STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: September 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 fourth 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") fourth 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 879 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 July 31, 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 June 2023 Quarterly Interim Report, three (3) PSA academies and one (1) LEA district have been added. Barack Obama Leadership Academy, Flex High School of Pontiac, New Paradigm College Prep, and East Jackson Community Schools were identified to have potential fiscal stress. Two (2) PSA academies closed on June 30, 2023. Marvin L. Winans Academy of Performing Arts and River Heights Academy closed and have been removed from the table. Table 1 is comprised of seventeen (17) total districts: twelve (12) 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: 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	Public Schools of Calumet, Laurium & Keweenaw	LEA District	Copper Country ISD	2022
9	Rutherford Winans Academy	PSA District	Detroit Public Schools Community District (Solid Rock Management Company)	2022
10	Waldron Area Schools	LEA District	Hillsdale ISD	2022
11	Bradford Academy	PSA District	Bay Mills Community College (Choice Schools Associates, LLC)	2023
12	Crossroads Charter Academy	PSA District	Grand Valley State University (CS Partners)	2023
13	Muskegon Heights Public School Academy System	PSA District	Muskegon Heights School District (New Paradigm for Education Inc.)	2023
14	Barack Obama Leadership Academy	PSA District	Detroit Public Schools Community District (Magnum Educational Services)	2023

15	Flex High School of Pontiac	PSA District	Bay Mills Community College (LLAC-Michigan. Inc.)	2023
16	New Paradigm College Prep	PSA District	Grand Valley State University (New Paradigm for Education, Inc.)	2023
17	East Jackson Community Schools	LEA District	Jackson ISD	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	7	81
Districts Remaining in Oversight	0	0	0	1	4	1	4	7	17
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 June 2023 Quarterly Interim Report, zero LEAs or PSAs were added to EDEP oversight. Saginaw Academy of Excellence closed as of June 30, 2023, and has been removed from the table. Table 3 is comprised of three (3) total districts: two (2) PSAs and one (1) LEA under EDEP oversight.

TABLE 3: FY2023 EDEP DISTRICTS							
	District Name	**District Type**	**Intermediate School District or Authorizer (Management Company)**	**July 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	Macomb Academy	PSA District	Central 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 July 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.

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.