

SUBSTITUTE FOR
HOUSE BILL NO. 4327

A bill to amend 1976 PA 451, entitled
"The revised school code,"
(MCL 380.1 to 380.1852) by adding section 1220.

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
5 DEFICIT IN A FUND DURING A SCHOOL FISCAL YEAR. IF A SCHOOL
6 DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY
7 HAS AN EXISTING DEFICIT FUND BALANCE, INCURS A DEFICIT FUND BALANCE
8 IN THE MOST RECENTLY COMPLETED SCHOOL FISCAL YEAR, OR ADOPTS A
9 CURRENT YEAR BUDGET THAT PROJECTS A DEFICIT FUND BALANCE, ALL OF

1 THE FOLLOWING APPLY:

2 (A) THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR
3 PUBLIC SCHOOL ACADEMY SHALL NOTIFY THE SUPERINTENDENT OF PUBLIC
4 INSTRUCTION AND THE STATE TREASURER IMMEDIATELY UPON THE OCCURRENCE
5 OF THE CIRCUMSTANCE. A SCHOOL DISTRICT SHALL PROVIDE A COPY OF THE
6 NOTICE UNDER THIS SUBDIVISION TO THE INTERMEDIATE SUPERINTENDENT OF
7 THE INTERMEDIATE SCHOOL DISTRICT IN WHICH THE SCHOOL DISTRICT IS
8 LOCATED. A PUBLIC SCHOOL ACADEMY SHALL PROVIDE A COPY OF THE NOTICE
9 UNDER THIS SUBDIVISION TO THE AUTHORIZING BODY OF THE PUBLIC SCHOOL
10 ACADEMY.

11 (B) WITHIN 30 DAYS AFTER MAKING NOTIFICATION UNDER SUBDIVISION
12 (A), THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC
13 SCHOOL ACADEMY SHALL SUBMIT TO THE SUPERINTENDENT OF PUBLIC
14 INSTRUCTION IN THE FORM AND MANNER PRESCRIBED BY THE DEPARTMENT AN
15 AMENDED BUDGET FOR THE CURRENT SCHOOL FISCAL YEAR AND A DEFICIT
16 ELIMINATION PLAN APPROVED BY THE BOARD OF THE SCHOOL DISTRICT,
17 INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY, WITH A COPY
18 TO THE STATE TREASURER. A SCHOOL DISTRICT SHALL TRANSMIT A COPY OF
19 THE AMENDED BUDGET AND THE DEFICIT ELIMINATION PLAN TO THE
20 INTERMEDIATE SUPERINTENDENT OF THE INTERMEDIATE SCHOOL DISTRICT IN
21 WHICH THE SCHOOL DISTRICT IS LOCATED. A PUBLIC SCHOOL ACADEMY SHALL
22 TRANSMIT A COPY OF THE AMENDED BUDGET AND THE DEFICIT ELIMINATION
23 PLAN TO ITS AUTHORIZING BODY.

24 (C) THE DEPARTMENT MAY WITHHOLD AND RELEASE SOME OR ALL OF THE
25 MONEY PAYABLE TO THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT,
26 OR PUBLIC SCHOOL ACADEMY AS PROVIDED UNDER SECTION 102(1) OF THE
27 STATE SCHOOL AID ACT OF 1979, MCL 388.1702.

1 (D) THE SUPERINTENDENT OF PUBLIC INSTRUCTION MAY REQUIRE A
2 DEFICIT ELIMINATION PLAN TO INCLUDE AN ACADEMIC PLAN FOR THE SCHOOL
3 DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY.

4 (E) AFTER THE SUPERINTENDENT OF PUBLIC INSTRUCTION APPROVES A
5 SCHOOL DISTRICT'S, INTERMEDIATE SCHOOL DISTRICT'S, OR PUBLIC SCHOOL
6 ACADEMY'S DEFICIT ELIMINATION PLAN, THE SCHOOL DISTRICT,
7 INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY SHALL POST
8 THE DEFICIT ELIMINATION PLAN ON THE SCHOOL DISTRICT'S, INTERMEDIATE
9 SCHOOL DISTRICT'S, OR PUBLIC SCHOOL ACADEMY'S WEBSITE.

10 (2) NOT LATER THAN MARCH 1 OF EACH YEAR, THE DEPARTMENT SHALL
11 PREPARE A REPORT OF DEFICITS INCURRED OR PROJECTED BY SCHOOL
12 DISTRICTS, INTERMEDIATE SCHOOL DISTRICTS, AND PUBLIC SCHOOL
13 ACADEMIES IN THE IMMEDIATELY PRECEDING FISCAL YEAR AND THE PROGRESS
14 MADE IN REDUCING THOSE DEFICITS AND SUBMIT THE REPORT TO THE
15 STANDING COMMITTEES OF THE LEGISLATURE RESPONSIBLE FOR K-12
16 EDUCATION LEGISLATION, THE APPROPRIATIONS SUBCOMMITTEES OF THE
17 LEGISLATURE RESPONSIBLE FOR K-12 SCHOOL AID APPROPRIATIONS, THE
18 HOUSE AND SENATE FISCAL AGENCIES, THE STATE TREASURER, AND THE
19 STATE BUDGET DIRECTOR. THE DEPARTMENT ALSO SHALL SUBMIT QUARTERLY
20 INTERIM REPORTS CONCERNING THE PROGRESS MADE BY SCHOOL DISTRICTS,
21 INTERMEDIATE SCHOOL DISTRICTS, AND PUBLIC SCHOOL ACADEMIES IN
22 REDUCING THOSE DEFICITS TO THE STANDING COMMITTEES OF THE
23 LEGISLATURE RESPONSIBLE FOR K-12 EDUCATION LEGISLATION, THE
24 APPROPRIATIONS SUBCOMMITTEES OF THE LEGISLATURE RESPONSIBLE FOR K-
25 12 SCHOOL AID APPROPRIATIONS, THE HOUSE AND SENATE FISCAL AGENCIES,
26 THE STATE TREASURER, AND THE STATE BUDGET DIRECTOR. ON A QUARTERLY
27 BASIS, THE SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL PUBLICLY

1 PRESENT THOSE REPORTS TO THE APPROPRIATIONS SUBCOMMITTEES OF THE
2 LEGISLATURE RESPONSIBLE FOR K-12 SCHOOL AID APPROPRIATIONS.

3 (3) A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC
4 SCHOOL ACADEMY REQUIRED TO SUBMIT A DEFICIT ELIMINATION PLAN UNDER
5 THIS SECTION SHALL SUBMIT TO THE SUPERINTENDENT OF PUBLIC
6 INSTRUCTION AND THE STATE TREASURER A MONTHLY MONITORING REPORT ON
7 REVENUE AND EXPENDITURES IN A FORM AND MANNER PRESCRIBED BY THE
8 DEPARTMENT AND SHALL POST THESE REPORTS ON ITS WEBSITE. A SCHOOL
9 DISTRICT SHALL TRANSMIT A COPY OF EACH REPORT UNDER THIS SUBSECTION
10 TO THE INTERMEDIATE SUPERINTENDENT OF THE INTERMEDIATE SCHOOL
11 DISTRICT IN WHICH THE SCHOOL DISTRICT IS LOCATED. A PUBLIC SCHOOL
12 ACADEMY SHALL TRANSMIT A COPY OF EACH REPORT UNDER THIS SECTION TO
13 THE AUTHORIZING BODY OF THE PUBLIC SCHOOL ACADEMY. A SCHOOL
14 DISTRICT MAY CONTRACT WITH ITS INTERMEDIATE SCHOOL DISTRICT OR
15 ANOTHER ENTITY TO PROVIDE THE MONTHLY MONITORING REPORT.

16 (4) IF A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR
17 PUBLIC SCHOOL ACADEMY IS REQUIRED TO SUBMIT A DEFICIT ELIMINATION
18 PLAN UNDER THIS SECTION, AND THE DEFICIT ELIMINATION PLAN IS
19 APPROVED BY THE DEPARTMENT, THE SUPERINTENDENT OF PUBLIC
20 INSTRUCTION MAY CONTINUE ALLOTMENT AND PAYMENT OF FUNDS AS PROVIDED
21 UNDER SECTION 102 OF THE STATE SCHOOL AID ACT OF 1979, MCL
22 388.1702. WHEN APPROVING A DEFICIT ELIMINATION PLAN, THE
23 SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL ESTABLISH THE PERIOD OF
24 TIME WITHIN WHICH A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT,
25 OR PUBLIC SCHOOL ACADEMY MUST ELIMINATE ITS DEFICIT AND MAY SET
26 SPECIAL CONDITIONS THAT THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL
27 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

1 SUBJECT TO A DEFICIT ELIMINATION PLAN HAS NOT BEEN COMPLETELY
2 ELIMINATED WITHIN 5 YEARS AFTER IT SUBMITTED ITS INITIAL DEFICIT
3 ELIMINATION PLAN, THE STATE TREASURER SHALL REQUIRE THE SCHOOL
4 DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY TO
5 SUBMIT AN ENHANCED DEFICIT ELIMINATION PLAN UNDER THIS SUBSECTION.
6 AN ENHANCED DEFICIT ELIMINATION PLAN SHALL PROVIDE FOR THE
7 RESOLUTION OF THE DETERIORATING FINANCIAL CIRCUMSTANCES,
8 PERSISTENTLY DECLINING ENROLLMENT, OR OTHER INDICATORS OF RECURRING
9 OPERATING DEFICITS OR RECURRING FINANCIAL STRESS AND IS SUBJECT TO
10 APPROVAL BY THE STATE TREASURER. AS A CONDITION OF APPROVING THE
11 ENHANCED DEFICIT ELIMINATION PLAN, THE STATE TREASURER MAY REQUIRE
12 A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL
13 ACADEMY REQUIRED TO SUBMIT AN ENHANCED DEFICIT ELIMINATION PLAN
14 UNDER THIS SECTION TO ENTER INTO A FINANCIAL RECOVERY AGREEMENT
15 WITH THE STATE TREASURER. A FINANCIAL RECOVERY AGREEMENT MAY
16 PROVIDE FOR, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING:

17 (A) ASSISTANCE AND GUIDANCE FROM THE DEPARTMENT OF TREASURY
18 AND OTHER STATE DEPARTMENTS AND AGENCIES.

19 (B) A FINANCIAL AND OPERATING PLAN FOR THE SCHOOL DISTRICT,
20 INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY.

21 (C) THE APPOINTMENT OF A LOCAL AUDITOR OR INSPECTOR, OR BOTH.

22 (D) REMEDIAL MEASURES OR OTHER ACTION UNDER THIS ACT NECESSARY
23 TO ADDRESS THE FINANCIAL CIRCUMSTANCES OF THE SCHOOL DISTRICT,
24 INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY.

25 (E) THE REQUIRED RETENTION BY THE SCHOOL DISTRICT,
26 INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY OF A
27 CONSULTANT OR 1 OR MORE OTHER EXPERTS FOR THE PURPOSE OF ASSISTING

1 THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL
2 ACADEMY TO ACHIEVE THE GOALS AND OBJECTIVES OF THE FINANCIAL
3 RECOVERY AGREEMENT.

4 (6) BEFORE A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR
5 PUBLIC SCHOOL ACADEMY SUBMITS AN ENHANCED DEFICIT ELIMINATION PLAN
6 TO THE STATE TREASURER UNDER SUBSECTION (5), THE BOARD OF THE
7 SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT OR BOARD OF
8 DIRECTORS OF THE PUBLIC SCHOOL ACADEMY SHALL APPROVE THE PLAN. IF A
9 SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL
10 ACADEMY IS REQUIRED TO SUBMIT AN ENHANCED DEFICIT ELIMINATION PLAN
11 UNDER SUBSECTION (5), SOME OR ALL OF THE MONEY PAYABLE TO THE
12 SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL
13 ACADEMY UNDER THE STATE SCHOOL AID ACT OF 1979 MAY BE WITHHELD BY
14 THE STATE TREASURER AND RELEASED AS PROVIDED UNDER SECTION 102(3)
15 OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1702. WHEN APPROVING
16 AN ENHANCED DEFICIT ELIMINATION PLAN, THE STATE TREASURER MAY
17 ESTABLISH THE PERIOD OF TIME WITHIN WHICH A SCHOOL DISTRICT,
18 INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY MUST
19 ELIMINATE ITS DEFICIT AND MAY SET SPECIAL CONDITIONS THAT THE
20 SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL
21 ACADEMY MUST MEET WHILE THE ENHANCED DEFICIT ELIMINATION PLAN IS IN
22 EFFECT.

23 (7) TO ASSURE GREATER COORDINATION AND EFFECTIVE PARTNERSHIPS
24 IN THE DEVELOPMENT AND IMPLEMENTATION OF AN ENHANCED DEFICIT
25 ELIMINATION PLAN UNDER SUBSECTION (5), WHEN ADMINISTERING
26 SUBSECTIONS (5), (6), AND (9), THE DEPARTMENT OF TREASURY SHALL
27 CONSULT WITH ALL OF THE FOLLOWING:

1 (A) THE DEPARTMENT.

2 (B) THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR
3 PUBLIC SCHOOL ACADEMY REQUIRED TO SUBMIT AN ENHANCED DEFICIT
4 ELIMINATION PLAN UNDER SUBSECTION (5).

5 (C) FOR A SCHOOL DISTRICT REQUIRED TO SUBMIT AN ENHANCED
6 DEFICIT ELIMINATION PLAN UNDER SUBSECTION (5), THE INTERMEDIATE
7 SUPERINTENDENT OF THE INTERMEDIATE SCHOOL DISTRICT IN WHICH THE
8 SCHOOL DISTRICT IS LOCATED.

9 (D) FOR A PUBLIC SCHOOL ACADEMY REQUIRED TO SUBMIT AN ENHANCED
10 DEFICIT ELIMINATION PLAN UNDER SUBSECTION (5), THE AUTHORIZING BODY
11 OF THE PUBLIC SCHOOL ACADEMY.

12 (8) AFTER THE STATE TREASURER APPROVES AN ENHANCED DEFICIT
13 ELIMINATION PLAN FOR A SCHOOL DISTRICT, INTERMEDIATE SCHOOL
14 DISTRICT, OR PUBLIC SCHOOL ACADEMY, THE SCHOOL DISTRICT,
15 INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY SHALL POST
16 THE ENHANCED DEFICIT ELIMINATION PLAN ON THE SCHOOL DISTRICT'S,
17 INTERMEDIATE SCHOOL DISTRICT'S, OR PUBLIC SCHOOL ACADEMY'S WEBSITE.

18 (9) IF A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR
19 PUBLIC SCHOOL ACADEMY IS REQUIRED TO SUBMIT AN ENHANCED DEFICIT
20 ELIMINATION PLAN UNDER SUBSECTION (5), THE SCHOOL DISTRICT,
21 INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY SHALL SUBMIT
22 TO THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE STATE TREASURER
23 AN ENHANCED MONTHLY MONITORING REPORT ON REVENUE, EXPENDITURES,
24 CASH FLOW, DEBT, OTHER LIABILITIES, ASSETS, BUDGET AMENDMENTS,
25 PUPIL MEMBERSHIP, AND OTHER DATA RELATING TO THE FINANCES OF THE
26 SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL
27 ACADEMY IN A FORM AND MANNER PRESCRIBED BY THE DEPARTMENT OF

1 TREASURY AND SHALL POST THESE REPORTS ON ITS WEBSITE.

2 (10) AS USED IN THIS SECTION:

3 (A) "AUTHORIZING BODY" MEANS AN AUTHORIZING BODY FOR A PUBLIC
4 SCHOOL ACADEMY UNDER THIS ACT.

5 (B) "DEFICIT ELIMINATION PLAN" MEANS A PLAN REQUIRED UNDER
6 THIS SECTION FOR THE ELIMINATION OF A DEFICIT THAT SETS FORTH
7 ACTIONS TO BE TAKEN TO ELIMINATE THE DEFICIT WITHIN THE TIME PERIOD
8 PRESCRIBED BY THE DEPARTMENT.

9 (C) "DEFICIT FUND BALANCE" MEANS THAT TERM AS DEFINED IN THE
10 "MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL" PUBLISHED BY THE
11 DEPARTMENT.

12 (D) "ENHANCED DEFICIT ELIMINATION PLAN" MEANS MEASURES
13 REQUIRED BY THE STATE TREASURER UNDER THIS SECTION TO ADDRESS THE
14 FINANCIAL CONDITIONS WITHIN A SCHOOL DISTRICT, INTERMEDIATE SCHOOL
15 DISTRICT, OR PUBLIC SCHOOL ACADEMY AND RESOLVE ANY DEFICIT WITHIN
16 THE TIME PERIOD PRESCRIBED BY THE STATE TREASURER.

17 Enacting section 1. This amendatory act takes effect 90 days
18 after the date it is enacted into law.

19 Enacting section 2. This amendatory act does not take effect
20 unless all of the following bills of the 98th Legislature are
21 enacted into law:

22 (a) House Bill No. 4325.

23 (b) House Bill No. 4328.

24 (c) House Bill No. 4330.