



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING

RICK SNYDER  
GOVERNOR

MICHAEL P. FLANAGAN  
STATE SUPERINTENDENT

December 4, 2014

Deborah Delisle  
Assistant Secretary for Elementary and Secondary Education  
Office of Elementary and Secondary Education  
U.S. Department of Education  
400 Maryland Ave, SW  
Washington, DC 20202-6132

**Re: Waiver Request to Exceed the Carryover Limitation for Fiscal Year 2013-2014 Title I, Part A Funds for Pontiac City School District**

Dear Assistant Secretary Delisle:

The Michigan Department of Education (MDE) requests a waiver of the limitation in Elementary and Secondary Education Act (ESEA) section 1127(b), which prohibits a State Educational Agency (SEA) from granting a Local Education Agency (LEA) a waiver of the carryover limitation in section 1127(a) of the ESEA more than once every three years. MDE makes this request pursuant to the Secretary's authority under ESEA section 9401.

ESEA Section 1127(b) permits a State to grant an LEA waiver of the ESEA carryover limitation once every three years if: (1) the LEA's request is reasonable and necessary; or (2) a supplemental Title I, Part A appropriation becomes available. MDE requests authority to extend the application of this provision to the School District of the City of Pontiac (PCSD) more than once every three years. It is reasonable and necessary to provide the additional waiver to PCSD due to unanticipated circumstances affecting PCSD's ability to expend Title I funds.

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Last year United States Department of Education (USED) granted MDE, along with numerous other states, a waiver of the 1127(b) limitation for fiscal year (FY) 2012-2013 funds in light of the uncertainty caused by sequestration. Many of MDE's school districts were able to take advantage of this flexibility and do not need an additional waiver for the FY2013-2014 grant award. However, due to unforeseen financial circumstances, PCSD continues to need additional time and support to expend its funds in a timely and effective manner.

As of June 30, 2013, PCSD had a significant deficit which contributed to the Governor of the State of Michigan declaring it in a state of Financial Emergency. Consequently, the PCSD entered into a Consent Agreement with the Michigan Treasury Department (Consent Agreement) and the state appointed an outside Consultant to review its finances and oversee spending. The Consent Agreement required PCSD to submit an educational plan to be reviewed and approved by the state. As a result of these required processes, PCSD experienced significant cash flow difficulties and delays in spending, including Title I, Part A grant spending in accordance with its approved application. In consideration of these challenges, MDE and PCSD entered into a Compliance Agreement (MDE Compliance Agreement) in June 2014 to ensure PCSD expends its federal funds in compliance with applicable requirements, including Title I, Part A supplement not supplant requirements.

The requested waiver will provide MDE with the ability to grant PCSD the flexibility it needs to spend its 2013-2014 Title I, Part A funds carefully and appropriately over the next year on activities that are most likely to increase the quality of instruction and improve the academic achievement of students. Specifically, if this request is approved, PCSD has prepared and is ready to implement a plan to maximize the utilization of both the current 2014-2015 Title I, Part A award and the 2013-2014 Title I, Part A carryover in order to meet the needs of its students and ensure compliance with the Consent Agreement, the MDE Compliance Agreement, and the 2014-2015 Title I, Part A application. MDE has reviewed this plan and determined that it meets the requirements imposed on PCSD and that it is also in compliance with federal requirements. The requested waiver will help schools within PCSD meet their Annual Measurable Objectives (AMOs) by enabling PCSD to direct its funds to the planned activities designed to improve student achievement. Michigan requests this waiver to permit the LEA to carry over 2013-2014 Title I, Part A funds in excess of the carryover limitation.

MDE will ensure that PCSD applies to the SEA in accordance with MDE's regular procedures for waivers of the carryover limitation. MDE hereby assures implementation of the requested waiver with respect to PCSD because of the unanticipated circumstances discussed above. In addition,

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MDE assures that it will exercise strict oversight over PCSD's implementation of its plan to ensure utilization of both its current year's Title I, Part A award and its carryover funds. For example, consistent with the MDE Compliance Agreement, MDE will require PCSD to comply with enhanced reporting requirements, commit to ongoing financial monitoring by a CPA firm, develop and implement an updated comprehensive grants management policies and procedures manual addressing internal controls, including period of availability and cash management controls, and provide training on the new controls. Furthermore, MDE will use its AMOs under ESEA section 1111(b)(2) or its approved ESEA flexibility request, as appropriate, to evaluate PCSD progress in increasing the quality of instruction and improving academic achievement.

Prior to submitting this waiver request, MDE provided all LEAs in the state with notice and a reasonable opportunity to comment. A message was sent electronically to each LEA on **[DATE]** (Attachment A). Copies of all comments received from LEAs in response to this notice are attached (Attachment B). MDE also provided a Public Notice regarding this waiver request by a posting on the MDE website (Attachment C). Copies of all public comments received are included (Attachment D).

In order for PCSD to have sufficient lead time to implement its approved plan and complete spending, we respectfully request a response as soon as possible. Please feel free to contact Mike Radke by telephone or email at 517-373-3921 or [radkem@michigan.gov](mailto:radkem@michigan.gov) if you have any questions regarding this request. Thank you for your consideration.

Respectfully,

Venessa A. Keesler, Ph.D.  
Deputy Superintendent, Education Services

Enclosures

cc: Monique Chism, U.S. Department of Education, Director of SASA  
Todd Stevenson, U.S. Department of Education  
Michael Radke, Office of Field Services, MDE

# Michigan Department of Education

## Pontiac City School District

### **Title I, Part A 15% Carryover Waiver for 2013-14 Funds**

#### REQUIRED WAIVER INFORMATION:

Please describe the reasons the Local Educational Agency (LEA) was unable to obligate and expend at least 85% of the 2013-14 Title I, Part A allocation.

For several years, the School District of the City of Pontiac (PSD) has faced daunting financial challenges characterized by persistent and systemic fiscal imbalances and deficit conditions, aggravated by the deterioration in revenues received from property taxes due to reduced property values and reductions in school aid exacerbated by declining pupil counts.

Despite its efforts to restore its financial stability, PSD has experienced acute financial stress with its deficit quadrupling over 3 years to close the 2011-2012 fiscal year with a \$37.7 million deficit, representing more than half of the District's total general fund revenue for that year.

As of June 30, 2013 PSD had a deficit fund equity of \$51.7 Million. This and other factors led the Governor of the State of Michigan to declare on August 14, 2013 that PSD was in a state of Financial Emergency.

As part of its effort to address the state of Financial Emergency, on September 18, 2013, PSD entered into a Consent Agreement with the Michigan Treasury Department. The Consent Agreement includes enhanced financial reporting and budget approval requirements and assigns the Treasury Department strict oversight over PSD's financial and operational activities. PSD will continue to operate under this Agreement for at least the next 12 years.

The district experienced such extreme cash flow difficulties in FY 12/13 and FY 13/14, that sufficient cash was not available to support grant spending in accordance with the approved Grant Applications until the summer of 2014. As such, PSD devoted significant time during FY13/14 to identify sources of revenue and develop and implement the required educational services and improvement plans under the Consent Agreement.

To address the cash availability issue, the district received several million dollars of cash advances from its Intermediate School District, Oakland Schools, (July 2013 and July 2014), issued \$6.7 Million of short term State Aid Anticipation Notes (August 2013 and August 2014), issued \$14 Million of short term Tax Anticipation Notes (January 2014 and again in November of 2014) and received a \$10 Million Emergency Loan from the State in May of 2014 and another \$10

Million emergency loan will be needed by March of 2015. Financing of \$4 Million of General fund debt was completed in September of 2014. Additionally, payment plans with vendors who were not paid in prior years have been developed and some vendors have now been paid in full. All of these actions have vastly improved the district's ability to have cash available to implement the Grant applications.

Expenditure reductions including wage reductions, benefit reductions and outsourcing of support services together with the cash flow and debt financings reduced total General Fund expenditures below revenue. Accordingly, \$7.2 Million net income is anticipated for the year ending June 30, 2014.

Furthermore, if this request is approved, the School District of the City of Pontiac has prepared and is ready to implement a plan to maximize the utilization of both the current 2014-2015 Title I, Part A allocation award and the 2013-2014 Title I, Part A carryover in order to both meet the needs of our students and at the same time meet our compliance obligations with respect to our Consent Agreement, the Title I, Part A Compliance Agreement and the 2014-2015 Title I, Part A Application.

After detailed description, complete the following assurance statement:

**Kelley J. Williams** of **School District of the City of Pontiac (63030)** submitted the following Certification of Title I, Part A 15% Carryover Waiver for 2013-14 Funds on **November 14, 2014**.

Our LEA acknowledges that when granted this waiver, we agree to abide by the following set of assurances:

- Our LEA will comply with the statutory and regulatory obligations associated with this waiver in respect to our **2013-14 Title I, Part A allocation** (ESEA Section 1127).
- Our LEA will comply with all reporting requirements associated with this waiver as set forth by the United States Department of Education and the Michigan Department of Education (ESEA Section 9401).

By sending this e-mail, I understand that our agency is requesting a Title I, Part A Carryover Waiver. This request will be reviewed based on Federal requirements. The LEA will receive an e-mail confirming approval or denial by the Office of Field Services.

  
Kelley J. Williams  
Superintendent

PLEASE SAVE THIS COMPLETED REQUEST AND ATTACH TO THE E-MAIL TO: [TitleICarryoverWaiver@michigan.gov](mailto:TitleICarryoverWaiver@michigan.gov). Please maintain a copy of the submitted assurance and the e-mail from your "Sent Items" for your records.