

SENATE BILL NO. 931

March 01, 2022, Introduced by Senators MOSS, BAYER, POLEHANKI, IRWIN, WOJNO, ALEXANDER, CHANG, BULLOCK, GEISS and MCCANN and referred to the Committee on Education and Career Readiness.

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 amended by
2020 PA 290.

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

1 public school academy shall transmit to CEPI the budgetary
2 assumptions used when adopting its annual budget pursuant to the
3 uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to
4 141.440a. However, a school district or public school academy that
5 had a positive general fund balance of at least 5% of total general
6 fund revenues for each of 2 most recently completed school fiscal
7 years is not required to transmit the budgetary assumptions under
8 this subsection. After receipt by CEPI, CEPI shall compile and
9 transmit the budgetary assumptions to the department of treasury.
10 The submission of the budgetary assumptions under this subsection
11 ~~shall~~**must** be in the form prescribed by CEPI and ~~shall~~**must** include
12 at least all of the following information:

13 (a) The projected foundation allowance for the school district
14 or public school academy used by its governing body when adopting
15 the budget for the school district or public school academy for the
16 current school fiscal year.

17 (b) The projected membership of the school district or public
18 school academy used when adopting the budget of the school district
19 or public school academy for the current school fiscal year.

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

28 (d) The projected expenditures per pupil for the school
29 district or public school academy for the current school fiscal

1 year, calculated by dividing the total general fund operating
2 expenditures authorized by the governing body of the school
3 district or the public school academy when adopting the budget for
4 the current school fiscal year by the projected membership of the
5 school district or public school academy used when adopting the
6 budget of the school district or public school academy for the
7 current school fiscal year.

8 (2) If an authorizing body submits a budgetary assumption
9 report required under subsection (1) on behalf of each public
10 school academy authorized by that authorizing body that would
11 otherwise be required to submit budgetary assumptions under
12 subsection (1), then those public school academies are not required
13 to submit the budgetary assumption report required under subsection
14 (1).

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

1 This determination ~~shall~~**must** be based on consideration of the
2 following 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
28 provided to the department or department of treasury by the
29 intermediate school district in which the school district is

1 located.

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

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

10 (a) Notify the governing body of the school district,
11 intermediate school district, or public school academy **and the**
12 **authorizing body of the public school academy** that the state
13 treasurer has declared that the potential for fiscal stress exists
14 for the school district, intermediate school district, or public
15 school academy.

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

22 (5) Subject to subsection (16), if the state treasurer
23 declares under subsection (3) that the potential for fiscal stress
24 exists for a school district or public school academy, the
25 governing body of the school district or public school academy may
26 choose to establish a contract with an intermediate school district
27 to perform an administrative review of the financial status of the
28 school district or public school academy. An intermediate school
29 district that is working with a school district or public school

academy to establish a contract under this subsection shall consult with the department of treasury on the development of the contract. A school district or public school academy must enter into this contract within 60 days after receiving notification of the declaration from the state treasurer under subsection (4). A contract under this subsection between an intermediate school district and a school district or public school academy shall provide for all of the following:

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

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

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

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

(i) An examination of financial practices, including at least an examination of the school district's or public school academy's compliance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, budget to actual expense report monitoring, and budget amendment practices after budget adoption.

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

1 (iii) An examination of wages and a comparison of wages to other
2 school districts and public school academies in the area, as
3 applicable.

4 (iv) An examination of benefit costs as a percentage of wages
5 and a comparison of benefit costs as a percentage of wages to other
6 school districts and public school academies in the area, as
7 applicable.

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

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

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

13 (viii) An examination of deferred maintenance and capital
14 investment needs. Capital investment needs include technology
15 equipment and technology infrastructure needs.

16 (ix) An examination of substitute costs, workers compensation
17 costs, unemployment compensation costs and forecasts, and a review
18 of other insurance programs.

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

20 (xi) An examination of the current and future costs of existing
21 bargaining agreements.

22 (e) The school district or public school academy shall give
23 the intermediate school district or its contracted agents access to
24 any and all financial data or information relating to the financial
25 condition of the school district or public school academy as
26 requested by the intermediate school district.

27 (f) The school district or public school academy shall allow
28 the intermediate school district or its contracted agents to
29 examine all financial records and books of account of the school

1 district or public school academy.

2 (g) The school district or public school academy shall
3 promptly and fully provide the assistance and information necessary
4 and properly requested by the intermediate school district or its
5 contracted agent in the effectuation of the intermediate school
6 district's duties under this subsection, including, but not limited
7 to, complying with a request that the school district or public
8 school academy provide a facility condition assessment or a
9 physical asset inventory if either of these has not been completed
10 in the immediately preceding 24 months.

11 (h) The school district or public school academy shall allow
12 the intermediate school district to work in a consortium with
13 another intermediate school district or multiple intermediate
14 school districts in the effectuation of the intermediate school
15 district's duties under this subsection.

16 (i) The school district or public school academy shall allow
17 the intermediate school district to use a contractor or contractors
18 to assist in the review on a cost recovery basis as determined by
19 the intermediate school district.

20 (j) Either the intermediate school district or the school
21 district or public school academy may rescind the contract, as
22 follows:

23 (i) The intermediate school district may rescind the contract
24 if the school district or public school academy is not complying
25 with 1 or more of the recommendations issued to the school district
26 or public school academy under subdivision (a).

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

29 (6) The parties to a contract under subsection (5) may request

1 the department of treasury to waive 1 or more of the requirements
2 for items to be included in the intermediate school district's
3 administrative review under subsection (5)(d). If the department of
4 treasury grants a waiver under this subsection, then the
5 intermediate school district's administrative review under
6 subsection (5)(d) is not required to include the waived item or
7 items.

8 (7) If a school district or public school academy establishes
9 a contract with an intermediate school district under subsection
10 (5), the intermediate school district shall submit quarterly
11 reports to the department of treasury on the status of the
12 implementation of the recommendations issued to the school district
13 or intermediate school district by the intermediate school district
14 under subsection (5)(a).

15 (8) Subject to subsection (9), the state treasurer may require
16 a school district, intermediate school district, or public school
17 academy to submit periodic financial status reports under this
18 section if all of the following occur:

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

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

25 (c) For a school district or public school academy, that
26 school district or public school academy has not established a
27 contract with an intermediate school district in the time and
28 manner required under subsection (5), has rescinded a contract with
29 an intermediate school district under subsection (5)(j), or has had

1 its contract with an intermediate school district under subsection
2 (5) rescinded by the intermediate school district under subsection
3 (5)(j).

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

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

11 (f) The school district, intermediate school district, or
12 public school academy is not required to submit a deficit
13 elimination plan or an enhanced deficit elimination plan under
14 section 1220.

15 (9) If a school district or public school academy enters into
16 a contract with an intermediate school district as described under
17 subsection (5), the state treasurer shall not require the school
18 district or public school academy to submit periodic financial
19 status reports under this section until at least 730 days after the
20 governing body of the school district or public school academy was
21 notified of the declaration of the state treasurer under subsection
22 (4)(a). However, the state treasurer may require the school
23 district or public school academy to submit periodic financial
24 status reports under this section if the state treasurer determines
25 that the school district or public school academy has not
26 implemented any of the recommendations within 365 days after the
27 governing body of the school district or public school academy was
28 notified of the declaration of the state treasurer under subsection
29 (4)(a).

1 (10) If a school district, intermediate school district, or
2 public school academy is required to submit periodic financial
3 status reports under this section, the school district,
4 intermediate school district, or public school academy shall do all
5 of the following:

6 (a) Submit a periodic financial status report in the form and
7 manner and on the periodic basis prescribed by the department of
8 treasury, after approval by the governing body of the school
9 district or public school academy.

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

12 (c) Provide the department of treasury with other financial
13 data or information relating to the financial conditions of the
14 school district, intermediate school district, or public school
15 academy as requested by the department of treasury.

16 (d) Allow the department of treasury to examine financial
17 records and books of account of the school district, intermediate
18 school district, or public school academy.

19 (e) Promptly and fully provide the assistance and information
20 necessary and properly requested by the department of treasury in
21 the exercise of the department of treasury's duties under this
22 section.

23 (11) If a school district, intermediate school district, or
24 public school academy fails to submit a periodic financial status
25 report required under this section, or if the state treasurer
26 determines that information included on a periodic financial status
27 report indicates that fiscal stress exists within the school
28 district, intermediate school district, or public school academy,
29 or that a deficit has occurred or is projected to occur within the

1 school district, intermediate school district, or public school
2 academy within the current school fiscal year or the next school
3 fiscal year and that the school district, intermediate school
4 district, or public school academy lacks the capacity to address
5 the deficit without state assistance, then the state treasurer may
6 require the school district, intermediate school district, or
7 public school academy to submit an enhanced deficit elimination
8 plan under section 1220.

9 (12) If a school district is required to submit periodic
10 financial status reports under this section and a loan is issued to
11 the school district under the emergency **municipal** loan act, 1980 PA
12 243, MCL 141.931 to 141.942, the state treasurer shall require the
13 school district to submit periodic financial status reports under
14 this section for not more than 4 years after the date of issuance
15 of the loan.

16 (13) A school district, intermediate school district, or
17 public school academy is no longer required to submit periodic
18 financial status reports under this section if the state treasurer
19 determines that the periodic financial status reports submitted by
20 the school district, intermediate school district, or public school
21 academy indicate that potential fiscal stress does not exist within
22 the school district, intermediate school district, or public school
23 academy; that a deficit is not projected to arise within the school
24 district, intermediate school district, or public school academy
25 within the current school fiscal year or the next 2 school fiscal
26 years; and that the school district, intermediate school district,
27 or public school academy will be able to meet its financial
28 obligations while also satisfying the school district's,
29 intermediate school district's, or public school academy's

1 obligations or ability to provide public educational services in a
2 manner that complies with this act, the state school aid act, and
3 applicable rules.

4 (14) If the state treasurer makes a determination under
5 subsection (13) that the conditions under that subsection apply to
6 a school district, intermediate school district, or public school
7 academy, the state treasurer shall notify the school district,
8 intermediate school district, or public school academy within 14
9 days after making that determination.

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

14 (16) If the state treasurer declares under subsection (3) that
15 the potential for fiscal stress exists for a public school academy,
16 then, in addition to the option under subsection (5) for the public
17 school academy to establish a contract with an intermediate school
18 district to perform an administrative review under subsection (5),
19 the governing body of the public school academy may establish a
20 contract with its authorizing body for the authorizing body to
21 perform an administrative review of the financial status of the
22 public school academy. If a public school academy and its
23 authorizing body establish a contract for the authorizing body to
24 perform an administrative review under this subsection, then all of
25 the following apply:

26 (a) The authorizing body shall perform all of the same
27 functions with respect to the public school academy as an
28 intermediate school district performs for an administrative review
29 under subsection (5).

1 (b) The contract and administrative review ~~shall~~**must** include
2 all of the same items as a contract and administrative review under
3 subsection (5).

4 (c) The authorizing body has all of the same powers and duties
5 with respect to the contract and the administrative review as an
6 intermediate school district has for a contract and administrative
7 review under subsection (5), including, but not limited to, the
8 duty to consult with the department of treasury when working to
9 establish the contract.

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

14 (e) All of the provisions under this section that apply to a
15 contract and administrative review under subsection (5) also apply
16 to the contract and administrative review under this subsection.

17 **(17) If an authorizing body receives a notification under**
18 **subsection (4) (a) for a public school academy that entered into a**
19 **management agreement with an educational management organization,**
20 **the authorizing body shall provide a copy of the notice to the**
21 **board of directors of each public school academy authorized by the**
22 **authorizing body that also entered into a management agreement with**
23 **the educational management organization.**

24 **(18) ~~(17)~~As used in this section:**

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

27 (b) "CEPI" means the center for educational performance and
28 information created in section 94a of the state school aid act of
29 1979, MCL 388.1694a.

(c) "Deficit" means a condition prohibited under section 15(2) of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.435, or under section 102(1) of the state school aid act of 1979, MCL 388.1702. Deficit also includes 1 or both of the following circumstances for a school district, intermediate school district, or public school academy:

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

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

(d) "Educational management organization" means that term as defined in section 503c.

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

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

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

(ii) That 1 or more of the conditions described in section 4(1)(a) to (i), (k) to (q), or (s) of the local financial stability and choice act, 2012 PA 436, MCL 141.1544, exist or are likely to occur within a school district, intermediate school district, or public school academy.

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

(h) **"Management agreement" means that term as defined in section 503c.**

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

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

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

(a) The school district, intermediate school district, or public school academy shall notify the superintendent of public instruction and the state treasurer immediately upon the occurrence of the circumstance. A school district shall provide a copy of the 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 or
11 intermediate school district or board of directors of the public
12 school academy, with a copy to the state treasurer. A school
13 district shall transmit a copy of the amended budget and the
14 deficit elimination plan to the intermediate superintendent of the
15 intermediate school district in which the school district is
16 located. A public school academy shall transmit a copy of the
17 amended budget and the deficit elimination plan to its authorizing
18 body.

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

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

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

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

3 **(f) If an authorizing body receives a notification under**
4 **subdivision (a) for a public school academy that entered into a**
5 **management agreement with an educational management organization,**
6 **the authorizing body shall provide a copy of the notice to the**
7 **board of directors of each public school academy authorized by the**
8 **authorizing body that also entered into a management agreement with**
9 **the educational management organization.**

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

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

1 director.

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

24 (3) A school district, intermediate school district, or public
25 school academy required to submit a deficit elimination plan under
26 this section shall submit to the superintendent of public
27 instruction and the state treasurer a monthly monitoring report on
28 revenue and expenditures in a form and manner prescribed by the
29 department and shall post these reports on its website. A school

1 district shall transmit a copy of each report under this subsection
2 to the intermediate superintendent of the intermediate school
3 district in which the school district is located. A public school
4 academy shall transmit a copy of each report under this section to
5 the authorizing body of the public school academy. A school
6 district may contract with its intermediate school district or
7 another entity to provide the monthly monitoring report.

8 (4) If a school district, intermediate school district, or
9 public school academy is required to submit a deficit elimination
10 plan under this section, and the deficit elimination plan is
11 approved by the department, the superintendent of public
12 instruction may continue allotment and payment of funds as provided
13 under section 102 of the state school aid act of 1979, MCL
14 388.1702. When approving a deficit elimination plan, the
15 superintendent of public instruction shall establish the period of
16 time within which a school district, intermediate school district,
17 or public school academy must eliminate its deficit and may set
18 special conditions that the school district, intermediate school
19 district, or public school academy must meet while the deficit
20 elimination plan is in effect. After the department approves a
21 school district's, intermediate school district's, or public school
22 academy's deficit elimination plan under this subsection, the
23 school district, intermediate school district, or public school
24 academy shall post the deficit elimination plan on the school
25 district's, intermediate school district's, or public school
26 academy's website. The requirements of this section relating to a
27 deficit elimination plan do not apply to a school district,
28 intermediate school district, or public school academy if the
29 school district, intermediate school district, or public school

1 academy is required to submit an enhanced deficit elimination plan
2 under subsection (5).

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

1 academy required to submit an enhanced deficit elimination plan
2 under this section to enter into a financial recovery agreement
3 with the state treasurer. A financial recovery agreement may
4 provide for, but is not limited to, all of the following:

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

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

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

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

13 (e) The required retention by the school district,
14 intermediate school district, or public school academy of a
15 consultant or 1 or more other experts for the purpose of assisting
16 the school district, intermediate school district, or public school
17 academy to achieve the goals and objectives of the financial
18 recovery agreement.

19 (6) Before a school district, intermediate school district, or
20 public school academy submits an enhanced deficit elimination plan
21 to the state treasurer under subsection (5), the board of the
22 school district or intermediate school district or board of
23 directors of the public school academy shall approve the plan. If a
24 school district, intermediate school district, or public school
25 academy is required to submit an enhanced deficit elimination plan
26 under subsection (5), some or all of the money payable to the
27 school district, intermediate school district, or public school
28 academy under the state school aid act of 1979 may be withheld by
29 the state treasurer and released as provided under section 102(3)

1 of the state school aid act of 1979, MCL 388.1702. When approving
2 an enhanced deficit elimination plan, the state treasurer may
3 establish the period of time within which a school district,
4 intermediate school district, or public school academy must
5 eliminate its deficit and may set special conditions that the
6 school district, intermediate school district, or public school
7 academy must meet while the enhanced deficit elimination plan is in
8 effect.

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

14 (a) The department.

15 (b) The school district, intermediate school district, or
16 public school academy required to submit an enhanced deficit
17 elimination plan under subsection (5).

18 (c) For a school district required to submit an enhanced
19 deficit elimination plan under subsection (5), the intermediate
20 superintendent of the intermediate school district in which the
21 school district is located.

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

25 (8) After the state treasurer approves an enhanced deficit
26 elimination plan for a school district, intermediate school
27 district, or public school academy, the school district,
28 intermediate school district, or public school academy shall post
29 the enhanced deficit elimination plan on the school district's,

1 intermediate school district's, or public school academy's website.

2 (9) If a school district, intermediate school district, or
3 public school academy is required to submit an enhanced deficit
4 elimination plan under subsection (5), the school district,
5 intermediate school district, or public school academy shall submit
6 to the superintendent of public instruction and the state treasurer
7 an enhanced monthly monitoring report on revenue, expenditures,
8 cash flow, debt, other liabilities, assets, budget amendments,
9 pupil membership, and other data relating to the finances of the
10 school district, intermediate school district, or public school
11 academy in a form and manner prescribed by the department of
12 treasury and shall post these reports on its website.

13 (10) As used in this section:

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

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

20 (c) "Deficit fund balance" means that term as defined in the
21 "Michigan Public School Accounting Manual" published by the
22 department.

23 **(d) "Educational management organization" means that term as**
24 **defined in section 503c.**

25 **(e) ~~(d)~~** "Enhanced deficit elimination plan" means measures
26 required by the state treasurer under this section to address the
27 financial conditions within a school district, intermediate school
28 district, or public school academy and resolve any deficit within
29 the time period prescribed by the state treasurer.

1 (f) "Management agreement" means that term as defined in
2 section 503c.

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