



School Finance 101 Glossary

Audit – An official inspection of a school’s (or any person or organization) accounts. It is conducted by an independent group.

American Rescue Plan (ARP) Act – The \$1.9 trillion economic stimulus bill that was passed by Congress in March 2021 in response to the COVID-19 pandemic. Included in the ARP was \$122 billion for the Elementary and Secondary School Emergency Relief (ESSER) Fund.

Budget – A plan of Revenues and Expenditures adopted by a school’s board of directors for a given fiscal year, and amended as needed during the year to ensure that any material changes are captured.

Capital Outlay – The amount of money spent to purchase, maintain, and repair a capital asset.

Debt Service – Payments made on long-term debt items such as loans, bonds, or mortgage.

Elementary and Secondary School Emergency Relief (ESSER) Fund – Revenue funds, originally established by the U.S. Congress through the CARES Act, which provides federal relief aid to three state education agencies (SEAs) who then allocate funds to local education agencies (LEAs) to use to prevent, prepare for, and respond to the COVID-19 pandemic and its impacts on public education and student learning.

Expenditure – Payments for goods or services provided to an organization or entity.

Fiscal Year (FY) – The 12-month period that an organization or government entity uses to report its finances. In Michigan, school fiscal years runs from July 1 to June 30, while the State’s fiscal years run from October 1 to September 30.

Fixed Asset – Also known as long-lived assets or property, plant and equipment. A term used to talk about assets that are not easily converted into cash.

Foundation Allowance – State school funding amount comprised of unrestricted aid funds from 22b/51e Discretionary Payment, and 22b PSA Protected categories. These funds are the basic building block of school finance in Michigan. For 2022-2023, the Foundation Allowance is \$9,150 per student/pupil. This is also known as Per Pupil Funding.

Full-Time Equivalent (FTE) – A measure of how much time a student is receiving specialized instruction through a program regardless of where the student is receiving instruction.

Function code – The three-digit numerical code, used to identify the individual types of revenues or expenditures seen in the budget. It identifies the activity for which services or materials are acquired. The basic functional categories operated by most schools are: Instruction, Pupil Support, Instructional Staff Support, General Administration, etc. The budget the board approves and amends throughout the year is grouped by function.

Fund – The sum of revenues and expenditures used for a particular purpose. In school finance, the bulk of revenues and expenditures are categorized in the general fund. Most schools will also have a separate Food Service Fund, some will have a Special Revenue Fund (Student Activity), a Capital Projects Fund, and/or Debt Service Fund for major purchases.

Hold Harmless – In school finance, a term used to describe a policy provision that prevents a school district or municipality from receiving less funding than it otherwise would receive under a statutory formula.

Intermediate School District (ISD) – A special agency that operates outside of the traditional charter of a school district. They are also often referred to as ESDs (Education Service Districts) or RESAs (Regional Education Service Agencies). These agencies function as supporting/supervising agencies for LEA's and public school academies (PSA's) within their geographical boundaries, and may also operate as educating entities.

Local Education Agency (LEA) – A public board of education or other public authority legally constituted within a state for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a state. In Michigan, there are two types of LEAs, “traditional districts” who usually hold the LEA designation in state law, and “public school academies” also known as charter public schools.

Maintenance of Effort (MOE) – Refers to the requirement placed upon many federally funded grant programs that the SEA and LEA demonstrate that the level of local and state funding remains relatively constant from year to year. These requirements are meant to ensure that new or increased state funding provides additional support to schools and does not result in the replacement of existing revenue sources, also known as supplanting.

Object Code – The four-digit numerical code used to identify the categorical type of goods or services purchased by a school. Examples of object categories are Salaries, Benefits, Purchased Services, Supplies & Materials, etc.

Public School Academy (PSA) – Also known as “charter public schools” are public districts established under a provision of the Michigan Revised School Code.

Quarterly Financial Reports or Statements – Financial documents (Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance) legally mandated by the Revised School Code to be submitted by all PSAs to their authorizers throughout the year.

Revenue – Income source a school receives; typically divided into local, state, and federal sources in the budget.

School Aid Fund (SAF) – Funds from State Revenues designated for disbursement to School Districts, Public School Academy's, LEA's and ISD's.

State Education Agency (SEA) – In Michigan, MDE or “the Department”, the Michigan Department of Education