

Frequently Asked Questions: District Budget

Introduction

As Superintendent, I am committed to transparency and open communication with our community about district finances. Recently, questions have been raised about a budget variance related to “student supports”. My intention is to provide clear, straightforward answers to help you understand what occurred, the current financial health of our district, and the steps we're taking to strengthen our budgeting processes. This document addresses the most common questions we've received. If you have additional questions after reading this FAQ, I'd encourage you to reach out to me directly. Your engagement and understanding are important to us.

Understanding the Budget Variance

Q: What is the \$750,000 budget issue I've been hearing about on social media?

A: The approximate \$750,000 primarily funded special education services - legally mandated supports for students with disabilities outlined in their IEPs (Individualized Education Plans). This represents an overall 2% variance between what we budgeted and what we spent. It's important to understand, contrary to social media rumors, that these funds were not lost or misspent; rather, this reflects an issue with our upfront budgeting process that we're now addressing. Every dollar went to providing legally required services to students with disabilities. Again, the issue is not how the money was spent, but rather how we estimated these costs in our budget.

Q: Did the district overspend its budget?

A: No, this is a common misconception. We under-budgeted for special education services, we did not overspend our overall budget. At the end of the year, we still added money to our fund balance (the district's savings account). The more accurate way to describe this is that we put less into savings than we had planned, not that we overspent our budget. Another way to say it is this - we improved the district's financial position, just not as much as we had planned.

To be clear – I'm not saying I'm happy about the inaccuracy in budgeting and the resulting variance. I'm not. And we will fix it moving forward. I just want to be crystal clear about the fact that we didn't deficit spend in 2024-25.

Q: How was this variance discovered?

A: Our annual auditors recently identified a variance between our budgeted numbers and our actual audited numbers. This was brought to my attention by our former Director of Business Services.

Financial Safeguards and Improvements

Q: What is the district doing to prevent this from happening again?

A: We've implemented a comprehensive approach focused on both revenue and expenditure forecasting:

Revenue side: In the Spring of 2025 (well prior to the annual audit discovery), I directed that we take a conservative approach for estimating 2025-26 revenue for state funding and enrollment projections.

Expenditure side: Our new Interim Director of Business Services, Mr. Steve Lenar, is analyzing our 2024-25 actual expenses against our 2025-26 budget to ensure congruence. Mr. Lenar is also developing more robust monthly expenditure reports which will allow us to make timely adjustments, if needed.

To note: Mr. Lenar is a long time Michigan Schools Business Official having served multiple districts in Michigan as Chief Financial Officer and Assistant Superintendent of Finance. He brings a wealth of credibility, expertise and experience to Tecumseh. I want to thank him for jumping in on short notice.

Q: What are monthly expenditure reports and how will they help?

A: These are detailed reports that track our projected budget against actual expenses and encumbrances (committed funds) on both a monthly and year-to-date basis. They include percentage checks to ensure we're on track relative to where we should be at any given point in the school year. By implementing a more robust monthly monitoring system, we can identify and address issues much earlier.

Q: How did the district approach revenue budgeting differently for 2025-26?

A: As mentioned earlier, we took a deliberately conservative approach. The budget planning process begins in January when the State of Michigan holds its first Revenue Estimating Conference. Even when the legislature projected increases of over \$400 per student, we budgeted for only \$250. This approach resulted in receiving more revenue than budgeted for 2025-26, a much better position to be in.

Current Financial Status

Q: Is the district in financial trouble?

A: No. We added money to our fund balance in 2024-25. Due to our conservative budgeting approach for 2025-26, we're projecting to receive more revenue, about \$450,000.00, than we budgeted for. These factors position us well for growth and stability while we work to improve our budget processes.

Q: What is a fund balance and why does it matter?

A: The fund balance is essentially the district's savings account. It provides a financial cushion for unexpected expenses and helps maintain stability.

Conclusion

To be clear, money was not lost, we did not deficit spend, we did not "rob" the savings account in any way for operating expenses – in fact, we added to it. This money was spent on our most vulnerable children. If someone wants to label that act as a “blunder”, I'll live with that “blunder” every time.

Let me be absolutely direct: calling the funding of legally mandated services for students with disabilities a “blunder” fundamentally misrepresents both what occurred and what our obligations are as a school district.

These weren't discretionary expenses. These weren't frivolous purchases. These were services required by federal law for children with disabilities – services outlined in their Individualized Education Plans that we are legally, morally, and ethically bound to provide.

The characterization that I somehow made a “blunder” by ensuring these children received their legally mandated supports is not just inaccurate - it's offensive to the families we serve and the values we hold as a community.

Here are the facts:

We did not overspend the budget. We under-budgeted in a particular area. At the end of the fiscal year, we added money to our fund balance. As a result, our district's financial status improved.

Every dollar in question went exactly where it should have gone - to providing specialized instruction, therapies, accommodations, and supports for students with disabilities.

The issue is not the spending. The issue is improving our forecasting process so we more accurately predict these costs upfront. That's exactly what we're doing now.

We're improving our processes. We're implementing stronger safeguards. But we will never apologize for spending more to serve students with disabilities while, at the exact same time, staying within our overall budget and improving the fiscal health of the school district.

After all, the goal of any school district is not to make a profit or drive its fund balance up. Rather, it's to spend its dollars in support of its children while maintaining or improving the fiscal health of the district each year. We did exactly that.

Sincerely,

Matt

