



School Finance 101



School Boards Conference
February 17, 2022





Caveat



My History

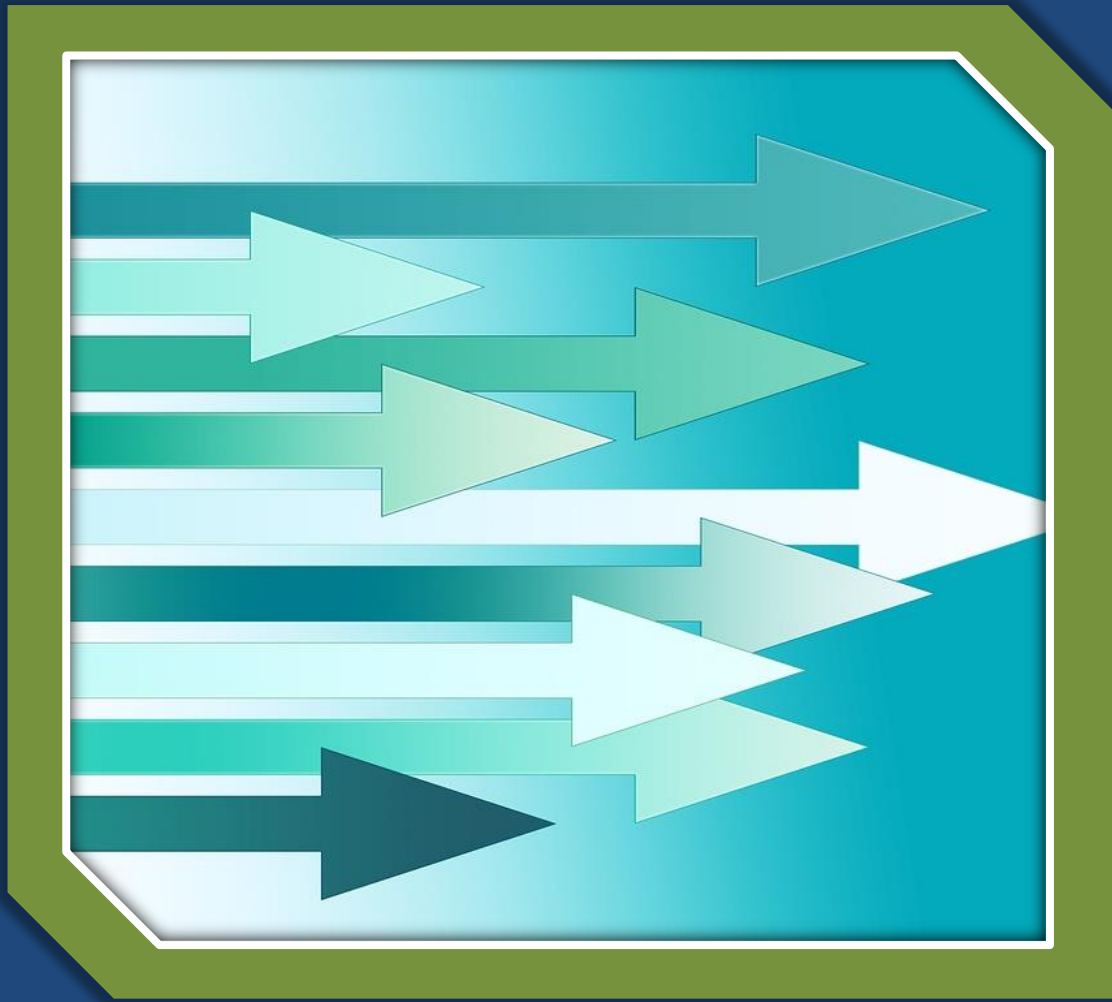


High Level Overview

- General Fund – the principal operating fund of a district
- Special Revenue and EIA funds – accounts for federal and state funds which are allocated for a specific purpose – think restricted
 - *Pupil activity is now part of special revenue funds*
- Debt Service Fund – accounts for the payment of principal and interest on long-term general obligation debt
- School Building Fund – Accounts for the construction, repair, renovation and acquisition of school facility – can include equipment
- Food Service Fund – accounts for the receipts and expenses of the USDAs approved school breakfast and lunch programs

Tracking the Funding

- The Bucket Theory
- Sources to help your finance office
 - *SDE Funding Manual*
 - *SDE Accounting Handbook*
 - SCASBO
- Numbers of funds



What are the sources? When do we get it? How do we get it?

**Where does the
money come
from?**

The Building Blocks

- Local Revenue
- State Revenue
- Federal Revenue



Local Revenue

- Local Property Tax – includes the taxes generated on personal property, non-owner occupied property and businesses. The key factors that impact local property tax revenue are the millage rate, the assess value of property in the district/county and the collection rate
- FILOT (Fee in lieu of taxes) – fee revenue received on negotiated agreements in place of property tax that would have been collected from the taxpayer
- Tuition – summer school and out of district
- Interest Income

Calculating Millage

- 1 mill = .001
- Assume a 250 mill levy for a district (.250)

$$\begin{array}{r} \$100,000 \text{ value} \\ \times \quad 4\% \text{ assessment ratio} \\ \hline \$4,000 \quad \text{assessed value} \\ \times \quad .250 \text{ millage rate} \\ \hline \$1,000 \quad \text{taxes due} \end{array}$$

The Basics...State Tax Revenues

- Local Residential Property Tax Relief -Tier I – Reimbursement for school tax revenue lost from Residential Property Tax Exemption Program that gave relief on \$100,000 of owner-occupied property.
- Homestead Exemption – Tier II – Reimbursement for the loss of school tax revenue as a result of tax exemptions for taxpayers 65 or older, those totally and permanently disabled and those that are blind.
- State Sales Tax Reimbursement for Property Tax Relief – Tier III – Reimbursement for the loss of school tax revenue as a result of Act 388 shift to statewide one cent sales tax

The Basics Con't

- Merchant's Inventory – Reimbursement for the loss of school tax revenue due to the property tax exemption granted for inventories of businesses.
- Manufacturer's Depreciation Reimbursement – Reimbursements for the loss of school tax revenue as a result of tax exemptions for industries.
- Motor Carrier – District portion of tax revenue generated from motor carrier's property taxes paid which is based on the % miles traveled in the County.
- Transfers and Indirect Cost – Transfers are made annually from the EIA TSI and EIA Employer Contributions to offset costs associated with the annual teacher salary increase and to defray employee benefit costs; also includes funds charged to help defray operations of federal program costs

State Revenue

- Largest source of state revenue is the Education Finance Act (EFA) dollars which is recorded in the district general fund
- Others
 - *School Bus Drivers Salary*
 - *Fringe benefits and retiree insurance*
- EIA Revenue (examples)
 - *Teacher Salary Supplement and Fringe benefits*
 - *Career and Technology Funding*
 - *Aid to District Funding*
 - *At Risk Student Funding*
 - *Teacher Supply*
 - *National Board Salary supplement*
 - *CERDEP*

Federal Revenue

- School Food Service programs (USDA)
- Title programs (I, II, III, IV and V)
- Individuals with Disabilities Education Act (IDEA)
- Perkins (vocational)
- ESSER (coronavirus relief funds)

Now – Building a Budget

- How does your district follow the legislative process?
- What is my district's fund balance?
 - *GFOA*
 - *Board Policy*
 - *Why do you need a fund balance?*
- What process does my district use? When do we start?
- Have to hold a public hearing and post the notification
- Take into account non-recurring funds for future needs

Differences in Districts

- Is my district in a high/low poverty area?
 - *CEP*
- Is my student population growing or shrinking?
- What is the age of my buildings?
- What is my tax base?
- Can I generate millage increases for my district?
- Do I have outstanding bond referenda? What is my debt?
- What is my special needs population?

Upcoming Budget Challenges

- Governor's funding plan – what is it and what does it mean for us if it passes
- Education Scholarship Account – S.935
- Education Scholarship Account – H.4879
- Hiring of Uncertified Teachers

Questions

- An hour to talk basics is just enough to get you thinking
- Establish a good relationship with your superintendent and finance officer
- Trust them to do what's right
- Understand *your* district and your public



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