



- Policy:** 2010 Tax Base Enhancement
- Focus:** Leveraging Revenue To Stimulate School District Growth
- Summary:** School districts impacted by state and federal fund reductions, escalating operational expense, and or declining enrollment need non-silo approaches to address revenue decline and deficit escalation. The larger the school district the broader the economic implications of operational practices and academic delivery models developed without correlation to tax base reinforcement.
- Current Law:** The Fiscal Responsibility Act restricts the execution of integrated planning models to address and reverse operational and delivery practices which reinforce tax base, thus district decline.
- Proposed Policy:** The proposed policy would amend PA 72 of 1990 by requiring a financial plan which includes a revenue stabilization or declining revenue reversal component. The policy would also permit the utilization of operational resources to strengthen the school district tax base through correlation of operation delivery models with local labor market needs and growth sector trends.

LOCAL GOVERNMENT FISCAL RESPONSIBILITY ACT Act 72 of 1990

AN ACT to provide for review, management, planning, and control of the financial operation of units of local government, including school districts; to provide criteria to be used in determining the financial condition of a local government; to permit a declaration of the existence of a local government financial emergency and to prescribe the powers and duties of the governor, other state boards, agencies, and officials, and officials and employees of units of local government; to provide for a review and appeal process; to provide for the appointment and to prescribe the powers and duties of an emergency financial manager; to require the development of financial plans to regulate expenditures and investments by a local government in a state of financial emergency; to set forth the conditions for termination of a local government financial emergency; and to repeal certain acts and parts of acts.

History: 1990, Act 72, Imd. Eff. May 15, 1990.

141.1240 Written financial plan.

Sec. 40. (1) In consultation with the school board, the emergency financial manager shall develop, and may from time to time amend, a written financial or plan for the school district. The financial plan shall be submitted to and the State Superintendant of Instruction whom may revise components or elements, but must approve or reject the plan within thirty days of submission. The plan shall serve as the official directional operations document for the school district and provide for (both) each of the following:

(a) Summation of primary operational and academic priorities provided by the school board, methodology by which the plan addresses them, or rationale for exclusion consistent with school district stabilization and trend reversal objectives

- (a) Conducting the operations of the school district within the resources available according to the emergency financial manager's revenue estimate.
 - (b) The payment in full of the scheduled debt service requirements on all bonds and notes of the school district and all other uncontested legal obligations.
 - (c) **Methodology for stabilization or reversal of declining revenue associated with, but not limited to declining enrollment, academic achievement and school infrastructure.**
 - (2) After the initial development of the financial plan required by subsection (1), the emergency financial manager in consultation with the school board shall regularly reexamine the plan, **monthly progress, priorities** and if the emergency financial manager reduces his or her revenue estimates, he or she shall modify the financial plan to conform to revised revenue estimates **or declining revenue reversal strategies.**
 - (3) The financial plan shall be in a form, and shall contain that information for each year the plan is in effect, that the school district's emergency financial manager specifies.
 - (4) The emergency financial manager shall make public the plan or modified plan. **The school board may request revisions to the plan and may appeal to the sole discretion of the Superintendent of Public Instruction for plan revisions not adopted by the Emergency Financial Manager that are consistent district stabilization and trend reversal objectives.** This subsection shall not be construed to mean that the emergency financial manager must receive public approval before he or she implements the financial plan or any modification to the plan.
- History:** 1990, Act 72, Imd. Eff. May 15, 1990.

141.1241 Control over fiscal matters; fiscal decisions; actions by emergency financial manager; authorization to proceed under federal law; school district as debtor.

Sec. 41. (1) Upon appointment under section 38, an emergency financial manager shall immediately assume control over all fiscal matters of, and make all fiscal decisions for, the school district for which he or she is appointed.

- (2) In implementing this article and performing his or her functions under this article, an emergency financial manager may take 1 or more of the following actions:
 - (a) Examine the books and records of the school district.
 - (b) Review payrolls or other claims against the school district before payment.
 - (c) **Examine the causes of declining revenue, structural and non-structural deficits**
 - (d) **Assess correlation of academic delivery with higher education admittance standards, market employment standards and employer capacity needs**
 - (c) Negotiate, renegotiate, approve, and enter into contracts on behalf of the school district.
 - (e) **Implement prompt payment practices to incentivize participation and competitive vendor pricing**
 - (f) **Implement request for proposal schedules that provide reasonable time for vendor inspection and maximization of local participation**
 - (d) **Implement contract and labor agreements which emphasize local participation and enhance the school district tax base as part of a declining revenue reversal strategy**
 - (d1) **Require any school bond project labor agreements to enhance local employment through the provision of hiring preferences for qualified unemployed skilled workers with verifiable residency of six months or more**
 - (d2) **Require any school bond design build request for proposals to incentivize responses which contain a local lead contractor, local joint venture lead, or a contractor participation plan which affords not less than fifty-one percent participation to locally headquartered contractors and seeks to achieve not less than 70% contract labor participation by local residents of the school district**
 - (i) **the legislature shall appropriate up to \$100,000 for the associated data collection and monitoring or authorize such expenditure by the Emergency Financial Manager to assure proper implementation and monitoring**
 - (d) Receive and disburse on behalf of the school district all federal, state, and local funds earmarked for the school district. These funds may include, but are not limited to, funds for specific programs and the retirement of debt.
 - (e) **Implement budget stabilization, student attraction and academic delivery strategies developed consistent with the written financial plan**
 - (e) Adopt a final budget for the next school fiscal year and amend any adopted budget of the school district.
 - (f) Act as an agent of the school district in collective bargaining and, to the extent possible under state labor law, renegotiate existing and negotiate new labor agreements.

- (g) Analyze factors contributing to the financial condition of the school district and recommend to the legislature steps that need to be taken to improve the district's financial condition.
 - (h) Require compliance with his or her orders, by court action if necessary.
 - (i) Require the attendance of witnesses and the production of books, papers, contracts, and other documents relevant to an analysis of the financial condition of the school district.
 - (j) Recommend to the governor, the legislature, and the state board that the school district be reorganized with 1 or more contiguous school districts.
 - (k) Consolidate divisions or transfer functions from 1 division to another division within the school district and appoint, supervise, and, at his or her discretion, remove, within legal limitations, heads of divisions of the school district.
 - (l) Create a new position or approve or disapprove the creation of any new position or the filling of a vacancy in a permanent position by an appointing authority.
 - (m) Seek approval from the state board for a reduced class schedule in accordance with administrative rules governing the distribution of state school aid.
 - (n) Employ or contract for, at the expense of the school district and with the approval of the superintendent of public instruction, auditors and other technical personnel considered necessary to implement this article.
 - (o) Reduce expenditures in the budget of the school district.
 - (p) Borrow money on behalf of the school district.
 - (q) Approve or disapprove of the issuance of obligations of the school district.
 - (r) Order, as necessary, 1 or more school millage elections for the school district consistent with the school code of 1976, the Michigan election law, Act No. 116 of the Public Acts of 1954, being sections 168.1 to 168.992 of the Michigan Compiled Laws, and sections 6 and 25 through 34 of article IX of the state constitution of 1963.
 - (s) Sell or otherwise use the assets of the school district to meet past or current obligations, provided the use of assets for this purpose does not impair the education of the pupils of the district.
 - (t) Exercise the authority and responsibilities affecting the financial condition of the school district that are prescribed by law to the school board and superintendent of the school district.
- (3) After giving written notice to the superintendent of public instruction, the emergency financial manager may authorize the school district to proceed under chapter 9 of title 11 of the United States Code, 11 U.S.C. 901 to 904, 921 to 932, and 941 to 946. This section empowers the school district for which an emergency financial manager has been appointed to become a debtor under chapter 9 of title 11 of the United States Code.

History: 1990, Act 72, Imd. Eff. May 15, 1990.

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