

Administrative Spending Limits Q & A

Q: What is the administrative spending limit?

A: The proposed budget for fiscal year 2005 will contain language to institute an administrative spending limit for school districts. Districts with budgets exceeding this threshold in the 2004 – 2005 school year may face a reduction in state education aid. The reduction will not exceed the total amount of administrative spending above the established threshold, nor will it exceed the total amount of state aid the district is to receive in FY 2005.

Q: How is administrative spending defined?

A: The department is defining administration in a manner consistent with the chart of accounts used for accounting purposes. These costs include general, school, and business administration, central services, and administrative information technology. Judgments against the school district are *not* included in the determination of total administrative spending. Appendix A of the budget guidelines for fiscal year 2004 – 2005 provides a detailed explanation of the budget line items included in the calculation.

Q: How can I determine the administrative expenditures per pupil in my district's proposed budget?

A: The budget software provided by the department for school districts automatically calculates per pupil administrative spending in the proposed budget. Specifically, the software outputs a page titled "Per Pupil Cost Calculations." The total administrative cost listed in the fifth column (titled "2004-05 Proposed Budget") will be compared to the established administrative spending limit.

Q: What threshold is going to be used for administrative spending?

A: As discussed in the February 25 memo to all chief school administrators, the administrative spending limit varies by region to account for cost differences inherent in different parts of the state. The limits are as follows:

- North: \$1,489 per pupil
- Central: \$1,368 per pupil
- South: \$1,358 per pupil

Q: How were the administrative spending limits selected?

A: The administrative spending limits were determined using actual administrative expenditures from the 2002 – 2003 fiscal year. Within each region, two statistics were calculated: the average per pupil administrative expenditures and the standard deviation. The average is used to determine what districts generally spend on administration. The

standard deviation provides an allowance for districts to deviate from the determined average. The sum of the average and standard deviation determines the threshold. Since the data used were from fiscal year 2003, the figures were increased by 6.09 percent to account for two years of inflation (3 percent in each year). This increase is consistent with the spending growth limit applied to district budgets.

Q: Can districts reasonably be expected to have administrative costs within these limits?

A: Yes. Based on the analysis of the districts' FY 2004 budgets, nearly 80 percent of all school districts would be unaffected by the limit. Among those that exceed the limit, the average administrative cost per pupil exceeds \$1,600.

Q: What authority exists for the department to enact such a limit?

A: The proposed budget for FY 2005 includes a provision authorizing the establishment of the administrative spending limit. Similar to state aid figures released by the department, the spending limit does not become official until the Appropriations Act is passed by the legislature and signed into law by the Governor. However, districts should plan for the limit when developing their budgets.

Q: How do I know if my district's aid for the upcoming year has been reduced as a result of this limit?

A: The limit has not yet been implemented and the state education aid figures released on February 25 will not reflect any reduction. Districts are encouraged to pay particular attention to the administrative costs per pupil in the proposed budget prior to submitting it to the county office for review.

Q: If my administrative costs per pupil exceed the established limit, how would I know the amount by which I will have to reduce total administrative spending? Will this be automatically calculated by the budget software?

A: The budget software will not calculate the reduction needed to bring administrative costs per pupil down to the threshold. However, the calculation is straightforward. If the total administrative costs for the 2004-05 proposed budget exceeds the limit for your region, find the difference between the 2004-05 proposed administrative costs and the threshold for your region. Next, multiply the difference by the district's projected enrollment for the upcoming school year.

The budget software does not automatically provide the projected enrollment that must be used in the above calculation. Appendix A, included in the Budget Guidelines, specifies how the enrollment is determined. Using the estimated October 15, 2004 figures from the "Advertised Enrollment Report," add the following:

- Line 11: Pupils on Roll – Regular Full-time
- One half of Line 12: Pupils on Roll – Regular Shared-time

- Line 21: Pupils on Roll – Special Full-time
- One half of Line 22: Pupils on Roll – Special Shared-time
- Line 30: Post Secondary – Full Time (Vocational Districts only)
- Line 34: Post Secondary – Part Time (Vocational Districts only)
- Minus Line 35: Charter Schools