STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

**DATE:** June 1, 2023

**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
Chris Harkins, 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 third 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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**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") third quarterly interim report for FY2022-23 to the Michigan Legislature where an analysis of FY2021-22 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 May 30, 2023.

**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 2023 Quarterly Interim Report, three (3) PSA academies have been added. Bradford Academy, Crossroads Charter Academy, and Muskegon Heights Public School Academy System were identified to have potential fiscal stress. Table 1 is comprised of fifteen (15) districts: eleven (11) PSAs and four (4) LEAs. Table 2 outlines the history of districts with statutory reporting requirements toTreasury since the enactment of Public Acts 109-113 of 2015.

**TABLE 1: FY2023 EARLY WARNING DISTRICTS**

| | District Name | District Type | Intermediate School District or Authorizer (Management Company) | Year Identified |
|---|---|---|---|---|
| 1 | Clintondale Community Schools | LEA District | Macomb ISD | 2019 |
| 2 | International Academy of Saginaw | PSA District | Bay Mills Community College (Educational Partnerships, Inc) | 2020 |
| 3 | Ridge Park Charter Academy | PSA District | Lake Superior State University (National Heritage Academies, Inc.) | 2020 |
| 4 | Taylor Preparatory High School | PSA District | Grand Valley State University (National Heritage Academies, Inc.) | 2020 |
| 5 | Wellspring Preparatory High School | PSA District | Bay Mills Community College (National Heritage Academies, Inc.) | 2020 |
| 6 | Faxon Academy | PSA District | Saginaw Valley State University (GPS) | 2021 |
| 7 | Flint, School District of the City of[1] | LEA District | Genesee ISD | 2022 |
| 8 | Marvin L. Winans Academy of Performing Arts | PSA District | Saginaw Valley State University (Solid Rock Management Company) | 2022 |
| 9 | Public Schools of Calumet, Laurium & Keweenaw | LEA District | Copper Country ISD | 2022 |
| 10 | River Heights Academy | PSA District | Central Michigan University (Distinctive Schools, Inc.) | 2022 |
| 11 | Rutherford Winans Academy | PSA District | Detroit Public Schools Community District (Solid Rock Management Company) | 2022 |
| 12 | Waldron Area Schools | LEA District | Hillsdale ISD | 2022 |
| 13 | Bradford Academy | PSA District | Bay Mills Community College (Choice Schools Associates, LLC) | 2023 |
| 14 | Crossroads Charter Academy | PSA District | Grand Valley State University (CS Partners) | 2023 |
| 15 | Muskegon Heights Public School Academy System | PSA District | Muskegon Heights School District (New Paradigm for Education Inc.) | 2023 |

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** | **FY 2023** | **Total** |
| Total Declarations of Potential Fiscal Stress | 19 | 8 | 7 | 16 | 10 | 8 | 6 | 3 | 77 |
| Districts Remaining in Oversight | 0 | 0 | 0 | 1 | 4 | 1 | 6 | 3 | 15 |
| Districts Released from Oversight | 15 | 5 | 3 | 6 | 0 | 6 | 12 | 0 | 47 |
| Deficit Districts Identified[1] | 2 | 2 | 2 | 3 | 2 | 0 | 1 | 0 | 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 March 2023 Quarterly Interim Report, two (2) PSA academies were added to EDEP oversight. Saginaw Academy of Excellence has a DEP that exceeds 5 years and Macomb Academy has not eliminated the general fund deficit within 5 years. Table 3 is comprised of a total of three (3) PSAs and one (1) LEA under EDEP oversight.

| TABLE 3: FY2022 EDEP DISTRICTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **District Name** | **District Type** | **Intermediate School District or Authorizer (Management Company)** | **May 2023 Enrollment[1]** | **FY 2021 Audited GF Balance** | **FY 2022 Audited GF Balance** | **% Change** |
| 1 | Detroit Public Safety Academy | PSA District | Eastern Michigan University (The Leona Group) | 159 | $ (287,782) | $ (146,456) | 49.1% |
| 2 | The School District of the City of Highland Park | LEA District | Wayne RESA | 0[2] | $ (3,972,896) | $(3,019,901) | 24.0% |
| 3 | Saginaw Academy of Excellence[3] | PSA District | Eastern Michigan University (The ACCEL Schools Michigan) | 140 | $ (262,746) | $ (146,913) | 44.1% |
| 4 | Macomb Academy | PSA District | Eastern Michigan University (Self-Managed) | 72 | $ (1,087,311) | $(1,063,451) | 2.2% |

Note 1: Enrollment is compiled from the state aid financial status report from May 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.
Note 3: Saginaw Academy of Excellence has voted to close as of June 30, 2023

**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 of2012. As of the June 1, 2023, report, there are zero (0) districts subject to Public Act 436 of 2012, or a RTAB, as defined in statute.