STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: June 1, 2022

TO: House and Senate K-12 Appropriations Committees

CC: House Appropriations Committee
Senate Appropriations Committee
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 RE

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 FY2021-22. 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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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 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") fourth quarterly interim report for FY2021-22 to the Michigan Legislature where an analysis of FY 2020-21 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 887 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 June 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 March 2022 Quarterly Interim Report, (1) one district transitioned from EDEP oversight to Early Warning oversight[1]. Table 1 comprises nineteen (19) districts: ten (10) PSAs and nine (9) LEAs. Additionally, 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	Flat River Academy	Saginaw Valley State University (Midwest Schools Services, Inc.)	2016
2	Multicultural Academy	Bay Mills Community College (Universal Management Company, LLC)	2016
3	Clintondale Community Schools	Macomb ISD	2019
4	Canton Preparatory High School	Grand Valley State University (National Heritage Academies, Inc.)	2020
5	Comstock Public Schools	Kalamazoo RESA	2020
6	The School District of the City of Harper Woods	Wayne RESA	2020
7	International Academy of Saginaw	Bay Mills Community College (Educational Partnerships, Inc)	2020
8	Ridge Park Charter Academy	Lake Superior State University (National Heritage Academies, Inc.)	2020
9	Taylor Preparatory High School	Grand Valley State University (National Heritage Academies, Inc.)	2020
10	Wellspring Preparatory High School	Bay Mills Community College (National Heritage Academies, Inc.)	2020
11	Anchor Bay School District	Macomb ISD	2021
12	Arts Academy in the Woods	Macomb ISD (Self-Managed)	2021
13	Covenant House Academy Detroit	Grand Valley State University (Youth Vision Solutions)	2021
14	Faxon Academy	Saginaw Valley State University (GPS)	2021
15	Ironwood Area Schools of Gogebic County	Gogebic-Ontonagon ISD	2021
16	Mount Clemens Community School District	Macomb ISD	2021
17	New Haven Community Schools	Macomb ISD	2021

TABLE 1: FY2022 EARLY WARNING DISTRICTS			
	LEA School District/PSA	Intermediate School District (Management Company)	Year Identified
18	Pittsford Area Schools	Hillsdale ISD	2021
19	Flint, School District of the City of[1]	Genesee ISD	2022

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

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	1	68
Districts Remaining in Oversight	2	0	0	1	7	8	1	18
Districts Released from Oversight	15	5	3	6	0	6	0	35
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 March 2022 Quarterly Interim Report, there were six (6) districts who ended FY2020-21 with a positive general fund balance and subsequently removed from Treasury EDEP oversight while one (1) transitioned to Early Warning oversight[1]. It should be noted that one-time funding or short-term positive fund balances do not necessarily end Department evaluation of the district's fiscal health in entirety when other indicators of financial stress concurrently exist within the District. Treasury will continue to evaluate those District's financial health and trends providing continued access to technical support as deemed necessary. Table 3 comprises a total of two (2) PSAs under EDEP oversight.

TABLE 3: FY2022 EDEP DISTRICTS					
	LEA School District/PSA	ISD or Authorizer (Management Co.)	May 2022 Enrollment	FY 2020 Audited GF Balance	FY 2021 Audited GF Balance
1	Detroit Public Safety Academy	Eastern Michigan University (The Leona Group)	159	$(510,317)	($287,782)

TABLE 3: FY2022 EDEP DISTRICTS					
	LEA School District/PSA	ISD or Authorizer (Management Co.)	May 2022 Enrollment	FY 2020 Audited GF Balance	FY 2021 Audited GF Balance
2	Bay City Academy	Lake Superior State University (Mitten Educational Mgmt)	493	$(811,258)	($1,748)

Note 1: Benton Harbor Area Schools, Pinckney Community Schools, Pontiac City School District, South Lake Schools, and Vanderbilt Area Schools were removed from EDEP oversight. Flint, School District of the City of, transitioned from EDEP to Early Warning oversight.

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 June 1, 2022 report, there are zero (0) districts subject to Public Act 436 of 2012, or a RTAB, as defined in statute.