



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING



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SUPERINTENDENT OF  
PUBLIC INSTRUCTION

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GOVERNOR

November 3, 2010

**TO:** State Board of Education

**FROM:** Mike Flanagan 

**SUBJECT:** School Districts Operating in Deficit

The attached list shows the 41 districts (including public school academies) that finished the school year ending June 30, 2009, with a deficit fund balance. The list provides the amount of the deficit and the year the district projects to have the deficit eliminated according to their approved Deficit Elimination Plan.

The Department has hired a Financial Analyst in the Office of State Aid and School Finance to help monitor the deficit districts' compliance with their Department approved plans. The fund balance data for the school year ended June 30, 2010, is due November 15, 2010.

In addition, the department follows a specific process in dealing with deficit districts who have not made progress toward eliminating their deficits. A copy of the power point used when we meet with these districts to discuss specific roles and responsibilities is attached.

Attachment

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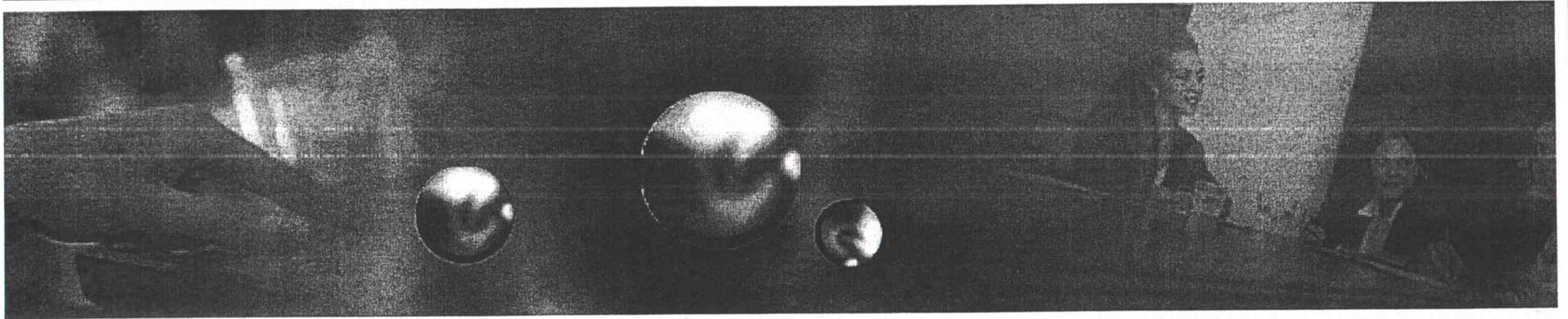
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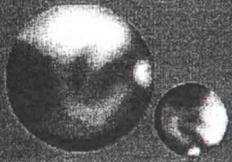
2008-2009 Deficit Districts (41 in number)

Year Out of Deficit per Approved Deficit Elimination Plan

District Name	Deficit at 6/30/2009	Out of Deficit Year
DREAM ACADEMY	\$ (42,594)	2009-10
ECORSE PUBLIC SCHOOL DISTRICT	\$ (239,580)	2009-10
HALE AREA SCHOOLS	\$ (117,820)	2009-10
NORTH POINTE ACADEMY	\$ (126,906)	2009-10
PLYMOUTH EDUCATIONAL CENTER	\$ (230,423)	2009-10
REPUBLIC-MICHIGAMME SCHOOLS	\$ (64,519)	2009-10
VISTA MEADOWS ACADEMY	\$ (4,216)	2009-10
WALDEN GREEN MONTESSORI	\$ (193,744)	2009-10
WEST VILLAGE ACADEMY	\$ (10,562)	2009-10
WOODMONT ACADEMY	\$ (49,999)	2009-10
AISHA SHULE/WEB DUBOIS PREP ACADEMY	\$ (186,855)	2010-11
BRIGHTON AREA SCHOOLS	\$ (2,396,281)	2010-11
HUDSON AREA SCHOOLS	\$ (195,899)	2010-11
OWENDALE-GAGETOWN	\$ (27,472)	2010-11
VICTORY ACADEMY CHARTER SCHOOL	\$ (47,368)	2010-11
AVONDALE SCHOOL DISTRICT	\$ (1,102,239)	2011-12
ISHPEMING PUBLIC SCHOOL DISTRICT	\$ (468,963)	2011-12
RIVER ROUGE CITY SCHOOLS	\$ (2,165,410)	2011-12
COVERT PUBLIC SCHOOLS	\$ (1,002,758)	2012-13
GARDEN CITY SCHOOL DISTRICT	\$ (471,498)	2012-13
HIGHLAND PARK CITY SCHOOLS	\$ (3,070,403)	2012-13
JACKSON ARTS & TECHNOLOGY PSA	\$ (127,800)	2012-13
LES CHENEUX COMMUNITY SCHOOLS	\$ (46,473)	2012-13
MT. CLEMENS COMMUNITY SCHOOLS	\$ (949,012)	2012-13
NEW HAVEN COMMUNITY SCHOOLS	\$ (394,142)	2012-13
BENTON HARBOR AREA SCHOOLS	\$ (11,523,906)	2013-14
BINGHAM ACADEMY	\$ (138,098)	2013-14
CLINTONDALE COMM SCHOOLS	\$ (5,230,638)	2013-14
DETROIT CITY SCHOOL DISTRICT	\$ (218,969,419)	2013-14
EAST DETROIT PUBLIC SCHOOLS	\$ (3,813,147)	2013-14
EWEN-TROUT CREEK CONSOLIDATED SCHOOLS	\$ (1,087,795)	2013-14
HAMTRAMCK PUBLIC SCHOOLS	\$ (1,118,968)	2013-14
HANCOCK PUBLIC SCHOOLS	\$ (1,608,045)	2013-14
HAZEL PARK CITY SCHOOL DISTRICT	\$ (1,774,492)	2013-14
INKSTER CITY SCHOOL DISTRICT	\$ (10,049,922)	2013-14
MUSKEGON HEIGHTS SCHOOL DISTRICT	\$ (1,569,009)	2013-14
OAK PARK CITY SCHOOL DISTRICT	\$ (3,032,016)	2013-14
PONTIAC CITY SCHOOL DISTRICT	\$ (8,533,503)	2013-14
WESTWOOD COMMUNITY SCHOOLS	\$ (2,664,336)	2013-14
WILLOW RUN COMMUNITY SCHOOLS	\$ (3,007,674)	2013-14
YPSILANTI SCHOOL DISTRICT	\$ (2,212,810)	2013-14

# Deficit Roles & Responsibilities





# State School Aid Act

## Section 102

- MCL 388.1702

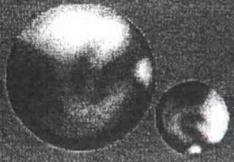
A district or intermediate district receiving money under this act shall not adopt or operate under a deficit budget, and shall not incur an operating deficit in a fund during a school fiscal year. A district having an existing deficit or which incurs a deficit shall not be allotted or paid a further sum under this act until the district submits to the department for approval a budget for the current fiscal year and a plan to eliminate the deficit not later than the end of the second fiscal year after the deficit was incurred.



# Uniform Budgeting and Accounting Act

- MCL 141.436

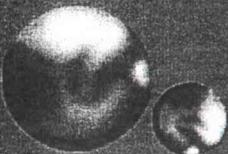
Except as otherwise permitted in MCL 388.1702 the **local school board** shall not adopt a general appropriations act (Budget) or an amendment to that act which causes estimated total expenditures including an accrued deficit to exceed total estimated revenues.



## Uniform Budgeting and Accounting Act

- MCL 141.438

The administration of a school district shall not incur expenditures against an appropriation (Budget) account in excess of the amount appropriated (Budgeted) by the local school board.



## Uniform Budgeting and Accounting Act

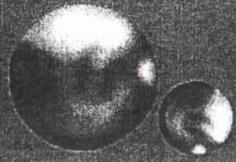
- MCL 141.439

A member of the legislative body, the chief administrative officer, or an employee of a school district shall not authorize or participate in the expenditure of funds except as authorized by the general appropriations act (budget).



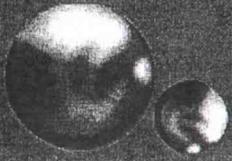
## District School Board and Administration Responsibility

- Local School Boards, elected by the constituents of local school districts are charged with the responsibility for allocating scarce financial (revenues) and human (staff) resources to accomplish the various educational objectives of the district.



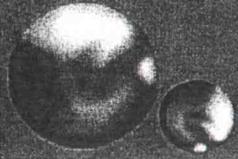
# MDE Responsibility

- Establishing Deficit Elimination Plan procedures and forms used to monitor districts that encounter a deficit fund balance
- Determining which districts are in a deficit condition
- Collecting, analyzing and determining if a Deficit Elimination Plan is reasonable



# MDE Responsibility

- Monitoring a district's adherence to a Deficit Elimination Plan by reviewing monthly budgetary control reports
- Enforcing penalties on districts that fail to comply with laws related to its fiduciary responsibility
- Reporting to the Legislature the status of districts with deficit fund balances



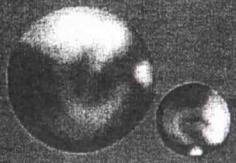
# MDE Responsibility

- MDE **does not** make decisions related to the actual expenditures or programs that a district experiencing a deficit will cut to achieve the positive fund balance. Those decisions remain the responsibility of the local school board and administration.



## Local Government Fiscal Responsibility Act

- Used as a last resort
- Lists triggers that can result in the determination of serious financial problem
- The State Superintendent notifies the Governor and the State Board
- The Governor appoints a Review Team
- The Review Team has 30 days to report



## Local Government Fiscal Responsibility Act

- Following the Review Team's report the State Superintendent makes final determination
- Can result in the appointment of a Financial Manager at the district's expense