STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: December 21, 2022

TO: House School Aid and Department of Education Appropriations Subcommittee
Senate K-12 and Department of Education Appropriations Subcommittee
House Education Committee
Senate Education and Career Readiness Committee
Kathryn Summers, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency
Chris Harkins, Director, State Budget Office

CC: Aaron Keel, Director of Legislative Affairs
Heather Frick, Deputy State Treasurer, State and Local Finance
Jessica M. Thomas, Bureau Director, Local Government & School Services

FROM: Rachael Eubanks, State Treasurer

SUBJECT: Quarterly Interim Report - Deficit School Districts Pursuant to MCL 380.1220 (2)

Attached is a copy of the Quarterly Interim Report of Deficit School Districts for the first quarter of FY2022-23. The report is submitted pursuant to Public Act 111 of 2015, the Revised School Code, Section 1220(2), that provides the State Treasurer shall submit quarterly interim reports to the legislature concerning Local Education Agencies (LEAs) school districts, Intermediate School Districts (ISDs), and Public School Academies (PSAs) that are subject to periodic financial status reports or are under an Enhanced Deficit Elimination Plan (EDEP).

If you have additional questions about this report or other related questions concerning the information in this report, please contact the School Review and Fiscal Accountability Division at OSRFA@Michigan.gov.

Attachment: Quarterly Interim Report - Deficit School Districts Pursuant to MCL 380.1220(2)

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SUBJECT: Quarterly Interim Report - Deficit School Districts Pursuant to MCL 380.1220(2)

Pursuant to MCL 380.1220 within the Revised School Code, the State Treasurer shall submit quarterly interim reports to the legislature concerning K-12 Local Education Agencies (LEAs) school districts, Intermediate School Districts (ISDs), and Public School Academies (PSAs) that are subject to periodic financial status reports or are under an Enhanced Deficit Elimination Plan (EDEP). This is the Michigan Department of Treasury's ("Treasury") first quarterly interim report for FY2022-23 to the Michigan Legislature where an analysis of FY 2021-22 audited financial data has been completed for all school districts under active Treasury oversight.

On July 7, 2015, then-Gov. Rick Snyder signed into law Public Acts 109-114, giving Treasury additional financial authority and responsibilities over K-12 LEA school districts, ISDs, and PSAs facing fiscal distress. Pursuant to MCL 380.1219(3), the State Treasurer is required to determine whether potential fiscal stress exists within a LEA school district, ISD, or PSA. Per statute, conditions of fiscal stress may include, but are not limited to: (1) An operating deficit within a LEA school district, ISD, or PSA during the current school fiscal year or the following two school fiscal years (2) A district's inability to meet its financial obligations while also satisfying the districts, ISDs, or PSAs obligations to provide public education services in a manner that complies with state law.

The School Review and Fiscal Accountability Division (SRFA) within Treasury is responsible for analyzing the financial health of Michigan's 890 active school districts while working closely with the Michigan Department of Education (MDE) and the Center for Educational Performance and

Information (CEPI). Treasury has developed a process to identify fiscal stress by closely monitoring data collected from the districts' audited financial statements, adopted budgets, State Aid Status Reports, Financial Information Database (FID), and Michigan Student Data System (MSDS). The following is a summary of school districts under Treasury oversight as of December 1, 2022.

SECTION 1: EARLY WARNING DISTRICTS

Table 1 below is a complete list of districts showing signs of potential fiscal stress pursuant to Early Warning legislation, including the year they were identified. Since the September 2022 Quarterly Interim Report, there were five (5) additional districts identified as showing signs of potential fiscal stress, three (3) PSAs and two (2) LEAs. Table 1 comprises of twelve (12) districts: eight (8) PSAs and four (4) LEAs. While Table 2 outlines the history of districts with statutory reporting requirements to Treasury since the enactment of Public Acts 109-113 of 2015.

TABLE 1: FY2022 EARLY WARNING DISTRICTS

	LEA School District/PSA	Intermediate School District (Management Company)	Year Identified
1	Clintondale Community Schools	Macomb ISD	2019
2	International Academy of Saginaw	Bay Mills Community College (Educational Partnerships, Inc)	2020
3	Ridge Park Charter Academy	Lake Superior State University (National Heritage Academies, Inc.)	2020
4	Taylor Preparatory High School	Grand Valley State University (National Heritage Academies, Inc.)	2020
5	Wellspring Preparatory High School	Bay Mills Community College (National Heritage Academies, Inc.)	2020
6	Faxon Academy	Saginaw Valley State University (GPS)	2021
7	Flint, School District of the City of	Genesee ISD	2022
8	Marvin L. Winans Academy of Performing Arts	Wayne RESA (Solid Rock Management Company)	2022
9	Public Schools of Calumet, Laurium & Keweenaw	Copper Country ISD	2022
10	River Heights Academy	Wayne RESA (Distinctive Schools, Inc.)	2022
11	Rutherford Winans Academy	Wayne RESA (Solid Rock Management Company)	2022
12	Waldron Area Schools	Hillsdale ISD	2022

Note 1: Flint, School District of the City of, transitioned from EDEP oversight to Early Warning in July of 2022.

TABLE 2: EARLY WARNING DISTRICT STATISTICS								
District Status	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**Total**
Total Declarations of Potential Fiscal Stress	19	8	7	16	10	8	6	74
Districts Remaining in Oversight	0	0	0	1	4	1	5	12
Districts Released from Oversight	15	5	3	6	0	6	12	47
Deficit Districts Identified[1]	2	2	2	3	2	0	0	11

Note 1: Districts identified by Treasury as showing signs of potential fiscal stress that ended the year with a general fund deficit.

SECTION 2: ENHANCED DEFICT ELIMINATION PLAN (EDEP) DISTRICTS

Pursuant to MCL 380.1220(5), a K-12 LEA school district, ISD, or PSA that has not eliminated its deficit within 5 years after the initial Deficit Elimination Plan (DEP) is required to submit an Enhanced Deficit Elimination Plan (EDEP) to the Treasury. A district may also be required to submit an EDEP if subjected to "rapidly deteriorating" financial circumstances.

Table 3 represents a complete list of EDEP districts pursuant to legislation. Since the September 2022 Quarterly Interim Report, one (1) district was removed from EDEP oversight. Bay City Academy has eliminated the general fund deficit has been removed from EDEP oversight. Table 3 comprises a total of one (1) PSA under EDEP oversight.

TABLE 3: FY2022 EDEP DISTRICTS					
	LEA School District/PSA	**ISD or Authorizer (Management Co.)**	**Nov 2022 Enrollment**	**FY 2021 Audited GF Balance**	**FY 2022 Audited GF Balance**
1	Detroit Public Safety Academy	Eastern Michigan University (The Leona Group)	160	$(287,782)	($146,456)

SECTION 3: PUBLIC ACT 436 OF 2012

Public Act 436 of 2012 provides criteria in determining the financial condition, specifically, the existence of a financial emergency, within a local unit of government or school district. MCL 141.1563 of the statute states that the Governor may appoint a Receivership Transition Advisory Board (RTAB) to monitor the affairs until the receivership is terminated.

On July 19, 2021, Governor Whitmer terminated the receivership of the School District of the City of Muskegon Heights and dissolved the Receivership Transition Advisory Board under Public Act 436 of 2012. As of the December 1, 2022, report, there are zero (0) districts subject to Public Act 436 of 2012, or a RTAB, as defined in statute.