

# HOUSE BILL NO. 5470

February 05, 2020, Introduced by Rep. Miller and referred to the Committee on Education.

A bill to amend 1976 PA 451, entitled  
"The revised school code,"  
by amending section 1220 (MCL 380.1220), as added by 2015 PA 111.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 1220. (1) A school district, intermediate school  
2 district, or public school academy shall not adopt or operate under  
3 a deficit budget, and a school district, intermediate school  
4 district, or public school academy shall not incur an operating

1 deficit in a fund during a school fiscal year. If a school  
2 district, intermediate school district, or public school academy  
3 has an existing deficit fund balance, incurs a deficit fund balance  
4 in the most recently completed school fiscal year, or adopts a  
5 current year budget that projects a deficit fund balance, all of  
6 the following apply:

7 (a) The school district, intermediate school district, or  
8 public school academy shall notify the superintendent of public  
9 instruction and the state treasurer immediately upon the occurrence  
10 of the circumstance. A school district shall provide a copy of the  
11 notice under this subdivision to the intermediate superintendent of  
12 the intermediate school district in which the school district is  
13 located. A public school academy shall provide a copy of the notice  
14 under this subdivision to the authorizing body of the public school  
15 academy.

16 (b) Within 30 days after making notification under subdivision  
17 (a), the school district, intermediate school district, or public  
18 school academy shall submit to the superintendent of public  
19 instruction in the form and manner prescribed by the department an  
20 amended budget for the current school fiscal year and a deficit  
21 elimination plan approved by the board of the school district ~~or~~  
22 intermediate school district ~~or~~ **board of directors of the** public  
23 school academy, with a copy to the state treasurer. A school  
24 district shall transmit a copy of the amended budget and the  
25 deficit elimination plan to the intermediate superintendent of the  
26 intermediate school district in which the school district is  
27 located. A public school academy shall transmit a copy of the  
28 amended budget and the deficit elimination plan to its authorizing  
29 body.

1 (c) The department may withhold and release some or all of the  
2 money payable to the school district, intermediate school district,  
3 or public school academy as provided under section 102(1) of the  
4 state school aid act of 1979, MCL 388.1702.

5 (d) The superintendent of public instruction may require a  
6 deficit elimination plan to include an academic plan for the school  
7 district, intermediate school district, or public school academy.

8 (e) After the superintendent of public instruction approves a  
9 school district's, intermediate school district's, or public school  
10 academy's deficit elimination plan, the school district,  
11 intermediate school district, or public school academy shall post  
12 the deficit elimination plan on the school district's, intermediate  
13 school district's, or public school academy's website.

14 (2) The following reporting requirements apply for the  
15 purposes of this section and section 1219:

16 (a) Not later than March 1 of each year, the department shall  
17 prepare a report of deficits incurred or projected by school  
18 districts, intermediate school districts, and public school  
19 academies in the immediately preceding fiscal year and the progress  
20 made in reducing those deficits and submit the report  
21 **electronically, by mail, or in person** to the standing committees of  
22 the legislature responsible for K-12 education legislation, the  
23 appropriations subcommittees of the legislature responsible for K-  
24 12 **state** school aid appropriations, the house and senate fiscal  
25 agencies, the state treasurer, and the state budget director. The  
26 department also shall submit quarterly interim reports  
27 **electronically, by mail, or in person** concerning the progress made  
28 by school districts, intermediate school districts, and public  
29 school academies in reducing those deficits to the standing

1 committees of the legislature responsible for K-12 education  
2 legislation, the appropriations subcommittees of the legislature  
3 responsible for K-12 **state** school aid appropriations, the house and  
4 senate fiscal agencies, the state treasurer, and the state budget  
5 director. ~~On a quarterly basis, the superintendent of public  
6 instruction shall publicly present those reports to the  
7 appropriations subcommittees of the legislature responsible for K-  
8 12 school aid appropriations.~~

9 (b) Not later than March 1 of each year, the state treasurer  
10 shall prepare a report of school districts, intermediate school  
11 districts, and public school academies that were required under  
12 section 1219 to submit periodic financial status reports in the  
13 immediately preceding state fiscal year or required under this  
14 section to submit an enhanced deficit elimination plan in the  
15 immediately preceding state fiscal year, and the progress made in  
16 adhering to that plan, and submit the report **electronically, by  
17 mail, or in person** to the standing committees of the legislature  
18 responsible for K-12 education legislation, the appropriations  
19 subcommittees of the legislature responsible for K-12 state school  
20 aid appropriations, the house and senate fiscal agencies, the  
21 department, and the state budget director. The state treasurer also  
22 shall submit quarterly interim reports **electronically, by mail, or  
23 in person** concerning school districts, intermediate school  
24 districts, and public school academies that are subject to periodic  
25 financial status reports or are under an enhanced deficit  
26 elimination plan to the standing committees of the legislature  
27 responsible for K-12 education legislation, the appropriations  
28 subcommittees of the legislature responsible for K-12 state school  
29 aid appropriations, the house and senate fiscal agencies, the

1 department, and the state budget director. ~~On a quarterly basis,~~  
2 ~~the state treasurer shall publicly present those quarterly interim~~  
3 ~~reports to the appropriations subcommittees of the legislature~~  
4 ~~responsible for K-12 state school aid appropriations.~~

5 (3) A school district, intermediate school district, or public  
6 school academy required to submit a deficit elimination plan under  
7 this section shall submit to the superintendent of public  
8 instruction and the state treasurer a monthly monitoring report on  
9 revenue and expenditures in a form and manner prescribed by the  
10 department and shall post these reports on its website. A school  
11 district shall transmit a copy of each report under this subsection  
12 to the intermediate superintendent of the intermediate school  
13 district in which the school district is located. A public school  
14 academy shall transmit a copy of each report under this section to  
15 the authorizing body of the public school academy. A school  
16 district may contract with its intermediate school district or  
17 another entity to provide the monthly monitoring report.

18 (4) If a school district, intermediate school district, or  
19 public school academy is required to submit a deficit elimination  
20 plan under this section, and the deficit elimination plan is  
21 approved by the department, the superintendent of public  
22 instruction may continue allotment and payment of funds as provided  
23 under section 102 of the state school aid act of 1979, MCL  
24 388.1702. When approving a deficit elimination plan, the  
25 superintendent of public instruction shall establish the period of  
26 time within which a school district, intermediate school district,  
27 or public school academy must eliminate its deficit and may set  
28 special conditions that the school district, intermediate school  
29 district, or public school academy must meet while the deficit

1 elimination plan is in effect. After the department approves a  
2 school district's, intermediate school district's, or public school  
3 academy's deficit elimination plan under this subsection, the  
4 school district, intermediate school district, or public school  
5 academy shall post the deficit elimination plan on the school  
6 district's, intermediate school district's, or public school  
7 academy's website. The requirements of this section relating to a  
8 deficit elimination plan do not apply to a school district,  
9 intermediate school district, or public school academy if the  
10 school district, intermediate school district, or public school  
11 academy is required to submit an enhanced deficit elimination plan  
12 under subsection (5).

13 (5) If, based upon information included in a periodic  
14 financial status report required under section 1219, a deficit  
15 elimination plan required under this section, or a request by the  
16 superintendent of public instruction, the state treasurer  
17 determines that a school district, intermediate school district, or  
18 public school academy is subject to rapidly deteriorating financial  
19 circumstances, persistently declining enrollment, or other  
20 indicators of financial stress likely to result in recurring  
21 operating deficits or recurring financial stress within the school  
22 district, intermediate school district, or public school academy,  
23 the state treasurer may require the school district, intermediate  
24 school district, or public school academy to submit an enhanced  
25 deficit elimination plan in the form and manner determined by the  
26 department of treasury. If the deficit for a school district,  
27 intermediate school district, or public school academy that is  
28 subject to a deficit elimination plan has not been completely  
29 eliminated within 5 years after it submitted its initial deficit

1 elimination plan, the state treasurer shall require the school  
2 district, intermediate school district, or public school academy to  
3 submit an enhanced deficit elimination plan under this subsection.  
4 An enhanced deficit elimination plan ~~shall~~**must** provide for the  
5 resolution of the deteriorating financial circumstances,  
6 persistently declining enrollment, or other indicators of recurring  
7 operating deficits or recurring financial stress and is subject to  
8 approval by the state treasurer. As a condition of approving the  
9 enhanced deficit elimination plan, the state treasurer may require  
10 a school district, intermediate school district, or public school  
11 academy required to submit an enhanced deficit elimination plan  
12 under this section to enter into a financial recovery agreement  
13 with the state treasurer. A financial recovery agreement may  
14 provide for, but is not limited to, all of the following:

15 (a) Assistance and guidance from the department of treasury  
16 and other state departments and agencies.

17 (b) A financial and operating plan for the school district,  
18 intermediate school district, or public school academy.

19 (c) The appointment of a local auditor or inspector, or both.

20 (d) Remedial measures or other action under this act necessary  
21 to address the financial circumstances of the school district,  
22 intermediate school district, or public school academy.

23 (e) The required retention by the school district,  
24 intermediate school district, or public school academy of a  
25 consultant or 1 or more other experts for the purpose of assisting  
26 the school district, intermediate school district, or public school  
27 academy to achieve the goals and objectives of the financial  
28 recovery agreement.

29 (6) Before a school district, intermediate school district, or

1 public school academy submits an enhanced deficit elimination plan  
2 to the state treasurer under subsection (5), the board of the  
3 school district or intermediate school district or board of  
4 directors of the public school academy shall approve the plan. If a  
5 school district, intermediate school district, or public school  
6 academy is required to submit an enhanced deficit elimination plan  
7 under subsection (5), some or all of the money payable to the  
8 school district, intermediate school district, or public school  
9 academy under the state school aid act of 1979 may be withheld by  
10 the state treasurer and released as provided under section 102(3)  
11 of the state school aid act of 1979, MCL 388.1702. When approving  
12 an enhanced deficit elimination plan, the state treasurer may  
13 establish the period of time within which a school district,  
14 intermediate school district, or public school academy must  
15 eliminate its deficit and may set special conditions that the  
16 school district, intermediate school district, or public school  
17 academy must meet while the enhanced deficit elimination plan is in  
18 effect.

19 (7) To assure greater coordination and effective partnerships  
20 in the development and implementation of an enhanced deficit  
21 elimination plan under subsection (5), when administering  
22 subsections (5), (6), and (9), the department of treasury shall  
23 consult with all of the following:

24 (a) The department.

25 (b) The school district, intermediate school district, or  
26 public school academy required to submit an enhanced deficit  
27 elimination plan under subsection (5).

28 (c) For a school district required to submit an enhanced  
29 deficit elimination plan under subsection (5), the intermediate



1 superintendent of the intermediate school district in which the  
2 school district is located.

3 (d) For a public school academy required to submit an enhanced  
4 deficit elimination plan under subsection (5), the authorizing body  
5 of the public school academy.

6 (8) After the state treasurer approves an enhanced deficit  
7 elimination plan for a school district, intermediate school  
8 district, or public school academy, the school district,  
9 intermediate school district, or public school academy shall post  
10 the enhanced deficit elimination plan on the school district's,  
11 intermediate school district's, or public school academy's website.

12 (9) If a school district, intermediate school district, or  
13 public school academy is required to submit an enhanced deficit  
14 elimination plan under subsection (5), the school district,  
15 intermediate school district, or public school academy shall submit  
16 to the superintendent of public instruction and the state treasurer  
17 an enhanced monthly monitoring report on revenue, expenditures,  
18 cash flow, debt, other liabilities, assets, budget amendments,  
19 pupil membership, and other data relating to the finances of the  
20 school district, intermediate school district, or public school  
21 academy in a form and manner prescribed by the department of  
22 treasury and shall post these reports on its website.

23 (10) As used in this section:

24 (a) "Authorizing body" means an authorizing body for a public  
25 school academy under this act.

26 (b) "Deficit elimination plan" means a plan required under  
27 this section for the elimination of a deficit that sets forth  
28 actions to be taken to eliminate the deficit within the time period  
29 prescribed by the department.

1           (c) "Deficit fund balance" means that term as defined in the  
2 "Michigan Public School Accounting Manual" published by the  
3 department.

4           (d) "Enhanced deficit elimination plan" means measures  
5 required by the state treasurer under this section to address the  
6 financial conditions within a school district, intermediate school  
7 district, or public school academy and resolve any deficit within  
8 the time period prescribed by the state treasurer.