



APPROPRIATE USE OF PTA FUNDS

By: Rhonda Jenkins, Illinois PTA Treasurer 2010 -2011

Recently questions have arisen about what "equipment," "capital items" and/or "technology" can and cannot be purchased by PTAs for their school.

There is no definitive answer to this issue; no published list from either the PTA or the IRS of what PTAs can and cannot spend money on. Your mission and your 501(c)(3) nonprofit, tax-exempt status should guide your decisions. Local PTA/PTSA units and Councils have the autonomy to make such decisions for themselves. However, since the nonprofit, tax-exempt status of the entire association might be affected by actions of local units or councils, National and Illinois PTA have many **recommendations** to guide you. In addition, there are **IRS guidelines** to consider when planning for fundraising.

Protecting PTA's Tax-Exempt Status

A PTA's tax-exempt status is one of its most important assets. If that status is revoked, charges of negligence or mismanagement may be brought against the officers and directors. Therefore, when considering a proposed activity, the PTA should ask, "Will this activity adversely affect our tax-exempt status?"

Strict compliance with all applicable federal, state, and local laws is extremely important to prevent even the most well-intentioned effort from becoming a serious problem for a PTA. For more detailed information, see the IRS website: www.irs.gov, the National PTA Money Matters Quick Reference Guide and the Dollars and Sense Packet in your local unit packet.

Fundraising and the Purpose of PTA

The primary emphasis in PTA should be the promotion of the PTA mission and the purposes of PTA.

PTA purposes:

- To promote the welfare of children and youth in home, school, community and place of worship
- To raise the standards of home life
- To secure adequate laws for the care and protection of children and youth
- To bring into closer relation the home and the school, that parents and teachers may cooperate intelligently in the education of children and youth
- To develop between educators and the general public such united efforts as will secure for all children and youth the highest advantages in physical, mental, social and spiritual education

Mission - PTA is:

- A powerful voice for all children;
- A relevant resource for families and communities;
- A strong advocate for the education and well-being of every child.

The real working capital of a PTA lies in its members, not in its treasury. Fundraising is not a primary function of PTA.

When PTAs invest their human resources in programs that improve homes, schools, and communities, they earn benefits for children and youth with very small outlays of money. PTA-sponsored programs can provide enrichment activities for families. PTAs can work with other community organizations on community-wide issues that match up with PTA priorities.

The purpose is not to subsidize public funds by hiring teachers, providing curriculum, etc. Any funds generated by a PTA, including the local portion of dues, should be predetermined and budgeted for purposes that advance PTA work, such as participating on committees, and undertaking projects and programs. Participation in local, council, district, state and national PTA leadership development workshops and conventions are all appropriate and important uses of PTA funds.

Illinois PTA has advised for years that if local PTAs continue to purchase items for schools that should be provided by our state legislature through the tax system (public funds), the legislature will never see the need to provide an equitable, sustainable source of funding for public schools. The better PTAs become at fundraising, the longer the inequity in education funding will continue. Our purposes do not include "subsidizing public funds."

PTAs should begin each year with specific goals in mind, and should identify strategies for reaching those goals before determining the dollar amount needed in a fundraising event. Only those funds necessary to meet the needs of the year's activities and projects, as outlined in the PTA's budget, should be raised.

Children should never be exploited or used as fundraisers.

The 3-to-1 Rule

When planning the year's activities, (it is suggested) PTAs should use the 3-to-1 rule. For every fundraising activity, there should be at least three non-fundraising projects aimed at helping parents or children or advocating for school improvements.

Program and Project Funding Sources

Annual membership dues are the primary source of funds for PTAs; some PTAs are able to do excellent work with no financial resources other than their dues. However, special projects and programs may require additional funds. If dues are not sufficient to finance a PTA's work, supplementary funds may be raised within the context of the mission and purposes of the PTA.

PTAs are often called upon to finance programs and purchase needed equipment that tight school budgets do not have the money for, and each PTA must decide what it will do. Before approving proposals for material aid to the school or community, a PTA should consider whether or not the proposed equipment or service is a public responsibility.

If a public service is urgently needed and public funds are not immediately available, a PTA may initiate and coordinate the service while encouraging public agencies to take

over the financing and operation of the service. In emergencies, PTAs may provide for the pressing needs of children and youth while they work to alert the public to its obligations. As money for services and equipment becomes available from other sources, a PTA should allocate more of its funds to such projects as leadership development, parent education, and child health and safety programs.

A PTA renders a greater service by working to secure adequate funding for programs that have an enduring benefit than by purchasing equipment for schools. PTAs should not contribute to the problem of inequities within a school district by excessive fundraising.

Based on 100 years of assisting local PTAs and councils with liability issues arising out of purchasing various forms of equipment for schools (such as playground equipment, etc.), it is recommended that PTA units/Councils formally donate their purchases for schools at a board of education meeting, requesting the school district to accept the donation, thus having the transaction entered into the official minutes. If this is not done, there is the possibility of the local unit being the subject of a lawsuit in the case of injury or other issue with the purchased equipment. However, when this is done, the purchased items do become the property of the school district and items can be used at the discretion of the district.

Before undertaking any financial enterprise, a PTA should check with school, local, and state authorities to determine whether the planned activity is prohibited by state or local law or by school policy, or whether the PTA requires any special permit.

Finally, the following are just a few questions that should be used as a guideline in selecting and planning a fundraising project that will be both successful and worthy of the PTA:

- Does it adhere to the PTA mission and the purposes of PTA?
- Does it conform to the noncommercial, nonsectarian, and nonpartisan policies set forth in the PTA bylaws?
- Does it refrain from using or exploiting children? Will it create goodwill for the PTA?
- Is it a type of activity that can serve as a positive example for children and youth?
- Do the state and local governments require the PTA to collect and remit sales tax?
- Are special permits, such as special licenses or health permits, needed?
- Is the liability of the PTA and its members protected through sufficient insurance or otherwise?
- Is it an infrequent or ongoing activity? Be aware that unrelated business activities could result in some federal or state taxation of the income earned or, in the extreme, the loss of your tax-exempt status.
- Are there local, state, or federal laws that apply? Is care taken to see that no law is violated?