

If a district is found by Treasury to be in “potential Fiscal Stress” and does NOT select the ISD Administrative Review option.

Treasury can then require the District to submit “periodic financial Status reports” for up to 4 years.

- **If a school district is required to submit “periodic financial status reports”, the school district shall do all of the following:**
 - a) Submit a periodic financial status report in the form and manner and on the periodic basis prescribed by the department of treasury, after approval by the governing body of the school district.
 - b) Transmit a copy of each periodic financial status report required under this section to the members of its governing body.
 - c) Provide the department of treasury with other financial data or information relating to the financial conditions of the school district, intermediate school district, or public school academy as requested by the department of treasury.
 - d) Allow the department of treasury to examine financial records and books of account of the school district.
 - e) Promptly and fully provide the assistance and information necessary and properly requested by the department of treasury in the exercise of the department of treasury’s duties under this section.
- If the state treasurer determines that information included on a periodic financial status report indicates that fiscal stress exists within the school district
----or----- that a deficit has occurred or is projected to occur within the school district within the current school fiscal year or the next school fiscal year and that the school district lacks the capacity to address the deficit without state assistance, then the state treasurer may require the school district to submit an enhanced deficit elimination plan.
- Treasury may determine that the district is SUBJECT TO RAPIDLY DETERIORATING FINANCIAL CIRCUMSTANCES, PERSISTENTLY DECLINING ENROLLMENT, OR OTHER INDICATORS OF FINANCIAL STRESS LIKELY TO RESULT IN RECURRING OPERATING DEFICITS OR RECURRING FINANCIAL STRESS WITHIN THE SCHOOL DISTRICT. If Treasury makes such a determination Treasury will then require the District to submit an Enhanced Deficit Elimination Plan or EDEP.
- An enhanced deficit elimination plan shall provide for the resolution of the deteriorating financial circumstances, persistently declining enrollment, or other indicators of recurring operating deficits or recurring financial stress and is subject to approval by the State Treasurer.

- The District shall also be required to submit enhanced monthly monitoring reports on revenue, expenditures, cash flow, debt, other liabilities, assets, budget amendments, pupil membership and other data relating to the finances of the school district.
- As a condition of approving the enhanced deficit elimination plan, the state treasurer may require a school district to submit an enhanced deficit elimination plan and to enter into a **FINANCIAL RECOVERY AGREEMENT** with the state treasurer.
- A **FINANCIAL RECOVERY AGREEMENT** may provide for, but it not limited to, all of the following:
 - a) Assistance and guidance from the department of treasury and other state departments and agencies.
 - b) A financial and operating plan for the school district, intermediate school district, or public school academy.
 - c) The appointment of a local auditor or inspector, or both.
 - d) Remedial measures or other action under this act necessary to address the financial circumstances of the school district, intermediate school district, or public school academy.
 - e) The required retention by the school district of a consultant or 1 or more other experts for the purpose of assisting the school district to achieve the goals and objectives of the financial recovery agreement (significant cost issue)
- The state treasurer may establish the period of time within which a school district must eliminate its deficit and may set **SPECIAL CONDITIONS THAT THE SCHOOL DISTRICT MUST MEET WHILE THE ENHANCED DEFICIT ELIMINATION PLAN IS IN EFFECT.**
- To assure greater coordination and effective partnerships in the development and implementation of an enhanced deficit elimination plan, when administering subsections (5), (6), and (9), the department of treasury shall consult with all of the following:
 - a) The department.
 - b) The school district required to submit an enhanced deficit elimination plan
 - c) The superintendent of the intermediate school district in which the school district is located.
- Public Act 113 of 2015: IF A SCHOOL DISTRICT IS SUBJECT TO AN ENHANCED DEFICIT ELIMINATION PLAN UNDER SECTION 1220 OF THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1220, AND THE STATE TREASURER DETERMINES THAT THE SCHOOL DISTRICT HAS FAILED TO SUBMIT OR COMPLY WITH THE REQUIREMENTS OF THE ENHANCED DEFICIT ELIMINATION PLAN, THE STATE TREASURER MAY DECLARE THAT A FINANCIAL EMERGENCY EXISTS WITHIN THE SCHOOL DISTRICT AND RECOMMEND THAT THE GOVERNOR APPOINT AN EMERGENCY MANAGER TO ADDRESS THE FINANCIAL EMERGENCY WITHIN THE SCHOOL DISTRICT.