School Finance 101

Where the Money Comes From, Where It Goes, and Why It Matters

School Finance Can Be Confusing

“My property taxes went up, so schools must have more money.”

“You have a fund balance – why not spend it?”

“You have a bond – why is your operating budget still tight?”

“Why can’t you use that grant money for something else?”

Today We'll Cover

- How Michigan school funding works
- What determines how much revenue a district gets
- Where the money goes
- Why different pots of money cannot always be mixed
- Answers to common school finance questions

How Michigan Schools Are Funded

Enrollment
x
Foundation Allowance
=
Core Revenue

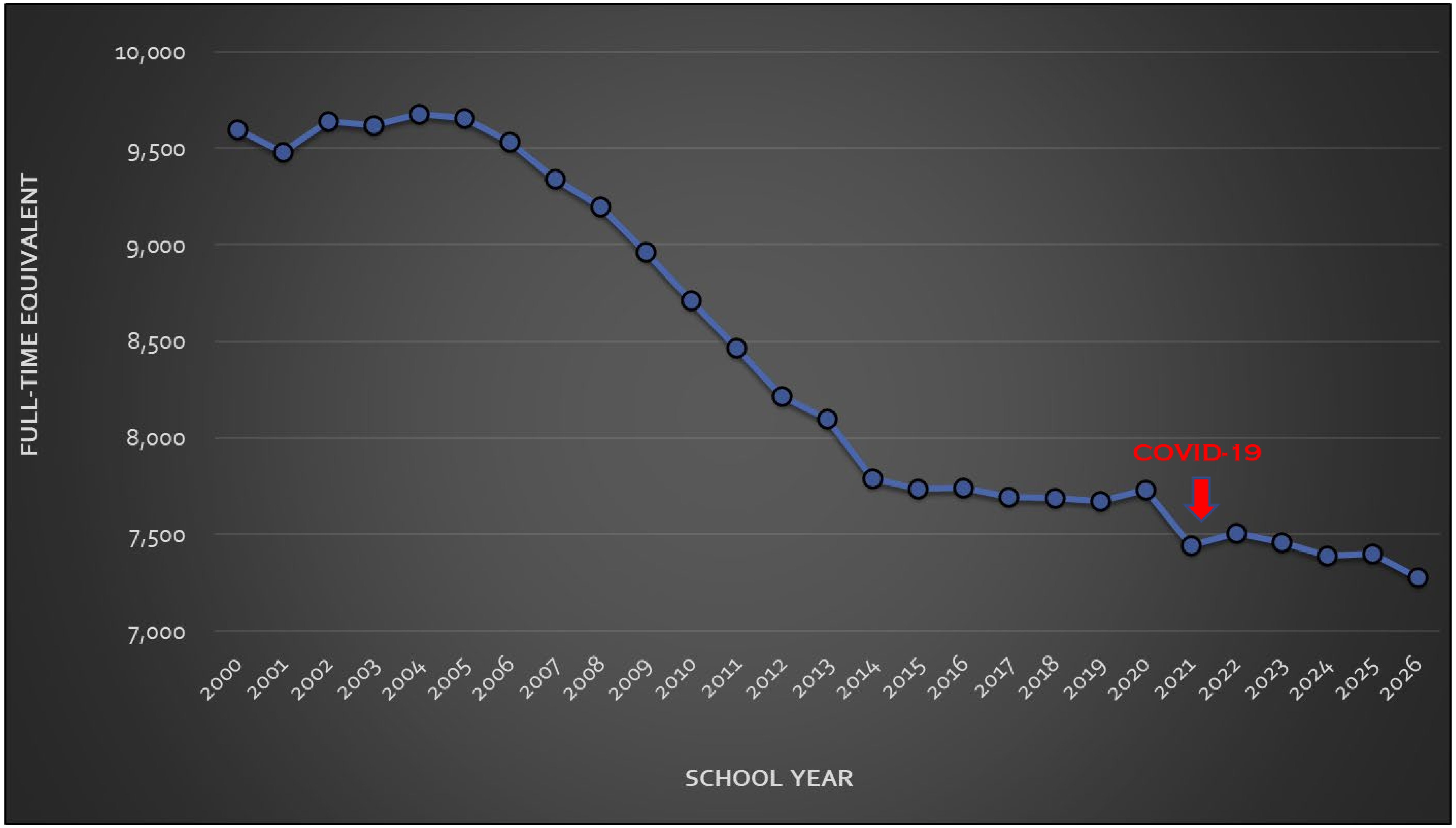
- Proposal A (1994) created per - pupil system
- Majority of funding is state - driven
- Local 18 - mill non - homestead levy required for full funding

The state **<u>will not</u>** make up revenues that are not collected via a non-homestead millage.

Enrollment is the starting point for understanding Michigan school funding.

Why Enrollment Matters So Much

When enrollment falls, revenue falls relatively quickly. Expenses often cannot fall at the same pace.



100 fewer students = $1.03 million less revenue

Not All Dollars Are The Same

General Fund

Foundation allowance
Local operating funds
Some unrestricted state revenue

Used for: salaries, benefits, utilities, transportation, supplies, etc.

Must be used for a defined purpose

Special Education funding
At-risk funding
Safety & mental health grants

Used only for: the program or purpose attached to the funding

Must be used for eligible capital funding

Bond proceeds
Sinking fund
Certain capital grants

Used for: facilities, infrastructure, equipment, and other legally eligible expenditures

Having money is different from having money available for any purpose.

Different Funds Have Different Jobs

General Fund

Day-to-day operations

Examples: staff, classrooms, transportation, utilities

Generally most flexible

Food Service Fund

School meal program

Examples: food, cafeteria staff, kitchen equipment

Restricted to food service

Sinking Fund/ Capital Projects Fund

Facilities and eligible capital work

Examples: roofs, HVAC, safety, infrastructure

Restricted by law

Debt Service/ Bond Fund

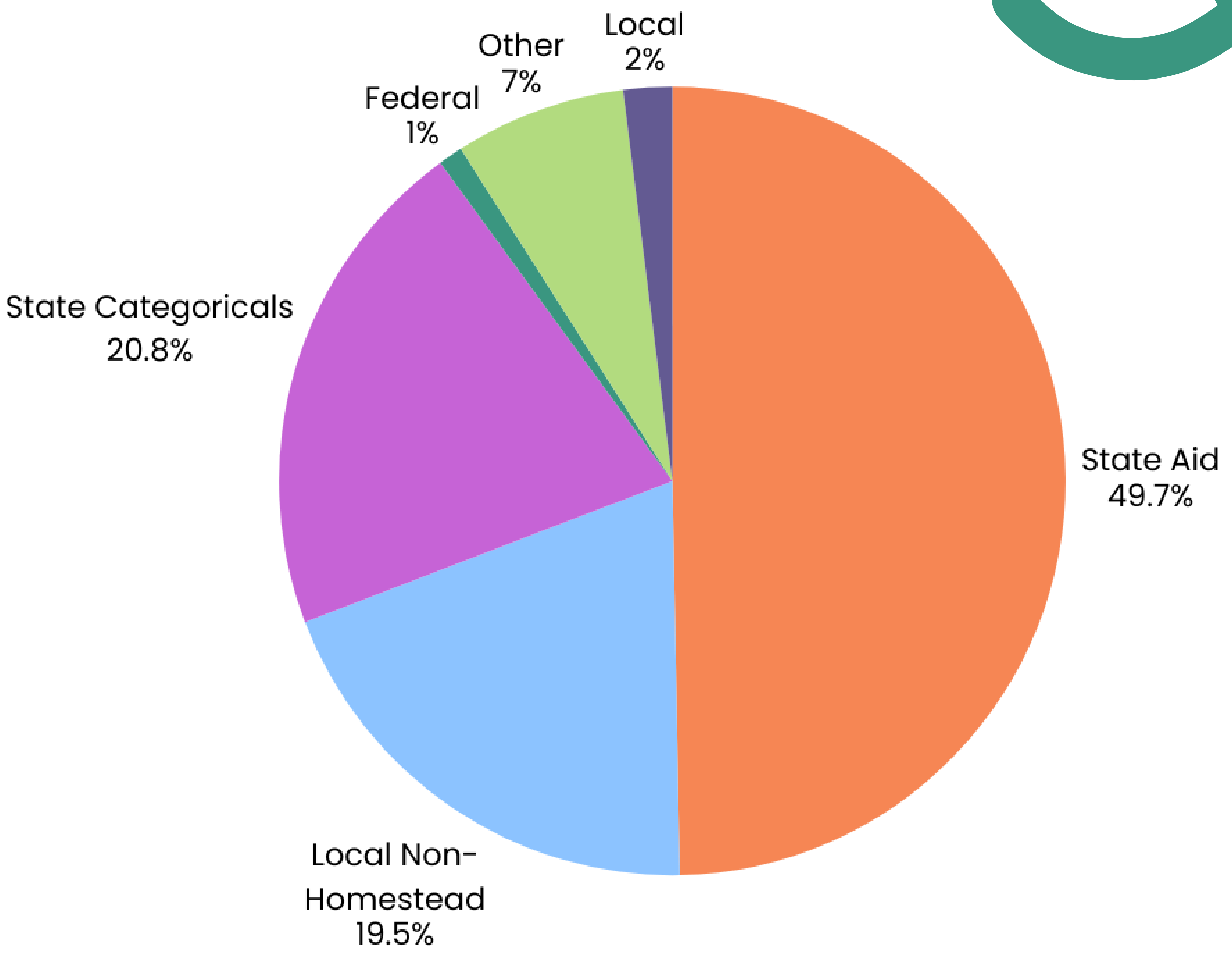
Repays voter-approved debt

Examples: principal and interest payments

Cannot fund operations

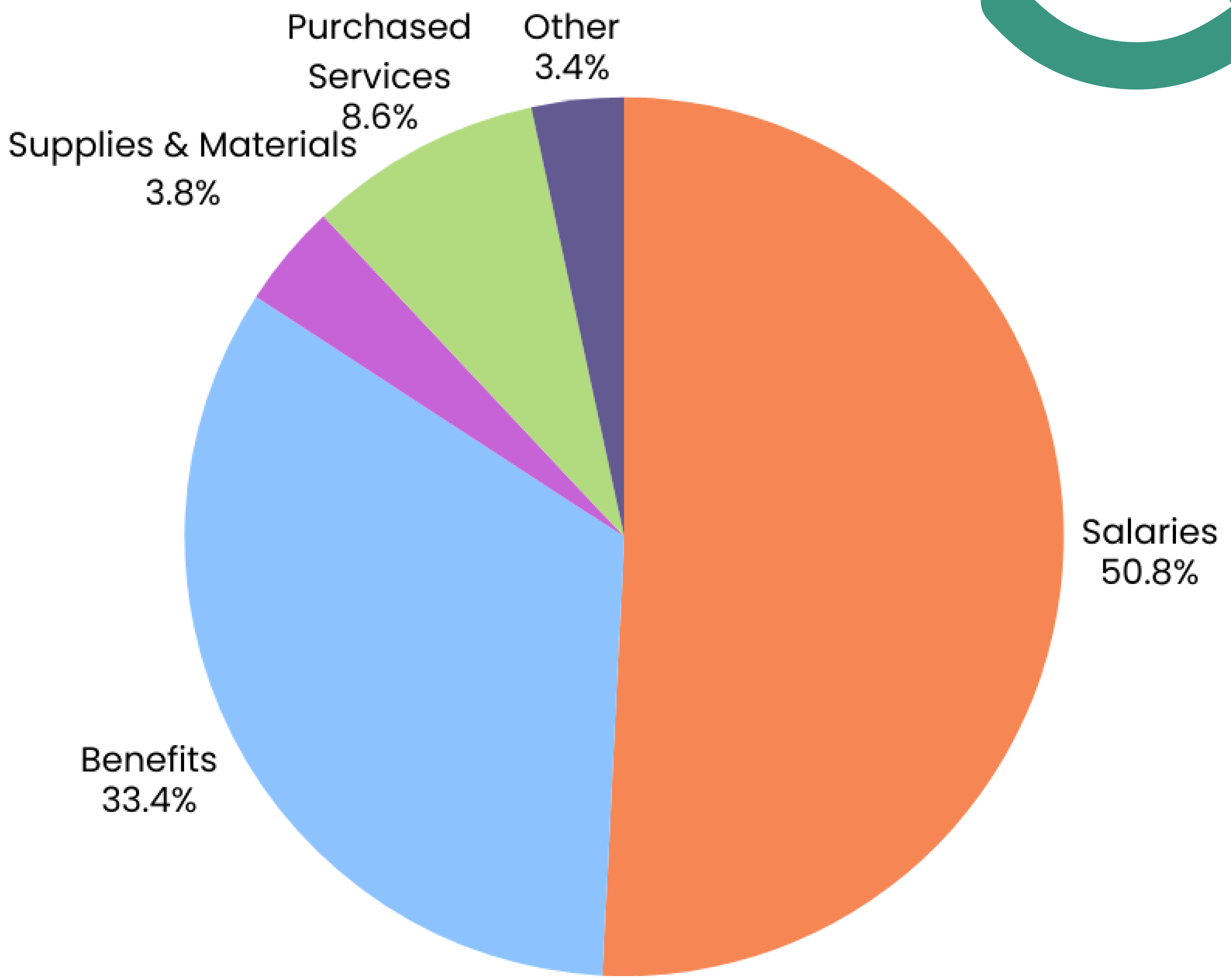
Each fund has a specific purpose, and dollars generally cannot simply move between them.

Where General Fund Revenue Comes From



The General Fund is the primary source for day-to-day district operations.

General Fund Breakdown



More than 8 out of every 10 General Fund dollars support people.

Why Revenue Changes Can Be Difficult To Absorb

Revenue can change quickly

- Enrollment declines
- State funding decisions
- Grant expiration
- One-time funding ends

But many costs remain

- Buildings still operate
- Buses still run
- Staffing changes take time
- Utilities, insurance, and maintenance continue

Revenue can change faster than costs can adjust.

Why “More Funding” Doesn’t Always Mean More Flexible Money

Funding is awarded → **Funding comes with rules** → **Funding may not continue**

Funding is awarded

Examples:
- State categorical aid
- Federal grants
- Competitive grants
- One-time appropriations

Funding comes with rules

- Must be used for a defined purpose
- May require specific eligible expenses
- May have reporting requirements
- May be reimbursement-based
- May expire after a set period

Funding may not continue

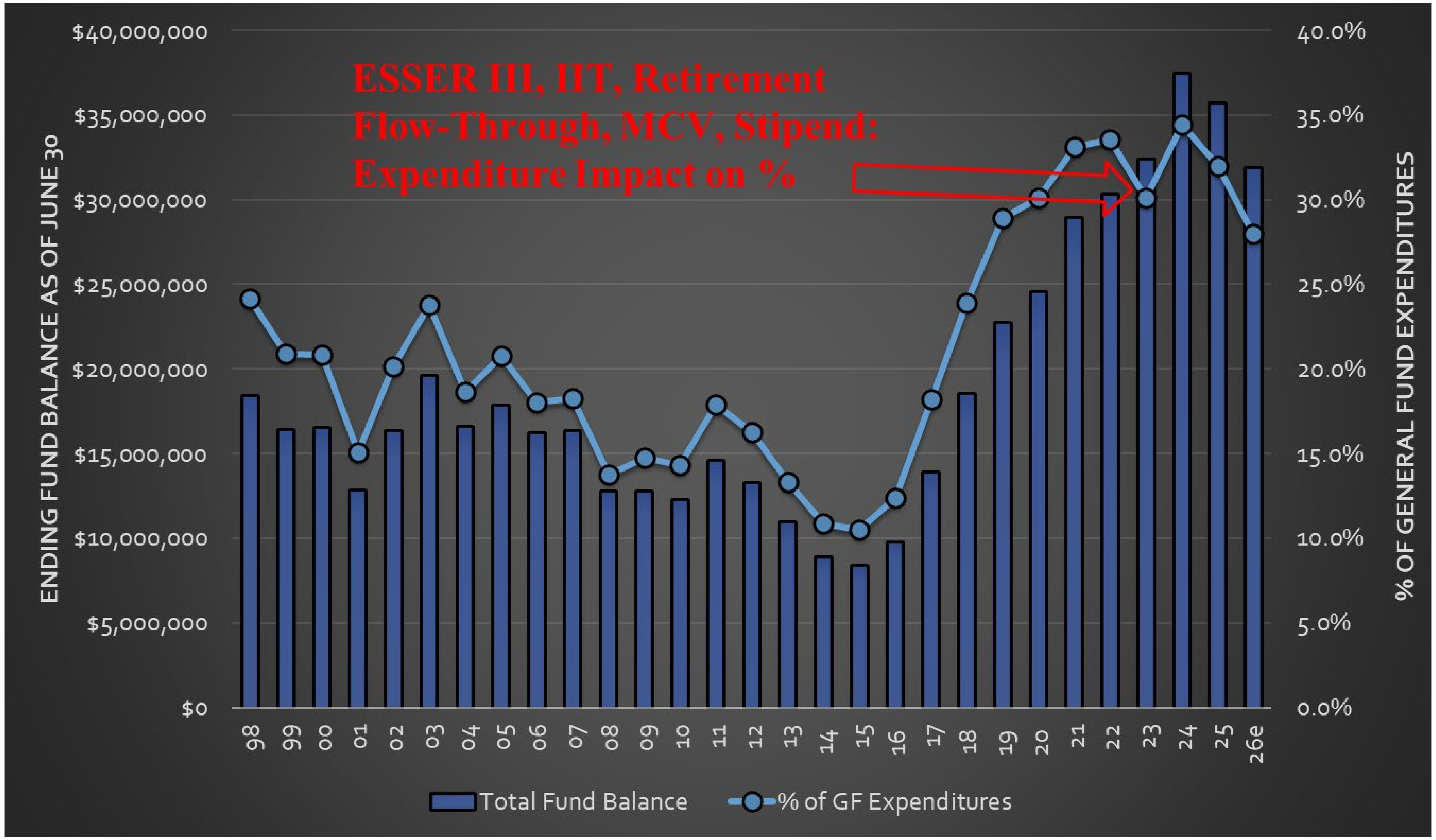
- Some funding is one-time
- Some changes annually through the state budget
- Temporary funding should be used carefully for recurring costs

A district can receive additional funding and still have pressure in its General Fund.

Fund Balance – What It Is And What It Isn't

Savings ≠ Recurring Revenue

Fund balance is the district's financial reserve, not an annual revenue source.



Using savings to pay ongoing expenses only postpones the problem.

Financial Accountability & Transparency

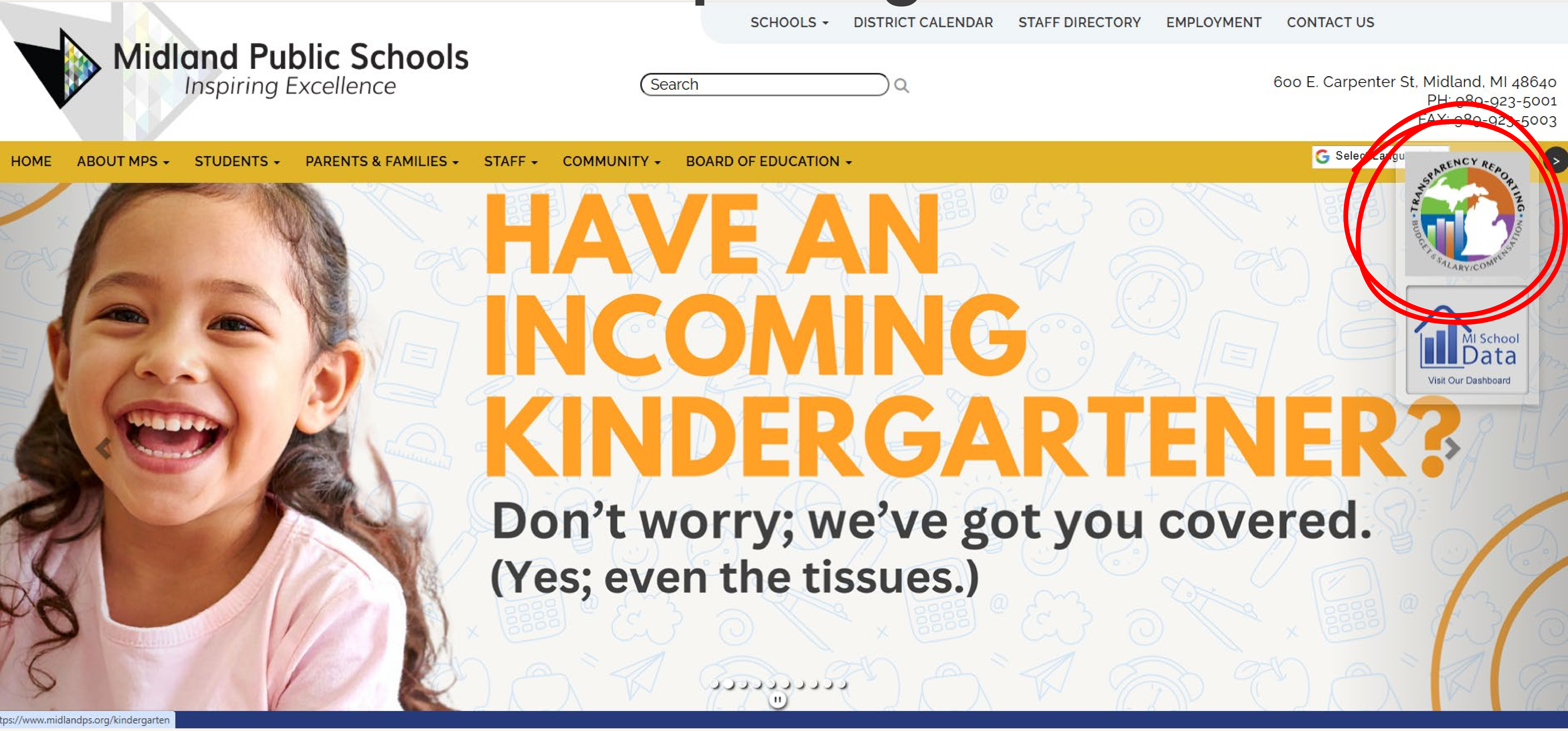
Annual independent audit has resulted in clean audit opinions

Public budget & financial reporting

State - mandated transparency requirements

Public school finances are independently audited and publicly reported.

Where to Find Transparency Reporting



Documents Included in Transparency Reporting

– Budget and Salary / Compensation Transparency Reporting

- Fiscal Year 2025-2026 Board Approved Budget
- Fiscal Year 2024-2025 Board Approved Budget
- Fiscal Year 2023-2024 Board Approved Budget
- Fiscal Year 2022-2023 Board Approved Budget
- Fiscal Year 2021-2022 Board Approved Budget
- Fiscal Year 2020-2021 Board Approved Budget
- Fiscal Year 2019-2020 Board Approved Budget
- Fiscal Year 2018-2019 Board Approved Budget
- Personnel Expenditures
- Current Operating Expenditures
- Current Bargaining Agreements
- Employer Sponsored Health Care Plans
- Audited Financial Statements
- Medical Benefit Plan Bids
- Procurement Policy
- Expense Reimbursement Policy
- Accounts Payable Check Register
- Employee Compensation Information
- District Paid Association Dues
- District Paid Lobbying Costs
- Approved Deficit Elimination Plan
- District Credit Card Information
- District Paid Out-of-State Travel Information
- COVID-19 Reconfirmation of Extended Learning Plan
- COVID-19 Information
- 23g MI Kids Back on Track
- MI School Data
- Educator Evaluation Systems Postings and Assurances

When someone asks…

“Can bond/sinking fund money be used for salaries?”
No, those funds are legally restricted to specific capital purposes.

“Why does enrollment matter so much?”
A significant portion of operating revenue is tied to the number of students served.

“Why have a fund balance?”
Reserves help manage cash flow, unexpected costs, and short-term financial changes.

“If the district received a grant, why is the budget still tight?”
Grants are often restricted or temporary and may not be available for regular operating expenses

What We Want Our Community to Understand About School Finance

Most school operating revenue is driven by enrollment.

Most operating dollars support people and programs.

Not all dollars can be used for all purposes.

One - time money does not solve ongoing financial challenges.

Strong financial stewardship means planning beyond one year.

HOMEWORK TIME!

Your task:

- Visit the MPS Transparency website
- Share it with one person
- Bring to September class one example of school funding misinformation you heard & how you think we can help correct it!

midlandps.org/transparencydashboard ›

Next Meeting

- Wednesday, September 23 • 6 – 7 p.m.
Central Park Elementary
1400 Rodd Street
(Tour after session!)