STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: September 1, 2024

TO: House School Aid and Education Appropriations Subcommittee
Senate PreK-12 Appropriations Subcommittee
House Education Committee
Senate Education Committee
Kathryn Summers, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency
Jen Flood, Director, State Budget Office

CC: Amanda West, Director, Legislative Affairs
Kevin Smith, 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 fourth quarter of FY2023-24. 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 (1) subject to periodic financial status reporting requirements under MCL 380.1219 (Early Warning Legislation) or (2) obligated to implement and comply with the requirements of an Enhanced Deficit Elimination Plan (EDEP) approved by Treasury.

Since the June 2024 Quarterly Interim Report, zero (0) Districts or PSAs were added to the Early Warning category for showing signs of potential fiscal stress. Two (2) Districts were removed from the Treasury Early Warning category because the most recent operating budgets approved by their boards recognize projected general fund deficits (rather than potential fiscal stress) and they have an obligation to submit to the Department of Education a deficit elimination plan (DEP) for approval. These Districts will appear on the Department of Education Quarterly Interim Report as oversight of school districts subject to approved DEPs is the responsibility of the Department of Education. There were no changes to the EDEP list this quarter.

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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FROM: Rachael Eubanks, State Treasurer

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 Michigan 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 reporting requirements under MCL 380.1219 ("Early Warning legislation") or are under an Enhanced Deficit Elimination Plan (EDEP). This is the Michigan Department of Treasury's ("Treasury") fourth quarterly interim report for FY2023-24 based on our analysis of the FY2022-23 audited financial statements and other projection information received to date for all school districts.

On July 7, 2015, then-Gov. Rick Snyder signed into law the Early Warning legislation, Public Acts 109-114, giving Treasury additionalfinancial 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 for purposes of making the Early Warning list may include, but are not limited to: (1) A projected operating deficit within a LEA school district, ISD, or PSA during the current school fiscal year or the following two school fiscal years, or (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 analyzes the financial health of Michigan's 880 active school districts, working closely with the Michigan Department of Education (MDE) and the Center for Educational Performance and

Information (CEPI). Treasury developed a process to identify fiscal stress using information 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 Early Warning oversight as of June 1, 2024.

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 when they were identified. Table 1 is comprised of twenty (20) total districts: thirteen (13) PSAs and seven (7) LEAs. Since the June 2024 Quarterly Interim Report, two (2) districts, Madison District Public Schools (LEA) and Wayne-Westland Community Schools (LEA) were removed because the most recent operating budgets approved by their boards recognize projected general fund deficits (rather than potential fiscal stress) and they have an obligation to submit to the Department of Education a deficit elimination plan (DEP) for approval. These Districts will appear on the Department of Education Quarterly Interim Report as oversight of school districts subject to approved DEPs is the responsibility of the Department of Education. 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: FY2024 EARLY WARNING DISTRICTS

	District Name	District Type	Intermediate School District or Authorizer (Management Company)	Identified Date
1	International Academy of Saginaw	PSA District	Bay Mills Community College (Educational Partnerships, Inc)	August 2020
2	Ridge Park Charter Academy	PSA District	Lake Superior State University (National Heritage Academies, Inc.)	August 2020
3	Taylor Preparatory High School	PSA District	Grand Valley State University (National Heritage Academies, Inc.)	August 2020
4	Wellspring Preparatory High School	PSA District	Bay Mills Community College (National Heritage Academies, Inc.)	August 2020
5	Flint, School District of the City of[1]	LEA District	Genesee ISD	May 2022
6	Waldron Area Schools	LEA District	Hillsdale ISD	December 2022
7	Bradford Academy	PSA District	Bay Mills Community College (Choice Schools Associates, LLC)	March 2023
8	Crossroads Charter Academy	PSA District	Grand Valley State University (CS Partners)	March 2023
9	Muskegon Heights Public School Academy System	PSA District	Muskegon Heights School District (New Paradigm for Education Inc.)	June 2023
10	Barack Obama Leadership Academy	PSA District	Detroit Public Schools Community District (Magnum Educational Services)	June 2023
11	Flex High School of Pontiac	PSA District	Bay Mills Community College (LLAC-Michigan. Inc.)	June 2023
12	New Paradigm College Prep	PSA District	Grand Valley State University (New Paradigm for Education, Inc.)	June 2023
13	North Adams-Jerome Public Schools	LEA District	Hillsdale ISD	January 2024

14	South Lake Schools	LEA District	Macomb ISD	January 2024
15	Tahquamenon Area Schools	LEA District	Eastern Upper Peninsula ISD	January 2024
16	Crescent Academy	PSA District	Bay Mills Community College (CS Partners)	February 2024
17	Ann Arbor Public Schools	LEA District	Washtenaw ISD	June 2024
18	Chippewa Hills School District	LEA District	Mecosta-Osceola ISD	June 2024
19	Washington Parks Academy	PSA District	Grand Valley State University (Cornerstone Charter Schools Management)	June 2024
20	W-A-Y Academy	PSA District	Lake Superior State University (Widening Advancements for Youth)	June 2024

TABLE 2: EARLY WARNING DISTRICT STATISTICS

District Status	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
Total Declarations of Potential Fiscal Stress	19	8	7	16	10	8	6	7	10	91
Districts Remaining in Oversight	0	0	0	0	4	0	2	6	8	20
Districts Released from Oversight	15	5	3	6	0	6	12	0	5	52
Deficit Districts Identified[1]	2	2	2	3	2	0	1	0	2	14

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 DEFICIT 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) was approved, must submit an Enhanced Deficit Elimination Plan (EDEP) to Treasury for approval. 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 that meet the requirements of MCL 380.1220. There are two (2) districts listed in Table 3: one (1) PSA and one (1) LEA.

TABLE 3: FY2023 EDEP DISTRICTS

	District Name	District Type	Intermediate School District or Authorizer (Management Company)	October 2023 Enrollment[1]	FY 2022 Audited GF Balance	FY 2023 Audited GF Balance	% Change
1	The School District of the City of Highland Park	LEA District	Wayne RESA	0[2]	$ (3,019,901)	$(2,278,948)	24.5%
2	Macomb Academy	PSA District	Central Michigan University (Self-Managed)	70	$ (1,063,451)	$ (982,431)	7.6%

Note 1: Enrollment is compiled from the state aid financial status report from December 2023.

Note 2: The School District of the City of Highland Park does not educate students as students are now educated by the Highland Park Public School

Academy System.

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.

As of the June 1, 2024, report, there are zero (0) districts subject to Public Act 436 of 2012, or a RTAB, as defined in statute.