

DECEMBER 2025 - FROM THE BUSINESS OFFICE:

When I asked the board if they had any finance questions or have been asked questions by our community, here are two that I received and will be the topic of my report.

1. Maybe something about why dollars in a fund can only be spent in that fund and who decides which fund dollars get deposited where? That is tough for a lot of folks to understand. Thanks
2. I had someone ask a while ago what the different funds are for and why we can't just take out of one to pay the others? example why couldn't we take out of reserve or another fund with lots of money in it to pay for turf project and not have to levy for it?

If you've ever looked at a school district's budget, you may wonder: *Why can't we just move money from one area to another?* For example, if there's money sitting in a "building fund," why can't it be used to hire more teachers? The short answer is: **state law doesn't allow it.**

Minnesota's school finance system is **fund-based**, meaning every dollar a school district receives is placed in a specific "bucket," or **fund**, that can only be used for certain purposes. This structure keeps taxpayer money organized, transparent, and accountable — but it also means that districts can't always spend money where they might want to.

Think of each **fund** as a separate bank account with strict rules about what it can pay for. Here are a few of the major ones:

- **General Fund:** This is the largest and most flexible fund. It pays for classroom teachers, support staff, supplies, transportation, utilities, and most day-to-day operating expenses.
- **Food Service Fund:** Money here comes from meal payments and federal meal reimbursements. It can *only* be used for school food service operations — not textbooks or salaries.
- **Community Education Fund:** Used for programs like early childhood education, adult learning, and after-school enrichment. It can't be used for K–12 classroom costs.
- **Building (or Capital) Funds:** This money is for long-term projects — building repairs, construction, or technology infrastructure. It can't be used to pay staff or cover general expenses.
- **Debt Service Fund:** Used to pay back bonds for things like building projects. The money collected from property taxes for debt repayment *must* go toward that purpose only.

The Minnesota Legislature sets these fund categories and spending rules to make sure money is used exactly as taxpayers and lawmakers intended.

For instance, if voters approved a **bond referendum** to build a new school, the district can't legally redirect that money to hire more teachers — even if there's a teacher shortage. That money was collected through taxes specifically for buildings, not operations.

Likewise, federal and state aid programs often come with strings attached. If the state gives money to provide free student lunches, it can't be reallocated to fix a roof. These restrictions ensure fairness, prevent misuse, and allow for clear public accountability.

Sometimes people see that a district has "millions of dollars in the bank" and wonder why cuts are happening. The reality is that **most of those dollars are locked into specific funds.** The general fund — the one that pays for staff, classroom supplies, and daily operations — is often the most strained, even when other funds look healthy.

In short, schools can't move money between funds just because one looks full and another looks empty. It's a bit like having money in your retirement account when you need to fix your car — you know it's there, but you're not allowed to use it for that purpose.

Minnesota's school finance system is designed to ensure transparency and accountability, but it can also create frustration when needs shift. Each fund serves a specific purpose, and districts are legally required to follow those spending rules.

Understanding this helps explain why budget conversations can be so complex — and why “moving money around” isn't as simple as it might sound.

As always, please call or stop in if you have any questions for me or any of the other folks in the District Office. We enjoy your visits.

Sherri Evenson