STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

GRETCHEN WHITMER
GOVERNOR

GLENN M. MALEYKO, Ph.D.
STATE SUPERINTENDENT

MEMORANDUM

DATE: June 1, 2026

TO: House and Senate K-12 Appropriations Subcommittees
House and Senate Committees on Education
House and Senate Fiscal Agencies
State Treasurer
State Budget Director

FROM: Glenn M. Maleyko, Ph.D., State Superintendent

SUBJECT: Quarterly Report to the Legislature on Deficit Districts

OVERVIEW

Under Section 1220(2)(a) of the Revised School Code (MCL 380.1220), the Michigan Department of Education (MDE) must report quarterly to the legislature regarding school districts with budget deficits. This third quarterly report for fiscal year 2026 provides updated financial projections for the districts currently running deficits and tracks their progress in eliminating them.

Section 1220(2)(a) of the revised school code (MCL 380.1220) states:

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

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MICHIGAN DEPARTMENT OF EDUCATION PROCESS

Section 1220 of the revised school code says that all intermediate school districts (ISDs) and local education agencies (LEAs), both traditional public school districts and public school academies (PSAs) with a negative fund balance must submit a Deficit Elimination Plan (DEP) to MDE. MDE has a process to make sure districts create and follow these plans to eliminate their deficits. This process may include meetings with district leaders - such as administrators, school board members, and union representatives - to review legal requirements, discuss the district's finances, consider changes to the plan, and answer questions. These meetings help ensure district leaders understand their responsibilities under the law. Because Michigan schools are locally controlled, it is up to district officials to eliminate the deficit.

MDE staff also works closely with the Michigan Department of Treasury's school review and fiscal accountability division. Together, we provide support to help districts improve their financial health.

REQUIREMENTS IN LAW

DISTRICT REQUIREMENTS

Section 1220(1) of the revised school code [MCL 380.1220(1)] states:

"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.

(c) The department may withhold and release some or all of the money payable to the school district, intermediate school district, or public-school academy as provided under section 102(1) of the state school aid act of 1979, MCL 388.1702.

(d) The superintendent of public instruction may require a deficit elimination plan to include an academic plan for the school district, intermediate school district, or public-school academy.

(e) After the superintendent of public instruction approves a school district's, intermediate school districts, or public-school academy's deficit elimination plan, the school district, intermediate school district, or public school academy shall post the deficit elimination plan on the school district's, intermediate school district's, or public school academy'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 may be imposed on deficit districts include: (1) withholding state school aid [MCL 388.1702(1)]; and (2) reporting a violation to the Michigan Attorney General who will review the report and determine if action is required [MCL 388.1761].

1. MCL 388.1702(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."*

2. MCL 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, or both."*

As state superintendent, I have not asked for the Attorney General's involvement regarding deficit districts.

DEFICIT DISTRICT DATA

Attachments A and B provide the financial analysis.

Questions about this report should be directed to Phil Boone in the Office of Financial Management at MDE-OFM@Michigan.gov or 517-899-0796.

Attachments

QUARTERLY REPORT TO THE LEGISLATURE ON DEFICIT DISTRICTS

FINANCIAL ANALYSIS OF DEFICIT DISTRICTS

An analysis of the projected FY 2025-2026 financial data has been completed for districts with a deficit. There are currently 12 districts in deficit:

- 3 districts are projecting to eliminate their deficit in FY 2026 (Attachment B, Category 1)
    - Achieve-Detroit, George Washington Carver Academy, and WAY Academy of Flint
- 4 districts are projecting to reduce their deficit in FY 2026 (Attachment B, Category 2)
    - Lincoln-King Adams-Young Academy, Barack Obama Leadership Academy, Potterville Public Schools, and Van Dyke Public Schools
- 2 districts are projecting to increase their deficit in FY 2026 (Attachment B, Category 3)
    - Macomb Academy and Youth Advancement Academy
- No district starting FY 2026 with a positive fund balance is projecting to end the year in deficit (Attachment B, Category 4)
- 1 district is eliminating its deficit with the capture of school operating taxes through the Department of Treasury (Attachment B, Category 5)
    - Highland Park City Schools
- 2 districts are closing at the end of FY 2026
    - Muskegon Maritime Academy
    - Detroit Public Safety Academy

CATEGORY 1
Districts projecting to eliminate their deficit as of June 30, 2026

District Name	June 2024 Fund Balance	June 2025 Fund Balance	Projected June 2026 Fund Balance	Projected 2026 GF Revenues	% Fund Balance is of Revenues
Achieve-Detroit	N/A	(342,093)	25,679	2,672,925	0.96%
George Washington Carver Academy	(143,899)	(655,420)	2,903	7,320,127	0.04%
WAY Academy of Flint	(94,910)	(45,478)	10,904	1,500,879	0.73%

CATEGORY 2
Districts starting FY 2026 in deficit and projecting to end the year with a reduced deficit

District Name	June 2024 Fund Balance	June 2025 Fund Balance	Projected June 2026 Fund Balance	Projected 2026 GF Revenues	% Deficit is of Revenues
Lincoln-King Adams-Young Academy	(5,818,769)	(945,389)	(916,196)	21,085,969	-4.48%
Barack Obama Leadership Academy	(356,597)	(295,275)	(197,928)	4,610,371	-6.40%
Potterville Public Schools	71,896	(260,353)	(253,286)	12,559,385	-2.07%
Van Dyke Public Schools	(61,543)	(4,899,389)	(4,830,769)	43,578,724	-11.24%

CATEGORY 3
Districts starting FY 2026 in deficit and projecting to end the year with a larger deficit

District Name	June 2024 Fund Balance	June 2025 Fund Balance	Projected June 2026 Fund Balance	Projected 2026 GF Revenues	% Deficit is of Revenues
Macomb Academy	(617,035)	(414,702)	(449,408)	1,667,314	-24.87%
Youth Advancement Academy	368,708	(5,450)	(155,816)	402,536	-38.71%

CATEGORY 4
Districts starting FY 2026 with a positive fund balance but projecting to end in deficit

District Name	June 2024 Fund Balance	June 2025 Fund Balance	Projected June 2026 Fund Balance	Projected 2026 GF Revenues	% Deficit is of Revenues
N/A					

CATEGORY 5
District eliminating its deficit with the capture of school operating taxes through the Department of Treasury

District Name	June 2024 Fund Balance	June 2025 Fund Balance	Projected June 2026 Fund Balance	Projected 2026 GF Revenues	% Balance is of Revenues
Highland Park City Schools	(1,721,752)	(476,808)	403,193	2,282,000	17.67%