STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: March 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 second 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 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") second quarterly interim report for FY2023-24 to the Michigan Legislature where an analysis of FY2022-23 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 880 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 February 15, 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 the year they were identified. Since the December 2023 Quarterly Interim Report, five (5) districts, three (3) LEAs and two (2) PSAs were removed from active Early Warning Oversight base on improved or stable financial trends. Additionally, four (4) districts, three (3) LEAs and one (1) PSA were added as being identified as showing signs of potential fiscal stress. Table 1 is comprised of sixteen (16) total districts: eleven (11) PSAs and five (5) LEAs. 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)	Year Identified
1	International Academy of Saginaw	PSA District	Bay Mills Community College (Educational Partnerships, Inc)	2020
2	Ridge Park Charter Academy	PSA District	Lake Superior State University (National Heritage Academies, Inc.)	2020
3	Taylor Preparatory High School	PSA District	Grand Valley State University (National Heritage Academies, Inc.)	2020
4	Wellspring Preparatory High School	PSA District	Bay Mills Community College (National Heritage Academies, Inc.)	2020
5	Flint, School District of the City of[1]	LEA District	Genesee ISD	2022
6	Waldron Area Schools	LEA District	Hillsdale ISD	2022
7	Bradford Academy	PSA District	Bay Mills Community College (Choice Schools Associates, LLC)	2023
8	Crossroads Charter Academy	PSA District	Grand Valley State University (CS Partners)	2023
9	Muskegon Heights Public School Academy System	PSA District	Muskegon Heights School District (Square One Strategy Group)	2023
10	Barack Obama Leadership Academy	PSA District	Detroit Public Schools Community District (Magnum Educational Services)	2023
11	Flex High School of Pontiac	PSA District	Bay Mills Community College (LLAC-Michigan. Inc.)	2023
12	New Paradigm College Prep	PSA District	Grand Valley State University (New Paradigm for Education, Inc.)	2023
13	North Adams-Jerome Public Schools	LEA District	Hillsdale ISD	2024
14	South Lake Schools	LEA District	Macomb ISD	2024
15	Tahquamenon Area Schools	LEA District	Eastern Upper Peninsula ISD	2024
16	Crescent Academy	PSA District	Bay Mills Community College (CS Partners)	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	4	85
Districts Remaining in Oversight	0	0	0	0	4	0	2	6	4	16
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	TBA	12

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 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 December 2023 Quarterly Interim Report, one (1) PSA was removed as Detroit Public Safety Academy eliminated its general fund deficit. Table 3 is comprised of two (2) total districts: one (1) PSAs and one (1) LEA under EDEP oversight.

TABLE 3: FY2024 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 March 1, 2024, report, there are zero (0) districts subject to Public Act 436 of 2012, or a RTAB, as defined in statute.