



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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***Gov. Snyder determines financial emergency
in Pontiac School District***
District leaders have seven days to request hearing

Gov. Rick Snyder today agreed that the Pontiac School District is in a financial emergency after giving thoughtful consideration to the independent, Financial Review Team report he received last week. Pontiac School District leaders now have seven days to request a hearing on the matter.

“The focus of today’s action is where it should be: Making sure Pontiac School District students get the education they need to be career and college ready,” Gov. Snyder said. “We need to look out for the children, and we want to make sure that Pontiac School District has the financial resources to open its doors next month. I look forward to working with school district leaders on setting a course that restores financial stability in the district.”

In its Aug. 2 report to the governor, the six-member team concluded that a local government financial emergency exists in Pontiac Schools, pursuant to Public Act 436 of 2012 -- the Local Financial Stability and Choice Act -- due to several conditions, including:

- The district’s general fund deficit for the 2012 fiscal year was \$37.7 million, having quadrupled since 2009. The deficit increased by 53.6 percent -- from \$24.5 to \$37.7 million -- between 2011 and 2012.
- As of June 30, the district had about \$33 million in unpaid bills to vendors.
- Audit reports for the last three years show significant differences between revenue and spending as budgeted versus actual revenue and spending, with the district spending more than planned.
- District staff members appear to have violated state law by using debt retirement funds to cover payroll.
- A \$7.8 million civil judgment was ordered by the 6th Judicial Circuit Court against the district on Jan. 18, 2013 on behalf of Michigan Education Special Services Association.

- The district on May 1 defaulted on a \$1.4 million debt service payment related to energy bonds issued in 2006.

By law, district leaders have until Aug. 13, 2013 to request a hearing before the State Financial Authority or his designee. If a hearing is requested, it will be held at 10 a.m., Wednesday, Aug. 14 in Lansing.

Following the hearing, or if no hearing is requested, the governor is expected to either confirm or revoke his determination that a financial emergency exists in the district.

If a financial emergency is eventually confirmed, the law ensures local leaders have a strong voice in how a financial crisis in their community or school district is remedied by choosing one of four options: a consent agreement; an emergency manager; a neutral evaluation process; or Chapter 9 bankruptcy.

For more information, visit the Local Government Fiscal Health page on the Department of Treasury's website at www.michigan.gov/treasury.

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