



VSBA

Virginia School Boards Association

FINANCE MANUAL
3rd Edition

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FOREWORD

The VSBA takes pleasure in offering this updated and expanded edition of what has traditionally been known as its budget manual. Because of the enlarged coverage and its implications beyond just budgets and the budget process, it has become and is now regarded as a finance manual. The VSBA offers it to its boards and board members as well as to school division staff and legal counsel as yet another resource, among many, that the VSBA provides in its efforts to encourage and promote even more informed and engaged decision-making and advocacy on behalf of the Commonwealth's school divisions. One of the most important governance functions of a school board, of course, is to provide leadership and oversight regarding financial matters. In these changing times, that function is even more critical.

This new edition of the manual consists of three sections:

The first section, focusing on the budget process, describes the fundamentals of school finance, mainly the process that leads to the adoption, implementation, and monitoring of an annual budget. The second section is a very extensive outline of legal aspects of the financial functions of school boards both as to operational funding and capital funding subjects. This second section includes coverage of special issues, as well, such as personnel matters that can arise within the financial context. The extensive footnotes in this section provide valuable citation to legal authority, added explanation and pointers, and a ready reference to other resources that can provide even more detail or context. The final section includes a glossary of budget terms along with the appendices that include illustrative finance-related documents.

The VSBA expresses appreciation to all who assisted in the preparation of the third edition of this publication. Special acknowledgment is extended to Douglas L. Guynn, Esq., and Carolyn M. Perry, Esq., of the Virginia Education Law Group of BotkinRose, PLC, in Harrisonburg, Virginia, lead authors of the extensive outline and references to school budget and finance law in Section Two. This outline is printed with permission. We also express appreciation to Leigh Burden, Assistant Superintendent for Business and Finance, Loudoun County Public Schools, for her work on Sections One and Three. She also is a featured presenter for the VSBA in helping school board members learn the special language of education finance and the processes that go with operational budgeting and capital projects.

The mission of the VSBA is to provide school boards with leadership, advocacy, and support so that they may exercise effective leadership in public school governance on behalf of public education for all the children of the Commonwealth. We hope that this manual advances that mission in a variety of ways. We encourage every board member to have a copy and take advantage of what it offers as an ongoing guide.

Gina Patterson
Executive Director

SECTION TWO

SELECTED LEGAL ASPECTS OF VIRGINIA PUBLIC EDUCATION FINANCE¹

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I. BACKGROUND AND OVERVIEW

A. Introduction And Background.

1. “Historically, education has been the largest public function in the United States—and the country’s biggest business—when viewed in terms of the numbers of people and dollars involved in its operation.”³ Public education, indeed, is big business.⁴ In that big public business, the

¹ This document, using short-hand form and reference citations for ease of review, is intended solely for this context exclusively in conjunction with the entirety of the manual published by the Virginia School Boards Association and not as a stand-alone resource. It may not be used or cited otherwise, and some of its assertions and questions are designed to provoke thought and discussion as a tool, not necessarily reflecting the views of the authors. Nor is it to be considered as creating an attorney-client relationship or offering legal advice. School boards and superintendents should seek legal counsel on particular issues or matters. Given the changing nature of the law, legal references may change and become inapposite and should be checked for any subsequent developments in statutes, regulations or case law. Neither this document nor portions of it may be used in any edited or modified version or format.

² Mr. Guynn and Ms. Perry are co-authors of the original edition. Mr. Guynn majored in finance at Virginia Tech and received his law degree from the University of Virginia. A Washington and Lee Law School graduate, Ms. Perry has served as school board and local bond counsel for over 20 years. Ms. Perry does extensive public finance related legal work for education institutions and localities. Mr. Lauro works closely with Ms. Perry and Ms. Brubaker collaborates with Mr. Guynn. With an L.L.M. in taxation, Mr. Waid focuses his practice on employee benefits and tax. They and others at BotkinRose PLC are part of The Virginia Education Law GroupSM. See *The Virginia Education Law Group*, BOTKINROSE PLC, <http://www.botkinrose.com/client-services/education.law/>.

³ VERN BRIMLEY, JR., DEBORAH A. VERSTEGEN & RULON R. GARFIELD, *FINANCING EDUCATION IN A CLIMATE OF CHANGE* 168-176 (11th ed. 2012).

⁴ The U.S. Census Bureau reports a total of approximately 600 billion dollars is spent annually on public education from local, federal, and state government sources. See *Public Education Finances: 2011* (U.S. Dep’t of Commerce 2013), available at <http://www2.census.gov/govs/school/11f33pub.pdf> (Figure 1).