

MSBO Annual Conference 2026

Dealing with Boosters and Activity Funds in Your District

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Caution

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GASB 84 Impacts

Historical Overview

Historically

- Booster clubs were found primarily in high schools with a focus on athletics
- PTAs and PTOs raised funds for K-8 programs
- Such organizations relied upon the school district to hold/account for funds

Changing Times

- Due to lack of funding, increased parent involvement and other factors, there has been a significant increase in parent support groups (both primary/secondary)

Current Approach

- Parent support groups operate as separate legal entities (typically non-profit corporations)
- Most Michigan public school districts use student/district activity funds on a limited basis
- And Now . . . GASB 84

Private-Purpose Trust Funds

While terms used interchangeably, “Trust Funds” are distinguished from activity funds . . .

*Not from a parent group or student activity

*Funds/assets come from a gift, donation or bequest from an individual or a foundation/ charity

Pre-GASB 84: district responsible for expending funds per the request or purpose dictated by the donor

Under GASB #84: such funds must have a “qualifying trust agreement” as defined by GASB 84

- A written agreement

- Funded (i.e. assets transferred into the Trust)

Recharacterization Process

- Is there a written trust agreement
 - No trust agreement = No trust
- Does the district have administrative involvement?
 - No private-purpose trust
- Is the District the beneficiary?
 - No private-purpose trust
- Consider transfer to a community foundation or education foundation – if allowed
- Contact the donor to address/correct issues
- Return the funds
- Convert it to a public-purpose trust

“Externalize” Support Groups

- Compliance with GASB 84 might be the opportunity to move support group accounts out of the district’s financial orbit
- Do all of the booster club’s expenditures have an educational nexus? Are they authorized under the RSC?
- District likely has administrative involvement if the accounts are held internally
- District is the beneficiary – not a Custodial Fund

**Consider Board Policy
External v Internal Support
Groups**

Revise Board Policy

- Review for administrative control that may undermine intended Custodial Funds
- Review each policy that references support groups
- Create 2 clear paths with rules
 - Internal
 - External

Board Policy Review/Update

Simplified Board Policy Approach:

1. Gifts, Donations and Bequests
2. Custodial Funds
3. Support Organizations (e.g. Booster Clubs, PTOs)
4. Fundraising

Practical Considerations

1. Communicating with building level staff
 - “Flower Funds” and individual accounts still acceptable – just not in the district umbrella
 - May not co-mingle with governmental funds
2. Develop administrative guidelines and communicate new rules with staff
3. Communicating with parents/informal groups or clubs
4. Communicating with Booster Clubs, PTOs, *etc.*
5. Be prepared for “it is our money...”

“Helping” the Externalizing Process

Booster Clubs and PTOs

- Separate legal organization structured by parents or community members
- Board Policy should be updated and clarify that such groups are separate from the school district
- Board Policy should also set guidelines for working with these groups
 - Recognition
 - Information gathering
 - Rules

Booster Clubs and PTOs

- Board Policy Recommendations:
 - Booster Clubs/Support Groups do NOT carry the authority of the school district
 - They may request donations (as a non-profit entity)
 - May not hold themselves out as an “agent” of the District
- *Implement and adhere to policies/procedures*

Booster Clubs and PTOs

Practical Guidance

- Provide guidance . . . NOT legal advice
- “Guidance” may include:
 - A handout as to useful information
 - How to set up a separate legal entity (i.e. link to State of Michigan, LARA site)
 - How to obtain an “EIN” or tax identification number (i.e. link to the IRS website)
- Consistently refer to Board Policy and District expectations
- Be clear that the District *may* limit activities (or prohibit them on school premises) for non-compliance
- Funds deposited with the District are a “donation” to the District and subject to the law application to public school districts (bidding, permissible expenditure limitations)

Parent Organizations: Resolving Conflicts and Fallout

What Actions Can the School District Take if a Parent Organization Will Not Comply with Board Policy?

Permissible Actions:

- Prohibit the use of the school district's name.
- Prohibit fundraising of soliciting contributions from students on school property or at school events.
- Ban such clubs from operating on school premises.
- Issue a public statement that the district is not affiliated with such group.

Not Permissible:

- Dissolve a separate legal entity formed by such a club through the State of Michigan.
- However, the actions above would render the organization unable to complete its purpose and expose the district to liability

*****Check board policy prior to taking actions*****

A Little on Lawful Expenditures

Blame it on the RVSC

1. Is the district authorized to make the expenditure?
 2. Is the expenditure specifically prohibited?
 - No alcohol, golf, illicit drugs...
 3. Is the expenditure appropriated in the district's budget?
 - Is it approved and consistent with board policy?
- Mich Constitution Article IX, Section 18
 - Public school districts have broad “general powers” under RSC Section 11a
 - RSC Section 1814 prohibitions and exceptions

Legal Liability & Booster Groups

The Line of Separation

School District Authority

Authority over Support Groups*:

- The School District may not control what is in the bylaws or other governing documents
- May not directly control its books/records, spend funds collected (unless the support groups donates the funds to the District)
- May not demand the dissolution of a separate non-profit

* NONE

The Line of Separation

Parent Support Group Authority

- Support groups control their own operations, governing documents and the control of funds collected
- Booster clubs, PTOs and other parent support groups are NOT authorized to:
 - *make decisions/demands related to coaches, staff or parents*
 - *advise parents/students that requested funds are “required”*
 - *demand certain actions or contributions in order to participate in a program*

Setting Boundaries: the “Agency” Concept

- “Agent” is generally defined as one who represents and acts for another (under a contract or based on an existing relationship)
- Parent Support Groups are not agents of the school districts
- School districts may not have “deemed agents”

Torts and Criminal Actions

“Tort”

A wrongful act other than a breach of contract for which relief may be obtained in the form of damages or an injunction

“Crime”

An illegal act for which someone can be punished by the government; especially a gross violation of law

Merriam-Webster

Torts

- Booster and Parent Clubs members may be held liable for negligent acts
- School District may be held liable for acts committed by Booster and Parent Club members *if indistinguishable* (alter ego theory)
- Governmental immunity may be lost for propriety function

Example:

Tort Claim Against District

- Two individuals attended a "Las Vegas Night" sponsored by the athletic boosters
- Following the "Las Vegas Night" events they went to another bar
- Upon return to the decedent's home an argument ensued and the second individual shot the decedent then later killed himself

Kerry v Turnage, **154 Mich App 275 (1986)**

- Plaintiffs argued school district may be held vicariously liable for its agent, the athletic boosters, in the alleged violation of the Dram Shop Act
- The court found a question of fact existed whether an agency relationship existed between the athletic boosters and the school and remanded the case for a trial on its merits

Kerry v Turnage, 154 Mich App 275 (1986)

**Title IX Considerations
(or: Boosting the Threat Level)**

Title IX

*“No person in the United States shall, **on the basis of sex**, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving federal financial assistance”*

20 USC § 1681(a)

Title IX Regulations

*“No person shall, on the basis of sex, be excluded from participation in, be denied the benefits of, be treated differently from another person or otherwise be discriminated against in any interscholastic, intercollegiate, club or intramural **athletics** offered by a recipient, and no recipient shall provide any such athletics separately on such basis.”*

34 CFR 106.41(a)

Title IX – Avoiding Issues

- Interscholastic sports, benefits, services, and opportunities overall must be *equivalent* for male and female athletes, *regardless of funding sources*

OCR Docket No. 09-91-1222

Title IX – Avoiding Issues

- No obligation to direct privately raised funds
-BUT-
- Cannot skirt equal opportunity requirements under the guise of favored outside funding

Chalenor v Univ. of N. Dakota, 291 F3d 1042
(2002)

Title IX – Avoiding Issues

Financial “hot button” issues:

- Equipment and supplies
- Travel and per diem allowance
- Locker rooms, practice, and competitive facilities
- Medical and training facilities and services
- Assignment and compensation of coaches

34 CFR 106.41(c)

Practical Thoughts

Questions in the last year....

- Booster group is paying our coaches?
- Booster group is trying to dictate equipment that is purchased?
- Booster club is contacting administration too much?
- What leverage do we have?

Questions?