

Michigan Department of Education

Deficit District Requirements

Statute Requirements

The following are excerpts from MCL 380.1220:

Sec. 1220 (1) A school district, intermediate school district, or public school academy shall not adopt or operate under a deficit budget, and a school district, intermediate school district, or public school academy shall not incur an operating deficit in a fund during a school fiscal year. If a school district, intermediate school district, or public school academy has an existing deficit fund balance, incurs a deficit fund balance in the most recently completed school fiscal year, or adopts a current year budget that projects a deficit fund balance, all of the following apply:

- (a) The school district, intermediate school district, or public school academy shall notify the superintendent of public instruction and the state treasurer immediately upon the occurrence of the circumstance. A school district shall provide a copy of the notice under this subdivision to the intermediate superintendent of the intermediate school district in which the school district is located. A public school academy shall provide a copy of the notice under this subdivision to the authorizing body of the public school academy.

- (b) Within 30 days after making notification under subdivision (a), the school district, intermediate school district, or public school academy shall submit to the superintendent of public instruction in the form and manner prescribed by the department an amended budget for the current school fiscal year and a deficit elimination plan approved by the board of the school district, intermediate school district, or public school academy, with a copy to the state treasurer. A school district shall transmit a copy of the amended budget and the deficit elimination plan to the intermediate superintendent of the intermediate school district in which the school district is located. A public school academy shall transmit a copy of the amended budget and the deficit elimination plan to its authorizing body.

The following are excerpts from MCL 388.1702:

Sec. 102 (1) If a district or intermediate district is required to submit a deficit elimination plan under section 1220 of the revised school code, MCL 380.1220, and the district or intermediate district fails to submit a deficit elimination plan or the deficit elimination plan is not approved, the department may withhold some or all of the money payable to the district or intermediate district under this article, in an amount the department determines necessary to incentivize the district or intermediate district to eliminate the deficit, until the district or intermediate district submits to the department for approval an amended budget for the current

school fiscal year and a deficit elimination plan in the form and manner prescribed by the department or until the deficit elimination plan is approved by the department, as determined by the department.

Sec. 102 (2) The department shall release money withheld under subsection (1) after the department approves the deficit elimination plan.

Department Requirements

Upon discovery of an operating deficit or adoption of a deficit budget by a district the Department will notify the district of its obligation to submit a deficit elimination plan (DEP) to the Department. The DEP is due 30 days after Department notification or 30 days after the state school aid budget is passed, whichever comes later.

The Department will immediately withhold State School Aid payments from a district if any of the following occur:

- 1) A district fails to meet the Department deadline for submission of a DEP.
- 2) A district meets the deadline for submission of the DEP, but the plan is un-approvable as evidenced by:
 - i) Length of DEP is not reasonable
 - ii) The plan is missing required information (approved budget, spreadsheet detail, narrative, etc.)
 - iii) Information related to the revenues and expenditures reported within the DEP is not reasonable or verifiable
 - iv) A deficit that increases rather than decreases in any subsequent year
 - v) The district failed to implement the terms of a previously submitted deficit elimination plan
 - (1) There may be extenuating circumstances that will be taken into consideration when evaluating 2v. Examples of these circumstances include:
 - (a) Unforeseen extreme reductions in enrollment
 - (b) Unforeseen reductions in the state foundation (e.g. mid-year proration)
 - (2) These and other similar circumstances may cause the district to violate certain items in 2v above. The State Superintendent may, at his/her discretion, waive the violations in light of the particular circumstances.
- 3) After DEP approval, the district fails to submit monthly Budgetary Control Reports.

The district will continue to receive state aid payments unless they meet 1, 2, or 3 above.

For districts falling into 2 above, the Department will allow the district two weeks from the date of follow-up correspondence from the Department to address the issues and submit a revised plan. The Department will withhold State School Aid payments from any district that fails to submit a revised, approvable plan within two weeks of the Department correspondence.

The State Superintendent may approve an extension of the Department deadline.