

Budget Surplus Explained

This document presents the rationale behind the need for the Timberlane School system to operate with a budget surplus at the end of the school year. We have all had to personally budget for something during our lives (e.g. a vacation, a home, college expenses, etc.) What are the consequences if we exceed our budgeted amount? Maybe we scrimp for a few months. Maybe we take out a loan. Unfortunately, the school system cannot, under any circumstances, spend more than the budgeted amount. Nix. Nada. Never!

So now let's plan our next vacation using this strategy. We will drive to California and back. To create the budget, we can plan so much for food, gas, hotels, entertainment, etc. Knowing that we cannot exceed our spending limit, we may pad these numbers a little bit, especially, if the trip is 1.5 years away (like some line items on the school system budget). Let's face it, who can predict the cost of gas that far into the future?

Now the budget is agreed among all those going on the trip. It's time to pack up the kids, the dog, etc. and begin the vacation. As you start out, maybe the cost of gas is lower than what you planned. You are now operating with a surplus. You could spend that extra savings on that all-you-can-eat chocolate buffet you saw advertised on a billboard a few miles back or you could save the surplus in case gas gets more expensive as you go west. And then, while letting the dog out at a rest stop in Wyoming, it tries to make friends with a porcupine. You now have an unplanned emergency vet bill to remove the quills. Hopefully, you didn't go for the chocolate, or you added some money to the budget for unplanned events. At this time, you may be operating at a deficit. Re-planning is needed. Prudent budgeting anticipates some level of unplanned expenses. If no unplanned events happen, this will contribute to a surplus at the end of your trip.

It's now time to say goodbye to Mickey and his friends and head home. Did you leave only enough money in the trip account to pay for the anticipated gas, food and lodging or did you leave some cushion. Remember, you CANNOT exceed your budget. Period! Prudent behavior still keeps some money in reserve. Maybe the dog will encounter a skunk or the fan belt may break. As you get closer to home, the amount of uncertainty diminishes. The same is true as the school reaches the end of the school year. How do you behave? Do you start spending the excess or do you plan to arrive home with a surplus? I think we should applaud the school system for not going on a spending spree near the end of the school year and instead, behaving rationally and responsibly and leaving the surplus intact to help offset the following year's budget.

from Mr. Blair
at 11/26/2013 mtg.