

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4813

(As amended June 19, 2013)

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending section 12 (MCL 380.12) and by adding section 12a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 12. (1) A school district shall lose its organization ~~if~~
2 ~~there~~ **AND SHALL BE DECLARED DISSOLVED IF ANY OF THE FOLLOWING**
3 **CONDITIONS ARE MET:**

4 **(A) THERE** are not enough persons **RESIDING** in the **SCHOOL**
5 **district AND** qualified under ~~the law to hold district~~ **ALL OF THE**
6 **offices OF THE SCHOOL DISTRICT** or who will accept the offices **OF**
7 **THE SCHOOL DISTRICT.** ~~Under either condition,~~

8 **(B) <<AFTER CONSULTATION WITH THE INTERMEDIATE SCHOOL DISTRICT IN**
9 **WHICH THE DISTRICT IS LOCATED,>> THE SUPERINTENDENT OF PUBLIC INSTRUCTION**
10 **AND STATE**
11 **TREASURER JOINTLY DETERMINE THAT ALL OF THE FOLLOWING APPLY:**

12 **(i) THE SCHOOL DISTRICT WAS REQUIRED TO SUBMIT A DEFICIT**

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1 ELIMINATION PLAN UNDER THE STATE SCHOOL AID ACT OF 1979 AND THE
2 SCHOOL DISTRICT EITHER HAS FAILED TO SUBMIT A PLAN OR LACKS THE
3 CAPABILITY TO BOTH IMPLEMENT A DEFICIT ELIMINATION PLAN AND MEET
4 THE SCHOOL DISTRICT'S OBLIGATIONS TO PROVIDE PUBLIC EDUCATIONAL
5 SERVICES TO PUPILS AND OTHER RESIDENTS OF THE SCHOOL DISTRICT IN A
6 MANNER THAT COMPLIES WITH THIS ACT, THE STATE SCHOOL AID ACT OF
7 1979, AND RULES PROMULGATED BY THE DEPARTMENT.

8 (ii) THE SCHOOL DISTRICT IS NOT FINANCIALLY VIABLE AND IS
9 UNABLE TO EDUCATE PUPILS IN GRADES K-12 RESIDING IN THE SCHOOL
10 DISTRICT BY OPERATING SCHOOLS FOR A FULL SCHOOL YEAR AND PROVIDING
11 THE REQUIRED NUMBER OF INSTRUCTIONAL HOURS UNDER THIS ACT AND THE
12 STATE SCHOOL AID ACT OF 1979. AS USED IN THIS SUBPARAGRAPH,
13 "FINANCIALLY VIABLE" MEANS THAT A SCHOOL DISTRICT HAS THE FINANCIAL
14 RESOURCES TO CARRY OUT AT LEAST THE EDUCATIONAL PROGRAM REQUIRED BY
15 LAW AND PAY ITS EXISTING DEBTS AS THEY BECOME DUE TAKING INTO
16 CONSIDERATION THE PROJECTED ENROLLMENT, CASH FLOW, REVENUES, AND
17 BORROWING CAPABILITY OF THE SCHOOL DISTRICT.

18 (iii) THE SCHOOL DISTRICT HAS <<AT LEAST 300 AND NOT MORE THAN
19 2,400>> PUPILS IN MEMBERSHIP.

20 (iv) THE NUMBER OF PUPILS IN MEMBERSHIP IN THE SCHOOL DISTRICT
21 FOR THE MOST RECENTLY COMPLETED SCHOOL YEAR WAS AT LEAST 10% LESS
22 THAN THE NUMBER OF PUPILS IN MEMBERSHIP IN THE SCHOOL DISTRICT FOR
23 THE SCHOOL YEAR IMMEDIATELY PRECEDING THE MOST RECENTLY COMPLETED
24 SCHOOL YEAR.

<<(v) THE SCHOOL DISTRICT BEGAN THE SCHOOL FISCAL YEAR ENDING
IN THE CURRENT STATE FISCAL YEAR WITH AN OPERATING FUND DEFICIT AND
IS PROJECTED TO END THE SCHOOL FISCAL YEAR ENDING IN THE CURRENT STATE
FISCAL YEAR WITH A GREATER OPERATING FUND DEFICIT OR RECEIVED A LOAN
APPROVED BY THE LOCAL EMERGENCY FINANCIAL ASSISTANCE LOAN BOARD THAT
HAD THE EFFECT OF REDUCING THE DEFICIT FOR THE SCHOOL YEAR ENDING IN
THE CURRENT STATE FISCAL YEAR.

(vi) THE SCHOOL DISTRICT HAS NOT CONSOLIDATED WITH ANOTHER SCHOOL
DISTRICT DURING THE IMMEDIATELY PRECEDING 12 CALENDAR MONTHS.>>

25 (2) IF A SCHOOL DISTRICT MEETS EITHER OR BOTH OF SUBSECTION
26 (1) (A) OR (B), the intermediate school board of the intermediate
27 school district to which the SCHOOL district is constituent, OR THE

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1 SUPERINTENDENT OF PUBLIC INSTRUCTION IF THAT INTERMEDIATE SCHOOL
2 BOARD REQUESTS THE SUPERINTENDENT OF PUBLIC INSTRUCTION TO ACT IN
3 ITS PLACE, shall declare the SCHOOL district dissolved and
4 immediately ~~shall attach~~ ORDER ATTACHMENT OF the territory OF THE
5 SCHOOL DISTRICT, in whole or in part, to 1 OR MORE other organized
6 school districts and WITHIN THE INTERMEDIATE SCHOOL DISTRICT. IN
7 ATTACHING THE TERRITORY OF THE DISSOLVED SCHOOL DISTRICT TO OTHER
8 SCHOOL DISTRICTS, THE INTERMEDIATE SCHOOL BOARD OR THE
9 SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL TAKE INTO ACCOUNT THE
10 NUMBER OF PUPILS WHO WILL BECOME PUPILS OF EACH OF THOSE OTHER
11 SCHOOL DISTRICTS RELATIVE TO THE NUMBER OF PUPILS ALREADY ENROLLED
12 IN THE OTHER SCHOOL DISTRICT AND THE NUMBERS OF PUPILS WHO QUALIFY
13 FOR FREE AND REDUCED PRICE LUNCH<<, SPECIAL EDUCATION SERVICES AND AT
14 RISK FUNDING>> AMONG THE OTHER SCHOOL DISTRICTS.
15 FOR A SCHOOL DISTRICT THAT IS DECLARED DISSOLVED IN 2013, WITHIN 21
16 DAYS AFTER THE SCHOOL DISTRICT IS DECLARED DISSOLVED, AND FOR A
17 SCHOOL DISTRICT THAT IS DECLARED DISSOLVED AFTER 2013, WITHIN 60
18 DAYS AFTER THE SCHOOL DISTRICT IS DECLARED DISSOLVED, THE DISSOLVED
19 SCHOOL DISTRICT SHALL ACCOUNT TO THE INTERMEDIATE SCHOOL DISTRICT
20 FOR ALL RECORDS, FUNDS, AND PROPERTY OF THE SCHOOL DISTRICT AND
21 SHALL make an equitable distribution of the money, property, and
22 ~~other material belonging to the district among the districts to~~
23 ~~which the territory is attached.~~ RECORDS, FUNDS, AND PROPERTY
24 CONSISTENT WITH THE ORDERED ATTACHMENT TO EACH RECEIVING SCHOOL
25 DISTRICT. A SCHOOL BUILDING OR OTHER REAL PROPERTY OWNED BY AND
26 LOCATED IN THE DISSOLVED DISTRICT SHALL BECOME PART OF AND OWNED BY
27 THE RECEIVING SCHOOL DISTRICT IN WHICH IT IS LOCATED.
~~———— (2) The property of the disorganized district is subject to~~

~~all increases in the constitutional limitation on taxes which have been voted by the school electors of the district to which it is attached. The disorganized district shall receive a credit in the amount of a levy remaining to be paid on an outstanding debt in the disorganized district, which shall be paid until debt is retired. The disorganized district shall pay an amount equal to the amount levied for debt retirement by the district to which it is attached not to exceed 5 mills on the state equalized valuation in the disorganized district. All other taxes levied for the purposes of the combined school district, including taxes for the retirement of bonded indebtedness, shall be spread over the entire area of the combined district.~~

~~—— (3) A disorganized district having a bonded indebtedness shall be attached in whole to another school district by the intermediate school board. The identity of the district is not lost because of the attachment, and its territory remains as separate assessing unit for the purpose of the bonded indebtedness until the indebtedness is retired or refunded. The board of the district to which the disorganized district is attached shall constitute the board of trustees for the disorganized district having the bonded indebtedness. Its officers shall be the officers for the disorganized district. The board of the district to which the disorganized district is attached shall certify the levy of taxes for bonded indebtedness in the name of the disorganized district, shall not commingle the debt retirement funds of the disorganized district with those of the district to which it is attached, and shall do all things relative to the bonded indebtedness required by~~

1 ~~law and by the terms under which the issuance and sale of the bonds~~
2 ~~were originally authorized. All other taxes levied for the purposes~~
3 ~~of the combined school district, including taxes levied for the~~
4 ~~retirement of bonded indebtedness, shall be spread over the entire~~
5 ~~area of the combined school district.~~

6 (3) IF A DISSOLVED SCHOOL DISTRICT HAS OUTSTANDING DEBT, THE
7 DISSOLVED SCHOOL DISTRICT SHALL RETAIN A LIMITED SEPARATE IDENTITY
8 AND THE TERRITORY OF THE DISSOLVED SCHOOL DISTRICT SHALL CONTINUE
9 AS A SEPARATE TAXING UNIT FOR THE LIMITED PURPOSE OF THE DEBT UNTIL
10 THE DEBT IS RETIRED OR REFUNDED. THE INTERMEDIATE SCHOOL BOARD AND
11 OTHER OFFICERS OF THE INTERMEDIATE SCHOOL DISTRICT IN WHICH THE
12 GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT IS LOCATED SHALL
13 PERFORM THE FUNCTIONS AND SATISFY THE RESPONSIBILITIES OF THE BOARD
14 AND OTHER OFFICERS OF THE DISSOLVED SCHOOL DISTRICT RELATING TO THE
15 DEBT, INCLUDING, BUT NOT LIMITED TO, ALL OF THE FOLLOWING:

16 (A) CERTIFYING AND LEVYING TAXES FOR SATISFACTION OF THE DEBT
17 IN THE NAME OF THE DISSOLVED SCHOOL DISTRICT.

18 (B) HOLDING DEBT RETIREMENT FUNDS OF THE DISSOLVED SCHOOL
19 DISTRICT SEPARATELY FROM THE FUNDS OF THE RECEIVING SCHOOL
20 DISTRICT.

21 (C) DOING ALL OTHER THINGS RELATIVE TO THE OUTSTANDING DEBT OF
22 THE DISSOLVED SCHOOL DISTRICT REQUIRED BY LAW AND BY THE TERMS OF
23 THE DEBT, INCLUDING, BUT NOT LIMITED TO, LEVYING OR RENEWING A
24 SCHOOL OPERATING TAX UNDER SECTION 1211. THE QUESTION OF RENEWAL OF
25 A SCHOOL OPERATING TAX PLEDGED TO THE REPAYMENT OF DEBT OF THE
26 DISSOLVED SCHOOL DISTRICT SHALL BE SUBMITTED ONLY TO SCHOOL
27 ELECTORS RESIDING WITHIN THE GEOGRAPHIC AREA OF THE DISSOLVED

1 SCHOOL DISTRICT AND DOES NOT REQUIRE APPROVAL BY ELECTORS OF A
2 RECEIVING SCHOOL DISTRICT NOT RESIDING WITHIN THE GEOGRAPHIC AREA
3 OF THE DISSOLVED SCHOOL DISTRICT.

4 (4) Upon the attachment of a ~~disorganized~~ DISSOLVED SCHOOL
5 district to another school district, the intermediate school board
6 shall audit the assets and liabilities of the ~~disorganized~~
7 DISSOLVED SCHOOL district. If a considerable discrepancy is found,
8 the intermediate school board shall order the ~~receiving~~ DISSOLVED
9 SCHOOL district to pay the discrepancy TO 1 OR MORE APPROPRIATE
10 RECEIVING SCHOOL DISTRICTS. ~~The disorganized~~ AFTER FIRST SATISFYING
11 DEBT OBLIGATIONS, THE DISSOLVED SCHOOL district shall repay that
12 amount TO 1 OR MORE APPROPRIATE RECEIVING SCHOOL DISTRICTS from
13 ~~moneys~~ MONEY available TO THE DISSOLVED SCHOOL DISTRICT including
14 voted millage within a time to be determined by the intermediate
15 school board.

16 (5) IF A TAX IS AUTHORIZED WITHIN A RECEIVING SCHOOL DISTRICT
17 AT A RATE GREATER THAN THE RATE AUTHORIZED WITHIN THE DISSOLVED
18 SCHOOL DISTRICT AT THE TIME OF THE DISSOLUTION, THE TAX MAY NOT BE
19 LEVIED WITHIN THE GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT
20 UNTIL APPROVED BY THE SCHOOL ELECTORS RESIDING WITHIN THE
21 GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT OR BY ALL SCHOOL
22 ELECTORS WITHIN THE RECEIVING SCHOOL DISTRICT, INCLUDING ANY
23 EXPANDED GEOGRAPHIC AREA OF THE RECEIVING SCHOOL DISTRICT RESULTING
24 FROM ATTACHMENT UNDER THIS SECTION.

25 (6) IF A DISSOLVED SCHOOL DISTRICT WAS AUTHORIZED TO LEVY A
26 SINKING FUND TAX UNDER SECTION 1212 AT THE TIME OF DISSOLUTION, THE
27 IDENTITY OF THE DISSOLVING SCHOOL DISTRICT AS A LEGAL ENTITY SHALL

1 NOT BE LOST AND ITS TERRITORY SHALL REMAIN AS A TAXING UNIT FOR THE
2 LIMITED PURPOSE OF LEVYING A SINKING FUND TAX UNDER SECTION 1212
3 UNTIL THE AUTHORIZATION TO LEVY A SINKING FUND TAX WITHIN THE
4 DISSOLVED SCHOOL DISTRICT EXPIRES. FOR PURPOSES OF THIS SUBSECTION,
5 THE INTERMEDIATE SCHOOL BOARD AND OTHER OFFICERS OF THE
6 INTERMEDIATE SCHOOL DISTRICT IN WHICH THE GEOGRAPHIC AREA OF THE
7 DISSOLVED SCHOOL DISTRICT IS LOCATED SHALL PERFORM THE FUNCTIONS
8 AND RESPONSIBILITIES OF THE BOARD AND OTHER OFFICERS OF THE
9 DISSOLVED SCHOOL DISTRICT RELATING TO LEVYING THE SINKING FUND TAX
10 AND SHALL DISTRIBUTE THE PROCEEDS OF THE LEVY TO EACH RECEIVING
11 SCHOOL DISTRICT THAT OPERATES A SCHOOL BUILDING PREVIOUSLY OPERATED
12 BY THE DISSOLVED SCHOOL DISTRICT. THE PROCEEDS OF A SINKING FUND
13 TAX LEVY UNDER THIS SUBSECTION MAY BE USED ONLY WITHIN THE
14 GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT FOR PURPOSES
15 AUTHORIZED UNDER SECTION 1212. A RECEIVING SCHOOL DISTRICT MAY NOT
16 RENEW OR AUTHORIZE A NEW SINKING FUND TAX THAT IS LEVIED ONLY
17 WITHIN THE GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT.

18 (7) TO THE EXTENT PERMITTED UNDER FEDERAL LAW AND ANY
19 APPLICABLE WAIVER APPROVED BY THE UNITED STATES DEPARTMENT OF
20 EDUCATION, THE DEPARTMENT SHALL NOT INCLUDE THE TEST SCORES OF
21 PUPILS FROM THE DISSOLVED SCHOOL DISTRICT FOR DETERMINING ADEQUATE
22 YEARLY PROGRESS STATUS OR FOR "TOP-TO-BOTTOM" RANKINGS OF THE
23 RECEIVING SCHOOL DISTRICTS FOR THE FIRST 3 SCHOOL YEARS AFTER
24 DISSOLUTION.

25 (8) FOR THE SAME NUMBER OF SCHOOL YEARS FOR WHICH TEST SCORES
26 OF PUPILS FROM THE DISSOLVED DISTRICT ARE NOT USED UNDER SUBSECTION
27 (7), A RECEIVING SCHOOL DISTRICT SHALL NOT USE THE TEST SCORES OF

1 PUPILS FROM THE DISSOLVED SCHOOL DISTRICT AS A FACTOR IN ANY
2 PERFORMANCE EVALUATION OF AN EMPLOYEE OF THE RECEIVING SCHOOL
3 DISTRICT.

4 (9) THE PUPILS FORMERLY ENROLLED IN THE DISSOLVED SCHOOL
5 DISTRICT HAVE ALL THE LEGAL AND CONSTITUTIONAL RIGHTS AND
6 PRIVILEGES OF THE OTHER PUPILS ENROLLED IN THE RECEIVING SCHOOL
7 DISTRICTS.

8 (10) AS USED IN THIS SECTION:

9 (A) "DEBT" MEANS THAT TERM AS DEFINED IN SECTION 103 OF THE
10 REVISED MUNICIPAL FINANCE ACT, 2001 PA 34, MCL 141.2103, AND ANY
11 UNPAID AMOUNTS PAYABLE BY A DISSOLVED SCHOOL DISTRICT TO THE
12 MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD UNDER THE PUBLIC
13 SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980 PA 300, MCL 38.1301
14 TO 38.1437.

15 (B) "RECEIVING SCHOOL DISTRICT" MEANS A SCHOOL DISTRICT TO
16 WHICH ALL OR PART OF THE TERRITORY OF A DISSOLVED SCHOOL DISTRICT
17 IS ATTACHED UNDER THIS SECTION.

18 SEC. 12A. (1) AS PERMITTED UNDER FEDERAL LAW, IF A SCHOOL
19 DISTRICT IS DISSOLVED UNDER SECTION 12 OR IF THE FUNCTIONS AND
20 RESPONSIBILITIES OF A SCHOOL DISTRICT FOR OPERATING A PUBLIC SCHOOL
21 ARE TRANSFERRED TO ANOTHER PUBLIC ENTITY, INCLUDING, BUT NOT
22 LIMITED TO, A TRANSFER TO ANOTHER PUBLIC ENTITY UNDER SECTION
23 1280C, THE SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL GRANT EACH
24 RECEIVING SCHOOL DISTRICT OR OTHER PUBLIC ENTITY ASSUMING THE
25 FUNCTIONS AND RESPONSIBILITIES FOR THE PUBLIC SCHOOL AN ALLOCATION
26 OF GRANTS UNDER 20 USC 6333, 6334, 6335, AND 6337 AND OF OTHER
27 FEDERAL FUNDS THAT WOULD OTHERWISE BE MADE AVAILABLE FOR GRANTS TO

1 OR FEDERAL FUNDING FOR THE PUBLIC SCHOOL OR MAKE OTHER ADJUSTMENTS
2 IN THE ALLOCATION OF FEDERAL FUNDS TO IMPLEMENT THE DISSOLUTION OF
3 THE SCHOOL DISTRICT OR OTHER TRANSFER OF FUNCTIONS AND
4 RESPONSIBILITIES.

5 (2) AS USED IN THIS SECTION, "RECEIVING SCHOOL DISTRICT" MEANS
6 THAT TERM AS DEFINED IN SECTION 12.

7 Enacting section 1. This amendatory act does not take effect
8 unless House Bill No. 4815 of the 97th Legislature is enacted into
9 law.