State Notes

TOPICS OF LEGISLATIVE INTEREST

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A Review of the Financial Status of the Detroit Public Schools

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This article provides information concerning the financial status of the Detroit Public Schools (DPS). Included are data on the recent financial history of the DPS, a summary of the district's fiscal year (FY) 2008-09 enacted budget, a discussion involving the issues related to the definition of a first class school district and the potential impact of this definition on the DPS, and a discussion of the processes outlined in the Local Government Fiscal Responsibility Act for the appointment of a financial review team and the potential for a financial manager to be named to oversee the district's fiscal matters.

Recent Financial History of the DPS

The Detroit Public Schools are currently governed by an 11-member board of education, elected by the voters of the school district. During the period from April 1999 through October 2004, the DPS was governed by a seven-member reform board pursuant to Public Act 451 of 1999. The reform board included six members appointed by the mayor of the City of Detroit and one member appointed by the Governor. Before April 1999, the DPS was governed by a locally elected board of education.

Table 1 provides a history of audited DPS revenue and expenditures for the period FY 1994-95 through FY 2006-07. The data are from the DPS Annual Financial Reports. The data include revenue and expenditures for operational purposes and do not include debt service or capital outlay revenue or expenditures. During this 13-fiscal-year period, actual annual DPS revenue exceeded annual expenditures in four fiscal years. The most recent fiscal year in which this occurred was FY 2001-02. During the other nine fiscal years included in Table 1, annual DPS expenditures exceeded annual revenue. During the most recent audited year, FY 2006-07, DPS expenditures exceeded revenue by $17.2 million.

Table 1

Detroit Public Schools Financial Data - Operating Revenue and Expenditures[1)]
(millions of dollars)

Fiscal Year	Revenue	Expenditures	Revenue Less Expenditures
1994-95	$1,198.4	$1,210.7	$(12.3)
1995-96	1,298.0	1,326.1	(28.1)
1996-97	1,325.2	1,275.6	49.6
1997-98	1,359.7	1,291.0	68.7
1998-99	1,406.3	1,382.3	24.0
1999-2000	1,431.0	1,439.7	(8.7)
2000-01	1,454.6	1,490.8	(36.2)
2001-02	1,664.7	1,606.4	58.3
2002-03	1,688.9	1,696.0	(7.1)
2003-04	1,665.4	1,777.4	(112.0)
2004-05	1,598.4	1,676.9	(78.5)
2005-06	1,553.9	1,588.2	(34.3)
2006-07	1,556.5	1,573.7	(17.2)

[1)] Operating Expenditures are total expenditures less debt service and capital outlay.

Source: Detroit Public Schools Annual Financial Reports

At the close of FY 2003-04, the DPS received approval from the State of Michigan to refinance $210.0 million of short-term State Aid Anticipation Notes outstanding as long-term debt payable over 15 years. The repayment of this long-term borrowing began during FY 2006-07. As a part of the conditions for State approval of this borrowing, the DPS agreed to maintain a positive general fund balance. The DPS also agreed to make its finances subject to a fiscal review committee designated by the State Treasurer. This committee currently consists of staff from the Michigan Department of Education, the Office of the State Budget, and the Department of Treasury. The committee is responsible for monitoring the finances of the DPS.

A significant decline in the number of pupils in the school district has contributed to the financial stress facing the DPS. This decline has an impact on the level of per-pupil State funding received by the DPS. Table 2 provides a summary of the pupil membership in the DPS for the period FY 1994-95 through FY 2008-09. The FY 2008-09 estimate is the estimate used by the State during the Consensus Revenue Estimating Conference held in May 2008. During this 15-fiscal year-period, the DPS peaked at 173,871 pupils in FY 1997-98. By FY 2007-08, the number had declined to 106,485. This represents a decline of 67,386 pupils or 38.8%. During FY 2008-09, the number of pupils in the DPS is expected to drop to 96,194.

Table 2

Detroit Public Schools – Annual Pupil Membership

Fiscal Year	Pupil Memberships	Change from Prior Year
1994-95	167,481	549
1995-96	169,996	2,515
1996-97	173,080	3,084
1997-98	173,871	791
1998-99	173,848	(23)
1999-2000	168,213	(5,635)
2000-01	162,693	(5,520)
2001-02	159,694	(2,999)
2002-03	157,003	(2,691)
2003-04	150,415	(6,588)
2004-05	141,148	(9,267)
2005-06	130,719	(10,429)
2006-07	117,601	(13,118)
2007-08	106,485	(11,116)
2008-09 Estimated	96,194	(10,291)

Source: Senate Fiscal Agency data

The pupil decline in the DPS has reduced the level of revenue available to support the operation of the district. Based on the State per-pupil funding received by the DPS during FY 2007-08, the 67,386-pupil decline since FY 1997-98 represents a loss of approximately $510.0 million of revenue. This loss is equivalent to approximately one-third of the current operating revenue of the DPS.

Like many other local school districts across the State, the DPS is faced with the dilemma of having to adjust operating expenditures to keep a balanced budget in light of declining enrollments and limited increases in the per-pupil funding provided by the State. Because the State funds local school districts on a per-pupil basis, which typically accounts for the majority of a district's operating revenue, one would expect that a school district's operating expenditures per pupil should track closely with the increase in the per-pupil foundation allowance. If this is not occurring, it is likely that a local school district is facing an imbalance between operating revenue and expenditures.

Table 3 illustrates this situation in the DPS. The table provides a summary of the foundation allowance per pupil received by the DPS from the State and the operating expenditures per pupil in the district. Comparing FY 2006-07 with the peak year in pupils, FY 1997-98, the per-pupil foundation allowance funding increased by 25.1% over this nine-fiscal-year period. During the same period, the operating expenditures per pupil in the district increased by 80.2%. Because the growth in per-pupil operating expenditures has exceeded the growth in the per-pupil funding the DPS received from the State, annual DPS operating expenditures have exceeded operating revenue in recent years.

Table 3

Detroit Public Schools
Foundation Allowance and Per-Pupil Expenditures

Fiscal Year	Foundation Allowance	Expenditures Per Pupil
1994-95	$5,584	$7,228.9
1995-96	5,737	7,800.8
1996-97	5,892	7,370.0
1997-98	6,046	7,425.0
1998-99	6,046	7,951.2
1999-2000	6,284	8,558.8
2000-01	6,584	9,163.3
2001-02	6,884	10,059.2
2002-03	7,180	10,802.3
2003-04	7,180	11,816.6
2004-05	7,180	11,880.4
2005-06	7,355	12,149.7
2006-07	7,565	13,381.7
Dollar Change		
FY 2006-07 from FY 1997-98	$1,519.0	$5,956.6
Percentage Change		
FY 2006-07 from FY 1997-98	25.1%	80.2%

Source: Senate Fiscal Agency calculations

The future financial health of the DPS will likely hinge on the district's ability to reduce expenditures rapidly enough to keep up with an ongoing decline in pupils. This financial stress will continue unless the DPS develops additional revenue sources or takes actions that will level off the number of pupils in the district. Absent additional revenue or a leveling-off in the pupil count, the DPS will be forced to make significant reductions in expenditures to ensure a balance between annual revenue and expenditures.

Summary of the FY 2008-09 Approved DPS Budget

Under State law, public school districts in Michigan are required to approve an annual budget not later than June 30 of each year. The Detroit Board of Education approved a budget for FY 2008-09 on June 30, 2008. This budget attempts to eliminate a projected FY 2008-09 deficit of approximately $408.0 million over the next two fiscal years. This deficit projection includes both the imbalance between projected FY 2008-09 operating revenue and expenditures and a negative operating balance carried forward from FY 2007-08.

Table 4 provides a high-level summary of the approved FY 2008-09 budget compared with the current estimates of projected final revenue and expenditures for FY 2007-08. The fiscal year for the DPS begins on July 1 of each year. The numbers contained in Table 4 are the general fund budget for the school district and do not include certain revenue and expenditures related to capital improvements and funding as a result of the sale of capital bonds.

Table 4
Detroit Public Schools
Summary of Adopted FY 2008-09 General Fund Balance
(millions of dollars)

	FY 2007-08 Projections	FY 2008-09 Enacted Budget	Dollar Difference	Percentage Change
Balance from Prior Fiscal Year	**$7.2**	**$(114.7)**	**$(121.9)**	**N/A**
Current Year Revenue:				
Local Sources	119.1	100.4	(18.7)	(15.7)%
State Sources	814.6	746.5	(68.1)	(8.4)
Federal Sources	218.9	199.5	(19.4)	(8.9)
Other Financing Sources	77.9	69.1	(8.8)	(11.3)
Total Current Year Revenue	1,230.5	1,115.5	(115.0)	(9.3)
Total Revenue (Including Prior Year Balance)	**$1,237.7**	**$1,000.8**	**$(236.9)**	**(19.1)%**
Expenditures:				
Classroom Instruction	731.6	650.1	(81.5)	(11.1)
Support Services	175.5	158.5	(17.0)	(9.7)
Administration	133.9	106.4	(27.5)	(20.5)
Operation and Maintenance	165.3	109.2	(56.1)	(33.9)
Transportation	57.8	26.0	(31.8)	(55.0)
Other Expenditure Categories	83.6	54.7	(28.9)	(34.6)
Total Expenditures	**$1,347.7**	**$1,104.9**	**$(242.8)**	**(18.0)%**
Revenue Less Expenditures	**$(110.0)**	**$(104.1)**	**$5.9**	**N/A**
Fund Transfers/Other Adjustments	**(4.7)**	**(0.6)**	**4.1**	**N/A**
Year-End Fund Balance	**$114.7)**	**$(104.7)**	**$10.0**	**N/A**

Source: Senate Fiscal Agency calculations from Detroit Public Schools 2009 adopted budget.

The approved FY 2008-09 general fund budget, based on the revenue and expenditure assumptions included in the budget, will result in a $104.7 million deficit at the close of FY 2008-09. This will be a reduction of $10.0 million from the projected budget deficit at the close of FY

2007-08. The DPS budget document contains a discussion involving the continuation of revenue assumptions and expenditure reductions into the FY 2009-10 budget that will lead to a projected FY 2009-10 year-end balance of $2.6 million. However, the budget adopted by the DPS pertains only to FY 2008-09. Eliminating a projected $408.0 million budget deficit over two fiscal years will involve significant reductions in expenditures. Based on the audited FY 2006-07 expenditure level of $1.57 billion, a $408.0 million reduction in spending over two fiscal years equates to a 26.0% reduction in expenditures.

On the revenue side of the FY 2008-09 general fund budget ledger, the budget assumes total current-year revenue of $1.12 billion. This represents a $115.0 million or 9.3% decline from the estimated level of FY 2007-08 current-year revenue. Factoring in the $114.7 million deficit carried forward from FY 2007-08 leads to total available FY 2008-09 revenue of $1.0 billion. This represents a decline of $236.9 million or 19.1% from the prior fiscal year.

On the expenditure side of the FY 2008-09 general fund budget ledger, the budget assumes total expenditures of $1.1 billion. This represents a decline of $242.8 million or 18.0% from the prior fiscal year. This large decline is necessary as the budget reduces expenditures in an effort to bring them in line with declining revenue resulting from significant pupil declines. The budget plan provides for large spending reductions in all aspects of the DPS budget, including instructional and instructional support services, general support services, administration, operation and maintenance, and transportation.

The key factor in analyzing any approved budget is understanding the assumptions behind the numbers contained in the budget. The following information provides a discussion of several of the key assumptions on which the FY 2008-09 DPS budget is based.

Pupil Membership: As mentioned above, the DPS has been losing pupils at a rapid rate in recent years. During FY 2007-08, the DPS pupil membership declined by 11,116 pupils to 106,485. The FY 2008-09 DPS budget assumes a pupil membership of 98,356 or a decline of 8,129 pupils. The consensus pupil membership estimate for the DPS agreed to at the May 2008 Consensus Revenue Estimating Conference projects the FY 2008-09 DPS pupil membership at 96,194. This is a difference of 2,162 pupils or approximately $16.5 million of State foundation allowance funding.

Foundation Allowance: The DPS budget was approved before the State finalized the FY 2008-09 State School Aid appropriation bill. The DPS budget assumes an FY 2008-09 per-pupil foundation allowance of $7,627. The actual foundation allowance funded by the State is $7,660. This difference will provide approximately $3.2 million of additional State revenue not assumed in the budget.

Classroom Instruction: The DPS budget assumes $59.2 million of General Fund/General Purpose (GF/GP) savings from the layoff of 818 teachers in the district. This is the projected savings from GF/GP-funded positions and does not include savings from positions funded by grants, adult education, or special education. The layoff of 818 teachers will represent a reduction of approximately 12.0% of the teachers in the district. While this teacher layoff is assumed in the budget, the actual layoff has not yet taken place. Notices of the potential layoff of 300 teachers were sent out on April 1, 2008. The layoff notices for the remaining 518 teachers have not yet been distributed. As of August 13, 2008, it does not appear that any teaching positions have been eliminated through the layoff process. The actual number of teacher layoffs and the timing of these layoffs are critical assumptions in the budget. Reductions in the number of assumed teacher layoffs or delays in the timing of these layoffs will result in unfunded expenditures in the budget.

Other Employee Reductions: The DPS budget assumes $87.8 million of GF/GP savings from the layoff of 900 individuals in nonteaching positions in the district. These include support staff, administrative staff, maintenance staff, and transportation staff. The layoff of these employees will represent a reduction of approximately 13.5% of these positions in the district. The DPS is currently attempting to begin the implementation of these layoffs. The school district is studying the required time frames for notifying employees of the layoffs and attempting to assess their impact on the operations of the district. In early October, layoff notices were sent to more than 300 employees, including social workers, psychologists, custodians, and bus attendants. The actual number of nonteacher layoffs and the timing of these layoffs are critical assumptions in the budget. Reductions in the number of assumed layoffs or delays in their timing will result in unfunded expenditures in the budget.

Union Concessions: The DPS budget assumes $12.3 million of savings from employee concessions. The DPS is currently in discussions with several of the labor unions representing DPS employees. The employee concessions could include wage or benefit concessions jointly agreed to by the DPS and the labor unions. The labor unions have not yet agreed to the employee concessions assumed in the budget. The fact that these $12.3 million of employee concessions are assumed in the budget could lead to unfunded expenditures if the concessions are not realized.

Other Major Expenditure Reductions: The DPS budget assumes $40.0 million of savings from a reduction in purchases of supplies, services, and equipment, and in travel costs. This assumption is a major reduction for the district and the impact of the reduction on the district's operation is unclear. The budget details include a 48.2% reduction in the level of teaching supplies and textbooks. If this assumed $40.0 million of savings is not realized, there will be unfunded expenditures in the budget.

The FY 2008-09 DPS budget includes very aggressive assumptions concerning expenditure reductions in the district. These reductions are necessary if the DPS is going to achieve the stated goal in the FY 2008-09 budget of balancing projected revenue and expenditures at the close of FY 2009-10. The major concern regarding the DPS budget should be the implementation of these assumed expenditure reductions. Since the 2008-09 school year began on July 1, 2008, further delay in implementing these expenditure reductions could lead to a much larger FY 2008-09 year-end deficit than the $104.7 million assumed in the budget.

Definition of a First Class School District

The fact that the State is projecting that the pupil membership in the DPS will be dropping to 96,194 during the FY 2008-09 school year leads to another potential State policy issue involving the district. Before the enactment of Senate Bill 1107, the FY 2008-09 State School Aid Act appropriation bill, the only definition of a first class school district was found in the Revised School Code (RSC). The RSC is a separate statute governing many aspects of school districts, intermediate school districts, charter schools, elections, school bonding, and other school issues. The definition of a first class school district is found in the RSC at MCL 380.402, which states:

> Sec. 402. A school district that has a pupil membership of at least 100,000 enrolled on the most recent pupil membership count day is a first class school district governed by this part.

The DPS is the only local school district in the State that meets the RSC definition of a first class school district. Enacted Senate Bill 1107 includes, for the first time, a definition of a first class school district in the State School Aid Act: a district of at least 60,000 pupils. This new definition will allow the DPS to continue to use certain provisions of the Act even if the number of pupils in the district drops under 100,000. These provisions include:

Sec. 18: Allows a district of the first class to use the auditor of the city as its financial auditor.
Sec. 25b: Provides a threshold for districts that are not first class districts that must be attained before they are allowed to count pupils who enroll after the count day, and receive prorated funding.
Sec. 25c: Provides a different threshold for a district of the first class that must be attained before it is allowed to count pupils who enroll after the count day, and receive prorated funding.
Sec. 31a: Allows a district of the first class to use up to 15% of at-risk funds for school security.
Sec. 64: Allows a district of the first class (in addition to intermediate school districts) to compete for health/science middle college grants.
Sec. 166e: Requires competitive bidding of contracts for a district of the first class.

This different definition of a first class school district contained in Senate Bill 1107 should not have an impact on the level of Federal funds received by the DPS. According to the Michigan Department of Education, Federal funding for the DPS does not depend upon any State definition of its being or not being a school district of the first class. Federal funding is governed by Federal rules; it is possible that the DPS, simply by virtue of losing students, will see decreased Federal funding, but that has nothing to do with any State definition of first class status.

The definition of a first class school district contained in Senate Bill 1107 does not apply to Section 6(6)l of the State School Aid Act. This section allows a district of the first class, as still defined in the RSC as one with at least 100,000 pupils, to veto or prohibit another school from opening up a school district within the first class district's boundaries. Therefore, if or when the DPS falls below 100,000 pupils, it will lose its ability to veto or prohibit other districts from opening up a school within the boundaries of the DPS.

The enactment of a definition of a first class school district in the Act results in different definitions of a first class school district in the State School Aid Act and the Revised School Code. All of the sections of the RSC that mention a first class district remain bound by the definition in Section 402 of the Code. For example, the section of the RSC that prohibits community colleges from authorizing a charter school to open within the boundaries of a first class district still applies only to a first class district with over 100,000 pupils. Therefore, absent a statutory change in the definition of a first class school district in the RSC, community colleges will be free to open charter schools within the boundaries of the DPS when the enrollment of the DPS drops under 100,000 pupils.

Local Government Fiscal Responsibility Act

On September 17, 2008, the State Superintendent of Public Instruction requested that the Governor appoint a financial review team to review the financial condition of the DPS. On October 8, 2008, it was reported that the review team was named, with a deadline of November 5, 2008, to report its findings.

The Local Government Fiscal Responsibility Act prescribes the process that led to the request for the financial review team, and how the findings of that team can lead to the appointment of an emergency financial manager for a school district. This Act provides for the review, management, planning, and control of the financial operation of local units of government, including school districts. Article 3 of the Act contains the provisions governing school districts.

The Act specifies that the State Superintendent of Public Instruction is responsible for monitoring and periodically reviewing the financial condition of school districts to ensure their compliance with State laws regulating budgetary and accounting practices and their financial soundness. The Act goes on to state that the Superintendent may determine that a school district has a serious financial problem if one or more of the following conditions exist:

- The school district ended the most recently completed school fiscal year with a deficit and the Superintendent has not approved a deficit elimination plan within three months after the district's deadline for submission of its annual financial statement.
- The school board of the district adopts a resolution declaring that the school district is in a financial emergency.
- The Superintendent receives a petition containing specific allegations of school district financial distress, signed by at least 10.0% of the total vote cast for Governor within the district.
- The Superintendent receives a written request, from a creditor of the school district with an undisputed claim, to find the district has a serious financial problem.
- The Superintendent receives written notification from a trustee or bondholder, or the State Treasurer, of a violation of the district's bond or note covenants.
- The Superintendent receives a resolution from either the Senate or the House of Representatives requesting a review of the financial condition of the district. (The Senate did request this review of the Detroit Public Schools, via adoption of Senate Resolution 209 on July 8, 2008.)
- The district is in violation of the conditions of an order issued pursuant to, or as a requirement of, the Revised Municipal Finance Act.
- The district is in violation of the requirements of Sections 17 to 20 of the Uniform Budgeting and Accounting Act. (This Act prohibits a district from operating in deficit, and the DPS board of education adopted a budget for the 2008-09 fiscal year that is a deficit budget.)
- The district fails to provide an annual financial report or audit that conforms with the minimum procedures and standards of the State Board of Education and is required under the Revised School Code.

- A court has ordered an additional tax levy without the prior approval of the school board of the district.

Under the review of the financial conditions of the DPS as requested under Senate Resolution 209, the Superintendent identified three critical areas of financial weakness: 1) In the FY 2006-07 Financial and Single Audits, the single audit included 120 findings; 2) the Deficit Elimination Plan submitted on August 14, 2008, is not approvable in its current form; and, 3) the district was put in high-risk status for all Federal education programs on August 26, 2008. Also, the Superintendent's report on the financial review found that the district continues to operate under significant cash-flow issues, and that monthly financial reports, required of the district as part of its borrowing in 2004 of $216.0 million, have failed consistently to reflect the actual financial condition of the district. Therefore, the Superintendent determined that the district has a serious financial problem and notified the Governor and State Board of Education of that determination, and, pursuant to the Local Government Fiscal Responsibility Act, requested the appointment of a review team.

The Act requires that the Governor appoint a review team within 30 days after being notified of the serious financial problem. The review team must consist of the State Superintendent, the State Treasurer, the Director of the Department of Management and Budget, a nominee of the Senate Majority Leader, and a nominee of the Speaker of the House of Representatives. The Senate Majority Leader nominated Timotheus Weeks (assistant superintendent for business services for Bloomfield Hills Schools) and the Speaker of the House nominated Oscar King III (the pastor of Detroit Northwest Unity Baptist Church and president of the Council of Baptist Pastors of Detroit and Vicinity). The review team has full power to:

- Examine the books and records of the district;
- Use the services of other State agencies and employees, and employ professionals necessary to assist in its duties; and
- Sign a consent agreement with the DPS superintendent that may provide for a long-range financial recovery plan, use State financial management and technical assistance, and provide for periodic fiscal status reports to the State Superintendent. This agreement must be approved by a majority vote of the DPS school board for it to be effective.

The review team must report its findings to the Governor and the State Board within 30 days after its appointment, though the Governor may grant one 60-day extension. In this case, the report is due November 5, 2008, unless an extension is granted before that date. Copies of the report also must be sent to the State Superintendent, DPS' board, the Senate Majority Leader, and the Speaker of the House of Representatives. The review team must conclude one of the following: 1) The district does not have a serious financial problem; 2) the district does have a serious financial problem, but a consent agreement containing a plan to resolve the problem has been adopted; or, 3) the school district has a financial emergency because a consent agreement containing a plan to resolve the problem has not been adopted.

Within 30 days after the State Board receives the report from the review team, the State Superintendent must make one of the same three determinations as listed above (no financial problem, financial problem but a plan in place, or financial emergency because no plan in place). If the Superintendent determines that a financial emergency exists, written notification of that determination will be sent to DPS' board, and the board will have 10 days to request a hearing to contest the determination. If the determination stands after any hearing, the State Superintendent will have 30 days to submit to the State Board the names of nominees to be considered for appointment as an emergency financial manager for the school district. The State Board then must forward not more than three nominees to the Governor, and the Governor must choose one of those nominees, with advice and consent from the Senate. The term of office for the emergency financial manager must be fixed by the Governor, but may not exceed one year, and may be renewed on an annual basis for not more than one year.

Upon appointment by the Governor, an emergency financial manager immediately assumes control over all fiscal matters of, and makes all fiscal decisions for, the school district. The manager may examine the books and records, review payrolls or other claims against the district, negotiate, renegotiate, approve, and enter into contracts on behalf of the district, receive and disburse funds, adopt a final budget for the next school fiscal year, act as an agent of the district in collective bargaining, and, to the extent possible under State labor law, renegotiate existing and negotiate new labor agreements. The manager may recommend to the Legislature steps that need to be taken to improve the district's financial condition, require compliance with the manager's orders via court order if necessary, and require the attendance of witnesses and the production of documents relevant to an analysis of the district's financial health.

The manager also may recommend that the district be reorganized with one or more contiguous school districts, create new positions, seek approval from the State Board for a reduced class schedule, employ auditors, reduce expenditures in the budget, borrow money on behalf of the district, approve or disapprove the issuance of school district obligations, order school millage elections consistent with the Revised School Code, sell or otherwise use the assets of the district to meet past or current obligations, and, after giving written notice to the State Superintendent, authorize the district to proceed under Chapter 9 of Title 11 (Bankruptcy) of the United States Code, allowing the district to become a debtor. In consultation with the district’s board, the emergency financial manager must develop a written financial plan, which must provide for conducting the operations of the district within the resources available, and paying in full the scheduled debt service requirements on all bonds and notes and other uncontested legal obligations.

If an emergency financial manager is appointed, that person serves until the declaration of financial emergency is revoked by the State Superintendent. The Superintendent may determine and certify that the conditions for the revocation have been met after receiving a recommendation from the emergency financial manager, though the manager may condition the recommendation upon the school board's adoption of a resolution that will ensure the adoption of a balanced budget, the elimination of any remaining accumulated deficit, and the prevention of additional negative fund balances.