GLOSSARY

Accomplishment: major positive changes, activities, and other achievements that have occurred during the current budget year.

Accrual Basis: the accounting technique under which transactions are recognized when they occur, regardless of the timing of estimated cash flow.

Accrued Expense: expense incurred and recorded on the books but not payable until a later date.

Adopted Budget: the financial plan ultimately approved and authorized by the Chicago Board of Education.

Appropriation: an authorization to make expenditures and incur obligations for a specific purpose granted by a legislative body for a specific time period.

Assessed Valuation (AV): the value placed on all taxable property for tax purposes. This amount is subject to the state equalization factor and the deduction of exemptions.

Average Daily Attendance: the aggregate number of pupil days of attendance divided by the number of days in the regular school session. A pupil who attends school for five or more clock hours while school is in session constitutes one pupil-day of attendance. The best three months average daily attendance of the prior year is used in calculating General State Aid for the current year.

Block Grant: a state or federal grant program that consolidates several previously separate categorical grant programs into one larger grant. Block grants usually allow the recipient agency more flexibility in the use of the resources than would be allowed with separate grants.

Bond: a written promise to pay a specified sum of money, called the face value or principal amount, at a specified date in the future (the maturity date), together with periodic interest at a specified rate.

Bonded Debt: that portion of indebtedness represented by outstanding bonds.

Bond Redemption and Interest Fund: a debt service fund for the receipt and disbursement of the proceeds of annual tax levies for the payment of the principal and interest on specific bond issues.

Budget Classification: series of numerical codes used to categorize items of appropriation by unit, fund, project, program, and object.

Budgetary Control: the control or management of a governmental or enterprise fund in accordance with an approved budget to keep expenditures within the limits of available revenue appropriations.
**Capital Outlay:** an expenditure which results in the acquisition of, or addition to, fixed assets and meets the following criteria: has an anticipated useful life of more than one year; can be permanently identified as an individual unit of property; belongs to one of the following categories: land, buildings, structures & improvements, equipment; constitutes a tangible, permanent addition to the value of city assets; does not constitute repair or maintenance; and is not readily susceptible to loss.

**Capital Project:** a specific and identifiable improvement or purpose for which expenditures are proposed within the capital budget or capital improvement program.

**Capital Project Fund:** a fund created to account for financial resources to be used for the acquisition or the construction of major capital facilities or equipment.

**Categorical Revenue:** funds from local, state, or federal sources which can, by law, only be used for specific purposes (e.g., federal No Child Left Behind revenue or Supplemental General State Aid revenue).

**Chicago School Finance Authority (SFA):** a separate government body created in 1980 to sell bonds for the working capital, operating, and capital needs of the Chicago Board of Education and to oversee the financial management of the Board. The Illinois legislature has permanently suspended the financial oversight powers of the SFA.

**Corporate Personal Property Replacement Tax:** a tax instituted in 1979 to replace the corporate personal property tax. It consists of a state income tax on corporations and partnerships and a tax on the invested capital of public utilities. The tax is collected by the Illinois Department of Revenue and distributed to over 6,000 local governments based on each government’s share of Corporate Personal Property tax collections in a base year (1976 or 1977).

**Contingency:** a budgetary reserve set aside for emergencies or unforeseen expenditures.

**Debt Service:** the school system’s obligation to pay the principal and interest on all bonds and other debt instruments according to a predetermined payment schedule.

**Debt Service Fund:** a fund established to account for the accumulation of resources for, and the payment of, principal and interest on long-term debt; also called a Sinking Fund.

**Depreciation:** that portion of the cost of a capital asset which is charged as an expense during a particular period. This is a process of estimating and recording the lost usefulness, expired useful life, or diminution of service from a fixed asset.

**Distinguished Budget Presentation Award:** a voluntary program administered by the Government Finance Officers Association to encourage governments to publish efficiently organized and easily readable budget documents and to provide peer recognition and technical assistance to the fiscal officers preparing them.
**Effective Tax Rate:** the ratio of taxes billed to the market value, generally expressed as a percentage.

**Encumbrance:** obligation in the form of a purchase order and/or contract which is chargeable to an appropriation and which reserves a part of the fund balance because the goods or services have not been received. When paid, the encumbrance is liquidated and recorded as an expenditure.

**Enterprise Fund:** a fund established to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Equalization:** the application of a uniform percentage increase or decrease to assessed values of various areas or classes of property to bring assessment levels, on average, to a uniform level of market value.

**Equalization Factor (multiplier):** the factor that must be applied to local assessments to bring about the percentage increase that will result in an equalized assessed valuation equal to one-third of the market value of the taxable property in a jurisdiction.

**Equalized Assessed Valuation (EAV):** the assessed value multiplied by the State of Illinois equalization factor minus adjustments for exemptions. This gives the property value from which the tax rate is calculated.

**Exemption:** the removal of property from the tax base. An exemption may be partial, as a homestead exemption, or complete. An example of a complete exemption is a church building used exclusively for religious purposes.

**Expenditure:** the outflow of funds paid for an asset or service obtained. This term applies to all funds.

**Extension:** the actual dollar amount billed to the property taxpayers of a district. All taxes are extended by the County Clerk.

**Federal No Child Left Behind Revenue:** revenue from federal programs that support supplemental education programs.

**Federal Special Education I.D.E.A. Program Fund Revenue:** provides supplemental programs for all students with disabilities between the ages of three and 21.

**Federal Lunchroom Revenue:** revenue from the federal program that support free and reduced-price meals for children from low-income families.
Fiscal Year: the time period designated by the system signifying the beginning and ending period for recording financial transactions. The Chicago Public Schools fiscal year begins July 1 and ends June 30.

Fixed Asset: asset of a long-term character which is intended to continue to be held or used, such as land, buildings, machinery, and equipment.

Foundation Level: a dollar level of financial support per student representing the combined total of state and local resources available as a result of the general state aid formula. The foundation level is dependent upon the State of Illinois appropriation for general state aid.

Fund: resources set aside for specific purposes and activities in accordance with legal requirements. A school or department may have resources available from several funds. Examples include the General Fund, Worker’s Compensation/Tort Fund and the Federal Title I Fund.

Fund Accounting: a governmental accounting system, which organizes its financial accounts into several distinct and separate sets of accounts designated by their different functions.

Fund Balance: the assets of a fund less liabilities, as determined at the end of each fiscal year. Any reservations of fund balance are deducted, leaving a remaining unreserved fund balance.

Generally Accepted Accounting Principles (GAAP): uniform minimum standard of, and guidelines to, financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. They encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application but also detailed practices and procedures. They provide a standard by which to measure financial presentations.

General Fund: the primary operating fund used to account for all revenue and expenditures, except those related to specific programs which are accounted for separately in special purpose funds.

General Obligation Bonds: bonds that finance public projects, such as new school buildings. The repayment of the bonds is made from property taxes and is backed by the full faith and credit of the issuing entity.

General State Aid: state revenue provided to school districts to support the basic education programs. The amount each school district receives depends upon the educational needs of the school district (as measured by the Supplemental General State Aid weighted average daily attendance), the size of the local tax base, (in certain cases) the amount of tax effort by the local school district, and the foundation level. The general state aid formula works so that every child in the state has access to resources for his or her education at least equal to the foundation level.
Goals: specific plans a department has for the upcoming and future years. Goals identify intended end results but are often ongoing and may not be achieved in a single year.

Government-Funded Funds and Special Grant Funds: funds established by the Board to account for programs that are fully reimbursable by the state or federal government and special grants.

Governmental Accounting Standards Board Statement No. 24: Requires that on-behalf payments made by other governments should be included as revenues and expenditures as long as they are for employee benefits. By law, the City of Chicago has been contributing to the Municipal Employees’ Annuity and Benefit Fund of Chicago on behalf of the Board’s educational support personnel (ESP).

Grant: a contribution by a governmental or other type of organization to support a particular function. Typically, these contributions are made to the system from the state and federal governments and from private foundations.

Illinois School Based Health Services Program: In September 1994, IDPA submitted a Medicaid State Plan Amendment, which expanded the range of existing covered services, expanded the scope of covered services, and increased reimbursement rates. The new program is based on 42 CFR 440.13D(d) of the Social Security Act.

Individuals with Disabilities Education Act (IDEA) - PL 94-141: In 1974, despite a lack of adequate funding sources, school districts were required to comply with the federal mandate of providing health services to students with disabilities.

Inter-government Agreement (1997 IGA) with City of Chicago - October 1, 1997: The 1997 IGA represents a unique financing arrangement between the City of Chicago and the Chicago Public Schools to pay for the construction of new schools, school building additions, and renovation of existing schools and equipment. The Agreement provides that the City will help the Board to finance its Capital Improvement Program by providing the Board with funds to be used by the Board to pay debt service on bonds issued by the Board for such purpose. The amount to be provided by the City will be derived from the proceeds of ad valorem taxes levied in future years by the City on all taxable property within the City. The City will impose property tax levies when the current debt issued by the School Finance Authority and PBC expires. Property owners, therefore, will not see any net increase in their future property tax bills resulting from the 1997 IGA debt.

Inter-government Agreement using Tax Increment Financing (IGA-TIF): This Agreement secures revenues from certain eligible Tax Increment Financing districts, which will be used by the Chicago Public Schools to pay for the construction of new schools.
Interest Earnings: earnings from available funds invested during the year in U.S. Treasury Bonds, certificates of deposit, and other short-term securities.

Investments: securities and real estate held for the production of revenues in the form of interest, dividends, rentals, or lease payments. The term does not include fixed assets used in governmental operations.

Levy: amount of money a taxing body certifies to be raised from the property tax.

Liabilities: debts or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date.

Long-term Debt: debt with a maturity of more than one year after the date of issuance.

Lunchroom Fund: a fund for the assets, liabilities, receipts, and disbursements of the School Lunchroom Program.

Maintenance: all materials or contract expenditures covering repair and upkeep of buildings, machinery and equipment, systems, and land.

Medicaid Revenue: revenue from the federal Medicaid program that the Board receives as reimbursement for the provision of Medicaid-eligible services to Medicaid-eligible children.

Medicare Fund: a fund for the receipt and disbursement of the proceeds of an annual tax levy for the payment of the required employer contribution for the Medicare program.

Miscellaneous Revenues: proceeds derived from notes and bonds sold by the Board and the SFA, interest on investments and undistributed property taxes, collections from food service sales, rental of property, gifts, donations, and sale of real estate owned by the Board.

Mission Statement: designation of a department’s purpose or benefits and how the department supports the overall mission of the system.

Modified Accrual Basis: the accrual basis of accounting adapted to the governmental fund type spending measurement focus. Under it, revenues are recognized when they become both “measurable” and “available” to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred, except for: (1) inventories of materials and supplies which may be considered expenditures, either when purchased or when used; (2) prepaid insurance and similar items which need not be reported; (3) accumulated unpaid vacation, sick leave, and other employee benefit amounts which need not be recognized in the current period, but for which larger than normal accumulations must be disclosed in the notes to the financial statements; (4) interest on special assessment indebtedness which may be recorded when due and offset by interest earnings on special assessment levies; and (5) principal and interest on long-term debt which are generally recognized when due.
**Project:** an activity that usually has a given time period for its accomplishment and whose costs are generally reimbursed by the state or federal government.

**Property Tax Revenue:** revenue from a tax levied on the equalized assessed value of real property.

**Proposed Budget:** financial plan presented by the Chief Executive Officer for consideration by the Chicago Board of Education.

**P.A. 87-17:** Property Tax Extension Limitation Law that imposed tax caps in Lake County, Will County, DuPage County, McHenry County, and Kane County and the prior year’s EAV on Cook County.

**P.A. 88-593:** Public Act that requires all five state pension funds and the Chicago Teacher Pension Fund to reach 90% funding by the year 2045.

**P.A. 89-1:** The property-tax cap imposed by Illinois Public Act 89-1 limits the annual growth in total property-tax extensions in the operating funds to either 5% or the percentage increase in the Consumer Price Index (CPI), whichever is less. In addition to using the tax cap, the Board is required to apply prior-year EAV to calculate the legally allowable levy increase into the Education Fund. The most that can be raised is the maximum tax rate multiplied by the prior-year EAV for all property currently in the district. The property-tax cap, combined with statutory property-tax rates and the use of the prior-year EAV, restricts the growth in property-tax revenues.

**P.A. 89-15:** Recent Public Act that changed the financial structure of the Chicago Board of Education.

**Public Hearing:** portions of open meetings held to present evidence and provide information on an issue.

**Public Building Commission (PBC):** municipal corporation from which local government taxing authorities lease facilities. The PBC issues bonds, acquires land, and contracts for construction for capital projects of other local governments associated with the facilities that are being leased. Annual payments on these leases are included in the local government’s tax extensions. The Chicago Board of Education is currently leasing many facilities from the Chicago Public Building Commission.

**Public Building Commission Lease/Rent Fund:** debt service fund for the receipt and disbursement of the proceeds of an annual tax levy for the rental of school buildings from the PBC. Most of the rental payment is used by the PBC to make debt service payments on revenue bonds that were issued to finance capital projects in the schools that are leased from the PBC.
Public Building Commission Operation and Maintenance Fund: fund for the receipt and disbursement of the proceeds of an annual tax levy for operation and maintenance of buildings leased from the PBC.

Prior Year's EAV: provision of P.A. 87-17 that requires that extension limits for rate limited funds for Cook County governments be determined using the EAV one-year prior to the year of the levy.

Rate Limited Fund: fund to account for the accumulation and use of revenue generated by a rate limited tax levy. P.A. 89-15 collapsed all of the Board’s rate limited funds into the Education Fund as of FY1996.

Reserve: account used to indicate that a portion of a fund balance is restricted for a specific purpose, or an account used to earmark a portion of a fund balance to indicate that it is not available for expenditure. A reserve may also be an account used to earmark a portion of fund balance as legally segregated for a specific future use.

Revenue Bonds: bonds whose principal and interest are payable exclusively from a revenue source pledged as the payment source before issuance.

Special Revenue Funds: a fund used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditures for specific purposes.

State Aid Pension Revenue: revenue from an annual state appropriation to fund a portion of the employer contribution to the Chicago Teachers’ Pension fund.

Sundry Charges: includes items that are not in the supply or maintenance category. These charges may be for services provided by private business organizations, by public utilities, for contract labor, for outside consultants, payment of claims and damages against the system, or services provided by some other department or activity.

Supplemental General State Aid Fund (formerly State Chapter I): fund for the receipt and disbursement of Supplemental General State Aid.

Supplemental General State Aid Revenue (formerly State Chapter I): portion of general state aid that the Chicago Board of Education receives that is attributable to the number of low-income children in the school district and must be used to supplement and not supplant the basic programs of the district.

Tax Base: the total value of all taxable real and personal property in the City as of January 1 of each year, as certified by the Appraisal Review Board. The tax base represents net value after all exemptions.
**Multiplier:** see Equalization Factor.

**No Child Left Behind Act:** On January 8, 2002, President Bush signed into law the No Child Left Behind Act of 2001. This law provides for the most significant reform to the Elementary and Secondary Education Act (ESEA) since its inception in 1965. Under the new law, States and school districts are required to develop strong accountability systems based on student performance and to test students in grades 3-8 on reading, math, and eventually science. Each State, school district, and school will be expected to make adequate yearly progress toward meeting State standards. Parents of children in failing schools have the option to transfer their child to a better performing school and/or obtain supplemental services such as tutoring paid for by Federal Title I funds. The new law also gives States and school districts increased local control and flexibility in the use of Federal education funds.

**Object:** specific nature or purpose of an expenditure. Object codes are common across all units, programs, and projects. Examples of objects include professional services and teacher salaries.

**Operating Budget:** financial plan outlining estimated revenues, expenditures, and other information for a specified period (usually a fiscal year).

**Operating Expenses:** proprietary fund expenses that are directly related to the fund’s primary service activities.

**Operating Expense Per Pupil:** gross operating cost of a school district (excludes summer school, adult education, bond principal retired, and capital expenditures) divided by the average daily attendance for the regular school term.

**Operations & Maintenance (O&M):** represents the portion of taxes assessed for the maintenance and operations of the system’s facilities. The O&M fund of the Public Building Commission covers O&M expenses for buildings leased by the school system from the Commission.

**Penalty Date:** date by which property tax bills are payable. In Cook County the penalty date for first-half tax bills is normally March 1, and the penalty date for second-half tax bills is August 1, but is usually delayed to September 1.

**Performance Measures:** specific measures of the workload and key outcomes of each department. These provide information about how effective and efficient the department is operating.

**Program:** instructional or functional activity.

**Program Description:** describes the nature of service delivery provided at this level of funding. The description includes department/bureau mission, goals, accomplishments, and performance measures, as well as total expenditures and staff counts.
**Tax Caps:** abbreviated method of referring to the tax increase limitations imposed by the Property Tax Extension Limitation Law (P.A. 87-17), which became effective October 1, 1991.

**Tax Rate:** amount of a tax stated in terms of a percentage of the tax base.

**Tax Rate Limit:** maximum tax rate that a county clerk can extend for a particular levy. Not all tax levies have a tax rate limit.

**Tax Roll:** official list showing the amount of taxes levied against each taxpayer or property in the county.

**Turnover:** anticipated savings resulting from the delay in staffing new positions and those positions that become vacant during the course of the school year.

**Unit:** each School, Central Office department, Area Office, or other special operating entity represented by a four-digit number. Examples of units include the Department of Human Resources and DuSable High School.

**Unlimited Fund:** a fund to account for the accumulation and use of revenue generated by a tax levy that is unlimited but which can be used only for specific purposes (e.g., PBC Operations and Maintenance Fund, Tort Liability Fund, Medicare Fund).

**Worker’s and Unemployment Compensation-Tort Immunity Fund:** a fund for the receipt and disbursement of the annual tax levy proceeds for the payment of Workers’ Compensation claims, Unemployment Compensation claims, Tort Liability expenses, loss prevention activities, and associated administrative expenses.