism because it allows for sequential consideration of alternatives using successive approximations. The alternatives which are considered differ only incrementally from the status-quo. By looking at only small segments, knowledge can be gained along the way and predictions can be tested before making any further changes. Lindblom states that incrementalism does not necessarily rule out long term considerations. Because it proceeds chronologically, the past makes the decision-maker aware of probable consequences of similar decisions. Further, the decision does not need to attempt great changes; there is no expectation that the incremental decision is the final word. Lindblom (1959) states:

The incremental pattern of policy making fits with the multiple pressure pattern. For when decisions are only incremental - closely related to known policies, it is easier for one group to anticipate the kind of moves another might make and easier too for it to make correction for injury already accomplished. (p. 82)

### Garbage Can Decision-Making Theory

Cohen, March, and Olsen (1972) developed the theory of garbage can decision-making to describe what occurs in an organized anarchy. An organized anarchy is an organization which lacks a consistency that allows it to use other methods of decision-making. An organized anarchy has ambiguous goals; it "discovers preferences through action more than it acts on the basis of preferences" (p. 1). An organized anarchy has an unclear technology; its processes are not understood. The organization survives through the use of trial and error procedures and pragmatic inventions of necessity. There is fluid participation; the participants change frequently and vary in the amounts of time and effort they are willing to contribute to the organization.

Cohen et al. (1972) state that it is convenient to think of choice opportunities (chances to make decisions) as consideration of decision alternatives, examination of consequences, evaluation of consequences in terms of objectives, and finally decisions; but in reality this does not occur. Instead, a choice opportunity is a "garbage can into which various kinds of problems and solutions are dumped by participants as they are generated" (p.2). They further

state that the outcome of the garbage can decision process is influenced by (1) the time pattern of the arrival of problems, choices, solutions, and decision-makers; and (2) the allocation of energy by potential participants in the decision.

Cohen et al. (1972) derived their theory of garbage can decision-making from a study of universities using a Fortran simulation of 324 situations. The results of the study show that decision-making generally does not resolve problems. The decision style more often selected is oversight or avoidance. The study showed that problems are measures of conflict, and that active decision-makers and problems track each other through the process without coming to resolution. The decision-making process is very sensitive to load. If there is an increase in net energy load ("difference between energy required within an organization and the effective energy available" p. 12) there will be an increase in problem activity, decision-making activity, decision difficulty, and an increase in the use of avoidance and oversight. Variables such as wealth and the effects of adversity were studied. The concept of slack was introduced and defined as "the difference between the resources of the organization and the combination of demands made on it" (p. 12). March et al. found that slack was sensitive to two factors: the amount of money and resources provided by the external environment and the number and consistency of demands made on the organization. The researchers found that less wealthy universities experience

more conflict and take more time to make decisions. Fewer resources combined with greater and inconsistent demands, result in fewer problems being resolved. Decision-makers shift from one problem to another more frequently. Decisions take longer, are made over and over with different results, or are left unmade. Under the garbage can decision-making model, decisions are sometimes made too late to be of use or need to be re-examined due to changing circumstances.

Cohen et al. (1972) also found that interpretations of decisions change. When this occurs, the problems, choices, and decision-makers arrange and re-arrange themselves to make another decision. This means that some problems are solved, but rarely by the first decision choice reached.

Cohen et al. (1972) concluded that:

the garbage can process is one in which problems, solutions, and participants move from one choice opportunity to another in such a way that the nature of the choice, the time it takes, and the problem it solves all depend on a relatively complicated intermeshing of elements. (p.16)

These elements are the mix of available choices, problems having access to the organization, solutions looking for problems, and the outside demands on decision-makers.

Cohen et al. (1972) conclude that garbage can decision-making cannot be eliminated from many organizations. It is advantageous to understand that garbage can decision-making is occurring so that organizations can account for and manage it.

This section has reviewed the literature on three decision-making theories: rational, incremental, and garbage



can. Attention will now be turned budgeting theory. Because budgeting involves decision-making, the next section will describe the meshing of decision-making theory with budgeting theory.

### Budgeting Theory

This section will review literature on budgeting and budgeting theory. Definitions of a budget will be presented, and the characteristics of public budgeting will be presented. A discussion of the types of decisions that must be made in budgeting will follow. Budgeting models that are representative of rational decision-making, incremental decision-making, and garbage can decision-making will be discussed. A review of studies of public budgeting will also be presented.

#### Definition of a Budget

A budget is a legal document that becomes the basis for spending public funds (Hartman, 1988a). A budget forecasts revenues and expenditures (Cibulka, 1987; Hartman, 1988a; James, Kelly & Garms, 1966). It is a record of the past and a statement about the future (Candoli, Hack, Ray & Stollar, 1984; Wildavsky, 1979). A budget is a mechanism for allocating resources, a way to make choices among competing alternatives (Cibulka, 1987; Hartman, 1988a; James et al., 1966; Rubin, 1990b; Wildavsky, 1975). Wildavsky (1975) states that a budget is "a translation of financial resources into

human purposes" (p. 1). Wildavsky (1979) further states that a budget is a "series of goals with price tags attached" (p. 2) and the motivation to accomplish those goals. A budget is a form of power, a way to control the behavior of others (Becker & Green, 1968; Hartman, 1988a; Wildavsky, 1975). Caiden (1988) states that budgets express society's decisions about efficiency and equity issues such as who should benefit and who should pay. Budgets express philosophical values as to what should be financed and at what level. Candoli, Hack, Ray, and Stollar (1984) state that "the educational budget is the translation of educational needs into a financial plan that, when formally adopted, expresses the kind of educational program the community is willing to support, financially and morally, for the budget period" (p. 127).

#### Characteristics of Public Budgets

Rubin (1990b) identifies five characteristics unique to public budgets. The first characteristic is the variety of actors involved. In addition to those employed by the public organization, there are taxpayers, special interest groups, legislative bodies and locally elected officials, and court decisions which play a role in public budgeting. Each has different priorities, different levels of power.

The second characteristic of the public budget is a separation between taxpayer and spender. Rubin (1990b) states that if public officials:

knowingly make decisions that differ from what the public wants, there is pressure to present the budget in a way that makes it appear acceptable. That pressure creates a tension between accountability, which requires nearly complete openness, and acceptability, which sometimes involves hiding or distorting information or presenting it in an unclear fashion. (p. 16)

The third characteristic of the public budget is the relationship between the budget document itself and accountability. Rubin believes that the more complex the budget, the easier it is to hide costs. A complex document allows greater choice in places to put revenues and expenditures resulting in the ability to highlight some parts of the document and to gloss over others.

The fourth characteristic of the public budget is an openness to the environment. The environment influences the level of resources and the degree of certainty in receiving those revenues. The environment forces the budget to be subject to emergencies, to decisions that are made at other levels of government, and to public opinion.

The fifth characteristic involves constraints. The major constraint is the requirement to have a balanced budget. Other constraints include court decisions, legislative actions, previous organizational decisions, collective bargaining agreements, and spending restrictions on some revenues such as federal grants.

### Budgetary Decision-Making

Rubin (1990b) states that because a budget is the allocation of resources, it represents choices which require decision-making. Rubin discusses budgetary decision-making by identifying clusters of decisions that must be made. Each cluster has its own set of processes and works independently of the others, but at the same time relies on all of the other clusters to produce a budget. Rubin found that strategies and calculations vary from cluster to cluster depending on stability of resources, the need to acquire more resources, and the environment.

#### The Revenue Cluster

The revenue cluster involves technical estimates of what the incoming financial resources will be. This cluster emphasizes the scarcity of the resources and shows the tension that occurs between accountability and acceptability. When resources fall short of what is needed to support the projected expenditures, a tax increase is usually considered. Public officials must get support carefully to be successful in raising taxes. Officials must be accountable for past expenditures and must ask for a tax level that is acceptable to the public. The environment must be right; either there is no opposition group strong enough to fight the increase or the need must be overwhelming. Public officials need to be completely open to the public but try to buffer themselves from interest groups which usually have only their own agenda in mind. The strategies that are often used include: tying

the tax to a highly needed service, earmarking the tax for a special project, or raising more than is needed so that the excess funds or slack can be used to negotiate with groups that have particular wants.

#### The Process Cluster

The decisions reached in the process cluster determine who will participate, to what extent, and how the document itself will be presented. Time lines are set for completing the process. Who will participate in budgeting is a major decision. As pointed out above, there are a variety of people with a variety of goals wanting to have input. There are executives or administrators, heads of departments, bureaucrats (such as teachers), governing boards, citizens, and interest groups each having differing needs and goals. The degree to which budget requests are scrutinized and the criteria used to prioritize requests are determined. Will the process be centralized or decentralized? With a bottom up development of the budget, more people are involved and less prioritizing of requests occurs. With a top down process, fewer people are involved, and there is more spending control. Will the process be open or closed? An open process allows more accountability but can also increase expenditures as more people and groups are involved and each has its own needs. A closed process controls increases in the budget.

The format the budget takes can control the competition for available resources. A line item budget represents the most control. It plays down competition because there is no

comparison of programs. The performance based budget raises other issues. Each administrative unit is required to put forth what it is trying to accomplish, what it plans to do, what resources it will use, and what it accomplished in the previous year. The program budget creates competition for resources between programs regardless of the administrative units under which they may fall.

#### The Expenditure Cluster

Decisions reached in the expenditure cluster emphasize the choices involved in allocating resources and reveal conflict with the organization as programs compete for funding. Expenditure decisions determine which programs will be funded and at what level. Technical estimates, based on previous years' expenditures and knowledge about future costs, are as important in this cluster as they are in the revenue cluster. Budgetary constraints become a focus in this cluster as legal obligations must be met prior to making discretionary decisions.

#### The Balance Cluster

Balance cluster decisions determine what will be cut (or possibly added) if revenues and expenditures do not match. If expenditures exceed revenues, decisions as to how to bring the budget back into balance must be made. The choices available involve increasing revenues or decreasing expenditures. The issues that are raised in this cluster involve the scope of government and spending priorities. Conflicts that were created in the expenditure cluster may increase if programs

need to be cut. The tensions of accountability and acceptability that surface in the revenue cluster may appear in the balance cluster as well.

An imbalance can occur because of overestimated revenues and/or underestimated expenditures. A deficit condition raises other issues. Rubin (1990b) states that "because deficits are embarrassing, when governments run chronic deficits, those responsible for them tend to deny them or minimize their size and importance" (p. 145). The need to minimize the size of deficits often diminishes the accuracy of the numbers being used in the budget. The more obscure the numbers become, the more difficult it is to bring the budget back into balance.

#### The Implementation Cluster

Implementation cluster decisions determine when expenditures can be made. The technical estimates made in the revenue and expenditure clusters become vitally important. The match of actual revenues and expenditures to those that were projected determines whether or not a budget can be implemented. Decisions to delay spending due to revenue uncertainty or cash flow problems may be necessary. A change in the environment may change spending priorities and dictate the need for a budget revision. A changing economy, changing leadership, changing political battles, and changing problems can necessitate a need to review and revise a budget.

### Rational Budgeting

While there is no normative or descriptive theory of rational budgeting, models of budgeting have been developed that meet the criteria for rational decision-making. Planning, Programming, Budgeting Systems (PPBS) and Zero-Based Budgeting (ZBB) have been identified as models of budgeting that most closely utilize the rational decision-making (Cibulka, 1987; Chichura, 1989). According to Rubin (1990a), these models of budgeting evolved during the last three decades due to demands for more information, planning and accountability. The demand arose for a shift from administrators requesting what they wanted in their budgets to requesting and justifying what was needed to deliver their services. Cibulka (1987) states that in these budgeting processes, decision-makers identify ends or goals, select means of achieving the ends, and make decisions using cost/benefit analysis. These decisions are autonomous from environmental pressures.

Hartman (1988a) describes PPBS as a budgeting system based on program structure. The budget is organized by function of the program (in education, that would be a primary breakdown between instruction and support, with further breakdowns by individual programs). The process calls for a careful specification and analysis of objectives and a search for relevant alternatives. Estimates of the cost (direct, indirect, and initial) are made for each alternative. Estimates of the effectiveness of each alternative are made.



Singleton, Smith, and Cleaveland (1980) describe zero based budgeting as a four step analytic process. Budget units are established and then divided into service levels which represent a forecast of cost and service or non-service consequences. Each level is then analyzed. Finally a priority ranking of all service levels occurs. The criteria for ranking priorities are the importance of the service level in terms of perceived health, welfare, safety and satisfaction. The statutory and contractual commitments met by the service level are considered. The potential consequences of not offering the service are analyzed. The funding that may be received or withdrawn from state and federal funds depending on the level of the service provided is examined. An assessment of the quality and cost effectiveness of the service is performed. Finally, an analysis of the cost of the services in relationship to administrative costs is examined. This process, in theory, is done every budgeting year.

According to Barber (1968) and Cibulka (1987), ideal budgeting in the educational environment should epitomize rational decision-making. Budgeting should involve surveying the goals of the community and ranking those goals in the order of importance. Plans for the future should tie budget setting to multi-year goals (Cibulka, 1987). The costs and benefits of alternative choices of programs should be made. Program results should be evaluated (Cibulka, 1987). Knowledge of statutory and contractual commitments and of the

importance placed on the provision of services in terms of "perceived health, welfare, safety, and satisfaction" (Singleton et al., 1980, p.188) should be evident. "Comprehensive knowledge of economic, political, historical and ecological character of the entity" (Barber, 1968, p.262) should be available and utilized. Revenue forecasting systems and information systems with data bases on pupils, employees, and programs should be used. A system of internal auditing and Board of Education policies addressing borrowing, cash flow management, surplus and reserve management should be in place (Cibulka, 1987). Those involved in budgeting project the future, analyze resources, operations, and plans and then determine the best means to the meet the ends of the educational organization (Barber, 1968; Smithies, 1968). The final step, then, is to allocate the resources among the various activities to reflect the priorities.

Chichura (1989) views PPBS, performance based, and ZBB budgeting models as attempts to improve school productivity based on the assumption that the following exist: one or more agreed-upon products or outcomes of schools, scientific instruments for measuring progress toward those outcomes, and research techniques which make it possible to separate school effects and out-of-school effects upon student achievement. Chichura (1989) stated that rational decision-making is the process that forms the "essential link of knowledge, of understanding and of efficiency between inputs [necessary resources] and the outputs [desired goals or results]" (p.3).

Candoli, Hack, Ray and Stoller (1984) and Greenhalgh (1984) view school site based management as a way to bring rational budgeting to the school setting. Under this concept, all decisions that can reasonably be made at the individual school level are kept there. Policy and general regulations are made by the Board of Education. District wide goals and objectives for all students are adopted. Then each building site is allowed, through decentralized decision-making, to decide how to achieve those goals and objectives for its students. The concept advocates the inclusion of a wide range of individuals from both the educational setting and the community in general in the decision-making process. Under the process, each building is allocated a dollar amount to spend. It is then up to the persons involved within that building to decide how those dollars will be spent. Site-based budgeting is used to continually match student needs and available resources.

Much criticism of PPBS and ZBB exists. Wildavsky (1979), the major proponent of incrementalism, stated that one of the problems with PPBS and ZBB is that no one knows how to do them. He further states that they call for calculations and knowledge beyond the realm of man's ability and increase conflict among the people involved in budgeting. He states that objectives are often altered to match resources so that the general purpose is defeated. Wildavsky believes that the final outcome -- the budget -- is not impacted by the process

used. In his view, PPBS and ZBB may create more work and more paperwork without effectively changing the final outcome.

Hartman (1988a) states that because PPBS organizes expenditures by programs, it is complex. It cuts across administrative boundaries resulting in a mismatch of budget categories and responsibilities. ZBB forces comparison among programs and activities which are difficult to compare.

Hartman (1988b) states that:

while implementation of these rational budgeting approaches has generally not succeeded in elementary and secondary school systems, the concept of alignment of organizational objectives with budget decisions remains a useful measure of rationality in evaluating the resource allocation process. At a minimum, educators acting rationally should consider student outcomes and allocate resources in a way which they believe will improve student learning. (p. 5)

Studies of rational decision-making and budgeting conducted in high schools and universities have had mixed results. Hartman (1988b) reported in his findings of a study of four high schools, two of which used site-based management principles, that student outcomes were not considered in any of the budgeting processes. He found that the staffs had only very general knowledge of what the student outcomes were in their schools. Further, there was "no mention made in any of the interviews, budget meetings, or documents of a connection between resource allocation policies, decisions, or alternatives and student outcomes" (p. 21).

On the other hand, Chaffee (1983), after studying budgeting at Stanford, concluded that there was strong but not

unequivocal evidence of rational decision-making. She based her conclusions on the presence of known and prioritized goals, simultaneous rather than sequential consideration of a wide range of expenditure alternatives, analysis of costs and benefits of the alternatives, and selection of the maximizing alternative.

### Incremental Budgeting

Wildavsky (1975; 1979) analyzed the budgeting process of the United States federal government. Wildavsky (1979) stated that there are three institutional decisions in budgeting to be made: How much to ask for, how much to recommend, and how much to give. In answering these questions, actors within the bureaucracy assume roles with expected behaviors. Administrative agencies are advocates of increased expenditures. According to Wildavsky, each administrator considers his own requests for increases to be too small to affect the total. Administrators do not see revenues as fixed; the money will come from somewhere to support their own needs. For administrators, prestige is dependent on new or expanded programs. Administrators do recognize that it is unrealistic to believe that someone higher in the hierarchy will not make cuts. Therefore, administrators tend to pad their requests. The game then becomes deciding how much the submitted requests will be cut so that the requests can be padded enough so that the end result is an actual increase in

previous years' budgets. Sometimes the padding consists of programs the administrator wants but can do without.

Rational decision-making procedures do not appear to be functional in a bureaucratic setting. Rational decision-making is linked to profit maximization; bureaucracies are interested in utility maximization (Cibulka, 1987). The incentive structures for public employees are not tied to effectiveness and are not calibrated to profit/loss consequences. Boyd (1982) believes that because there are no profits, the rewards come from seniority and longevity. Cibulka further states that "self-interested preferences of producers shape the internal processes of [bureaucratic] organizations" (p. 9). Boyd (1982) points out that administrators try to maximize benefits such as power, prestige and salary. They try to maximize bureaucratic growth to gain power and internal stability of the organization. Administrators strike bargains with both employees and external groups. They try to simultaneously meet the environment's expectations and exploit its resources. Since there are no profits to maximize, administrators try to maximize their budgets.

During the budgeting process, bureaucrats develop strategies designed to cultivate clientele, develop the confidence of other government officials, and exploit individual opportunities to the maximum. There are various strategies that are adopted if one is called upon to defend the base (ongoing projects of the agency) of the budget. One

is to suggest cutting a popular program knowing that it will be replaced. Another is to recommend cutting less visible items such as administrative cuts (based on the premise that bureaucrats are wasteful), housekeeping activities, or promotional activities. Another approach is the all or nothing approach: if the program experiences a diminished funding level, the whole will need to be scrapped. Another strategy is to declare that the program can be continued but only at a much lower level of service. Another strategy is to shift the blame or let someone else make the decision. If one is trying to expand the base beyond the usual increment, then it is possible to begin a large program by requesting only a small beginning, the wedge in the door, then later, expand the program.

At the Federal government level, appropriations committees decide which programs to fund and at what level. Politically, it is expedient for appropriations committee members to at least appear that they are saving or wisely spending taxpayers' money. Therefore, their role is to cut budget requests as much as possible. Since it is assumed that the requesters have padded their requests, the committee feels justified in reducing the requests. According to Berry (1990), the assumption of standard roles for the bureaucratic players in the budgeting process reduces time and the need for analytical ability. Wildavsky (1979) states:

Budgeting proceeds in an environment of reciprocal expectations that lead to self-fulfilling prophecies as the actions of each participant

generates the reaction that fulfill the original expectations. (p.23)

Therefore, everyone is basically happy because each group got what it really wanted.

In approaching their task, budgeters using the incremental approach look at the budget in an historical light. Last year's budget forms the base for this year's considerations. According to Barber (1968) and Berry (1990), attention is restricted to only small segments of the whole and with only marginal departures from the previous year's budget. Therefore, the budgeting tends to be incremental. Wildavsky (1979) found that budgeting is fragmented as each agency presents its requests without taking the whole budget into consideration. Often, line item budgets are presented, making it difficult to focus on programs but easy to compare one year to another. Problems often remain unsolved, sent to a special committee or simply go away over time. Budgeting is performed by considering requests sequentially rather than simultaneously. Wildavsky (1979) stated:

Once enacted, a budget becomes a precedent; the fact that something has been done once vastly increases the chances that it will be done again. Since only substantial departures from the previous year's budget are normally given intense scrutiny, an item that remains unchanged will probably be carried along the following years as a matter of course. (p. 3)

The fragmentation inherent in incremental budgeting generally dictates line-item budget format be used. According to Hartman (1988a) line item budgets are easily understood and controlled. The objects of expenditure are the focus. There



is no disaggregation of data, making it inappropriate for planning. Hanson (1979) disagrees with Hartman, however, stating that the line-item budget is not easily understood. Hanson states:

Confusion over where the money goes in a school district can . . . retard the potential for turbulence. No better instrument could be devised for such purposes than the line-item budget, which is the type of budget system used in most school districts in the country. By viewing a line item budget, an outsider (and even most insiders) cannot determine, for example, how much a Spanish language program is costing as compared with mathematics, counselling, or industrial arts programs. Nor can an outsider determine the priorities established by the school district by studying the budget. (p. 171)

Hanson (1979) points out that school districts have the basic characteristics which Weber and Taylor assigned to bureaucracies in their seminal works. Schools are mechanistic organizations with fixed hierarchies, precisely defined roles and production processes, clear command structures, and vertical interaction patterns. Hanson viewed schools as socio-political systems. A social system has a set of actors whose interactions are intended to lead toward the accomplishment of some more or less defined goal. A political system consists of strategies used by members of the social system to influence the decision-making process and lead it to a preferred choice. Educational organizations have goals that tend of be non-operational. There is no way to measure goal achievement nor is there a way to determine the relationship between the educational process and goal achievement. For example, if the goal is to produce good citizens, it may be

difficult to agree on what constitutes having achieved that goal and equally difficult to determine what role school played in producing the good citizen.

Goals in education are also vulnerable to the desires of legislative bodies such as schools boards and to manipulation and lobbying by employees (Boyd, 1982). Hanson (1979) further states that the main "task of the administrator is to neutralize as many conflicting goals as possible [so that] school can proceed with a more or less coordinated plan" (p. 91). The organization solves problems by bargaining, blocking, compromising, and conceding. Boyd (1982) believes it is through this bargaining process that the needs of teachers and principals often take precedence over students. Incremental decision-making becomes the main tool of the administration because it takes small steps toward solutions to problems, minimizes conflict, and makes mistakes easier to correct.

Many of the studies involving schools and universities have found evidence of incremental budgeting practices. Studies by Barber (1968) and Gerwin (1969) were conducted during a period of growth of governmental bureaucracies. More current studies showing evidence of incrementalism are those by Hartman (1988b), Schmidtlein and Milton (1988-89), Schmidtlein (1989-90) and Shannon (1988). Hartman found in studying four high schools that decisions regarding resource allocation were not based on student needs or student outcomes; rather, decisions were based on staff needs and were

reached through bargaining and negotiating. Schmidtlein and Milton studied sixteen college campuses and found that almost all were engaged in some type of planning activity. The plans, however, were basically thought to be political in nature and were not used in budgetary decision-making. Schmidtlein's study found that negotiations and bargaining, which resulted in incremental budgets, were prevalent. Shannon found incremental budgeting was the norm in the six Washington school districts she studied. The slack -- the differences between the resources of the organization and the demands made on it -- was negotiated among the budget actors.

LeLoup (1988) states that the late 1970's signaled the end of viewing incrementalism as the paradigm of budgeting. Econometric analysis and the recognition of new economic and political forces have forced the demise of incrementalism in public budgeting. Miller (1991) states that incrementalism is useful only when there is general satisfaction with existing policies, continuity in the nature of problems, and continuity in resources. Rubin (1990a) states that incrementalism is inadequate as it assumes moderate revenue growth and it ignores environmental changes such as budget constraints.

#### The Effects of Wealth and the Garbage Can Model of Budgeting

When Cohen et al. (1972) made their study of university decision-making that resulted in the garbage can theory of decision-making, they analyzed variables such as size and

wealth of those universities. They found that under conditions of prosperity, wealthier schools experienced more problem latency possibly due to the fact that slack in the budget could be used to resolve issues before they became problems. They found that poorer universities experienced more overt conflict and took more time to make decisions. Cohen et al. found that under conditions of adversity, problem activity increased among all of the universities, but that the large poorer universities had a greater increase in problems, took substantial amounts of time to make decisions, and had few resolutions to problems.

Wildavsky (1975) found that rich and poor countries budget differently. These differences are due to size of the budget, wealth and predictability of that wealth. The size of a budget alters the relationships of budgetary items. A \$10,000 purchase may be a large expenditure in a budget of small size but the same purchase may be insignificant in a budget of larger size. In a school district, the decision to hire a teacher at \$25,000 per year may be an insignificant increase in a large budget, but it may be a decision requiring much review and discussion in a small budget. The wealth of a country is determined by its per capita resources. Predictability is defined as the amount of certainty regarding availability of resources and the certainty of the demands for spending.

Wildavsky devised a two by two matrix which relates wealth to predictability of that wealth. The cells of the

matrix show the behaviors, strategies and calculations used in acquiring and allocating the wealth. Rich organizations with an assumed level of income use incremental budgeting. Poor organizations with an assumed level of income use revenue budgeting, which means decisions on the use of revenue are made when the revenue arrives. Poor organizations with an uncertain level of income use repetitive budgeting. Repetitive budgeting is an example of garbage can decision-making; the budget is changed over and over as revenues become available or unavailable. Rich organizations with an uncertain level of income use incremental or repetitive budgeting.

Wildavsky found that wealthy countries with certain resources engage in incremental budgeting; the base is not in dispute, no cuts need to be made, so concentration can be placed on the addition of large projects. The ability to keep budgetary commitments exists, so that once a budget is finalized, expenditures can be made. He found that poor countries with certain resources have few decisions to make. They add a little in good times and take away a little in bad times. They engage in revenue budgeting since there are no savings from previous years. Wildavsky found that the condition of poor and uncertain is devastating. These countries make and re-make budgets depending on any new information. Decisions are delayed. Expenditures can not be made until the revenues have arrived with certainty.

Rubin (1980) studied budgeting processes at five universities which had experienced growth during the late 1960s and early 1970s but were then faced with the problem of reduced budgets. Rubin hypothesized that the quality of the budgeting decisions would depend on the completeness of relevant information, the quality of the information used, the definitiveness of decisions (the number of times a decision is made), the existence of explicitly formulated criteria for decision-making, the degree to which decisions are made with a view to maximizing goals, and the timeliness of the decisions. Rubin found that the garbage can model of decision-making was the norm. There was a lack of useful information. Long term planning became impossible. No effort was made to maximize goals. Decisions were made over and over again using different assumptions. Often, budgets were not approved until the fiscal year was well underway, and budgetary approval did not necessarily mean that expenditures would be made.

Uncertainty was a key factor in the chaotic decision-making process used to allocate resources at the universities Rubin (1980) studied. As a consequence of uncertainty, there was a reluctance to make commitments to expend funds. Many times when decisions were finally made, they were too late to be of use. Another consequence was distorted information. Financial information became unreliable due to conservative estimates of resources and exaggerated estimates of expenditures. Financial information was further distorted by

obscuring some expenditures, such as administrative costs, in order to protect them. Some line items were renamed and/or subsumed with other line items. The lack of resources intensified the inner politicking for those resources. Rubin further found that because there was no well-defined point of organizational efficiency, cuts may have been made that impaired the organization's functioning and adaptability. She found that the universities had less ability to be innovative, and it was less likely that they would utilize mechanisms to reduce their fiscal stress.

Fiscal stress is defined by Levine (1980) as the:

gap between **needs** and **expectations** of citizens and government employees for government services and benefits and the **inability** of the economy to generate enough economic growth to expand (or sustain) tax-supported programs without putting **unacceptable demands** on taxpayers' take home pay.  
(p. 4)

Levine believes that this stress occurs due to the dissatisfaction of the public with the methods used for setting priorities, for taxation and revenue generation, and for scaling down or terminating programs that are no longer a high priority. The public also becomes disillusioned with the way services are organized and public employees are compensated. Levine (1980) found that in order to satisfy these demands from the outside, bureaucrats usually react with a disjointed response, believing that the situation is only temporary. Fiscal stress causes problems in managing because the attempts to cutback are often based on across the board cuts, the opposite of incremental budgeting. However, it is

generally not recognized that this process usually does not work. Across the board cuts may jeopardize the functioning of the entire organization and negatively impacts those parts of the organization that were already running at peak efficiency. Across the board cuts assume that there is "fat" across the board that can be eliminated. When there is slack in an organization, resources are available for planning, for control, and for development of information systems. In times of scarcity, those resources that are most needed are not available. Since the public organization has most likely approached its resource allocation through negotiations and bargaining, conflict grows as there are no slack resources for a win-win consensus. Further exacerbating the problem is the increased likelihood that many talented people will leave the organization to find work in an organization that does not have these problems. Those who are left are often the oldest employees who tend to be "inflexible, expensive and less creative" (Levine, 1980, p.15).

Pammer (1990) studied 528 U.S. cities in 35 states and found that there were several causes of fiscal stress. Pammer identified social and demographic changes such as a changing population due to the exodus of wealthier citizens and businesses and the influx of poorer citizens with less ability to pay taxes but more needs for services to be provided as a cause of fiscal stress. Poor internal management was another contributing factor to fiscal problems. City administrators had a short term view of finances and survived each fiscal



year by using accounting techniques which placed their integrity into question.

Levine (1981) and Pammer (1990) found that the municipalities followed a sequential pattern of behavior. The denial of the seriousness of the problem causes a delay in action. Budget manipulation, which includes cutting capital outlay projects, delaying maintenance projects and borrowing to cover short term deficits, is accompanied by the hope that the problem is temporary. The second step is to use stretching-and-resisting strategies. These include reduction of supervisory personnel, an increased use of volunteers, and a rationing of services by reducing hours and raising fees. The third step is cutting-and-smoothing strategies which include layoffs, facility closings, program termination and transferring responsibilities to other agencies.

Rubin (1982), in her studies of financially stressed cities, found the same haphazard approach to budgeting as did Levine and Pammer. Rubin, however, did an in-depth study of one city that was in deficit. She found that the deficit condition caused further problems in the budgeting process. Because deficits are illegal and embarrassing, there is an attempt to hide them. This resulted in even more distortion of financial information than she found in her study of universities. Further, attempts to hide the deficit minimize efforts to reduce the deficit.

The studies by Cohen, et al. (1972), Wildavsky (1975), Levine (1980, 1981), Rubin (1980, 1982), and Pammer (1990) all

show evidence of the garbage model of decision-making in the budgeting process. The conditions of lack of wealth and the inability to predict that wealth are key factors in producing behavior which place the budgeting process into the garbage can.

Chichura (1989) and Cibulka (1987) studied the budgeting processes of local school districts and found evidence of garbage can decision-making. Chichura studied four school districts and found that the source and the amount of available revenues had a direct impact on the decisions of the boards of education decisions. Changes in property assessment practices placed constraints on the budgets. One of the boards needed to meet seven times before approving a budget which had greater expenditures than revenues. One board member resigned over the inability to resolve the problems. Chichura found that, although the board members expressed desires to act differently, circumstances did not allow them to do so.

Cibulka (1987) studied 10 school districts that were experiencing enrollment decline. He found no evidence of planning, goal setting, or revenue forecasting. School officials believed that the problems were only temporary and needed only temporary solutions. While there were spending freezes at the end of the year, there was no attempt to permanently reduce spending. No layoffs of staff were implemented in an effort to avoid conflict.

## Chapter Summary

This chapter presented a review of the literature of three decision-making theories: rational, incremental, and garbage can. This chapter also reviewed the literature on budgeting and budgeting theory. Definitions of a budget and the characteristics of public budgets were presented. Budgeting models that are representative of rational decision-making, incremental decision-making, and garbage can decision-making were discussed. The studies reviewed in this chapter provide the framework for examining decision-making about resources in Michigan school districts of varying wealth. Researchers have found that decision-making in organizations other than school districts varies as the amount of wealth varies. They found that wealthier organizations closely approximate the models of rational decision-making while poorer organizations closely approximate the garbage can model of decision-making. In schools, as in other organizations, we may expect decision-making in wealthier districts to closely approximate the rational decision-making models and decision-making in poorer district to more closely approximate the garbage can decision-making model.

## CHAPTER III

### METHODOLOGY

#### Introduction

The purpose of the study was to describe and explain differences in budgetary decision-making in districts of varying wealth and varying certainty of wealth. To carry out the purpose, the researcher will use budgeting as the indicant which varied just as the concept of decision-making varied.

In this chapter, the methodology employed and the underlying assumptions that guided this study are explained. The theoretical framework which guided and underpinned the study is presented. The selection and nature of the school districts in which the research was conducted is explained. Data collection and preparation is described. Data analysis is discussed, and the conduct of the research is described. The chapter ends with a brief summary.

#### Theoretical Framework

Researchers that have investigated decision-making processes in organizations have utilized case study analysis. Rubin (1980) used the case study to investigate university

decision-making under conditions of reduced resources. Rubin gathered data through open-ended structured interviews with administrators, observations at meetings, and review of minutes of meetings. Descriptive narrative was used to present Rubin's findings. Rubin's study lacked quantitative data because it was either non-existent or not made available to her. Tables were utilized to show changes in appropriated funds, the degree of match between enrollment and budget, and hiring trends. Where possible interview results were compared with data that represented the outcomes of decision processes.

Hartman (1988b) also used the case study approach to analyze resource allocation at the high school building level. Hartman conducted interviews with key administrators, department heads, and building secretaries. He observed the allocation process by attending meetings. Hartman gathered other information such as budget request forms, policy, staffing and student ratios, and handbooks. Hartman utilized tables to present an analysis of teacher/student load and dollar allocation per student by department. Information obtained through interviews and observations was analyzed for evidence of different budgeting models. Hartman's findings were presented in narrative form.

Chichura (1989) used the systematic case study approach to analyze the decision-making role of the board of education in resource allocation in four school districts. Information for the descriptive component of the study included a review of state and school district documents, observations at formal

meetings, and interviews with board members, superintendents, business managers, representatives from the teachers' union, and community members. Observations at formal meetings included documentation of board member questions, community responses, conflict of any kind, board reaction to the conflict, and reasons given to justify the budgets. The analytical component of the study involved examining and comparing descriptive data to the theoretical perspectives of decision-making that were presented in the review of literature. Tables were developed to demonstrate the frequency of the presence of the concepts which occurred in the district and to demonstrate the absence of the concepts in the districts. The study concluded that no one model of decision-making existed but that there was an interaction of models. A figure was presented to depict the interaction of the models.

The theoretical framework for this study is derived from decision-making theory, budgeting theory, and research that indicates that varying wealth and varying certainty of that wealth affects organizational decision-making processes. The problems of researching decision-making and budgeting were discussed with several individuals who had conducted such research. Generally the conclusion was drawn that while information could be gathered through the survey or questionnaire format, these instruments could not capture the environmental effects on the decision-making and budgeting processes. Based on those discussions, this researcher

decided to use a case study approach; four individual case studies were conducted and the findings of each were compared.

Yin (1989) defines the case study as:

- an empirical inquiry that:
  - investigates a contemporary phenomenon within its real life context; when
  - the boundaries between the phenomenon and context are not clearly evident; and in which
  - multiple sources of evidence are used. (p. 23)

Yin further indicates that "the case study is preferred in examining contemporary events, but when the relevant behaviors cannot be manipulated" (p. 19). Yin states that the techniques of case study are direct observation and systematic interviewing. He stated that "the case study's unique strength is its ability to deal with a full variety of evidence -- documents, artifacts, interviews, and observations" (p. 20). Resource decision-making, or budgeting, is a contemporary, ongoing process in a school district. Difficulty exists in separating decision-making from the environment in which the process occurs. Behaviors cannot be manipulated by the researcher, and multiple sources of evidence make a study of decision-making more robust.

Pattern-matching will be used in the analytical component of the study. Yin (1989) describes pattern-matching as one of the most desirable strategies for case study analysis. Pattern matching logic "compares an empirically based pattern with a predicted one" (p. 113). The argument of this study is that varying wealth and varying certainty of wealth will result in different types of decision making about resources

in school districts as was the case with other organizations that were studied. Pattern-matching will allow the researcher to test this argument.

### Selection of the School Districts

Random sampling is not necessary for the field methods of case study research. The purpose of case study research is to examine a phenomenon. Cusick (1983) explains that "it is not necessary that random selection assure representativeness, it is only necessary that the phenomenon be present in the site" (p. 135). Accessibility to the district is a key factor in site selection for case study methods.

A matrix similar to that devised by Wildavsky (1975) guided the selection of the districts. Four districts were selected, each representing one of the cells of the matrix; i.e. one school district was wealthy with certainty of wealth; another was wealthy with uncertainty of wealth; a third was less wealthy with certainty of wealth, and the fourth was less wealthy with uncertainty of wealth. Wealth was determined by dividing the revenues available to the district through its local mill levy and its state membership aid by the number of pupils. Certainty of wealth was determined by the district's millage rate and its eligibility for state membership aid. Financial and millage information was obtained for 1991-92 from Report R2743 generated by the Michigan Department of Education on August 7, 1992. According to this report, the millage levied by Michigan school districts in 1991-92 ranged



from 5.36 mills (in a district with only seven pupils) to 47.12 mills. The average millage rate was 33.05 mills. The combined local tax levy dollars and state aid membership allowance ranged from \$1,889 per pupil to \$12,475 per pupil (in a district with only four pupils). The average dollars per pupil generated through the local levy and state aid membership aid was \$3,913. The district selected as wealthy and certain levied 35.22 mills, received no membership aid, and had \$5,095 per pupil. The district selected as wealthy and uncertain levied 43 mills, received a very small amount of state membership aid, and had \$4,365 per pupil. The less wealthy and certain district levied 34.13 mills, received 44% of revenues from state aid, and had \$3,561 per pupil. The less wealthy and less certain district levied 26.12 mills, received about 24% of its revenues from state aid, and had \$2,680 per pupil. The researcher selected districts with approximately the same number of pupils so that the number of participants in each district were approximately the same.

### Data Collection

#### Interviews

Data were gathered through open-ended structured interviews with key participants in the budgetary process. Participants included the superintendent, the business official, central office administrators, building principals, a teacher that was active in the union, and one board of education member. Interview questions gathered information

about the five clusters of decisions Rubin (1990b) identified as essential to the budgeting process. The questions for each cluster were developed to elicit information which related to the six criteria used to assess decision-making that formed the basis of the research questions of this study. The interview questions varied slightly depending on the assumed level of involvement in budgeting. The superintendent and business officials interviews were the longest, and elicited specific information and revenues and expenditures. The superintendent, business official, board member, and teacher were asked questions were pertained more to roles of individuals or groups in the budgeting process. Building principals and central office administrators were asked questions germane to their practices in developing their building or department budget and to their roles in developing the district's budget. Copies of the interview questions are in Appendix E.

The highly structured interview questions were helpful in eliciting information as participants found it very difficult to discuss budgeting. The interview was structured so that each group of participants were asked the same questions. For the most part, the questions asked for very specific information. The researcher made notes and used checklists, but always allowed the participant to expand on any question. The use of notes made it easy to verify statements that were made in other parts of the interview, and to be certain that all participants answered the same questions. Near the end of

the interview, questions became more general and asked about budgeting problems and what the participant would like to see changed about budgeting. Finally the participants were asked if there were any other comments they would like to make. The intent of the more open-ended questions was to elicit information about how decisions made outside the school district's control (the environment) affect the district's budgeting process. The notes that were taken during the open-ended structured interview questions are the primary documents for the research. Other notes documenting the observations of board meetings are also primary documents.

#### Other Data

Other documents such as audit reports, Form B reports, budgets, board minutes, and policy were used to verify the interview responses. Board minutes and board meeting observations provided documentation of the process. Numerical data allowed the researcher to trace the financial condition of the district and provided a quantifiable analysis of the result of the budgetary decision-making process.

#### Validity

Internal validity of this study was addressed through triangulation which consisted of using multiple sources of evidence to support a finding (Yin, 1989). Miles and Huberman (1984) state that "since there was typically no **external** measure to check the new finding against, one looked to other internal indices that should provide convergent

evidence" (p. 234). Miles and Huberman compare the researcher's work with that of detectives who piece together various kinds of evidence to establish and corroborate findings. Miles and Huberman state that "it is important to make certain that the several indices chosen are indeed independent, sturdy, of different types and sources, and congruent" (p. 235).

Yin (1989) lists six specific sources of evidence to be used in triangulation. Four of those six were utilized by this researcher. Documentation was used in the form of agendas, minutes, other written reports of events, and internal documents. Archival records such as organizational charts, budgets, and audits were used. Interviews were conducted and direct observations of board meetings were made. Researchers Rubin (1980), Hartman (1988b), and Chichura (1989) all used triangulation to increase the validity of their studies. Interviews, observations, documents, and archival records were the multiple sources of evidence used to validate their findings.

Miles and Huberman (1984) concluded their discussion of triangulation by referring to it as a state of mind. They state:

If you **self-consciously** set out to collect and double-check findings, using multiple sources and modes of evidence, the verification process will largely be built into the data-gathering process, and little more need to be done than to report on one's procedures. (p. 235)

Case studies are often criticized for lacking in external validity. The school districts that were selected may not be representative of all school districts. However, Cusick (1983) states that a field study is:

an . . . attempt to unravel and explain a human event. . . If the event is significant, and the account is intelligible and plausible, then the result can be of value to those interested and involved in similar events. (p. 135)

Since the allocation of resources (through the budgeting process) is required in Michigan in all school districts, the event studied here, budgetary decision-making, is significant and the results can be of value to all districts.

### Reliability

Reliability of a study refers to the replicability of a study. Reliability of a study can be greatly increased through careful documentation of the procedures used by the researcher (Miles & Huberman, (1984) and Yin (1989). Yin states that the creation of a data base and maintenance of a chain of evidence greatly increases reliability. The data base consists of case study notes, documents, and any quantitative data that was studied or created as part of the research. Yin advises that these items be readily retrievable. The chain of evidence includes citations within the report to the relevant portions of the case study data base. Further the researcher needs to carefully document the procedures that were followed in the data collection process. Miles and Huberman (1984) suggest constructing the equivalent

of an audit trail. This is not unlike Yin's chain of evidence except that Miles and Huberman include an explicit description of the decision rules that were used during any procedural operation. Careful documentation of procedures through a chain of evidence or an audit trail increased consistency in data collection, analysis, and interpretation of the data in this study. Such documentation will allow others to replicate this study.

#### Field Procedures

Prior to conducting this study, a pilot study was conducted. The pilot revealed that some of the interview questions were redundant and needed to be deleted. The order in which some of the questions were asked needed to be changed. Hand written notes were used and that was found to be expedient for the type of questions that were asked. The pilot revealed that a review of school district documents prior to interviewing would make the researcher more knowledgeable about the district and guide some of the interviewing.

All research conducted at Michigan State University requires approval by the Committee on Research Involving Human Subjects (UCRIHS). The preparation of the application for approval allowed the researcher to clarify the purpose of the study and the procedures to be used. Consent forms were prepared, and the risks and benefits of the study were assessed.

The researcher identified four school districts which fit the purposes of the study. In each case, the superintendent was contacted by telephone and the study explained. The researcher followed up the phone call with a letter confirming approval for the researcher to study the district. The letter also included a request for documents and a copy of the letter and consent form that would be sent to participants. The researcher sent the participants the letter and consent form through the intra-office mail and then contacted them to set up an interview time. When the participants were contacted to set up an interview time, most provided a number of excuses to not be involved. The most common excuses were that they were too busy and that there were others in the district who were far more knowledgeable. However, only the teachers in district C refused to participate. The open-ended structured interviews occurred in May through August of 1993.

Prior to the interviews, copies of the interview questions were made so that notes could be written directly on the questionnaire. Each participant was given a code to insure confidentiality. The code, the date, and time of the interview were recorded on each questionnaire. The resulting documents, with code, date, time, and notes are the primary sources of data.

At the beginning of each interview, the purpose of the study was explained. The consent form was reviewed and signed. Participants, for the most part, did not appear comfortable discussing budgeting. Most said that the business

person in the district would be far more helpful in providing information. The researcher found it difficult to assure participants that the purpose of the research was to describe and not to evaluate. Immediately following the interviews, the notes were transcribed and coded for easy retrieval for data analysis.

### Data Analysis

The purpose of this study was to describe and explain differences in budgetary decision-making in school districts of varying wealth and varying certainty of wealth. The researcher wished to see if the patterns of decision-making that emerged from other organizations of varying wealth and varying certainty of wealth would be found in school districts. There was no attempt to evaluate budgeting processes.

The interview notes were transcribed and coded according to the research question(s) immediately following the interview. Interview notes were additionally coded by the decision cluster (revenue, process, expenditure, balance, implementation) they addressed. Notes from board minutes were also placed in the data base and coded. Audits and other archival records were used to prepare spreadsheets so that financial data could be analyzed and compared.

Data analysis proceeded by writing summaries of the interviews and grouping them according to district personnel groups. By retrieving data from the data base, the researcher



developed charts that summarized the responses to the questions in each district. The text of the interviews and the summaries were read several times to find unexpected themes that emerged. Both the written summaries and the charts aided the researcher in presenting the findings for each personnel group in the district. Information from documents and notes from the observations were also summarized and used to provide triangulation. The written summaries, charts and spreadsheets were used to develop a budgeting model for each district. Finally, the individual district findings and models were combined to present an across district comparison. A conclusion was written regarding the differences in budgetary decision-making in school districts of varying wealth and varying certainty of wealth.

#### Chapter Summary

This chapter has been a presentation of the methodology employed and the underlying assumptions that guided this study. A brief review of methodology employed by others who have studied budgeting was presented. The theoretical framework, the case study method, that guided this work is included. The selection and nature of the school districts in which the research was conducted is explained. Data collection and preparation was described. Data analysis is discussed, and the conduct of research described.

The following chapter presents the analysis of the data that were collected and the findings. The final chapter

revisits the research questions that guided the study and draws conclusions about budgeting in school districts of varying wealth and varying certainty of wealth.

## CHAPTER IV

### PRESENTATION AND ANALYSIS OF DATA

The purpose of this study was to describe and explain the differences in decision-making about resources in school districts of varying wealth and varying certainty of wealth. To accomplish this purpose, four school districts were selected which represent a range of wealth and certainty of wealth. Although the amount of district wealth and the certainty of that wealth varies, each district must make budgeting decisions about revenue, process, expenditure, balance and implementation.

The purpose of this chapter is to present the data and analyze the findings as they relate to budgeting in four Michigan school districts. Interviews, documents, and observations form the data base for this study. The first four sections present the data and findings for each of the four selected districts. The final section of this chapter is an across district comparison.

## District A

This section on district A is organized in the following manner. First, a brief description of the district provides a setting for the data presentation. Next participants are grouped for ease in data presentation. First, data and findings from principals and the special education director are presented. Second, data and findings from a board member and a teacher are presented. Next, data and findings from central office administrators are presented. Then data from documents and observations are presented. This section concludes with the presentation of a budgeting model for district A which is a compilation of the findings.

The Setting

District A was selected as the wealthier district with certainty of revenues. In 1991-92, according to Michigan Department of Education report R2743 (1992), the district ranked 56 out of 561 school districts in the state in combined local revenue (generated by local taxes) and state membership aid. The district SEV was \$458,594,710 and there were 3,170 students. This gave the district an SEV per pupil of \$144,667. The district levied 35.2188 mills. The gross membership allowance was \$5,095 per pupil. District A was out-of-formula and received no state membership aid. The district did receive categorical aid for transportation, special education, etc.; however, about two-thirds of these

funds were re-captured or kept by the State because of the district's out-of-formula status.

All school districts have many constraints on their budgets. Among these constraints are the legal requirements to collectively bargain with their employees for salaries and benefits. In 1991-92, District A spent 82.7% of its budget on salaries and benefits. School districts must also pay for utilities and maintenance; this accounted for a little over 6% of District A's 1991-92 budget. Other legal obligations, which are discussed in the section on data from documents, must be included in the budget. Thus, only a small percent of the budget is discretionary funds. In district A, only 3.02% of its budget was used for purchased services and supplies for regular K-12 programs.

The district is approximately six square miles and shares a boundary with one of Michigan's largest cities. District schools are nestled in subdivisions with older but well-kept homes. According to the 1992 district's annual report, A Profile of Progress, all of District A's schools are fully accredited by the North Central Association: the high school since 1953, the middle school since 1962, and the elementary schools since 1975. Approximately 70% of graduating students enter college. The district drop out rate is 2.8%.

In district A, 12 people were interviewed about their knowledge of and participation in district budgeting. By title, these people were the superintendent, the assistant superintendent for personnel, the business manager, the

special education director, the high school principal, the middle school principal, four elementary principals, a board member, and a teacher identified as active in the teachers' union. Although each participant, except the business manager, expressed some concern about how much information he/she could provide, everyone graciously consented to be interviewed. The interview data and findings for the principals and the special education director are presented first.

#### The Principals and Special Education Director

A high level of organization and planning characterizes District A's budgeting process. All of the principals said that budgeting for expenditures begins in January when budget books are distributed. A budget book is a large loose leaf binder containing pages of budget line items and a comprehensive budgeting calendar. There is one line item per page. Prior year and year-to-date expenditures are given. Principals estimate the amount needed for that line item for the upcoming year. Principals are responsible for textbooks, teaching and office supplies, equipment purchase and repair, some professional development funds, field trips, and extracurricular salaries. Principals are responsible for professional staffing needs but do not budget for salaries and benefits. Principals do not need to justify their requests, but some do include justifications for their own information. By mid-February, completed budget books are returned to

central office where the numbers are compiled. In March, the superintendent, assistant superintendent and business manager meet with each principal and review the requests line item by line item. The superintendent, assistant superintendent and business manager are often referred to as "central office" and are perceived as one unified decision-maker. After reviewing the budget requests and looking at the total district expenditure picture, the superintendent, assistant superintendent, and business manager decide on a per pupil allocation for each building. The high school and middle school receive larger allocations than the elementary schools. Principals know their next year's budget by April. While this part of the process is standard throughout the district, the processes the individual principals use to determine their budget requests and to expend their allocations differ.

#### Principal Duane

Principal Duane said that he meets with department chairpersons individually; they are told to brainstorm needs for their departments and to be innovative. Duane talks with the staff throughout the year about what is practical and what is a wish list. The department chairpersons meet with their teachers and then submit their needs "which come to some astronomical figure." Duane decides what can be purchased the next year and what can wait. Duane said that he used to inflate his budget but he doesn't do that any more. Duane, however, always asks for more than he thinks he can get. Once the per pupil allocation is received, teachers submit spending

requests. Duane makes the judgment call about what will be ordered. Duane said that he is conservative in spending and never goes over the budget. According to Duane, principals are allowed a lot of flexibility. They do not need to adhere to line item allocations; the only requirement is to stay within their total allocation.

Duane said that he is included in district budgeting decisions when cuts are necessary. He said that the budget is discussed at administrative staff, but once it's set there aren't any major changes. Duane said that spending priorities are set at central office but he is not sure what those priorities are. Duane praised the superintendent for having a "high integrity budget." According to Duane, a few years ago there were situations where budgets were approved and then mid-year cutbacks occurred. Duane complained that last year, prior to a millage increase request, his budget was cut; when the millage passed, the budget was not returned to its previous level. Duane said he pretty much gets what he wants. He would like to see a regular policy for furniture replacement as "we are always operating in crisis in this area." Duane is aware of the district's five year strategic plan but does not think the plan is used in budgeting. Duane knows the district goals and said that some do pertain to budgeting and finance.

#### Principal Mary

Principal Mary said she uses the school improvement team and department chairs to develop the budget. Mary meets with



department chairs, reviews their requests, and asks them how their requests fit with the building goals and objectives. Mary compiles the requests, completes the budget book, and sends it to central office. Central office reviews the requests with Mary, and she is given a per pupil allocation. Mary said that she has great flexibility in expending the allocation.

Mary said that administrators' suggestions are always considered in district decisions, but district-wide spending priorities are set at the central office level. Everyone's budget is presented at a staff meeting. Mary said that "central office is easy to work with; they're aware of our needs. They are accessible; emergency needs are taken care of." Mary is somewhat frustrated by the constraints of the purse. "There never seems to be enough; we always need more - more technology. We have a new way of doing business but no funds." Mary said that the district's formal plans are used in budgeting. These plans include the district's five year strategic plan, the district School Improvement (SIP) plan and each school's North Central Association accreditation plan. Mary further stated that the district takes care of matters a little at a time. "I see things happening on a planned basis."

#### Principal Barbara

Principal Barbara said she lets the school secretary act as the building's business manager and control the money. Teachers determine the budget to a certain extent, but Barbara

said that teachers are not knowledgeable about budgeting. Teachers present wish lists and make their needs known. Barbara said that it is difficult to say what criteria are used to determine purchases. "Everyone has enough; there's no need to ration, but it is not lavish either." When expending funds, Barbara gives priority to curriculum and considers the knowledge level of the teacher and the timing of the request. Barbara has great flexibility in using her allocation. In fact, she said that the principals had been asked if they would prefer a lump sum allocation with no need to consider line items. Barbara likes the line item approach as the "line items give . . . guidelines for kinds of items to purchase and help to keep track of spending."

According to Barbara, the total district budget is reviewed at staff meetings. Barbara said that sometimes the elementary principals work together on their building budgets so that they can present a united front. The four elementary buildings are equitable, but the "high school gets treated much better. Everyone teases the high school principal about it." Barbara said that the district's philosophy sets budgeting priorities. She said, "The philosophy was developed by the superintendent. We all believe in it, even the most radical union people." Barbara said that the district has a five year strategic plan, district goals and objectives, and a district school improvement plan. The plans, goals and objectives were developed with community involvement and represent community values. The plans give financial

direction. According to Barbara, everyone believes that the money is spent wisely and fairly and that kids come first. She further stated, "The district is not the first to jump on the bandwagon for every new fad, but it certainly isn't the last to bring in new programs."

#### Principal Shirley

Principal Shirley has great flexibility in using building funds. Shirley said that when she became the building principal she was not satisfied with the budget she inherited. Shirley looked at needs and evaluated programs for spending versus return. Shirley had no problems re-arranging the budget. Shirley said that at one point an office aide was needed. Central office refused to fund the aide, so the principal paid the person through the school activity fund. When central office realized Shirley was serious about the need, "they" decided to fund it. She said lack of budgeting experience was a problem as a new principal, but the business manager spent a great deal time explaining the budget and the process. Shirley has found that teachers make better use of items they order rather than items the principal orders, so Shirley uses the SIP teams' chairpersons in budgeting. Shirley hopes to eventually involve more staff. "There are some 'camps' within the school that sometimes have trouble following district directives. I hope eventually SIP teams can look at the whole picture for the building."

Shirley said that she has limited involvement in district budgeting decisions. Like the other principals, Shirley is

aware of the district strategic plan, goals, and objectives. Shirley does not know specific district spending priorities but assumes that financial decisions are based on the plan. Shirley said that sometimes priorities "seem to be the squeakiest wheel and public relations programs such as the drama department." Shirley chairs a district-wide curriculum committee and said that many in the district are concerned about continued financial support for curriculum. Shirley fears the staff will lose enthusiasm if curriculum needs are not funded. "[We] cannot create new curriculum without new materials. Teachers need tools."

Principal Carol

Budgeting is not a priority for Principal Carol; she said that she thinks about budgeting only in January and when placing orders. Carol did not say how she decides how much to request in the budget book. Once the building allocation is received, Carol gives each teacher \$40 per student. Carol said that the building school improvement plan determines purchases. For example, part of the SIP is to improve student attitude toward reading; therefore, the staff decided to purchase paperback books instead of workbooks. Carol said she controls approximately \$15 per student for general building supplies such as paper and pencils. Carol said that letting staff decide what to purchase is new. She said she tried involving teachers a few years ago, but the teachers were not interested; they did not want the responsibility. Recently,

many older staff members retired, and the newer teachers are interested in more staff autonomy and responsibility.

Carol said that although the administrative staff meets monthly, budgeting is generally not discussed. She said the business manager and superintendent make multiple budget presentations during the year. When cuts are necessary, administrators are asked what can be cut with the least impact on students. Carol said that principals have a lot of autonomy on teaching staff decisions. All the principals and the assistant superintendent interview applicants and decide who to hire. Carol said that in her building, student count should have warranted a reduction of a classroom. However, it was felt that this was not the best decision for the students involved, and the classroom was not cut. Carol said that the district has a five year strategic plan and goals and objectives that tie into that plan. She said, "The strategic plan provides a very clear cut vision [for district spending priorities]." The goals become part of budgeting and part of evaluation. Carol said that the biggest problem in budgeting is not knowing what will happen at the state level. Although this has not affected building budgets, it is difficult being held "at bay, not knowing what the state will do next."

#### Principal Teresa

Principal Teresa said she begins budgeting by projecting student enrollment and determining staffing needs. She meets with her staff by grade level and determines supply needs. Teresa then reviews the current year line items. If the

current year amount was satisfactory, she does not increase it. Teresa said that upon first becoming a principal, the tendency was to want to bargain with the superintendent, assistant superintendent, and business manger when they came to review the budget book. Teresa has decided, however, that bargaining isn't necessary because needs are taken care of, except in the area of capital outlay. Teresa also said that additional funds are available during the year if a need arises. Teresa said that when she became a principal, she kept the budget a secret. After two years she decided it is not **her** budget - it is everyone's money. Teresa said that she is now very open about what is available and what is spent. Teachers decide how the budget will be expended, but they must justify how they will use the materials. Teresa does not believe that all teachers can use all materials equally well, so she does not allocate dollars per teacher. Teresa said that curriculum needs usually dictate what is purchased. For example, the whole language approach requires that "big books" be purchased.

Teresa said that every year she receives a print out of the total district budget. She is not sure of district spending priorities, but said that they appear to be precedent. Teresa said that the district five year strategic plan, which includes goals, is the result of community involvement. These plans and goals are used in budgeting when appropriate. For example, the district has a goal about technology; therefore, computers have been purchased. Teresa

stated that making decisions has become increasingly difficult because of the uncertainties caused by Lansing. Teresa said that the budget is complete and ready to go, but she is prepared to make cuts if decisions made in Lansing are adverse to the district.

Special Education Director Frank

Director Frank said that he is interested in program and tries to think the least he can about budget. Frank's budget is a combination of federal grants, state aid categorical funds, and district general fund money. Time lines and expenditures are controlled by the federal government. Frank's department engages in extensive planning which determines how the federal funds will be used. An annual evaluation or review helps to predict what is needed and leads to budgeting decisions. Frank said that many times budgetary decisions are determined by changes in the law over which he has no control. Frank said that central office sets the guidelines for the district support of his budget; he is given \$X per line item. The formula, as provided by central office, is passed on to the teachers, who then have almost complete autonomy in ordering what they want.

Frank said that the administrative staff reviews the entire budget. The staff is always looking for ways to cut back and for ways to re-distribute funds. According to Frank, the curriculum council and SIP council set district spending priorities. Frank said that the district establishes a strong curriculum and supports it financially. Frank said that the

district's strategic plan forms the gestalt for all the decisions the district makes. The plan and the goals are formulated with staff and community involvement and are reached through consensus building.

The Findings: A Summary of Principals and Special Education Director

To summarize, principals and the directors in District A are aware of their budgeting responsibilities. The business manager works closely with new principals to teach them about budgeting in District A. Budget books establish time lines and provide the format for administrators to project needs. Budget projections are based on past history and curriculum needs. Principals and directors meet with central office administrators to review line item requests. Principals receive a per pupil allocation; the special education director receives line item allocations. Principals and directors involve teachers in projecting needs and/or expending funds. Principals and directors have flexibility in exceeding line item amounts as long as they do not exceed their total allocation. No one said that there were problems in implementing the budget.

These administrators are aware of long-range district plans, goals, and objectives and most believe they are used in budgeting. Teachers become involved in budgeting through SIP teams. The school plans and goals help set the criteria for building spending decisions. Often evaluation of past expenditures occurs at the building level. Teachers and



principals have changed purchasing patterns over the year to meet the building's goals and objectives. For example, decisions have been made to eliminate workbooks in favor of paperback books. The whole language approach requires different types of materials.

These administrators are knowledgeable about the total district budget, but become involved in district-wide budgeting decisions only when cuts are necessary. These administrators have a high regard for the central office administrators, particularly the superintendent. Some administrators are concerned that state level decisions will affect the district; building budgets have not yet been affected. Some administrators wish there were more money and more planning for equipment and furniture replacement. Most of the administrators believe that resources are very adequate. There is a high level of satisfaction with budgeting among district A principals. Every participant was asked what he/she would like changed in budgeting. No one wants budgeting in District A changed.

So far, data and findings from interviews with principals and the special education director have been presented. Next data and findings from interviews with the board member and the teacher are presented.

Board Member and TeacherBoard Member Donna

Board member Donna said that the business manager projects the revenues and expenditures. The business manager incorporates the summary of expenses the principals submit. Donna said that the business manager decides if the district has enough revenue to support the expenditures. According to Donna, the superintendent's role is to support the business manager. Donna said that each school is given an amount of money to spend, but it is up to the staff to decide how to spend it. According to Donna, the superintendent and business manager determine district spending criteria.

Donna said that the district is in the middle of its second five year plan. District plans are developed by an advisory committee. Donna said that the superintendent develops goals with input from other individuals. The board then adopts the superintendent's goals. Donna said that the plan and goals call for maintaining fund equity and having sound financial management. According to Donna, "everyone goes along with the goals."

Donna said that the board does not have standing committees, so all board members are treated equally and hear the same information at the same time. Donna said that the board's role is to pass the budget and to implement it. The board holds many public workshops and hearings throughout the year. Donna said that while people can get any information they want, "only a financial crisis brings interest." Donna

said that the public is definitely included in millage campaigns.

Donna said that a county allocation budget, which is required in April, is considered a rough draft. Adjustments are made until the final budget is adopted in June. "After that the budget stays the same." Donna praised the accuracy of the business manager's projections. Donna stated that accuracy of projecting revenues and expenditures becomes much more difficult in times like these because of what is happening in Lansing. Donna said that such problems include a property tax freeze, recapture, and the threat of taking away retirement and FICA. Donna said, "If everyone left us alone, we'd be okay."

#### Teacher Jeff

Teacher Jeff is active in the union. Jeff said that teachers are asked to write up their needs, and these are sent upwards to central office for the bigger picture. Although Jeff is not sure what the funding criterion is, he said that it is set by principals, other administrators, and the board. Jeff sees the superintendent as the guiding factor while it is the business manager's job to make projections and to determine whether or not the district can meet its goals. Jeff said that the board takes an active budgeting role in terms of making suggestions.

Jeff believes the district is very financially responsible and has good fiscal management. He said that maintaining fund balance is important because "people know you

don't run on an empty tank." Jeff said that the staff is kept reasonably well informed about finances. The superintendent sometimes attends staff meetings and explains the financial situation. Jeff said that what happens in Lansing is creating uncertainty for out-of-formula districts.

Jeff is aware of the district's strategic plan and goals. He is certain that they address financial issues but could not be specific. Jeff said that while some individuals may surface that do not agree with the direction the district is taking, he is amazed at the support the district has, especially from the community.

#### The Findings: A Summary of Board Member and Teacher

Both the board member and teacher agree that decisions in Lansing are creating both revenue and expenditure uncertainties. Both say that the business manager projects revenues and expenditures. Expenditures are projected from the bottom up with the business manager deciding if there are enough revenues to cover the expenditures. While the board member says that the superintendent and business manager set district funding priorities, the teacher believes that administrators and board members are also included. The teacher views the board as having a more active budgeting role than the board member does. Both believe that the district is fiscally responsible and that maintaining fund balance is important.

Both the board member and teacher are aware district long term planning and district goals. Both believe that the goals

are used in budgeting, even if the teacher is not sure of their specific use. Both say that everyone shares the goals.

Both the board member and the teacher believe that the public and staff are informed about finances. The superintendent regularly updates staff at board meetings; the public attends board meetings. The public is included in district planning and in millage campaigns.

So far, data and findings from interviews with principals, the director, a board member, and a teacher have been presented. Next, data and findings from interviews with the central office administrators are presented.

#### Central Office Administrators

##### Superintendent John

Superintendent John always speaks about the role others play in making things happen. He always gives credit to others and refers to the team efforts that go into running the district. John said that teachers, principals and department heads are involved in projecting expenditures. The last two years financial history of the district is used to determine the final budget. John said that the assistant superintendent, the business manager and he try to maintain prior year expenditures and try to honor all requests. It is becoming more and more difficult to approve increases in budgets unless they are the result of increased enrollment. John said class size is at a maximum. The district has "nipped and tucked" as much as possible.

John said he is the one who looks at the big picture, the one who makes sure the big questions are not overlooked. John works closely with Bob, the assistant superintendent for personnel, as Bob controls about 85% of the budget. The business manager works with both the superintendent and the assistant; it is her job to work out the nuts and bolts, the specifics. John said that the administration recommends the budget to the board, and the board approves. While the superintendent said that board members understand the lines between policy and administration.

John said that there are four formal times during the year that the budget is reviewed. There is a fall financial workshop, a spring workshop to review the county allocation board budget, a Truth in Taxation Hearing, and a formal budget hearing. The budget is not adopted on the same night as the hearing, so there is an opportunity for public comments to be considered prior to final budget approval. John said that once the budget is approved, there are few changes. Administrators have complete flexibility in the use of their funds. He said that it is everyone's job to monitor the budget. "We trust them [administrators] to stay within the budget. In return, we don't touch their budgets."

Although others credited him with the development of the philosophy which underlies the district's strategic plan and credit him with its success, Superintendent John did not mention any role he had in its development. Instead the John spoke of the contributions from community members, business

people, university people, and staff. John is pleased with the general agreement with the district plan and goals. Staff is "in-serviced in the district philosophy and goals. We bring staff up properly."

John said that 95% of district revenue is from local taxes. John spoke of increasing problems in projecting revenues and expenditures because of what is happening in Lansing. He said that the district is negotiating a large abatement problem with a major taxpayer; there is no state aid act, and nothing is known about FICA, retirement or recapture. John is further concerned that the SEV ratio may be reduced from 50 to 45%. When asked if there was anything he would like to see changed in the budgeting process, the immediate answer was, "Get Lansing out of my life."

Assistant Superintendent Bob

Assistant superintendent Bob is responsible for all personnel functions, including negotiations. In addition, the maintenance, transportation, and data processing staff report to him. Bob projects enrollment and monitors collective bargaining trends. He works closely with staff in the professional development area. Bob works with the many groups within the district to be certain that everyone is included in district planning. Bob said everyone in the district works as a team, but the superintendent makes the final decisions. Bob said that he controls about 85% of the budget to the extent that he controls contract negotiations. Over the last several years, contracts have been reached through expedited

bargaining and have been ratified prior to their expiration, making for smooth employee relations and more accurate expenditure projections at an earlier date.

Bob said that most district revenue comes from local taxes. However, he said that recent changes in state aid have affected district revenues. Bob said that because the district is out-of-formula, it is affected by recapture. Recent legislation has made FICA a categorical, and, therefore, subject to re-capture. Bob said that outguessing legislators is the biggest problem in projecting revenues.

Bob said that budgeting is an ongoing process. He works two years in advance on staffing projections and schedules roof and boiler repairs three to four years in advance. Bob stated that principals develop a budget based on their needs, but most budgeting decisions are based on past history. The superintendent, business manager, and Bob determine the funding criteria. They rely on demonstrated need and the school improvement team's recommendations. Bob said that the district does not use zero base budgeting because "it isn't realistic; there are a certain number of kids, a certain number of teachers, and contract language." According to Bob, the budget is reviewed line item by line item by the three central office administrators and with the board at public workshops, so there are many occasions to review and evaluate. Bob said the district has changed its position on maintenance contracts as the result of a recent cost-effectiveness study. Bob also stated that programs are continually evaluated



through the work of the curriculum committee and through the use of test scores and other hard data.

Bob said that the business manager does an excellent job of forecasting and controlling the budget. Bob said that accurate projections and expenditure control keep the integrity and increase the trust. Bob said and that this can't be emphasized enough. According to Bob, the business manager gives input and insights. "Although the business manager may not be involved in some decisions, she can pull us [the superintendent and assistant superintendent] back into line if the dollars aren't there." Bob said that the board of education is knowledgeable; they are given several workshops. "[The board's] role is not to pick and choose. [There is a] difference between policy and administration. The board expects administrators to do their jobs."

Bob said that the district is in the second year of its second five year plan. The plan was developed by 30 people representing a cross section of the educational community. The plan includes goals and objections. Bob said that the master plan links goals and budgeting. Administrator goals are also linked to the master plan. Bob said that sometimes groups emerge with inconsistent goals. However, Bob said that part of his job is to work with these groups and "make them part of the plan."

#### Business Manager Jane

Business Manager Jane said that most district revenue comes from local taxes which makes it fairly easy to

accurately project revenues. Jane said that recent changes in Lansing are making it more difficult to project revenue. Jane said that the district is subject to recapture of categorical funds; recapture must be shown as a negative revenue. Jane also said that in the past, the district's FICA reimbursement and FICA expense were accounted for as assets and liabilities instead of revenues and expenditures. Recent changes in state aid now make FICA a part of categorical funding. FICA is subject to recapture and must be accounted for as a revenue and expenditure.

Jane said that the county allocation budget is adopted in April. Jane said that budget is then fine tuned and approved by the board in June. The budget is usually amended twice during the year because of staff changes and changes in grants. Jane said that budget projections are very accurate because almost all revenues come through local tax collections; staffing is known and contracts are settled. Jane calculates multi-year projections, but she said that projecting is becoming more and more difficult due to what is happening in Lansing.

Jane described the district budgeting process as completely open. "There is a belief that the more open the process, the better educated everyone is, the less problems." Jane said that principals are involved in budgetary decision-making. Principals project needs through the budget books. Once their budgets are set, they have great flexibility in spending their funds. Jane said that central office tries to

avoid placing holds on spending and setting spending cutoff dates. "It's a very beneficial arrangement. Principals spend more wisely; they know the money will be there, so there is no need to rush to spend. It's more responsibility for them and better for central office." Jane stated that central office determines the budget. Building budgets are a per pupil amount determined by requests and the total amount available. The central office looks at year to year inflation and enrollment increases. Jane said that "we don't just add every year. The controls are at central office." Jane said that if cuts are necessary, it is "the philosophy of the district is to protect the instructional program." The board acts on the recommendations of the superintendent and assistant superintendent but "the board is very active in deciding what is kept."

Jane said that district budgeting is a joint effort between the superintendent, assistant superintendent and business manager. While the superintendent influences decisions, he does not have absolute control. Jane said that the superintendent is not very visible in the budgeting area unless there are questions; the superintendent is kept well informed. Jane does the number crunching and makes the financial presentations. The board of education is very knowledgeable and involved in "a discrete way." Jane said, "The board may say things and make comments, but it is up to the administration to do it."

Jane said that the district has a five year plan and adopts goals and objectives. The adopted goals trickle down through the organization; everyone adopts goals in line with district goals. Jane said that the financial goal to maintain an 8 - 10% fund balance became an issue in the last millage campaign. But, Jane said "The reasoning was explained. The public understood." Jane said fund balance is needed for cash flow and drastic situations. "Fund balance of this size (8-10%) gives the district time to evaluate and decide how to react to state issues."

The Findings: A Summary of Central Office Administrators

Central office administrators say that accurately projecting revenues is becoming increasingly difficult. Even though local taxes are the major source of district revenue, recent legislative changes have affected the revenue predictability. The district's out-of-formula status makes it subject to recapture, which is a negative revenue. Accounting changes are affecting the status of FICA reimbursement. For 1993-94 the State Aid Act classified FICA as a categorical revenue rather than a reimbursement from the State. For district A, then, FICA will be subject to re-capture. There is also concern that SEV ratio may be changed causing a direct loss of real dollars to district A.

Central office administrators view themselves as a team. The business manager is credited with managing district finances so that the numbers are trusted. Trust is a key word in district A. There is a mutual trust that all employees

will do their jobs. Principals are given almost complete autonomy over budgets. The business manager gives the public financial presentations. The board trusts administrators to do their jobs. The board recognizes the lines between policy and administration. Standardized procedures, such as the budget book, long-term planning, goals, and in-service training bring everyone into the team.

Central office administrators agree that the district has a long range five year plan. This is the second such five year plan. District goals are part of the plan, and those goals trickle downward throughout the organization. The district and individual building SIP plans and goals are incorporated into the "master plan."

Central office administrators describe budgeting as a completely open process. Expenditure projections are made from the bottom up. According to central office, expenditure decisions are based on prior year expenditures, demonstrated need, SIP team recommendations, and available dollars. According to central office, there is a commitment to maintaining fund balance.

According to central office administrators, budgets are accurately projected. Holds on spending do not occur. Balancing the budget occurs by "nipping and tucking" and by maintaining a fund balance.

So far, a brief description of the district and interview data and findings have been presented. Next, the data and findings from documents and observations are presented.

Document and Observation DataData on Revenue

District A's 1992 Financial Report and Form B show that in 1991-92 district revenues totaled \$17,236,476. Revenues came from the following sources: local tax levy, 93.70%; state membership and categorical aid, .85%; indirect federal grants, .32%; and miscellaneous revenue (investment interest, sale and lease of school property, gifts, etc.), 5.13%. Financial documents (1988-1992) show that over a four year period, revenues steadily increased with the local levy averaging 88.7% of revenues. Detailed data on revenues can be found in Appendix A. Documents show that the district was able to project its revenues on the original June adopted budget with 96.79% accuracy in 1991-92. The district over-projected revenues. In June, the district did not know about tax base revenue sharing, nor did it know its re-capture. Records show that over a four year period, revenues were projected with 97.7% accuracy.

Although no participants mentioned tax base revenue sharing, the legislation is explained in the financial notes to the Financial Report for 1991-92. Recent legislative actions included a tax base revenue sharing plan which captured part of the local property taxes from out-of-formula districts to be distributed to in-formula districts beginning with the 1991-92 school year. Even though a lawsuit was filed, out-of-formula districts were required to remit their share, but the money remains undistributed and un-refunded

waiting for the court to act. Tax base revenue sharing, like recapture, is considered a negative revenue. This district's share was \$146,988.

#### Data on Expenditures

District financial documents, such as Form B and Financial Report, show that in 1991-92 expenditures totaled \$17,650,328. Table 4.1, page 110, lists the expenditures by both function and object. District records show that over a four year period expenditures increased steadily. The percentages spent in the function categories varied by less than 1%. The percentages spent in object categories varied by less than 2%. District documents also show expenditures categorized by object. Table 4.1. shows that expenditures were made in the following object categories: salaries and benefits, 82.70%; purchased services, 8.41%; and supplies and materials, 8.89%. Within the purchased service and supply category, 6.24% of expenditures were used for maintenance and operations supplies and services (utilities, telephones, paper towels, cleaning supplies, etc.). Only 3.02% of expenditures were used for purchased services and supplies in regular K-12 classrooms. Principals control only 3.02% of the total budget. Even though expenditures exceeded revenues, District A ended the 1991-92 fiscal year with a fund balance that equaled about 9.6% of its revenues. Detailed data on expenditures can be found in Appendix A. Documents show that the district was able to project its expenditures on the original June adopted 1991-92 budget with 99.21% accuracy.

Table 4.1 District A Expenditures

1991-92 EXPENDITURES  
BY FUNCTION

INSTRUCTION

Basic K - 12 Programs	41.82%
Added Needs - vocational, special education, etc.	2.62%
Adult Education	0.15%
Benefits for Instructional Personnel	8.36%

SUPPORT

Pupil Support Services - counselling, health services	6.74%
Instructional Services - library, media	1.89%
General Administration - central office and board of education	2.22%
School Administration	5.44%
Business Services	3.45%
Operations and Maintenance	12.60%
Transportation	3.55%
Central Services - data processing, etc.	1.65%
Benefits for Support Personnel	6.44%
Community Service - day care center, latch key	0.21%
Capital Outlay	1.51%
Other - athletics, lunch program	1.35%

100.00%

EXPENDITURES  
BY OBJECT

Salaries & Benefits	82.70%
Purchased Services	8.41%
Supplies and Materials	8.89%

100.00%

% of budget spent on  
purchased services &  
supplies

Basic Programs	3.02%
Added Needs	0.66%
	3.68%



Reports show that over a four year period, district A projected its expenditures with 97.3% accuracy.

Satisfying legal requirements is one of the criterion on which expenditures are based. The format the budget takes for board approval and the format for reporting expenditures and revenues are dictated by Michigan law. District A begins its projection of expenditures by using a line item budget which is then condensed to meet legal requirements. District A must fulfill the legal requirement of having its books audited, which is a cost to the district. Salaries and benefits accounted for approximately 81% of total expenditures. The district is legally required to engage in collective bargaining with its employees. The resulting contracts set wages, benefits, and conditions of employment. Teacher contracts have clauses specifying the maximum number of students that can be placed in classrooms, thereby dictating the size of the teaching staff. Special education laws require that students with special needs be placed in special classrooms. Often the students must be transported to special schools or to programs offered in only one school, thereby increasing transportation costs. Health and safety laws require the district to maintain its buildings to meet MIOSHA standards. Legislation on asbestos, underground tanks, and lead in drinking water has placed increased burdens on the district. In addition, PA 25 is mandating that certain personnel and program standards be met, all at a cost to the district.

A major taxpayer's requests for abatements has affected district finances. A settlement was reached, but it cost the district in SEV loss, in actual dollars that were refunded to the taxpayer, and in legal costs to reach the settlement. According to board minutes, this series of events required a budget amendment that included the tax refund of \$81,937 and the additional legal fees of \$128,932. Of course, the effects of the tax abatement are felt in succeeding years due to the reduction in SEV.

#### Data on Planning and Goals

A review of board minutes (July, 1988-May, 1993) reveals that District A engages in strategic planning and in goal setting. According to Board minutes, an Advisory Council of Educational Excellence was established in June of 1989. The committee was composed of seven parents (with at least one from each school), six business representatives, one university and one college representative, two high school seniors, two graduates, three teachers, one clerical employee, one secondary and one elementary administrator, the superintendent, and one board member. The council was charged with the duties of studying the current master plan along with individual school improvement plans and of revising the Master Plan as was deemed appropriate. The council was to submit the proposed plan to the board by January of 1990. The board would then hold a public meeting to discuss the plan with the Council, receive any additional input, share the details of the plan with the educational community, and make any

necessary final revision. The plan was to be approved by February 12, 1990. According to Board minutes, the procedure was followed and the Plan for 1990-1995 was formally adopted by the Board in February 1990. Strategic Plan for Educational Excellence for School District A is a comprehensive document divided into sections labeled Introduction, Vision, Beliefs, Parameters, Mission Statement, District Goals, School Objectives, and Appendix. The introduction explains that the plan has been adopted as "basis for making decisions consistent with long-range projections. . . an attempt to provide a unified approach to assessing and addressing the long-range needs of the District."

The committee states, within the introduction, that the plan:

in addition to providing philosophical direction for the future, will guide the formulation of budget and allocation of resources; the review of curriculum; the nature of in-service opportunities; and the evaluation of educational outcomes.

The introduction further states that once the document is adopted by the Board, it is the responsibility of the superintendent to work with principals, teachers and staff "to translate the goals outlined in the Plan into specific objectives to be implemented on an annual basis by the professional staff." The plan is comprehensive and available to the public.

#### Board Meeting Observations

The business manager was highly visible. She was seated next to the assistant superintendent at a table adjacent to

the board table and apart from the audience. The business manager gave the financial presentations. There were many opportunities for the public to ask questions and make comments. The only question from the audience was deferred to the superintendent. The board president appointed two ad hoc committees: one is to review the orientation manual for board members; the other is to review and revise the board's self-evaluation instrument.

The Findings: Documents and Observations

The purpose in collecting data from documents and observations is to verify the data collected through the interview process. Numerical data allow the researcher to look at the district's financial condition. Financial Reports, Form B reports and board minutes document decisions that were reached.

Data collected on revenues verify the out-of-formula status of the district. The data further verify the sources of revenue, the uncertainties that accompany that revenue, and the accuracy of revenue projections. Data collected on expenditures document the use of the revenue. The data provide verification and insight into the criteria that are used in making expenditure decisions. The data show that both revenues and expenditures increased steadily. The lack of variance in expenditure categories is indicative of incremental budgeting with its reliance on past history and formulas. The data verify the accuracy of expenditure projections.

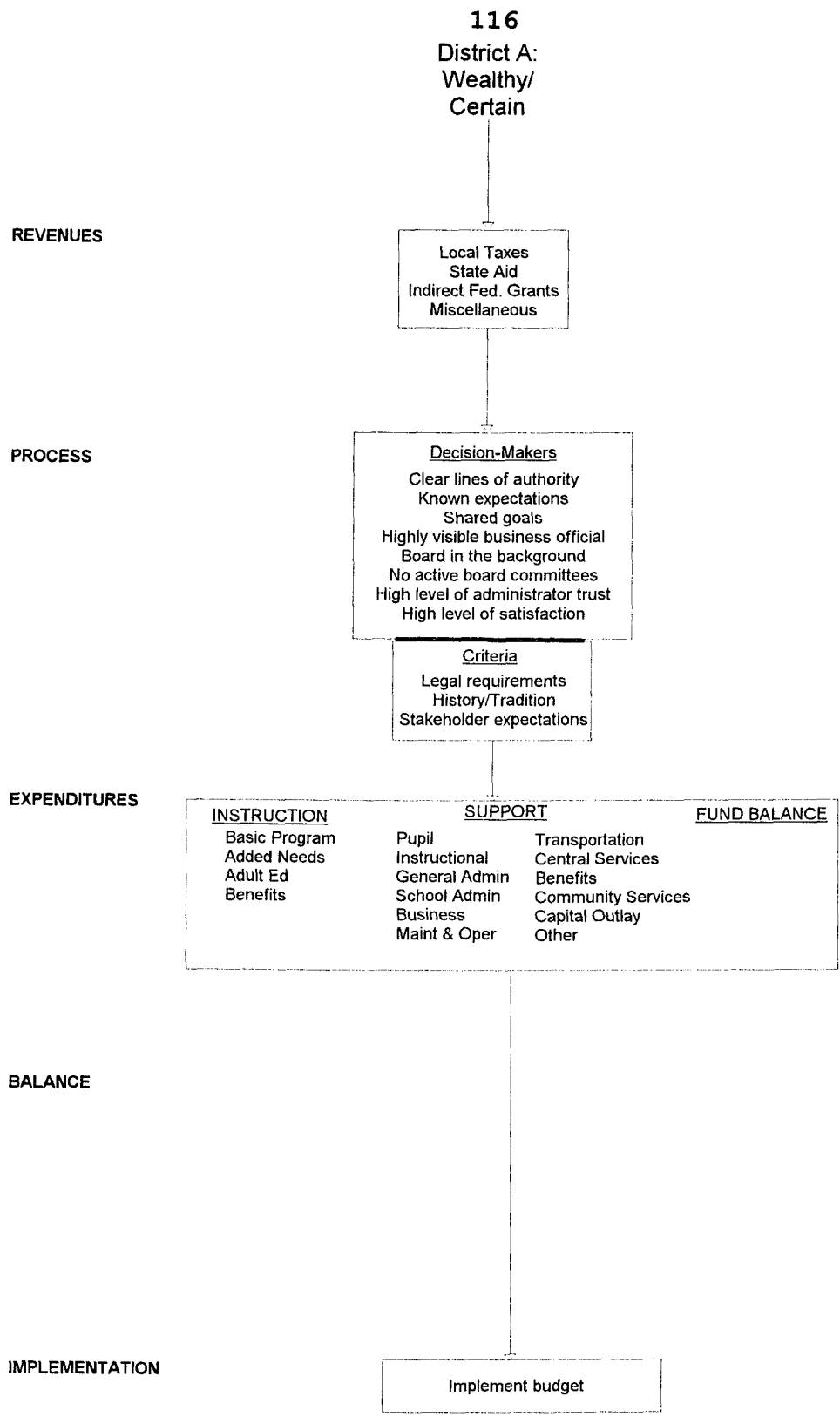
Data collected from board minutes document and verify the planning and goal setting process used in district A. The board minutes verify the openness and inclusiveness of the process. The data also verify the process by which these goals are assimilated by the entire organization.

Board meeting observations further verify the openness with which district business is conducted. Ample opportunities for the public to speak enhance the inclusiveness of many viewpoints in decision-making. These observations verify the high visibility of the business manager. The board deferred an administrative question to the superintendent. The board appointed two committees whose only purpose is to conduct board business and not district business.

So far then, findings from the interviews with participants and from documents and observations have been presented. Next the findings from the participants and documents are compiled to present an analysis of findings of the district's budgeting process.

#### Analysis of Findings

So far, data and findings from participant groups and from documents and observations have been presented. This section is a compilation of those findings. The findings show that district A makes budgeting decisions about revenue, process, expenditure, balance, and implementation. Figure 4.1, page 116 is a representation of the findings.



**Figure 4.1 Budgeting Model for District A**

Figure 4.1 shows that the first decision cluster is revenue. Findings show that district A receives revenue from local taxes, state aid, indirect federal grants, and miscellaneous sources. The district is out-of-formula, so the majority of its revenue, 93.7% comes from local taxes. Recapture of state aid categorical funds and tax base revenue sharing give the district negative revenues. While some uncertainty about revenues existed at budget adoption time, at least 93.7% of the budget could be projected with certainty. The district was able to project its revenues with 96.79% accuracy in 1991-92. The four year average for accuracy of projections is 97.7%. The ability to accurately project revenues greatly facilitates budget implementation.

Figure 4.1 shows that the next decision cluster is process. Decisions about who is involved and the criteria to determine expenditures are made. District A's budget is developed in a bottom up fashion. Principals and department heads participate by completing a budget book. They involve teachers in purchasing and in projecting the building or department needs. The superintendent, assistant superintendent, and business manager review the requests and decide on an allocation. The entire budget is reviewed with administrators. Principals are included in district budgeting decisions when cuts are necessary. Administrators have flexibility in spending their allocation. They also have the responsibility of monitoring their own budgets. Central office trusts other administrators to stay within their

budgets. Other administrators trust central office not to change the budget, place holds on spending, or unnecessarily question purchases. Decision-makers have a high level of satisfaction with the process.

Decision-makers in district A have a clear understanding of what is expected of them. New people in the district are in-serviced in district philosophy, goals, and expectations. In-service for staff is a duty of the assistant superintendent. When it comes to budgeting, in-service becomes the responsibility of the business manager. The board of education developed an orientation manual which explains the responsibilities of board members. There are clear lines of authority. Administrators are expected to do their jobs. The board approves administrator recommendations.

In district A, the board of education is in the background. There is no committee structure. Budget documents are reviewed with the entire board at public meetings. At board meetings, the assistant superintendent and business manager sit at a table adjacent to the table where the board and superintendent sit. The business manager conducts the workshops or hearings and discusses the details of the budget. The board asks questions and makes comments, but their role is to approve administrator recommendations. There are clear lines of authority, and the business manager is highly visible.

Decision-makers in district A have shared goals and a strategic plan for achieving them. Plans and goals are



developed by a cross section of the educational community. Building plans and goals are incorporated into the district plan. Findings show little evidence of sub-group goals.

Figure 4.1 shows that the process decision cluster includes the criteria used to make decisions. The criteria in district A include legal requirements, the district's history and traditions, and stakeholder's expectations. Legal requirements cause many budgetary constraints. Special education laws require that handicapped students be provided with special classrooms, materials, and transportation to specialized schools. Health and safety laws mandate that buildings and equipment be maintained and that potentially hazardous conditions, such as asbestos, be eliminated. Laws such as Public Act 25 mandate requirements that have financial costs. Labor law requires bargaining with employees for wages, benefits and conditions of employment. Districts have a legal obligation to adopt a balanced budget in a specified format. In 1991-92, District A spent 82.7% of the budget on salaries and benefits. A little over 6% was spent on utilities and maintenance.

History and expectations help to decide how the dollars will be spent once the legal requirements have been satisfied. In District A, there is heavy reliance on past expenditures to project future expenditures. The budget book, although it is a great organizing tool, emphasizes reliance on the past. Findings from financial records indicate an incremental budgeting pattern. However, central office administrators

said that each line item is reviewed several times. Automatic funding year after year does not happen. Frank said that administrative staff is always looking for ways to save money and ways to re-distribute the dollars. Less than 4% of the budget was spent on purchased services, supplies and materials for classroom use. Yet, it is within that small percentage of expenditures that evaluation occurs. Evidence exists that evaluation of expenditures occurs through the curriculum council's review and recommendations and through use of building goals to determine purchases. While past history dictates line item amounts, evaluation is determining how the dollars are used.

Stakeholder expectations also determine expenditures. Some staff expectations are satisfied through collective bargaining. Some expectations are satisfied by the continuation or addition of programs. In district A, there are many opportunities for expectations to be discussed and considered. Cross sections of the entire educational community are included in committees to develop plans, goals, and curriculum. Board workshops and public hearings provide opportunities for individuals and groups to be heard. Regular board meetings provide a forum for individuals to express their concerns and expectations. Board minutes and observations showed no evidence of dissatisfaction with the district. Participants said they were pleased and sometimes surprised at how much support the community has for the district. Participants expressed a high level of satisfaction

with budgeting. There is no evidence that stakeholder's expectations are not being met.

Figure 4.1 shows that expenditure decisions must be made. Decision-makers use the criteria to develop the budget. Law requires that districts adopt a budget by June 30 for the fiscal year which begins July 1. Law also stipulates the form this budget must take. Figure 4.1 lists the expenditure categories. Decision-makers project expenditures for each of the categories listed in the model. District A projected its expenditures with over 99% accuracy in 1991-92. The four year average for accuracy of expenditures is 97.3%.

Figure 4.1 shows that there are no steps in the balance decision cluster. The certainty of the revenues allows District A to immediately implement the budget. There are no holds on spending. A summer tax collection and a large fund balance mean that District A does not have to borrow to meet cash flow needs. There are usually two budget amendments during the year, but these involve only minor adjustments.

In District A, then, most of the revenue comes from local taxes. Because SEV and mill rate are known, revenue projections can be made with great accuracy. Decision-makers have clear lines of authority, known expectations and shared goals. Decision-makers exhibit a high level of trust, and they are highly satisfied with the budgeting process. The business manager is the most highly visible individual in the budgeting process. The board of education is in the background and has no committee structure. The decision-makers consider

legal requirements, past spending history of the district, and stakeholder expectations when making budgeting decisions. By June 30, the board reviews and approves a very accurate budget. The budget is immediately implemented.

This section has presented the data and findings for district A. The next section of this chapter presents the data and findings for district B.

### District B

This section on district B is organized in the following manner. First, a brief description of the district provides a setting for the data presentation. Interview participants are grouped for ease in data presentation. First data and findings from principals are presented. Second, data and findings from directors are presented. Third data and findings from a board member and a teacher are presented. Next, data and findings from central office administrators are presented. Then data from documents and observations are presented. This section concludes with the presentation of a budgeting model for district B which is a compilation of the findings.

### The Setting

District B was selected as the wealthier district with uncertainty of revenues. In 1991-92, according to Michigan Department of Education report R2743 (1992), the district

ranked 114 out of 561 school districts in combined local revenue (generated by local taxes) and state aid membership. District B, in 1991-92 was in-formula according to Michigan Department of Education reports. District B is the site of a steel manufacturer whose SEV represents about 50% of the tax base. However, this taxpayer frequently petitions the city for SEV reductions and files appeals with the Michigan Tax Tribunal. In 1991-92, the steel manufacturer challenged property assessments, and a subsequent settlement was reached. In 1992-93 the district received money from the settlement with the steel manufacturer and had to return the state aid membership. The taxpayer continues to challenge its assessments. The fact that the district can so easily slip in and out-of-formula because of tax abatements makes its revenues uncertain. In 1991-92, the district SEV was \$224,812,520. There were 2,352 students. This gave the district an SEV per pupil of \$95,584. The district levied 43 mills. In 1991-92 district B received \$4,365 per pupil in combined local taxes and membership aid.

All school districts have many constraints on their budgets. Among these constraints are the legal requirements to collectively bargain with their employees for salaries and benefits. In 1991-92, district B spent approximately 80% of its budget on salaries and benefits. School district must also pay for utilities and maintenance; this accounted for a little over 6% of District B's 1991-92 budget. Other legal obligations, which are discussed in the section on data from

documents, must be included in the budget. Thus, only a small percent of the budget is discretionary funds. In district B less than 1% (0.96%) of its budget was used for purchased services and supplies for regular K-12 programs.

District B shares a boundary with the same large city as district A and is the same size - approximately 6 square miles. The high school and middle school are centrally located in the city's business area. A recent bond issue to build a new high school, middle school and board office was approved. However, the district is having problems finding an adequate site on which to build. Elementary schools are located in residential neighborhoods. The elementary schools are secured with high cyclone fencing. Doors are securely locked. Visitors must ring a bell and wait for clearance to enter.

According to the district's 1992 Annual Report, the high school is accredited by the North Central Association; "the elementary schools are studying accreditation tasks and current requirements as they are made available." No figures were given on the number of graduates who seek higher education. In 1990-91 the district drop out rate was 9.2%.

In district B, 12 people were interviewed about their knowledge of and participation in district budgeting. By title, these people were the superintendent, the finance director (He is frequently referred to as the business manager. For the purpose of interview grouping, he is included in the central office administration), the special

education supervisor (who for readability purposes will be grouped with the directors), the director of grants, the magnet school director, the high school principal, the middle school principal, three elementary school principals, a board member, and a teacher identified as active in the teachers' union. Participants in district B tended to be hesitant to talk and provided very short, one word responses whenever possible. Some participants appeared to contradict themselves. It is difficult to know if the questions were not understood, if participants were confused, or if participants were not being totally candid. Rumors were rampant that the board was not going to renew the superintendent's contract. The June election changed the composition of the board; rumors were that the new board members have their own ideas about the superintendency. These rumors may have contributed to the reluctance to speak. The interview data and findings for the principals are presented first.

### The Principals

The principals all said that no specific time lines for budgeting are set, but that normally building budgets are completed in April or May. Although the interviews were conducted from late May through June, the participants all stated that they had not yet been asked to submit a budget. One of the interviews occurred after the board adoption of the 1993-94 budget, and yet this principal still said that no requests to submit building budgets had been made. Principals

said their budgeting responsibilities include teaching and office supplies, textbooks, and repair and purchase of equipment. Each principal receives a per pupil allocation. Either the finance director or the superintendent and finance director jointly decide the building allocations. Principals assign dollar amounts to their line items. The processes used to allocate dollars to line items and to spend those dollars varies within each building.

Principal Diane

Principal Diane meets with department chairpersons on an ongoing basis. They review spending proposals and set priorities, which ultimately fall under the PA 25 umbrella. Diane said that different curriculum areas are targeted each year to receive more of the available dollars. Diane said that she has tried to involve parents and students in budgeting, but that effort has not been successful. Diane said that the superintendent and business manager decide on the allocation based on the past three years experience and special needs. She is not really sure how the final allocation is figured, but it she said that it barely keeps up with inflation. Diane always exceeds the budget; in past years this was fixed through a budget amendment, but not this past year. According to Diane, the excess expenditures from 1992-93 will come from the 1993-94 budget. Diane said that there is never enough money. "The district is a poor out-of-formula district. No matter how much money we get, we find a reason to be poor." Diane said that there are problems with



budget implementation. "Purchase orders are sometimes held due to cash flow and due to the fact that the district has bad credit because it doesn't pay bills on time." Diane said that staff development funds are centralized. Staff members must submit applications and compete for funds. "Central office" decides who is awarded professional development funds. "We have to do a lot of time consuming activities to get money."

Diane is not included in district budget decisions. Expenditure issues such as how the district will pay for computer maintenance and supplies are raised at administrative staff meetings. Revenue issues are sometimes discussed at administrative staff meetings. These issues include "the moves" the city and a major taxpayer are making, grants and categorical funding, and what will happen if the federal government ceases to fund the magnet school which the district is obligated to maintain. Diane said that she has some involvement in projecting teaching and support staff needs and in deciding who will be hired. Diane is not aware of any formal district planning activities. Diane said, "The board has goals and objectives, but they are not formally presented to the administration." These goals and objectives are not used in budgeting. As a result of PA 25, each building has a strategic plan. The high school also follows North Central Accreditation plans. Diane said that building goals and objectives are adopted and are always used in budgeting.

Principal Betty

Betty is the administrator of a new middle school program. Consequently, budgeting for her program, which is referred to as a building even though it is housed within another school building, was different. There were certain start up costs, and no one knew how many dollars would be needed to make the program work. Betty believed that if needs were not taken care of this first year, they never would be. Betty worked one on one with the business manager on budgeting issues. Betty said, "I just placed orders and if the business manager questioned them, I let him deal with it." Betty did not use any staff in budgeting. Betty had thought about using department heads but thought that might require giving them each somewhat equal amounts. Betty did say, however, that the building School Improvement (SIP) team and discipline committee are involved in decision-making; "[they] are empowered - a team." Betty said that the business manager gives each building a per pupil allocation. Betty has great flexibility in moving dollar amounts between line items, but does not believe she has a lot of control over her budget. She said that she has to watch the business manager closely. "The business manager moves money around. Charges are made to accounts I didn't make. Budget numbers change without my knowing about it."

Betty said she is not involved in district decision-making. In staffing decisions, she interviews and recommends, but her recommendations are not always chosen. Betty said

that administrative staff budget discussions sometimes center on particular line item issues, but usually the discussions are very general. Betty does not know how district spending priorities are set. Betty said:

The district is good at crunching numbers to make them look like what they want. When staff wants something, the money is not there; when the board wants something, for example a new position, the money is there.

Betty said that there is a district school improvement team and a task force against gangs, but no other formal planning. She said that the board has no real goals or objectives. Board members have their own agendas. Betty said that **everything** is politics. Betty's building has goals and objectives. Betty said that they are used in budgeting but was not specific as to how they are used. When asked how she would like to see budgeting improved, Betty said she would like to have a better explanation of expectations. "The business manager talks about all of the problems without giving a firm grasp of what is expected."

Principal Marvin

Principal Marvin said he discusses building needs with the business manager. Marvin then receives his per pupil allocation. Marvin inventories books, supplies, textbooks, and then determines purchasing needs. The money that is left is divided per pupil per grade. Staff members, including the assistant principal and the secretaries, meet and reach a consensus on other items to purchase. Marvin said that spending criteria are not set. Marvin has flexibility in

moving dollars between lines items as long as they are not moved between the instructional and support functions. Changes in the budget can occur through a formal budget amendment, which is the business manager's responsibility. Marvin said that the budgeting process is dictatorial. He said he would like to see an earlier budget and an earlier, more definitive allocation as that would help in planning. Also, he would like to be able to place supply orders earlier so that materials would be in the building when school starts in the fall. Marvin said that uncertainties about proposed legislation, the state aid act, and a settlement with a major taxpayer are creating real budgeting problems.

Marvin said he is included in discussions about finances but not in the actual decision-making. District priorities, such as language arts and math textbooks and the need to cover the magnet school costs if the grant is not funded, are discussed at staff meetings. Marvin said that no one talks about other administrators' budgets; no one wants to know. He is not certain he would be told if he asked. According to Marvin, PA 25 committees at the district and building level engage in planning activities. There is a three to five year school improvement plan. Marvin said that currently the plans are not used for budgeting; however, he thinks that PA 25 will impact the budget. "The MEA pushed for PA 25, which means more teacher involvement in decision-making, which means teachers spend more time, which means they want more money." According to Marvin, district goals include a mission

statement and a counselling requirement; no additional goals have been discussed. The building has goals as a result of PA 25, but these are not used in budgeting.

Principal Bill

Principal Bill said that he receives a per pupil allocation. Bill meets jointly with the finance person and the superintendent to discuss the budget. Bill's teachers submit their needs and their wish lists. Bill said that he, his administrative assistant, and the SIP team decide what to buy. They try to meet all the needs; basal readers are purchased before supplemental materials. Bill does not have enough budget information, and "would like to have financial information before the custodians." Bill would like more frequent budget updates. He said that sometimes budget amendments adversely affect building budgets, but administrators are not always told that their budget has been changed. Bill said that there are ordering cutoff dates, and sometimes there are lags in approving purchase orders. Bill would like more autonomy and more choices in budgeting. He is locked into existing line items. "Once something is there, it doesn't get out." Bill wants to allocate the dollars in other ways, but he is not given the choice. Bill said budgeting would be easier if he had more money.

Bill said he is not included in district budgeting decisions, and does not know the district's spending priorities. Except for capital outlay concerns, budget is not discussed at staff meetings. Finances are discussed in very

general terms. Bill said that the "district has been presented with different financial scenarios recently. [No one] is sure which story to trust." Bill said that at board meetings, "not much is said publicly. [I am] sure things are said in executive sessions." Bill has input into teaching staff but is not included in the ultimate decision. Bill said that there is a district wide SIP team, but no real planning has occurred yet; everyone was working to get the bond issue passed. Bill said that the board discusses a lot of things but no one makes a choice of direction to follow. "I would rather see some direction set; if it doesn't work then change direction. . . but right now [there is] no direction." There are no district goals. Building planning and goals are part of the SIP process. Bill said that the goals in his building are to provide a safe orderly environment and to modify behavior. These goals are not part of budgeting; the PTA provides the rewards.

Principal Gary

Principal Gary said that the finance director decides how many dollars Gary will have for his budget; however, the number of school board members that live in that school's attendance area impacts the budget. "Right now B School has four board members and four votes. They get what they want." Gary does not involve other staff in budgeting because the budget is too limited. Gary assigns dollar amounts to his line items. He does not need to justify how those dollars are allocated among line items, and he can switch dollars between

line items. Gary said that there are never enough textbooks and supplies. Gary takes care of textbooks first, and then each teacher gets a per pupil allocation. Gary said that building maintenance used to be under the direction of the principal, but that has been centralized and maintenance has declined.

Gary said he is not included in district budgeting decisions. Everyone is simply told what the budget will be after the fact. "There is no need for more input if it doesn't result in more dollars." Gary doesn't know the district budget and isn't interested in finding out. Gary would like more input on staffing and more say in hiring. Gary said that support staff decisions are especially political. According to Gary, an administrative position is open due to a retirement and although the board has had months to make a decision, it hasn't. "It's all politics." Gary said that his building needed an additional teacher due to class size. He was told to work it out with a split, but this still left large class sizes. In response, students dropped from the school and went elsewhere. According to Gary, the district does not have any formal plans, but it does adopt goals and objectives that are developed by the board and administrative staff. These goals are used in budgeting such as adopting new textbooks for reading and math. There is no planning at the building level, but building goals do exist as a result of the SIP team.

The Findings: A Summary of Principals

To summarize, principals in District B do not have standardized budgeting procedures. Although the principals said that budgeting usually begins in April or May, interviews occurred in late May and June, and principals had not yet started budgeting for the ensuing year. There is no evidence of a standardized format for requesting funds. Principals receive a building allocation which they assign to already existing line items. Teachers are involved in some buildings in setting spending priorities; in other buildings, they just spend. There is some flexibility in spending, but there are holds on spending and problems in getting orders processed. A new principal complained that budgeting expectations had not been explained.

Lines of authority are not clear. Some principals said their budgets are determined by the finance director while others said their budgets are determined by the superintendent and finance director. One principal said that the board influences what resources are made available to schools. Both Diane and Gary are dissatisfied with a move toward centralization of services because there is now more paperwork and less satisfaction with the services. At least three principals said that the board is very involved in staffing and budgeting decisions and that these decisions are politically motivated.

Principals do not have knowledge of the district budget; some do not want to know. Budgets are not reviewed at staff



meetings. Principals are not included in district budgetary decision-making. Some principals do not trust the central administration in budgetary matters. Two said that their budgets were changed, and they were not told. One principal said that so many different financial scenarios had been presented that no one knew whom to trust.

District and building planning occur only as a result of PA 25 or North Central Association requirements. In most instances, these plans are not part of budgeting. There is confusion about district goals. Some principals said there are no goals; those who said that there are goals did not agree on what the goals are or on who develops them. One principal wishes someone would set a direction for the district.

When asked what they would change about budgeting, responses varied. One described the process as dictatorial. Some would like more and earlier information, more involvement, and more autonomy. Only one principal, Diane, said there was nothing she would change. However, even she said that there are too many time consuming activities when making some funding requests and that purchase orders are often held up.

So far, data and findings from interviews with principals have been presented. Next data and findings from interviews with directors will be presented.

The Directors

All of the directors are responsible for programs that receive major funding from federal sources; these programs are subsidized by funds from additional sources. The special education and magnet school programs are subsidized by district operating funds. Special education and compensatory education are subsidized by state aid categorical funds.

Supervisor Nancy

Supervisor Nancy is upset about her title. She does not understand why she is a supervisor while others who have the same work year, salary, etc. are directors. Nancy said that she is responsible for special education supplies, office supplies, staff travel, special education transportation, a pre-school program, and some smaller programs. To budget for these areas, Nancy reviews the previous year's expenditures, reflects on needs, and adjusts the line items accordingly. Nancy said she includes pre-school teachers in budgeting because they helped to develop the program. They tell her what they need. Nancy discusses her budget with the finance director on a one to one basis. Nancy said that if she needs more funds than are budgeted, she approaches the superintendent first, then the finance director. "Getting more funding involves a lot of arm twisting and then more arm twisting." Nancy said that one of her biggest budgeting problems is not having enough money to do things, especially staff development.

Nancy said that she is not involved in district-wide budgeting decisions. Nancy knows other building budgets because her budget is linked to theirs. Nancy is not responsible for the general fund support of her programs. Nancy said that budgeting is not discussed at staff meetings unless everyone is incurring a lot of costs. The superintendent reports globally on district finances. Nancy said that there is a problem with the trust - people don't believe there is no money. According to Nancy people are saying, "Where is the money? It's a negotiations year so there is no money." Nancy said that the superintendent sets district spending priorities. A K-12 alternative education program for students with behavior problems is a priority for 1993-94. "No one seems to have a real sense of what is going to happen there, just that it will be there." Nancy said that a team visited other alternative schools in the area and found the atmosphere to be different from that in district B. "People seemed less concerned with petty rules, such as wearing a hat, and more concerned with kids as people. We don't seem to care much about kids, or at least don't show it." Nancy believes that increased student behavior problems are due to the fact that a special program, which targeted problem students and included a police officer to work with students, was dropped when the grant that supported it ended.

Nancy said that there are no formal district planning activities other than to build a new high school. Nancy has never seen any district goals or objectives. Nancy's

department does not engage in planning. Nancy said department goals are directed toward solving student behavior problems which have increased the special education case load tremendously.

Director Neil

Director Neil said that the various funding agencies set the parameters for his budgets. On the district level, Neil meets with the superintendent, explains the budgets, and talks about things he would like to see in the program. Neil involves other directors, supervisors, teachers, students, and parents in budgeting. Neil said that they talk about program direction and the activities, staffing, materials, and equipment that are necessary to implement the program. Then they try to match the needs with the available dollars.

Neil said he is not included in district-wide budgeting decisions. Finances and the financial condition of the district are discussed in the very general terms at administrative staff meetings. Neil said that the district is "solvent." Line items are not discussed unless expenditures are getting out of hand. Neil said that in recent years, there is more central office control of the budget and more pinpointing of expenditures. Neil said, "The trust level, in terms of numbers, is high." Neil said that district planning activities occur through the district-wide SIP team which includes board members, administrators, teachers, etc. Neil thinks the board has goals and objectives which are part of the SIP book. The board has a mission statement. Neil said

that formal planning is used especially in the Chapter I program to discuss program direction and fund usage. There are no department goals. Neil said that uncertainties "caused by the a\*\*holes in Lansing" create budgeting problems. According to Neil, other uncertainties are caused by the practices used to assess district property.

Director Lisa

Director Lisa said that her program was created to resolve a 1970's lawsuit that was filed by the Office of Civil Rights. The magnet school program operates in two of the three K-6 buildings. One building is devoted to math and science and the other to language development. Large federal grants have funded at least 50% of the program; however, district personnel are concerned that federal aid may be discontinued. The program, which costs over \$1 million, would have to be continued using general fund dollars.

Lisa said she is responsible for the federal portion of the budget; therefore, the federal government determines time lines and funding criteria. Teachers, academic specialists, other administrators, and a parent advisory group, which establishes the curriculum and program goals, are involved in budgeting. Lisa consults with the finance director to complete the budget. Lisa said that financial information was extremely open and that she was very satisfied with what she was allowed to do in preparing the budget and grant application. Lisa said that central office controls the general fund portion of the budget.

Lisa said she has input into the district budget but is not part of the actual decision-making. Lisa said she would like to be more involved in district budgeting. Although Lisa said that financial information was very open, she does not know other administrators' budgets. Lisa does not know how district spending priorities are set. Lisa is not sure of district finances. She said that the central office administration is not always believed about district finances. "Administrators believe it. Teachers don't. It's a negotiations year." Lisa said, however, that the trust level is increasing. Lisa said that formal planning is just beginning at the board level. The board is developing a five year plan which will include goals. Lisa said that there are no building or department goals even though she had earlier stated that the parent advisory committee establishes goals.

The Findings: A Summary of Directors

To summarize, program directors in District B, like the principals, do not have standardized budgeting procedures. Two directors meet with the finance director to discuss their budgets, while the third meets with the superintendent. Because these people work with federal and state funds, time lines and funding amounts are set by those agencies. Lisa and Nancy do not control the general fund dollars that subsidize their programs; those dollars are controlled by central office. Lisa and Neil involve more people in deciding how dollars will be spent than Nancy. These administrators are not involved in district budgeting decisions. The budget is

not discussed at administrative staff meetings. These three indicated that there is some distrust of the central office administration.

As with the principals, lines of authority are not clear. Different directors discuss their budgets with different central office administrators. Nancy discusses her budget with the finance director, but appeals to the superintendent first if she needs extra money. Nancy and Lisa do not have complete control over their programs. Budgeting responsibility is divided; program directors control federal dollars, and central office controls general fund dollars. When asked what they would change about budgeting in district B, one said nothing. One would like more involvement in district decisions. Neil would like to eliminate the uncertainties caused by legislators and assessors.

The directors perceive district planning and goals differently. Responses vary from no planning to starting to plan to plans are in SIP book. Goals either do not exist, are part of SIP book, or will be included in planning. There are no shared goals.

So far, this section has presented the data and findings from interviews with principals and directors. Next data and findings from interviews with a board member and a teacher are presented.

Board Member and TeacherBoard Member Marie

Board member Marie said that the superintendent and finance director project revenues and expenditures. The board member thinks the auditors also help project revenues. She said that budget projections are about 90% accurate. Multi-year projections for 1994 and 1995 have been presented to the board. Marie said that problems in projecting revenues and expenditures occur because the state aid act is unknown. The district, therefore, does not know if it is in- or out-of-formula. Further, a major taxpayer is challenging its tax increases.

According to Marie, the finance director prepares the budget. The finance director works with the board finance committee, which reviews the finances and passes the information on to other board members. Marie said that the committee does not meet often but individual members frequently meet with the finance director. Marie said that the superintendent and finance director prepare expenses for each building. The buildings and departments are given budgets; they do not develop their own. School district staff is involved in budgeting to the extent that they spend their allocation. Marie said that the superintendent's role in budgeting is to oversee the finance director and ultimately to set the spending criteria. Marie said that the superintendent and finance director are "very conscientious about looking at costs before something is adopted." Marie said that the



superintendent gives the public budget presentations but may at times refer to the finance director. Marie said that the public is welcome to attend board meetings and workshops. The public is kept "as informed about finances as much as can be expected. The district has an open door, and the finance director is very approachable." Marie was not sure if budgets are available to the public but said, "I'm sure it wouldn't be a problem to get them." Marie did not know if there was a goal or policy regarding fund balance but said, "We like to have it. We're in good shape. It helps us keep expenses in line. We don't overextend ourselves; it's a reserve."

Marie said that one board member has been active in getting the board involved in strategic planning. The board will work with consultants; Marie hopes that the public will be involved and that the plan will address financial issues. Marie said that the board adopted three to five year goals in 1990. These goals, one of which was to build a new high school, were accomplished in three years. Marie said, "It's a big thing right now. The board is pushing for it. The board would like to see not only the board but also administrators adopt goals. We're working toward it." Marie said that there are always people with individual or sub-group goals, but these are usually "misunderstandings and can be easily cleared away." Marie said that the board has never reconsidered a decision. There are no spending holds or any other problems with budget implementation.

Teacher Tom

Teacher Tom is active in the union. Tom assumes that the superintendent and business manager project revenues, and the business manager projects expenditures. Tom said that it is not difficult for the district to project revenues and expenditures. Tom has no idea how accurate the projections are. "A lot is concealed. The superintendent is never factual. [We] are not given exact figures. Politics plays a big role. [It is] hard to get the facts, lots of agendas." Tom does not know funding criterion nor who sets it, but he thinks it is the board, finance director, superintendent and the attorney. Tom said that the superintendent controls everything, and the finance director works with the superintendent. Both the staff, including principals and teachers, and the public are cut out of the process. Tom said that the superintendent manipulates the board, which is comprised of non-professional people. "They just don't have the knowledge." Tom said that budgets have to be available to the public and staff, but that fact is not well advertised. Tom said that the public and staff are not kept well informed. Tom said that multi-year projections are presented at board meetings and study sessions. Tom said that board decisions are frequently reconsidered, especially about the new high school. "Every two weeks they change their minds about site, type of building, program." Tom said that there are spending holds all the time. Tom said that the holds are political

games. "The principal blames it on the business manager and vice versa."

Tom does not think the district has any formal plans unless they are state mandated; SIP committees do have plans. Tom said the board adopts goals, and they are updated every six months. He assumes they relate to finances, but there are no specific financial goals. When asked specifically if there was a goal or policy about fund balance, Tom did not know. He thinks the fund balance is about \$11 million to \$12 million, but doesn't know the exact figure. Tom does not know why fund balance is important. When asked about sub-group goals, Tom said, "Everyone has his own agenda: board, staff, administration. It's politics."

The Findings: A Summary of Board Member and Teacher

Both the board member and teacher agree that the superintendent and the finance director project revenues. The board member thinks auditors are also included. The teacher believes that the business manager projects expenditures; the board member believes the superintendent also projects expenditures. The board member believes the projections are very accurate - about 90% - while the teacher has no idea. The teacher believes that it is hard to get correct information. The board member says that problems in projecting revenues occur because there is no state aid act and a major taxpayer is seeking abatements. The teacher is not aware of any problems.

Expenditures are projected from the top down. Principals and teachers spend but do not budget. The teacher says there are times when there are holds on spending. The board member says that the superintendent sets spending criteria, while the teacher says that it is the finance director, superintendent and attorney. The board member says that finance committee members meets frequently with the finance director.

Both the board member and teacher agree that there is no formal district planning. The board member says that one board member is active in getting the board involved. The board member says goals were adopted three years ago, and they have been accomplished. The teacher says goals are updated every six months. Both agree that there are sub-group goals. The teacher calls them agendas, and says that everybody has one. The board member calls them misunderstandings.

So far, data and findings from interviews with principals, directors, a board member, and a teacher have been presented. Next, data and findings from interviews with the central office administrators are presented.

#### Central Office Administrators

##### Superintendent Mike

Superintendent Mike said that he and the business manager do the district budgeting. He said that the previous year's budget is rolled over, then other needs such as textbook adoption and roofs are considered. Principals receive a per pupil allocation which they in turn allocate to various line

items. In projecting expenditures such as utilities, the past history is reviewed. A three year average is calculated, and that average is increased by 3% for the new year. Mike said that expenditure projections for 1993-94 are expected to be close. The district is in contract negotiations with the teachers; attorneys, rather than school district staff, do the negotiating.

Mike said that the business manager projects revenues. Mike said that the projections are about 98% accurate because of the high dependence on local taxes. Currently the district is out-of-formula, but until the State Aid Act is passed the district will not know if it will remain so. Problems in projecting revenues have occurred because of city assessment practices and tax assessment challenges by a major taxpayer. Mike said that these challenges "could mean a significant impact on revenues." Mike said the business manager calculates five year projections. Mike said that a fund balance of 9-10% is a goal. About \$1 million is needed for the summer months. Mike said that fund balance was deliberately used in 1992-93 because a major growth in the 1993-94 SEV, and therefore a growth in local taxes, is imminent with the completion of a major taxpayer's new facility. The fund balance that was used will be replaced in 1993-94. Mike said that the district evaluates the accuracy of its budget projections by looking at fund equity - did it end up at what was projected.

Mike said that the district does not engage in program budgeting, zero based budgeting, or cost benefit analysis. Program evaluation resulted in re-structuring school grade levels, creating a middle school, and centralizing media and counselling services. Administrative responsibility for some programs was changed. Mike said that the board and staff set the funding criteria. He said that the maintenance budget is used for "fat." We:

wait until May and then if it looks like there will be money left over, it is used for pet projects such as parking lots, roofs, etc. These are often projects that the board members have felt needed to be done.

Mike said that five years ago, the district was broke. He said:

The former superintendent had it easier. He could just say there isn't any money, recommend cuts, and implement. Now that the district has money, everyone wants it. I am always making decisions about spending it.

Mike said that the budget is usually amended twice during the year due to minor adjustments. The board does not re-consider budgeting decisions, and there are no holds on budget implementation. Mike did say, though, that the district is waiting on implementing some staff and program decisions because of 1993-94 funding uncertainties. "We don't want to do these things and then have to go back and change them."

Mike said that his role in budgeting is to keep the board on target, to keep revenues and expenditures in line, and to present options. Mike generally does the public budget presentations. Mike developed his own spreadsheet for

tracking investments because he doesn't think one person (the business manager) should be responsible for so much money.

Mike said that the business manager analyses the budget, meets with him regularly to keep him informed, and handles the board finance committee. Mike said that the board finance committee meets more frequently than other committees. The finance committee is kept informed of budget deviations and of accounting changes that may affect the district's finances. The finance committee then reports to the other board members. Mike said that budgeting decisions are the board's. He said that the public is tuned in to budgeting. "Parent groups make significant contributions to the schools but are not involved in the general fund." There are budget workshops and hearings, and a copy of the budget is made available. Mike said that about 75% of the people who attend board meetings, hearings, and workshops are staff. He said that the budget hearing for the 1993-94 budget was unusual because there were no questions. Usually the public makes comments "on whatever is up at the time." The budget is adopted the same night as the hearing, so there is no time to consider public comments prior to budget approval.

Mike said that the board is looking into getting involved in strategic planning. The district has four Saturday board workshops; one meeting is specifically devoted to planning, and some of those plans do include financial issues. Mike said that he would like to change the budgeting process so that there is more time for planning. Mike said that the

board adopted goals in 1990 but not since. Most of the 1990 goals have been accomplished. He said that one in particular, building a new school, was linked to finances. When asked if individual or sub-group goals exist, Mike emphatically answered, "Absolutely!" He said that board members have pet projects. Sometimes they look for ways "to pay political debts."

Finance Director Joe

Finance director Joe begins budgeting in February or March, prior to the county allocation board meeting in April. Joe said he uses past history and formulas. First he projects salaries and benefits, which are based on negotiated contracts. Supplies and other materials remain at the status quo. District plans determine capital outlay funding. Joe calculates utilities by using either a five year average and adding 5% or by using a three year average and adding 3%. Extraordinary incidents are also considered. Joe said that the district does not engage in program or zero-based budgeting. He said that ZBB is good for new programs. In late May, he revises the allocation budget. Joe said that principals are involved in budgeting. Joe said that administrators decide the funding criteria but was not specific about which administrators decide and what the criteria are. Buildings are given a per pupil allocation; usually the allocation to begin the year is the same as last year's. In September, the finance director adjusts the building allocations. Administrators have "near complete



freedom to allocate dollars as they deem appropriate." They have the flexibility to move dollars between line items as long as they do not impact the approved budget format. School administrators can order supplies from the county purchasing cooperative in the spring but are not allowed to order other materials until after school begins. All purchases must be made by March when a cutoff for spending is imposed.

Joe said that revenue projections are more accurate than expenditure projections. He said capital outlay has been a problem because of aging buildings and boilers. The bond issue, which was passed in winter of 1993, however, will address these needs.

Joe said that projecting revenues is becoming more difficult. Just this past spring, city officials increased the major taxpayer's SEV by \$104,000,000. According to Joe, the city called in an expert who used a legal but highly questionable method of assessing value. The newly increased SEV brought the Headlee Rollback Factor to about .5, which meant that the school district could levy only half of its approved millage resulting in a significant revenue loss. The county equalization director became involved and decided that the remedy to the situation was to apply an equalization factor of .3 to all school district property. This action would mean that the district could levy all of its approved millage but on only 30% of the ad valorem SEV. Finally, after many meetings and legal costs to the district, the county equalization director agreed to allow the city to reduce the

assessment. Joe said the story is not quite over, however, as the involved taxpayer still has outstanding appeals with the Michigan Tax Tribunal. Joe said that in 1991-92, a drop in assessments put the district into formula. After litigation, a settlement was reached which retroactively increased the SEV enough so that the district should not have been in-formula, and the district had to repay the membership aid it had received. The taxpayer has appealed the decision.

Joe said that the superintendent's role in budgeting is to give direction, to describe concepts, and to provide options to cost out. Joe crunches the numbers. The superintendent has the final say. The superintendent gives all the public presentations. At board meetings, Joe does not sit at the board table, but the school district attorney does. When asked about this, Joe said that he sits in the audience so that he can observe the audience's mood and listen to comments. Joe said he also watches the body language and actions of board members. Joe said that he supplies board members with a lot of information. Joe meets with the finance committee and reviews the budget step by step. He said that board members do not ask as many questions as they used to. Certain members adopt certain causes, however. Joe said that the public is not involved in budgeting. There are budget workshops. "A few concerned parents attend. They may not be concerned about finance per se; they are more concerned about program content." Joe said that the most recent budget hearing was atypical in the sense that there were three big

financial issues on the agenda: Truth-in-Taxation Hearing, budget adoption, and a budget amendment. Joe said that board meetings are fairly well attended, but most of the audience is staff. There are not many questions or comments. Joe said that the budget is usually amended twice: once in the fall after fourth Friday count is taken, staff is in place, and insurance rates are known, and again in May for minor adjustments.

Joe said that the board took action in June to participate in the strategic planning process. "Not all board members agreed with strategic planning, but all voted in favor of it because they did not want to look like they were against planning." Joe said that the board adopts one to five year goals which can be found in the board minutes. Joe said there are individual and sub-group goals. He said:

Individual board members have pet projects. Sometimes the union doesn't care about the position [regarding fund balance] of the district. Sometimes union demands don't include quality program. [They] don't understand that what's good for the company is good for them. [They] don't understand what impacts the big picture.

Joe said that he has brought a private industry mentality to the school district. He tries to maximize revenue and minimize waste. Joe said, "Time is money." At times Joe has taken financial responsibilities from administrators in order to make programs more efficient. Joe said that there are other areas within the district that may need his aid to become more efficient.

The Findings: A Summary of Central Office Administrators

Central office administrators say that accurately projecting revenue is becoming increasingly difficult. The district is never sure about its in-formula/out-of-formula status. Changes in the law regarding SEV assessment and local city assessment practices cause the district many problems in projecting revenues.

Central office administrators work together to prepare the budget. Expenditure projections are made from the top down. Past history and formulas are used to project expenditures. Principals receive building allocations. Principals have some flexibility in using their funds, but there are restrictions on when dollars can be spent.

There is a blurring of the lines of authority. The finance director controls many day to day decisions. He has relieved administrators of budgeting responsibilities when they have not spent dollars efficiently, even though these administrators report to the superintendent and not to the finance person. The superintendent duplicates the finance director's tracking of records because he does not think anyone should have that much responsibility. The finance director is not highly visible in public settings. At board meetings, the attorney, a non-school district employee, is given the responsibility of contract negotiations and is seated at the board table; the finance director sits in the audience to listen and watch. The superintendent makes the

public budget presentations. The finance director works in the background with the board finance committee.

Central office administrators agree that the district does not have goals. The board has recently decided to pursue strategic planning. Some budgetary decisions are made to satisfy individual board members.

So far, a brief description of the district and interview data and findings have been presented. Next, the data and findings from documents and observations are presented.

#### Document and Observation Data

##### Data on Revenue

District 1992 financial documents (Financial Report and Form B) show that in 1991-92 district revenues totaled \$13,034,336. Revenues came from the following sources: local tax levy, 74.17%; state membership and categorical aid, 8.95%; indirect federal grants, 4.23%; direct federal grants, 7.35%; and miscellaneous revenue (investment interest, lease and sale of property, etc.), 5.30%. Detailed data on revenues can be found in Appendix B. Form B reports and Financial Reports for 1988-1992 show that over this four year period, the local tax levy has averaged 81.2% of revenues. Documents show an increasing reliance on federal funding for revenues. Documents show that the district was able to project its revenues on the original June adopted budget with 87.92% accuracy. District records show that over a four year period, revenues were projected with 90.4% accuracy.

In 1991-92 the district was in-formula because appeals by a major taxpayer reduced the SEV. These appeals were challenged. According to board minutes, the district received \$696,000 as a result of the State Tax Commission ruling. Of this amount, \$611,000 was returned to the state and \$85,000 was used for litigation costs.

#### Data on Expenditures

District financial documents show that in 1991-92 expenditures totaled \$13,639,008. Table 4.2, page 157, lists the expenditures by both function and object. Reports show that over a four year period, expenditures increased steadily. The percentages spent in the function categories varied by less than 1% except that there was a decrease in the percentage spent in basic programs that was offset by an increase in added needs programs. (This would be consistent with the additional reliance on federal funds for compensatory education.) The percentage dropped in general administration while it increase in instructional support, due to an accounting change for certain personnel. There was a similar exchange between the maintenance and operations category and the capital outlay category. District documents also show expenditures categorized by object. Table 4.2 shows that expenditures were made in the following object categories: salaries and benefits, 79.91%; purchased services, 7.22%; and supplies and materials, 12.87%. Within the purchased service and supply category, 6.22% of expenditures were used for maintenance and operations supplies and services (utilities,

Table 4.2 District B Expenditures

1991-92 EXPENDITURES  
BY FUNCTION

INSTRUCTION

Basic K - 12 Programs	34.08%
Added Needs - vocational, special education, etc.	11.18%
Adult Education	0.28%
Benefits for Instructional Personnel	8.26%

SUPPORT

Pupil Support Services - counselling, health services	4.51%
Instructional Services - library, media	6.02%
General Administration - central office and board of education	1.87%
School Administration	4.62%
Business Services	3.39%
Operations and Maintenance	12.68%
Transportation	1.48%
Central Services - data processing, etc.	0.38%
Benefits for Support Personnel	6.38%
Community Service - day care center, latch key	0.09%
Capital Outlay	3.30%
Other - athletics, lunch program	1.48%

100.00%

EXPENDITURES  
BY OBJECT

Salaries & Benefits	79.91%
Purchased Services	7.22%
Supplies and Materials	12.87%

100.00%

% of budget spent on  
purchased services &  
supplies

Basic Programs	0.96%
Added Needs	1.29%
	2.25%

telephones, paper towels, cleaning supplies, etc.). Only 0.96% of expenditures were used for purchased services and supplies in regular K-12 classrooms. Principals in district B control less than 1% of the total budget. In the object categories, salaries and benefits remained constant in percentage spent, while purchased services and supplies varied. Documents show that the percentage of the budget spent on regular K-12 purchases services, supplies and materials steadily decreased. Even though expenditures exceeded revenues, District B ended the 1991-92 fiscal year with a fund balance that equaled about 10.6% of its revenues. Detailed data on expenditures can be found in Appendix B. Documents show that the district was able to project its expenditures on the original June budget with 96.17% accuracy. Records show that over a four year period, district B projected its expenditures with 95.3% accuracy.

Satisfying legal requirements is one of the criterion on which expenditures are based. The format the budget takes for board approval and the format for reporting expenditures and revenues are dictated by Michigan law. District B begins its projection of expenditures by using a line item budget which is then condensed to meet legal requirements. District B must fulfill the legal requirement of having its books audited, which is a cost to the district. Salaries and benefits accounted for approximately 82% of total expenditures. The district is legally required to engage in collective bargaining with its employees. The resulting contracts set



wages, benefits, and conditions of employment. Teacher contracts have clauses specifying the number of students that can be placed in classrooms, thereby dictating the size of the teaching staff. Special education laws require that students with special needs be placed in special classrooms. Often the students must be transported to special schools or to programs offered in only one school. For district B, this is the only transportation costs. Health and safety laws require the district to maintain its buildings to meet MIOSHA standards. Legislation on asbestos has placed increased burdens on the district. In addition, PA 25 is mandating that certain personnel and program standards be met, all at a cost to the district.

#### Data on Process

District B has board policies that clearly delineate a budgeting process. According to those policies, the budget will be made up of best estimates from the individual schools and consolidate upward. Teachers and other staff members will be involved. Principals will prepare and submit an estimate of needs by January 15. The superintendent will determine the manner of compilation and issue instructions. He/she will establish a time schedule known as "budget calendar."

#### Board Meeting Observations

The meeting the researcher attended included a Truth-in-Taxation Hearing, a budget hearing, a budget adoption, and a budget amendment. The superintendent gave the entire presentation. The superintendent said that the finance

committee had met just last week. He said the budget is very tentative because:

There is no state aid act. We don't know what will happen with school finance reform. We have a significant increase in SEV because of [the new industrial facility]. Last year we allowed expenditures to exceed revenues because we knew [the facility] was going on line. This year revenues exceed expenditures. The budget includes an alternative education program and all present programs. The budget was developed in anticipation that the magnet school will be funded.

The only comments came from board members. One said that the budget was approved without any discussion because board members had already spent so many hours working on it. He said, "The board put in 8 to 10 hours on this one. We did lots of homework. We went over and over on this one. I'm not even on the finance committee." No reasons were given for amending the 1992-93 budget.

Further observations at this board meeting include the fact that the district's attorney, who is completely in charge of contract negotiations sat at the board table. People said he sits at the board table every meeting. The finance director sat in the audience. A newcomer to board meetings would not have known he was there. The board treasurer gave a financial report and offered the bills for payment. The board adjourned to a lengthy executive session before action items other than budget were considered.

#### The Findings: Documents and Observations

The purpose in collecting data from documents and observations is to verify the data collected through the

interview process. Numerical data allow the researcher to look at the district's financial condition. Financial Reports, Form B reports, and board minutes document decisions that were reached.

Data collected on revenues verify the in-formula status of the district in 1991-92. Data further verify that the district can easily slip in- and out-of-formula. Data verify the sources of revenue, the uncertainties that accompany that revenue, and the accuracy of revenue projections. Data collected on expenditures document the use of the revenue. The data provide verification and insight into the criteria that are used in making expenditure decisions. The data show that both revenues and expenditures increased steadily. The relative lack of variance in expenditures is indicative of incremental budgeting with its reliance on past history. The data verify the accuracy of expenditure projections. Data indicate that because of revenue uncertainties, the budget is not completely implemented.

Board minutes reveal no board adoption of long term planning. The existence of district goals could not be verified through any documentation. Board policy reveals that the process described by participants is not the one set forth in policy.

Board meeting observations reveal a high level of board activity and involvement in district decisions. The observations verify the lack of visibility of the finance director. The attorney's prominent position at the board

table opens up questions as to his position in district decision-making. The fact that a Truth-in-Taxation Hearing, budget hearing, and budget adoption all occurred within minutes of each other reveals a lack of opportunity for public involvement.

So far then, findings from the interviews with participants and from documents and observations have been presented. Next the findings from the participants and documents are compiled to present an analysis of findings of the district's budgeting process.

#### Analysis of Findings

So far, data and findings from participant groups and from documents and observations have been presented. This section is a compilation of those findings. The findings show that district B makes budgeting decisions about revenue, process, expenditure, balance, and implementation. Figure 4.2, page 163 is a representation of the findings.

Figure 4.2 shows that the first decision cluster is revenue. Findings show that district B receives revenues from local property taxes, state aid, indirect federal grants, miscellaneous sources, and direct federal funds. The district fluctuates between being in-formula and out-of-formula. City assessment practices and SEV loss due to tax tribunal decisions add to revenue uncertainty and contribute to its change in state aid status. The majority of its revenue, 74.17% comes from local taxes. District B receives additional

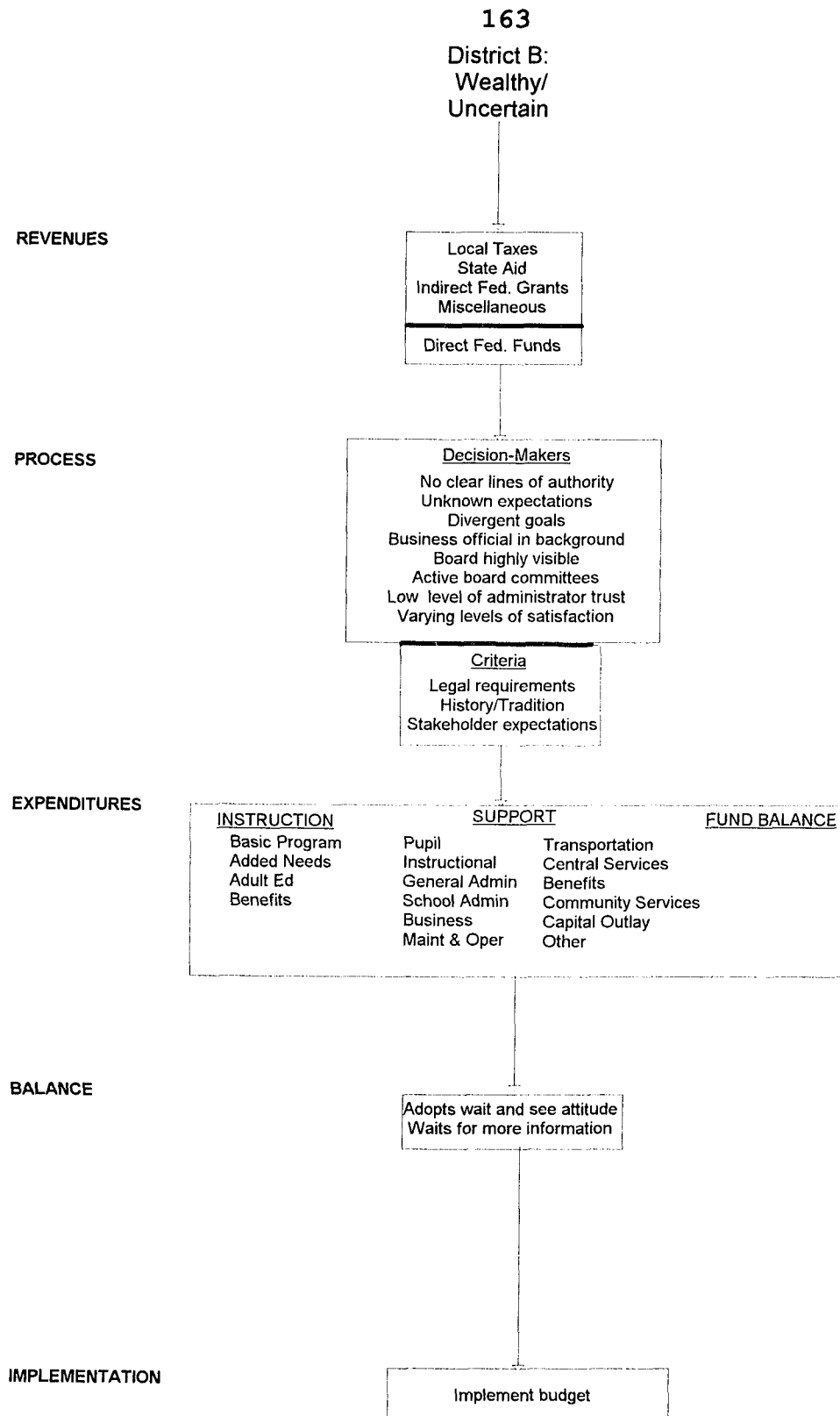


Figure 4.2 Budgeting Model for District B

revenue through direct federal aid. These additional federal funds finance about 50% of the district's magnet school program. Direct federal funds require a lengthy application procedure. They often require negotiating and lobbying. Approved applications must then wait for an appropriation. The process for obtaining the funds leads to revenue uncertainty because the district is well into the fiscal year before it knows the funding it will receive. In 1991-92 direct federal funds accounted for 7.35% of district B's revenues. In 1991-92, the original budget's revenue projections were 87.92% accurate.

Figure 4.2 shows that the next decision cluster is process. Decisions about who is involved and the criteria to determine expenditures are made. District B's budget is developed in a top down fashion. Principals are given allocations. Principals and sometimes teachers decide what is purchased. Directors have more involvement in projecting because they budget for federal funds. There are no standard procedures or time lines for budgeting. Budgeting is not discussed with administrative staff unless staff is exceeding line items. The process leads to varying levels of satisfaction. Principals and directors would like to be more involved in budgeting decisions and to have more information. Central office administrators are satisfied with the process.

Participants expressed varying levels of administrator trust. Principals complained that they were not told of budget changes. The superintendent feels the need to

duplicate the finance director's work. Either the administrators themselves are unsure about district finances or said others, such as teachers, are.

Decision-makers in district B do not have a clear understanding of what is expected of them. People new to budgeting are not told what is expected of them. At least one principal always overspends her budget, yet a different administrator had budgeting responsibilities changed because of "inefficiency."

There are unclear lines of authority. Principals and directors meet with different central office administrators when they discuss budget. Directors do not have control over the general fund support of their programs. Program administration and budget administration become confused. Principals receive allocations to run their buildings, yet there are conditions under which those dollars can be used. Even though principals would like to have books, supplies, and materials in their buildings before school begins, the finance director does not allow this to happen. The finance director relieves administrators of their budgetary duties if they do not use dollars efficiently, yet in the chain of command, administrators report to the superintendent and not the finance director. There is even confusion over administrators' titles.

People other than administrators are perceived as being decision-makers. Auditors are perceived as projecting revenues. Attorneys sit at the board table instead of school

district personnel, and they negotiate labor contracts. There is virtually no public involvement in budgeting.

In district B, the finance director is visible in daily operations, but in the background at public meetings. The finance director does not have a prominent place at board meetings. He does not make public presentations. He does not present bills for payment nor inform the board of district finances. A newcomer to board meetings would not even know he was in attendance. The board of education is highly visible. The board has a committee structure; the finance committee is the most active. The finance committee members meet with the finance director as a group and as individuals. The committee is responsible for supplying other board members with financial information. The board treasurer presents the bills for payment and reports on the financial condition of the district.

District B does not have shared goals. Confusion exists as to whether or not goals exist and who sets them if they do exist. Goals were not found in the board minutes. If district goals do exist, they are not well publicized. Individual and sub-group goals do exist. Board members have pet projects or "agendas." Even the board member who is initiating the move to strategic planning is doing that because of a personal goal. The union member said everyone - board, staff, administration - have their own goals. The finance director also pointed to the unions as having their own goals that sometimes run counter to "what is good for the



organization." District B decision-makers do not have shared goals.

Figure 4.2 shows that the process cluster includes the criteria used to make decisions. The criteria in district B include legal requirements, the district's history and traditions, and stakeholder's expectations. Legal requirements cause many budgetary constraints. Special education requirements must be met. District B uses contracted services for its transporting special education students. Health and safety laws mandate that buildings and equipment be maintained and that potentially hazardous conditions, such as asbestos, be eliminated. Building maintenance has created budgeting problems in the past, but the bond issue will help to address those problems. Labor law requires bargaining with employees for wages, benefits, and conditions of employment. Districts have a legal obligation to adopt a balanced budget. District B has a legal requirement to fund a magnet school program. Federal funds are paying about 50% of the costs, but district funds must pay the rest. Regular K-12 students are not bussed in district B, but in order to make the magnet school work, transportation to the magnet schools is being added to the 1993-94 budget. In 1991-92 district B spent 79.91% of the budget on salaries and benefits. Utilities and maintenance accounted for 6.22% of expenditures.

History and stakeholder expectations help to decide how dollars will be spent once the legal requirements are satisfied. In district B, there is a heavy reliance on past

expenditures to project future expenditures. A roll over budget is modified to accommodate for special items and inflation. Formulas are applied to existing line items. Principals begin the new year with last year's allocation. In the buildings, principals are locked into existing line items that never go away. In 1991-92 less than 1% of the budget (\$131,177) was spent on purchased services, supplies and materials for regular K-12 classroom use. There is no evidence that purchasing is evaluated. There is no evidence that spending patterns have changed due to curriculum changes.

Stakeholder expectations also determine expenditures. Some stakeholder expectations are satisfied by legal requirements. Staff expectations are satisfied through collective bargaining. Some expectations are satisfied by the continuation or addition of programs. Board members' expectations are satisfied by the inclusion of their "pet" projects. Lack of public participation raises questions as to whether the public is satisfied or if it is either overtly or subtly denied involvement.

Figure 4.2 shows that expenditure decisions must be made. Decision-makers use the criteria to develop the budget. Law requires that districts adopt a budget by June 30 for the fiscal year which begins July 1. Law also stipulates the form this budget must take. Figure 4.2 lists the expenditure categories. Decision-makers project expenditures for each of the categories listed in the model. District B projected its

expenditures with 96% accuracy in 1991-92. The four year average for accuracy of expenditures is 95.3%.

Figure 4.2 shows that district B does not immediately implement its entire budget. District B waits for more information such as enrollment figures and the passage of the state aid act. A drop in SEV and an increase in student enrollment can easily put the district in-formula. Because district B is so close to being an in-formula district, revenue uncertainty exists. Other groups, such as city officials who control the SEV, the federal government which controls funding for the magnet school, and the taxpayer that persistently receives tax abatements, cause additional revenue uncertainty. Therefore, the district adopts a wait and see attitude before fully implementing the budget. The wealth of the district keeps it from having to implement cuts or asking for additional millage. Caution is taken to protect fund balance.

In district B, then, most of the revenue comes from local taxes. It is a relatively wealthy district. Because of its enrollment and actions by groups outside of the school organization, revenue uncertainty exists. Revenues can be projected with some accuracy. Decision-makers do not have clear lines of authority as different principals and directors work with different central office administrators in budgeting. Decision-maker expectations are not fully known. Divergent goals exist among the many decision-makers. The business official is not highly visible. The board is highly

visible and has an active committee structure. Decision-makers consider legal requirements, past spending history, and at least some stakeholder expectations when making budgeting decisions. Individual goals sometimes determine expenditures. The board approves a budget by June 30 which is fairly accurate. The budget is not fully implemented until the fall when more information about revenue is known.

This section has presented the data and findings for district B. The next section of this chapter presents the data and findings for district C.

### District C

This section on district C is organized in the following manner. First, a brief description of the district provides a setting for the data presentation. Interview participants are grouped for ease in data presentation. First, data and findings from principals and the community education director are presented. Next, data and findings from a board member and central office administrators are presented. Then data and findings from documents and observations are presented. This section concludes with the presentation of a budgetary model for district C which is a compilation of the findings.

#### The Setting

District C was selected as the less wealthy district with certainty of revenues. In 1991-92, according to Michigan

Department of Education report R2743 (1992), the district ranked 352 out of 561 school districts in combined local revenue (generated by local taxes) and state aid membership. The district is solidly in-formula. In 1991-92 the district SEV was \$142,006,704. There were 2,561 full time equivalent students. This gave the district an SEV per pupil of \$55,450. The district levied 34.1284 mills. In 1991-92 district C received \$3,561 per pupil in combined local taxes and membership aid.

All school districts have many constraints on their budgets. Among these constraints are the legal requirements to collectively bargain with their employees for salaries and benefits. In 1991-92, district C spent 79.72% of its budget on salaries and benefits. School districts must also pay for utilities and maintenance; this accounted for 4.6% of district C's 1991-92 budget. Other legal obligations, which are discussed in the section on data from documents, must be included in the budget. Thus, only a small percent of the budget is discretionary funds. In district C, only 2.11% of its budget was used for purchased services and supplies for regular K-12 programs.

District C is rural; however, it is experiencing growth in upscale housing, business and industry as the boundaries of suburbia push further and further into what was once farmland. About 60 to 70% of the SEV is residential property, most of which is owned by farmers. District C is 116 square miles. All of the schools are located on a beautiful, centrally

located campus. The buildings and grounds are immaculate. A recent bond issue paid for a new elementary school to accommodate the increasing numbers of students at the elementary level. The administration building is a converted bus garage that was decorated by the central office staff and their spouses. The building is functional and homey.

According to the district's 1992 Annual Educational Report, the high school received North Central Accreditation for the first time in 1991-92. Two of District C's schools have been recognized as state exemplary schools by the Michigan Department of Education; the middle school was honored in 1991 and the elementary school in 1992. The district has a dropout rate of 3.42%.

In district C, eight people were interviewed about their knowledge of and participation in district budgeting. By title, these people were the superintendent, the assistant superintendent, the high school principal, the middle school principal, the later elementary school principal, the early elementary school principal, and the director of community education, and a board member. Teachers who were identified as active union members would not participate. With the exception of the teachers who refused to participate in the study, everyone in the district was cordial. Information was made readily available. The interview data and findings for the principals are presented first.

The Principals and Community Education Director

Principals in district C budget for supplies, textbooks, small equipment purchase and repair, and some professional development. All of those interviewed agreed that the budgeting process begins in February or March; the assistant superintendent, who is responsible for the finances of the district, sets the budget calendar. Principals are requested to submit their needs on district prepared forms. The assistant superintendent reviews the requests and gives the principals an allocation. Because each building houses a different grade level, each receives a different per pupil allocation. Principals assign dollar amounts to various line items. Each principal then meets individually with the assistant superintendent to review and justify the allocations. Principals said that they never exceed their budgets. They can present rationale for additional funding, and, after negotiating, usually get more dollars. The assistant superintendent is responsible for the special education program. Supplies, textbooks and other special education classroom materials are part of the building budgets. Principals use different budgeting procedures within their buildings.

Principal Dennis

Principal Dennis said he meets with department heads after the assistant superintendent requests building needs. Dennis and the secretary review the current budget and spending trends. They look for excess from last year and for

new areas that need funding. Dennis said that when cuts are necessary, they look at "what's good for kids." Dennis gets suggestions from staff, but said that "everyone protects their own turf." Dennis said that in his building, continually looking to the future and working to accomplish goals is not new, but PA 25 has had an impact on the process. Building goals set spending priorities. Dennis said that in recent years there is more use of grant money to meet goals.

Dennis said he is not involved in district budgeting decisions and does not know other administrators' budgets. Central office sets spending priorities. There is concern about staff allocations because of enrollment growth. Dennis said the board of education is involved only in the presentation of the budget; members become more involved when cuts are made. "That way the board takes the brunt of defense, not the administration." Dennis said that the public trusts the administration.

Dennis said the district does not have long term planning, but newer board members are interested in strategic planning. Dennis said that teachers, parents, administrators, and board members meet in the fall and talk about issues and set goals. These goals are used in budgeting. Dennis said the biggest problems in budgeting are holds on spending and having an expanding student population without expanding funds. Dennis said that the funding of PA 25 is a district concern.



Principal Carl

Principal Carl said that he discusses budgeting issues at staff meetings. He meets with department heads to discuss needs. Carl said he puts the budget together, trying to balance different needs. Carl assigns dollars to the departments, but he said his staff is willing to share resources. Carl said district funding priorities are sometimes set at administrative staff meetings. Spending decisions are usually reached on an individual basis through phone calls with the assistant superintendent. Carl said his building has planning and goals that are used in budgeting. "For example, this year we are trying to investigate different ways to provide in-service."

Carl said his involvement in district budgeting is limited to helping prioritize items for funding. Carl has almost total autonomy in terms of teaching staff. According to Carl, principals must make central office aware of staffing needs early in the budgeting process; the posting, interviewing and selecting is up to the principal. Principals also participate in support staff interviews. Carl said that some district planning occurs in the fall when faculty, board and administrators meet and set goals. "The goals are not always budgetary, but almost everything affects the budget." Carl said the district set goals prior to PA 25, "but PA 25 provides a better instrument." Carl said the district's biggest problem is not having enough money. He said:

It would be great to know on a consistent basis what funds are going to be there without having to go to the people. But everyone realizes the problem; everyone has a real positive attitude.

Carl praised the assistant superintendent calling him "outstanding, trustworthy. He is good about things you couldn't anticipate. He uses a very sharing, open process."

Principal Jim

Principal Jim said that for the 1993-94 budget he used current year figures and added an across the board percentage. Jim is principal of a new building which is costing much more to operate than was projected. The newness of the building is creating budgeting problems; there is no budget history. Jim complained that there are no dollars he can budget on his own. He said, "For example, new programs require manipulatives but there are no dollars for them. Somebody missed the boat." Jim said it is possible to request more funds through the assistant superintendent, "but it is easier if you have the superintendent's support first." Jim said that he involves teachers in budgeting by giving each teacher a dollar allocation to spend which amounts to about 85% of the building budget. The remaining 15% is kept in a building supply pool. Jim has the flexibility of moving dollars between line items but said the assistant superintendent is very particular about expenditures even though the money is in the budget. Jim is frustrated because many special education students that were part of a county program are returning to the district. Because special education program costs come from the building

budget, Jim believes regular education students are being shortchanged.

Jim said that he has not been involved in district-wide budgeting decisions. Budgets are not discussed at administrative staff meetings which Jim finds frustrating. He "wants to be sure his own is not being shortchanged." The assistant superintendent sets spending priorities. Jim said he would like more involvement and would like budget discussions at meetings where all the administrators are present. He "would like to know district-wide where all the dollars are going." Jim said that a lack of planning is hurting the district; however, he conceded that these are not normal times, and it is hard to plan for the abnormal. Jim said there are very general, broad district goals which are tied to budgeting. According to Jim, the assistant superintendent says, "If you set goals, you have to put the bucks there." Jim believes more emphasis needs to be put on curriculum; however, he said the district does maintain a good program, the strength of which is attributed to "people who are willing to sacrifice." He cited an example of teachers refusing a stipend to take students to band camp.

Principal Linda

Principal Linda said the assistant superintendent assigns dollar amounts to her budget line items. Linda must then justify any changes she wishes to make. Linda said there is heavy use of the prior year's budget and not much flexibility in use of funds. Linda would rather get a lump sum allocation

and not have to worry about line items. Within the building, each teacher receives \$200 to spend on classroom materials. Grade level needs are considered; teachers develop wish lists and prioritize. Linda said usually the lists are reasonable. Teachers decide the spending criteria. Each grade decides its priorities. Linda said that the teachers are willing to share and have developed "closets" with materials everyone can use. Teachers take turns buying necessary items with their allocations. Linda said the teachers in her building have almost completely done away with workbooks so that they can purchase hands-on materials.

Linda said that she is not included in district-wide budgeting decisions. She knows the budget of one other building because she and the other principal are friends. Linda does not know how district spending priorities are decided; central office makes those decisions. Linda believes the high school receives the most. "It is kept 100% all the time. It is the showplace of the district, where parents come for sports, etc. Time and money run out by the time they get to my building." Linda said that the assistant superintendent is highly trusted as "he has kept the district out of trouble." Linda has complete autonomy in posting, interviewing and selecting teaching staff; she has some input on support staff. According to Linda, district planning occurs through the K-12 SIP committee. These plans are directed at curriculum. The district sets five "target" goals which the board approves. Linda said, "In the past these

goals were more related to budget; now they are more student related." Building goals are related to the five district goals. In the building there are five teams; each team works on a goal. Linda said her building progresses because of innovative staff; however, the union is not very flexible in allowing changes.

Community Education Director Fred

Director Fred said his programs are market driven because they are funded by state aid and program fees. Fred said he is responsible for approximately \$750,000. Fred projects his budget by starting with the previous year's numbers. The budget is amended about four times during the year. Fred said that the assistant superintendent sometimes questions the expenditures; then they negotiate. Fred is happy with the process. "The superintendent and the board are supportive; the assistant superintendent is great." Within the department, budgeting is done by program or service. Fred said that he involves coordinators and sometimes other staff. The funding criteria are demand, state policies and regulations, and available staff.

Fred said that he is not included in district-wide budgeting decisions. The financial picture is discussed in global terms at administrative staff meetings; line items are not discussed. Fred said there is a district committee that plans on an annual basis, but their plans are not part of budgeting. According to Fred, district goals are adopted annually. Many of the goals are curriculum related, but they

are discussed in terms of their impact on the budget. Fred said that his department has no formal plans, but he tries to look ahead three to five years. Department goals are part of that informal planning.

The Findings: A Summary of Principals and Community Education Director

To summarize, principals and department heads in district C are aware of their budgeting responsibilities. A budget calendar is set and followed. Forms are provided for administrators to project needs. The assistant superintendent works closely with the administrators. Set procedures are followed. Administrators know that they meet with the assistant superintendent to review requests and to negotiate for additional funds. Principals receive an allocation which they assign to line items. Administrators are allowed flexibility in the fund usage, but they also know the assistant superintendent sometimes questions purchases. Sometimes there are holds on spending. Administrators do not exceed their budgets. They know that if they need additional funds and the reason is good, the assistant superintendent will usually find a way to provide them. Teachers are involved in spending decisions. High school teachers are more likely to "protect their turf." Other grade level teachers are more likely to share. Principals are not involved in district budget decisions unless cuts are necessary. Principals have autonomy in teaching staff selection.

Lines of authority are clear. The assistant superintendent is responsible for the budget. Other administrators take care of all budgeting matters with him. Principals are allowed to administer their budgets; the assistant superintendent occasionally questions purchasing requests.

Planning and goal setting occur at the building level. The district's K-12 SIP committee plans for curriculum. District goals are set. The curriculum plans and the district goals help set the direction for building planning and goal setting. Some of the plans and goals are either part of budgeting or have an impact on the budget.

Generally, administrators are satisfied with budgeting in district C. Some would like more input and more autonomy, but they are not unhappy with what is occurring. Carl would like more certainty in funding. Elementary principals believe that the high school is treated better. Principals expressed a high level of trust of the assistant superintendent. Principals say that even though the assistant superintendent is conservative, he is trustworthy, open, helpful, and he has kept the district out of trouble. According to principals, the public trusts him too.

So far, data and findings from interviews with principals and the community education director have been presented. Next data and findings from interviews with the board member and central office administration are presented.

Board Member and Central Office AdministratorsBoard Member Mary

Board member Mary said that the superintendent supervises budgeting. While the superintendent ultimately has the final say, he allows people to do their jobs and keeps a hands off approach. Mary said that budgeting is the assistant superintendent's job. The assistant superintendent projects revenues; he and the building principals project expenditures. Mary thinks teachers are probably involved too because of PA 25. Mary said board members review the budget every month. While the board does have a finance committee, Mary said that it has only met once in two years and that was because cuts were necessary. Mary said that idealistically whatever least affects the kids is cut. "However, it sometimes seems in situations of cuts, that those things that would least affect kids can't be done because of contractual obligations." Mary said the board has complete confidence in the assistant superintendent. "If [Raymond] left and someone else came in, the board would have to be more involved." Mary said the public is not as involved as it could be. According to Mary the public is kept informed through the local newspaper. She said that in addition to news articles, the superintendent has a regular weekly column. Mary said staff members receive a synopsis of board minutes. Budgets, by law, are available.

Mary is not sure how accurate budget projections are, but thinks they are pretty close. Mary said a weakness of the district is that multi-year projections are not calculated.



She is sure the superintendent and assistant superintendent have mental projections. Mary said, "Budgeting problems are created at the state level, not at the local level. There are many uncertainties because schools are not funded properly." When asked about fund balance, Mary said the auditors advise 7-10%. "We don't have that; it's not our doing. Last year we lost money because of an increase in enrollment, but the state used the previous year's student count." Mary said that because there is no fund balance, the district has to borrow to meet cash flow needs.

According to Mary the district does not engage in formal planning, but the board is talking about it. Board goals are set annually for the district, superintendent, and administrators. Mary said that while the goals may not be directly related to financial issues, they are all limited by finances. Mary said groups and individuals with sub-group goals exist, but no one group stands out. Mary added, however, that she hopes "unions would be involved in planning because the whole district needs to be involved, and what benefits the district benefits them."

Mary is not aware of any formal evaluation of programs. "What would we evaluate? There are not many things you can cut in a school district." Mary is not aware of reconsideration of budgeting decisions, nor is she aware of times when the budget cannot be implemented.

Superintendent Steve

Superintendent Steve described his role as "strictly advisory." Steve said, "The assistant superintendent was a teacher and former coach. Everyone trusts him. He has been with the district for over 30 years. [There is] no need to interfere." Although Steve said principals and some teachers are involved in budgeting, he was not specific about what they do. Steve said that the board has workshops and study sessions, but budgeting is an administrative job not a board job.

Steve said the public is involved in budgeting. Some members of the community are regular subscribers to board packets; they pay a fee and get exactly the same information that board members do, including budgets. Steve said more people attend budget hearings and workshops than attend regular meetings. Since the district needs to request additional millage and needs to prepare for cuts if that millage fails, Steve predicts that attendance will grow. Steve said that there are chances for the public to comment, and sometimes the comments can affect decisions which in turn affect the budget. Steve said public comments are not centered on any one issue. Each person has his or her own area of concern.

Steve said that about 70% of the district's revenues come from homeowner's, particularly farmers. The district has recently lost a lot of small industry. A new industrial park is planned, and it is likely a large industrial facility will

locate there. Steve said delayed passage of the state aid act creates revenue projection problems. Steve said the state is making more drastic changes every year. "The state is in trouble, and it is passing it on." Steve said that district C, a growth district, has been hurt by using previous year's student counts in the state aid formula. "The district is in a dilemma. Enrollment is growing by about 5%; revenues are decreasing, so, there is a need to reduce expenditures while growing."

According to Steve, projecting expenditures has become easier over the years. Steve said the district can control expenditures more than a lot of people understand. "The district controls what happens in a lot of areas, including negotiations." Steve said that although the district has used a third party to negotiate in previous years, it will not do that this year. Steve said the budget that is adopted in the fall is far more accurate than the one adopted in June to fulfill a legal requirement. By fall, enrollment is known and the state aid act has been passed. Steve said the district does not calculate multi-year projections.

Steve said the district does not engage in formal planning. He said that the K-12 SIP committee set district goals and objectives. Steve said that the board adopts one year goals, some of which address financial issues. Building goals especially address financial issues. Steve said that there are sub-group goals. "The unions are not receptive to getting involved in school improvement, especially at the high

school. They don't want to change." Steve said there is a board policy regarding fund balance. The policy stipulates a fund balance of two months operating costs, but, according to Steve, the district doesn't have it now.

Steve said the district does evaluate program on a regular basis but does not engage in ZBB, PPBS, etc. Steve said administrators have flexibility in the use of their funds, but sometimes there are holds on spending. Steve said budgeting is very traditional. He doubts that the process has changed in 25 years. "[The process] works well. The district has done as much with dollars as they can."

Assistant Superintendent Raymond

Assistant Superintendent Raymond said that projecting revenues and expenditures is becoming more difficult. He said that in-formula districts need the state aid act to budget with accuracy. According to Raymond, in 1992-93 the state changed from using current year enrollment to prior year enrollment to calculate membership aid. District C experienced enrollment growth and lost \$500,000 because of that change. Raymond sees greater problems down the road unless there is a significant change in the funding formula. Raymond said that a few years ago, only one district in the county was out-of-formula. Now, district C is the only district in the county that is in-formula. Raymond wonders where this will leave the district in its relationship with legislators.

Raymond said that principals are involved in budgeting. They project their needs and submit line item allocations. Principals must justify their allocations and negotiate for them. Raymond said administrators have flexibility with their budgets, but there are holds on spending, and they are never allowed to spend 100% of the allocation. Raymond said that he "accommodates needs while maintaining control. Elementary people are weakest in budgeting; they like to stockpile."

Raymond says projecting expenditures has become more difficult because of enrollment growth and a multitude of new programs. There is an expansion of the consortium concept; district C is the fiscal agent for county-wide community education and alternative education programs. Consortium members can make changes and spend dollars that impact the budget and leave district C with little budget control. In spite of these problems, Raymond states that if one looks at the October budgets, the district has been very accurate in its budget projections. The budget is usually amended three to four times a year. Raymond does not do multi-year projections. He said that they:

take a lot of time and effort and usually are not worth the paper they're printed on. [They are] virtually impossible given the state of affairs. Other things have higher priority.

Raymond said that he does not ignore looking ahead; he just doesn't do projections.

Raymond said he has a free hand in budgeting. He gives the public presentations. Raymond said the superintendent

needs to know what is going on and needs to communicate with the business person. The superintendent needs to let the business person know in a timely fashion what he would like to see accomplished. Raymond said that sometimes board members comment on budgeting decisions, but their comments are not directly solicited. The board makes "political decisions rather than professional decisions."

According to Raymond, the district has budget hearings and workshops, and these are better attended than regular board meetings. Raymond said the public becomes involved in financial decisions in a crisis situation. Raymond said there are times when the public can get very involved. Often board meetings become open forums, such as the 1993-94 budget hearing where the discussion of possible cuts was opened to the public for its suggestions and comments. Raymond said a strong board president is needed to bring things back in line. He said:

Last night [the budget hearing] was okay because there were no additional items for approval. Sometimes the public becomes a part of the board; it is the board which must make decisions, not the entire public.

Raymond did say, however, that ultimately it is the public that sets spending criteria. Cuts usually end up being made across the board, which Raymond said is more symbolic than anything else.

Raymond said that there are no formal planning activities in the district. He said that the board adopts annual goals which are developed by the board and community members. The

goals are very general and do not address specific financial or budgeting issues. Raymond said the new superintendent, who has been in the district for three and a half years, has been very effective in following through with monitoring and reporting on the status of the goals. Raymond said there is a board policy on fund balance. It had been that the district would maintain a fund balance equal to one month's operating expenditures. Raymond said the board has completely revised its policies, and beginning July 1, the fund balance should be a minimum of 5% of expenditures not to exceed 10%. Raymond said the union does not agree with the fiscal management of the district.

Raymond said budgeting has not changed. He said, "The district has run 20 years close to the vest. I don't see that changing." Raymond would like to have more control over revenue; then the district could make stronger commitments. He said:

Personnel decisions often have to wait until state aid is known which is usually at least the end of summer; I don't feel the district is always getting the best people -- may be getting leftovers.

Raymond believes, however, that the board and staff get the job done with the available resources. Raymond does not agree with the critics of school and government employees. "We do a good job with what we have."

The Findings: A Summary of Board Member and Central Office Administration

To summarize, budgeting in district C has become more difficult because of decisions reached at the state level. The district was adversely affected by the decision to use prior year enrollment in the 1991-93 the membership formula. The June budget is adopted only to comply with a legal requirement. The fall budget is more accurate because state aid and enrollment are known by then. Revenue uncertainty delays the hiring of staff and the full implementation of the budget.

Both the superintendent and the board member have ultimate trust in the assistant superintendent. His longevity, high profile, and financial management of the district contribute to the feelings of trust and respect. The assistant superintendent makes sure that expectations are known. Budget time lines are set and followed. Principals submit needs and negotiate for funds. Principals do not exceed their budgets. They know that they can present rationale for additional funds and that they will probably get them. The assistant superintendent "accommodates needs while maintaining control." There is a reliance on spending history to project the new budget. Principals are given a fairly free hand in making purchases.

There are clear lines of authority. Budgeting is the assistant superintendent's responsibility. While principals, board members, the public and the superintendent may provide



information, advise of needs, and comment, the assistant superintendent makes the decisions. Everyone acknowledges, however, that the superintendent has the ultimate say. The board of education respects the difference between policy and administration. Budgeting is an administrative job. The assistant superintendent is highly visible both in the day to day operations and at public meetings. The board reviews the budget and approves administrator recommendations. There is no active board committee structure. The board becomes more visible when cuts are necessary.

According to these participants, community members and staff develop district goals that are adopted annually. The superintendent and administrators also adopt goals. Some of these are used in budgeting. Goals are reviewed periodically. There is evidence of sub-group goals. The teachers' union is resisting involvement in school improvement, and it does not always agree with district fiscal management. District C does not engage in formal planning but is looking into it.

According to these participants, budgeting is an open process. Budgeting decisions are made from the bottom up. Teachers and principals are involved in projecting expenditures. Community members receive board packets. Board meetings are open for public comments and sometimes are conducted as open forums.

So far, a brief description of the district and interview data and findings have been presented. Next, the data and findings from documents and observations are presented.

Document and Observation DataData on Revenue

District financial documents, such as the Financial Report and the Form B report, show that in 1991-92 district revenues totaled \$10,449,479. Revenues came from the following sources: local tax levy, 46.38%; state membership and categorical aid, 43.55%; indirect federal grants, 2.89%; and miscellaneous revenue (investment interest, adult education tuition, etc.), 7.18%. Form B reports and Financial Reports (1988-1992) show that over a four year period, revenues steadily increased. The sources of the revenues have changed slightly. Local revenue declined by approximately 1% each year while state aid increased by approximately 1% each year. At least part of the reason for the increased state aid is the assumption of fiscal agency status for the county adult and vocational programs. Detailed data on revenues can be found in Appendix C. Documents show that the district was able to project its revenues on the original June 1991-92 adopted budget with 94.64% accuracy. Records show that over a four year period, revenues were projected with 92.7% accuracy.

Data on Expenditures

District financial documents show that in 1991-92 expenditures totaled \$10,338,934. Table 4.3, page 193, lists the expenditures by both function and object. The data show that revenues and expenditures both increased steadily over the four year period. The percentages spent in most function

Table 4.3 District C Expenditures

1991-92 EXPENDITURES  
BY FUNCTION

INSTRUCTION

Basic K - 12 Programs	36.98%
Added Needs - vocational, special education, etc.	6.76%
Adult Education	9.01%
Benefits for Instructional Personnel	9.13%

SUPPORT

Pupil Support Services - counselling, health services	2.54%
Instructional Services - library, media	1.85%
General Administration - central office and board of education	2.87%
School Administration	5.18%
Business Services	1.98%
Operations and Maintenance	8.51%
Transportation	3.97%
Central Services - data processing, etc.	0.41%
Benefits for Support Personnel	4.30%
Community Service - day care center, latch key	0.55%
Capital Outlay	1.39%
Other - athletics, lunch program	4.57%
	100.00%

EXPENDITURES  
BY OBJECT

Salaries & Benefits	79.72%
Purchased Services	8.67%
Supplies and Materials	11.61%
	100.00%

% of budget spent on  
purchased services &  
supplies

Basic Programs	2.11%
Added Needs	0.56%
	2.67%

categories varied only slightly. Expenditures for adult education increased by approximately 6%. Because district C is fiscal agent for the county adult and vocational program, expenditures are accounted for as district expenditures. The four year averages for expenditures by object are very close to 1991-92 expenditures. Table 4.3 shows that expenditures for 1991-92 were made in the following object categories: salaries and benefits, 79.72%; purchased services, 8.67%; and supplies and materials, 11.61%. Within the purchased services and supply categories, 4.6% of expenditures were used for maintenance and operations supplies and services (utilities, telephones, paper towels, cleaning supplies, etc.). Only 2.11% of expenditures were used for purchased services and supplies in regular K-12 classroom. Principals control only 2.11% of the budget. Revenues exceeded expenditures, so district C added to its fund balance. Detailed data on expenditures can be found in Appendix C. Documents show that the district was able to project its expenditures on the original June adopted 1991-92 budget with 96.62% accuracy. Records show that over a four year period, district C projected its expenditures with 94.5% accuracy. Satisfying legal requirements is one of the criterion on which expenditures are based. The format the budget takes for board approval and the format for reporting expenditures and revenues are dictated by Michigan law. District C begins its projection of expenditures by using a line item budget which is then condensed to meet legal requirements. District C must

fulfill the legal requirement of having its books audited, which is a cost to the district. Salaries and benefits accounted for approximately 80% of total expenditures. The district is legally required to engage in collective bargaining with its employees. The resulting contracts set wages, benefits, and conditions of employment. Teacher contracts have clauses specifying the maximum number of students that can be placed in classrooms, thereby dictating the size of the teaching staff. Special education laws require that students with special needs be placed in special classrooms. Often the students must be transported to special schools to programs offered in only one school, thereby increasing transportation costs. Health and safety laws require the district to maintain its buildings to meet MIOSHA standards. Legislation on asbestos, underground tanks, and lead in drinking water has placed increased burdens on the district. In addition, PA 25 is mandating that certain personnel and program standards be met, all at a cost to the district.

#### Data on Goals

A review of board minutes (July, 1988-May, 1993) reveals that district C has board adopted goals. According to the minutes, the PRIME committee, which is comprised of staff, board and public, develops the goals and gives a report on their progress at the end of the school year. The goals are usually adopted after school has begun in the fall. The superintendent updates the board and public on progress in

achieving the goals in January or February. The goals are very general in nature. A more specific financial goal was to increase the millage in 1992-93.

#### Board Meeting Observations

Approximately 50 people were in attendance. Most, including principals, had their "board packets" with them. Attached to the meetings' agenda were guidelines for public participation at board meetings. The agenda included several financial issues: adopting the 1993-94 budget, approving an operating loan application, refinancing a bond issue, setting the date for a millage election, and reducing program. The assistant superintendent was highly visible. He was seated at the board table. The assistant superintendent explained that the proposed budget was balanced only if the district reduced program by \$500,000. He said that depending on the state aid formula, which had not yet been passed, another \$500,000 in cuts may have to be made. He also said that the budget did not include any salary increases, and contract negotiations were about to get underway. Fund equity was depleted. The borrowing was necessary because there is no fund equity and there was no guarantee that there would be an August state aid payment. After the budget, operating loan and re-financing were approved, a discussion about a millage election and cuts followed.

The assistant superintendent said that the district was in a real dilemma. Since the State Aid Act had not yet been passed, the district really did not know how much additional

millage it needed to request. The assistant superintendent explained that the district did not want to request more than was needed. On the other hand, the district did not want to ask for too little and end up still having to cut program while taxpayers paid more. The discussion ended with the decision to not set a millage date until more information is known. Because of the legal requirements for conducting a millage election, the district would not be able to hold the election until late August. It would, therefore, make cuts to begin the school year.

The superintendent led the discussion of possible program reductions. The principals gave an explanation of what could be cut in the their buildings. They also discussed the consequences these cuts would have. Then the meeting became a public forum. Staff and community members gave suggestions. One said, "You can't tax and spend." Another said, "You must remember what's good for kids not staff members." Some suggested a pay to play athletic program. Others suggested transportation cuts. The meeting ended without coming to any decisions. The public was told that there would be several town meetings throughout the summer to discuss the cuts and the need for additional millage.

#### The Findings: Documents and Observations

The purpose in collecting data from documents and observations is to verify the data collected through the interview process. Numerical data allow the researcher to look at the district's financial condition. Financial

Reports, Form B reports and board minutes document decisions that were reached.

Data collected on revenues verify the in-formula status of the district. The data further verify the sources of revenue, the uncertainties that accompany that revenue, and the accuracy of revenue projections. Data collected on expenditures document the use of the revenue. The data provide verification and insight into the criteria that are used in making expenditure decisions. The data show that both revenues and expenditures increased steadily. The lack of variance in expenditure categories is indicative of incremental budgeting with its reliance on past history and formulas.

Data collected from board minutes document and verify the goal setting process used in district C. The board minutes verify the openness and inclusiveness of the process.

Board meeting observations further verify the openness with which district business is conducted. Ample opportunities for the public to speak enhance the inclusiveness of many viewpoints in decision-making. Printed materials are readily available to staff and public. These observations verify the high visibility of the business official, the assistant superintendent. These observations speak to the uncertainties experienced by an in-formula school district.

So far then, findings from interviews with participants and from documents and observations have been presented. Next



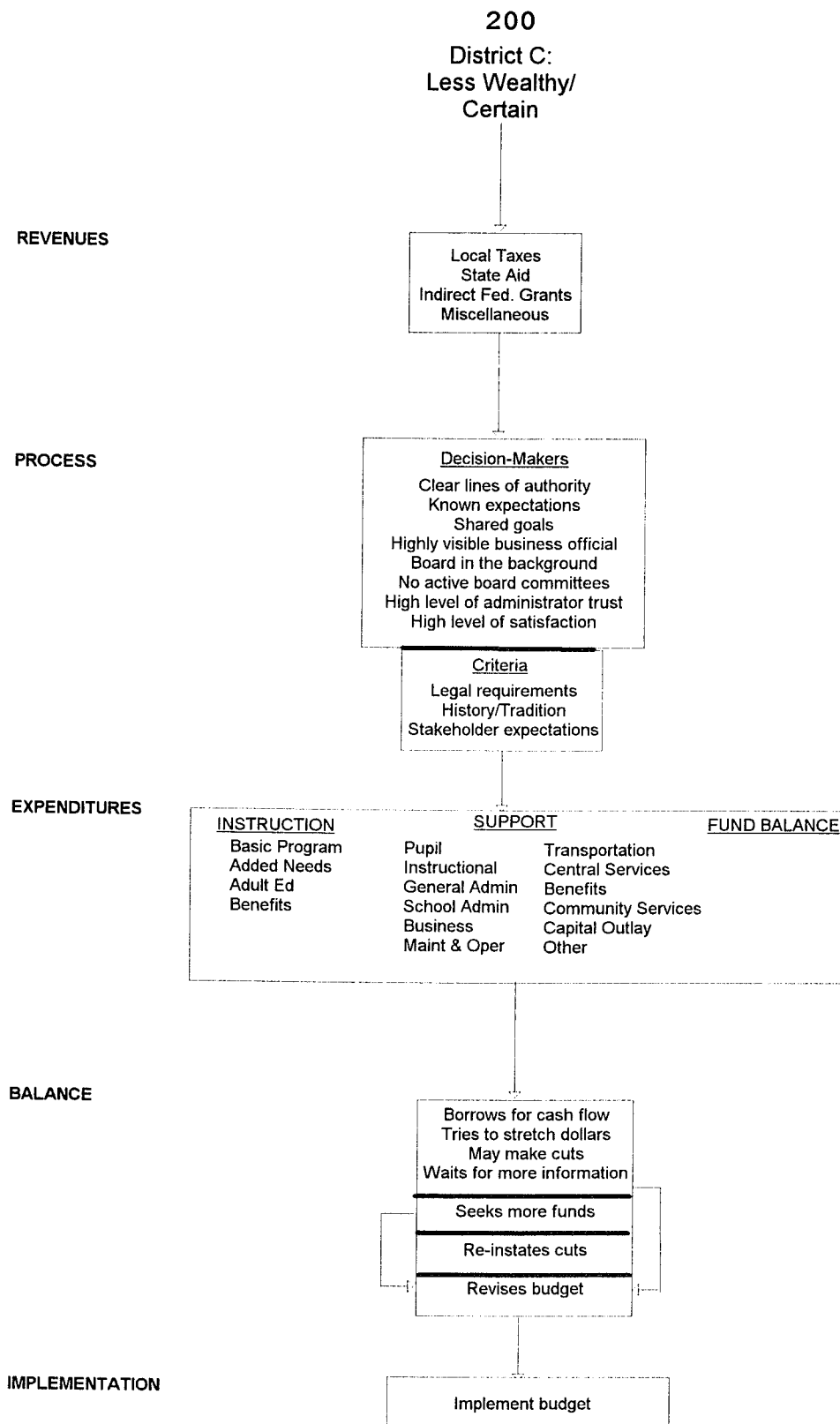
the findings from the participants, documents, and observations are compiled to present an analysis of findings of the district's budgeting process.

### Analysis of Findings

So far, data and findings from participant groups and from documents and observations have been presented. This section is a compilation of those findings. The findings show that district C makes budgeting decisions about revenue, process, expenditure, balance, and implementation. Figure 4.3, page 200, is a representation of the findings.

Figure 4.3 shows that the first decision cluster is revenue. Findings show that district C receives revenue from local property taxes, state aid, indirect federal grants, miscellaneous sources. The district is solidly in-formula; it receives approximately 45% of its revenue from local taxes and another 45% from state aid. The assistant superintendent said that the October budget amendment is more accurate in projecting revenues because the state aid act and enrollment is known. However, district records indicate that original revenue projections for 1991-92 were 94.64% accurate. The four year average for accuracy of projections is 92.7%.

Figure 4.3 shows that the next decision cluster is process. Decisions about who is involved and the criteria to determine expenditures are made. District C's budget is developed in a bottom up fashion. Principals and department heads participate by projecting their needs on standard forms.



**Figure 4.3 Budgeting Model for District C**

They involve teachers and other staff in purchasing and in projecting building or department needs. The assistant superintendent decides on a building allocation. Principals and department heads assign dollars to line items. The assistant superintendent meets with each principal and department head. They review the allocations and negotiate. More funds may be obtained through negotiations. The administrators have flexibility in using their funds but sometimes the assistant superintendent questions purchases. Sometimes there are holds on spending. Decision-makers are satisfied with the process, although the elementary principals are less satisfied than the other administrators.

Decision-makers in district C have a clear understanding of what is expected of them and clear lines of authority. Although the superintendent has the ultimate say in the budget, the assistant superintendent has been delegated responsibility for the budgeting function. The assistant superintendent is highly trusted by other administrators, board members, and the public. The assistant superintendent works closely with other administrators during the budgeting process. In matters of budget, other administrators report to him. The budgeting process has remained the same for many years and so have many of the people.

In district C, the board of education is in the background. Members may make comments or ask questions, but their part in budgeting is to approve administrator recommendations. The board has an inactive committee

structure. District C has a highly visible business official. The assistant superintendent, who is the business official in district C, is the primary decision-maker in developing the budget. He makes all public budget presentations. The assistant superintendent sits at the board table during board meetings. He offers the bills for payment and gives financial updates.

Decision-makers in district C have shared goals. In district C, the board adopts goals which are assimilated throughout the organization. Board goals are developed by a cross-section of staff and community members. Goals are adopted annually, and the superintendent and the committee which develops the goals give reports on goal achievement. These goals impact budgetary decisions. There is some evidence of sub-group goals regarding the fiscal management of the district and teacher involvement in the school improvement process.

Figure 4.3 shows that the process decision cluster includes the criteria used to make decisions. The criteria in district C include legal requirements, the district's history and traditions, and stakeholder's expectations. Legal requirements cause many budgetary constraints. Special education laws require that handicapped students be provided with special classrooms, materials, and transportation to specialized schools. A move from county supported special education programs to district supported programs is putting a strain on the budget. Health and safety laws mandate that

buildings and equipment be maintained and that potentially hazardous conditions, such as asbestos, be eliminated. Labor law requires bargaining with employees for wages, benefits, and conditions of employment. Districts have a legal obligation to adopt a balanced budget. In 1991-92 district C spent 79.72% of the budget on salaries and benefits. Utilities and maintenance accounted for 4.6% of expenditures. Capital outlay accounted for 1.3%. Only 2.11% of the budget (\$218,384) was spent on purchased services, supplies, and materials for regular K-12 classroom use. An additional \$154,630 (1.49%) were spent on purchased services, supplies and materials for adult education classrooms.

History and expectations help to decide how dollars will be spent once the legal requirements have been satisfied. In district C, there is heavy reliance on past expenditures to project future expenditures. The use of a line item budget usually means that the same items continue to be funded. Findings from financial records indicate an incremental budgeting pattern. Principals assign their allocations to line items and justify any changes. Since principals must justify deviations from line item appropriations, little incentive exists to eliminate or develop new line items. There is evidence, however, that there is movement away from traditional purchases, such as workbooks to non-consumable, hands-on materials at the elementary level. While past history dictates line item amounts, evaluation is used in determining how the dollars are spent.

Stakeholder expectations also determine expenditures. Some staff expectations are satisfied through collective bargaining. Some expectations are satisfied by the continuation or addition of programs. In district C, there are opportunities for expectations to be discussed and considered. A cross section of educational community is included in the PRIME committee which develops district goals, which are used in budgeting. Board workshops and public hearings provide opportunities for individuals and groups to be heard. Regular board meetings provide a forum for individuals to express their concerns and expectations, and the public takes advantage of those opportunities. While it is never possible to satisfy all stakeholder expectations, district C provides a very open forum in which to make those expectations known.

Figure 4.3 shows that expenditure decisions must be made. Decision-makers use the criteria to develop the budget. Law requires that districts adopt a budget by June 30 for the fiscal year which begins July 1. Law also stipulates the form this budget must take. Figure 4.3 lists the expenditure categories. Decisions-makers project expenditures for each of the categories listed in the model. District C projected its expenditures with over 94.64% accuracy in 1991-92. the four year average for accuracy of expenditures is 94.5%.

Figure 4.3 shows that District C cannot immediately implement its budget. It has no summer tax collection and cannot count on an August state aid payment, so that borrowing

to meet cash flow needs is necessary. Because the district relies so heavily on state aid, it must wait until passage of the state aid act to know its revenues with any certainty. District C makes cuts if it looks like expenditures will exceed revenues. Personnel are not hired until late summer because the district is not sure what it can afford. Sometimes district C will get the needed information by October; there will be no need to make cuts, so it will revise the budget and implement. Sometimes, as in the summer of 1993, district C makes cuts to balance the budget and seeks additional millage. If the millage is approved, the cuts are re-instated; the budget is revised and finally implemented. If the millage is not approved, the cuts stay; the budget is finalized and fully implemented.

This section has presented the data and findings for district C. The next section of this chapter presented the data and findings for district D.

#### District D

This section on district D is organized in the following manner. First, a brief description of the district provides a setting for the data presentation. Interview participants are grouped for ease of data presentations. First, data and findings from principals and the special education director are presented. Second, data and findings from the transportation and maintenance directors are presented.

Third, data from a board member and a teacher are presented. Next, data and findings from central office administrators are presented. Then data from documents and observations are presented. This section concludes with the presentation of a budgeting model for district D which is a compilation of the findings.

### The Setting

District D was selected as the least wealthy district with uncertainty of revenues. In 1992-93, according to Michigan Department of Education report R2743, the district ranked 546 out of 561 school districts in the state in combined local revenue (generated by local taxes) and state aid membership. In 1991-92 the district SEV was \$260,372,842. There were 3,461 full time equivalent students. This gave the district an SEV per pupil of \$74,796. The district levied 25.1225 mills. In 1991-92 district D received \$2,680 per pupil in combined local taxes and membership aid. The low millage rate places the district at risk of being out-of-formula if enrollment declines.

District D is 375 square miles and is located in one of Michigan's tourist areas. The schools are scattered throughout the district in an effort to make them more accessible to students. Included within the district's boundaries are a state park and other state owned property. Almost all of the taxable property is residential. Many of the homes are vacation homes and the owners do not wish to pay



high property taxes on second homes, so the district has a difficult time passing millage. There are some utility companies and a K-Mart. District D had been the site of a large federal facility for which it received federal impact aid, but it closed recently. As a result many families have been re-located. Therefore, the district is experiencing loss of enrollment and loss of federal funds. Revenue uncertainty is a growing problem.

According to the district's 1992 Annual Report, none of the schools are accredited by the North Central Association. Approximately 55% of graduating students seek advanced education. The district dropout rate is 1.8%.

In district D, 12 people were interviewed about their knowledge of and participation in district budgeting. By title, these people were the superintendent, the business manager, the special education director, the high school principal, the middle school principal, three elementary school principals, the transportation director, the maintenance director, a board member, and a teacher identified as being active in the teachers' union. The interview data and findings for the principals and the special education director are presented first.

#### The Principals and Special Education Director

The principals and special education director said that budgeting begins sometime in April or May. All of these

participants agreed that the process being used to project the 1993-94 budget was far different from the process that had been used in the past. This change was attributed to the superintendent who is completing his second year in this position. The former superintendent, who had been in the district for 33 years, made many of the budget decisions; principals projected their needs for textbooks and supplies, and then each received an allocation. The new process, however, requires principals and directors to project salaries and benefits and other items which had always been someone else's responsibility. These participants are confused by the process. Interviews occurred during mid to late June, and the administrators were working through a budget revision because projected expenditures far exceeded projected revenues.

Principal Patricia

Principal Patricia said that she projects her budget by looking at the history of specific line items. Patricia said that administrators explain their building budgets at an administrative staff meeting, and then the superintendent meets with administrators on a one to one basis. Patricia said that additional funds can be obtained by meeting with the superintendent and providing a rationale. Patricia said that she is new to budgeting. She said that as she becomes more knowledgeable, she will be more comfortable in sharing the responsibility with her staff. Patricia's secretary monitors the budget. Teachers express needs. Then Patricia asks

teachers to check on materials, to provide alternatives, and to provide justification for their purchases. She is frugal and holds back on spending. Patricia said that "the board keeps a tight rein on the budget." This year, administrators are also budgeting for salaries and benefits because this is "something the superintendent needed." This year, administrators were told to trim their budgets, but they were not given any specific directions as to how that should occur. Patricia said that she is not sure why changes in budgeting occurred this year; she guesses it was something the superintendent wanted.

Patricia is included in district-wide budgeting decisions. Copies of the budget go to everyone. According to Patricia, administrators explain how the budget affects their buildings. Patricia said the administrative staff is given information prior to board meetings. Patricia is involved in bidding for building items. She said that district committees and board committees jointly set spending priorities. Patricia said that the board finance committee has a lot of say. "They do the research and hash it over for months. It's a small town and board members need to be able to justify their decisions." Patricia is not aware of any district-wide formal planning activities. Patricia said that SIP committees existed in the district before PA 25. Building planning occurs through the building SIP team. Patricia said there are district goals, but they are "not used per se in budgeting."

Patricia said that the district is facing a lot of financial uncertainty. No one knows if the district will be in- or out-of-formula. In addition, district D has relied heavily on federal funds which may no longer be available. Patricia said that because of the uncertainties, the superintendent is unwilling to make commitments.

Principal Donna

Principal Donna said budgeting began in May. Donna was told she was responsible for "the whole thing" including salaries and benefits. In the past, administrators had been responsible for supplies and textbooks only. Teachers help Donna develop the budget. The process proceeds as a small group activity. SIP teams discuss staffing, counselling, discipline, copiers, and other needs. The expressed concerns become the criteria for deciding what to purchase. Donna believes "the middle school philosophy requires different types of expenditures; however, programs at the high school and elementary schools dictate what happens at the middle school." In preparing the budget, Donna uses last year's numbers. Donna said budget decisions are reached at administrative staff meetings, but the superintendent doesn't really give any information. She said, "It is more like working in desperation." Administrators were asked to budget for salaries and benefits this year. Donna said that this is part of a move to zero based budgeting. She said that she sees ZBB "as part of a framework" but administrators were not given enough information. Once budgets were completed, they

were returned, and administrators were asked to reduce their budgets by 5 to 10%. Donna said that there is a lot of financial uncertainty right now. She said the district is dealing with a lot of unknowns, but she also "feels that maybe the superintendent could have a better handle on issues."

Donna does not feel that she is involved in district budgeting decisions. She believes the entire administrative staff would appreciate more say. It is Donna's opinion that the superintendent believes he allows them input, but the administrators do not agree. Donna said the board takes over the administration of the buildings instead of being concerned with policy. She said that the board sets district-wide priorities, many of which come from their own personal beliefs. Donna said the board is "mainly interested in maintenance, physical education and facilities at the expense of program and staff development." According to Donna, the board tried strategic planning during the summer of 1992, but that has gone by the wayside. Donna said, "The Annual Report includes the goals of individual board members." Planning and goal setting occur at the building level through the school improvement process and with the outcomes based education requirements. Building plans and goals have not been used in budgeting. Donna said the biggest problems in budgeting are a lack of information, uncertainty, and district priorities. "No one thinks it out. It all depends on the board."

Principal Larry

Principal Larry said that he does not involve staff in budgeting but he shares financial information with them. Larry said that central office bids out teaching supplies. Central office determines Larry's share of the supplies and gives him a figure to include in his budget. Larry said that teachers prioritize spending requests, and he gives them an ordering procedure. Larry can move dollars between line items. The budget is amended during the year, and he can file a request and documentation for more funds. When asked about the steps in budgeting, Larry replied that the three member board budget committee and the superintendent meet regularly. Larry said that the superintendent has moved the district to zero based budgeting. Larry said that he submitted a budget for 1993-94, but the superintendent told him to reduce his budget by 5 to 10% and to devise ways to save money. Larry said, "The district is in limbo." Because of an enrollment drop, 70 people are being re-assigned. Funding is unknown because the district does not know whether it will be in or out-of-formula. All requisitions are being held.

Larry said the administration is kept very informed about revenues, expenditures, and the future. Everyone's budget is common knowledge. The board, superintendent, and administrators set funding priorities. Larry believes the secondary level gets a disproportionate amount of dollars for things such as an in-house suspension program and a full time athletic director. District-wide formal planning activities,

which are tied to the budgeting process, occur through the curriculum council and the board finance committee. The board does not adopt goals. Larry said there are no building level plans, but there are goals that are discussed at weekly meetings.

Principal Kevin

Principal Kevin develops the budget by looking at past history and adding more dollars. Kevin said that he rarely has to justify his requests. He can move dollars between line items. The superintendent allocates dollars on a per teacher per pupil basis. The teachers spend the money. Available dollars and past history determine purchasing criteria. In the past, Kevin was responsible for textbooks and supplies. For the 1993-94 year, however, administrators have been asked to budget for salaries, benefits, and others things that were never part of their budgets. Kevin said, "It means more responsibility but not necessarily more decisions." Kevin said that the district is involved in belt tightening, so he has been asked to revise his budget downward.

Kevin said that there are meetings to develop district plans, but he thinks these meetings are superficial. Kevin said, "Decisions are made elsewhere." The district had a five year curriculum review plan, but now some materials are 11 years old. The district is waiting for the state to make a decision. District goals are part of board policy, and Kevin believes that board actions support those goals. Kevin said that the board takes too long to make curriculum decisions.

There is no district planning. Kevin said that decisions are made to purchase computers, and then the district decides what to do with them. Kevin said his building did have a SIP team, but the staff did not follow through with the planning when the board decided to close the building.

Principal Stewart

Principal Stewart said that in preparing his budget he used prior year information and added 15%. Administrators have been given more choice in developing the 1993-94 budget. Before administrators budgeted for supplies and textbooks; now they budget for all building expenses. Stewart said that the change is due to a new superintendent and a lack resources. Stewart said that the district has never had to make choices before. Because of lack of funds, administrators have been instructed to reduce their budgets. Stewart said teachers are involved only in spending the allocated dollars.

Stewart is not included in district-wide budgeting decisions. The curriculum council and the board finance committee set district priorities. Stewart said that board committee meetings are open and anyone can give input. Stewart said that district-wide planning occurs only through PA 25 requirements. He said the district has had goals for several years, including staying in the black. The goals are used in budgeting. Stewart said that building planning occurs through school improvement teams which have been in place for seven or eight years. He said his building's goals are published on the wall. Although Stewart had said that



teachers only spend the money, he said the building SIP team determines needs and starts the budgeting process.

Special Education Director Denise

Director Denise said that she and the superintendent prepare her budget. They use the last three years' expenditures and add a percentage increase. Like the other administrators, Denise expressed concerns about being asked to budget for salaries and other items that had not been included in the department budget. There was "no pre-instruction about how to do the new budgeting process we have been asked to do." Denise did not know the reason for the change other than it was something the superintendent wanted. Denise said that she does not include teachers in projecting expenditures; they get a flat dollar amount, and they purchase what they need. Denise said everyone is re-working their budgets by looking at a 5 to 10% cut. Denise is interested in finding out if the final budget will be the one she developed or if it will be someone else's.

Denise said that she is not included in district budget decisions but knows the budget because it is discussed at administrative staff meetings. Denise said the board finance committee sets funding priorities. The finance committee takes information from the curriculum council and other district-wide committees then sets the priorities. Denise said there is no formal district level planning. Denise said that the district does not have goals, but the board does. Denise said the buildings have formal planning through the SIP

teams but she does not know if the planning gets tied to budgeting. Denise praised personnel and curriculum decisions the district has made, but she said, "The decisions are good for kids but costly. We can't keep going into fund equity." Denise said that the district is facing a lot of financial uncertainty, especially not knowing if it is in or out-of-formula. Denise said that the district is downsizing and making administrative cutbacks; remaining personnel are being asked to assume additional administrative duties.

The Findings: A Summary of Principals and Special Education Director

To summarize, principals and the director in district D are confused about their budgeting responsibilities. In the past, principals projected needs for textbooks and supplies and then each received an allocation. For 1993-94, however, principals and directors are being asked to budget for salaries, benefits and other items which had always been someone else's responsibility. Principals believe the process changed because of a lack of resources and because the new superintendent wants it that way. Principals believe that they have not been given adequate instructions about what to do and how the process is to work. These administrators say that the new process increases responsibility but not necessarily more decisions. Although these administrators referred to the new budgeting process as zero based budgeting, they said that to develop their budgets they review the past history of line items and add a percentage. Teachers have

some choice in what is purchased. Administrators are knowledgeable about the district budget as it is discussed at administrative staff meetings.

The principals and the director indicated a high level of board involvement in budgeting. The board researches issues which delays personnel and program decisions. The board sets spending priorities which are based on their own values. The board "keeps tight reins on the budget," and administers the buildings. The board has an active committee structure. The finance committee is the most active; it makes the final spending decisions.

These administrators said that some district and building planning occurs through the SIP teams. The district's curriculum council engages in planning. There is confusion about district goals. Two administrators said there are no district goals. One said "the board has goals." Three said that there are district goals. There is no evidence of shared goals.

A lot of financial uncertainty exists. The district is not sure of its state aid status or its federal funding. The budget needs to be revised in order to balance it. There are holds on spending and on making commitments.

So far, data and findings from interviews with principals and the special education director have been presented. Next data and findings from interviews with the transportation and maintenance directors are presented.

Transportation and Maintenance DirectorsTransportation Director Pete

Director Pete said that he works with the superintendent to develop his budget. Pete said that he looks at contracts for athletic contests, scheduled bus runs, field trips, mileage and gas prices. He also budgets for salaries and benefits. Pete said that he is being included in budgeting for the first time. He likes having control of his budget. Pete knows everyone's budget and likes being included in the budgeting process. Pete said that the district has financial problems. He said that the district is in danger of going out-of-formula and "it is better to be in-formula." Pete said the district is downsizing due to the loss of federal dollars. Some transportation cuts have already been made. Pete is concerned because the district has a vehicle replacement plan, but he had been asked to hold on ordering replacement vehicles. "The dollars just are not there."

Maintenance Director Al

Director Al said that the old superintendent "ruled," but the new superintendent wants a team concept across the district. In fact, Al prefers to be called a team leader. Al likes being included in decision-making; he likes budgeting. Al said that the former head of custodians could not get supplies. Al said that he is getting supplies to the people, and they are working better now. Al, another team leader, and the superintendent developed the budget. Al said that they looked at the past year's numbers and year to date

expenditures; then they adjusted downward. Al said that he is not part of administrative staff, so he is not involved in district budgeting.

The Findings: A Summary of Transportation and Maintenance Directors

Both directors are new to budgeting. Both are aware of problems with district finances. They developed their budgets with the superintendent. Both have had to make cuts due to a lack of resources. Both use past history in budgeting. They are pleased that they are allowed to make decisions in their particular areas.

So far, data and findings from interviews with the principals and directors have been presented. Next data and findings from interviews with the board member and the teacher are presented.

Board Member and Teacher

Board Member Sandy

Board member Sandy said that the superintendent and finance committee project revenues, and the superintendent, finance committee, and the principals project expenditures. According to Sandy, those projections are very close. Sandy said that in the past, five year projections were done, but with all the other district problems, the superintendent has not had time to do them. Sandy said board policy determines funding criteria. The criteria are what is important and what is affordable. Needs are brought to the board. Sandy said

that the superintendent is in charge of budgeting along with the finance committee. Sandy said the business manager, who is also a part-time principal, keeps track of bills. The teaching staff provides information. Sandy said that the public has a role if they choose. She said that usually the public does not get involved, but "[they] tell you after the fact if they disagree." Sandy said the board has several projected budgets presented during the year. By the time the budget hearing occurs "nothing is new. We are always laying it on the table." Sandy said the finance committee takes care of the fine points. It "does the hashing out for the board." Sandy said this committee has become more active recently because of the new superintendent, the loss of a large government facility, and the uncertainties the district faces.

Sandy said that district planning activities occur within the curriculum committees. Sandy said that these plans have to include financial issues; if the district wants a computer program, it has to plan for it and ask if the district can afford it. Sandy said that the board adopts goals that are part of board policy. In addition, Sandy said that board members write down what they would like to see. She said a consensus is built, and the superintendent compiles the individual board member goals. Sandy said that some goals address financial issues. Sandy said there is no formal policy or goal regarding fund balance but it is generally understood that fund balance is needed as a buffer. Sandy said there are definitely individual or group goals. Sandy

cited the example of local church groups objecting to a unit which included literature on religions in the gifted and talented program.

Sandy said that the board evaluates programs before they are funded. The board talks about them, does its own research, and compares its findings with the curriculum council findings. "We are also very nosy." Sandy said there is no re-consideration of budgeting decisions. There are holds on spending sometimes because the district is not always sure when state and federal aid will be received. Sandy said that the district usually has to borrow to meet cash flow needs. Sandy said the district has been affected by the closing of a large government facility in the district, by cuts in state aid, and by property tax changes.

Teacher George

George, a teacher identified as being active in the teachers' union, said that the superintendent projects revenues, and the central office administration, the director of instruction, and the principals project expenditures. George said teachers "like to say we are [involved], but generally we are not." George does not believe budget projections are very accurate. George is not aware of any difficulties the district may have in making its projections. George said that the board sets spending criteria and only the board knows what the criteria are. George said that the public and staff are deliberately kept uninformed about

finances, especially during contract talks. George said, "The superintendent is very secretive."

When asked about roles, George said that the superintendent puts the individuals parts together to come up with the big picture, but "the superintendent has a lack of understanding of the big picture." George hasn't "a clue" about what the business manger does. George said that sometimes the staff is asked for recommendations, particularly for computers. George said the board has become more active recently. He said the board had been told there was no money, but the budget committee checked, and the money was there. Now the board is investigating rather than accepting what they are told. George said, "The board is being bombarded by individuals [wanting to spend the money]." George said that the board has goals; he does not know what they are or who sets them. George said that there definitely are sub-group goals. He cited the all day kindergarten program which was "thrown in" without a lot of consideration just because some teachers wanted it.

George is not aware of any program evaluation. George said there are times when the board has re-considered decisions. He said the board changed its mind regarding some asbestos work. George said there are holds on spending. The last one was in March when the district was not sure how much money was left. George said that everyone talks about problems because the federal facility closed, but as a teacher



he has not noticed any changes. He still has the same number of kids.

The Findings: A Summary of Board Member and Teacher

The board member is aware the district's financial problems. Revenue uncertainty exists due to the closing of the federal facility and changes in state aid and property taxation. The district invokes spending holds because it does not know when federal and state aid will be received. The superintendent used to do revenue and expenditure projections, but other problems are more pressing now. The union member, on the other hand, does not know of any problems that affect budget projections. He has not seen changes due to the closing of the federal facility. He does not believe projections are accurate.

The board is active in budgeting. The board has increased its activity because of the new superintendent, district uncertainties, and lack of administrator trust. The board finance committee is especially active. The business manager is not part of budgeting. The union "hasn't a clue" what he does; the board member says that he pays the bills. The superintendent has most of the budgeting responsibility, but the finance committee actively projects, sets the criteria, and approves spending.

There is evidence of lack of administrator trust. The board researches on its own. The teacher believes that the superintendent hides information and does not have a good grasp of the finances of the district.

Both are aware of district goals. Additional individual board member goals are compiled. The union member knows there are goals but does not know what they are or who sets them.

Sometimes there are problems implementing the budget. Uncertainty of the district's financial situation and delays in receiving payments from the state and federal government necessitate placing holds on spending and forces the district to borrow.

So far, data and findings from interviews with principals, the directors, a board member, and a teacher have been presented. Next, data and findings from interviews with the central office administrators are presented.

#### Central Office Administrators

##### Superintendent Keith

Superintendent Keith said that the bulk of local dollars comes from residential property. He said high unemployment and an aging population make requesting additional millage unlikely. Keith said that the district receives federal impact aid because a large government facility had been located in the district, but it closed in 1992. Federal dollars are equivalent to seven or eight mills. Keith said that the federal government has promised to continue giving the district 90% of the aid it has been receiving for an additional three years. Then the dollars will stop. However, the federal government has been active in closing many of its facilities, especially military bases, and Keith is not sure

that the federal government can keep its promise. According to Keith, enrollment dropped by 45% since the facility closed. Keith said, "The district is at the cutoff point for membership. Being out-of-formula would mean less real dollars."

Keith said that he projects revenues. He said that everyone across the organization including the superintendent, the business manager, the bookkeeper, the principals, the teachers, and custodians, project expenditures. Keith said that as a personal preference he involves more people in the process than the former superintendent did. Keith said the district is beginning to use zero based budgeting, whereas the former superintendent gave a per pupil per building allocation. Keith bases projections on enrollment, expected revenues, known costs such as salaries and fringe benefits, and class size limitations. Keith said program is evaluated but it is "not as sharp as it could be. It is not formalized. The criteria is [sic] not there."

Keith said the preliminary budget is revised a couple of times before it is adopted. Last year's budget is rolled over to satisfy the legal requirement of adopting a budget by June 30. The budget is then amended in the fall when a hearing is held. Keith said that this budget is more accurate. He said the budget is amended three to five more times a year for minor adjustments and the inclusion of major projects that have been approved. Keith said that the board does not re-consider its decisions. He said revenue

projections have been very accurate, but expenditure projections have not been accurate. Keith said that traditionally the superintendent gives an annual report to the citizens in which he evaluates the accuracy of projections. There are no multi-year revenue and expenditure projections.

Keith described his budgeting role as "facilitator" and "watchdog." Keith "does the numbers" and watches the items purchased. He said that as superintendent he is ultimately responsible for the budget. Keith said that the business manager has brought a fresh viewpoint. The business manager "has helped both him and me to grow." According to Keith, the board of education has a role but not a big one. He said certain members have their own interests, beliefs, strengths and knowledge base. Keith said that the board accepts recommendations. However, Keith said the finance committee is a powerful group; it acts as a sounding board. The finance committee "not only says do we have the money but also is it [the expenditure] valued." Keith said that he, the finance committee, building administrators, and self-managed teams determine funding criteria. Keith said the public has no formal budgeting role. He said that the budget hearing is a formality; there are usually no questions or comments.

Keith said there is no formal planning at this time. Keith said that the board adopts goals annually; they are published in the minutes and printed in the local paper. According to Keith the goals are reached by consensus at a work session. Keith regrets not using a facilitator for the

project as "older board members had trouble affirming their goals." According to Keith, the session became a confrontation with the press and the public. Keith said that goals are linked to budgeting. Keith said his budgeting goal is to have a fund balance equal to 25% of the years' operating costs. The board's goal is to maximize fund balance. Keith said that there are sub-group goals but not at a significant level.

Keith said that as a new superintendent he has a lot to learn. Keith would like to have administrators and board members develop collective goals. Then, Keith would like to have the goals tied to budgeting.

Business Manager Doug

Business manager, Doug said that he is not sure what his job responsibilities are. He is part time business manger and part time principal. According to Doug, the district has not always had a business person. The superintendent has been responsible for finances while other administrators have been responsible for instruction/curriculum and personnel. Doug said that when the business manager position was re-created last fall, the job was mostly to clean up old bills and get the day to day operation going. But Doug said the board is working on a new job description. Doug said the superintendent makes the decisions, but the finance committee carries a lot of weight. He said that the finance committee has become more involvement since the new superintendent came.

Doug said the superintendent and a clerical worker project revenues. He said many revenue uncertainties exist which make projecting revenues difficult. The State Aid Act has not been passed; the district is close to being out-of-formula if the 1993-94 act does not change substantially from the 1992-93 act. The district relies heavily on federal impact aid, which it receives in lieu of property taxes for a federal facility that had operated in the district until last year. Doug said the impact aid law has been passed but it has not yet gone through the appropriations committee. Enrollment is also unknown. The closing of the government facility has caused enrollment to drop. Doug said that the local economy keeps the district from asking for additional millage or a Headlee Override. Doug said that the district will probably have to borrow to meet cash flow needs.

Doug said that the superintendent projects expenditures on an ongoing basis. The principals became involved for the 1993-94 year in May. Doug said there are questions of who did what in the budgeting process. The other superintendent spent about 80% of his time on finances; the new superintendent has a different approach. Doug said projections are based on past history. Doug said that downsizing, due to enrollment loss, has created problems projecting expenditures. Doug said that for 1993-94 there are going to be 10-15% reductions in spending; last year there was a 20% reduction. He said the district will need to use its fund equity to balance the budget. When asked about the criteria used to decide what

will be funded, he responded, "They always say 'What's good for kids.'" If there is program evaluation, "it is on a very limited basis." Doug said that board members have goals and priorities many of which are personal and dependent on their own interests.

When asked about formal planning activities, Doug said, "The board talks about it and philosophizes. I am not aware of any meeting or study session where planning was the topic." Doug said that PA 25 and accreditation has forced some the district to do some planning. According to Doug, there are district goals. He said that individual board members submit goals, and someone with a computer compiles them. "The outcome is a compilation of individual goals." Doug said although a lot of the goals address financial issues, more of them are program oriented. Doug believes that individual or sub-group goals bias financial decisions. Doug pointed to the athletic program and also said that the high school gets things first.

#### The Findings: A Summary Central Office Administrators

Central office administrators said that uncertainties facing the district make it difficult to project revenues. If the membership formula in the State Aid Act does not change, the district will be out of formula and lose real dollars. Federal aid, which is equal to seven or eight mills, may be lost. The economy and demographics of the community make asking for a millage increase unlikely. In spite of these

uncertainties, revenues are projected with more accuracy than expenditures.

Central office administrators agree that responsibility for budgetary decision-making has changed. Both agree that this is a preference of the superintendent. The new procedure is a bottom up development of the budget. In prior years, the budget had been developed in a top down manner with the superintendent assigning allocations. Confusion exists over what roles and responsibilities individuals are to have in the budgeting process. The board of education is active in budgetary decision-making. Their decisions are often based on personal preferences. The board finance committee is "powerful" as it decides on the worthiness of expenditures and on the availability of dollars.

Central office administrators agree that there is no formal district planning activities; there are goals. Board goals are a compilation of individual members' goals. Some board members had trouble defending their own goals. The meeting at which the goals were discussed ended in a confrontation with the public and the press. The goals are not shared throughout the organization.

According to central office administrators, the June 30 budget cannot be implemented. Cuts need to be made because expenditures exceed revenues. Further, the district will have to borrow money to meet cash flow needs. Uncertainties exist over not only how much money will come into the district but also when those dollars will arrive.



So far, a brief description of the district and interview data and findings have been presented. Next, the data and findings from documents and observations are presented.

### Document and Observation Data

#### Data on Revenue

District 1992 financial documents, such as Form B and the Financial Report, show that in 1991-92 district revenues totaled \$13,378,360. Revenues came from the following sources: local tax levy, 50.84%; state membership and categorical aid, 24%; indirect federal grants, 3.16%; miscellaneous revenue (investment interest, adult education tuition, etc.), 4.12%; direct federal grants, 17.87%. Records from 1988-1992, show that over that four year period, revenues increased until 1991-92 when they decreased by approximately \$500,000. For these same four years, the percentage of revenues coming from the local tax levy has increased slightly while the percentage of miscellaneous revenues has decreased slightly. Detailed data on revenues can be found in Appendix D. The district receives direct federal grants which require a special application process. Often before appropriations for these grants is approved, school district administrators negotiate and/or lobby for approval. Such lobbying and negotiating usually requires administrators to travel to Washington D.C. to meet with representatives and senators. District documents show that the district was able to project its revenues, on the originally adopted rollover budget, with

95.48% accuracy. Records show that over a four year period, revenues were projected with 94.7% accuracy.

#### Data on Expenditures

District financial documents show that in 1991-92 expenditures totaled \$14,276,008. Table 4.4, page 233, lists the expenditures by both function and object. Records show that over a four year period, expenditures increased steadily. Only two categories, capital outlay and transfers, varied by more than 1%. District documents also show expenditures categorized by object. Table 4.4 shows that expenditures were made in the following object categories: salaries and benefits, 80.64%; purchased services, 8.70%; and supplies and materials, 10.66. Within the purchased service and supply category, 3.77% of expenditures were used for maintenance and operations supplies and services (utilities, telephones, paper towels, cleaning supplies, etc.) Only 2.25% of expenditures were used for purchased services and supplies in regular K-12 classrooms. Principals and control a maximum of only 2.25% of the total budget. Even though expenditures exceeded revenues, District D ended the 1991-92 fiscal year with a fund balance that equaled about 12.8% of its revenues. The use of fund balance has been a trend in district D. Detailed data on expenditures can be found in Appendix D. Documents show that the district was able to project its expenditures on the original June rollover budget with 98.77% accuracy. Records show that over a four year period, district D projects its expenditures with 97.1% accuracy.

Table 4.4 District D Expenditures

1991-92 EXPENDITURES  
BY FUNCTION

INSTRUCTION

Basic K - 12 Programs	40.14%
Added Needs - vocational, special education, etc.	10.04%
Adult Education	2.35%
Benefits for Instructional Personnel	8.52%

SUPPORT

Pupil Support Services - counselling, health services	2.06%
Instructional Services - library, media	1.20%
General Administration - central office and board of education	2.91%
School Administration	5.22%
Business Services	2.58%
Operations and Maintenance	8.31%
Transportation	6.76%
Central Services - data processing, etc.	0.00%
Benefits for Support Personnel	4.60%
Community Service - day care center, latch key	0.00%
Capital Outlay	0.35%
Other - athletics, lunch program	4.96%

100.00%

EXPENDITURES  
BY OBJECT

Salaries & Benefits	80.64%
Purchased Services	8.70%
Supplies and Materials	10.66%

100.00%

% of budget spent on  
purchased services &  
supplies

Basic Programs	2.25%
Added Needs	1.89%
	4.14%

Satisfying legal requirements is one of the criterion on which expenditures are based. The format the budget takes for board approval and the format for reporting expenditures and revenues are dictated by Michigan law. District D begins its projection of expenditures by using a line item budget which is then condensed to meet legal requirements. District D must fulfill the legal requirement of having its books audited, which is a cost to the district. Salaries and benefits accounted for approximately 81% of total expenditures. The district is legally required to engage in collective bargaining with its employees. The resulting contracts set wages, benefits, and conditions of employment. Teacher contracts have clauses restricting the numbers of students that can be placed in classrooms, thereby dictating the size of the teaching staff. Special education laws require that students with special needs be placed in special classrooms. Often the students must be transported to special schools or to programs offered in only one school, thereby increasing transportation costs. Health and safety laws require the district to maintain its buildings to meet MIOSHA standards. Legislation on asbestos, underground tanks, and lead in drinking water has placed increased burdens on the district. In addition, PA 25 is mandating that certain personnel and program standards be met, all at a cost to the district.

Data on Board Policy and Minutes

A review of board policy and board minutes (July, 1988-May, 1993) reveals that the board has two sets of goals. District D has goals that are part of board policy. There are school board goals and educational goals. The school board goals charge the board with the responsibility of reflecting the opinion of the district and with the responsibility of looking to the future "more clearly than is required of the average citizen." The educational goals are divided into three parts: Citizenship and Morality, Democracy and Equal Opportunity, and Student Learning. Goal four within the Democracy and Equal Opportunity section is called "Allocation of Financial Resources." This goal calls upon the district to make the state and federal governments aware of their responsibilities to provide adequate funds. The district is to make the local communities aware of their responsibility to raise additional monies to provide quality education. Further, the funds within the system will be distributed fairly and equitably on the basis of need. These goals were adopted sometime prior to 1988.

Board minutes indicate that a second set of board goals exists. In June 1992, board members submitted their individual goals. In July a special board meeting was held for the purpose of informally discussing goals and strategic planning. The "new" board goals are a compilation of the individual goals. Not surprisingly, the compilation of the individual goals contains contradictions. For example, one

board member wants to maintain careful budgeting including decreasing administrative costs. Another member, however, would like to establish a coordinated gifted program for all students which "would entail a director or department head."

Board minutes reveal that the board and its committees are very active. There are several instances included in board minutes when questions regarding administrative issues were researched and then resolved by board members rather than by administrators. There are at least two instances regarding questions about bus stops. Rather than referring the problem to the superintendent to refer to the transportation director, board members did their own research, called the Michigan Department of Education, and made a decision. In 1992, according to board minutes, the superintendent was commended for his option paper on administrative and supervisory re-assignments; the paper was referred to the Board Personnel Committee. Almost every board decision is first referred to a committee, such as curriculum or personnel, then to the finance committee, then finally to the entire board.

#### Board Meeting Observations

The agenda for the meeting included a 1992-93 budget amendment and the adoption of the 1993-94 budget. The superintendent gave the presentations. The business manager was present but did not have an active role in the meeting. He sat with the audience. The presentation of the budget amendment dwelled on the revenue side and included very little information about expenditures. After adopting the amended

budget, the board approved rolling that budget over for the new year. The superintendent explained that this was a "tradition" in the district. The 1993-94 budget was adopted with the understanding that cuts needed to be made and that the budget would not be implemented until it was revised. The board also approved proceeding with the paperwork for borrowing to meet cash flow needs.

The board was highly visible. The board treasurer announced that the finance committee would sit down with the superintendent and decide by what percentage all areas of the newly adopted budget will be cut. The board curriculum committee was upset because the district curriculum committee (composed of teachers and administrators) was meeting and not including the board committee. The board decided that its committee could not meet until after the July organizational meeting because the composition of its committee would probably change. The board set times for public discussions of the new all day kindergarten program. Board members cautioned each other that no more than three of them could show up at these meetings. About 30 people were in attendance. The majority of the audience was staff, and no one asked any questions.

#### The Findings: Documents and Observations

The purpose in collecting data from documents and observations is to verify the data collected through the interview process. Numerical data allow the researcher to look at the district's financial condition. Form B reports,

Financial Reports, and board minutes document decisions that were reached.

Data collected on revenues verify the in-formula status of the district. The data further verify the sources of revenue, the uncertainties that accompany that revenue, and the accuracy of revenue projections. Data collected on expenditures document the use of the revenue. The data provided verification and insight into the criteria that are used in making expenditure decisions. The data show that revenues increased steadily with the exception of 1991-92. Expenditures increased steadily. In three of the four years fund balance was needed to balance the budget. The lack of variance in the expenditure categories is indicative of incremental budgeting with its reliance on past history and formulas.

Data collected from board minutes document and verify the existence of two sets of goals in district D. The board minutes verify that at least one set of goals are individual board member goals that are not shared across the organization.

Board meeting observations verify the high visibility of the board of education and its committees. The business manager is in the background. The board treasurer's plan to cut the budget by an across the board percentage is counter to the process the superintendent is using with staff.

So far then, findings from the interviews with participants and from documents and observations have been

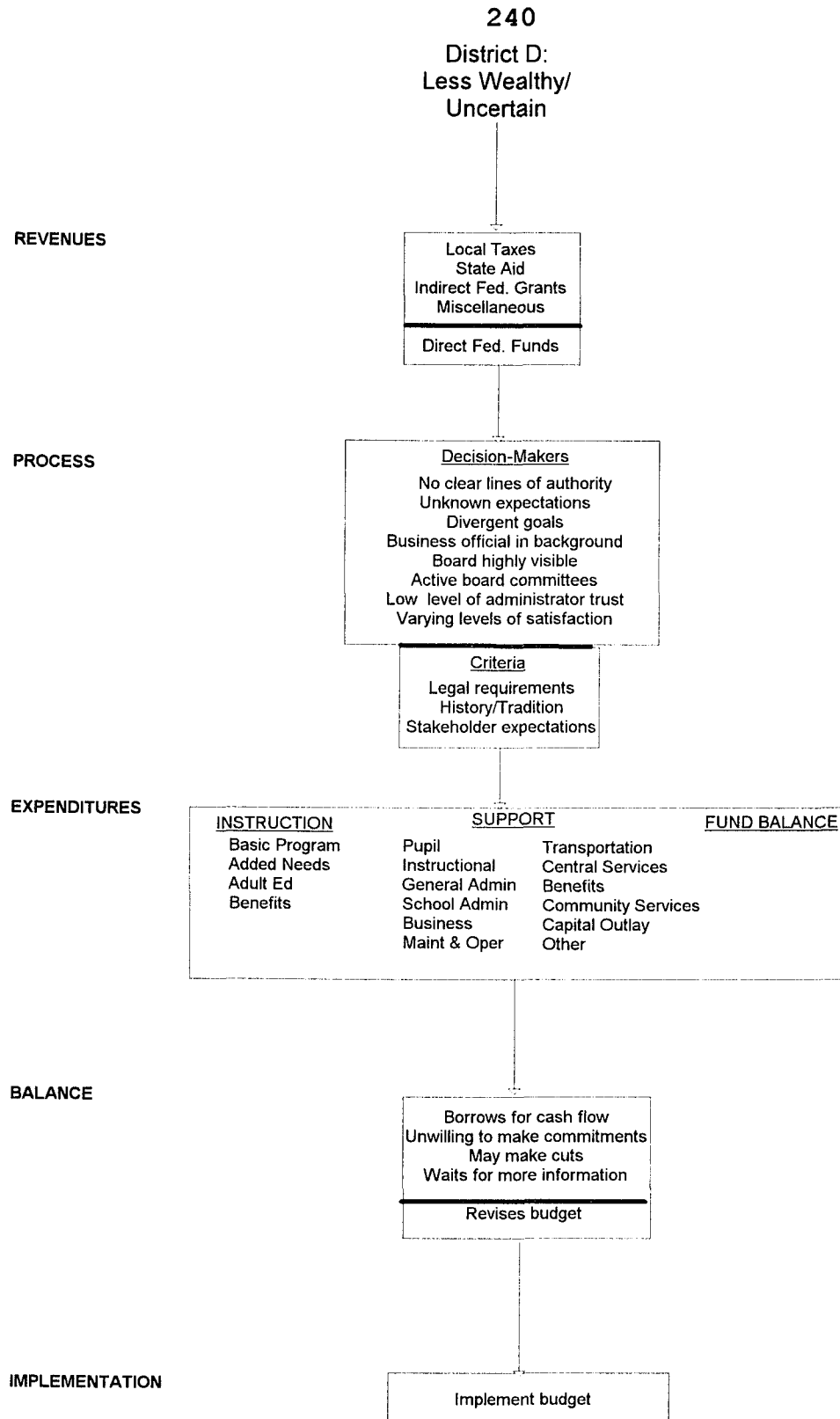


presented. Next, the findings from the participants and documents are compiled to present an analysis of findings of the district's budgeting process.

#### Analysis of Findings

So far, data and findings from participant groups and from documents and observations have been presented. This section of a compilation of those findings. The findings show that district D makes budgeting decisions about revenue, process, expenditure, balance, and implementation. Figure 4.4, page 240, is a representation of the findings.

Figure 4.4 shows that the first decision cluster is revenue. Findings show that district D receives revenues from local property taxes, state aid, indirect federal grants, direct federal funds, and miscellaneous sources. The district is in-formula, so it receives about 50% of its revenue from local sources and about 22% of its revenue from state aid. In district D, direct federal funds account for about 21% of total revenues. Direct federal grants require special application procedures. They often require negotiating and lobbying with legislators in Washington. Approved applications must then wait for an appropriation. The process for obtaining the direct federal funds leads to revenue uncertainty because the district is well into the fiscal year before it knows what funding it will receive. Further district D does not know how long it will continue to be eligible for these federal funds. Revenue uncertainty also



**Figure 4.4 Budgeting Model for District D**

exists because as the enrollment declines, the district gets closer to being out-of-formula. The district was able to projects its revenues with 95.48% accuracy in 1991-92. The four year average for accuracy of projections is 94.5%. Revenue uncertainty, however, keeps the district from fully implementing its budget.

Figure 4.4 shows that the next decision cluster is process. Decisions about who is involved and the criteria to determine expenditures are made. Decision-makers in district D do not know what is expected of them in the budgeting process. The business manager does not know what he is supposed to be doing and is waiting for the board to write a job description. In the past, the superintendent did the budgeting and principals received allocations. Recently administrators have been asked to budget for salaries, and benefits and other items that someone else took care of. No one is sure who that someone else was. Principals are confused by recent changes and believe that they need more information and training to budget. The lack of known expectations causes dissatisfaction with the process.

District D lacks clear lines of authority. In district D there are many decision-makers, often working at odds with each other. Even though the superintendent and his administrative team are working through a budget amendment, the board finance committee and the superintendent are to meet to make across the board cuts. Board members investigate issues that come before them rather than relying on

administrators to solve problems. Board members are administering the district.

The board of education is highly visible and has an active committee structure. The board is involved in projecting, setting criteria, and approving spending. District decisions are not reached without passing through at least one board committee. The business official is in the background. The superintendent conducts financial workshops and budget hearings.

There is a lack of trust in administrators. Board involvement has increased because the superintendent is new. The board does not believe what administrators say; they investigate issues on their own. There is evidence that people in the district believe that the superintendent does not entirely understand district finances.

In district D, decision-makers have divergent goals. Recent board goals are a compilation of individual board member's goals. The goals sometimes contradict each other. Individual or sub-group goals often determine expenditures. Not everyone shares the superintendent's goal is to involve more people in decision-making and to institute a team concept. The board is still operating under old procedures.

Figure 4.4 shows that the process decision cluster includes the criteria used to make decisions. In district D, the criteria for spending decisions are legal requirements, the district's history and traditions, and stakeholder' expectations. Legal requirements cause many budgetary

constraints. Special education laws require that handicapped students be provided with special classrooms, materials, and transportation to specialized schools. Health and safety laws mandate that buildings and equipment be maintained and that potentially hazardous conditions, such as asbestos, be eliminated. Laws such as Public Act 25 mandate requirements that have financial costs. Labor law requires bargaining with employees for wages, benefits and conditions of employment. Districts have a legal obligation to adopt a balanced budget in a specified format. In 1991-92, district D spent 81% of the budget on salaries and benefits. A little less than 4% was spent on utilities and maintenance.

History and expectations help to decide how the dollars will be spent once the legal requirement have been satisfied. In district D, there is a heavy reliance on past expenditures to project future expenditures. Findings from financial records indicate an incremental budgeting pattern. However, for 1993-94, the need to downsize and reduce expenditures is forcing district D to re-examine some of its past expenditures. However, across the board cuts are also being discussed.

Stakeholder' expectations also determine expenditures. Some staff expectations are satisfied through collective bargaining. Some expectations are satisfied by the continuation or addition of programs. In district D, there are not many opportunities for expectations to be discussed and considered. Findings indicate that board members sitting

in board committee meetings reach decisions. Individual expectations are sometimes being met, but there is little evidence that the community is part of decision-making.

Figure 4.4 shows that expenditure decisions must be made. Decision-makers use the criteria to develop the budget. Law requires that districts adopt a budget by June 30 for the fiscal year which begins July 1. Law also stipulates the form this budget must take. Figure 4.4 lists the expenditure categories. Decision-makers project expenditures for each of the categories listed in the model. District D projected its expenditures with 98.8% accuracy in 1991-92. The four year average for accuracy of expenditures is 97%.

Figure 4.4 shows that district D does not immediately implement its budget. In fact, it adopts a rollover budget in June and adopts a more accurate one in the fall. District D exercises several options. It may simply wait until more information is available. It may find itself, as in 1993, in the position of having to make cuts. The district borrows to meet cash flow needs because it does not know when the federal and state aid dollars will arrive. When more information is known, the budget is revised and implemented.

In district D, then, approximately 50% of the revenue comes from local taxes. Approximately 25% comes from state aid. Its fluctuations in enrollment and its low millage rate place it close to the cutoff point for being an in-formula district and make it a revenue uncertain district. Large amounts of federal funds help to increase its wealth. There

is a belief that revenues cannot be projected with certainty until the fall. Decision-makers do not have clear lines of authority. Decision-maker expectations are not fully known. Many divergent and individual goals exist. The business official is not highly visible. The board is highly visible and has a very active committee structure. Decision-makers consider legal requirement, past spending history, and at least some stakeholder expectations when making budgeting decisions. Individual goals sometimes determine expenditures.

The board approves a rollover budget by June 30. The budget is not fully implemented. The district may make cuts or it may wait until more information becomes available. Borrowing is necessary to meet cash flow needs. When more information becomes available, the budget is revised and implemented.

This section has presented the data and findings for district D. The next sections of this chapter presents an across district analysis of the findings.

#### Across District Analysis

The purpose of this study was to describe and explain the differences in budgetary decision-making in school districts of varying wealth and varying certainty of wealth. To accomplish this purpose, four school districts were selected which represent a range of wealth and varying certainty of wealth. Although the amount of district wealth and certainty of that wealth varies, each district must make budgeting

decisions about revenue, process, expenditure, balance, and implementation.

The purpose of this chapter is to present the data and findings as they relate to budgeting in four Michigan school districts. The previous four sections of this chapter presented the data and findings from each of the four selected districts. This final section is an across district comparison of the findings. Figure 4.5, page 247, is a composite of the findings from the individual districts. This section is organized so that comparisons are made in each of the decision clusters. Then some conclusions regarding the comparisons are drawn.

#### Revenue

Figure 4.5 shows that all four districts receive revenue from a local tax levy, state aid, indirect federal grants, and miscellaneous sources. Figure 4.5 further shows that the districts that were identified as having uncertain revenues, districts B and D, receive direct federal funds. Table 4.5, page 248, compares district revenues.

Table 4.5 shows that district A, with its high SEV per pupil, is well out of the state aid membership formula. Ninety-four percent of the revenues come from local sources. Since the district knows its SEV and its mill rate, the district is certain of the majority of its revenues. There is very little reliance on state and federal funds which are the areas where uncertainties lie.



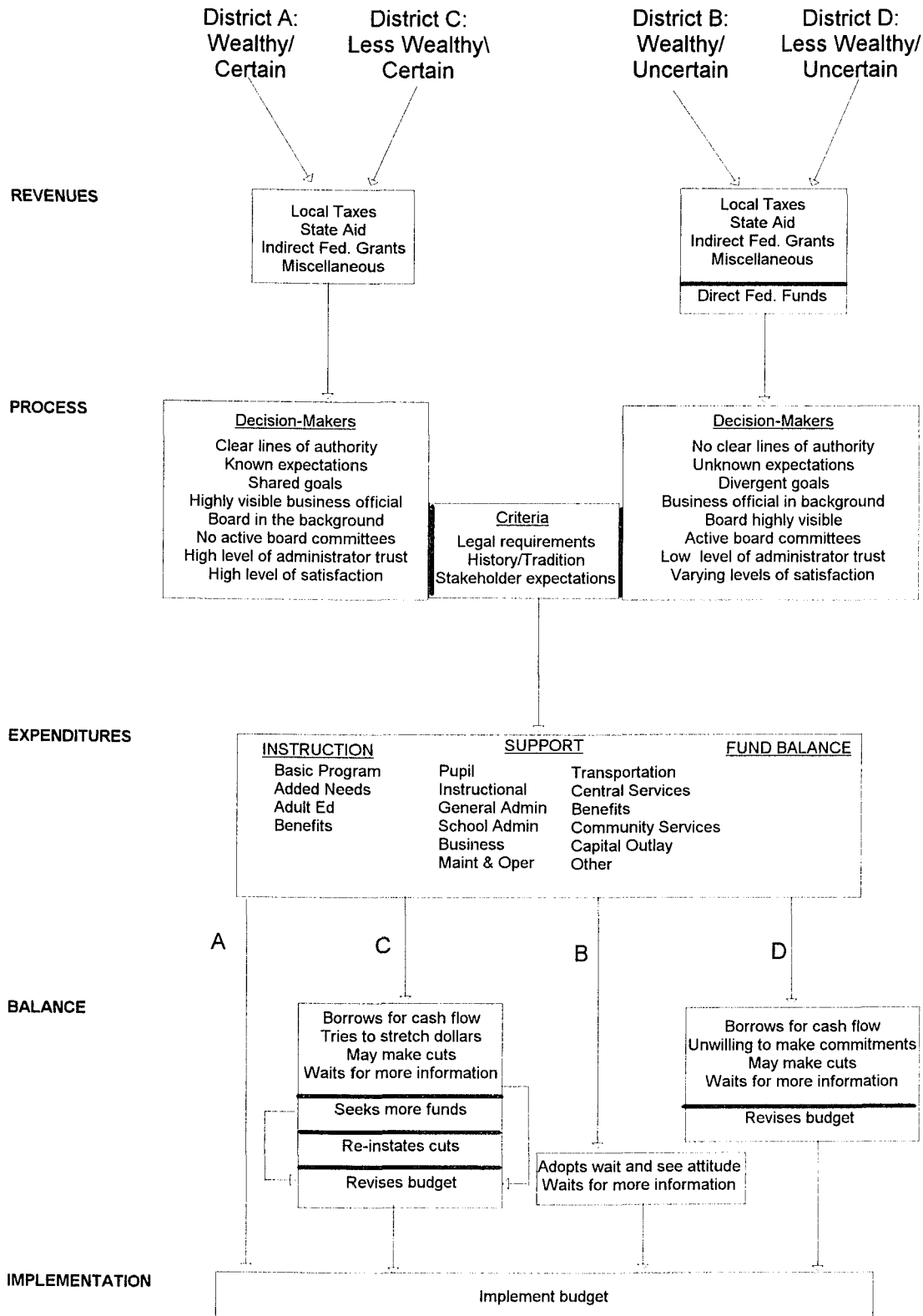


Figure 4.5 Composite Budgeting Model

Table 4.5 Revenue Comparison

1991-92	District A	District B	District C	District D
SEV	\$458,594,710	\$224,812,520	\$142,006,704	\$260,372,842
Membership	3,170	2,352	2,561	3,481
SEV/per pupil	\$144.667	\$95.584	\$55.450	\$74.798
Mills levied	35.2188	43.00	34.1284	26.1225
GMA	\$5,095	\$4,365	\$3,561	\$2,680
Total District Revenues	\$17,236,476	\$13,034,336	\$10,449,479	\$13,378,360
Total Revenue/per pupil	\$5,437	\$5,542	\$4,080	\$3,843
REVENUES:				
Local Levy	93.70%	74.17%	46.38%	50.84%
State Aid	0.85%	8.95%	43.55%	24.00%
Indirect Fed Grants	0.32%	4.23%	2.89%	3.16%
Miscellaneous	5.13%	5.30%	7.18%	4.13%
Direct Fed Funds	0.00%	7.35%	0.00%	17.87%
	100.00%	100.00%	100.00%	100.00%
Accuracy of Revenue Projection	96.79%	87.92%	94.64%	95.48%

Table 4.5 shows that district B, has a much lower SEV and fewer pupils than district A, but it levies 7.8 more mills. Because of the way the state aid formula works, district B receives state aid, but it accounts for only 8.95% of its revenues. District B is barely an in-formula district, which makes its revenues uncertain. A change in SEV or enrollment can easily change the status of district B's eligibility for state aid. As the findings from district B showed, a settlement with a major taxpayer retroactively put district B out-of-formula and the district had to repay the state aid. Findings further showed that district B has a long and continuing history of settlements and abatements that have led to revenue uncertainty. Federal funds account for 11.58% of its revenues. Because of the processes involved in obtaining direct federal funds, they are particularly uncertain. Federal dollars combined with miscellaneous revenue, however, give district B more wealth in terms of dollars per pupil than district A. District B projected its revenues with less accuracy than the other districts due to the uncertainties surrounding the revenues.

Table 4.5 shows that district C is solidly in-formula. District C revenues are relatively certain. the local levy and state aid account for a little over 90% of its revenues. The fact that the State Aid Act is usually not passed until after the beginning of the fiscal year means that district C is less able than district A to accurately project its revenues. Nevertheless, district C knows that it will get

state aid and it also knows that state aid has steadily increased each year, so district C can make reasonably accurate revenue projections.

Table 4.5 shows that district D is in-formula. It has a higher SEV per pupil than district C, but its low mill rate means fewer dollars per pupil. District D relies heavily on direct federal funds. In fact, direct federal funds provide the district with an additional \$700 per pupil. As the findings show, district D will soon become ineligible for these direct funds because the federal facility that was located there has closed. The facility's closure has also meant a drop in enrollment. District D may become a poor out-of-formula district because its millage rate is so low. The district has been fairly accurate in projecting revenues in the past; however, as the uncertainties grow, revenue projection is becoming more difficult.

As Table 4.5 shows, districts A and C have revenue certainty. District A's certainty comes from its almost complete reliance on local revenues. District C's certainty comes from its reliance on the combination of local and state aid funding. Districts B and D both have revenue uncertainty because SEV and/or enrollment changes can easily change their eligibility for state membership aid. In both district B and D, reliance on federal funds greatly increases the dollars per student they have available. But, the reliance on the federal dollars also increases the revenue uncertainty in the district. Table 4.5 further shows that districts A, C, and D

are able to project their revenues with about the same accuracy. District B projected its revenues with much less accuracy. In 1991-92 all of districts, except B, knew their state aid membership status. District B was uncertain of its membership status when projecting revenues in June of 1991.

### Process

Figure 4.5 shows that process includes decision-makers and criteria for basing decisions. Figure 4.5 shows that differences in decision-makers exist across the districts. However, Figure 4.5 also shows that the characteristics of decision-makers in the revenue certain districts, A and C, are alike. Figure 4.5 further shows that the characteristics of decision-makers in the revenue uncertain districts, B and D, are alike.

Findings show that in both districts A and C, decision-makers have clear lines of authority. Teachers make principals aware of needs and submit purchasing requests. Principals make the central office administration aware of their needs. Central office administrators have specific areas of responsibility in the budgeting process. In district A, central office administrators work as a team. In district C, the assistant superintendent is delegated responsibility for budgeting; the superintendent is not involved. In both districts A and C, a prepared budget is submitted to the board of education for its approval. In both districts A and C, the board respects the lines between policy and administration.

Findings show that in both districts B and D, decision-makers do not have clear lines of authority. Teachers make principals aware of needs and submit purchasing requests. Principals receive an allocation from central office. In district B, principals and directors work with different central office administrators when reviewing allocations or requesting more funds. The finance director relieves people of responsibilities even if they do not report to him. People with basically the same jobs and status have different titles. Directors of programs are responsible for only part of the budget while someone else is responsible for the rest. In district D, principals and directors work with the superintendent. In both districts B and D, the board not only approves the budget but also is actively involved in its development through the board's committee structure. In district B, the finance committee is involved in budget development and reports budget information to the rest of the board. In both districts B and D, the board does not respect the lines between policy and administration.

Findings show that in districts A and C decision-makers know what is expected of them. There are set procedures for budgeting. In both A and C, the budget is developed from the bottom up. Lower level administrators in both districts submit their building needs to central office about six months before the budget needs to be approved. In both districts, these administrators meet with the central office administrators that are delegated the budgeting

responsibility. In district A, administrators just review line items; in district C, they review and negotiate. In both districts, principals and directors are responsible for budget administration. New administrators are in-serviced in budgeting. There is an understanding in district A that administrators do not overspend their budgets and likewise, their budgets do not get changed. In district C, purchases are more likely to be questioned. District C's lack of wealth leads to more scrutiny of expenditures.

Findings show that in both districts B and D, decision-makers do not have a clear understanding of what is expected of them. In both districts, there are no set budgeting procedures or time lines. Budgeting proceeds from the top down. Lower level administrators receive an allocation which they assign to line items. Those allocations come late in the year. In both districts B and D, building and department budget numbers were still unknown in late June. Newcomers to budgeting are not trained in the process. In district B, some administrators are allowed to overspend their budgets, while others have responsibilities taken away. District D did have set procedures prior to budgeting for the 1993-94 year. In the past, the budget was developed from the top down. Principals were responsible for spending. For 1993-94, a new process was imposed by the new superintendent. No training and no expectations were given. No one in district D has a clear idea of how budgeting should proceed.

Findings show that decision-makers in districts A and C have shared goals. In both districts, the board adopts annual goals which are assimilated throughout the district. In both districts, goals are developed by a cross section of the educational community. Periodic reports on the progress toward goal achievement are given at public meetings. There is little evidence of individual or sub-group goals. Findings show that building goals are considered in making purchasing decisions. District A also has a five year strategic plan which helps to link the goals to budgeting.

Findings show that decision-makers in districts B and D have divergent goals. Neither district adopts annual goals on a regular basis. Findings show evidence of individual goals. In district D, what are called board goals are a compilation of individual board members' goals. Some are contradictory. The superintendent's goal to involve many people in decision-making throughout the organization is not shared by everyone. The board decision that the finance committee would meet with the superintendent to implement across the board cuts runs directly counter to the superintendent's goal. In district B, the board member's goal to institute strategic planning is not shared by all board members.

Figure 4.5 shows that differences exist in the role of the board of education and in the role of the business official. In districts A and C, the boards of education respect the lines between policy and administration. While the boards do not shirk their responsibility to review budgets



and to ask questions, they believe that budgeting is an administrative job. The boards act as committees of the whole and do not have a committee structure. In both districts A and C, the business official is highly visible. In these districts, the business official makes the public budget presentations, offers bills for payment, and reports regularly on the financial condition of the district.

In districts B and D the board of education is highly visible while the business official is in the background. In both districts B and D, the board has a committee structure; the finance committee is particularly active. In district B, the finance committee is concerned mostly with developing the budget and being kept informed of budgeting problems. It is the committee's responsibility to report back to the full board. In district D, the finance committee is even more active. It is not only part of budget development but also part of budget implementation. In district D, recommendations from other committees are referred to the finance committee for approval. The finance committee decides whether or not the budget supports the purchase. The findings show that district D's finance committee has a major role in determining funding criteria. In both districts, the business official sits in the audience at board meetings. The superintendent makes the public financial presentations. The board treasurer reports on the financial condition of the districts and offers the bills for payment.

Findings show that there are differences in the level of administrator trust. In districts A and C, administrators are more highly trusted than those in districts B and D. In both districts A and C there is no evidence of distrust in school district finances. There is a firm belief that budget numbers are correct and nothing is being hidden. Contributing to this belief is the openness of the budgeting process. In both districts financial information is readily available to both staff and the public. (Even though some administrators in district C said they did not know the district budget, they receive the same information that board members and citizen subscribers do.) In both districts, the board trusts administrators to do their jobs.

In districts B and D, findings show less trust in administrators. In district B, findings showed evidence of doubt that information coming from central office is correct. People are told that there is no money, yet board members' pet projects are funded. Findings also show that in district B financial information is not shared in group situations. The budget is not discussed at administrative staff meetings. The finance committee meets with the finance director, but the individual members of the committee also meet separately with him. There are few opportunities for the budget to be discussed in situations where large numbers of people can hear the same information and reach agreement about district finances.

Findings also show a lack of trust in administrators in district D. Evidence exists that there is a belief that the superintendent does not understand the district finances. The high level of board involvement diminishes trust in the administration. Board members do not rely on administrators to make recommendations. Individual board members and board committees do their own research and come to their own conclusions.

Findings also show that decision-makers in districts A and C enjoy higher levels of satisfaction than in districts B and D. There is no evidence that any participant in district A or district C is unhappy with the budgeting process. There is evidence that some would like more money or, in district C, a little more flexibility in spending dollars, but participants in districts A and C are not dissatisfied with the process. In districts B and D, however, almost every participant is dissatisfied with the budgeting process. Dissatisfaction in districts B and D is caused by lack of timely information, lack of involvement in the process, lack of autonomy, and lack of instructions on how to budget. In district B, central office administrators are completely satisfied with the budgeting process.

Figure 4.5 shows that the criteria for making decisions are also part of process. The criteria used in budgeting are generally the same across all of the districts. There are, however, some differences. All four districts use past spending history to project the future. The heavy reliance on

the past to project the future results in an incremental budget. The individual district findings show that revenues increased steadily and so did expenditures. In several instances fund balance was used because expenditures exceeded revenues. The districts spent approximately the same percentages for both function and object categories over the four years studied. Even though the resulting expenditure patterns indicate an incremental budget, evaluation is occurring in three of the four districts. In both districts A and C, purchases are being evaluated in terms of their ability to satisfy goals. In district D, expenditures are being evaluated because the district is downsizing and needs to reduce its budget.

All four districts share the same legal obligations to bargain with employees, to provide special programs and transportation for special education students, and to provide safe and healthy buildings. District A and B have both had to expend funds for tax abatements and for the legal costs to fight tax abatements. District B must expend funds for a special program that is a settlement of a lawsuit. District C has been forced to assume responsibility for some special education students that had once been part of a county program. Only district D seems to have escaped additional legal obligations.

All four districts also satisfy stakeholder expectations. In districts B and D the findings show that board members' expectations are the criteria on which some spending decisions

are based. Districts A and C provide a more open approach to budgeting and goal setting which enhances the chances that more expectations will be considered.

#### Expenditure

So far, then, across district findings have been presented for the revenue and process decision clusters. Now attention will be turned to the expenditure cluster. Figure 4.5 shows the expenditure categories for which districts must budget. This budget format is required by Michigan law. Some comparisons are difficult to make, however, because not everyone classifies their expenditures in the same way. For example, Form B reports for districts C and D do not show any salary expenditures for business services. The assistant superintendent and his business office staff are placed in the general administration category. The business office staff in district D is also under general administration. Also, there is often confusion in coding expenditures for maintenance and operations and capital outlay.

An expenditure comparison, Table 4.6, may be found on page 260. This table shows 1991-92 expenditures for each of the four districts by function and by object. The high percentage of expenditures for added needs in districts B and D is a result of the indirect federal funds they receive. District C's high percentage for added needs is a result of a large vocational and alternative education program. The less wealthy districts spend less on pupil support services - counselors, social workers, nurses, etc. District B spends a

Table 4.6 Expenditure Comparison

## EXPENDITURES BY FUNCTION

1991-92	District A	District B	District C	District D
<u>INSTRUCTION</u>				
Basic Program	41.82%	34.08%	36.98%	40.14%
Added Needs	2.62%	11.18%	6.76%	10.04%
Adult Education	0.15%	0.28%	9.01%	2.35%
Benefits	8.36%	8.26%	9.13%	8.52%
<u>SUPPORT</u>				
Pupil	6.74%	4.51%	2.54%	2.06%
Instruction	1.89%	6.02%	1.85%	1.20%
General Administration	2.22%	1.87%	2.87%	2.91%
School Administration	5.44%	4.62%	5.18%	5.22%
Business	3.45%	3.39%	1.98%	2.58%
Operations & Maintenance	12.60%	12.68%	8.51%	8.31%
Transportation	3.55%	1.48%	3.97%	6.76%
Central Services	1.65%	0.38%	0.41%	0.00%
Benefits	6.44%	6.38%	4.30%	4.60%
Community Service	0.21%	0.09%	0.55%	0.00%
Capital Outlay	1.51%	3.30%	1.39%	0.35%
Other	1.35%	1.48%	4.57%	4.96%
	100.00%	100.00%	100.00%	100.00%

## EXPENDITURES BY OBJECT

	District A	District B	District C	District D
Salaries & Benefits	82.70%	79.91%	79.72%	80.64%
Purchased Services	8.41%	7.22%	8.67%	8.70%
Supplies and Materials	8.89%	12.87%	11.61%	10.66%
	100.00%	100.00%	100.00%	100.00%

% of budget spent on  
purchased services &  
supplies

	District A	District B	District C	District D
Basic Program	3.02%	0.96%	2.11%	2.25%
Added Needs	0.66%	1.29%	0.56%	1.89%
	3.68%	2.25%	2.67%	4.14%

lot more on instructional support services. This is one of the areas that was centralized and new administrative positions were created. The less wealthy districts spend less of their budgets on maintenance and operations. District B spends less on transportation than the other districts; it is the only district that does not provide transportation for regular K-12 students. District D spends the largest percentage on transportation; the district is over 300 square miles. The less wealthy districts spend a greater percentage on transfers (athletics, lunch programs, bookstore operations) than the wealthier districts.

Table 4.6 shows that object expenditures are very close across the districts. However, the amount spent on purchased services and supplies for classrooms is an interesting comparison. The least wealthy district spends the greatest percentage on the things that students use in the classroom while one of the wealthier districts spends the least.

In 1991-92 all of the districts ended the year with a fund balance. District C, the less wealthy but certain district, was the only district to add to its fund balance. No district was in fiscal stress.

#### Balance and Implementation

Figure 4.5 shows that the last two decision clusters are balance and implementation. Figure 4.5 shows us that with its certainty of wealth and its ability to project revenues, district A can adopt a balanced budget in June that can be

immediately implemented. Figure 4.5 shows us that district B adopts a budget but waits to implement it until more information is available. District B's wealth gives it some buffer against uncertainty, but the reliance on federal funds that are not approved until August or later forces it into a "wait and see" attitude. After all, district B must legally maintain a program that is funded to a large extent by federal dollars. If the federal dollars do not materialize, then cuts in other areas will be necessary.

Figure 4.5 further shows us that district C, the less wealthy but certain, may exercise a number of options. Before district C can implement the budget it must borrow to meet cash flow needs. District C is always trying to stretch dollars to make them go as far as they can. If the June financial situation is favorable, district C may just wait for confirmation of revenue projections. In October, when enrollment and state aid is certain, it adopts a more accurate budget and implements it. If the June financial situation is unfavorable, district C may make cuts; it may ask for additional millage. If the millage passes, the cuts are reinstated; the budget is revised and implemented. If the millage fails, the cuts become permanent; the budget is revised and implemented.

Figure 4.5 shows that district D must also borrow to meet cash flow needs. Like district C, the June financial situation determines whether it simply waits for more information or whether it also makes cuts. District D is



concerned about not only state aid but also the amount of direct federal funding. Like district B, it must wait until late summer or fall before that the amount is known. Because of the demographics of district D, asking for additional millage is not an option. If finances do not materialize, adjustments must be made. District D adopted a rollover budget in June, so no matter what happens in the balance cluster, it must revise the budget according to the more accurate information and then implement.

The purpose of the study was to describe and explain differences in budgetary decision-making in school districts of varying wealth and varying certainty of wealth. This section has presented across district findings about budgetary decision-making in districts of varying wealth and varying certainty of wealth. There is little evidence of variance in budgetary decision-making in districts of varying wealth. There is evidence of differences in budgetary decision-making in districts of varying certainty of wealth. The most significant differences occur in the process decision cluster. Those differences are in organizational matters that affect the budgeting process and in matters of decision-maker trust and satisfaction.

## CHAPTER V

### FINDINGS AND CONCLUSIONS

The researcher's purpose in this dissertation has been to describe and explain the differences in budgetary decision-making in school districts of varying wealth and varying certainty of wealth. More specifically, the purpose was to investigate the relationships between wealth and certainty of wealth and decision-making and budgeting processes. The investigation was divided into the budgeting processes in four different school districts, each representing a different combination of wealth and certainty of wealth. Finally, the four school districts were compared and the results of that comparison were disclosed.

The previous chapters presented a description of the problem, a review of the related literature and research, an explanation of methodology, and a presentation and analysis of the data generated in the study.

This chapter reviews the original research questions and their conclusions. Next, the general findings are summarized. Further, the works of Wildavsky (1975, 1979), Rubin (1980, 1982, 1990b), Simon (1957, 19976, 1982), Lindblom (1959; 1979), and Cohen, March and Olsen (1972) are reviewed. The

results of their work and the findings of this study are discussed. Reflections on this study are offered and a new theory is offered. Finally, the findings and limitations of the study are used to generate suggestions for further research.

### Reviewing the Research Questions

Prior to beginning this study, the argument was made that school districts of varying wealth and varying certainty of wealth would follow the same decision-making patterns that other organizations of varying wealth and varying certainty of wealth follow. One of those conclusions was that wealthier organizations use rational decision-making and budgeting. Organizations of increasing wealth use incremental decision-making and budgeting. Less wealthy organizations and those experiencing declining wealth use garbage can decision-making and budgeting. The data showed that all of the selected districts had experienced increasing wealth. Only school district D, the least wealthy and least certain district, was projecting a decline in wealth; however, the revenues are so uncertain that the district cannot predict when the revenue loss will occur.

The criteria which were used to assess decision-making in other organizations were used to develop six research questions to guide the study. Conclusions (pp. 17-21) were written. Those conclusions are now reviewed.

1. Are there differences in linking decisions to organizational goals in school districts of varying wealth and varying certainty of wealth?

The data showed that there are differences in linking organizational goals to organizational decision-making. Only the school districts with certainty of wealth have board adopted goals that are assimilated throughout the organization. In both districts the goals are developed by a cross-section of the educational community. The data showed that goals are linked to budgeting in that they influence purchasing decisions. However, the data also show that the districts rely on criteria other than goals, such as past history and legal requirements, to develop a budget. One may reasonably argue that the districts with certainty of wealth lie somewhere between rational and incremental decision-making and budgeting.

The data showed that the districts with uncertainty of wealth have divergent or ambiguous goals. The data showed that board members' individual goals particularly influence budgeting decisions. The less wealthy district with uncertain wealth has two different sets of goals, both of which were developed by the board of education. One set of goals is a compilation of individual goals, and they are contradictory.

The data show that both of these districts rely heavily on past history and legal requirements to develop the budget. The more wealthy but uncertain district is more able to overcome goal conflict because it has more dollars available

to satisfy individual goals. The more wealthy but uncertain district is more likely to use incremental decision-making to avoid conflict. The less wealthy and uncertain district also engages in incremental decision-making; however, the data indicated that at the time of this study, divergent goals about process existed. Two sets of decision-makers existed, the administration and the board, with differing views about how the budget should be revised. This is garbage can decision-making. The tentative conclusion is supported.

2. Are there differences in planning in school districts of varying wealth and varying certainty of wealth?

The data showed that there are differences in planning. Only the more wealthy and more certain school district engages in long term planning. The plan was developed by a cross-section of the educational community. The plan sets forth the process for achieving the district goals. The data do not provide evidence that the plan is directly linked to budgeting. None of the other districts engage in formal planning activities, although the more wealthy and less certain district (B) and the less wealthy and more certain district (C) are talking about it.

The data showed different levels of planning for the budgeting process. The data showed that the more wealthy and more certain district plans for staffing, enrollment changes, capital outlay expenses. Both districts with certain revenues have time lines and procedures which are followed. The data

showed that this type of planning was not present in the districts with uncertain revenues. The data support the conclusion that the wealthier district engages in more planning and therefore more rational decision-making and budgeting. The data also support the tentative conclusion that the other districts engage in incremental budgeting and decision-making. Planning is not essential in incremental decision-making and budgeting because only small changes occur in the status quo.

3. Are there differences in evaluating previous organizational decisions in school districts of varying wealth and varying certainty of wealth?

The data showed that all of the districts used past history to project expenditures. However, the data also showed that there are some differences in evaluating previous decisions. In two districts, the districts with certainty of wealth, the data showed that evaluation occurs at the building levels in terms of what is purchased. In these two districts, for example, the more traditional purchases of workbooks have been replaced by other types of materials that support a changing curriculum. The data showed that in the more wealthy and certain district some cost-effectiveness evaluation was occurring in certain isolated areas.

The data showed that the most potential for evaluation was occurring in the less wealthy districts. The lack of wealth was forcing reductions, and programs and services were

being reviewed. However, in the less wealthy and less certain district, the decision was made to implement across the board cuts. In the less wealthy and more certain district, the data showed that in the past across the board cuts usually occurred.

The data support the tentative conclusion regarding use of evaluation. The wealthier district evaluates more and is, therefore, more rational in its budgeting. The other districts engage in less evaluation and make small changes, such as across the board increases and cuts, and use incremental decision-making.

4. Are there differences in openness and inclusiveness in decision-making processes in school districts of varying wealth and varying certainty of wealth?

The conclusion regarding openness and inclusiveness is supported. The data show that the wealthier organization has a completely open and inclusive budgeting process. People all across the organization are involved in the decision-making. The entire budget is reviewed with the administrative staff and with the public and board. The process used in the more wealthy and certain district is indicative of rational decision-making. The data show that the less wealthy but certain district engages in incremental decision-making. The process in the less wealthy and certain district is relatively open and inclusive, but the data show that the entire budget is not reviewed with the administrative staff. Each

administrator meets with the superintendent to negotiate his or her budget. However, data do show that the public is included in budgeting decisions and receives budgeting information. The data show that the more wealthy but less certain district also engages in incremental decision-making. Its process, however, is less open and less inclusive. Lower level administrators are given allocations, but there is some evidence that administrators can negotiate for more. The data show low public involvement but high board of education involvement. Data further show that budgeting decisions are sometimes reached to satisfy individual board members. Data show that the less wealthy and less certain district engages in garbage-can decision-making. The data show that the superintendent in the district with less wealth and less certainty of wealth had instituted new budgeting procedures a few weeks before the data were collected. The new procedure was an attempt to involve more people in the decision-making and to make budgeting a bottom up process. However, data collected from a board meeting indicates that board of education's actions are not consistent with the superintendent's plan. The data also show that the public is not involved in decision-making. The board of education's active finance committee has a large role in making budgeting decisions. Data show that discussion of issues occurs during committee meetings and not when the board meets as a whole. The board acts on the committees' recommendations with little if any public discussion. Data also indicate two different



sets of decision-makers trying to resolve the same budgeting issue.

5. Are there differences in time usage in decision-making in school district of varying wealth and varying certainty of wealth?

The data show that there are differences in time usage across the districts. The data support the conclusion that the more wealthy and more certain district would use time in a rational manner. The more wealthy and more certain district has time lines and procedures that streamline the budgeting process. The data show that the budget is approved and implemented without need to re-consider decisions.

The data support the conclusion that the wealthier district with less certainty engages in incremental decision-making. Although the district does not have set time lines or set procedures for budgeting, the data show that the budget that is adopted will be implemented.

The data support the conclusion that less wealthy districts would engage in garbage can decision-making on the criterion of time. Both districts adopt a budget in June with the understanding that a more accurate budget will be presented in the fall when state aid and enrollment is known. The less wealthy and more certain district adopts a budget with a few unknowns. Once more information is obtained, the budget is implemented. The less wealthy and less certain district operates further into the garbage can. It rolls over

the current budget with the understanding that it is not accurate. In the less wealthy and less certain district, two different sets of decision-makers were working to reduce expenditures in the same budget. Once information is known, and the budget is revised, there are still no guarantees of complete implementation as the board finance committee reviews many requests for expenditures.

6. Are there differences in the influence of the environment outside of the organization on the decision-making process in school districts of varying wealth and varying certainty of wealth?

The tentative conclusion regarding the influence of the environment was supported. The more wealthy and more certain district has shown more of the characteristics of rational decision-making and budgeting than the other districts. This district has planned and set goals and has recognized the uncertainties that it cannot control. The district has been open and inclusive in its budgeting process. The district's wealth has allowed it to buffer itself from tax abatements and legislation that is designed to take from the rich and give to the poor.

The more wealthy but less certain district engages in a more incremental pattern of decision-making and budgeting. Its wealth, too, has provided a buffer from tax abatements and assessment problems. A legal decision has caused the district to develop a new program. Ironically, federal funds are not

only providing partial financial support for the program but also are contributing to its less certainty of wealth.

The less wealthy but more certain district also shows an incremental pattern of decision-making and budgeting. This district was especially hard hit by the State Aid Act of 1992-93 which changed the membership formula so that prior year enrollment was used. As a growth district, it lost revenues. Although the district is not wealthy, it did have a fund balance which allowed it to maintain the status quo. However, for 1993-94, cuts or additional millage are needed.

The less wealthy and less certain district has become the most vulnerable to the environment. A decision reached at the federal level of government has upset the status quo of the district. The predicted loss of about 20% of its revenues has put the district into a garbage-can pattern of decision-making and budgeting.

Figure 5.1, page 274, is a chart summarizing the conclusions to the six research questions. The left column of the chart lists the characteristics associated with rational, incremental, and garbage can decision-making. The chart clearly shows that district A, with its wealth and certainty of wealth, engages in rational decision-making. All of the districts engage in incremental decision-making to the extent that they use line item budgets, rely heavily on past history, and show little deviation from the status quo. The chart further shows that both district B and district C engage in incremental decision-making and also show characteristics of

Characteristic/District	A	B	C	D
<u>RATIONAL</u>				
Shared goals	X		X	
Goals linked to decisions	X		X	
Substantive planning	X			
Procedural planning	X		X	
Evaluation of decisions	X		X	
Open process	X		X	
Inclusive process	X		X	
Knowledge, skills, information	X		X	
Ease in implementation	X			
Less vulnerable to environment	X			
<u>INCREMENTAL</u>				
Reliance on past history	X	X	X	X
Line item budget	X	X	X	X
Little deviation from status quo	X	X	X	X
Across the board increases/cuts		X	X	X
Negotiation; striking bargains		X	X	
Decisions based on self-interest		X		X
Alternative decisions neglected		X		
Some vulnerability to environment		X	X	
<u>GARBAGE CAN</u>				
Divergent/Ambiguous goals		X		X
Lack of useful information		X		X
Different sets of decision-makers				X
Re-consideration of decisions			X	X
Problems implementing decisions		X		X
Trial and error procedures				X
Very vulnerable to environment				X

**Legend:**

X indicates that the data showed evidence of the existence of this characteristic.

District A - wealthy and certain

District B - wealthy and uncertain

District C - less wealthy and certain

District D - less wealthy and uncertain

**Figure 5.1 Districts' Decision-Making Characteristics**

other types of decision-making. District B, with its revenue uncertainty, displays some of the characteristics of garbage can decision-making. It has no goals, changing decision-makers, and problems implementing decisions. District C, with its revenue certainty, displays many of the characteristics of rational decision-making. It does have shared goals, procedural planning, and some evaluation of decisions. District C's process is open and inclusive. The chart shows that district D engages in garbage can decision-making with a few characteristics of incremental decision-making.

#### General Findings

The first four sections of the presentation of data provided data and findings regarding the budgeting process used in each of the four selected districts. The fifth section presented findings from an across district analysis. The findings revealed that all of the districts make budgeting decisions about revenue, process, expenditure, balance, and implementation. It was found that all districts receive revenues from the same local, state and federal sources. The amounts each receives from those sources varies according to its wealth. It was found that districts with less certainty of wealth receive additional large amounts of federal funds. The districts rely heavily on these funds which only adds to the uncertainty.

The findings revealed that within the process cluster, the criteria used for making budgeting decisions do not vary

significantly. The findings revealed that all districts rely on past history to project the future. Legal obligations which impact the budget do not vary significantly across districts. The legal obligation to bargain with employees for salaries and benefits accounts for approximately 80% of the budget in all of the districts. Wealthier districts are affected by tax abatement decisions. Stakeholder expectations are considered. The findings revealed that in the less certain districts, members of the board of education are more likely to have their individual expectations funded. The findings revealed that the districts with more certainty of wealth are more likely to evaluate past expenditures.

The findings revealed the most significant differences across the districts in the characteristics of the decision-makers. It was discovered that decision-makers in districts with more certainty of wealth have clear lines of authority, known expectations, and shared goals. The process is more open and more inclusive. The public is included in setting goals and in budgeting decisions. The board of education meets as a committee of the whole so that financial information is publicly shared with everyone. The findings also revealed that the business official is highly visible in the process. It was also found that there is a high level of administrator trust and decision-maker satisfaction in districts with certainty of wealth.

The findings revealed that decision-makers in districts with less certainty of wealth do not have clear lines of

authority or known expectations. The districts with less certainty of wealth do not have organizational goals; however, individual goals exist and influence the budgeting process. The process is less open and less inclusive. The findings showed no public involvement in the budgeting process. The boards of education in districts with less certainty of wealth are highly visible, and they have active committees. In both districts, the board finance committee helps to develop the budget and to make spending decisions. The finance committee is charged with the duty to report back to the board. The committee structure inhibits openness and leads to the conclusion that decisions are not reached in public. The findings also revealed that the business official is in the background. It was also found that there is less administrator trust and less decision-maker satisfaction in districts with uncertainty of wealth.

Findings reveal that there is little difference in the way school districts spend their money. State law stipulates the manner in which budgets must be adopted and final revenues and expenditures reported, so all of the budgets look alike. Approximately the same percentages are spent in each function and object category. Differences were discovered in the areas of transportation because one district does not bus any regular K-12 students, while another district is over 300 square miles and buses almost every student. Findings also revealed that those districts that receive more federal funds incur a greater percentage of expenditures in the added needs

category. This finding would be in keeping with the intent of the indirect federal funding process.

Findings revealed differences in the balance cluster. The more wealthy and more certain district makes few decisions about balancing the budget. It implements its original budget. The less certain districts take more steps to implementation as they await more information about their revenues. The more wealthy but uncertain district usually just waits and doesn't fully implement. The districts with less wealth borrows to meet cash flow needs before they begin to implement the new budget. The less wealthy and less certain district is likely to make cuts and/or implement less of its adopted budget. It does not make too many commitments to spend early in the year, because it does not adopt its "real" budget until fall. The June financial situation dictates the steps in balance that the district with less wealth but more certainty of wealth takes. If the financial situation is good, the district just waits to fully implement until it knows for sure exactly what the revenues are. Its lack of wealth keeps it from taking the chance of implementing too soon. If the financial outlook is not good in June, it makes cuts and/or asks for additional millage prior to fully implementing its budget.

#### The Conclusion

There is little evidence of variance in budgetary decision-making in districts of varying wealth. Budget



implementation is most affected by a lack of wealth. Those districts with less wealth must borrow to meet cash flow needs. The district with less wealth but certainty of wealth is more likely to wait to fully implement the budget until it is absolutely certain of its revenues.

There is evidence of differences in budgetary decision-making in districts of varying certainty of wealth. The most significant differences occur in the process cluster. Those differences are in the organizational matters that affect the budgeting process and in the matters of decision-maker trust and satisfaction. The organizational matters in districts with certainty of wealth that affect budgeting are the presence of shared goals, the openness and inclusiveness of the process, the planning, the understanding of lines of authority and expectations. In addition, decision-makers in districts with certainty of wealth enjoy high levels of trust and high levels of satisfaction with the budgeting process.

The conclusion from the findings of this study is that certainty of wealth is more important to school district budgetary decision-making processes than is the amount of wealth.

### Reflections on the Literature

Now that the research questions have been answered and a conclusion offered, attention will be returned to the literature that informed this study. Wildavsky's work (1975) with national level governments inspired this study. He

devised the two by two matrix which relates wealth to predictability of wealth. Rubin's work (1990) provided the researcher with the decision clusters which were used to organize budgeting decisions. Rubin's (1980, 1982) work with municipal governments and universities provided further insight into the relationships of wealth, predictability of wealth and budgetary decision-making. Decision-making theory also informed this study. The work of Simon (1957, 1976, 1982), Lindblom (1959, 1979), and Cohen et al. (1972) provided the researcher with the a framework to examine decision-making processes. These researchers found links between the organization's resource level and decision-making. Many similarities exist between the findings of these researchers and the findings of this study.

Rubin (1980, 1982) provided evidence that wealthier organizations with certain resources do little prioritizing as each budgeting request is judged on its own merit, a bottom up development of the budget, and an openness in the entire budgetary system. Rubin's findings are consistent with the findings in District A, the more wealthy and more certain district. Administrators request their needs and do not need to justify them. The superintendent said that they try to honor all requests. The budget is developed from the bottom up; principals and directors project needs; central office reviews and approves; the board of education gives the final approval. The process is open as the entire budget is reviewed many times with staff, the board and the public.

Wildavsky (1975, 1979) and Rubin (1980, 1982) found that wealthier organizations engaged in more planning activities and more often linked organizational goals to resources. This finding is consistent with the findings in District A, the wealthier district and revenue certain district. It is the only district which engages in long term planning. District A's comprehensive plan includes a vision for the district, goals and objectives, and a plan to achieve them. The plan, like the budget, is developed from the bottom up with input from a cross section of staff and community. The goals are linked to budgeting, particularly at the building level. This finding in District A is also consistent with the findings of Simon (1982) in his theories of rational decision-making. Simon observed that rational organization decision-making includes having a shared purpose or objective. Organizations achieve their objectives through substantive and procedural planning. Substantive planning involves decisions about values, methods to attain the values, and the knowledge and skills needed to make decisions. Procedural planning involves designing ways to direct knowledge and skills so that day-to-day decisions are made to conform with the substantive plan. In district A, the strategic plan is the substantive plan. The budgeting process, with its time lines, budget book, and bottom up development of the budget, provides the procedural plan so that day to day decisions conform with the substantive plan.

Rubin (1980, 1982) and Wildavsky (1975) provided evidence that uncertain resources produces little planning and no long term projects. They found that the less able the organization was to predict its wealth, the more chaotic the decision-making process became. Budgets are approved but not implemented until the dollars become available. Wildavsky's matrix showed that rich and uncertain organizations use incremental or repetitive budgeting, and poor and uncertain organizations use repetitive budgeting. These findings are consistent with the findings in Districts B and D. District B, the wealthier district with uncertain revenues, does not engage in planning or goal setting. The budget is not fully implemented until revenues are more certain. The district engages in incremental budgeting. It begins budgeting by rolling over the previous year's budget and making adjustments for salaries and benefits, and adding percentages for inflation to other line items. The findings in the studies of incremental decision-making are consistent with the findings in District B. There are no major changes in the budget from year as there is reliance on past history. Programs are added, such as the alternative education program, that can be easily cut if they do not work out or the funding is not available. Decisions are often reached based on the self-interests of those involved. Board members sometimes make budgetary decisions that bring them power (re-election) or prestige.

The findings of Rubin (1980,1982) and Wildavsky (1975) about the effects of revenue uncertainty are also consistent with the findings in District D, the district with less wealthy and less certainty of wealth. District D does not have long range plans. It engages in repetitive budgeting. The original adopted budget is only useful in serving a legal requirement. As more information becomes available, the budget is revised. Because of the uncertainty of funding the budget cannot be fully implemented. The findings of Cohen et al. in their research on garbage-can decision-making are consistent with the findings of District D. Goals are ambiguous. Different decision-makers exist, and there is conflict about the budgeting process. Conflict in district D exists over who will make budgeting decisions: the board or the administrative staff. The separate groups of decision-makers meet many times while they attempt to resolve the problem of balancing the budget.

The findings in District C are consistent with the findings of the researchers in that its uncertainty of wealth causes problems with full budget implementation. However, there are degrees of uncertainty, so its decision-making processes do not become chaotic. It has shared organizational goals and there is evidence that the goals are linked to budgeting. The budget is developed in a bottom up manner. The budgeting process is open and inclusive. The findings reveal a district that falls between rational budgeting and decision-making and incremental decision-making. Its lack of

wealth does not allow it flexibility in making expenditure decisions. Even though the wealth is somewhat uncertain, it is also steadily increasing. The end result is that an incremental budgeting and decision-making occurs but with hints of rational budgeting and decision-making emerging.

### Further Reflections

While the theories that informed this study provided a base to study budgetary decision-making in districts of varying wealth and varying certainty of wealth, they do not completely explain the findings of this study.

This study began with an interest in the differences in wealthy and poor school districts. The issue that makes the front page of newspapers and is the topic of school finance reform is disparity in wealth. There is a belief that if all school districts had the same number of dollars per student, schools would be better. This study showed, however, that even though the districts range from relatively wealthy to poor, there is little variation in the way districts spend their funds. Approximately 80% of the budget is spent on salaries and fringe benefits. By the time maintenance and operations and legal requirements are accounted for, only approximately 4% of the budget is discretionary money. One may reasonably ask, then, if expenditures are so similar what difference does it make how decisions are made in school districts? The answer is that it is within this 4% of the budget where the greatest potential for reform and change

exists. The study showed that in districts A and C the greatest evaluation of expenditures was occurring as decision-makers selected materials consistent with their beliefs about proper curriculum materials to improve student achievement as reflected in their goals and objectives. If we are to believe that decisions are based on "what is good for kids," then we must see evidence that these decisions are based on some criteria that link expenditures to goals and objectives. This type of evaluation occurs only in rational decision-making.

Although the data do not support the conclusion that the type of decision-making affects a district's expenditures, it does affect the organization's processes. The scope of this study was limited to budgetary decision-making, but organizations make decisions in other areas as well. For example, school districts make decisions about the curriculum that will be offered. They make personnel decisions both in hiring and at the negotiations table. This researcher believes that the type of decision-making used for budgeting is indicative of that used throughout the organization for all decisions. This researcher strongly believes that all decisions should be based on plans, goals, evaluation, knowledge, skills, and information. Garbage can decision-making occurs in the absence of these characteristics. It is a very time consuming, wasteful process.

This study showed that certainty of wealth is a far more important concept in determining how school districts function as organizations than is the concept of wealth. The findings

show that districts with revenue certainty engage in more rational decision-making than those with revenue uncertainty. The districts with uncertainty show more characteristics of garbage can decision-making. A key concept in rational decision-making is the availability of knowledge, skills, and information which allow procedural planning to occur. Revenue uncertainty creates a vacuum in information, money, and strong leadership. The districts with uncertainty were not only lacking in information but also in people who could provide the information, skills, and strong leadership. This condition leads to garbage can decision-making. The wealthy but uncertain district had conflicting and uncertain information and weak leadership, but it had enough money to continue to make some decisions. The poor and uncertain district had nothing except conflicting, uncertain information and many people who thought they knew the answers.

Michigan school districts are facing conditions of increased uncertainty of wealth. Even the wealthiest school districts face large tax abatements by industries within their borders. Further, out-of-formula school districts have negative revenues such as the recapture of state aid categorical funds. The State Aid Act has changed significantly in the last few years. Because of its provisions, all school districts pay for expenses such as FICA. In addition, changes in the membership formula caused great uncertainty for in-formula districts as the switch was made from using current year enrollment to prior year



enrollment. Significant changes in adult education funding have further increased revenue uncertainties.

Michigan school districts find themselves in a dilemma. As they are faced with increasing revenue uncertainties, they are also faced with increased expectations. Michigan's PA 25 is mandating that school districts conduct business differently than they have in the past. There are requirements for district and building school improvement teams. The requirement places increased demands on teachers, for which they are asking additional compensation or in-service time. PA 25 requires building and district planning and goal setting. The study showed that revenue uncertainty results in divergent goals and no planning. PA 25 requires the development of an outcomes based curriculum and alternative student evaluation methods. Both of these require in-service and additional dollars. Further requirements for accreditation for all schools have staffing implications with concurrent financial implications. So, districts face increased demands and less certainty of revenues.

This study showed that revenue uncertainty greatly affects school district organizational processes. The findings showed that there is less planning and less goal setting in districts with uncertain revenues. The findings also showed that the organizational processes were less open and inclusive. The uncertainty affects the climate within the organization and the personnel relations. Administrators and what they say about finances are less trusted in districts

with uncertain wealth. Board members assume administrative roles. Further, the uncertainty filters down into the organization. Through the interviewing process, it was found that principals in the revenue uncertain districts are far more concerned about uncertainties than are the principals in the revenue certain districts. The administrators in the revenue uncertain districts were more consistently dissatisfied with the district budgeting process. So, we find that uncertainty can undercut the entire district.

As a final reflection, the findings and conclusions of this study emphasize that school finance reform measures need to address not only the issue of equal dollars for students but also the issue of revenue certainty. It appears that increased involvement at the state level has led to increasing uncertainty for all districts. As lawmakers and policy makers grapple with decisions about how education will be financed and at what level, they must also consider the issue of revenue certainty. If school districts are to become increasingly dependent on state collected and distributed funds rather than local property taxes, it is important that state level decisions about the level of funding and distribution of those funds be made well in advance of the beginning of a new fiscal year. Without this information, school districts will be forced to operate in a vacuum. The vacuum results in garbage can decision-making and leads to confusion in leadership and distrust in school district administrators. This researcher fears that school districts

regardless of the level of funding will operate more in the garbage can than at a more rational level if revenue uncertainty becomes the norm. School reform, including finance reform, must begin with earlier and more certain decisions at the legislative and policy maker level.

#### Suggestions and Recommendations

The researcher discovered limitations in the previous studies of organizational decision-making. While many of the previous studies involved governmental agencies, little research on budgetary decision-making has been completed in school districts. The research in this study was just a very small beginning. One suggestion for research, then, is to continue to study budgetary decision-making in school districts.

School districts in Michigan are making progress in the area of curriculum reform that impacts the budgeting process. School districts are required to measure educational outcomes in non-traditional ways, and to adopt goals and objectives and plans to achieve them. Another area of suggested research is to examine the effects that the mandates of PA 25 have on budgetary decision-making. Also, researchers have tended to look at bottom line numbers and assume that incremental budgeting has occurred. It is a fact of life in school districts that the more money they get, the more they will spend. If they run out, they will ask for more millage and usually (eventually) get it. This researcher believes that

budgeting at the building level should be the topic of more research. The principal of a building may get an annual 3% increase for teaching supplies, but is he/she evaluating the expenditure of those funds in terms of goals, plans, and what produces desired educational outcomes?

Finally, an unexpected finding of this study was that the districts with uncertainty of wealth had boards of education that were very involved in budgetary decision-making and business officials that were less visible. There was also evidence of less administrator trust. Further research is suggested in the possible interaction between the certainty of wealth and the roles of administrators and board members.

The state of Michigan and many other states are struggling with the issues of school finance reform. It is the researcher's theory that certainty of wealth has more impact on budgetary decision-making than the amount of wealth. There is strong evidence in the introduction of this study to support the use of property taxes, one of the most stable sources of revenue, to fund education. However, if the legislators and policy makers decide that other forms of taxes are better, it is this researcher's hope that school districts will be assured a certain level of funding which will be known well in advance so that the organizational processes of school district can proceed in a rational manner.

## APPENDIX A

## DISTRICT A'S FINANCIAL DATA

Table A.1 District Profile

	1988-89		1989-90		1990-91		1991-92	
SEV	381,536,310		406,286,290		426,069,270		458,594,710	
MEMBERSHIP	3,023		3,038		3,089		3,170	
SEV/PP	\$126,211		\$133,735		\$137,931		\$144,667	
MILLS LEVIED	33.77		35.442		35.5104		35.2188	
REVENUE:								
LOCAL LEVY	\$12,884,481	86.08%	\$14,399,599	87.20%	\$15,129,890	87.96%	\$16,151,155	93.70%
MEMBERSHIP AID		0.00%		0.00%		0.00%		0.00%
Subtotal	\$12,884,481		\$14,399,599		\$15,129,890		\$16,151,155	
Subtotal p/p	\$4,262		\$4,740		\$4,898		\$5,095	
CATEGORICALS	\$407,632	1.75%	\$365,182	1.35%	\$365,746	0.53%	\$390,110	0.85%
RECAPTURE	(\$145,384)		(\$141,536)		(\$274,209)		(\$243,685)	
OTHER LOCAL	\$1,378,007	9.21%	\$1,285,122	7.78%	\$1,334,295	7.76%	\$577,861	3.35%
FEDERAL GRANTS	\$115,883	0.77%	\$140,286	0.85%	\$141,828	0.82%	\$54,752	0.32%
OTHER REVENUE	\$326,686	2.18%	\$464,736	2.81%	\$503,014	2.92%	\$306,283	1.78%
TOTAL REVENUE	\$14,967,305	100.00%	\$16,513,389	100.00%	\$17,200,564	100.00%	\$17,236,476	100.00%
REVENUE P/P	\$4,951		\$5,436		\$5,568		\$5,437	
EXPENDITURES:								
INSTRUCTION								
BASIC PROGRAM	\$6,146,158	41.33%	\$6,638,948	42.19%	\$7,034,869	42.14%	\$7,381,982	41.82%
ADDED NEEDS	\$349,940	2.35%	\$425,935	2.71%	\$443,981	2.66%	\$462,614	2.62%
ADULT ED	\$19,380	0.13%	\$22,011	0.14%	\$21,863	0.13%	\$26,079	0.15%
BENEFITS	\$1,404,462	9.44%	\$1,336,107	8.49%	\$1,407,755	8.43%	\$1,474,745	8.36%
SUPPORT SERV								
PUPIL	\$1,021,317	6.87%	\$954,359	6.06%	\$1,104,993	6.62%	\$1,188,998	6.74%
INSTRUCTION	\$255,954	1.72%	\$289,019	1.84%	\$313,654	1.88%	\$334,237	1.89%
GENERAL ADMIN	\$299,680	2.02%	\$340,317	2.16%	\$363,439	2.18%	\$392,150	2.22%
SCHOOL ADMIN	\$775,038	5.21%	\$826,252	5.25%	\$894,312	5.36%	\$959,834	5.44%
BUSINESS	\$477,404	3.21%	\$537,676	3.42%	\$507,269	3.04%	\$609,258	3.45%
OPER & MNTNC	\$2,213,378	14.88%	\$2,232,396	14.19%	\$2,251,868	13.49%	\$2,223,310	12.60%
TRANSPRTION	\$479,992	3.23%	\$520,476	3.31%	\$662,535	3.97%	\$626,672	3.55%
CENTRAL SERV	\$209,340	1.41%	\$218,955	1.39%	\$246,115	1.47%	\$292,837	1.66%
SS OTHER	\$900,277	6.05%	\$1,032,773	6.56%	\$1,016,073	6.09%	\$1,133,451	6.42%
COMMUNITY SERV	\$24,877	0.17%	\$32,846	0.21%	\$36,874	0.22%	\$37,918	0.21%
CAPITAL OUTLAY	\$65,849	0.44%	\$99,148	0.63%	\$135,869	0.81%	\$267,082	1.51%
TRANSFERS	\$227,187	1.53%	\$230,340	1.46%	\$251,217	1.50%	\$239,161	1.35%
TOTAL EXPEND	\$14,870,233	100.00%	\$15,737,558	100.00%	\$16,692,686	100.00%	\$17,650,328	100.00%
EXPEND P/P	\$4,919		\$5,180		\$5,404		\$5,568	
REV/EXP	\$97,072		\$775,831		\$507,878		(\$413,852)	
ENDING								
FUND BALANCE	\$781,971		\$1,557,802		\$2,065,680		\$1,651,828	

Source of raw data: Form B, Financial Reports, Fourth Friday reports.

Table A.2 1988-1992 Expenditures

1988-89	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$5,712,794	38.42%	\$72,824	0.49%	\$360,540	2.42%	\$6,146,158	41.33%
Added Needs	\$271,037	1.82%	\$3,300	0.02%	\$75,603	0.51%	\$349,940	2.35%
Adult Ed	\$16,531	0.11%	\$600	0.00%	\$2,249	0.02%	\$19,380	0.13%
Benefits	\$1,404,462	9.44%	\$0	0.00%	\$0	0.00%	\$1,404,462	9.44%
Total Instruction	\$7,404,824	49.80%	\$76,724	0.52%	\$438,392	2.95%	\$7,919,940	53.26%
Support:								
Pupil	\$1,012,666	6.81%	\$1,833	0.01%	\$6,818	0.05%	\$1,021,317	6.87%
Instruct Staff	\$237,732	1.60%	\$14,719	0.10%	\$3,503	0.02%	\$255,954	1.72%
General Admin	\$238,672	1.61%	\$10,082	0.07%	\$50,926	0.34%	\$299,680	2.02%
School Admin	\$762,241	5.13%	\$7,236	0.05%	\$5,561	0.04%	\$775,038	5.21%
Business	\$208,720	1.40%	\$164,049	1.10%	\$104,635	0.70%	\$477,404	3.21%
Oper & Mntnce	\$921,397	6.20%	\$1,127,712	7.58%	\$164,269	1.10%	\$2,213,378	14.88%
Transportation	\$389,804	2.62%	\$31,535	0.21%	\$58,653	0.39%	\$479,992	3.23%
Central	\$80,978	0.54%	\$111,879	0.75%	\$16,483	0.11%	\$209,340	1.41%
Benefits	\$898,263	6.04%	\$0	0.00%	\$2,014	0.01%	\$900,277	6.05%
Community Serv	\$15,267	0.10%	\$105	0.00%	\$9,505	0.06%	\$24,877	0.17%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$65,849	0.44%	\$65,849	0.44%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$227,187	1.53%	\$227,187	1.53%
Total Support	\$4,765,740	32.05%	\$1,469,150	9.88%	\$715,403	4.81%	\$6,950,293	46.74%
GRAND TOTAL	\$12,170,564	81.85%	\$1,545,874	10.40%	\$1,153,795	7.76%	\$14,870,233	100.00%
1989-90	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$6,144,893	39.05%	\$82,519	0.52%	\$411,536	2.61%	\$6,638,948	42.19%
Added Needs	\$282,463	1.79%	\$2,947	0.02%	\$140,525	0.89%	\$425,935	2.71%
Adult Ed	\$17,528	0.11%	\$57	0.00%	\$4,426	0.03%	\$22,011	0.14%
Benefits	\$1,336,107	8.49%	\$0	0.00%	\$0	0.00%	\$1,336,107	8.49%
Total Instruction	\$7,780,991	49.44%	\$85,523	0.54%	\$556,487	3.54%	\$8,423,001	53.52%
Support:								
Pupil	\$942,675	5.99%	\$4,033	0.03%	\$7,651	0.05%	\$954,359	6.06%
Instruct Staff	\$261,223	1.66%	\$17,264	0.11%	\$10,532	0.07%	\$289,019	1.84%
General Admin	\$259,041	1.65%	\$22,139	0.14%	\$59,137	0.38%	\$340,317	2.16%
School Admin	\$811,098	5.15%	\$8,833	0.06%	\$6,321	0.04%	\$826,252	5.25%
Business	\$230,966	1.47%	\$175,716	1.12%	\$130,994	0.83%	\$537,676	3.42%
Oper & Mntnce	\$961,496	6.11%	\$1,020,381	6.48%	\$250,519	1.59%	\$2,232,396	14.19%
Transportation	\$418,672	2.66%	\$34,883	0.22%	\$66,921	0.43%	\$520,476	3.31%
Central	\$96,921	0.62%	\$96,604	0.61%	\$25,430	0.16%	\$218,955	1.39%
Benefits	\$1,029,907	6.54%	\$0	0.00%	\$2,866	0.02%	\$1,032,773	6.56%
Community Serv	\$18,872	0.12%	\$121	0.00%	\$13,853	0.09%	\$32,846	0.21%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$99,148	0.63%	\$99,148	0.63%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$230,340	1.46%	\$230,340	1.46%
Total Support	\$5,030,871	31.97%	\$1,379,974	8.77%	\$903,712	5.74%	\$7,314,557	46.48%
GRAND TOTAL	\$12,811,862	81.41%	\$1,465,497	9.31%	\$1,460,199	9.28%	\$15,737,558	100.00%

Table A.2 (cont'd)

1990-91	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$6,474,539	38.79%	\$88,842	0.53%	\$471,488	2.82%	\$7,034,869	42.14%
Added Needs	\$303,056	1.82%	\$5,023	0.03%	\$135,902	0.81%	\$443,981	2.66%
Adult Ed	\$17,394	0.10%	\$966	0.01%	\$3,503	0.02%	\$21,863	0.13%
Benefits	\$1,407,755	8.43%	\$0	0.00%	\$0	0.00%	\$1,407,755	8.43%
Total Instruction	\$8,202,744	49.14%	\$94,831	0.57%	\$610,893	3.66%	\$8,908,468	53.37%
Support:								
Pupil	\$1,086,594	6.51%	\$8,220	0.05%	\$10,179	0.06%	\$1,104,993	6.62%
Instruct Staff	\$283,272	1.70%	\$23,405	0.14%	\$6,977	0.04%	\$313,654	1.88%
General Admin	\$275,527	1.65%	\$20,227	0.12%	\$67,685	0.41%	\$363,439	2.18%
School Admin	\$873,547	5.23%	\$9,194	0.06%	\$11,571	0.07%	\$894,312	5.36%
Business	\$251,810	1.51%	\$193,930	1.16%	\$61,529	0.37%	\$507,269	3.04%
Oper & Mntnce	\$1,012,587	6.07%	\$956,876	5.73%	\$282,405	1.69%	\$2,251,868	13.49%
Transportation	\$464,767	2.78%	\$31,496	0.19%	\$166,272	1.00%	\$662,535	3.97%
Central	\$104,408	0.63%	\$109,167	0.65%	\$31,059	0.19%	\$244,634	1.47%
Benefits	\$1,017,608	6.10%	\$0	0.00%	\$1,481	0.01%	\$1,019,089	6.11%
Community Serv	\$23,560	0.14%	\$378	0.00%	\$11,401	0.07%	\$35,339	0.21%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$135,869	0.81%	\$135,869	0.81%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$251,217	1.50%	\$251,217	1.50%
Total Support	\$5,393,680	32.31%	\$1,352,893	8.10%	\$1,037,645	6.22%	\$7,784,218	46.63%
GRAND TOTAL	\$13,596,424	81.45%	\$1,447,724	8.67%	\$1,648,538	9.88%	\$16,692,686	100.00%
1991-92	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$6,848,574	38.80%	\$76,773	0.43%	\$456,635	2.59%	\$7,381,982	41.82%
Added Needs	\$346,223	1.96%	\$2,534	0.01%	\$113,857	0.65%	\$462,614	2.62%
Adult Ed	\$19,795	0.11%	\$1,298	0.01%	\$4,986	0.03%	\$26,079	0.15%
Benefits	\$1,474,745	8.36%	\$0	0.00%	\$0	0.00%	\$1,474,745	8.36%
Total Instruction	\$8,689,337	49.23%	\$80,605	0.46%	\$575,478	3.26%	\$9,345,420	52.95%
Support:								
Pupil	\$1,174,409	6.65%	\$7,179	0.04%	\$7,410	0.04%	\$1,188,998	6.74%
Instruct Staff	\$309,386	1.75%	\$18,643	0.11%	\$6,208	0.04%	\$334,237	1.89%
General Admin	\$293,851	1.66%	\$15,915	0.09%	\$82,384	0.47%	\$392,150	2.22%
School Admin	\$944,029	5.35%	\$7,977	0.05%	\$7,828	0.04%	\$959,834	5.44%
Business	\$265,644	1.51%	\$199,168	1.13%	\$144,446	0.82%	\$609,258	3.45%
Oper & Mntnce	\$1,121,176	6.35%	\$969,237	5.49%	\$132,897	0.75%	\$2,223,310	12.60%
Transportation	\$522,986	2.96%	\$31,925	0.18%	\$71,761	0.41%	\$626,672	3.55%
Central	\$112,221	0.64%	\$152,802	0.87%	\$26,652	0.15%	\$291,675	1.65%
Benefits	\$1,134,931	6.43%	\$0	0.00%	\$1,162	0.01%	\$1,136,093	6.44%
Community Serv	\$29,578	0.17%	\$611	0.00%	\$6,249	0.04%	\$36,438	0.21%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$267,082	1.51%	\$267,082	1.51%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$239,161	1.35%	\$239,161	1.35%
Total Support	\$5,908,211	33.47%	\$1,403,457	7.95%	\$993,240	5.63%	\$8,304,908	47.05%
GRAND TOTAL	\$14,597,548	82.70%	\$1,484,062	8.41%	\$1,568,718	8.89%	\$17,650,328	100.00%

Source of raw data: Form B



Table A.3 Budget to Actual Comparison

	BUDGET	ACTUAL	% OF ACCURACY
<u>1988-89</u>			
REVENUE	\$14,269,500	\$14,967,305	95.34%
EXPENDITURE	\$14,300,000	\$14,870,233	96.27%
<u>1989-90</u>			
REVENUE	\$16,211,000	\$16,513,389	98.27%
EXPENDITURE	\$16,275,000	\$15,737,558	96.58%
<u>1990-1991</u>			
REVENUE	\$17,119,000	\$17,200,564	99.53%
EXPENDITURE	\$17,154,000	\$16,692,686	97.24%
<u>1991-1992</u>			
REVENUE	\$17,790,000	\$17,236,476	96.79%
EXPENDITURE	\$1,779,000	\$17,650,328	99.21%

Source of raw data: Board Minutes, Form B

## APPENDIX B

## DISTRICT B'S FINANCIAL DATA

Table B.1 District Profile

	1988-89		1989-90		1990-91		1991-92	
SEV	217,556,580		221,807,331		227,339,550		224,812,520	
MEMBERSHIP	2,425		2,322		2,259		2,352	
SEV/PP	\$89,714		\$95,524		\$100,637		\$95,584	
MILLS LEVIED	43.00		43.00		43.00		43.00	
REVENUE:		%		%		%		%
LOCAL LEVY	\$9,354,933	84.64%	\$9,537,715	85.29%	\$9,775,601	82.91%	\$9,666,938	74.17%
MEMBERSHIP AID	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$600,000	4.60%
Subtotal	\$9,354,933		\$9,537,715		\$9,775,601		\$10,266,938	
Subtotal p/p	\$3,858		\$4,108		\$4,327		\$4,365	
CATEGORICALS	\$753,893	6.82%	\$728,578	6.52%	\$627,429	5.32%	\$567,497	4.35%
RECAPTURE	\$0		\$0		\$0		\$0	
INDIRECT FEDERAL	\$458,090	4.14%	\$444,669	3.98%	\$803,541	6.82%	\$551,231	4.23%
DIRECT FEDERAL	\$485,113	4.39%	\$471,131	4.21%	\$540,918	4.59%	\$957,706	7.35%
OTHER REVENUE	\$0	0.00%	\$0	0.00%	\$42,439	0.36%	\$690,964	5.30%
TOTAL REVENUE	\$11,052,029	100.00%	\$11,182,093	100.00%	\$11,789,928	100.00%	\$13,034,336	100.00%
REVENUE P/P	\$4,558		\$4,816		\$5,219		\$5,542	
EXPENDITURES:								
INSTRUCTION								
BASIC PROGRAM	\$3,892,122	40.23%	\$3,983,537	37.22%	\$4,546,021	38.54%	\$4,648,442	34.08%
ADDED NEEDS	\$726,028	7.50%	\$1,021,667	9.55%	\$1,021,598	8.66%	\$1,524,568	11.18%
ADULT ED	\$32,141	0.33%	\$29,458	0.28%	\$30,899	0.26%	\$37,890	0.28%
BENEFITS	\$787,520	8.14%	\$897,593	8.39%	\$941,073	7.98%	\$1,126,164	8.26%
SUPPORT SERV								
PUPIL	\$507,534	5.25%	\$515,798	4.82%	\$655,313	5.56%	\$615,266	4.51%
INSTRUCTION	\$198,659	2.05%	\$304,303	2.84%	\$474,880	4.03%	\$820,637	6.02%
GENERAL ADMIN	\$334,361	3.46%	\$290,588	2.72%	\$244,179	2.07%	\$255,405	1.87%
SCHOOL ADMIN	\$546,121	5.64%	\$565,694	5.29%	\$613,668	5.20%	\$629,931	4.62%
BUSINESS	\$205,814	2.13%	\$266,006	2.49%	\$459,428	3.90%	\$462,277	3.39%
OPER & MNTNC	\$1,297,371	13.41%	\$1,658,445	15.50%	\$1,529,798	12.97%	\$1,728,926	12.68%
TRANSPRTION	\$175,089	1.81%	\$161,037	1.50%	\$171,812	1.46%	\$201,993	1.48%
CENTRAL SERV	\$49,386	0.51%	\$50,783	0.47%	\$46,877	0.40%	\$51,158	0.38%
SS OTHER	\$669,773	6.92%	\$679,180	6.35%	\$800,551	6.79%	\$870,664	6.38%
COMMUNITY SERV	\$2,069	0.02%	\$602	0.01%	\$2,297	0.02%	\$12,177	0.09%
CAPITAL OUTLAY	\$52,083	0.54%	\$117,754	1.10%	\$102,982	0.87%	\$450,510	3.30%
TRANSFERS	\$199,466	2.06%	\$159,865	1.49%	\$153,611	1.30%	\$203,000	1.49%
TOTAL EXPEND	\$9,675,537	100.00%	\$10,702,310	100.00%	\$11,794,987	100.00%	\$13,639,008	100.00%
EXPEND P/P	\$3,990		\$4,609		\$5,221		\$5,799	
REV/EXP	\$1,376,492		\$479,783		(\$5,059)		(\$604,672)	
ENDING								
FUND BALANCE	\$1,510,049		\$1,989,832		\$1,984,773		\$1,380,101	

Source of raw data: Form B, Financial Reports, Fourth Friday reports.

Table B. 2 1988-1992 Expenditures

1988-89	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$3,712,835	38.37%	\$2,686	0.03%	\$176,601	1.83%	\$3,892,122	40.23%
Added Needs	\$662,348	6.85%	\$42,948	0.44%	\$20,732	0.21%	\$726,028	7.50%
Adult Ed	\$12,635	0.13%	\$19,506	0.20%	\$0	0.00%	\$32,141	0.33%
Benefits	\$787,520	8.14%	\$0	0.00%	\$0	0.00%	\$787,520	8.14%
Total Instruction	\$5,175,338	53.49%	\$65,140	0.67%	\$197,333	2.04%	\$5,437,811	56.20%
Support:								
Pupil	\$491,517	5.08%	\$5,772	0.06%	\$10,245	0.11%	\$507,534	5.25%
Instruct Staff	\$178,949	1.85%	\$6,391	0.07%	\$13,319	0.14%	\$198,659	2.05%
General Admin	\$162,085	1.68%	\$83,703	0.87%	\$88,573	0.92%	\$334,361	3.46%
School Admin	\$496,848	5.14%	\$36,832	0.38%	\$12,441	0.13%	\$546,121	5.64%
Business	\$112,031	1.16%	\$89,830	0.93%	\$3,953	0.04%	\$205,814	2.13%
Oper & Mntnce	\$699,286	7.23%	\$548,850	5.67%	\$49,235	0.51%	\$1,297,371	13.41%
Transportation	\$0	0.00%	\$174,481	1.80%	\$608	0.01%	\$175,089	1.81%
Central	\$0	0.00%	\$45,154	0.47%	\$4,232	0.04%	\$49,386	0.51%
Benefits	\$669,773	6.92%	\$0	0.00%	\$0	0.00%	\$669,773	6.92%
Community Serv	\$0	0.00%	\$116	0.00%	\$1,953	0.02%	\$2,069	0.02%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$52,083	0.54%	\$52,083	0.54%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$199,466	2.06%	\$199,466	2.06%
Total Support	\$2,810,489	29.05%	\$991,129	10.24%	\$436,108	4.51%	\$4,237,726	43.80%
GRAND TOTAL	\$7,985,827	82.54%	\$1,056,269	10.92%	\$633,441	6.55%	\$9,675,537	100.00%
1989-90	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$3,850,092	35.97%	\$4,988	0.05%	\$128,457	1.20%	\$3,983,537	37.22%
Added Needs	\$962,852	9.00%	\$8,631	0.08%	\$50,184	0.47%	\$1,021,667	9.55%
Adult Ed	\$12,656	0.12%	\$16,198	0.15%	\$604	0.01%	\$29,458	0.28%
Benefits	\$897,593	8.39%	\$0	0.00%	\$0	0.00%	\$897,593	8.39%
Total Instruction	\$5,723,193	53.48%	\$29,817	0.28%	\$179,245	1.67%	\$5,932,255	55.43%
Support:								
Pupil	\$490,131	4.58%	\$6,501	0.06%	\$19,166	0.18%	\$515,798	4.82%
Instruct Staff	\$272,639	2.55%	\$6,771	0.06%	\$24,893	0.23%	\$304,303	2.84%
General Admin	\$162,702	1.52%	\$109,670	1.02%	\$18,216	0.17%	\$290,588	2.72%
School Admin	\$509,759	4.76%	\$28,342	0.26%	\$27,593	0.26%	\$565,694	5.29%
Business	\$143,672	1.34%	\$115,022	1.07%	\$7,312	0.07%	\$266,006	2.49%
Oper & Mntnce	\$771,938	7.21%	\$829,420	7.75%	\$57,087	0.53%	\$1,658,445	15.50%
Transportation	\$0	0.00%	\$160,086	1.50%	\$951	0.01%	\$161,037	1.50%
Central	\$0	0.00%	\$45,241	0.42%	\$5,542	0.05%	\$50,783	0.47%
Benefits	\$679,180	6.35%	\$0	0.00%	\$0	0.00%	\$679,180	6.35%
Community Serv	\$0	0.00%	\$582	0.01%	\$20	0.00%	\$602	0.01%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$117,754	1.10%	\$117,754	1.10%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$159,865	1.49%	\$159,865	1.49%
Total Support	\$3,030,021	28.31%	\$1,301,635	12.16%	\$438,399	4.10%	\$4,770,055	44.57%
GRAND TOTAL	\$8,753,214	81.79%	\$1,331,452	12.44%	\$617,644	5.77%	\$10,702,310	100.00%

Table B.2 (cont'd)

1990-91	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$4,357,700	36.95%	\$3,831	0.03%	\$184,490	1.56%	\$4,546,021	38.54%
Added Needs	\$977,676	8.29%	\$7,669	0.07%	\$36,253	0.31%	\$1,021,598	8.66%
Adult Ed	\$0	0.00%	\$15,899	0.13%	\$15,000	0.13%	\$30,899	0.26%
Benefits	\$941,073	7.98%	\$0	0.00%	\$0	0.00%	\$941,073	7.98%
Total Instruction	\$6,276,449	53.21%	\$27,399	0.23%	\$235,743	2.00%	\$6,539,591	55.44%
Support:								
Pupil	\$621,487	5.27%	\$7,956	0.07%	\$25,870	0.22%	\$655,313	5.56%
Instruct Staff	\$400,532	3.40%	\$14,963	0.13%	\$59,385	0.50%	\$474,880	4.03%
General Admin	\$159,146	1.35%	\$81,292	0.69%	\$3,741	0.03%	\$244,179	2.07%
School Admin	\$540,208	4.58%	\$40,025	0.34%	\$33,435	0.28%	\$613,668	5.20%
Business	\$154,158	1.31%	\$121,171	1.03%	\$184,099	1.56%	\$459,428	3.90%
Oper & Mntnce	\$829,457	7.03%	\$263,877	2.24%	\$436,464	3.70%	\$1,529,798	12.97%
Transportation	\$0	0.00%	\$170,815	1.45%	\$997	0.01%	\$171,812	1.46%
Central	\$0	0.00%	\$31,677	0.27%	\$15,200	0.13%	\$46,877	0.40%
Benefits	\$800,551	6.79%	\$0	0.00%	\$0	0.00%	\$800,551	6.79%
Community Serv	\$0	0.00%	\$250	0.00%	\$2,047	0.02%	\$2,297	0.02%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$102,982	0.87%	\$102,982	0.87%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$153,611	1.30%	\$153,611	1.30%
Total Support	\$3,505,539	29.72%	\$732,026	6.21%	\$1,017,831	8.63%	\$5,255,396	44.56%
GRAND TOTAL	\$9,781,988	82.93%	\$759,425	6.44%	\$1,253,574	10.63%	\$11,794,987	100.00%
1991-92	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$4,517,265	33.12%	\$6,747	0.05%	\$124,430	0.91%	\$4,648,442	34.08%
Added Needs	\$1,348,843	9.89%	\$33,014	0.24%	\$142,711	1.05%	\$1,524,568	11.18%
Adult Ed	\$0	0.00%	\$19,385	0.14%	\$18,505	0.14%	\$37,890	0.28%
Benefits	\$1,126,164	8.26%	\$0	0.00%	\$0	0.00%	\$1,126,164	8.26%
Total Instruction	\$6,992,272	51.27%	\$59,146	0.43%	\$285,646	2.09%	\$7,337,064	53.79%
Support:								
Pupil	\$584,140	4.28%	\$6,899	0.05%	\$24,227	0.18%	\$615,266	4.51%
Instruct Staff	\$673,522	4.94%	\$37,734	0.28%	\$109,381	0.80%	\$820,637	6.02%
General Admin	\$154,544	1.13%	\$86,630	0.64%	\$14,231	0.10%	\$255,405	1.87%
School Admin	\$551,192	4.04%	\$42,847	0.31%	\$35,892	0.26%	\$629,931	4.62%
Business	\$181,422	1.33%	\$126,239	0.93%	\$154,616	1.13%	\$462,277	3.39%
Oper & Mntnce	\$880,689	6.46%	\$377,529	2.77%	\$470,708	3.45%	\$1,728,926	12.68%
Transportation	\$0	0.00%	\$201,435	1.48%	\$558	0.00%	\$201,993	1.48%
Central	\$0	0.00%	\$46,746	0.34%	\$4,412	0.03%	\$51,158	0.38%
Benefits	\$870,664	6.38%	\$0	0.00%	\$0	0.00%	\$870,664	6.38%
Community Serv	\$10,410	0.08%	\$0	0.00%	\$1,767	0.01%	\$12,177	0.09%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$450,510	3.30%	\$450,510	3.30%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$203,000	1.49%	\$203,000	1.49%
Total Support	\$3,906,583	28.64%	\$926,059	6.79%	\$1,469,302	10.77%	\$6,301,944	46.21%
GRAND TOTAL	\$10,898,855	79.91%	\$985,205	7.22%	\$1,754,948	12.87%	\$13,639,008	100.00%

Source of raw data: [Form B](#)

Table B.3 Budget to Actual Comparison

	BUDGET	ACTUAL	% OF ACCURACY
<u>1988-89</u>			
REVENUE	\$8,681,102	\$11,052,029	78.55%
EXPENDITURE	\$8,606,652	\$9,675,537	88.95%
<u>1989-90</u>			
REVENUE	\$10,926,472	\$11,182,093	97.71%
EXPENDITURE	\$10,922,042	\$10,702,310	97.95%
<u>1990-1991</u>			
REVENUE	\$11,454,257	\$11,789,928	97.15%
EXPENDITURE	\$11,557,267	\$11,794,987	97.98%
<u>1991-1992</u>			
REVENUE	\$11,446,609	\$13,034,337	87.92%
EXPENDITURE	\$13,116,676	\$13,639,008	96.17%

Source of raw data: Board Minutes, Form B

## APPENDIX C

## DISTRICT C'S FINANCIAL DATA

Table C.1 District Profile

	1988-89		1989-90		1990-91		1991-92	
SEV	104,772,882		115,292,710		128,499,514		142,006,704	
MEMBERSHIP	2,054		2,075		2,427		2,561	
SEV/PP	\$51,009		\$55,563		\$52,946		\$55,450	
MILLS LEVIED	34.87		34.6502		34.3692		34.1284	
REVENUE:		%		%		%		%
LOCAL LEVY	\$3,653,430	50.57%	\$3,994,915	52.21%	\$4,416,425	47.35%	\$4,846,462	46.38%
MEMBERSHIP AID	\$2,613,342	36.18%	\$2,686,615	35.11%	\$3,774,932	40.47%	\$4,273,985	40.90%
Subtotal	\$6,266,772		\$6,681,530		\$8,191,357		\$9,120,447	
Subtotal p/p	\$3,051		\$3,220		\$3,375		\$3,561	
CATEGORICALS	\$261,133	3.61%	\$283,056	3.70%	\$278,747	2.99%	\$276,882	2.65%
RECAPTURE	\$0		\$0		\$0		\$0	
OTHER LOCAL	\$377,190	5.22%	\$287,698	3.76%	\$299,066	3.21%	\$307,345	2.94%
FEDERAL GRANTS	\$168,852	2.34%	\$227,343	2.97%	\$243,358	2.61%	\$302,170	2.89%
OTHER REVENUE	\$149,858	2.07%	\$171,835	2.25%	\$314,767	3.37%	\$442,635	4.24%
TOTAL REVENUE	\$7,223,805	100.00%	\$7,651,462	100.00%	\$9,327,295	100.00%	\$10,449,479	100.00%
REVENUE P/P	\$3,517		\$3,687		\$3,843		\$4,080	
EXPENDITURES:								
INSTRUCTION								
BASIC PROGRAM	\$2,821,021	38.99%	\$3,060,881	40.25%	\$3,399,970	37.60%	\$3,823,595	36.98%
ADDED NEEDS	\$501,658	6.93%	\$523,714	6.89%	\$570,307	6.31%	\$699,057	6.76%
ADULT ED	\$282,368	3.90%	\$324,661	4.27%	\$703,935	7.78%	\$931,072	9.01%
BENEFITS	\$587,004	8.11%	\$716,266	9.42%	\$817,597	9.04%	\$944,030	9.13%
SUPPORT SERV								
PUPIL	\$206,026	2.85%	\$218,727	2.88%	\$237,031	2.62%	\$262,824	2.54%
INSTRUCTION	\$139,299	1.93%	\$168,594	2.22%	\$156,243	1.73%	\$191,431	1.85%
GENERAL ADMIN	\$224,384	3.10%	\$232,623	3.06%	\$260,278	2.88%	\$296,655	2.87%
SCHOOL ADMIN	\$419,241	5.79%	\$452,560	5.95%	\$497,948	5.51%	\$535,174	5.18%
BUSINESS	\$129,190	1.79%	\$105,742	1.39%	\$101,217	1.12%	\$204,457	1.98%
OPER & MNTNC	\$767,653	10.61%	\$784,479	10.32%	\$859,171	9.50%	\$880,014	8.51%
TRANSPRTION	\$307,440	4.25%	\$348,171	4.58%	\$390,855	4.32%	\$410,126	3.97%
CENTRAL SERV	\$28,281	0.39%	\$27,837	0.37%	\$31,413	0.35%	\$42,446	0.41%
SS OTHER	\$310,746	4.29%	\$380,755	5.01%	\$389,743	4.31%	\$444,241	4.30%
COMMUNITY SERV	\$43,679	0.60%	\$44,926	0.59%	\$46,661	0.52%	\$56,584	0.55%
CAPITAL OUTLAY	\$148,526	2.05%	\$53,078	0.70%	\$166,455	1.84%	\$143,977	1.39%
TRANSFERS	\$318,715	4.41%	\$160,843	2.12%	\$414,502	4.58%	\$473,251	4.58%
TOTAL EXPEND	\$7,235,231	100.00%	\$7,603,857	100.00%	\$9,043,326	100.00%	\$10,338,934	100.00%
EXPEND P/P	\$3,523		\$3,665		\$3,726		\$4,037	
REV/EXP	(\$11,426)		\$47,605		\$283,969		\$110,545	
ENDING								
FUND BALANCE	\$323,521		\$371,127		\$655,096		\$765,641	

Source of raw data: Form B, Financial Reports, Fourth Friday reports.



Table C. 2 1988-1992 Expenditures

1988-89	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$2,689,780	37.18%	\$2,893	0.04%	\$128,348	1.77%	\$2,821,021	38.99%
Added Needs	\$439,229	6.07%	\$26,231	0.36%	\$36,198	0.50%	\$501,658	6.93%
Adult Ed	\$218,151	3.02%	\$35,790	0.49%	\$28,427	0.39%	\$282,368	3.90%
Benefits	\$587,004	8.11%	\$0	0.00%	\$0	0.00%	\$587,004	8.11%
Total Instruction	\$3,934,164	54.38%	\$64,914	0.90%	\$192,973	2.67%	\$4,192,051	57.94%
Support:								
Pupil	\$187,620	2.59%	\$10,369	0.14%	\$8,037	0.11%	\$206,026	2.85%
Instruct Staff	\$110,322	1.52%	\$5,168	0.07%	\$23,809	0.33%	\$139,299	1.93%
General Admin	\$179,348	2.48%	\$35,152	0.49%	\$9,884	0.14%	\$224,384	3.10%
School Admin	\$385,877	5.33%	\$15,992	0.22%	\$17,372	0.24%	\$419,241	5.79%
Business	\$0	0.00%	\$36,677	0.51%	\$92,513	1.28%	\$129,190	1.79%
Oper & Mntnce	\$300,548	4.15%	\$459,052	6.34%	\$8,053	0.11%	\$767,653	10.61%
Transportation	\$241,904	3.34%	\$17,996	0.25%	\$47,540	0.66%	\$307,440	4.25%
Central	\$0	0.00%	\$27,338	0.38%	\$943	0.01%	\$28,281	0.39%
Benefits	\$310,746	4.29%	\$0	0.00%	\$0	0.00%	\$310,746	4.29%
Community Serv	\$11,094	0.15%	\$4,679	0.06%	\$27,906	0.39%	\$43,679	0.60%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$148,526	2.05%	\$148,526	2.05%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$318,715	4.41%	\$318,715	4.41%
Total Support	\$1,727,459	23.88%	\$612,423	8.46%	\$703,298	9.72%	\$3,043,180	42.06%
GRAND TOTAL	\$5,661,623	78.25%	\$677,337	9.36%	\$896,271	12.39%	\$7,235,231	100.00%
1989-90	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$2,928,292	38.51%	\$2,735	0.04%	\$129,854	1.71%	\$3,060,881	40.25%
Added Needs	\$466,192	6.13%	\$28,315	0.37%	\$29,207	0.38%	\$523,714	6.89%
Adult Ed	\$256,704	3.38%	\$35,536	0.47%	\$32,421	0.43%	\$324,661	4.27%
Benefits	\$716,266	9.42%	\$0	0.00%	\$0	0.00%	\$716,266	9.42%
Total Instruction	\$4,367,454	57.44%	\$66,586	0.88%	\$191,482	2.52%	\$4,625,522	60.83%
Support:								
Pupil	\$198,464	2.61%	\$13,075	0.17%	\$7,188	0.09%	\$218,727	2.88%
Instruct Staff	\$138,472	1.82%	\$3,133	0.04%	\$26,989	0.35%	\$168,594	2.22%
General Admin	\$188,138	2.47%	\$31,453	0.41%	\$13,032	0.17%	\$232,623	3.06%
School Admin	\$410,890	5.40%	\$20,815	0.27%	\$20,855	0.27%	\$452,560	5.95%
Business	\$0	0.00%	\$33,641	0.44%	\$72,101	0.95%	\$105,742	1.39%
Oper & Mntnce	\$335,212	4.41%	\$441,770	5.81%	\$7,497	0.10%	\$784,479	10.32%
Transportation	\$256,471	3.37%	\$12,121	0.16%	\$79,579	1.05%	\$348,171	4.58%
Central	\$0	0.00%	\$27,837	0.37%	\$0	0.00%	\$27,837	0.37%
Benefits	\$380,755	5.01%	\$0	0.00%	\$0	0.00%	\$380,755	5.01%
Community Serv	\$12,821	0.17%	\$8,218	0.11%	\$23,887	0.31%	\$44,926	0.59%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$53,078	0.70%	\$53,078	0.70%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$160,843	2.12%	\$160,843	2.12%
Total Support	\$1,921,223	25.27%	\$592,063	7.79%	\$465,049	6.12%	\$2,978,335	39.17%
GRAND TOTAL	\$6,288,677	82.70%	\$658,649	8.66%	\$656,531	8.63%	\$7,603,857	100.00%

Table C.2 (cont'd)

1990-91	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$3,243,937	35.87%	\$3,331	0.04%	\$152,702	1.69%	\$3,399,970	37.60%
Added Needs	\$533,277	5.90%	\$8,650	0.10%	\$28,380	0.31%	\$570,307	6.31%
Adult Ed	\$572,890	6.33%	\$82,105	0.91%	\$48,940	0.54%	\$703,935	7.78%
Benefits	\$817,597	9.04%	\$0	0.00%	\$0	0.00%	\$817,597	9.04%
Total Instruction	\$5,167,701	57.14%	\$94,086	1.04%	\$230,022	2.54%	\$5,491,809	60.73%
Support:								
Pupil	\$202,593	2.24%	\$25,532	0.28%	\$8,906	0.10%	\$237,031	2.62%
Instruct Staff	\$129,449	1.43%	\$3,780	0.04%	\$23,014	0.25%	\$156,243	1.73%
General Admin	\$210,512	2.33%	\$30,698	0.34%	\$19,068	0.21%	\$260,278	2.88%
School Admin	\$449,654	4.97%	\$24,911	0.28%	\$23,383	0.26%	\$497,948	5.51%
Business	\$0	0.00%	\$42,099	0.47%	\$59,118	0.65%	\$101,217	1.12%
Oper & Mntnce	\$369,232	4.08%	\$478,287	5.29%	\$11,652	0.13%	\$859,171	9.50%
Transportation	\$291,634	3.22%	\$4,982	0.06%	\$94,239	1.04%	\$390,855	4.32%
Central	\$0	0.00%	\$28,875	0.32%	\$2,538	0.03%	\$31,413	0.35%
Benefits	\$389,743	4.31%	\$0	0.00%	\$0	0.00%	\$389,743	4.31%
Community Serv	\$17,985	0.20%	\$7,605	0.08%	\$21,071	0.23%	\$46,661	0.52%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$166,455	1.84%	\$166,455	1.84%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$414,502	4.58%	\$414,502	4.58%
Total Support	\$2,060,802	22.79%	\$646,769	7.15%	\$843,946	9.33%	\$3,551,517	39.27%
GRAND TOTAL	\$7,228,503	79.93%	\$740,855	8.19%	\$1,073,968	11.88%	\$9,043,326	100.00%
1991-92	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$3,605,211	34.87%	\$5,399	0.05%	\$212,985	2.06%	\$3,823,595	36.98%
Added Needs	\$640,674	6.20%	\$31,168	0.30%	\$27,215	0.26%	\$699,057	6.76%
Adult Ed	\$776,442	7.51%	\$74,647	0.72%	\$79,983	0.77%	\$931,072	9.01%
Benefits	\$944,030	9.13%	\$0	0.00%	\$0	0.00%	\$944,030	9.13%
Total Instruction	\$5,966,357	57.71%	\$111,214	1.08%	\$320,183	3.10%	\$6,397,754	61.88%
Support:								
Pupil	\$215,910	2.09%	\$31,460	0.30%	\$15,454	0.15%	\$262,824	2.54%
Instruct Staff	\$154,710	1.50%	\$8,411	0.08%	\$28,310	0.27%	\$191,431	1.85%
General Admin	\$228,372	2.21%	\$48,482	0.47%	\$19,801	0.19%	\$296,655	2.87%
School Admin	\$485,201	4.69%	\$23,931	0.23%	\$26,042	0.25%	\$535,174	5.18%
Business	\$4,846	0.05%	\$156,510	1.51%	\$43,101	0.42%	\$204,457	1.98%
Oper & Mntnce	\$404,665	3.91%	\$466,442	4.51%	\$8,907	0.09%	\$880,014	8.51%
Transportation	\$315,192	3.05%	\$4,193	0.04%	\$90,741	0.88%	\$410,126	3.97%
Central	\$0	0.00%	\$33,772	0.33%	\$8,674	0.08%	\$42,446	0.41%
Benefits	\$444,241	4.30%	\$0	0.00%	\$0	0.00%	\$444,241	4.30%
Community Serv	\$22,447	0.22%	\$11,812	0.11%	\$22,325	0.22%	\$56,584	0.55%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$143,977	1.39%	\$143,977	1.39%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$473,251	4.58%	\$473,251	4.58%
Total Support	\$2,275,584	22.01%	\$785,013	7.59%	\$880,583	8.52%	\$3,941,180	38.12%
GRAND TOTAL	\$8,241,941	79.72%	\$896,227	8.67%	\$1,200,766	11.61%	\$10,338,934	100.00%

Source of raw data: Form B

Table C.3 Budget to Actual Comparison

	BUDGET	ACTUAL	% OF ACCURACY
<u>1988-89</u>			
REVENUE	\$6,513,258	\$7,223,805	90.16%
EXPENDITURE	\$6,511,352	\$7,235,231	90.00%
<u>1989-90</u>			
REVENUE	\$7,514,910	\$7,651,462	98.22%
EXPENDITURE	\$7,635,613	\$7,603,858	99.58%
<u>1990-1991</u>			
REVENUE	\$8,248,951	\$9,327,295	88.44%
EXPENDITURE	\$8,295,849	\$9,043,326	91.73%
<u>1991-1992</u>			
REVENUE	\$9,889,083	\$10,449,479	94.64%
EXPENDITURE	\$9,989,958	\$10,338,934	96.62%

Source of raw data: Board Minutes, Form B

## APPENDIX D

## DISTRICT D'S FINANCIAL DATA

Table D.1 District Profile

	1988-89		1989-90		1990-91		1991-92	
SEV	211,205,912		221,160,147		240,883,920		260,372,842	
MEMBERSHIP	3,331		3,305		3,487		3,481	
SEV/PP	\$63,406		\$66,917		\$69,081		\$74,798	
MILLS LEVIED	26.2195		26.23		26.1539		26.1225	
REVENUE:								
LOCAL LEVY	\$5,537,713	49.24%	\$5,801,031	47.63%	\$6,300,054	45.19%	\$6,801,590	50.84%
MEMBERSHIP AID	\$1,901,752	16.91%	\$2,127,652	17.47%	\$3,203,799	22.98%	\$2,527,466	18.89%
Subtotal	\$7,439,465		\$7,928,683		\$9,503,853		\$9,329,056	
Subtotal p/p	\$2,233		\$2,399		\$2,726		\$2,680	
CATEGORICALS	\$531,117	4.72%	\$620,235	5.09%	\$637,548	4.57%	\$684,267	5.11%
RECAPTURE	\$0		\$0		\$0		\$0	
INDIR FED GRANTS	\$518,653	4.61%	\$547,287	4.49%	\$405,226	2.91%	\$422,711	3.16%
DIRECT FED GRANTS	\$2,182,168	19.40%	\$2,809,573	23.07%	\$2,696,829	19.35%	\$2,390,833	17.87%
OTHER REVENUE	\$574,178	5.11%	\$274,848	2.26%	\$696,720	5.00%	\$551,493	4.12%
TOTAL REVENUE	\$11,245,581	100.00%	\$12,180,626	100.00%	\$13,940,176	100.00%	\$13,378,360	100.00%
REVENUE P/P	\$3,376		\$3,686		\$3,998		\$3,843	
EXPENDITURES:								
INSTRUCTION								
BASIC PROGRAM	\$4,831,110	40.33%	\$5,138,289	40.62%	\$5,404,378	39.14%	\$5,730,403	40.14%
ADDED NEEDS	\$1,175,961	9.82%	\$1,366,666	10.80%	\$1,452,852	10.52%	\$1,433,833	10.04%
ADULT ED	\$282,686	2.36%	\$315,773	2.50%	\$301,472	2.18%	\$335,981	2.35%
BENEFITS	\$881,568	7.36%	\$962,300	7.61%	\$1,011,695	7.33%	\$1,216,731	8.52%
SUPPORT SERV								
PUPIL	\$262,003	2.19%	\$296,538	2.34%	\$271,616	1.97%	\$294,667	2.06%
INSTRUCTION	\$177,533	1.48%	\$188,496	1.49%	\$170,359	1.23%	\$171,549	1.20%
GENERAL ADMIN	\$321,286	2.68%	\$368,241	2.91%	\$401,132	2.91%	\$415,202	2.91%
SCHOOL ADMIN	\$570,174	4.76%	\$616,178	4.87%	\$663,010	4.80%	\$744,945	5.22%
BUSINESS	\$204,168	1.70%	\$214,003	1.69%	\$317,162	2.30%	\$368,294	2.58%
OPER & MNTNC	\$1,243,797	10.38%	\$1,241,111	9.81%	\$1,185,926	8.59%	\$1,186,195	8.31%
TRANSPRTION	\$1,212,909	10.13%	\$1,116,779	8.83%	\$938,997	6.80%	\$965,150	6.76%
CENTRAL SERV	\$10,835	0.09%	\$8,697	0.07%	\$0	0.00%	\$0	0.00%
SS OTHER	\$391,607	3.27%	\$470,600	3.72%	\$545,216	3.95%	\$656,348	4.60%
COMMUNITY SERV	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
CAPITAL OUTLAY	\$66,697	0.56%	\$1,120	0.01%	\$451,427	3.27%	\$49,807	0.35%
TRANSFERS	\$346,538	2.89%	\$346,296	2.74%	\$692,867	5.02%	\$706,903	4.95%
TOTAL EXPEND	\$11,978,872	100.00%	\$12,651,087	100.00%	\$13,808,109	100.00%	\$14,276,008	100.00%
EXPEND P/P	\$3,596		\$3,828		\$3,960		\$4,101	
REV/EXP	(\$733,291)		(\$470,461)		\$132,067		(\$897,648)	
ENDING								
FUND BALANCE	\$2,942,779		\$2,472,318		\$2,604,385		\$1,706,737	

Source of raw data: [Form B](#), [Financial Reports](#), [Fourth Friday](#) reports.

Table D. 2 1988-1992 Expenditures

1988-89	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$4,439,676	37.06%	\$114,822	0.96%	\$276,612	2.31%	\$4,831,110	40.33%
Added Needs	\$883,029	7.37%	\$132,429	1.11%	\$160,503	1.34%	\$1,175,961	9.82%
Adult Ed	\$163,123	1.36%	\$8,085	0.07%	\$111,478	0.93%	\$282,686	2.36%
Benefits	\$881,568	7.36%	\$0	0.00%	\$0	0.00%	\$881,568	7.36%
Total Instruction	\$6,367,396	53.16%	\$255,336	2.13%	\$548,593	4.58%	\$7,171,325	59.87%
Support:								
Pupil	\$259,206	2.16%	\$1,145	0.01%	\$1,652	0.01%	\$262,003	2.19%
Instruct Staff	\$158,914	1.33%	\$0	0.00%	\$18,619	0.16%	\$177,533	1.48%
General Admin	\$230,592	1.92%	\$35,186	0.29%	\$55,508	0.46%	\$321,286	2.68%
School Admin	\$570,174	4.76%	\$0	0.00%	\$0	0.00%	\$570,174	4.76%
Business	\$0	0.00%	\$204,168	1.70%	\$0	0.00%	\$204,168	1.70%
Oper & Mntnce	\$557,696	4.66%	\$666,171	5.56%	\$19,930	0.17%	\$1,243,797	10.38%
Transportation	\$558,961	4.67%	\$61,983	0.52%	\$591,965	4.94%	\$1,212,909	10.13%
Central	\$11,120	0.09%	\$0	0.00%	(\$285)	-0.00%	\$10,835	0.09%
Benefits	\$391,607	3.27%	\$0	0.00%	\$0	0.00%	\$391,607	3.27%
Community Serv	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$66,697	0.56%	\$66,697	0.56%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$346,538	2.89%	\$346,538	2.89%
Total Support	\$2,738,270	22.86%	\$968,653	8.09%	\$1,100,624	9.19%	\$4,807,547	40.13%
GRAND TOTAL	\$9,105,666	76.01%	\$1,223,989	10.22%	\$1,649,217	13.77%	\$11,978,872	100.00%
1989-90	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$4,790,621	37.87%	\$97,071	0.77%	\$250,597	1.98%	\$5,138,289	40.62%
Added Needs	\$996,777	7.88%	\$148,138	1.17%	\$221,751	1.75%	\$1,366,666	10.80%
Adult Ed	\$173,511	1.37%	\$8,113	0.06%	\$134,149	1.06%	\$315,773	2.50%
Benefits	\$962,300	7.61%	\$0	0.00%	\$0	0.00%	\$962,300	7.61%
Total Instruction	\$6,923,209	54.72%	\$253,322	2.00%	\$606,497	4.79%	\$7,783,028	61.52%
Support:								
Pupil	\$294,150	2.33%	\$887	0.01%	\$1,501	0.01%	\$296,538	2.34%
Instruct Staff	\$168,661	1.33%	\$0	0.00%	\$19,835	0.16%	\$188,496	1.49%
General Admin	\$238,744	1.89%	\$40,811	0.32%	\$88,686	0.70%	\$368,241	2.91%
School Admin	\$616,178	4.87%	\$0	0.00%	\$0	0.00%	\$616,178	4.87%
Business	\$0	0.00%	\$214,003	1.69%	\$0	0.00%	\$214,003	1.69%
Oper & Mntnce	\$575,684	4.55%	\$642,889	5.08%	\$22,538	0.18%	\$1,241,111	9.81%
Transportation	\$601,725	4.76%	\$67,013	0.53%	\$448,041	3.54%	\$1,116,779	8.83%
Central	\$8,697	0.07%	\$0	0.00%	\$0	0.00%	\$8,697	0.07%
Benefits	\$470,600	3.72%	\$0	0.00%	\$0	0.00%	\$470,600	3.72%
Community Serv	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$1,120	0.01%	\$1,120	0.01%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$346,296	2.74%	\$346,296	2.74%
Total Support	\$2,974,439	23.51%	\$965,603	7.63%	\$928,017	7.34%	\$4,868,059	38.48%
GRAND TOTAL	\$9,897,648	78.24%	\$1,218,925	9.63%	\$1,534,514	12.13%	\$12,651,087	100.00%

Table D.2 (cont'd)

1990-91	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$5,045,010	36.54%	\$86,216	0.62%	\$273,152	1.98%	\$5,404,378	39.14%
Added Needs	\$1,102,019	7.98%	\$208,107	1.51%	\$142,726	1.03%	\$1,452,852	10.52%
Adult Ed	\$160,654	1.16%	\$8,140	0.06%	\$132,678	0.96%	\$301,472	2.18%
Benefits	\$1,011,695	7.33%	\$0	0.00%	\$0	0.00%	\$1,011,695	7.33%
Total Instruction	\$7,319,378	53.01%	\$302,463	2.19%	\$548,556	3.97%	\$8,170,397	59.17%
Support:								
Pupil	\$268,659	1.95%	\$465	0.00%	\$2,492	0.02%	\$271,616	1.97%
Instruct Staff	\$169,710	1.23%	\$0	0.00%	\$649	0.00%	\$170,359	1.23%
General Admin	\$287,990	2.09%	\$47,709	0.35%	\$65,433	0.47%	\$401,132	2.91%
School Admin	\$663,010	4.80%	\$0	0.00%	\$0	0.00%	\$663,010	4.80%
Business	\$0	0.00%	\$317,162	2.30%	\$0	0.00%	\$317,162	2.30%
Oper & Mntnce	\$595,657	4.31%	\$515,634	3.73%	\$74,635	0.54%	\$1,185,926	8.59%
Transportation	\$666,102	4.82%	\$60,493	0.44%	\$212,402	1.54%	\$938,997	6.80%
Central	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Benefits	\$545,216	3.95%	\$0	0.00%	\$0	0.00%	\$545,216	3.95%
Community Serv	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$451,427	3.27%	\$451,427	3.27%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$692,867	5.02%	\$692,867	5.02%
Total Support	\$3,196,344	23.15%	\$941,463	6.82%	\$1,499,905	10.86%	\$5,637,712	40.83%
GRAND TOTAL	\$10,515,722	76.16%	\$1,243,926	9.01%	\$2,048,461	14.84%	\$13,808,109	100.00%
1991-92	Salaries & Benefits	% of Total	Purchased Services	% of Total	Supplies & Materials	% of Total	Total	% of Total Expend
Instruction:								
Basic Programs	\$5,408,568	37.89%	\$104,641	0.73%	\$217,144	1.52%	\$5,730,353	40.14%
Added Needs	\$1,163,230	8.15%	\$204,533	1.43%	\$66,070	0.46%	\$1,433,833	10.04%
Adult Ed	\$189,241	1.33%	\$11,435	0.08%	\$135,355	0.95%	\$336,031	2.35%
Benefits	\$1,216,731	8.52%	\$0	0.00%	\$0	0.00%	\$1,216,731	8.52%
Total Instruction	\$7,977,770	55.88%	\$320,609	2.25%	\$418,569	2.93%	\$8,716,948	61.06%
Support:								
Pupil	\$292,320	2.05%	\$417	0.00%	\$1,930	0.01%	\$294,667	2.06%
Instruct Staff	\$171,549	1.20%	\$0	0.00%	\$0	0.00%	\$171,549	1.20%
General Admin	\$301,927	2.11%	\$49,064	0.34%	\$64,211	0.45%	\$415,202	2.91%
School Admin	\$744,945	5.22%	\$0	0.00%	\$0	0.00%	\$744,945	5.22%
Business	\$0	0.00%	\$368,294	2.58%	\$0	0.00%	\$368,294	2.58%
Oper & Mntnce	\$648,260	4.54%	\$450,768	3.16%	\$87,167	0.61%	\$1,186,195	8.31%
Transportation	\$719,392	5.04%	\$53,044	0.37%	\$192,714	1.35%	\$965,150	6.76%
Central	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Benefits	\$656,348	4.60%	\$0	0.00%	\$0	0.00%	\$656,348	4.60%
Community Serv	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Capital Outlay	\$0	0.00%	\$0	0.00%	\$49,807	0.35%	\$49,807	0.35%
Outgoing Transfers	\$0	0.00%	\$0	0.00%	\$706,903	4.95%	\$706,903	4.95%
Total Support	\$3,534,741	24.76%	\$921,587	6.46%	\$1,102,732	7.72%	\$5,559,060	38.94%
GRAND TOTAL	\$11,512,511	80.64%	\$1,242,196	8.70%	\$1,521,301	10.66%	\$14,276,008	100.00%

Source of raw data: [Form B](#)

Table D.3 Budget to Actual Comparison

	BUDGET	ACTUAL	% OF ACCURACY
<u>1988-89</u>			
REVENUE	\$11,283,836	\$11,245,581	99.66%
EXPENDITURE	\$11,428,706	\$11,978,872	95.41%
<u>1989-90</u>			
REVENUE	\$11,601,707	\$12,180,626	95.25%
EXPENDITURE	\$12,452,669	\$12,651,087	98.43%
<u>1990-1991</u>			
REVENUE	\$12,305,593	\$13,940,176	88.27%
EXPENDITURE	\$13,155,258	\$13,748,908	95.68%
<u>1991-1992</u>			
REVENUE	\$13,983,569	\$13,378,360	95.48%
EXPENDITURE	\$14,100,915	\$14,276,008	98.77%

Source of raw data: Board Minutes, Form B



## APPENDIX E

# INTERVIEW QUESTIONS

Superintendents, Asst. Superintendents, Business Officials:

1. What are the district's sources of revenue?
  - Local Taxes
  - State Aid - Membership
  - Categoricals
  - Federal Funds
  - Other - Business
  - Grants
  - Fiscal Agent
2. What are the sources of problems in projecting revenues?
  - SEV
  - Millage Rates
  - MTT/ Abatements
  - State
  - Legal Requirements - Headlee, etc.
3. In past few years, how accurately has the district been able to project its revenues?
  - Does anyone evaluate the accuracy of budget projections with actual revenues?
4. In the proposed/adopted budget for 1993-94, how accurate do you believe the revenue projection will be?
5. Has it become easier or more difficult to project revenues in the last 3 -5 years? Why is this so?
6. Does the district do multi-year revenue projections?
7. Who is involved in projecting revenues?
8. Are there any plans for asking for increased millage or a Headlee Override?
9. When does the process for projecting expenditures begin?
  - Are there specific time lines set?
10. Who is involved in projecting expenditures?
11. What kinds of information is used?
12. Are programs evaluated on a regular basis before they are funded again?

13. Does the district engage in program budgeting, zero-based budgeting, cost benefit analysis?

14. Can budgets/expenditures be presented in different formats, for example by building, by program, by administrative responsibility?

15. Briefly describe the major steps in projecting expenditures?

16. Are there any new budget items and items that are being increased for 1993-94? Why are these increases occurring?

17. Are there any budget items being deleted or reduced for 1993-94? Why?

18. In the proposed/adopted budget for 1993-94, how accurate do you believe the expenditure projection is?

Does anyone evaluate the accuracy of budget projections and actual expenditures?

19. Has it become easier or more difficult over the last 5 years to project expenditures? Why?

20. Has district control over expenditures increased or decreased over the last five years? In what ways?

21. Does the district do multi-year expenditure projections?

22. For 1993-94, do projected expenditures exceed revenues? Will fund balance be used to make up the difference?

23. Does the district, the board, and/or the administration have a philosophy, a goal, or a position on how much the district fund balance should be? Why is that?

24. What criteria is used for deciding what will be funded and at what level?

25. Who sets that criteria?

26. Does the district engage in any type of formal planning activities?

27. Do these plans address financial or budgetary issues?

28. Does the district adopt goals and/or objectives? Are they published?

Are these goals linked to the budgeting process?

29. Do you ever feel that individual or sub-group goals interfere with the organization's goals?
30. What is your role in the budgeting process?
  - Revenue
  - Expenditure
  - Balance
  - Process
  - Implementing
31. What is the role of the assistant superintendent?
  - Revenue
  - Expenditure
  - Balance
  - Process
  - Implementing
32. What is the role of the business official?
  - Revenue
  - Expenditure
  - Balance
  - Process
  - Implementing
33. What is the role of the board of education?
  - Revenue
  - Expenditure
  - Balance
  - Process
  - Implementing
34. Does the public become involved in the budgeting process?
35. Does the district have budget workshops? Budget hearings? Are budgets made available to the public? What information is in them?
36. Are these workshops and or hearings well attended by the public?
37. Does the public ask questions or make comments? What kinds of questions/comments do they make?
38. Are there any particular issues that are frequently raised?
39. Is there a chance for public comments to be taken into consideration prior to adoption of the budget?
40. Are there times when budgeting decisions have needed to be re-considered? Why?

41. How many times a year does the district formally amend the budget?
42. What are the usual reasons for a budget amendment?
43. In the past five years, did any major events occur that caused a major change in the budget?  
Was fund equity available to cover the event or did the district need to adjust the budget downward and/or re-order its priorities?  
  
What criteria was used to adjust the budget?
44. Are administrators allowed flexibility to change their budgets without a formal amendment by the board?
45. Have there been times when budgets cannot be implemented or there are holds on spending?  
What are these reasons?
46. Does the district have to borrow to meet cash flow needs?
47. Has the budgeting process changed over the last 3-5 years? In what ways? What are the reasons for these changes?
48. Is there anything about the budgeting process you would like to see changed?

Principals & Department Heads:

1. When do you begin budgeting for a new year?  
A. Are there time lines set? By whom?  
B. Are they followed?
2. What are your areas of responsibility for budgeting?  
A. Supplies  
B. Textbooks  
C. Professional Development  
D. Teaching staff  
E. Support staff  
F. Utilities  
G. Maintenance of building and grounds  
H. Equipment purchase and repair
3. What kinds of information do you use to budget?  
Do you feel you have enough information?
4. Who sets the parameters for budgeting for your building?  
What are they?
5. Who decides how much your building budget will be?

6. Describe the major steps you use for budgeting in your building/department.
7. Who do you involve in budgeting for your building?
8. What criteria do you use for deciding what to include in your budget and at what level to fund those items?
9. What justification do you have to give central office for your budget?
10. What happens if you exceed your building budget?
11. What is the process for requesting more funds during the school year if you run into a budget problem?
12. Are you included in district-wide budgeting decisions?  
In what ways?
13. Do you know the budgets of other administrators and/or buildings?
14. How are district-wide priorities for funding programs set?
15. What priorities are being used for 1993-94?
16. Are there any items being cut or reduced from the budget for 1993-94? What are they?
17. Are there any items being added or increased for 1993-94? What are they?
18. What justification is being given for these changes?
19. Do you have ways of getting resources for your building other than through general fund, i.e., PTO, student fund raisers?
20. Does the district engage in any formal planning activities?  
If yes, are these used in the budgeting process?
21. Does your building engage in any formal planning activities?  
If yes, are these used in the budgeting process?
22. Does the district adopt goals and/or objectives?  
If yes, are these used in the budgeting process?
23. Does your building or you individually adopt goals and/or objectives?  
If yes, are these used in the budgeting process?

24. What are the biggest problems you encounter in budgeting?

25. Has the process changed within the past five years? What are the reasons for the changes?

26. If you could change the budgeting process in your district what would you change?

27. Are there any particular financial or budgeting issues that are sources of persistent discussion and debate in your district?

If yes, what are those issues?

Do you view the discussion as positive or negative?

How does this discussion impact the budgeting process?

28. How will the outcome of Proposal A affect your building budget?

Board Members and Union Members:

1. Who projects revenues for the District?
2. Are you aware of any plans to increase revenue?
3. Who projects expenditures for the district?
4. How accurate are revenue and expenditure projections?
5. What criteria is used to decide what the expenditures will be and what will be funded?
6. Who is involved in setting that criteria?
7. How would you describe the Superintendent's role in managing the resources of the district?
8. How would you describe the business manager's role?
9. How would you describe the role of the staff?
10. Does the public have a role in the budgeting process/
11. What is the board's role?  
Workshops  
Study Sessions  
Committees
12. Are there multi-year revenue and expenditure projections?

13. Does the board and/or administration have a policy or goal regarding fund balance?  
What is it?  
  
Do you agree with it?  
  
Why is fund balance important to the district?
14. Does the district engage in formal planning activities?  
Who is involved?
15. Do these plans include financial issues?
16. Does the board adopt goals?  
Who is involved?  
  
When are they adopted? How often?
17. Do any of these goals relate to financial issues?
18. Do you ever believe that individual or sub-group goals interfere with the goals of the organization?
19. Do you believe that the staff and the general public is kept well informed about finances?  
In what ways?
20. Are budgets, including amended budgets, available to public and employees?
21. Does the board ever make budgetary decisions that need to be re-considered (e.g. cutting transportation)?
22. Are you aware of any times when a budget has been approved but there are holds on spending and/or ordering?  
What are the reasons?
23. Does the board evaluate programs or the way dollars have been used in the past before approving a new budget?
24. During the last five years, what are some of the problems the district has encountered in projecting revenues and expenditures?



## LIST OF REFERENCES

## LIST OF REFERENCES

- Barber, J. D. (1968). Complexity, synopticism, incrementalism, and the real questions. In R. T. Golembiewski (Ed.), Public budgeting & finance: Readings in theory & practice (pp. 262-272). Itasca, Illinois: F. E. Peacock Publishers, Inc.
- Becker, S. W. & Green, D. Jr. (1968). Budgeting and employee behavior. In R. T. Golembiewski (Ed.), Public budgeting and finance: Readings in theory and practice (pp. 426-438). Itasca, Illinois: F. E. Peacock Publishers, Inc.
- Behrens, J. O. (1983). The general nature of "the" property tax today. In L. C. Harriss (Ed.), The property tax and local finance, Volume 35, Number 1 (pp. 14-30). New York: The Academy of Political Science.
- Benson, G. C. S., Benson, S., McClelland H. & Thomson, P. (1965). The American property tax: Its history, administration, and economic impact. Claremont, California: College Press.
- Berry, W. D. (1990). The confusing case of budgetary incrementalism: Too many meanings for a single concept. Journal of Politics, 52(1), 167-196.
- Boyd, W. L. (1982). The political economy of schools. Educational Administration Quarterly. 18(3), 111-130.
- Burrupe, P. E., Brimley, V. Jr. & Garfield, R. R. (1988). Financing education in a climate of change. Fourth Edition. Boston: Allyn and Bacon, Inc.
- Caesar, G., McKerr, R. N. & Phelps, J. (1974). New equity in Michigan school finance: The story of the Bursley Act. Revised Edition. The Senate Committee on Education.
- Caiden, N. (1988). Shaping things to come. Super-budgeters as heroes (and heroines) in the late twentieth century. In I. S. Rubin (Ed.). New directions in budget theory (pp. 43-58). Albany, New York: State University of New York Press.

- Candoli, I. C., Hack, W. G., Ray, J.R. & Stollar, D.H. (1984). School business administration: A planning approach. Boston: Allyn & Bacon, Inc.
- Chaffee, E. E. (1983). The role of rationality in university budgeting. Research in High Education, 19(4), 387-406.
- Chichura, E. M. (1989). The role of the board of education in the process of resource allocation for public schools. Paper presented at the annual meeting of the American Educational Research Association. San Francisco, CA. Mach 27-31. ED 308 572.
- Cibulka, J. G. (1987). Theories of Education Budgeting: Lessons from the management of decline. Educational Administration Quarterly, 23(1), 7-40.
- Cline, R. J. & Shannon, J. (1983). The property tax in a model state revenue system. In L. C. Harriss (Ed.). The property tax and local finance. Volume 35, Number 1. (pp. 42-56) New York: The Academy of Political Science.
- Cohen, M. D., March, J. G. & Olsen, J. P. (1972). A garbage can model of organizational choice. Administrative Science Quarterly, 17(1), 1-28.
- Cubberley, E. P. (1906). School funds and their apportionment. New York: Teachers College, Columbia University.
- Cusick, P. A. (1983). The egalitarian ideal and the American high school. New York: Longman, Inc.
- Cyert, R. M. & March, J. G. (1963). A behavioral theory of the firm. New Jersey: Prentice-Hall, Inc.
- Garms, W. I., Guthrie, J. W., & Pierce, L. C. (1978). School finance: The economics and politics of public education. Englewood Cliffs, New Jersey: Prentice-Hall, Inc.
- Gerwin, D. (1969). Budgeting public funds. Madison: University of Wisconsin Press.
- Greenhalgh, J. (1984). School site budgeting: decentralized school management. Lanham, Maryland: University Press of America.
- Hanson, E. M. (1979). Educational administration & organizational behavior. Boston: Allyn & Bacon.

- Hartman, W. T. (1988a). School district budgeting. Englewood Cliffs, New Jersey: Prentice Hall, Inc.
- Hartman, W. T. (1988b). Understanding resource allocation in high schools. EDRS Document 306 641.
- James, H. T. Kelly, J. A., Garms, W. I. (1966). Determinants of educational expenditures in large cities of the United States. Stanford, California: Stanford University Press.
- Jensen, J. P. (1931). Property taxation in the United States. Chicago: The University of Chicago Press.
- Jones, T. H. 1985. Introduction to school finance: Technique and social policy. New York: Macmillan Publishing Company.
- Kearney, C. P. and Chen, L. (1989). Measuring equity in Michigan school finance: A further look. Journal of education finance. 14(Winter) 319-367.
- Krolak, B. (1992, January 12). From top to bottom: all in Monroe County. Monroe Evening News.
- LeLoup, L. T. (1988). From microbudgeting to macrobudgeting: Evolution in theory and practice. In I. S. Rubin (Ed.). New directions in budget theory (pp. 19-42). Albany, New York: State University of New York Press.
- Levine, C. H. (1980). Managing fiscal stress. Chatham, New Jersey: Chatham House Publishers.
- Levine, C. H. (1981). The politics of retrenchment. Beverly Hills: Sage Press.
- Lindblom, C. E. (1959). The science of muddling through. Public Administration Review. 19(2) 78-88.
- Lindblom, C. E. (1979). Still muddling, not yet through. Public Administration Review. (39) 517-526.
- March, J. G. & Simon, H. A. Simon. (1958). Organizations. New York: John Wiley & Sons, Inc.
- Miles, M. B. & Huberman, A. M. (1984). Qualitative data analysis. Beverly Hills, California: Sage Publications, Inc.
- Miller, G. J. (1991). Government financial management theory. Public Administration & Public Policy #43. New York: Marcel Dekker, Inc.

- Pammer, W. J. Jr. (1990). Managing fiscal strain in major American cities. New York: Greenwood Press.
- Rubin, I. S. (1980). Universities in stress: Decision making under conditions of reduced resources. In C. H. Levine (Ed.) Managing fiscal stress (pp. 167-178) Chatham, New Jersey: Chatham House Publishers.
- Rubin, I. S. (1982). Running in the red. Albany: State University of New York Press.
- Rubin, I. S. (1988). New directions in budget theory. Albany, New York: State University of New York Press.
- Rubin, I. S. (1990a). Budget theory and budget practice: How good the fit? Public Administration Review. 50(2) 179-189.
- Rubin, I. S. (1990b). The politics of public budgeting: Getting and spending, borrowing and balancing. New Jersey: Chatham House Publishers.
- Schmidtlein, F. A. (1989-90). Why linking budgets to plans has proven difficult in higher education. Planning for higher education. 18(2) 9-23.
- Schmidtlein, F. & Milton, T. H. Milton. (1988-89). College & university planning: Perspectives from a nation-wide study. Planning for Higher Education. 17(3) 1-19.
- Shannon, G. S. (1988). The business administrator and the negotiated order. Paper presented at the annual meeting of the American Educational Research Association. New Orleans, LA. April 5-9. ED 297 449.
- Simon, H. A. (1957). Models of man: Social and rational. New York: John Wiley & Sons, Inc.
- Simon, H. A. (1976). Administrative behavior. Third Edition. New York: The Free Press. Macmillan Publishing Co., Inc.
- Simon, H. A. (1982). Models of bounded rationality, Vol. 2, Behavioral economics and business organization. Cambridge, Massachusetts: The MIT Press.
- Singleton, D. W., Smith, B. A. & Cleaveland, J. R. (1980). Zero-based budgeting in Wilmington, Delaware" in C. H. Levine (Ed.) Managing fiscal stress (pp. 179-193). Chatham, New Jersey: Chatham House Publishers.

- Smithies, A. (1968). Conceptual framework for the program budget. In R. T. Golembiewski (Ed.). Public budgeting & finance: Readings in theory & practice (pp. 250-252). Itasca, Illinois: F. E. Peacock Publishers, Inc.
- Wildavsky, A. (1975). Budgeting: A comparative theory of budgetary processes. Boston: Little & Brown.
- Wildavsky, A. (1979). The politics of the budgetary process. (3rd. Edition). Boston: Little & Brown.
- Yin, R. K. (1989). Case study research, design and method. Newberry Park, California: Sage Publications, Inc.

Unpublished reports and documents

- District A. (July, 1988 - May, 1993). Board minutes.
- District A. (1988). Fourth Friday report.
- District A. (1989). Financial report.
- District A. (1989). Form B.
- District A. (1989). Fourth Friday report.
- District A. (1990). Financial report.
- District A. (1990). Form B.
- District A. (1990). Fourth Friday report.
- District A. (1990). Strategic plan for educational excellence for school district A.
- District A. (1991). Financial report.
- District A. (1991). Form B.
- District A. (1991). Fourth Friday report.
- District A. (1992). Board policy.
- District A. (1992). Financial report.
- District A. (1992). Form B.
- District A. (1992). A profile of progress. Annual report.
- District B. (July, 1988 - May, 1993). Board minutes.
- District B. (No date). Board policy.

District B. (1988). Fourth Friday report.

District B. (1989). Financial report.

District B. (1989). Form B.

District B. (1989). Fourth Friday report.

District B. (1990). Financial report.

District B. (1990). Form B.

District B. (1990). Fourth Friday report.

District B. (1991). Financial report.

District B. (1991). Form B.

District B. (1991). Fourth Friday report.

District B. (1992). Annual report.

District B. (1992). Financial report.

District B. (1992). Form B.

District C. (No date). Board policy.

District C. July, 1988 - May, 1993). Board minutes.

District C. (1988). Fourth Friday report.

District C. (1989). Financial report.

District C. (1989). Form B.

District C. (1989). Fourth Friday report.

District C. (1990). Financial report.

District C. (1990). Form B.

District C. (1990). Fourth Friday report.

District C. (1991). Financial report.

District C. (1991). Form B.

District C. (1991). Fourth Friday report.

District C. (1992). Annual educational report.

District C. (1992). Financial report.

District C. (1992). Form B.

District D. (No date). Board policy.

District D. July, 1988 - May, 1993). Board minutes.

District D. (1988). Fourth Friday report.

District D. (1989). Financial report.

District D. (1989). Form B.

District D. (1989). Fourth Friday report.

District D. (1990). Financial report.

District D. (1990). Form B.

District D. (1990). Fourth Friday report.

District D. (1991). Financial report.

District D. (1991). Form B.

District D. (1991). Fourth Friday report.

District D. (1992). Annual report.

District D. (1992). Financial report.

District D. (1992). Form B.

Michigan Department of Education. (1992). R2743.