

# HOUSE BILL No. 4328

March 11, 2015, Introduced by Rep. Lyons and referred to the Committee on Financial Liability Reform.

A bill to amend 1979 PA 94, entitled  
"The state school aid act of 1979,"  
by amending section 102 (MCL 388.1702), as amended by 2013 PA 60.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 102. (1) ~~A district or intermediate district receiving~~  
2 ~~money under this article shall not adopt or operate under a deficit~~  
3 ~~budget, and a district or intermediate district shall not incur an~~  
4 ~~operating deficit in a fund during a school fiscal year. A district~~  
5 ~~or intermediate district that has an existing deficit fund balance,~~  
6 ~~that incurs a deficit fund balance in the most recently completed~~  
7 ~~school fiscal year, or that adopts a current year budget that~~  
8 ~~projects a deficit fund balance shall not be allotted or paid a~~  
9 ~~further sum under this article~~ IF A DISTRICT OR INTERMEDIATE  
10 DISTRICT IS REQUIRED TO SUBMIT A DEFICIT ELIMINATION PLAN UNDER

SECTION 1220 OF THE REVISED SCHOOL CODE, MCL 380.1220, AND THE DISTRICT OR INTERMEDIATE DISTRICT FAILS TO SUBMIT A DEFICIT ELIMINATION PLAN OR THE DEFICIT ELIMINATION PLAN IS NOT APPROVED, THE DEPARTMENT MAY WITHHOLD SOME OR ALL OF THE MONEY PAYABLE TO THE DISTRICT OR INTERMEDIATE DISTRICT UNDER THIS ARTICLE, IN AN AMOUNT THE DEPARTMENT DETERMINES NECESSARY TO INCENTIVIZE THE DISTRICT OR INTERMEDIATE DISTRICT TO ELIMINATE THE DEFICIT, until the district or intermediate district submits to the department for approval a ~~AN AMENDED~~ budget for the current school fiscal year and a ~~plan to eliminate the district's or intermediate district's deficit not later than the end of the second school fiscal year after the deficit was incurred or the budget projecting a deficit was adopted. Withheld state aid payments shall be released~~ DEFICIT ELIMINATION PLAN IN THE FORM AND MANNER PRESCRIBED BY THE DEPARTMENT OR UNTIL THE DEFICIT ELIMINATION PLAN IS APPROVED BY THE DEPARTMENT, AS DETERMINED BY THE DEPARTMENT.

(2) THE DEPARTMENT SHALL RELEASE MONEY WITHHELD UNDER SUBSECTION (1) after the department approves the deficit elimination plan. ~~and ensures that the budget for the current school fiscal year is balanced. After the department approves a district's or intermediate district's deficit elimination plan, the district or intermediate district shall post the deficit elimination plan on the district's or intermediate district's website.~~ TO ASSURE GREATER COORDINATION AND EFFECTIVE PARTNERSHIPS IN THE DEVELOPMENT AND IMPLEMENTATION OF A DEFICIT ELIMINATION PLAN, WHEN ADMINISTERING THIS SUBSECTION AND SUBSECTION (1), THE DEPARTMENT SHALL CONSULT WITH ALL OF THE FOLLOWING:

1 (A) THE DEPARTMENT OF TREASURY.

2 (B) THE CHIEF ADMINISTRATIVE OFFICER OF THE DISTRICT OR  
3 INTERMEDIATE DISTRICT REQUIRED TO SUBMIT A DEFICIT ELIMINATION PLAN  
4 UNDER SECTION 1220 OF THE REVISED SCHOOL CODE, MCL 380.1220.

5 (C) FOR A DISTRICT REQUIRED TO SUBMIT A DEFICIT ELIMINATION  
6 PLAN UNDER SECTION 1220 OF THE REVISED SCHOOL CODE, MCL 380.1220,  
7 THE INTERMEDIATE SUPERINTENDENT OF THE INTERMEDIATE DISTRICT IN  
8 WHICH THE DISTRICT IS LOCATED.

9 ~~—— (2) Not later than March 1 of each year, the department shall~~  
10 ~~prepare a report of deficits incurred or projected by districts and~~  
11 ~~intermediate districts in the immediately preceding fiscal year and~~  
12 ~~the progress made in reducing those deficits and submit the report~~  
13 ~~to the standing committees of the legislature responsible for K-12~~  
14 ~~education legislation, the appropriations subcommittees of the~~  
15 ~~legislature responsible for K-12 education appropriations, the~~  
16 ~~house and senate fiscal agencies, the state treasurer, and the~~  
17 ~~state budget director. The department also shall submit quarterly~~  
18 ~~interim reports concerning the progress made by districts and~~  
19 ~~intermediate districts in reducing those deficits. On a quarterly~~  
20 ~~basis, the superintendent of public instruction shall publicly~~  
21 ~~present those reports to the appropriations subcommittees of the~~  
22 ~~legislature responsible for K-12 education appropriations.~~

23 ~~—— (3) The amount of the permissible deficit for each school~~  
24 ~~fiscal year shall not exceed the amount of state aid reduced by an~~  
25 ~~executive order during that school fiscal year.~~

26 ~~—— (4) A district or intermediate district that has an existing~~  
27 ~~deficit fund balance, that incurs a deficit fund balance in the~~

~~most recently completed school fiscal year, or that adopts a current year budget that projects a deficit fund balance shall submit to the department a monthly monitoring report on revenue and expenditures in a form and manner prescribed by the department and shall post these reports on its website.~~

~~(5) If a district or intermediate district is not able to comply with the provisions of this section, the district or intermediate district shall submit to the department a plan to eliminate its deficit. Upon approval of the plan submitted, the superintendent of public instruction may continue allotment and payment of funds under this article, extend the period of time in which a district or intermediate district has to eliminate its deficit, and set special conditions that the district or intermediate district must meet during the period of the extension. After the department approves a district's or intermediate district's deficit elimination plan under this subsection, the district or intermediate district shall post the deficit elimination plan on the district's or intermediate district's website.~~

**(3) IF A DISTRICT OR INTERMEDIATE DISTRICT IS REQUIRED TO SUBMIT AN ENHANCED DEFICIT ELIMINATION PLAN UNDER SECTION 1220 OF THE REVISED SCHOOL CODE, MCL 380.1220, THE DEPARTMENT AND THE DEPARTMENT OF TREASURY MAY WITHHOLD SOME OR ALL OF THE MONEY PAYABLE TO THE DISTRICT UNDER THIS ARTICLE, IN AN AMOUNT THE STATE TREASURER DETERMINES NECESSARY TO INCENTIVIZE THE DISTRICT OR INTERMEDIATE DISTRICT TO ELIMINATE THE DEFICIT, UNTIL THE DISTRICT OR INTERMEDIATE DISTRICT SUBMITS TO THE STATE TREASURER FOR**

1 APPROVAL AN APPROVED BUDGET FOR THE CURRENT SCHOOL FISCAL YEAR AND  
2 AN ENHANCED DEFICIT ELIMINATION PLAN IN THE FORM AND MANNER  
3 PRESCRIBED BY THE DEPARTMENT OF TREASURY UNDER SECTION 1220 OF THE  
4 REVISED SCHOOL CODE, MCL 380.1220, OR UNTIL THE ENHANCED DEFICIT  
5 ELIMINATION PLAN IS APPROVED BY THE DEPARTMENT OF TREASURY, AS  
6 DETERMINED BY THE DEPARTMENT OF TREASURY. THE DEPARTMENT SHALL  
7 RELEASE MONEY WITHHELD UNDER THIS SUBSECTION AFTER THE DEPARTMENT  
8 OF TREASURY APPROVES THE ENHANCED DEFICIT ELIMINATION PLAN FOR THE  
9 DISTRICT OR INTERMEDIATE DISTRICT. TO ASSURE GREATER COORDINATION  
10 AND EFFECTIVE PARTNERSHIPS IN THE DEVELOPMENT AND IMPLEMENTATION OF  
11 AN ENHANCED DEFICIT ELIMINATION PLAN, WHEN ADMINISTERING THIS  
12 SUBSECTION, THE DEPARTMENT OF TREASURY SHALL CONSULT WITH ALL OF  
13 THE FOLLOWING:

14 (A) THE DEPARTMENT.

15 (B) THE CHIEF ADMINISTRATIVE OFFICER OF THE DISTRICT OR  
16 INTERMEDIATE DISTRICT REQUIRED TO SUBMIT AN ENHANCED DEFICIT  
17 ELIMINATION PLAN UNDER SECTION 1220 OF THE REVISED SCHOOL CODE, MCL  
18 380.1220.

19 (C) FOR A DISTRICT REQUIRED TO SUBMIT AN ENHANCED DEFICIT  
20 ELIMINATION PLAN UNDER SECTION 1220 OF THE REVISED SCHOOL CODE, MCL  
21 380.1220, THE INTERMEDIATE SUPERINTENDENT OF THE INTERMEDIATE  
22 DISTRICT IN WHICH THE DISTRICT IS LOCATED.

23 (4) AN ALLOCATION TO A DISTRICT OR INTERMEDIATE DISTRICT UNDER  
24 THIS ARTICLE IS CONTINGENT UPON THE DISTRICT'S OR INTERMEDIATE  
25 DISTRICT'S COMPLIANCE WITH THIS SECTION.

26 (5) ~~(6) For the purposes of~~ AS USED IN this section: 7  
27 "deficit

1           (A) "DEFICIT ELIMINATION PLAN" MEANS A PLAN REQUIRED UNDER  
2 SECTION 1220 OR THE REVISED SCHOOL CODE, MCL 380.1220, FOR THE  
3 ELIMINATION OF A DEFICIT THAT SETS FORTH ACTIONS TO BE TAKEN TO  
4 ELIMINATE THE DEFICIT WITHIN THE TIME PERIOD PRESCRIBED BY THE  
5 DEPARTMENT.

6           (B) "DEFICIT fund balance" means that term as defined in the  
7 Michigan public school accounting manual published by the  
8 department.

9           (C) "ENHANCED DEFICIT ELIMINATION PLAN" MEANS MEASURES  
10 REQUIRED BY THE STATE TREASURER UNDER SECTION 1220 OF THE REVISED  
11 SCHOOL CODE, MCL 380.1220, TO ADDRESS THE FINANCIAL CONDITIONS  
12 WITHIN A DISTRICT OR INTERMEDIATE DISTRICT AND RESOLVE ANY DEFICIT  
13 WITHIN THE TIME PERIOD PRESCRIBED BY THE DEPARTMENT AND THE STATE  
14 TREASURER.

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

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

20           (a) Senate Bill No.\_\_\_\_ or House Bill No. 4327 (request no.  
21 00280'15).

22           (b) Senate Bill No.\_\_\_\_ or House Bill No. 4325 (request no.  
23 00285'15).

24           (c) Senate Bill No.\_\_\_\_ or House Bill No. 4330 (request no.  
25 00415'15).