



# Board of Directors Professional Development **Budget and Finance**



THE  
CHARTER  
COLLABORATIVE

SAGINAW VALLEY STATE UNIVERSITY

*advancing public education through charter school partnerships*

# TOPICS

- **Key Definitions**
- **Michigan Budget and School Funding**
- **Financial Statement Review**
- **Cash Flow Statement Review**
- **Borrowing**
- **Budget Process**
- **Budget Hearings**
- **Purchasing**

# KEY DEFINITIONS

**Budget:** A plan developed by an organization that reflects how much funding is expected to be received and how that funding is to be expended or spent.

**Fund:** A term typically used in government and can be described as a self-balancing set of revenues, expenditures, and fund balance or (surplus). A fund also typically has its own assets and liabilities.

**Student Foundation Grant:** In simple terms, this is the amount of funding or revenue per-student provided to each school district for general education funding. The State determines this amount through its annual State budget process.

**Categorical Funding:** These are State grant funds awarded to schools for specifically designed purposes that are outlined in the State Aid Act or other state law. These funds have specific requirements and criteria, separate reporting, and some may require schools to submit competitive applications. Categorical grants can vary in length depending on the desire of the governor and legislators through the budget process.

**Blended Student Membership Count:** School districts receive general education State Aid funding based on; **the total number of students x the Student Foundation Grant (per student)**. This amount equals the Total Student Foundation Revenue. The state bases the official student count on a weighting (blending) of two main student counts each school year; the first Wednesday in October and the second Wednesday in February. The weighting formula can change from year-to-year.

**Fund Balance:** The accumulated net worth of a governmental entity after subtracting total liabilities from total assets. This is not necessarily the same as remaining cash.

# MICHIGAN BUDGET AND SCHOOL FUNDING

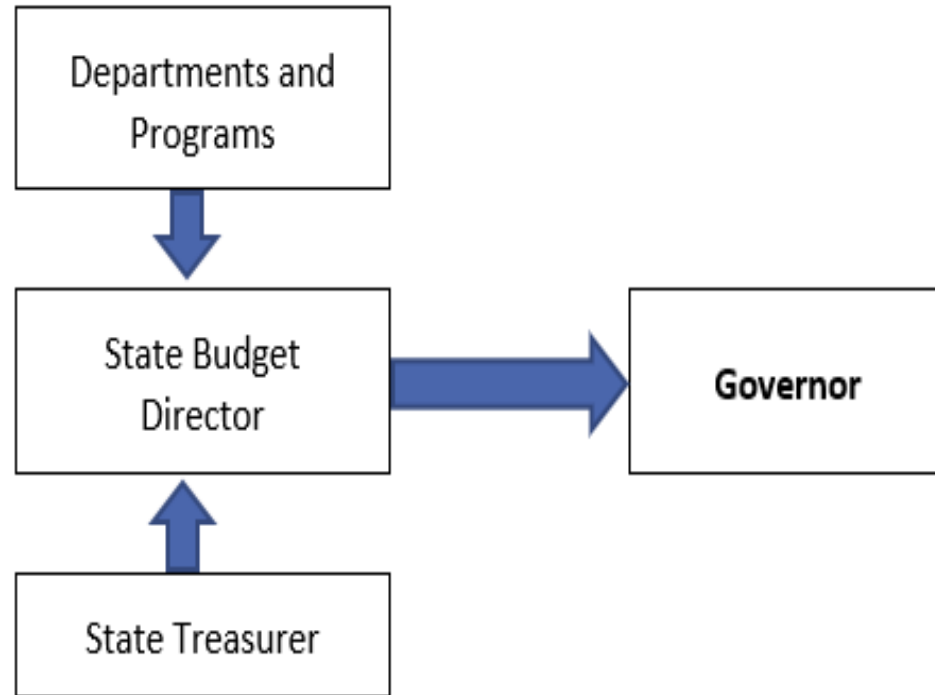
**The major steps of the State budget process are:**

- Consensus Revenue Estimating Conference – January
- Governor State-of-the-State – Late January or early February
- Governor unveils budget to a joint legislative session – February
- House and Senate divide budget bills and send to appropriation committees – February
- Appropriation committees develop budget bills with help from House/Senate Fiscal Agencies, other information, testimony, etc. – February-June
- Appropriation committees vote bills out to House and Senate – February-June
- Consensus Revenue Estimating Conference – May
- House and Senate approve versions of budget bills, reconcile and send to Governor for approval – May-June, and sometimes further.
- State budget must be approved by September 30. Governor has line-item veto power.

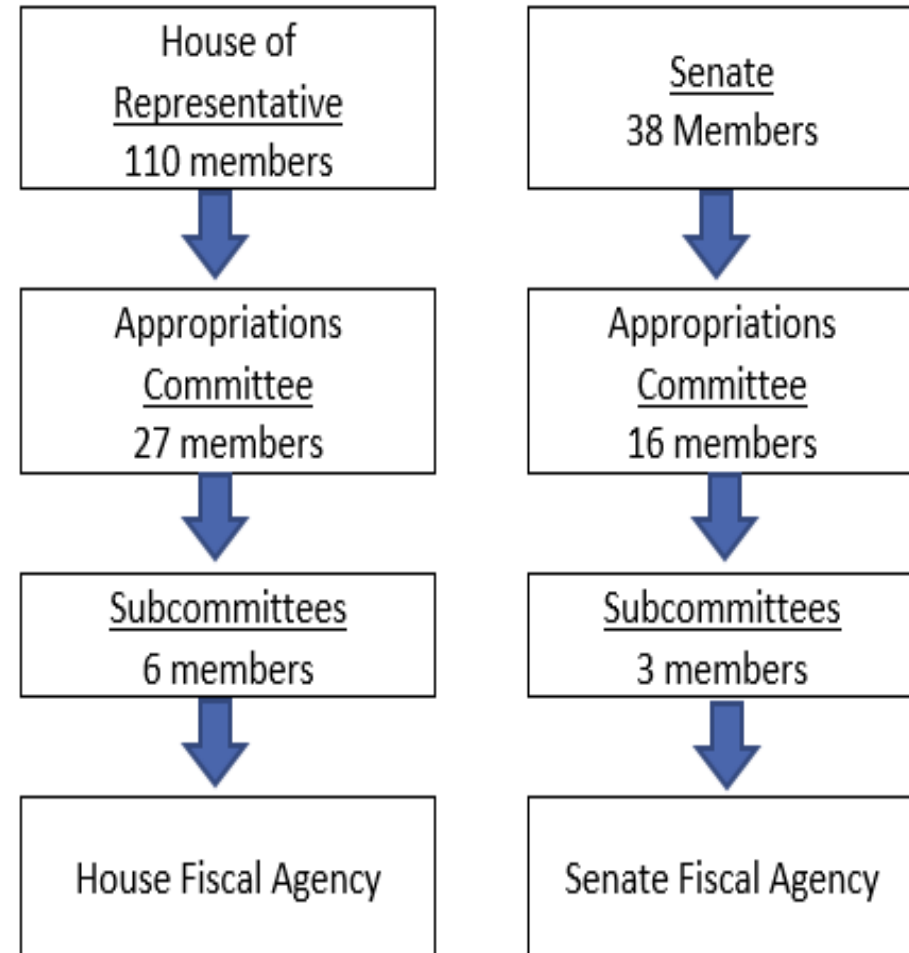
# MICHIGAN BUDGET AND SCHOOL FUNDING

## STRUCTURE OF MICHIGAN GOVERNMENT FOR BUDGET PROCESS

### Executive Branch

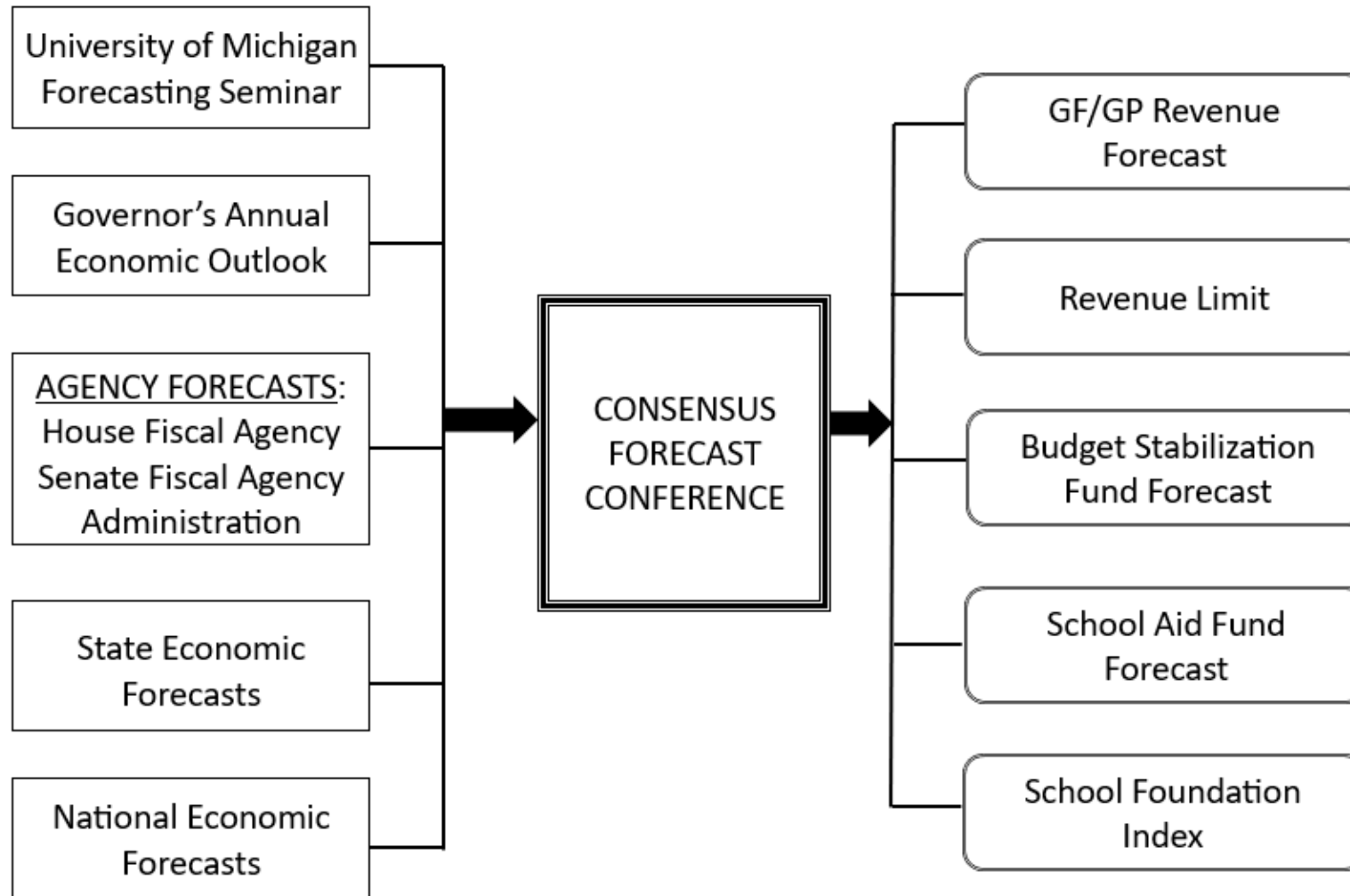


### Legislative Branch



# MICHIGAN BUDGET AND SCHOOL FUNDING

## Economic and Revenue Forecast: State Consensus



# STATE BUDGET INFORMATION

The FY25 State budget totals \$81.2 billion. There are 3 main revenue pots that fund the budget: State Aid from State Sources totaling \$18.1 billion plus Federal Sources of \$2.7 billion, State General Fund Discretionary Funding totaling \$14.8 billion, and Other Funds that are primarily Restricted Funds from Federal/State sources totaling \$45.6 billion.

**School Aid  
(State/Federal)**



**\$ 20.8 BILLION**

**General Fund /  
General Purpose**



**\$ 14.8 BILLION**

**Other State/Federal  
Restricted**



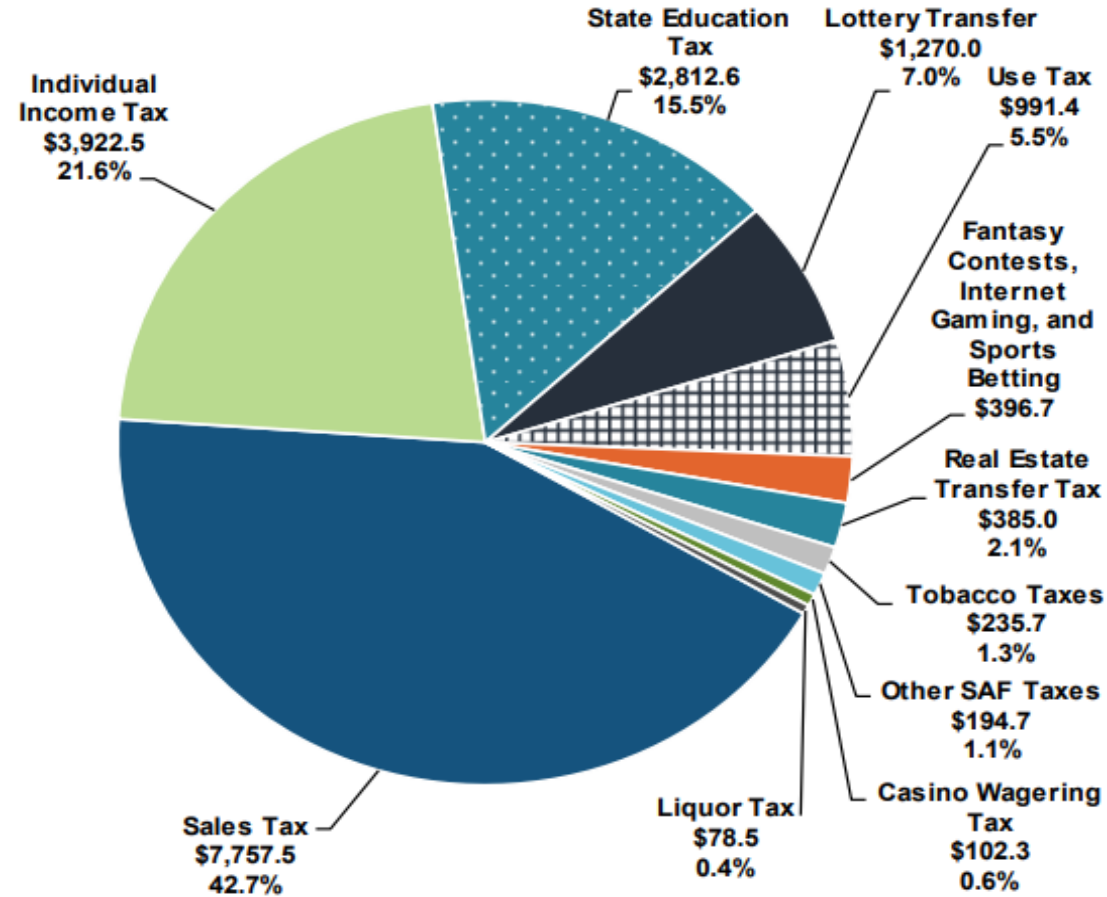
**\$ 45.6 BILLION**



**STATE OF MICHIGAN  
SCHOOL AID FUND TAX AND LOTTERY REVENUE  
BY SOURCE  
ESTIMATED FY 2024-25**

**TOTAL RESOURCES: \$18,146.9 MILLION**

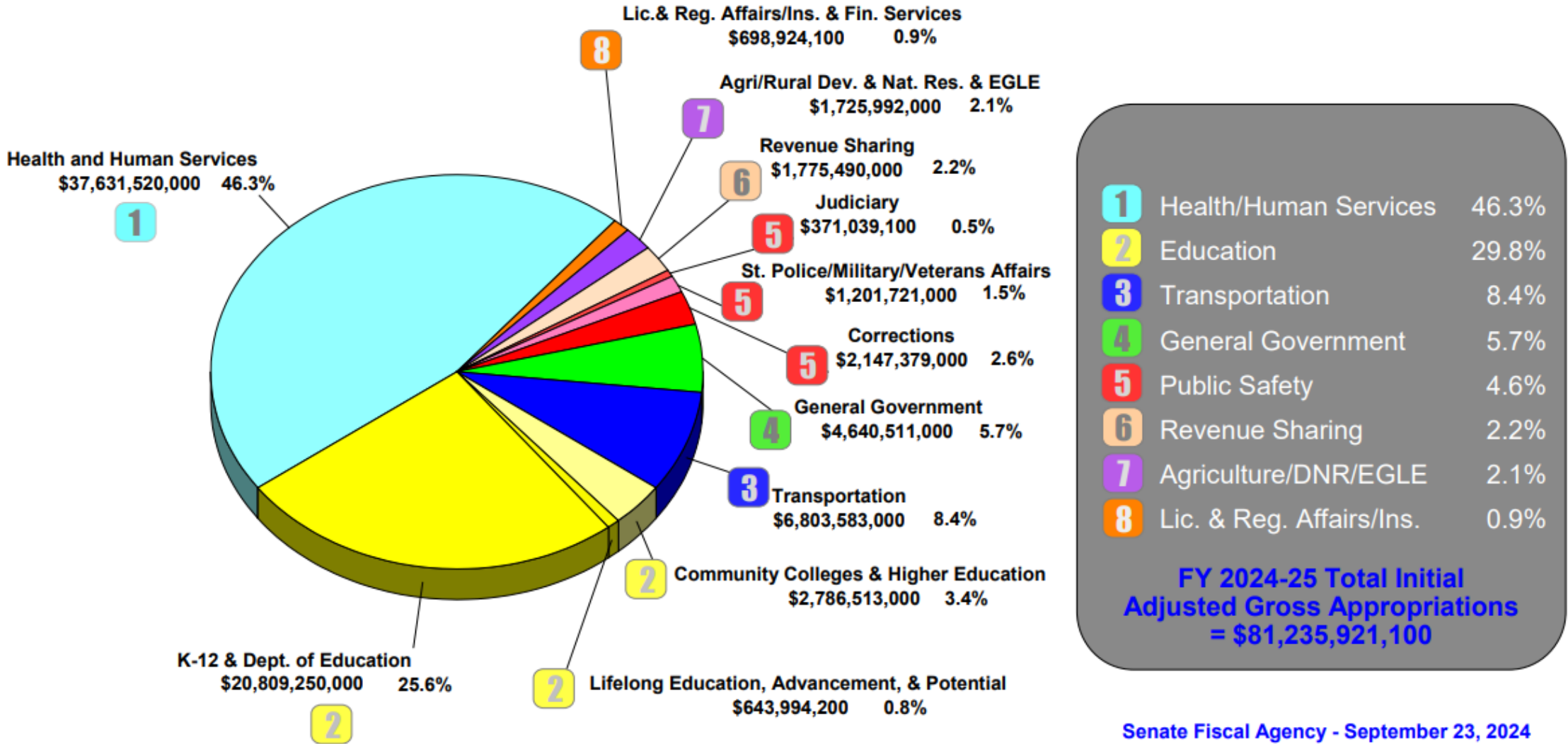
(Chart dollars in millions)





# Where State of Michigan Tax Dollars Are Spent

## Fiscal Year 2024-25 Initial Adjusted Gross Appropriations



# MICHIGAN BUDGET AND SCHOOL FUNDING

Table 2: History of Foundation Allowance Growth

Fiscal Year	Minimum	Basic/Target	State Max	Change in Minimum	Change in Basic/Target & State Max	Difference Between Minimum & State Max
1994-95	\$4,200	\$5,000	\$6,500	NA	NA	\$2,300
1995-96	\$4,506	\$5,153	\$6,653	\$306	\$153	\$2,147
1996-97	\$4,816	\$5,308	\$6,808	\$310	\$155	\$1,992
1997-98	\$5,124	\$5,462	\$6,962	\$308	\$154	\$1,838
1998-99	\$5,170	\$5,462	\$6,962	\$46	\$0	\$1,792
1999-00	\$5,700	\$5,700	\$7,200	\$530	\$238	\$1,500
2000-01	\$6,000	\$6,000	\$7,500	\$300	\$300	\$1,500
2001-02. <sup>1</sup>	\$6,500	\$6,500	\$7,800	\$500	\$300	\$1,300
2002-03	\$6,700	\$6,700	\$8,000	\$200	\$200	\$1,300
2003-04	\$6,700	\$6,700	\$8,000	\$0	\$0	\$1,300
2004-05	\$6,700	\$6,700	\$8,000	\$0	\$0	\$1,300
2005-06	\$6,875	\$6,875	\$8,175	\$175	\$175	\$1,300
2006-07. <sup>2</sup>	\$7,108	\$7,108	\$8,385	\$233	\$210	\$1,277
2007-08. <sup>3</sup>	\$7,204	\$8,433	\$8,433	\$96	\$48	\$1,229
2008-09	\$7,316	\$8,489	\$8,489	\$112	\$56	\$1,173
2009-10. <sup>4</sup>	\$7,316	\$8,489	\$8,489	\$0	\$0	\$1,173
2010-11. <sup>5</sup>	\$7,316	\$8,489	\$8,489	\$0	\$0	\$1,173
2011-12	\$6,846	\$8,019	\$8,019	(\$470)	(\$470)	\$1,173
2012-13	\$6,966	\$8,019	\$8,019	\$120	\$0	\$1,053
2013-14. <sup>6</sup>	\$7,076	\$8,049	\$8,049	\$110	\$30	\$973
2014-15. <sup>7</sup>	\$7,251	\$8,099	\$8,099	\$175	\$50	\$848
2015-16	\$7,391	\$8,169	\$8,169	\$140	\$70	\$778
2016-17	\$7,511	\$8,229	\$8,229	\$120	\$60	\$718
2017-18	\$7,631	\$8,289	\$8,289	\$120	\$60	\$658
2018-19	\$7,871	\$8,409	\$8,409	\$240	\$120	\$538
2019-20	\$8,111	\$8,529	\$8,529	\$240	\$120	\$418
2020-21 <sup>8</sup>	\$8,111	\$8,529	\$8,529	\$0	\$0	\$418
2021-22	\$8,700	\$8,700	\$8,700	\$589	\$171	\$0
2022-23	NA	\$9,150	NA	NA	\$450	NA
2023-24 <sup>9</sup>	NA	\$9,608	NA	NA	\$458	NA

For 2024-25 Traditional Public Schools maintain foundation grant at \$9,608 but receive increases through a reduction of retirement costs based on a district-by-district basis. Charter Schools' foundation grant was also set at \$9,608 and their increase came through a categorical budget line item. While there are differences in total per-student funding between traditional and charter schools, the increases typically range between \$350-\$400 per student over the \$9,608 base.

# FINANCIAL STATEMENT REVIEW

- A complete set of monthly financial reports should be presented to and **APPROVED** by the **FULL** board of directors each month. If a meeting must be cancelled or re-scheduled, this can be completed at that time.
- Administration should summarize financial reports at the board meetings for board members, staff, and community.
- SVSU requires the following financial documents to be provided and approved:
  - ✓ Budget to actual monthly and year-to-date revenues, expenditures, and fund balance.
  - ✓ Check register – All disbursements **MUST** be formally approved by the full board of directors.
  - ✓ Statement of Cash Flow (general fund only) that reflects actual up-to-date revenues, expenditures, and cash balance **AND** estimated monthly cash flow moving forward. It is recommended that cash flows reflect actual and projected activity for 15 months minimum. This helps prevent unexpected cash flow shortages particularly towards the end of one school year and the first few months of the new school year.
- In addition, the board may ask for additional reports as desired, such as a monthly state aid report, aging accounts payable summary, or balance sheet.

# FINANCIAL STATEMENT REVIEW-MONTHLY FINANCIALS

- Financial Statements are difficult to read for the average person WITHOUT explanations because the departments and descriptions are not always clear. Be sure that someone from administration presents monthly financial reports to the board and has the knowledge to answer questions about these reports.
- It is important that the board and administration have a strong credit card policy and that all credit card purchase are reviewed and that purchase receipts are maintained and clearly indicate what was purchased in order to maintain strong fiscal control in this area. The board should also be able to review those expenditures if they so desire with a credit card statement or summary provided.
- Electronic payments are disbursements and as such should also be provided to and approved by the board.

# FINANCIAL STATEMENT REVIEW

- At board meetings, approval of monthly finances must include but is not limited to:
  - ✓ Monthly financial statements
  - ✓ Updated cash flow
  - ✓ Monthly check register (should also include electronic payments and credit cards)
- Related to Check/Disbursement Registers – School boards can approve monthly check registers:
  - ✓ Prior to the issuance of checks. This may slow down check processing depending on when bills are due and when board meetings occur OR
  - ✓ After the issuance of checks at the next board meeting which is the typical practice as this does not hinder the ability to pay bills timely.

# FINANCIAL STATEMENT REVIEW

## What is a good fund balance?

- **Auditors** – will tell you it depends on what the board and administration are comfortable with but ideal would be 15%.
- **State** – Anything over 5% BUT STABILITY MATTERS TOO!!
- **To Avoid Borrowing** – Depends. May be between 15%- 20% depending on factors.
- **My advice** – A blend of all of the above depending on what the board and administration believes is appropriate and still be able to provide students with programs and services that meet their needs and the goals of the school.
- **REMEMBER** - Fund balance % or \$ amount is only one STATIC data point. Equally as important is the trend of fund balance up or down.

# FINANCIAL STATEMENT REVIEW

There is a distinct difference between approval and accept. Boards exert decision-making control through the approval process. Boards do not or cannot exert decision-making control by “accepting.”

## EXAMPLES:

1. School Boards approve financial statements and check registers. This is a fundamental responsibility of budget oversight and expenditure control. In other words, a board can determine what is or is not spent or where resources are directed.
2. School boards also approve hiring an auditing firm to conduct the State required annual audit. The approval is actually the purchase of a service. On the other hand, the board has no say in the audit report and findings. Therefore, this would be a situation of “acceptance.”



# FINANCIAL STATEMENT REVIEW

- The State of Michigan permits budget revisions. Revisions should be done at least once each year to adjust for actual or expected changes in revenues and expenditures.
- Best practice is to complete revisions within a reasonable time depending on the school year. Timely budget adjustments allow for appropriate control of resources and adjust planning based on up-to-date information. EXAMPLE: Making major revisions near the end of the school year is not reflective of healthy planning and operational control.
- Best practice for effective budget and budget adjustment review should include a document with the following items:
  - Major budget assumptions:
    - ✓ EXAMPLE: Student count for 2018-19 was 500. 2019-20 budget is based on 520 students.
    - ✓ EXAMPLE: Heating and electric costs are budgeted to increase by 5%.
    - ✓ EXAMPLE: State Aid per student is budgeted to increase \$140 from 2018-19 for a total of \$8,140 per student.

# FINANCIAL STATEMENT REVIEW

- A budget is a **PLAN** that includes estimates of revenues and related expenditures allocated within an organization to achieve specific goals and outcomes.
- An audit documents **ACTUAL** results in comparison with the budget. An audit also assesses the effectiveness of an organization's internal controls and compliance with federal and state laws and requirements.
- School boards are required to approve budgets that reflect a non-negative fund balance in each fund.
- In Michigan, the Michigan Department of Education and Department of Treasury tracks information that can be used to monitor schools, require administrative oversight, or the appointment of emergency managers. That data includes:
  - ✓ Actual revenues that are 1% below estimated revenues while fund balance decreases
  - ✓ Default of bonds, loans, and notes
  - ✓ Violation of federal or state laws and requirements as noted through audits
  - ✓ Fund balance history with a pattern of significant or steady declines
  - ✓ Fund balance that drops below 5% of expenditures
  - ✓ Significant levels of un-spent grant funds
  - ✓ Pattern of significant declining student count

# CASH FLOW STATEMENT REVIEW

- Cash flow that is monitored and updated regularly is a critical component to maintaining a healthy financial operation.
- There is a relationship between a cash flow statement and budget/fund balance, but they are NOT the same. A budget is a plan for WHAT resources will be available and spent. A cash flow is WHEN those resources are received and spent during the year.
- Cash flow statements should be maintained on a weekly or monthly basis for the school year and at least 3 months beyond in order to track potential borrowing needs and cash trends.
- The best philosophy on cash flow when looking at the need to borrow is to leave enough cash margin for unexpected issues rather than trying to avoid borrowing. Remember cash flows are projections that can sometimes be off target.

# CASH FLOW STATEMENT REVIEW

- Monitor revenues/expenditures. **AT LEAST MONTHLY**
- Depending on your cash situation, you might want to do bi-weekly cash flow. An ending positive cash balance may not tell the story of where cash is on payroll or bill paying weeks. **BE SURE YOU CAN MEET THOSE NEEDS WITH ROOM TO SPARE.**
- Reconcile your bank statements. **MONTHLY**
- Review your State Aid Status Report **MONTHLY** – Inquire about any unknown differences.
- While Cash Flow and Budget are not the same thing as mentioned previously, annual revenue and expenditure totals **SHOULD** still be reasonably close.

# SCHOOL BUDGET AND FINANCE – BUDGET AND CASH FLOW

NOTE 1: Cash flow totals for revenue and expenditures are shown. This can be done with more detail such as state aid or salaries. The budget for each item is also listed. Compare each item and adjust cash flow

NOTE 2: Let us assume the June bank reconciled balance was \$61,487. This is a large difference from the \$31,967 listed on the cash flow and needs to be reviewed.

NOTE 3: As an option, if you enjoy numbers and want to get more technical in checking totals, you can perform revenue and expenditure calculations between cash flow and budget by backing out of cash flow previous July and August accrued expenses and adding current July and August accrued expenses. The tests performed in the blue and green boxes above reflect these additional testing procedures.

## XYZ Academy Cash Flow 2017-18

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Beginning Cash Balance (Actual)	37,294	22,674	135,077	69,741	53,705	36,945	22,796	31,587	39,063	36,539	35,015	33,491
Total Revenues	55,912	179,771	3,335	58,257	56,244	54,054	64,835	60,410	60,410	60,410	60,410	60,410
Total Available Cash	93,206	202,445	138,412	127,998	109,949	90,999	87,631	91,997	99,473	96,949	95,425	93,901
Non-Salary/Benefits Expenditure	38,045	34,808	34,445	40,273	38,922	34,789	19,729	19,434	29,434	28,434	28,434	28,434
Available for Salaries and Benefits	55,161	167,637	103,967	87,725	71,027	56,210	67,902	72,563	70,039	68,515	66,991	65,467
Salaries and Benefits	32,487	32,560	34,226	34,020	34,062	33,414	36,315	33,500	33,500	33,500	33,500	33,500
Total Expenditures	70,532	67,368	68,671	74,293	73,004	68,203	56,044	52,934	62,934	61,934	61,934	61,934
Ending Cash Balance	22,674	135,077	69,741	53,705	36,945	22,796	31,587	39,063	36,539	35,015	33,491	31,967
	VERIFIED	VERIFIED	VERIFIED	VERIFIED	VERIFIED	VERIFIED	VERIFIED	VERIFIED	VERIFIED	VERIFIED	VERIFIED	VERIFIED

Total Cash Flow	Total Budgeted
37,294	83,143
774,458	633,781
375,181	
404,604	
779,785	711,130
31,967	5,794

### CASH FLOW REVENUES TO BUDGET TEST:

Cash Flow Revenues	774,458
Subtract Borrowing	(120,000)
Subtract July/Aug 165b	(108,353)
Add July/Aug 17 State A	101,320
Adjusted Cash Flow Re	647,425
Budgeted Revenue	633,781

CASH FLOW TO BUDGET REVENUE IS REASONABLE

### CASH FLOW EXPENDITURES TO BUDGET TEST:

Cash Flow Expenditures	779,785
Subtract Borrowing	(120,000)
Land Contract Reduct	50,000
Adjusted Cash Flow Exp	709,785
Budgeted Expenditures	711,130

CASH TO BUDGET EXPENDITURES IS REASONABLE



# CASH FLOW STATEMENT REVIEW

Looking for Consistent Totals , Loan Receipts and Payments, Unusual Items or Changes, and Ending Balances -

Shows Actual Through Which Suggests Up-to-date

Fiscal Year: 2024-2025							Actual Through: 11/30/24	
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb
<b>Beginning Balance (from June 30 cash flow)</b>	\$ 1,169,831.00	\$ 1,155,224.00	\$ 1,197,815.00	\$ 611,186.00	\$ 542,865.00	\$ 541,361.00	\$ 617,674.00	\$ 693,987.00
<b>Estimated Receipts:</b>								
Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Funds	\$ 453,542.00	\$ 452,210.00	\$ -	\$ 449,852.00	\$ 489,811.00	\$ 490,000.00	\$ 490,000.00	\$ 490,000.00
Federal Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Loans and Interest	\$ 949.00	\$ 1,331.00	\$ 1,033.00	\$ 489.00	\$ 422.00	\$ -	\$ -	\$ -
Other Revenue and Receipts	\$ 6,556.00	\$ 12,390.00	\$ 28,591.00	\$ 32,616.00	\$ 35,252.00	\$ -	\$ -	\$ -
<b>TOTAL AVAILABLE FUNDS:</b>	\$ 1,630,878.00	\$ 1,621,155.00	\$ 1,227,439.00	\$ 1,094,143.00	\$ 1,068,350.00	\$ 1,031,361.00	\$ 1,107,674.00	\$ 1,183,987.00
<b>Less Estimated Disbursements:</b>								
Salaries and Benefits	\$ 382,343.00	\$ 371,842.00	\$ 418,495.00	\$ 409,312.00	\$ 402,832.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00
Services, Supplies, and Materials	\$ 71,420.00	\$ 37,279.00	\$ 184,071.00	\$ 103,279.00	\$ 108,070.00	\$ -	\$ -	\$ -
Repayment of Debt	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00
Other Disbursements	\$ 8,204.00	\$ 732.00	\$ -	\$ 25,000.00	\$ 2,400.00	\$ -	\$ -	\$ -
<b>TOTAL DISBURSEMENTS:</b>	\$ 475,654.00	\$ 423,340.00	\$ 616,253.00	\$ 551,278.00	\$ 526,989.00	\$ 413,687.00	\$ 413,687.00	\$ 413,687.00
<b>ESTIMATED ENDING BALANCE:</b>	\$ 1,155,224.00	\$ 1,197,815.00	\$ 611,186.00	\$ 542,865.00	\$ 541,361.00	\$ 617,674.00	\$ 693,987.00	\$ 770,300.00
	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
<b>Beginning Balance (including investments)</b>	\$ 770,300.00	\$ 846,613.00	\$ 922,926.00	\$ 999,239.00	\$ 1,075,552.00	\$ 1,151,865.00	\$ 1,228,178.00	\$ 814,491.00
<b>Estimated Receipts:</b>								
Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Funds	\$ 490,000.00	\$ 490,000.00	\$ 490,000.00	\$ 490,000.00	\$ 490,000.00	\$ 490,000.00	\$ -	\$ 490,000.00
Federal Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Loans and Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue and Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL AVAILABLE FUNDS:</b>	\$ 1,260,300.00	\$ 1,336,613.00	\$ 1,412,926.00	\$ 1,489,239.00	\$ 1,565,552.00	\$ 1,641,865.00	\$ 1,228,178.00	\$ 1,304,491.00
<b>Less Estimated Disbursements:</b>								
Salaries and Benefits	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00
Services, Supplies, and Materials	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repayment of Debt	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00	\$ 13,687.00
Other Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL DISBURSEMENTS:</b>	\$ 413,687.00	\$ 413,687.00	\$ 413,687.00	\$ 413,687.00	\$ 413,687.00	\$ 413,687.00	\$ 413,687.00	\$ 413,687.00
<b>ESTIMATED ENDING BALANCE:</b>	\$ 846,613.00	\$ 922,926.00	\$ 999,239.00	\$ 1,075,552.00	\$ 1,151,865.00	\$ 1,228,178.00	\$ 814,491.00	\$ 890,804.00

# BORROWING

- Schools in Michigan borrow for operations for one or two reasons:
  - State Payment System – Before 1997, there were 9 monthly State Aid payments from October to June but then changed to 11 monthly payments from October to August.
  - School District/Academy Fund balance made up of cash was not sufficient to cover expenditures during various times of the year. A general rule of thumb is a fund balance of 15% or higher helps prevent or reduce the need for borrowing despite the 11-payment system.
- Borrowing for operations has become more common since 1997 because of the payment system and is not necessarily indicative of ineffective financial management – Depends on the circumstances.
- Because of the number of schools that must borrow each year, the State has a pool program for State Aid Anticipation Notes that runs from mid-August to mid-August. Schools can also borrow from financial institutions of their choice.
- Schools can also borrow funds for other reasons such as facility upgrades/additions, equipment, or busses.
- Borrowing involves a process that starts with SVSU approval and includes the appropriate legal resolutions and applications to be approved by the academy board of directors.



# BUDGET PROCESS

The major steps of a typical budget process are:

- Budget Development – **November to June**
- Resolution to approve date of public hearing on budget – **May/June**
- Advertise in major media and website on date of public hearing – **May/June**
- Provide copy of proposed budget as requested and show on website
- Hold public hearing on the budget
- Approve budget for all required funds by June 30. (See section below)
- Within 15 days of budget approval or budget amendment approval, public school academies must post transparency information as reflected in the “State Transparency Reporting Requirements” section below.
- State law requires that traditional school districts and public-school academies approve budget without **end-of-year fund deficits in ANY fund.**
- Budget should be monitored throughout the year and adjusted as needed.

# BUDGET PROCESS

Each school should have a standard budget development and adoption process.

The general fund, debt fund, and school service are REQUIRED to have adopted budgets without deficit fund balances. Adopted budgets for other funds such as capital project funds can be considered a best practice.

Fund balance is only determined at the end of the school year when the books are closed and the audit is conducted.

Budgets and budget amendments must be approved by the board of education and posted to the transparency website within 15 days of approval.

# CASE DISCUSSION

Spring Lake Academy has conducted its budget hearing in June for the general fund and hot lunch fund. The information is as follows:

## General Fund

Revenues	\$500,000
Expenditures	<u>\$545,000</u>
Over (Under)	(\$ 45,000)
Beg. Fund Balance	\$ 55,000
End Fund Balance	\$ 10,000

## Hot Lunch Fund

Revenues	\$35,000
Expenditures	<u>\$40,000</u>
Over (Under)	(\$ 5,000)
Beg. Fund Balance	\$ 2,000
End Fund Balance	(\$ 3,000)

Can the Board legally adopt these budgets? What legal and practical problems are there if any?

# BUDGET PROCESS – DISCUSSION EXERCISE

It is the second week of August. The budget for 2019-20 is in place. New Opportunity Academy's school board approved a budget in June for \$2,000,000. The Academy is K-12 and has student count of 220. 70 students are in the high school and 150 are K-8.

The fund balance has been hovering around \$100,000 for several years or 5%. The school has struggled academically for the past few years and has seen student count drop during that time from 245 to 220.

A new academy is opening for 2019-20 only 2 miles from New Opportunity Academy. The new academy has been aggressively advertising for K-12 students emphasizing math, science, art, and music. It has now come to the attention of administration that 40 students primarily from grades 7, 8, and 9 have transferred. In addition, 15 students expected to start in kindergarten this year are now going to the new academy. As a result, the budget will be \$300,000 negative.

One of the board members wants to call a special meeting tomorrow to cut programs at both elementary and high school in music, art, and athletics, lay off teachers and increase class size.

What should the Academy do?

# BUDGET HEARINGS

## Budget Hearings: Per Michigan Legislature MCL 141.412 –

- A local unit shall hold a public hearing on its proposed budget. The local unit shall give notice of the hearing by publication in a newspaper of general circulation within the local unit **at least 6 days** before the hearing. **The notice shall include the time and place of the hearing and shall state the place where a copy of the budget is available for public inspection.”** Budget Hearings **MUST** also have a quorum as this is a legal meeting. The notice must be of a specified font size.
- A budget hearing is only held once – for approval of the beginning budget for the year. Budget amendments do not require a budget hearing.

# BUDGET HEARINGS

- The board should approve a resolution as to the date, time, and location of the public hearing at least several weeks prior. As an example, for a June budget hearing, the resolution would be approved at the May board meeting.
- For purposes of public members obtaining a copy of the proposed budget, the copy is the actual detail budget not the summary budget as it appears in the budget resolution.
- The board must have a public comment portion specifically for the budget hearing.
- The budget can be approved at any meeting after the budget hearing is conducted but must be done by June 30.
- The board cannot approve the budget of any fund that has a negative fund balance.
- The Academy must post the budget or budget amendments on its Transparency website no later than 15 days after approval.

# PURCHASING

## **Purchasing of Supplies, Materials, and Equipment (MCL 380.1274)**

- The state competitive bid threshold for purchasing for 2024-25 was \$30,512. The new competitive bid thresholds are typically communicated by the Michigan Department of Education by October 1. This limit applies to all purchases of products and materials. Purchases ABOVE this threshold must adhere to the following requirements:
  - ✓ Advertise in a local newspaper that ABC Academy is requesting bids for...
  - ✓ Include bid deadline (date, time, and location) and language that bids will not be accepted after the bid deadline.
  - ✓ Include time, date, and location of when the bids will be opened and read aloud.
  - ✓ Include where/how to obtain bid packet, if applicable
- Administration opens bids publicly and then vets the bids in order to make a recommendation to the school board.
- Board must approve purchase at board meeting.
- In addition to advertising, bid requests can be sent to specific vendors to ensure they are aware.



# PURCHASING

- The State does not have a bid limit for services. However, school boards have the right to establish requirements or limits for services through a board purchasing policy.
- School boards should establish clear purchasing policies and administrative guidelines. School boards have the right to create policies that meet the needs of their academies as long as those policies and procedures do not violate State or Federal requirements.
- Contracts, leases, and other purchasing commitments should not exceed the length of the authorization period for the academy unless cleared through SVSU. EXAMPLE: building mortgage and Educational Service Provider agreement.

# PURCHASING

## **Construction and Repair of School Buildings (MCL 380.1267)**

- School renovations and new construction have additional requirements unless it is an emergency situation. Material and labor must obtain competitive bids above the State bid threshold.
- Specific requirements for bidding procedures are:
  - Advertise once in a local newspaper
  - Post bid advertisement on State website for at least 2 weeks
  - Advertisement must specify:
    - ✓ Date and time bids are due
    - ✓ School District will not accept or consider late bids
    - ✓ Date, time, and place where bids will be opened and read aloud
    - ✓ Each bid will be accompanied by a sworn and notarized familial affidavit
    - ✓ Will not accept a bid that does not include and sworn and notarized familial affidavit.
  - A bid bond of 5% of the bid amount is required
- Reservation of Rights for 1267(5) (late bids) and 1267(6) (reject all and re-bid)
- Michigan-based Business Preference (same requirements as Section 1274)

# Questions

Douglas L. Newcombe, MBA, CPA

989-239-9482

[dlnewcom@svsu.edu](mailto:dlnewcom@svsu.edu)

