

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.

