

## 31A. GLOSSARY OF TERMS

**Abated Property** - An abatement is a reduction or elimination of a taxpayer's liability for a tax. An ad valorem abatement is a freedom from the requirements of ad valorem taxation that may be granted by authorized entities. When such an abatement is granted to, for example, an industrial site, such site is no longer considered as subject to the rules of ad valorem taxation and is therefore not appraised; the site and its improvements if not appraised cannot be assessed and therefore cannot be taxed.

**Account** – A descriptive heading under which are recorded financial transactions that are similar in terms of purpose, object, or source (Hack, Candoli, and Ray, p. 385).

**Account Group** – These are a grouping of records which account for and control general fixed assets and unmatured principal of general long-term debt.

**Accounting** - The procedure of maintaining systemic records of events relating to persons, objects, or money and summarizing, analyzing, and interpreting the results thereof (Hack, Candoli, and Ray, p. 385).

**Accrual Method of Accounting** - A method of accounting whereby income is recorded when earned, whether or not the money has been received at the time, and expenses are recorded when incurred, whether or not any money has actually been paid out. Revenues are recognized when earned rather than when cash is received; expenditures are recognized then incurred rather than when paid (McKeown, Petty, Scott, and Martin, p. G.1.).

**ADA** – ADA is an abbreviation for student average daily attendance, and ADM is an abbreviation for student average daily membership. These are the official measures used in most state school aid formulas to calculate state aid (Odden and Picus, p. 330). ADA is the aggregate attendance of a given school during a reporting period divided by the number of days school is in session during the counting period.

**ADM** - ADM is the aggregate membership of a school during a reporting period divided by the number of days school is in session during the period (NEA.1997-98). In Alabama, ADM is calculated for purposes of the Foundation Program by aggregating membership over the first 40 scholastic days of the school year and dividing by 40.

**Ad Valorem Tax** - Latin for according to the value; at or by the value. Ad valorem tax is the tax on property according to the value of the property, both real and personal.

**Alabama Public School and College Authority** – Established by the Alabama Legislature for the construction, alteration, and improvement of public and other facilities for public education purposes in the State, including the procurement of sites and equipment.

The Authority is a public corporation composed of the Governor, the Director of Finance, and the State Superintendent of Education. The Authority may issue bonds for specific amounts as authorized by the legislature in anticipation of the receipt of certain revenues earmarked to the ETF. Debt service is paid from revenues irrevocably pledged to the ETF and therefore are not general obligations of the states. Proceeds from the sale of bonds are expended for the specific purposes to recipient agencies as prescribed in the authorization legislation (*Code of Alabama 1975*, Sections 16-16-1 to 16-16-13).

**Allocation** – Funds set aside and distributed for a particular purpose for a specified period of time. Such funds may be from federal, state, or local sources. However, the most common usage of the term refers to appropriations from the state which are allocated for a specified purpose and whose terms of allocation shall not extend past the state fiscal year.

**Amortization of Debt** – The gradual payment of an amount owed according to a specified schedule of times and amounts. This includes the payment of principal and interest and is commonly referred to in the retirement of long term debt such as bonds and revenue warrants (Hack, Candoli, and Ray, p. 385).

**Appraisal** – The act of making an estimate of value, particularly of the value of property, by systematic procedures that include physical examination, pricing, and often engineering estimates (Hack, Candoli, and Ray, p. 385).

**Appropriations** – The terms may refer to money set aside for a specific use from federal, state, or local sources by Congress, the Legislature of Alabama, or the local governing board of a local school system. Furthermore, such funds must be appropriated at the local school system level by inclusion in their local budgets. Such budgets must be approved by the local board and the State Superintendent of Education before expenditures of federal, state, or local appropriations can be made legally. Generally an appropriation is an authorization by a legislative body to make expenditures and to incur obligations for specific purposes. This can include money set aside by a city council or county commission for school purposes from funds which have not been collected specifically as school taxes (Hack, Candoli, and Ray, p. 385).

**Appraised Valuation** - The fair market value of taxable property as determined by a government agency or tax assessor. In Alabama there are two acceptable processes. The first is fair and reasonable market value. This is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The second is current use value. This is the property's worth at the use to which currently being put, not the value of its potential use. This provision applies only to Class III property and is an appraisal process which must be requested by the owner.

**Assessed Valuation** - The value of a taxable property as determined by a government agency or tax assessor. Taxes are paid on the basis on a property's assessed valuation.

The assessed valuation of property in most states and localities is usually less than the fair market value of the property. In Alabama, the value of the property is constitutionally reduced below the fair market value for the determination of the taxes due. This reduction in value is through the application of an assessment ratio. The assessed valuation is the product of the appraised value times the applicable assessment ratio.

**Assessment Ratio** – The ratio of the assessed value of property to the fair market value or selling price, Assessment ratio commonly used to reduce the portion of the fair market value of certain classes of property in order to unequally assess the property tax burden among the various classes. See **Classified Property System**.

**Assets** – The things of value which a school system owns (Hack, Candoli, and Ray, p. 385).

**Audit** – The examination of records and documents and the securing of other evidence for one or more of the following purposes: (a) determining the propriety of proposed or completed transactions; (b) ascertaining whether all transactions have been recorded; and (c) determining whether transactions are accurately recording in the accounts and in the statements drawn from the accounts (Hack, Candoli, and Ray, p. 386).

**Average Salary** – The arithmetic mean of the salaries of the group described. This figure is the average gross salary before deductions for Social Security, retirement, health insurance, etc. (NEA, 1998.).

**Block Grant** – Commonly used to describe a type of federal aid to the states which the following characteristics: (1) consolidates a number of categorical aid programs to give state (or local) officials more discretion about using the funding across categories; (2) fixes allocations in advance so that future funding is not tied to changes in the number of eligible beneficiaries or payment levels; and (3) reduces federal regulation and oversight so that state (or local) officials can spend more effort designing programs that serve their ends and reduce reporting requirements (Peterson, 1995, p. 1).

**Bond** – An interest-bearing certificate of debt, being one of a series constituting a loan made to, and an obligation of, a government or business corporation; a formal promise by the borrower to pay the lender a certain sum of money at a fixed future date with or without security, and signed and sealed by the maker (borrower); a promise to pay two things: (1) a principal amount on a stated future date, and (2) a series of interest payments, usually semi-annually during its life (Munn, p. 71). In addition, in Alabama a bond as a financial instrument has been distinguished by the courts from a revenue warrant in that a bond possesses the characteristics of transferability and recourse in court, while a revenue warrant does not.

**Budget** – A plan of financial operation incorporating an estimate of proposed expenditures for a given period or purpose, and the proposed means of budgeting them (Hack, Candoli, and Ray, p. 386).

**Budget Calendar** – A listing of all the activities which are required during the budgeting process and arranged chronically by month. A calendar of budgetary events of an organization which identifies all areas of the budget, assigns responsibility to an administrator and lays out the process with deadlines or dates by which accomplishments must be recorded.

**Callable Bond** – A bond which permits or requires the user to redeem the obligation prior to the stated maturity date at a special price, usually at or above par by giving notice of redemption in the manner specified in the bond contract (Rebore and Rebore, p. 91).

**Capital Outlay** – An expenditure that results in the acquisition of fixed assets or additions to fixed assets that are presumed to have benefits for more than one year. It is an expenditure for land or existing buildings (Hack, Candoli, and Ray, p. 386).

**Cash Basis Accounting** – A method of accounting in which a record is made of revenue when actually received as cash and expenditures are recorded when cash is actually dispersed in payment of liabilities. This often leads to misleading financial statements and is not in accordance with generally accepted accounting principles (Weygandt, Kieso, and Bell, p. 107).

**Categorical Aid** - can refer to either state or federal aid for public education which is designated for a specific purpose and is restricted to that purpose only. Examples are transportation, special education, vocational education, and capital construction. Generally these programs do not take into account the local ability to pay. Generally, equalization programs of general state aid are not considered categorical aid programs (Augenblick, Fulton, and Pipho, 1991, p. 27).

**Chart of Accounts** – A list of the accounts that are generally used in an individual accounting system. It includes the account title and an account number that has been assigned to each account (Hack, Candoli, and Ray, p. 386).

**Circuit Breaker** – A device to prevent property taxes from becoming an unduly large share of income for some specific classes of taxpayers, such as low-income people or the elderly. One form provides state personal income tax credits for a portion of the taxpayer's property tax liability. Generally such programs are designed to benefit lower-income people more than higher-income people (National Conference of State Legislatures, 1993, p. 105).

**Classified Property Tax System** - A system of classifying property in a certain state whereby different types of property are subject to the ad valorem tax at differing percentages of their fair market value. The millage rate of the ad valorem tax is applied to the reduced value of the property in a classified property tax system. See **Assessment Ratio**

**Coding** – The process of distinguishing among items and categories of information by assigning numbers or other symbolic designations so that the items and categories are readily identifiable and assigned to specific operations of the budget.

**Current Expenditures for Elementary and Secondary Schools** – The expenditures for operating local public schools, excluding capital outlay and school debt. These expenditures include such items as salaries for school personnel, fixed charges, student transportation, school books and materials, and energy costs (National Center for Education Statistics, 1996, p. 197). These expenditures include the following:

- a. Expenditures for administration by the state board of education and the state department of education excluding expenditures for vocational rehabilitation and salaries for personnel who provide supplementary services, such as state library, state museum, teacher retirement, teacher placement, etc.
- b. Expenditures for administration by county or other intermediate administrative units.
- c. Total current expenditures for local school districts, such as expenditures for administration, instruction, attendance, health, transportation, net food service, maintenance and operation, and other net expenditures to cover deficits for extracurricular activities for pupils. (Note, net food service also includes the value of commodities donated by the U.S. Department of Agriculture, such as those provided through the school lunch and milk programs.)
- d. Direct state expenditures for current operations, such as state (employer) contributions to retirement systems, pension funds, or Social Security on behalf of public school employees; state expenditures for textbooks distributed to local school systems; and all other expenditures made by the state on behalf of free public elementary and secondary schools. Includes current expenditures made for vocational/technical elementary or secondary schools (NEA, 1998).

**Current Expenditures for Other Programs** – Current expenses for summer schools, adult education, post-high-school vocational education, personnel retraining, and community services; services to private school pupils, community centers, recreational activities, and public libraries, etc., when operated by local school systems and not part of the regular public elementary and secondary day school program (NEA, 1998).

**Current Use** - A method of determining the value of property whereby that property is appraised only by considering the use to which it is currently being put. No regard is made to the value of the property if it were currently being used for its highest or best use.

**Debt Service** – Expenditures for the retirement of debt and expenditures for interest on debt, except principal and interest of current loans (Hack, Candoli, and Ray, p. 388).

**Debt Service Fund** – A fund which is used to finance and to account for the payment of principal and interest payments on all general obligation debt.

**Educational Overburden** - A claim by school systems (usually urban) that the higher percentage of economically and educationally disadvantaged students attending school in

their systems is not only an additional financial burden, but one which requires special services and effort as well. An additional claim is that federal Chapter I (compensatory education) funds may not be enough to cover overburden (US ACIR, 1990, p. 51).

**Equalization** - The process of compensation for differences to make equal. Equalization to make sure students with similar educational needs are treated alike is horizontal equity. Equalization to make sure students with differing educational needs are treated differently is vertical equity. Capacity equalization is the process of compensating for differences in school system's ability to support education in order to achieve student equity and taxpayer equity. Service and programmatic equity is the process of compensating for differences in the level of services or programs in a school system in order to achieve student equity (Augenblick, Fulton, and Piphio, 1991, p. 27).

**Encumbrances** – Those financial commitments such as purchase orders, contracts, salaries, and other commitments that are chargeable to an appropriation and for which a part of that appropriation is reserved. They cease to be encumbrances when paid or when actual liability is set up (Hack, Candoli, and Ray, p. 388).

**Entitlements** – Funds from federal, state, or local sources which are made available to local boards of education on an established formula. The term usually applies to federal funds which are earned by the respective states and local school systems on a previously established formula. Also, the 1995 Foundation Program could be considered an entitlement and teacher units and associated costs such as salaries and fringe benefits are automatically made available at current cost estimation on the basis of a previously determined formula.

**Equalization Formula Aid** – Financial assistance given by a higher-level government—the state—to a lower-level government—local school systems to equalize the fiscal situation of the lower-level government. Equalization formula aid is allocated to make local revenue raising ability among various school systems of the state nearly equal (Odden and Pincus, p. 332).

**Exemption or Exempt Property** - The act of freeing from the obligation of paying taxes. A tax exemption generally removes from taxation or the process of multiplying the assessed value of the property times the millage rate that specified dollar value of assessed valuation which is exempt. In Alabama \$4,000 dollars worth of assessed valuation is exempt from state ad valorem for the purpose of the Homestead Exemption. In specified situations, the entire assessed valuation of the property may be exempt.

**Fall Enrollment** – Student enrollment (ENR) on or about October 1, which includes elementary and secondary pupils as well as pre-kindergarten and kindergarten students whose programs are part of the regular school system and financed by the local school system. Does not include pupils enrolled in grades 13 or 14 (Community college) (NEA, 1998).

**Flat Grant Program** – A flat grant program simply allocates an equal sum of dollars to each public school pupil in the state. A flat grant is not an equalization aid program because it allocates the same dollars per pupil regardless of the wealth of the local school system. If no local revenues were allowed to be collected by local school systems, then the flat grant program would become essentially a full state assumption program (Odden and Picus, p. 333).

**Financial Statement** – When used in a general sense, a statement is a formal written presentation that sets forth financial information. When used in the context of local school board operations, a statement is a presentation of financial data that show the financial position and the results of the financial operations of a fund, a group of accounts, or an entire governmental unit (a local board of education) for a particular accounting period, usually a state fiscal year (Hack, Candoli, and Ray, p. 394).

**Fiscal Capacity** –The tax base of a governmental entity measured in terms of income, wealth, or other fiscal measures of economic productivity (Alexander and Salmon, 1995, p. 158). With respect to a local school system, fiscal capacity is the potential ability of the local governmental unit coterminous with the school system to fund the educational program of that system from its own taxable sources (TACIR, 1994, p. 9).

**Fiscal Neutrality** – A court-defined equity standard in school finance. It is a negative standard, stating that current operating expenditures per pupil, or some resource, cannot be related to a local school system" measure of fiscal capacity. It simply means that expenditures per pupil cannot be related to local school system wealth (Odden and Picus, p. 332).

**Fiscal Period/Fiscal Year** – Any period at the end of which a school system determines its financial condition and the results of its operations and closes its books. It is usually a year, though not necessarily a calendar year (Hack, Candoli, and Ray, p. 389). For public school systems in Alabama, the fiscal year is from October 1 to September 30, inclusive (*Code of Alabama 1975, Section 16-1-1*)(*Code of Alabama 1975, Section 16-13-1*).

**Fixed Charges** – These are required expenditures or fixed costs generally of a recurrent nature that are not readily allocated to other expenditure categories for current operations. They consist of such charges as school board contributions to employment retirement, insurance, and judgments, rental or land and buildings, and interest on current loans (Hack, Candoli, and Ray, p. 389).

**Foundation Program** - A state equalization aid program that usually guarantees a certain foundation level of revenues or expenditures for each student (calculated on a per student basis) or group of students (calculated on a teacher unit basis), together with a minimum tax rate that each local school system must levy for educational purposes. The difference between what a local school system is provided through local revenues at the prescribed rate and the foundation program revenue earned is the state aid or revenue (Augenblick, Fulton, and Pipho, 1991, p. 27).

**Full-State Assumption** – A school finance program in which the state pays for all education and sets equal per-pupil expenditures in all local school systems. Such a program would satisfy the expenditure per pupil “uniformity” standard of equity. Hawaii is the only state in which the state government has fully assumed most of the costs of public education (Odden and Picus, p. 333).

**Function** – A term which refers to an expenditure activity or service area aimed at accomplishing a certain purpose or end. Examples are Regular Instruction Programs, Special Instruction Programs, Vocational Education Programs, Instructional Staff Services, and Plant Operation and Maintenance.

**Fund** – A fund is an independent accounting entity which contains its own assets, liabilities, and fund balances. In general, funds are created to account for the financing of specific activities of a school system’s operations (Hack, Candoli, and Ray, p. 389).

**Fungible** – A term used to describe whether a resource is of a kind or nature that allows it to be in place of another in satisfaction of an obligation. It refers to interchangeability where an appropriation or allocation or revenue source and be used for another purpose. An example would be to be allowed to use capital outlay funds for current operations in a time of financial exigency. This is sometimes commonly referred to as flexibility.

**General Aid Grant** – Allocations to governmental units without expenditure restrictions. That is, within broad limits funds may be disbursed for the current operation of public schools for spending purpose approved by the local board of education. Such financial aid is relatively free of rigorous accounting and reporting procedures. Such funds are not earmarked are restricted to specific spending purposes (Alexander and Salmon, 1995, p. 195.)

**General Fund** – A fund used to account for all transactions that do not have to be accounted for in another fund. The general fund is used to account for all ordinary operations of a school system (Hack, Candoli, and Ray, p. 389). It is the master record of a school systems account balances, used to prepare financial statements and management reports.

**General Ledger** – A book, file, or other device in which accounts are kept to summarize the financial transactions of the school system. General ledger accounts may be kept for any group of items or expenditures on which an administrative officer wishes to maintain a close check (Hack, Candoli, and Ray, p. 389).

**General Obligation Bonds** – Bonds which are secured by the full faith and credit of the issuer. The General Obligation Bonds (G.O. Bonds) issued upon a vote of the people of a local governmental unit in Alabama constitute debt of the issuer. In the case of default, the holder has the rights to compel in court the satisfaction of the issuer’s obligations (Rebore and Rebore, p. 92).

**Guaranteed Tax Yield Program** – A state aid program that equalizes the ability of local school systems to raise revenues for public school by guaranteeing both wealthy and poor systems the same dollar yield for the same local tax rate, usually ad valorem. The state supplements the local tax yield for a given local tax rate to a target which is usually set as the tax yield of the wealthiest local school system in the state. Different names are used to describe this type of aid program such as guaranteed tax base programs, percentage equalizing programs, and district power equalization programs (Odden and Picus, pp. 332).

**Hold-Harmless Guarantee** - A provision to ensure that local school systems (commonly the more affluent or those that have a significant decrease in student enrollment) do not receive less state than in previous years. This is generally applied when a state revises the school finance formula, and is often accompanied or followed by a phase-in approach that allows for gradual reduction in state aid (US ACIR, 1990, p. 52).

**Horizontal Equity** - means equal treatment of equals. Students with equal educational needs are treated equally. This is fairly easy to measure as it implies only equal dollars per student (Burrup, Brimley, and Garfield, p. 69.).

**Instructional Staff** – Full-time equivalent number of positions, not the number of individuals occupying the positions during the school year. In local schools, it includes all public elementary and secondary (junior and senior high) day-school positions that are in the nature of teaching or the improvement of the teaching-learning situation. Includes consultants or supervisors of instruction, principals, teachers, guidance personnel, librarians, psychological personnel, and other instructional staff. Excludes administrative staff, attendance personnel, and clerical personnel (National Center for Education Statistics, 1996, p. 199).

**Intangible Personal Property** - Property which consists of entities which represent value but which in and of themselves do not have a value equal to that which they represent. Examples are stocks, bonds, patent rights, money, franchises, futures contracts, insurance policies, and so forth. Intangible personal property is not taxed in Alabama.

**Interfund Transfers** – Funds are taken from one fund under the control the local board of education and placed in another fund under the control of the local board of education. Interfund transfers are not receipts or expenditures of a local school system (Hack, Candoli, and Ray, p. 390).

**Invoice** – An itemized list of merchandise or services purchased from a specific vendor. The list normally includes quantity, price, terms, and dates of purchase and date for which payment is due (Hack, Candoli, and Ray, p. 390).

**Leveraging** – The process or activity of using the equity or value in one type of security or asset to buy an additional asset or security (Hack, Candoli, and Ray, p. 390).

**Liability Insurance** – Insurance coverage which can be purchased for a local school

systems or the officers of the local school systems to protect against losses resulting from awards against the system (Hack, Candoli, and Ray, p. 391).

**Local Control** – The authority of a community, through its elected or appointed local school board members, to set education policy, develop the budget, and make curriculum decisions for a school system, for its students, and for its staff.

**Local Education Agency** – The educational agency created by the state to carry out state policies and operate schools (Hack, Candoli, and Ray, p. 391).

**Modified Accrual Accounting** – A method of accounting in which revenues are recognized in the period in which they actually become available, and expenditures are recognized at the time a liability is incurred to the appropriation authority of the local board of education in preparing and operating the budget.

**Municipal Overburden** - The situation in which local school systems (primarily large urban areas) are faced with competing costs for services such as police, transportation, recreation, utilities, health care, infrastructure which leaves fewer tax dollars for educational expenditures. Such school systems would request special provisions to compensate for this overburden of noneducation services (US ACIR, 1990, p. 52). These services may include above-average welfare, health and hospitalization, public housing, and police, fire, and sanitation services which other government jurisdictions do not have to provide and do not provide at the same rate (Odden and Picus, p. 333).

**Par Value** – In the case of financial instruments or securities such as revenue warrants, the amount of the principal which must be paid at maturity. Par value is also referred to as the face amount of a security (Rebore and Rebore, p. 93).

**Per Pupil Expenditure** - Current Expenditures divided by the pupil count; may be expressed in expenditures per enrollee, per ADM, or per ADA

**Posting** – The act of transferring to an account in a ledger the detailed or summarized data contained in the cash receipts book, cash register, journal voucher, or similar books or documents or original entry (Hack, Candoli, and Ray, p. 392).

**Proportional Tax** – A tax that consumes the same percentage of family income at all levels of family income (Odden and Picus, p. 334).

**Property Insurance** – The coverage provided by all forms of insurance which identify for reimbursement to the extent of coverage for the loss of, or damage to, property from fire, theft, storm, or any other cause. This category of expenditure also includes costs for appraisals of the property for insurance purposes (Hack, Candoli, and Ray, p. 392).

**Propriety Accounts** – Refers to those accounts that show actual financial conditions and operations such as actual assets, liabilities, reserves, surplus, revenues, and expenditures,

as distinguished from budgetary accounts (Hack, Candoli, and Ray, p. 392).

**Prorating** – The allocation of parts of a single expenditure to two or more different accounts. The allocation is made in proportion to the benefits that the expenditure provides for the respective purposes or programs for which the accounts were established (Hack, Candoli, and Ray, p. 392).

**Proration** – In Alabama, the reduction of appropriations on a pro rata basis to equal revenues available to prevent deficit spending.

**Pupil Activity Fund** – Contains the financial transactions which are related to school-sponsored activities and inter-scholastic activities. These activities are supported in whole or in part by income from pupils, gate receipts, and other fund-raising activities. Support may also come from local taxation (Hack, Candoli, and Ray, p. 393).

**Pupil Weighting** - A method of adjusting student enrollment figures and therefore state education aid dollars to reflect the assumed cost differences of providing education services to certain classes of students (e.g., physically handicapped, gifted, small schools, grade levels, compensatory education) which is usually incorporated into a state's school finance aid program to create more equitable state funding (US ACIR, 1990, p. 52).

**Millage Rate** - The amount, in terms of mills, levied by a taxing authority to generate revenue. The millage rate is multiplied by the assessed value to determine the tax owed to a taxing authority. A mill is 1/1000 of a dollar or 1/10 of a cent. A millage rate of one mill may also be expressed as a tax of 10 cents of each one hundred dollars of taxable property (\$.10 per each \$100 of assessed valuation).

**Object of Expenditure** – This term refers to the service or commodity obtained as the result of a specific expenditure. Examples are expenditures for salaries, for fringe benefits, for professional services, or for supplies.

**Optional Local Taxation** – The taxation over and above that required to be levied by the state. The optional amount is levied upon approval of the local taxing authority and is available to the local board of education for discretionary spending purposes. These funds are not considered as being available to fund any state program.

**Plenary Power** – The power of the legislature of each state which is complete in every respect to make any laws which it deems desirable. These laws will continue in force until repealed or found to be in conflict with either the state constitution or the federal constitution. A determination of conflict must be found by the courts on the basis of a controversy which has been brought to court (Hack, Candoli, and Ray, p. 122.).

**Progressive Tax** – A tax which increases proportionately more than income as the income level of the taxpayer increases. Under a progressive tax, a high-income taxpayer will pay a larger percentage of income than a low-income taxpayer (Odden and Picus, p. 333).

**Real Property** - Property which consists of entities which are fixed or immovable in a general sense. Examples are land and physical improvements on the land.

**Refunding Bonds or Revenue Warrants** – Bonds of revenue warrants which are issued to pay off previously existing or outstanding bonds or revenue warrants. This are normally issued to obtain a more favorable interest rate, consolidate debt, or to postpone payments in the near future (Hack, Candoli, and Ray, p. 393).

**Regressive Tax** – A tax which increases proportionately less than income as the income level of the taxpayer increases. Under a regressive tax, a low-income taxpayer will pay a larger percentage of income for the tax than will a high income taxpayer (Odden and Picus, p. 334).

**Required Local Effort** – The amount of required local taxation which is calculated as being available for the funding of state educational purposes. In a foundation program, this is the chargeback of the amount subtracted from the total calculated cost of the state required educational program. These revenues are restricted to accomplish only state educational purposes.

**Required Local Taxation** – The tax rate (specified tax rate to be levied by tax type) or tax yield (amount of tax yield measured by an index of wealth) which must be levied on behalf of a local board of education in order to participate in the state financial aid program (actually receive the state allocation).

**Revenue Bonds - Bond** – An interest-bearing certificate of debt, being one of a series constituting a loan made to, and an obligation of, a government or business corporation; a formal promise by the borrower to pay the lender a certain sum of money at a fixed future date with or without security, and signed and sealed by the maker (borrower); a promise to pay two things: (1) a principal amount on a stated future date, and (2) a series of interest payments, usually semi-annually during its life (Munn, p. 71). In Alabama a revenue bond pledges only the anticipated receipts from a specific revenue source, such as the sales tax, as the guarantee of repayment. While a general obligation bond pledges the full faith and credit of the state for its redemption, a revenue bond makes no such pledge. A revenue bond pledges redemption by the state only the extent that the revenues pledge are actually received. In addition, since such a pledge is based upon future additional revenues to the state, a revenue bond does not constitute a debt of the state.

**Revenue Receipts** – Additions to assets that do not incur an obligation that must be met at some future date and does not represent exchanges of property for money. Assets must be available for expenditures (NEA, 1998).

**Scholastic Year** – The school year which begins on the first day of July and ends with the thirtieth day of June each year (*Code of Alabama 1975, Section 16-1-1*).

**Serial Bonds** – Bonds which are issued to be redeemable by installments, each of which is to be paid in full, ordinarily out of revenues for the fiscal year in which it matures or out of revenues of the preceding year (Hack, Candoli, and Ray, p. 394).

**Sinking Fund** – A sinking fund is cash or other assets set aside to retire debt. It could be viewed as a savings account that is used to pay back bondholders. Its existence offers a guarantee to bondholders that the assets will be available at maturity to redeem the outstanding bonds.

**Site-Based Management** – Managerial decisions and processes carried out at the school site rather than at a higher organization level (Hack, Candoli, and Ray, p. 394).

**Special Education Overburden** – The concept that the need for special educational services and the fiscal capacity to provide for those services is not normally distributed within a state. Therefore, a calculation of special education overburden can be constructed based upon the differing educational and socioeconomic conditions that exist among the local school systems of a state (Jordan, Weiner, and Jordan, 1997, p. 63).

**Sinking Fund** – Money that has been set aside or invested for the definite purpose of meeting payments on debt at some future time. It is usually a fund set up for the purpose of accumulating money over a period of years in order to have money available for the redemption of long-term obligations at the date of maturity (Hack, Candoli, and Ray, p. 394.).

**Serial Bonds** – Issues redeemable by installments, each of which is to be paid in full, ordinarily out of revenues of the fiscal year in which it matures or out of revenues of the preceding year (Hack, Candoli, and Ray, p. 394).

**Surety Bond** – A written promise to pay damages or to indemnify against losses caused by the party or parties named in the documents through the nonperformance or through defalcation. A surety bond should be required of a contractor or for an official handling cash, securities, or with power to issue warrants (Hack, Candoli, and Ray, p. 394).

**Tangible Personal Property** - Property which consists of entities which are moveable and which have an inherent value of their own. Examples are automobiles, furniture, appliances, jewelry, and so forth. Personal property, which the exemption of automobiles, is rarely taxed in Alabama.

**Tax** – Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit (Hack, Candoli, and Ray, p. 394).

**Tax Anticipation Notes or Warrants** – Notes or warrants or promises to pay which are issued in anticipation of collection of taxes and which are usually retireable only from tax collections. These are frequently used to borrow money and promise to repay the loan

from the tax collections anticipated and identified with their issuance. The proceeds from such loans are treated as current loans if paid back from the tax collections anticipated with the issuance of the notes or warrants (Hack, Candoli, and Ray, p. 394).

**Term Bonds** – Bonds of the same issue, usually maturing all at one time and ordinarily to be retired from sinking funds (Hack, Candoli, and Ray, p. 395).

**Trial Balance** – A list of the balances of the accounts in a ledger by double entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal, or their net balance agrees with a controlling account, the ledger from which the figures are taken are said to be “in balance” (Hack, Candoli, and Ray, p. 395).

**Unencumbered Balance** – That portion of an appropriation or allotment or allocation not yet expended or encumbered. This is the balance remaining after deducting from the appropriation or allotment or allocation the accumulated expenditures and outstanding encumbrances (Hack, Candoli, and Ray, p. 395).

**Unrestricted Required Local Taxation** – The amount of required local taxation in excess of the Required Local Effort which is required to be levied (the Required Local Taxation) and available for expenditure by each local board of education. These revenues are available to the local board of education for local educational purposes in addition to those required for state educational purposes. These revenues are not considered as being available to fund any state program.

**Vertical Equity** - means unequal treatment of unequals. Students with more expensive educational needs have additional resources made available to provide the equivalent educational opportunity. It is more difficult to determine than horizontal equity since no one can define fairness with complete assurance when treating children with unequal characteristics (Burrup, Brimley, and Garfield, p. 69).

**Voucher** – A written or electronic document which authorizes the payment of money and which usually includes the account(s) to charge for the expenditure (Hack, Candoli, and Ray, p. 395).

**Warrant** – A short-term obligation of a municipality, or other political subdivision, constituting a part of its floating debt. A warrant is a revenue obligation issued in anticipation of tax collections (Munn, p. 709.). Also, a warrant is an order drawn by the school board to the school system treasurer ordering the payment to a payee in the amount specified in the warrant. Once signed by the treasurer and/or co-signed as required, the warrant becomes a check payable by a bank named on the warrant by the treasurer (Hack, Candoli, and Ray, p. 395).

**Work Order** – A written order authorizing and directing the performance of a certain task, issued to the person who is to direct the work. Among the information to be shown on the work order are the nature and location of the job, specifications of the work to be

performed, and a job number that is referred to in reporting the amount of labor, materials, and equipment used (Hack, Candoli, and Ray, p. 395).

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