

# SENATE BILL No. 456

September 9, 2015, Introduced by Senator KNEZEK and referred to the Committee on Appropriations.

A bill to amend 1976 PA 451, entitled  
"The revised school code,"  
by amending section 12 (MCL 380.12), as amended by 2013 PA 96.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 12. (1) A school district shall lose its organization and  
2 shall be declared dissolved if any of the following conditions are  
3 met:

4       (a) There are not enough persons residing in the school  
5 district and qualified under law to hold all of the offices of the  
6 school district or who will accept the offices of the school  
7 district.

8       (b) After consultation with the intermediate school district  
9 in which the **SCHOOL** district is located, the superintendent of

1 public instruction and state treasurer jointly determine that all  
2 of the following apply:

3 (i) The school district was required to submit a deficit  
4 elimination plan under the state school aid act of 1979 and the  
5 school district either has failed to submit a plan or lacks the  
6 capability to both implement a deficit elimination plan and meet  
7 the school district's obligations to provide public educational  
8 services to pupils and other residents of the school district in a  
9 manner that complies with this act, the state school aid act of  
10 1979, and rules promulgated by the department.

11 (ii) The school district is not financially viable and is  
12 unable to educate pupils in grades K-12 residing in the school  
13 district by operating schools for a full school year and providing  
14 the required number of instructional hours under this act and the  
15 state school aid act of 1979. As used in this subparagraph,  
16 "financially viable" means that a school district has the financial  
17 resources to carry out at least the educational program required by  
18 law and pay its existing debts as they become due taking into  
19 consideration the projected enrollment, cash flow, revenues, and  
20 borrowing capability of the school district.

21 (iii) The school district has at least 300 and not more than  
22 2,400 pupils in membership.

23 (iv) The number of pupils in membership in the school district  
24 for the most recently completed school year was at least 10% less  
25 than the number of pupils in membership in the school district for  
26 the school year immediately preceding the most recently completed  
27 school year.

1           (v) The school district began the school fiscal year ending in  
2 the current state fiscal year with an operating fund deficit and is  
3 projected to end the school fiscal year ending in the current state  
4 fiscal year with a greater operating fund deficit or received a  
5 loan approved by the local emergency financial assistance loan  
6 board that had the effect of reducing the deficit for the school  
7 year ending in the current state fiscal year.

8           (vi) The school district has not consolidated with another  
9 school district during the immediately preceding 12 calendar  
10 months.

11           (2) If a school district meets either or both of subsection  
12 (1)(a) or (b), the intermediate school board of the intermediate  
13 school district to which the school district is constituent, or the  
14 superintendent of public instruction if that intermediate school  
15 board requests the superintendent of public instruction to act in  
16 its place, shall declare the school district dissolved and  
17 immediately order attachment of the territory of the school  
18 district, in whole or in part, to 1 or more other organized school  
19 districts within the intermediate school district. In attaching the  
20 territory of the dissolved school district to other school  
21 districts, the intermediate school board or the superintendent of  
22 public instruction shall take into account the number of pupils who  
23 will become pupils of each of those other school districts relative  
24 to the number of pupils already enrolled in the other school  
25 district and the numbers of pupils who qualify for free and reduced  
26 price lunch, special education services and at-risk funding among  
27 the other school districts. ~~For a school district that is declared~~

~~1 dissolved in 2013, within 21 days after the school district is~~  
~~2 declared dissolved, and for a school district that is declared~~  
~~3 dissolved after 2013, within~~ **WITHIN** 60 days after the school  
4 district is declared dissolved, the dissolved school district shall  
5 account to the intermediate school district for all records, funds,  
6 and property of the school district and shall make an equitable  
7 distribution of the records, funds, and property consistent with  
8 the ordered attachment to each receiving school district. ~~A-SUBJECT~~  
9 **TO SUBSECTION (10), A** school building or other real property owned  
10 by and located in the dissolved **SCHOOL** district shall become part  
11 of and owned by the receiving school district in which it is  
12 located.

13 (3) If a dissolved school district has outstanding debt, the  
14 dissolved school district shall retain a limited separate identity  
15 and the territory of the dissolved school district shall continue  
16 as a separate taxing unit for the limited purpose of the debt until  
17 the debt is retired or refunded. The intermediate school board and  
18 other officers of the intermediate school district in which the  
19 geographic area of the dissolved school district is located shall  
20 perform the functions and satisfy the responsibilities of the board  
21 and other officers of the dissolved school district relating to the  
22 debt, including, but not limited to, all of the following:

23 (a) Certifying and levying taxes for satisfaction of the debt  
24 in the name of the dissolved school district.

25 (b) Holding debt retirement funds of the dissolved school  
26 district separately from the funds of the receiving school  
27 district.

1 (c) Doing all other things relative to the outstanding debt of  
2 the dissolved school district required by law and by the terms of  
3 the debt, including, but not limited to, levying or renewing a  
4 school operating tax under section 1211. The question of renewal of  
5 a school operating tax pledged to the repayment of debt of the  
6 dissolved school district shall be submitted only to school  
7 electors residing within the geographic area of the dissolved  
8 school district and does not require approval by electors of a  
9 receiving school district not residing within the geographic area  
10 of the dissolved school district.

11 (4) Upon the attachment of a dissolved school district to  
12 another school district, the intermediate school board shall audit  
13 the assets and liabilities of the dissolved school district. If a  
14 considerable discrepancy is found, the intermediate school board  
15 shall order the dissolved school district to pay the discrepancy to  
16 1 or more appropriate receiving school districts. After first  
17 satisfying debt obligations, the dissolved school district shall  
18 repay that amount to 1 or more appropriate receiving school  
19 districts from money available to the dissolved school district  
20 including voted millage within a time to be determined by the  
21 intermediate school board.

22 (5) If a tax is authorized within a receiving school district  
23 at a rate greater than the rate authorized within the dissolved  
24 school district at the time of the dissolution, the tax may not be  
25 levied within the geographic area of the dissolved school district  
26 until approved by the school electors residing within the  
27 geographic area of the dissolved school district or by all school

1 electors within the receiving school district, including any  
2 expanded geographic area of the receiving school district resulting  
3 from attachment under this section.

4 (6) If a dissolved school district was authorized to levy a  
5 sinking fund tax under section 1212 at the time of dissolution, the  
6 identity of the dissolving school district as a legal entity shall  
7 not be lost and its territory shall remain as a taxing unit for the  
8 limited purpose of levying a sinking fund tax under section 1212  
9 until the authorization to levy a sinking fund tax within the  
10 dissolved school district expires. For purposes of this subsection,  
11 the intermediate school board and other officers of the  
12 intermediate school district in which the geographic area of the  
13 dissolved school district is located shall perform the functions  
14 and responsibilities of the board and other officers of the  
15 dissolved school district relating to levying the sinking fund tax  
16 and shall distribute the proceeds of the levy to each receiving  
17 school district that operates a school building previously operated  
18 by the dissolved school district. The proceeds of a sinking fund  
19 tax levy under this subsection may be used only within the  
20 geographic area of the dissolved school district for purposes  
21 authorized under section 1212. A receiving school district may not  
22 renew or authorize a new sinking fund tax that is levied only  
23 within the geographic area of the dissolved school district.

24 (7) To the extent permitted under federal law and any  
25 applicable waiver approved by the United States ~~department of~~  
26 ~~education,~~ **DEPARTMENT OF EDUCATION**, the department shall not  
27 include the test scores of pupils from the dissolved school

1 district for determining adequate yearly progress status or for  
2 "top-to-bottom" rankings of the receiving school districts for the  
3 first 3 school years after dissolution.

4 (8) For the same number of school years for which test scores  
5 of pupils from the dissolved **SCHOOL** district are not used under  
6 subsection (7), a receiving school district shall not use the test  
7 scores of pupils from the dissolved school district as a factor in  
8 any performance evaluation of an employee of the receiving school  
9 district.

10 (9) The pupils formerly enrolled in the dissolved school  
11 district have all the legal and constitutional rights and  
12 privileges of the other pupils enrolled in the receiving school  
13 districts.

14 (10) **IF A DISSOLVED SCHOOL DISTRICT HAS OUTSTANDING DEBT AND A**  
15 **RECEIVING SCHOOL DISTRICT SELLS A SCHOOL BUILDING OR OTHER REAL**  
16 **PROPERTY RECEIVED UNDER SUBSECTION (2), THE RECEIVING SCHOOL**  
17 **DISTRICT SHALL FORWARD THE PROCEEDS OF THE SALE TO THE INTERMEDIATE**  
18 **SCHOOL DISTRICT IN WHICH THE GEOGRAPHIC AREA OF THE DISSOLVED**  
19 **SCHOOL DISTRICT IS LOCATED. THE INTERMEDIATE SCHOOL DISTRICT SHALL**  
20 **USE THOSE PROCEEDS AS FOLLOWS:**

21 (A) FIRST, TO PAY OR REDUCE THE OUTSTANDING DEBT.

22 (B) SECOND, IF THERE IS ANY BALANCE LEFT AFTER PAYING OR  
23 REDUCING THE OUTSTANDING DEBT, TO REMIT THAT BALANCE TO THE  
24 RECEIVING SCHOOL DISTRICT.

25 (11) ~~(10)~~ As used in this section:

26 (a) "Debt" means that term as defined in section 103 of the  
27 revised municipal finance act, 2001 PA 34, MCL 141.2103, and any

1 unpaid amounts payable by a dissolved school district to the  
2 Michigan public school employees' retirement board under the public  
3 school employees retirement act of 1979, 1980 PA 300, MCL 38.1301  
4 to 38.1437.

5 (b) "Receiving school district" means a school district to  
6 which all or part of the territory of a dissolved school district  
7 is attached under this section.

8 Enacting section 1. This amendatory act takes effect 90 days  
9 after the date it is enacted into law.