

SENATE BILL No. 678

November 30, 2017, Introduced by Senator BIEDA and referred to the Committee on Education.

A bill to amend 1976 PA 451, entitled "The revised school code," by amending sections 1219 and 1220 (MCL 380.1219 and 380.1220), section 1219 as added by 2015 PA 109 and section 1220 as added by 2015 PA 111.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1219. (1) Except as otherwise provided in subsection (2),
2 before July 7 of each school fiscal year, each school district and
3 public school academy shall transmit to CEPI the budgetary
4 assumptions used when adopting its annual budget pursuant to the
5 uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to
6 141.440a. However, a school district or public school academy that

1 had a positive general fund balance of at least 5% of total general
2 fund revenues for each of 2 most recently completed school fiscal
3 years is not required to transmit the budgetary assumptions under
4 this subsection. After receipt by CEPI, CEPI shall compile and
5 transmit the budgetary assumptions to the department of treasury.
6 The submission of the budgetary assumptions under this subsection
7 shall be in the form prescribed by CEPI and shall include at least
8 all of the following information:

9 (a) The projected foundation allowance for the school district
10 or public school academy used by its governing body when adopting
11 the budget for the school district or public school academy for the
12 current school fiscal year.

13 (b) The projected membership of the school district or public
14 school academy used when adopting the budget of the school district
15 or public school academy for the current school fiscal year.

16 (c) The estimated expenditures per pupil for the school
17 district or public school academy for the immediately preceding
18 school fiscal year, calculated by dividing total general fund
19 operating expenditures for the school district or public school
20 academy during that school fiscal year by the membership for the
21 school district or public school academy reported by the department
22 in the most recent state aid financial status report for the month
23 of May.

24 (d) The projected expenditures per pupil for the school
25 district or public school academy for the current school fiscal
26 year, calculated by dividing the total general fund operating
27 expenditures authorized by the governing body of the school

1 district or the public school academy when adopting the budget for
2 the current school fiscal year by the projected membership of the
3 school district or public school academy used when adopting the
4 budget of the school district or public school academy for the
5 current school fiscal year.

6 (2) If an authorizing body submits a budgetary assumption
7 report required under subsection (1) on behalf of each public
8 school academy authorized by that authorizing body that would
9 otherwise be required to submit budgetary assumptions under
10 subsection (1), then those public school academies are not required
11 to submit the budgetary assumption report required under subsection
12 (1).

13 (3) If, based on the factors enumerated in this subsection,
14 the state treasurer determines that the potential for fiscal stress
15 exists within a school district, intermediate school district, or
16 public school academy; that an operating deficit may arise within a
17 school district, intermediate school district, or public school
18 academy during the current school fiscal year or the following 2
19 school fiscal years; or that a school district, intermediate school
20 district, or public school academy may be unable to meet its
21 financial obligations while also satisfying the school district's,
22 intermediate school district's, or public school academy's
23 obligations or abilities to provide public educational services in
24 a manner that complies with this act, the state school aid act of
25 1979, and applicable rules, then the state treasurer may declare
26 that the potential for fiscal stress exists for the school
27 district, intermediate school district, or public school academy.

1 This determination shall be based on consideration of the following
2 factors:

3 (a) Financial data or other information submitted by the
4 school district, intermediate school district, or public school
5 academy to a state department or agency.

6 (b) Financial data or other information included within an
7 audited financial statement of the school district, intermediate
8 school district, or public school academy.

9 (c) Financial data or other information provided to a state
10 department, agency, or authority in connection with a request to
11 issue bonds, notes, or other debt obligations, including, but not
12 limited to, information relating to a request for a loan under the
13 emergency municipal loan act, 1980 PA 243, MCL 141.931 to 141.942.

14 (d) Financial data or other information included within a
15 recommended budget, budget, or general appropriations act of the
16 school district, intermediate school district, or public school
17 academy.

18 (e) Financial data or other information provided to a state
19 department, agency, or authority by an officer, employee,
20 contractor, or agent of the school district, intermediate school
21 district, or public school academy.

22 (f) For a school district, data relating to pupil enrollment,
23 including, but not limited to, residents of other school districts
24 enrolled in the school district and residents of the school
25 district enrolled in another school district or in a public school
26 not operated by the school district.

27 (g) For a school district, financial data or other information

1 provided to the department or department of treasury by the
2 intermediate school district in which the school district is
3 located.

4 (h) For a public school academy, financial data or other
5 information provided to the department or department of treasury by
6 the authorizing body of the public school academy.

7 (4) If the state treasurer declares under subsection (3) that
8 the potential for fiscal stress exists for a school district,
9 intermediate school district, or public school academy, then not
10 less than 14 days after the declaration the state treasurer shall
11 do all of the following:

12 (a) Notify the governing body of the school district,
13 intermediate school district, or public school academy **AND THE**
14 **AUTHORIZING BODY OF THE PUBLIC SCHOOL ACADEMY** that the state
15 treasurer has declared that the potential for fiscal stress exists
16 for the school district, intermediate school district, or public
17 school academy.

18 (b) For a school district or public school academy, notify the
19 governing body of the school district or public school academy that
20 it may establish a contract under subsection (5) with an
21 intermediate school district to perform an administrative review of
22 the financial status of the school district or public school
23 academy.

24 (5) Subject to subsection (16), if the state treasurer
25 declares under subsection (3) that the potential for fiscal stress
26 exists for a school district or public school academy, the
27 governing body of the school district or public school academy may

1 choose to establish a contract with an intermediate school district
2 to perform an administrative review of the financial status of the
3 school district or public school academy. An intermediate school
4 district that is working with a school district or public school
5 academy to establish a contract under this subsection shall consult
6 with the department of treasury on the development of the contract.
7 A school district or public school academy must enter into this
8 contract within 60 days after receiving notification of the
9 declaration from the state treasurer under subsection (4). A
10 contract under this subsection between an intermediate school
11 district and a school district or public school academy shall
12 provide for all of the following:

13 (a) Within 90 days after entering into the contract, the
14 intermediate school district shall complete an administrative
15 review and issue recommendations to the school district or public
16 school academy concerning those steps the school district or public
17 school academy should consider taking to avoid a deficit.

18 (b) After completion of the administrative review, the
19 intermediate school district shall present the recommendations
20 under subdivision (a) at the next scheduled public meeting of the
21 governing body of the school district or public school academy.

22 (c) The intermediate school district shall send a copy of the
23 recommendations to the department and the department of treasury.

24 (d) Subject to subsection (6), the intermediate school
25 district's administrative review under subdivision (a) shall
26 include, but is not limited to, all of the following:

27 (i) An examination of financial practices, including at least

1 an examination of the school district's or public school academy's
2 compliance with the uniform budgeting and accounting act, 1968 PA
3 2, MCL 141.421 to 141.440a, budget to actual expense report
4 monitoring, and budget amendment practices after budget adoption.

5 (ii) An examination of staffing and a comparison of staffing
6 to other school districts and public school academies, as
7 applicable.

8 (iii) An examination of wages and a comparison of wages to
9 other school districts and public school academies in the area, as
10 applicable.

11 (iv) An examination of benefit costs as a percentage of wages
12 and a comparison of benefit costs as a percentage of wages to other
13 school districts and public school academies in the area, as
14 applicable.

15 (v) A school building student capacity utilization review.

16 (vi) An examination of non-instructional costs by function and
17 a comparison of those costs to other school districts and public
18 school academies, as applicable.

19 (vii) A review of enrollment projection methods and history.

20 (viii) An examination of deferred maintenance and capital
21 investment needs. Capital investment needs include technology
22 equipment and technology infrastructure needs.

23 (ix) An examination of substitute costs, workers compensation
24 costs, unemployment compensation costs and forecasts, and a review
25 of other insurance programs.

26 (x) An examination of pupil transportation costs and routing.

27 (xi) An examination of the current and future costs of

1 existing bargaining agreements.

2 (e) The school district or public school academy shall give
3 the intermediate school district or its contracted agents access to
4 any and all financial data or information relating to the financial
5 condition of the school district or public school academy as
6 requested by the intermediate school district.

7 (f) The school district or public school academy shall allow
8 the intermediate school district or its contracted agents to
9 examine all financial records and books of account of the school
10 district or public school academy.

11 (g) The school district or public school academy shall
12 promptly and fully provide the assistance and information necessary
13 and properly requested by the intermediate school district or its
14 contracted agent in the effectuation of the intermediate school
15 district's duties under this subsection, including, but not limited
16 to, complying with a request that the school district or public
17 school academy provide a facility condition assessment or a
18 physical asset inventory if either of these has not been completed
19 in the immediately preceding 24 months.

20 (h) The school district or public school academy shall allow
21 the intermediate school district to work in a consortium with
22 another intermediate school district or multiple intermediate
23 school districts in the effectuation of the intermediate school
24 district's duties under this subsection.

25 (i) The school district or public school academy shall allow
26 the intermediate school district to use a contractor or contractors
27 to assist in the review on a cost recovery basis as determined by

1 the intermediate school district.

2 (j) Either the intermediate school district or the school
3 district or public school academy may rescind the contract, as
4 follows:

5 (i) The intermediate school district may rescind the contract
6 if the school district or public school academy is not complying
7 with 1 or more of the recommendations issued to the school district
8 or public school academy under subdivision (a).

9 (ii) The school district or public school academy may rescind
10 the contract for any reason.

11 (6) The parties to a contract under subsection (5) may request
12 the department of treasury to waive 1 or more of the requirements
13 for items to be included in the intermediate school district's
14 administrative review under subsection (5)(d). If the department of
15 treasury grants a waiver under this subsection, then the
16 intermediate school district's administrative review under
17 subsection (5)(d) is not required to include the waived item or
18 items.

19 (7) If a school district or public school academy establishes
20 a contract with an intermediate school district under subsection
21 (5), the intermediate school district shall submit quarterly
22 reports to the department of treasury on the status of the
23 implementation of the recommendations issued to the school district
24 or intermediate school district by the intermediate school district
25 under subsection (5)(a).

26 (8) Subject to subsection (9), the state treasurer may require
27 a school district, intermediate school district, or public school

1 academy to submit periodic financial status reports under this
2 section if all of the following occur:

3 (a) The state treasurer has declared under subsection (3) that
4 the potential for fiscal stress exists for the school district,
5 intermediate school district, or public school academy.

6 (b) More than 60 days have passed since the school district,
7 intermediate school district, or public school academy was notified
8 of the declaration as required under subsection (4)(a).

9 (c) For a school district or public school academy, that
10 school district or public school academy has not established a
11 contract with an intermediate school district in the time and
12 manner required under subsection (5), has rescinded a contract with
13 an intermediate school district under subsection (5)(j), or has had
14 its contract with an intermediate school district under subsection
15 (5) rescinded by the intermediate school district under subsection
16 (5)(j).

17 (d) The school district, intermediate school district, or
18 public school academy has not had a positive general fund balance
19 of at least 5% of total general fund revenues for each of the 2
20 most recently completed school fiscal years.

21 (e) The school district, intermediate school district, or
22 public school academy has had a declining general fund balance in 1
23 or both of the 2 most recently completed school fiscal years.

24 (f) The school district, intermediate school district, or
25 public school academy is not required to submit a deficit
26 elimination plan or an enhanced deficit elimination plan under
27 section 1220.

1 (9) If a school district or public school academy enters into
2 a contract with an intermediate school district as described under
3 subsection (5), the state treasurer shall not require the school
4 district or public school academy to submit periodic financial
5 status reports under this section until at least 730 days after the
6 governing body of the school district or public school academy was
7 notified of the declaration of the state treasurer under subsection
8 (4) (a). However, the state treasurer may require the school
9 district or public school academy to submit periodic financial
10 status reports under this section if the state treasurer determines
11 that the school district or public school academy has not
12 implemented any of the recommendations within 365 days after the
13 governing body of the school district or public school academy was
14 notified of the declaration of the state treasurer under subsection
15 (4) (a).

16 (10) If a school district, intermediate school district, or
17 public school academy is required to submit periodic financial
18 status reports under this section, the school district,
19 intermediate school district, or public school academy shall do all
20 of the following:

21 (a) Submit a periodic financial status report in the form and
22 manner and on the periodic basis prescribed by the department of
23 treasury, after approval by the governing body of the school
24 district or public school academy.

25 (b) Transmit a copy of each periodic financial status report
26 required under this section to the members of its governing body.

27 (c) Provide the department of treasury with other financial

1 data or information relating to the financial conditions of the
2 school district, intermediate school district, or public school
3 academy as requested by the department of treasury.

4 (d) Allow the department of treasury to examine financial
5 records and books of account of the school district, intermediate
6 school district, or public school academy.

7 (e) Promptly and fully provide the assistance and information
8 necessary and properly requested by the department of treasury in
9 the exercise of the department of treasury's duties under this
10 section.

11 (11) If a school district, intermediate school district, or
12 public school academy fails to submit a periodic financial status
13 report required under this section, or if the state treasurer
14 determines that information included on a periodic financial status
15 report indicates that fiscal stress exists within the school
16 district, intermediate school district, or public school academy,
17 or that a deficit has occurred or is projected to occur within the
18 school district, intermediate school district, or public school
19 academy within the current school fiscal year or the next school
20 fiscal year and that the school district, intermediate school
21 district, or public school academy lacks the capacity to address
22 the deficit without state assistance, then the state treasurer may
23 require the school district, intermediate school district, or
24 public school academy to submit an enhanced deficit elimination
25 plan under section 1220.

26 (12) If a school district is required to submit periodic
27 financial status reports under this section and a loan is issued to

1 the school district under the emergency **MUNICIPAL** loan act, 1980 PA
2 243, MCL 141.931 to 141.942, the state treasurer shall require the
3 school district to submit periodic financial status reports under
4 this section for not more than 4 years after the date of issuance
5 of the loan.

6 (13) A school district, intermediate school district, or
7 public school academy is no longer required to submit periodic
8 financial status reports under this section if the state treasurer
9 determines that the periodic financial status reports submitted by
10 the school district, intermediate school district, or public school
11 academy indicate that potential fiscal stress does not exist within
12 the school district, intermediate school district, or public school
13 academy; that a deficit is not projected to arise within the school
14 district, intermediate school district, or public school academy
15 within the current school fiscal year or the next 2 school fiscal
16 years; and that the school district, intermediate school district,
17 or public school academy will be able to meet its financial
18 obligations while also satisfying the school district's,
19 intermediate school district's, or public school academy's
20 obligations or ability to provide public educational services in a
21 manner that complies with this act, the state school aid act, and
22 applicable rules.

23 (14) If the state treasurer makes a determination under
24 subsection (13) that the conditions under that subsection apply to
25 a school district, intermediate school district, or public school
26 academy, the state treasurer shall notify the school district,
27 intermediate school district, or public school academy within 14

1 days after making that determination.

2 (15) CEPI shall make available to the public on its website
3 all of the periodic financial status reports submitted to the state
4 treasurer under this section. The state treasurer shall transmit to
5 CEPI any documents needed by CEPI to comply with this subsection.

6 (16) If the state treasurer declares under subsection (3) that
7 the potential for fiscal stress exists for a public school academy,
8 then, in addition to the option under subsection (5) for the public
9 school academy to establish a contract with an intermediate school
10 district to perform an administrative review under subsection (5),
11 the governing body of the public school academy may establish a
12 contract with its authorizing body for the authorizing body to
13 perform an administrative review of the financial status of the
14 public school academy. If a public school academy and its
15 authorizing body establish a contract for the authorizing body to
16 perform an administrative review under this subsection, then all of
17 the following apply:

18 (a) The authorizing body shall perform all of the same
19 functions with respect to the public school academy as an
20 intermediate school district performs for an administrative review
21 under subsection (5).

22 (b) The contract and administrative review shall include all
23 of the same items as a contract and administrative review under
24 subsection (5).

25 (c) The authorizing body has all of the same powers and duties
26 with respect to the contract and the administrative review as an
27 intermediate school district has for a contract and administrative

1 review under subsection (5), including, but not limited to, the
2 duty to consult with the department of treasury when working to
3 establish the contract.

4 (d) The department of treasury shall perform the same role and
5 shall treat the contract and administrative review, and the public
6 school academy, in the same manner as if it were a contract and
7 administrative review under subsection (5).

8 (e) All of the provisions under this section that apply to a
9 contract and administrative review under subsection (5) also apply
10 to the contract and administrative review under this subsection.

11 **(17) IF AN AUTHORIZING BODY RECEIVES A NOTIFICATION UNDER**
12 **SUBSECTION (4) (A) FOR A PUBLIC SCHOOL ACADEMY THAT ENTERED INTO A**
13 **MANAGEMENT AGREEMENT WITH AN EDUCATIONAL MANAGEMENT ORGANIZATION,**
14 **THE AUTHORIZING BODY SHALL PROVIDE A COPY OF THE NOTICE TO THE**
15 **BOARD OF DIRECTORS OF EACH PUBLIC SCHOOL ACADEMY AUTHORIZED BY THE**
16 **AUTHORIZING BODY THAT ALSO ENTERED INTO A MANAGEMENT AGREEMENT WITH**
17 **THE EDUCATIONAL MANAGEMENT ORGANIZATION.**

18 **(18) ~~(17)~~—As used in this section:**

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

21 (b) "CEPI" means the center for educational performance and
22 information created in section 94a of the state school aid act of
23 1979, MCL 388.1694a.

24 (c) "Deficit" means a condition prohibited under section 15(2)
25 of the uniform budgeting and accounting act, 1968 PA 2, MCL
26 141.435, or under section 102(1) of the state school aid act of
27 1979, MCL 388.1702. Deficit also includes 1 or both of the

1 following circumstances for a school district, intermediate school
2 district, or public school academy:

3 (i) The total general fund balance of the school district,
4 intermediate school district, or public school academy is negative
5 or is projected to be negative at the end of the current school
6 fiscal year.

7 (ii) One or more of the funds of the school district,
8 intermediate school district, or public school academy other than
9 the general fund have a negative balance or projected negative
10 balance that is greater than the total general fund balance.

11 (D) "EDUCATIONAL MANAGEMENT ORGANIZATION" MEANS THAT TERM AS
12 DEFINED IN SECTION 503C.

13 (E) ~~(d)~~—"Financial emergency" means that 1 or more of the
14 conditions described in section 5(3)(a) to (m) of the local
15 financial stability and choice act, 2012 PA 436, MCL 141.1545,
16 exist or are likely to occur within a school district, intermediate
17 school district, or public school academy in the current or next
18 school fiscal year and threaten the ability of the school district,
19 intermediate school district, or public school academy to provide
20 necessary governmental services essential to public health, safety,
21 and welfare.

22 (F) ~~(e)~~—"Fiscal stress" means 1 or both of the following:

23 (i) That a school district, intermediate school district, or
24 public school academy is unable to meet its short-term or long-term
25 financial obligations as those obligations arise.

26 (ii) That 1 or more of the conditions described in section
27 4(1)(a) to (i), (k) to (q), or (s) of the local financial stability

1 and choice act, 2012 PA 436, MCL 141.1544, exist or are likely to
2 occur within a school district, intermediate school district, or
3 public school academy.

4 (G) ~~(f)~~—"Governing body" means, for a school district, the
5 school board of the school district and, for a public school
6 academy, the board of directors of the public school academy.

7 (H) **"MANAGEMENT AGREEMENT" MEANS THAT TERM AS DEFINED IN**
8 **SECTION 503C.**

9 (I) ~~(g)~~—"Membership" means that term as defined in section 6
10 of the state school aid act of 1979, MCL 388.1606.

11 (J) ~~(h)~~—"Pupil" means that term as defined in section 6 of the
12 state school aid act of 1979, MCL 388.1606.

13 Sec. 1220. (1) A school district, intermediate school
14 district, or public school academy shall not adopt or operate under
15 a deficit budget, and a school district, intermediate school
16 district, or public school academy shall not incur an operating
17 deficit in a fund during a school fiscal year. If a school
18 district, intermediate school district, or public school academy
19 has an existing deficit fund balance, incurs a deficit fund balance
20 in the most recently completed school fiscal year, or adopts a
21 current year budget that projects a deficit fund balance, all of
22 the following apply:

23 (a) The school district, intermediate school district, or
24 public school academy shall notify the superintendent of public
25 instruction and the state treasurer immediately upon the occurrence
26 of the circumstance. A school district shall provide a copy of the
27 notice under this subdivision to the intermediate superintendent of

1 the intermediate school district in which the school district is
2 located. A public school academy shall provide a copy of the notice
3 under this subdivision to the authorizing body of the public school
4 academy.

5 (b) Within 30 days after making notification under subdivision
6 (a), the school district, intermediate school district, or public
7 school academy shall submit to the superintendent of public
8 instruction in the form and manner prescribed by the department an
9 amended budget for the current school fiscal year and a deficit
10 elimination plan approved by the board of the school district,
11 intermediate school district, or public school academy, with a copy
12 to the state treasurer. A school district shall transmit a copy of
13 the amended budget and the deficit elimination plan to the
14 intermediate superintendent of the intermediate school district in
15 which the school district is located. A public school academy shall
16 transmit a copy of the amended budget and the deficit elimination
17 plan to its authorizing body.

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

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

25 (e) After the superintendent of public instruction approves a
26 school district's, intermediate school district's, or public school
27 academy's deficit elimination plan, the school district,

1 intermediate school district, or public school academy shall post
2 the deficit elimination plan on the school district's, intermediate
3 school district's, or public school academy's website.

4 (F) IF AN AUTHORIZING BODY RECEIVES A NOTIFICATION UNDER
5 SUBDIVISION (A) FOR A PUBLIC SCHOOL ACADEMY THAT ENTERED INTO A
6 MANAGEMENT AGREEMENT WITH AN EDUCATIONAL MANAGEMENT ORGANIZATION,
7 THE AUTHORIZING BODY SHALL PROVIDE A COPY OF THE NOTICE TO THE
8 BOARD OF DIRECTORS OF EACH PUBLIC SCHOOL ACADEMY AUTHORIZED BY THE
9 AUTHORIZING BODY THAT ALSO ENTERED INTO A MANAGEMENT AGREEMENT WITH
10 THE EDUCATIONAL MANAGEMENT ORGANIZATION.

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

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

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

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

1 appropriations subcommittees of the legislature responsible for K-
2 12 state 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) "EDUCATIONAL MANAGEMENT ORGANIZATION" MEANS THAT TERM AS**
13 **DEFINED IN SECTION 503C.**

14 **(E)** ~~(d)~~—"Enhanced deficit elimination plan" means measures
15 required by the state treasurer under this section to address the
16 financial conditions within a school district, intermediate school
17 district, or public school academy and resolve any deficit within
18 the time period prescribed by the state treasurer.

19 **(F) "MANAGEMENT AGREEMENT" MEANS THAT TERM AS DEFINED IN**
20 **SECTION 503C.**

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