

## Operating Cash-Flow Borrowing Options for Michigan Public School

---

May 28, 2024

As Michigan public schools prepare their 2024-2025 budgets, schools should be aware of the short-term borrowing options available to cover their projected operating cash-flow shortfalls.

The date of the required spend down of federal stimulus funding is fast approaching, and public schools around the State are adjusting their budgets to reflect the loss of this funding source. Over the last several years, federal stimulus funding, along with above average increases in State School Aid, enhanced the financial condition of schools around the State, significantly reducing the need for cash-flow borrowings. The loss of federal stimulus funding and the uncertainty of future increases to State School Aid appropriations may cause some schools to again experience cash-flow shortfalls that will need to be addressed.

Michigan law provides several short-term borrowing options for schools to cover operating cash-flow shortfalls during a school year. These include the issuance of a State Aid Note ("SAN"), Line of Credit Note ("LOC") or Tax Anticipation Note ("TAN").

**Our comprehensive summary of each of these borrowing options, including a discussion of the sizing requirements, cash-flow projections, tax law considerations and other information, is available on our website at the following link: [Operating Cash-Flow Financing Options for Michigan Public Schools](#).**

In addition to our summary of the borrowing options, we have the following additional comments and information:

### ***Michigan Finance Authority SAN Program for School Districts and PSAs***

While schools may place a SAN with a bank or sell it through a public offering, the Michigan Finance Authority ("MFA") also offers an annual SAN program for both school districts and public school academies ("PSA"). The MFA SAN program is a pooled borrowing program with competitive interest rates.

The MFA recently released the details of its 2024 SAN programs for school districts and PSAs. Under this year's SAN program for school districts, the closing will occur on **August 20** with the initial application due on-or-before **July 2**. For PSAs, the closing will occur on **August 29** with the initial application due on-or-before **July 8**.

The financing schedule, borrowing options, program parameters and application for the 2024 MFA SAN program for school districts and PSAs can be found on the ***MFA website***.

### ***Cash-Flow Projection***

Cash-flow borrowings require a weekly/monthly cash-flow projection for the school year to support the amount borrowed. Our summary of the borrowing options contains helpful tips regarding the preparation of this cash-flow projection. The assumptions that make up the projection should be reasonable. The MFA's Excel cash-flow projection workbook is available at the MFA link above.

### ***Revolving Line of Credit Option***

## Continued

---

Schools that are uncertain whether a SAN borrowing is necessary or that have a shortfall for a shorter period may want to consider establishing a revolving Line of Credit ("LOC"). Once an LOC is established it is available throughout the school year to cover any cash-flow shortfalls on a revolving basis. An LOC is typically established with the school's depository bank.

Please contact a member of the Miller Canfield K-12 Education Team to further discuss any of these options.