




RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

September 12, 2013

MEMORANDUM

TO: House and Senate K-12 Appropriations Subcommittees
FROM: Mike Flanagan, State Superintendent 
SUBJECT: Quarterly Report to the Legislature on Deficit Districts

OVERVIEW

The Michigan Department of Education (MDE) is required in Section 102 of the State School Aid Act to report quarterly to the Legislature on school districts incurring year-end deficits and the districts' progress in reducing those deficits. In this fourth quarterly report, an analysis of the unaudited 2012-2013 (fiscal year 2013) financial data has been completed for those school districts that ended FY 2012 with a deficit. The analysis is conducted using data collected from Deficit Elimination Plans (DEPs) and required monthly budget control reports. It should be noted that since 1976, MDE has provided the Legislature with an annual report on local school districts in financial deficit.

Section 102(2) of the State School Aid Act (Public Act No. 94 of 1979, as amended) states:

"(2) Not later than March 1 of each year, the department shall prepare a report of deficits incurred or projected by districts and intermediate districts in the immediately preceding fiscal year and the progress made in reducing those deficits and submit the report to the standing committees of the legislature responsible for K-12 education legislation, the appropriations subcommittees of the legislature responsible for K-12 education appropriations, the house and senate fiscal agencies, the state treasurer, and the state budget director. The department also shall submit quarterly interim reports concerning the progress made by districts and intermediate districts in reducing those deficits. On a quarterly basis, the superintendent of public instruction shall publicly

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present those reports to the appropriations subcommittees of the legislature responsible for K-12 education appropriations."

The following narrative provides relevant information regarding process, requirements, and selected district information; the attached analysis provides deficit district specific information.

MICHIGAN DEPARTMENT OF EDUCATION (MDE) PROCESS

Under Governor Snyder's Good Government initiative, MDE has included a financial metric on our Scorecard related to Deficit Elimination Plans (DEPs) as follows: "Percent of DEPs reviewed within 30 days of receipt from districts." MDE is continuing to achieve 100% on this metric.

In addition, the law requires that deficit districts submit a Deficit Elimination Plan (DEP) to MDE. MDE has a formal process in place to assure that school districts develop and implement DEPs to eliminate their general fund deficits. Long-standing MDE procedures ensure that districts are treated fairly throughout the deficit elimination process. MDE's website (http://www.michigan.gov/mde/0,4615,7-140-6530_6605-106599--,00.html) includes definitions, contact information, a flow chart to assure accurate completion of required forms, and district requirements. MDE provides considerable technical assistance to districts during the DEP development and submission process. When necessary, the process may include requiring district representatives (i.e. administrators, local board of education members and union representatives) to attend a meeting(s) in Lansing to discuss requirements in the law (see following section), status of the district's financial situation, possible modifications to the district's DEP, and answer questions. The desired outcome of such a meeting is for all of the district's key representatives to leave with a mutual understanding related to what is in the law and what is required of deficit districts. MDE team stresses that because Michigan is a locally controlled state, district officials must make the difficult decisions that will eliminate the deficit. MDE also includes Department of Treasury staff in these meetings to discuss how processes within Treasury regarding the State Aid Note Borrowing Program and the Emergency Loan Program relate to and affect a district's deficit status. It is imperative that district representatives understand that borrowing through Treasury for cash flow does not negate the need to reduce expenditures in order to eliminate the deficit. As we continue to work with these critical districts, it became apparent that the districts also need to have a conversation with Office of Retirement Systems if there is an issue with MPSERS payments and with the Department of Licensing and Regulatory Affairs (LARA) should the district have reimbursement issues related to Unemployment Insurance. Both agencies are invited to these meetings as necessary.

Since my third report to you on June 6, 2013, MDE staff have met in Lansing with the following deficit districts:

- Flint Community Schools – July 16, 2013; approved DEP August 5, 2013

- Ypsilanti Community Schools – July 25, 2013; approved DEP August 6, 2013 (NOTE: This DEP reflects the newly consolidated district's financial situation. On July 25, 2013, the Michigan Finance Authority approved the issuance of \$18.6 million in bonds that will, in effect, eliminate the deficit. However, the district will be required to make debt service payments out of current year foundation allowances from 2015 through 2026 with a total cost of \$25.3 million.)
- Ecorse Public Schools – July 29, 2013; approved DEP, initiated PA436 August 19, 2013 and began the Preliminary Review September 3, 2013; this review will be completed within the timeframe prescribed in law or by October 3, 2013
- Benton Harbor Public Schools – August 29, 2013; approved DEP September 17, 2012 (6-year plan) (NOTE: As State Superintendent, I completed a Preliminary Review under PA4 in July of 2012. At that time, the district had made significant improvements toward eliminating the deficit. Consequently, I did not recommend a Review Team but did reserve the right to move ahead with that process should it be warranted. I have grave concerns about the financial viability of the district at this time; staff is monitoring on a weekly basis.)

Public school academies (charter schools) are treated the same as traditional districts when faced with a deficit situation. They receive technical assistance and must submit a DEP to MDE and have it approved. Our experience has found that the charter authorizer will step in and either close the school or take other steps early in the process so a meeting in Lansing has not yet been necessary. One exception appears to be HEART Academy which is authorized by Saginaw Valley State University.

REQUIREMENTS IN LAW

DISTRICT REQUIREMENTS

Michigan is a locally controlled state; Sec. 102(1) of the State School Aid Act [MCL 388.1702(1)] states:

"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 or the budget projecting a deficit was adopted. Withheld state aid payments shall be released after the department approves the deficit reduction plan and ensures that the budget for the current school fiscal year is balanced. After the department approves a district's or intermediate district's deficit reduction plan, the district or intermediate district shall post the deficit elimination plan on the district's or intermediate district's website."

The Uniform Budgeting and Accounting Act places the burden for eliminating a district's deficit on the local board of education.

- MCL 141.436(7) Except as otherwise permitted by Section 102 of the State School Aid Act, 1979 PA 94, MCL 388.1702, or by other law, the legislative body shall not adopt a general appropriations act or an amendment to that act which causes estimated total expenditures, including an accrued deficit, to exceed total estimated revenues, including an available surplus and the proceeds from bonds or other obligations issued under the Fiscal Stabilization Act, 1981 PA 80, MCL 141.1001 to 141.1011, or the balance of the principal of these bonds or other obligations.
- MCL 141.437(2) If, during a fiscal year, it appears to the chief administrative officer or to the legislative body that the actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues, including an available surplus upon which appropriations from the fund were based and the proceeds from bonds or other obligations issued under the Fiscal Stabilization Act, 1981 PA 80, MCL 141.1001 to 141.1011, or the balance of the principal of these bonds or other obligations, the chief administrative officer or fiscal officer shall present to the legislative body recommendations which, if adopted, would prevent expenditures from exceeding available revenues for that current fiscal year. The recommendations shall include proposals for reducing appropriations from the fund for budgetary centers in a manner that would cause the total of appropriations to not be greater than the total of revised estimated revenues of the fund, or proposals for measures necessary to provide revenues sufficient to meet expenditures of the fund, or both. The recommendations shall recognize the requirements of state law and the provisions of collective bargaining agreements.
- MCL 141.438(3) Except as otherwise provided in section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. The chief administrative officer, an administrative officer, or an employee of the local unit shall not apply or divert money of the local unit for purposes inconsistent with those specified in the appropriations of the legislative body.

MICHIGAN DEPARTMENT OF EDUCATION REQUIREMENTS

Penalties in law that are to be imposed on deficit districts: (1) withholding state school aid [MCL 388.1702(1)] (see statutory language above); and (2) reporting a violation to the Attorney General who will review the report and determine whether or not to act [MCL 388.1761] (see statutory language below).

To date, as State Superintendent, I have periodically authorized state aid to be withheld from a limited number of deficit districts that have failed to submit timely, required information. (See Page 5, Additional Selected District Information, where I have provided details on my most recent actions with Pontiac and Buena Vista.)

"A school official or member of a board or other person who neglects or refuses to do or perform an act required by this act or who violates or knowingly permits or consents to the violation of this act is guilty of a misdemeanor, punishable by imprisonment for not more than 90 days, or a fine of not more than \$1,500, or both." (MCL 388.1761) There has been no instance where, as State Superintendent, I have asked the Attorney General's involvement regarding deficit districts. However, given the severity of some local districts' financial situation and the apparent inability of some local boards of education to implement the district's Deficit Elimination Plan, my staff has initiated conversations with our attorneys in the Attorney General's Office to determine a process moving forward should that be necessary.

ADDITIONAL SELECTED DISTRICT INFORMATION

PONTIAC SCHOOL DISTRICT

Because the Pontiac School District had not complied with the law in submitting its audit by the November 15 annual deadline and the Financial Information Database (FID) information due to the Center for Educational Performance and Information (CEPI) by the same deadline was not complete, I withheld Pontiac's state aid beginning with the December 20, 2012 payment in accordance with Section 18(10) of the State School Aid Act. The district submitted the required information on March 18, 2013, and I released the December 2012 through February 2013 state aid payments. It was through this information that we learned the deficit had increased from a projected \$26 million in the district's previously approved DEP to \$37.6 million. Because the Pontiac School District had not complied with the law in submitting a revised, approvable DEP, I withheld Pontiac's state aid beginning with the March 20, 2013 payment. Both the March and April 2013 payments were withheld. Pontiac submitted its revised DEP which I approved on May 13, 2013 enabling me to release the March and April payments.

Because of the severity of the deficit increase, on April 23, 2013, I notified the district (as required in law) that a Preliminary Review under PA436 was going to be initiated. The law requires that I complete the Preliminary Review process within 30 days, including allowing 5 days for the district to comment on my Interim Report; my team and I completed the process early. The Final Report of the Preliminary Review was forwarded to the Local Emergency Financial Assistance Loan Board on May 20, 2013. On June 6, 2013, the Loan Board determined that probable financial stress exists for the District. Governor Snyder appointed a Review Team on July 3, 2013. On August 2, 2013, the Review Team confirmed the determination of the Local Emergency Financial Assistance Loan Board and concluded that a financial emergency exists within the Pontiac School District. On August 6, 2013, Governor Snyder determined that a financial emergency exists in the District. The District did not request a hearing on the determination, and the Governor confirmed his determination that a financial emergency exists in the District on August 14, 2013. Of the four options available, on August 19, 2013 the District chose to enter into a Consent Agreement. Since the District board's decision, Treasury and MDE staff have met with the District and

Oakland Schools, Treasury has drafted the Consent Agreement and is working with the District to finalize it. Under my authority in PA436, I am requiring that an Education Plan be part of the Consent Agreement. The statute requires that I also sign the Consent Agreement with the Treasurer when an Education Plan is required. The Agreement must be signed within 30 days of the local board of education's resolution or by September 18, 2013.

BUENA VISTA PUBLIC SCHOOLS AND INKSTER PUBLIC SCHOOLS

On July 23, 2013, State Treasurer Andy Dillon and I determined that Buena Vista Public Schools and Inkster Public Schools met the factors for dissolution under PA96 of 2013. The Wayne County RESA Board dissolved Inkster on July 25, 2013. The district students were assigned to Taylor, Romulus, Wayne-Westland, and Westwood School Districts. Inkster's property was distributed to these receiving districts as appropriate. On July 30, 2013, the Saginaw ISD board dissolved Buena Vista Schools. The district students were assigned to Saginaw, Bridgeport Spaulding Community, and Frankenmuth School Districts. Buena Vista's property was distributed to these receiving districts as appropriate. It should be noted that, per the statute, once the Treasurer and I determined both districts met the factors for dissolution, the resident intermediate school district is responsible for any subsequent actions. To assist with these transition and on-going duties, MDE is hosting at least monthly meetings with my staff and Treasury staff, as well as the Center for Educational Performance and Information (CEPI) as necessary to work through the requirements related to dissolving these districts.

HAZEL PARK SCHOOLS

On June 19, 2013, I approved the DEP for Hazel Park Schools that included an additional (sixth) year beyond what was already approved by the Department. Because of the additional year, I determined that a Preliminary Review under PA436 should be initiated. I notified the district of the Preliminary Review as required in law. The law requires that I complete the Preliminary Review process within 30 days, including allowing five days for the district to comment on my Interim Report. The Final Report of the Preliminary Review was forwarded to the Local Emergency Financial Assistance Loan Board on July 23, 2013. On August 12, 2013, the Board determined that no probable financial stress exists for the District at this time.

EAST DETROIT PUBLIC SCHOOLS

On July 29, 2013, I approved the DEP for East Detroit Public Schools that included an additional (sixth) year beyond what was already approved by the Department. Because of the additional year, I determined that a Preliminary Review under PA436 should be initiated. I notified the district of the Preliminary Review as required in law. The law requires that I complete the Preliminary Review process within 30 days, including allowing five days for the district to comment on my Interim Report. The Interim Report of the Preliminary Review was forwarded to the District on August 19, 2013. I forwarded my Final Report of the Preliminary Review to the Local Emergency Financial Assistance Loan Board on September 5, 2013 which met the statutory timeline. The

Board has 20 days, or by September 25, 2013, to meet and make a determination of regarding financial stress in the district

ECORSE PUBLIC SCHOOLS

On August 19, 2013, I approved the DEP for Ecorse Public Schools which included an additional (sixth) year beyond what was already approved by the Department. Because of the additional year, I determined that a Preliminary Review under PA436 should be initiated. I notified the district of the Preliminary Review as required in law. The Preliminary Review began on September 3, 2013. The law requires that I complete the Preliminary Review process within 30 days, or by October 3, 2013, including allowing 5 days for the district to comment on my Interim Report. I will meet that statutory timeline.

EARLY WARNING INDICATORS

In my prior reports to the Legislature, I highlighted the need for districts to use existing data and systems to assure that they and, because Michigan is a locally controlled state, their respective boards of education, are aware of budget and potential deficit issues. We continue to encourage districts to evaluate their data on a regular basis and use systems such as Munetrix and Massada. In addition, the Center for Educational Performance and Information (CEPI), housed in our State Budget Office, is developing a new state system that will provide five-year financial trend information. Given that these systems are or will be in place, we hope that local districts and boards of education took the data they provide into consideration as district budgets were developed and approved by the June 30 annual date stipulated in law. In addition, MDE is co-sponsoring a fiscal oversight workshop on September 16, 2013 for local board members and district administrators in an effort to be more proactive with those districts identified to be in financial trouble using the early warning systems available. Finally, Deputy Superintendent Carol Wolenberg was my designee to participate on the Governor's education advisory, Craig Ruff's, Financial Accountability for Schools workgroup. That group looked at options for providing assistance to financially troubled districts and reviewed the early warning systems already in place. The workgroup's report was submitted by Mr. Ruff to the Governor in late August.

DEFICIT DISTRICT DATA

Attachments A and B provide the financial analysis for FY2012-13. Attachment C provides the sections in law related to district penalties.

Additional questions about this report should be directed to Glenda Rader, Office of State Aid and School Finance, at raderg@michigan.gov or (517) 373-3350.

Attachments

**DEFICIT DISTRICT QUARTERLY REPORT
TO THE HOUSE AND SENATE K-12 APPROPRIATIONS SUBCOMMITTEES
FINANCIAL ANALYSIS OF MICHIGAN DEFICIT SCHOOL DISTRICTS
UNAUDITED 2012-2013**

An analysis of the unaudited 2012-2013 (fiscal year 2013) financial data has been completed for those districts that ended FY 2012 with a deficit. The analysis is conducted using data collected from DEPs and required monthly budget control reports.

Attachment B lists the 49 districts and public school academies that ended fiscal year (FY) 2012 in a deficit position. There were 48 such districts in June 2011. Attachment B also indicates the general status with regard to unaudited changes in the financial situation between June 30, 2012 and June 30, 2013.

Of the 49 districts that ended FY2012 in deficit, nine (9) have projected that they have successfully eliminated their deficit by June 30, 2013 (Attachment B, Category 1). Twenty-three districts (23) have projected that they have reduced their deficit in FY2013 (Attachment B, Category 2). Thirteen (13) districts have projected that their deficit increased in FY2013 (Attachment B, Category 3). At this point, MDE is aware of ten (10) districts that began FY 2013 with a positive fund balance and anticipate a deficit fund balance at June 30, 2013 (Attachment B, Category 4). That number may change as the districts submit their annual financial data due on or before November 15, 2013. Two (2) districts (Ypsilanti Public Schools and Willow Run Community Schools) have consolidated into a new district (Ypsilanti Community Schools) effective July 1, 2013 (Attachment B, Category 5).

Two (2) districts (Inkster Public Schools and Buena Vista Schools) dissolved subsequent to June 30, 2013; they have been removed from Attachment B.

The four categories have changed as follows:

1. The number of districts that project to emerge from deficit at the end of the year decreased from 10 to 9;
2. The number of districts that project a smaller deficit decreased from 23 to 22;
3. The number of districts that project a larger deficit decreased from 16 to 14;
4. The number of districts that began 2013 with a positive fund balance and project to have a deficit fund balance at the end of the year increased from 6 to 10.
5. Two deficit districts consolidated into one district at the end of 2012-13.

The districts that have changed categories are summarized below:

	From Category	To Category
Westwood Heights Schools	1	2
Muskegon Heights Schools District	1	2
Mackinaw City Public Schools	1	3
Mason County Eastern Schools	2	1
Northpointe Academy	2	1
Brighton Area Schools	2	3
Detroit Public Schools	2	3
Ashley Community Schools	3	2
Buena Vista Schools	3	Dissolved
Inkster Public Schools	3	Dissolved
South Lake Schools	4	No deficit
Alpena Public Schools	NA	4
Beecher Community School District	NA	4
Atlanta Community Schools	NA	4
Durand Area Schools	NA	4
Lincoln Consolidated Schools	NA	4
Ypsilanti Public Schools and Willow Run Community Schools	3 and 3	5

ISD/School Name	Category	June 2011 Fund Balance	June 2012 Fund Balance	Projected 6/30/2013 Fund Balance / (Deficit) Per Monthly Report	Projected 2013 GF Revenues	% Deficit is of Revenues
CATEGORY 1						
Districts that projected to emerge from deficit by June 30, 2013						
Traverse Bay Area ISD						
Bellaire Public Schools	1	\$6,550	(\$41,116)	\$5,904	\$3,863,775	0.15%
Barry ISD						
Hastings Area School System	1	\$340,780	(\$622,606)	\$575,283	\$22,749,507	2.53%
Calhoun ISD						
Athens Area Schools	1	\$264,046	(\$21,185)	\$36,977	\$4,978,981	0.74%
Dickinson-Iron ISD						
North Dickinson County Schools	1	\$18,014	(\$126,171)	\$32,937	\$2,588,878	1.27%
Hillsdale ISD						
North Adams-Jerome Public Schools	1	\$170,611	(\$114,796)	\$212,106	\$3,710,831	5.72%
Iosco RESA						
Hale Area Schools	1	(\$650,461)	(\$195,203)	\$162,388	\$4,773,296	3.40%
Marquette Alger RESA						
North Star Academy	1	(\$91,710)	(\$28,222)	\$23,539	\$2,402,986	0.98%
West Shore ESD						
Mason County Eastern Schools	1	(\$231,345)	(\$251,542)	\$53,367	\$4,335,648	1.23%
Wayne RESA						
Northpointe Academy	1	(\$266,456)	(\$20,840)	\$60,778	\$2,754,081	2.21%
CATEGORY 2						
Districts that began FY2013 in deficit and projected to end the year with a reduced deficit.						
Berrien RESA						
Benton Harbor Area Schools	2	(\$16,076,758)	(\$16,099,422)	(\$14,653,557)	\$31,694,608	-46.23%
Calhoun ISD						
Bellevue Community Schools	2	(\$646,910)	(\$254,126)	(\$235,843)	\$5,529,275	-4.27%
Genesee ISD						
Westwood Heights Schools	2	(\$124,340)	(\$155,732)	(\$8,552)	\$8,931,946	-0.10%
Gratiot-Isabella RESD						
Ashley Community Schools	2	\$14,760	(\$164,856)	(\$161,185)	\$2,513,287	-6.41%
Copper Country ISD						
Hancock Public Schools	2	(\$840,667)	(\$743,491)	(\$631,700)	\$6,494,629	-9.73%
Macomb ISD						
East Detroit Public Schools	2	(\$7,860,591)	(\$7,545,877)	(\$6,133,938)	\$37,446,904	-16.38%
Clintondale Community Schools	2	(\$4,993,071)	(\$4,772,258)	(\$3,614,854)	\$30,617,896	-11.81%
Mt. Clemens Community Schools	2	(\$3,847,845)	(\$4,790,635)	(\$3,825,049)	\$18,476,848	-20.70%
New Haven Community Schools	2	(\$460,592)	(\$323,332)	(\$237,487)	\$11,953,692	-1.99%
Muskegon Area ISD						
Muskegon Heights School District	2	(\$8,473,001)	(\$11,896,251)	(\$322,512)	\$14,021,710	-2.30%
Newaygo County RESA						
White Cloud School District	2	(\$460,495)	(\$693,720)	(\$580,277)	\$9,552,528	-6.07%
Oakland Schools						
Pontiac School District	2	(\$24,534,392)	(\$37,683,487)	(\$29,985,602)	\$75,780,316	-39.57%
Avondale School District	2	(\$989,233)	(\$1,338,397)	(\$1,050,090)	\$36,475,530	-2.88%
Oak Park School District	2	(\$7,902,891)	(\$5,557,347)	(\$3,559,821)	\$49,087,245	-7.25%
Cheboygen-Otsego-Presque Isle ESD						
Vanderbilt Area School District	2	(\$95,872)	(\$155,449)	(\$153,781)	\$1,329,248	-11.57%
Saginaw ISD						
Saginaw City School District	2	(\$1,417,986)	(\$5,100,750)	(\$4,982,125)	\$82,005,816	-6.08%
Wayne RESA						
Hamtramck Public Schools	2	(\$4,961,129)	(\$3,776,824)	(\$2,924,064)	\$30,130,091	-9.70%
Highland Park City Schools	2	(\$11,251,484)	(\$12,170,066)	(\$8,450,955)	\$9,950,343	-84.93%
Redford Union Schools	2	(\$1,757,017)	(\$4,114,455)	(\$3,296,439)	\$27,015,142	-12.20%
River Rouge School District	2	(\$2,987,237)	(\$3,427,203)	(\$1,516,720)	\$16,700,975	-9.08%
Westwood Community School District	2	(\$6,172,286)	(\$6,240,031)	(\$5,928,271)	\$24,610,544	-24.09%
Ecorse Public School District	2	(\$507,075)	(\$1,536,593)	(\$1,532,025)	\$10,638,297	-14.40%

ISD/School Name	Category	June 2011 Fund Balance	June 2012 Fund Balance	Projected 6/30/2013 Fund Balance / (Deficit) Per Monthly Report	Projected 2013 GF Revenues	% Deficit is of Revenues
CATEGORY 3						
Districts that began FY2013 in deficit and projected to end the year with a greater deficit.						
Cheboygen-Otsego-Presque Isle ESD						
Mackinaw City Public Schools	3	\$218,374	(\$23,914)	TBD	TBD	
Genesee ISD						
Flint Community Schools	3	(\$3,694,744)	(\$11,497,002)	(\$15,781,011)	\$118,845,909	-13.28%
Livingston ESA						
Brighton Area Schools	3	(\$7,890,905)	(\$7,388,781)	(\$8,045,406)	\$50,681,210	-15.87%
Macomb ISD						
Van Dyke Public Schools	3	\$85,428	(\$741,835)	(\$1,151,641)	\$31,498,154	-3.66%
Menominee ISD						
Menominee Area Public Schools	3	\$718,741	(\$129,287)	(\$205,012)	\$12,615,280	-1.63%
Monroe County ISD						
Bedford Public Schools	3	\$998,698	(\$518,799)	(\$1,047,105)	\$37,987,349	-2.76%
Oakland Schools						
School District of the City of Hazel Park	3	(\$2,343,202)	(\$1,527,137)	(\$3,282,486)	\$41,184,966	-7.97%
Saginaw ISD						
Bridgeport Spaulding Community School District	3	(\$954,339)	(\$2,561,221)	(\$3,066,187)	\$13,595,660	-22.55%
Shiawassee RESD						
Perry Public Schools	3	\$196,723	(\$1,083,873)	(\$1,718,462)	\$11,344,301	-15.15%
Wayne RESA						
Detroit Public Schools	3	(\$283,929,316)	(\$76,345,661)	(\$82,147,340)	\$782,242,161	-10.50%
Dearborn Heights School District #7	3	\$271,561	(\$657,094)	(\$1,601,613)	\$23,576,930	-6.79%
Taylor School District	3	\$3,648,718	(\$5,941,851)	(\$8,364,478)	\$62,824,140	-13.31%
Southgate Community Schools	3	(\$1,376,678)	(\$3,249,656)	(\$5,061,769)	\$43,970,197	-11.51%
HEART Academy	3	\$22,920	(\$93,780)	(\$337,770)	\$1,568,444	-21.54%
CATEGORY 4						
Districts that began FY2013 with a positive fund balance but projected to end the year in deficit.						
Alpena-Montmorency-Alcona ESD						
Alpena Public Schools	4	\$2,529,316	\$1,070,904	(\$1,267,061)	\$34,404,236	-3.68%
Atlanta Community Schools	4	\$353,820	\$81,446	(\$111,356)	\$2,859,465	-3.89%
Genesee ISD						
Beecher Community School District	4	\$1,716,690	\$680,450	(\$507,365)	\$19,710,586	-2.57%
Livingston ESA						
Pinckney Community Schools	4	\$2,767,666	\$865,569	(\$1,905,730)	\$31,565,266	-6.04%
Muskegon Area ISD						
Muskegon Public Schools	4	\$2,617,622	\$1,295,727	(\$2,042,131)	\$53,651,561	-3.81%
Shiawassee RESD						
Durand Area Schools	4	\$906,852	\$712,500	(\$89,191)	\$13,236,668	-0.67%
Van Buren ISD						
Bangor Public Schools	4	\$618,355	\$154,974	(\$812,119)	\$10,752,087	-7.55%
Washtenaw ISD						
Lincoln Consolidated Schools	4	\$3,123,063	\$745,440	(\$1,952,594)	\$44,123,289	-4.43%
Wayne RESA						
Romulus Community Schools	4	\$3,011,109	\$2,393,436	(\$2,651,848)	\$34,446,753	-7.70%
Aisha Shule/DuBois Preparatory Academy	4	\$170,227	\$25,594	(\$351,251)	\$1,221,491	-28.76%
CATEGORY 5						
Consolidated district						
Washtenaw ISD						
Ypsilanti Community Schools	5	NA	NA	(\$11,217,219)	\$60,041,842	-18.68%
SUMMARY:						
No. of Districts	Cat.	Description				
9	1	Districts that projected to emerge from deficit by June 30, 2013				
22	2	Districts that began FY2013 in deficit and projected to end the year with a reduced deficit.				
14	3	Districts that began FY2013 in deficit and projected to end the year with a greater deficit.				
10	4	Districts that began FY2013 with a positive fund balance but projected to end the year in deficit.				
1	5	New consolidated district with deficit at July 1, 2013				

Michigan Compiled Laws Penalties the SPI and His Staff May Impose on Deficit School Districts

Withholding State School Aid – MCL 388.1702(1)

388.1702 Deficit budget or operating deficit prohibited; release of withheld state aid payments;

(1) A district or intermediate district receiving money under this act shall not adopt or operate under a deficit budget, and a district or intermediate district shall not incur an operating deficit in a fund during a school fiscal year. **A district or intermediate district that has an existing deficit fund balance, that incurs a deficit fund balance in the most recently completed school fiscal year, or that adopts a current year budget that projects a deficit fund balance shall not be allotted or paid a further sum under this act until the district or intermediate district submits to the department for approval a budget for the current school fiscal year and a plan to eliminate the district's or intermediate district's deficit not later than the end of the second school fiscal year after the deficit was incurred or the budget projecting a deficit was adopted. Withheld state aid payments shall be released after the department approves the deficit reduction plan and ensures that the budget for the current school fiscal year is balanced.**

Set special conditions for the deficit district to meet – MCL 388.1702(5)

(5) If a district or intermediate district is not able to comply with the provisions of this section, the district or intermediate district shall submit to the department a plan to eliminate its deficit. Upon approval of the plan submitted, **the superintendent of public instruction may continue allotment and payment of funds under this act, extend the period of time in which a district or intermediate district has to eliminate its deficit, and set special conditions that the district or intermediate district must meet during the period of the extension.**

MCL Report violations related to deficit spending to Attorney General – MCL 141.439 – 141.440, 388.1761

141.439(1) A member of the legislative body, the chief administrative officer, an administrative officer, or an employee of a local unit shall not authorize or participate in the expenditure of funds except as authorized by a general appropriations act. An expenditure shall not be incurred except in pursuance of the authority and appropriations of the legislative body of the local unit.

141.440 For local and intermediate school districts, the report of a violation shall be filed with the state superintendent of public instruction instead of the state treasurer. The attorney general shall review the report and initiate appropriate action against the chief administrative officer, fiscal officer, administrative officer, employee, or member of the legislative body. For the use and benefit of the local unit, the attorney general or prosecuting attorney may institute a civil action in a court of competent jurisdiction for the recovery of funds of a local unit, disclosed by an examination to have been illegally expended or collected as a result of malfeasance and not accounted for as provided in sections 17 to 19, and for the recovery of public property disclosed to have been converted or misappropriated.

388.1761 A school official or member of a board or other person who neglects or refuses to do or perform an act required by this act or who violates or knowingly permits or consents to the violation of this act is guilty of a misdemeanor, punishable by imprisonment for not more than 90 days, or a fine of not more than \$1,500.00, or both.