

# SENATE BILL No. 950

May 21, 2014, Introduced by Senator CASWELL 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 **EFFECTIVE AT THE END OF THE SCHOOL**  
3 **FISCAL YEAR** if any of the following conditions are 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 district is located, the superintendent of public  
10 instruction and state treasurer jointly determine that all of the

1 following apply:

2 (i) The school district was required to submit a deficit  
3 elimination plan under ~~the state school aid act of 1979~~ **SECTION**  
4 **1220** and the school district either has failed to submit a plan or  
5 lacks the capability to both implement a deficit elimination plan  
6 and meet the school district's obligations to provide public  
7 educational services to pupils and other residents of the school  
8 district in a manner that complies with this act, the state school  
9 aid act of 1979, and rules promulgated by the department.

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

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

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

27 (v) The school district began the school fiscal year ending in

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

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

10 (C) THE SCHOOL BOARD OF THE SCHOOL DISTRICT ADOPTS A  
11 RESOLUTION THAT THE STATE TREASURER, AFTER CONSULTATION WITH THE  
12 SUPERINTENDENT OF PUBLIC INSTRUCTION, APPROVES AS BEING CONSISTENT  
13 WITH THIS SECTION, THAT AUTHORIZES THE VOLUNTARY DISSOLUTION OF THE  
14 SCHOOL DISTRICT UNDER THIS SECTION AND THAT STATES THAT THE SCHOOL  
15 BOARD HAS DETERMINED THAT 1 OR BOTH OF THE FOLLOWING APPLY:

16 (i) THE SCHOOL DISTRICT WAS REQUIRED TO SUBMIT A DEFICIT  
17 ELIMINATION PLAN OR AN ENHANCED DEFICIT ELIMINATION PLAN UNDER  
18 SECTION 1220 AND THE SCHOOL DISTRICT LACKS THE CAPABILITY OR IS  
19 OTHERWISE UNABLE TO BOTH IMPLEMENT THE DEFICIT ELIMINATION PLAN OR  
20 ENHANCED DEFICIT ELIMINATION PLAN AND MEET THE SCHOOL DISTRICT'S  
21 OBLIGATIONS TO PROVIDE PUBLIC EDUCATIONAL SERVICES TO PUPILS AND  
22 OTHER RESIDENTS OF THE SCHOOL DISTRICT IN A MANNER THAT COMPLIES  
23 WITH THIS ACT, THE STATE SCHOOL AID ACT OF 1979, AND RULES.

24 (ii) THE SCHOOL DISTRICT IS NOT FINANCIALLY VIABLE AND LACKS  
25 THE CAPABILITY OR IS OTHERWISE UNABLE TO EDUCATE PUPILS IN GRADES  
26 K-12 RESIDING IN THE SCHOOL DISTRICT BY OPERATING SCHOOLS FOR A  
27 FULL SCHOOL YEAR AND PROVIDING THE REQUIRED NUMBER OF INSTRUCTIONAL

1 HOURS UNDER THIS ACT AND THE STATE SCHOOL AID ACT OF 1979. AS USED  
2 IN THIS SUBPARAGRAPH, "FINANCIALLY VIABLE" MEANS THAT A SCHOOL  
3 DISTRICT HAS THE FINANCIAL RESOURCES TO CARRY OUT AT LEAST THE  
4 EDUCATIONAL PROGRAM REQUIRED BY LAW AND PAY ITS EXISTING DEBTS AS  
5 THEY BECOME DUE, TAKING INTO CONSIDERATION THE PROJECTED  
6 ENROLLMENT, CASH FLOW, REVENUES, AND BORROWING CAPABILITY OF THE  
7 SCHOOL DISTRICT.

8 (2) If ~~a school district meets either or both of subsection~~  
9 ~~(1)(a) or (b),~~ **1 OR MORE OF SUBSECTION (1) (A), (B), OR (C) APPLY TO**  
10 **A SCHOOL DISTRICT,** the intermediate school board of the  
11 intermediate school district to which the school district is  
12 constituent, or the superintendent of public instruction if that  
13 intermediate school board requests the superintendent of public  
14 instruction to act in its place, shall declare the school district  
15 dissolved ~~and immediately order~~ **AS OF THE END OF THE SCHOOL FISCAL**  
16 **YEAR IN WHICH THE CIRCUMSTANCE UNDER SUBSECTION 1(A), (B), OR (C)**  
17 **OCCURRED AND 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 **EFFECTIVE ON THE**  
20 **FIRST DAY OF THE NEXT SCHOOL FISCAL YEAR.** In attaching the  
21 territory of the dissolved school district to other school  
22 districts, the intermediate school board or the superintendent of  
23 public instruction shall take into account the number of pupils who  
24 will become pupils of each of those other school districts relative  
25 to the number of pupils already enrolled in the other school  
26 district and the numbers of pupils who qualify for free and reduced  
27 price lunch, special education services and at-risk funding among

1 the other school districts. ~~For a school district that is declared~~  
2 ~~dissolved in 2013, within 21 days after the school district is~~  
3 ~~declared dissolved, and for a school district that is declared~~  
4 ~~dissolved after 2013, within 60 days after~~ **BY THE END OF THE FISCAL**  
5 **YEAR AFTER THE FISCAL YEAR DURING WHICH** the school district is  
6 declared dissolved, the dissolved school district shall account to  
7 the intermediate school district for all records, funds, and  
8 property of the school district and shall make an equitable  
9 distribution of the records, funds, and property consistent with  
10 the ordered attachment to each receiving school district. A school  
11 building or other real property owned by and located in the  
12 dissolved district shall ~~become part of and owned by the receiving~~  
13 ~~school district in which it is located.~~ **BE DISPOSED OF AS PROVIDED**  
14 **IN SUBSECTION (10).**

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

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

27 (b) Holding debt retirement funds of the dissolved school

1 district separately from the funds of the receiving school  
2 district.

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

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

24 (5) If a tax is authorized within a receiving school district  
25 at a rate greater than the rate authorized within the dissolved  
26 school district at the time of the dissolution, the tax may not be  
27 levied within the geographic area of the dissolved school district

1 until approved by the school electors residing within the  
2 geographic area of the dissolved school district or by all school  
3 electors within the receiving school district, including any  
4 expanded geographic area of the receiving school district resulting  
5 from attachment under this section.

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

26 (7) To the extent permitted under federal law and any  
27 applicable waiver approved by the United States department of

1 education, the department shall not include the test scores of  
2 pupils from the dissolved school district for determining adequate  
3 yearly progress status or for "top-to-bottom" rankings of the  
4 receiving school districts for the first 3 school years after  
5 dissolution.

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

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

16 (10) UPON DISSOLUTION OF A SCHOOL DISTRICT UNDER THIS SECTION,  
17 THE OWNERSHIP OF ALL REAL PROPERTY OWNED BY THE DISSOLVED SCHOOL  
18 DISTRICT TRANSFERS TO THE STATE LAND BANK AUTHORITY ESTABLISHED  
19 UNDER THE LAND BANK FAST TRACK ACT, 2003 PA 258, MCL 124.751 TO  
20 124.774. IF THE STATE LAND BANK AUTHORITY RECEIVES FUNDING FOR THE  
21 MAINTENANCE OF THE REAL PROPERTY, THE STATE LAND BANK AUTHORITY  
22 SHALL MAINTAIN THE REAL PROPERTY AS NECESSARY TO ALLOW IT TO BE  
23 USED FOR PUBLIC SCHOOL PURPOSES AND IN ACCORDANCE WITH ALL LOCAL  
24 ORDINANCES. THE STATE LAND BANK AUTHORITY SHALL DISPOSE OF THE  
25 PROPERTY IN ACCORDANCE WITH THE FOLLOWING:

26 (A) FOR THE FIRST 90 DAYS THAT THE REAL PROPERTY IS MAINTAINED  
27 BY THE STATE LAND BANK AUTHORITY, THE STATE LAND BANK AUTHORITY



1 SHALL MAKE THE REAL PROPERTY AVAILABLE TO THE RECEIVING SCHOOL  
2 DISTRICT IN WHICH THE REAL PROPERTY IS LOCATED. IF A RECEIVING  
3 SCHOOL DISTRICT INTENDS TO TAKE OWNERSHIP OF 1 OR MORE PARCELS OF  
4 REAL PROPERTY, THE RECEIVING SCHOOL DISTRICT SHALL SUBMIT A LETTER  
5 OF INTENT TO THE STATE LAND BANK AUTHORITY IDENTIFYING THE PARCEL  
6 OR PARCELS WITHIN 30 DAYS AFTER THE OWNERSHIP IS TRANSFERRED TO THE  
7 STATE LAND BANK AUTHORITY. AFTER SUBMITTING A LETTER OF INTENT, THE  
8 RECEIVING SCHOOL DISTRICT HAS 60 DAYS AFTER THE END OF THE 30-DAY  
9 LETTER OF INTENT PERIOD TO PERFORM A DUE DILIGENCE REVIEW OF THE  
10 REAL PROPERTY AND TO ACCEPT OWNERSHIP OF THE REAL PROPERTY. IF THE  
11 RECEIVING SCHOOL DISTRICT DOES NOT COMPLETE THIS PROCESS AND ACCEPT  
12 OWNERSHIP OF THE REAL PROPERTY WITHIN THIS 60-DAY PERIOD, THE  
13 RECEIVING SCHOOL DISTRICT FORFEITS ALL RIGHTS TO THE REAL PROPERTY.  
14 THE STATE LAND BANK AUTHORITY SHALL TRANSFER OWNERSHIP OF THE REAL  
15 PROPERTY TO A SCHOOL DISTRICT THAT ACCEPTS THE REAL PROPERTY UNDER  
16 THIS SUBDIVISION. IF MORE THAN 1 RECEIVING SCHOOL DISTRICT SUBMITS  
17 A LETTER OF INTENT FOR THE SAME PARCEL OF REAL PROPERTY AND  
18 INDICATES A WILLINGNESS TO ACCEPT THE PARCEL, THE STATE LAND BANK  
19 AUTHORITY SHALL SELECT FROM AMONG THOSE RECEIVING SCHOOL DISTRICTS  
20 GIVING PREFERENCE TO THE SCHOOL DISTRICT THAT HAS ENROLLED THE  
21 GREATER NUMBER OF PUPILS WHO HAD PREVIOUSLY BEEN ENROLLED IN THE  
22 DISSOLVED SCHOOL DISTRICT.

23 (B) AFTER THE 90-DAY PERIOD UNDER SUBDIVISION (A), IF THE  
24 STATE LAND BANK AUTHORITY STILL RETAINS OWNERSHIP OF ANY REAL  
25 PROPERTY FROM A DISSOLVED SCHOOL DISTRICT, THE STATE LAND BANK  
26 AUTHORITY SHALL MAKE THE REMAINING REAL PROPERTY AVAILABLE TO ANY  
27 SCHOOL DISTRICT THAT IS NOT A RECEIVING SCHOOL DISTRICT BUT IS

1 CONTIGUOUS TO THE FORMER TERRITORY OF THE DISSOLVED SCHOOL  
2 DISTRICT. IF A SCHOOL DISTRICT DESCRIBED IN THIS SUBDIVISION  
3 INTENDS TO TAKE OWNERSHIP OF 1 OR MORE PARCELS OF REAL PROPERTY,  
4 THE SCHOOL DISTRICT SHALL SUBMIT A LETTER OF INTENT TO THE STATE  
5 LAND BANK AUTHORITY IDENTIFYING THE PARCEL OR PARCELS WITHIN 30  
6 DAYS AFTER THE REAL PROPERTY IS FIRST MADE AVAILABLE UNDER THIS  
7 SUBDIVISION. AFTER SUBMITTING A LETTER OF INTENT, A SCHOOL DISTRICT  
8 HAS 60 DAYS AFTER THE END OF THE 30-DAY LETTER OF INTENT PERIOD TO  
9 PERFORM A DUE DILIGENCE REVIEW OF THE REAL PROPERTY AND TO ACCEPT  
10 OWNERSHIP OF THE REAL PROPERTY. IF THE SCHOOL DISTRICT DOES NOT  
11 COMPLETE THIS PROCESS AND ACCEPT OWNERSHIP OF THE REAL PROPERTY  
12 WITHIN THIS 60-DAY PERIOD, THE SCHOOL DISTRICT FORFEITS ALL RIGHTS  
13 TO THE REAL PROPERTY. THE STATE LAND BANK AUTHORITY SHALL TRANSFER  
14 OWNERSHIP OF THE REAL PROPERTY TO A SCHOOL DISTRICT THAT ACCEPTS  
15 THE REAL PROPERTY UNDER THIS SUBDIVISION. IF MORE THAN 1 SCHOOL  
16 DISTRICT SUBMITS A LETTER OF INTENT FOR THE SAME PARCEL OF REAL  
17 PROPERTY UNDER THIS SUBDIVISION AND INDICATES A WILLINGNESS TO  
18 ACCEPT THE PARCEL, THE STATE LAND BANK AUTHORITY SHALL SELECT FROM  
19 AMONG THOSE SCHOOL DISTRICTS BASED ON THE NATURE AND FEASIBILITY OF  
20 THE PROPOSED USAGE, ABILITY TO MAINTAIN THE REAL PROPERTY, AND  
21 TIMELINE FOR USAGE.

22 (C) AFTER THE 90-DAY PERIOD UNDER SUBDIVISION (B), IF THE  
23 STATE LAND BANK AUTHORITY STILL RETAINS OWNERSHIP OF ANY REAL  
24 PROPERTY FROM A DISSOLVED SCHOOL DISTRICT, THE STATE LAND BANK  
25 AUTHORITY SHALL MAKE THE REMAINING REAL PROPERTY AVAILABLE TO THE  
26 INTERMEDIATE SCHOOL DISTRICT IN WHICH THE REAL PROPERTY IS LOCATED.  
27 IF THE INTERMEDIATE SCHOOL DISTRICT INTENDS TO TAKE OWNERSHIP OF 1

1 OR MORE PARCELS OF REAL PROPERTY, THE INTERMEDIATE SCHOOL DISTRICT  
2 SHALL SUBMIT A LETTER OF INTENT TO THE STATE LAND BANK AUTHORITY  
3 IDENTIFYING THE PARCEL OR PARCELS WITHIN 30 DAYS AFTER THE REAL  
4 PROPERTY IS FIRST MADE AVAILABLE UNDER THIS SUBDIVISION. AFTER  
5 SUBMITTING A LETTER OF INTENT, THE INTERMEDIATE SCHOOL DISTRICT HAS  
6 60 DAYS AFTER THE END OF THE 30-DAY LETTER OF INTENT PERIOD TO  
7 PERFORM A DUE DILIGENCE REVIEW OF THE REAL PROPERTY AND TO ACCEPT  
8 OWNERSHIP OF THE REAL PROPERTY. IF THE INTERMEDIATE SCHOOL DISTRICT  
9 DOES NOT COMPLETE THIS PROCESS AND ACCEPT OWNERSHIP OF THE REAL  
10 PROPERTY WITHIN THIS 60-DAY PERIOD, THE INTERMEDIATE SCHOOL  
11 DISTRICT FORFEITS ALL RIGHTS TO THE REAL PROPERTY. THE STATE LAND  
12 BANK AUTHORITY SHALL TRANSFER OWNERSHIP OF THE REAL PROPERTY TO AN  
13 INTERMEDIATE SCHOOL DISTRICT THAT ACCEPTS THE REAL PROPERTY UNDER  
14 THIS SUBDIVISION.

15 (D) AFTER THE 90-DAY PERIOD UNDER SUBDIVISION (C), IF THE  
16 STATE LAND BANK AUTHORITY STILL RETAINS OWNERSHIP OF ANY REAL  
17 PROPERTY FROM A DISSOLVED SCHOOL DISTRICT, THE STATE LAND BANK  
18 AUTHORITY SHALL MAKE THE REMAINING REAL PROPERTY AVAILABLE TO THE  
19 PUBLIC AT 1 OR MORE PUBLIC AUCTION SALES, WHICH MAY INCLUDE AN  
20 AUCTION SALE CONDUCTED USING AN INTERNET WEBSITE. THE STATE LAND  
21 BANK AUTHORITY SHALL SELL THE REAL PROPERTY TO THE HIGHEST BIDDER  
22 AT THE AUCTION SALE. IF THERE ARE NO BIDS SUBMITTED ON A PARCEL OF  
23 REAL PROPERTY UNDER THIS SUBDIVISION WITHIN 2 YEARS AFTER THE DATE  
24 THE REAL PROPERTY WAS FIRST TRANSFERRED TO THE STATE LAND BANK  
25 AUTHORITY UNDER THIS SUBSECTION, AND IF THE STATE LAND BANK  
26 AUTHORITY RECEIVES FUNDING FOR THE DEMOLITION, THE STATE LAND BANK  
27 AUTHORITY PROMPTLY SHALL DEMOLISH ALL BUILDINGS ON THE REAL

1 PROPERTY.

2 (11) IF A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT,  
3 PUBLIC SCHOOL ACADEMY, OR OTHER PUBLIC ENTITY CONDUCTS A DUE  
4 DILIGENCE REVIEW OF A PARCEL OF REAL PROPERTY THAT IS AVAILABLE  
5 UNDER SUBSECTION (10), INCLUDING, BUT NOT LIMITED TO, A TITLE  
6 SEARCH OR OTHER TITLE INQUIRY, AN ENVIRONMENTAL STUDY, OR A SITE  
7 SURVEY, THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, PUBLIC  
8 SCHOOL ACADEMY, OR OTHER PUBLIC ENTITY SHALL MAKE ALL OF THE  
9 INFORMATION OBTAINED AS A RESULT OF THAT DUE DILIGENCE REVIEW  
10 AVAILABLE UPON REQUEST TO ANY INTERESTED PERSON.

11 (12) IF THERE IS OUTSTANDING BONDED INDEBTEDNESS ON A PARCEL  
12 OF REAL PROPERTY THAT IS SOLD AT AN AUCTION SALE UNDER SUBSECTION  
13 (10) (D), THE STATE LAND BANK AUTHORITY SHALL TRANSFER ANY PROCEEDS  
14 FROM THAT SALE THAT REMAIN AFTER PAYMENT OF THE ADMINISTRATIVE  
15 COSTS OF THE AUCTION SALE TO THE INTERMEDIATE SCHOOL DISTRICT IN  
16 WHICH THE GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT IS  
17 LOCATED TO BE USED FOR REFUNDING OR RETIRING THAT BONDED  
18 INDEBTEDNESS.

19 (13) THE LEGISLATURE SHALL APPROPRIATE FUNDS TO THE STATE LAND  
20 BANK AUTHORITY FOR THE MAINTENANCE AND DEMOLITION OF PROPERTY UNDER  
21 SUBSECTION (10).

22 (14) ~~(10)~~As used in this section:

23 (a) "Debt" means that term as defined in section 103 of the  
24 revised municipal finance act, 2001 PA 34, MCL 141.2103, and any  
25 unpaid amounts payable by a dissolved school district to the  
26 Michigan public school employees' retirement board under the public  
27 school employees retirement act of 1979, 1980 PA 300, MCL 38.1301

1 to 38.1437.

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