

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5385

A bill to amend 2014 PA 181, entitled
"Michigan financial review commission act,"
by amending sections 2, 3, 4, 5, 6, 7, 8, and 12 (MCL 141.1632,
141.1633, 141.1634, 141.1635, 141.1636, 141.1637, 141.1638, and
141.1642).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2. The legislature finds and declares the following:

2 (a) It is the public policy of this state to exercise its
3 sovereign powers with regard to debt issuance and matters of
4 statewide concern in a manner calculated to foster the fiscal
5 integrity of all municipal governments **AND SCHOOL DISTRICTS** to
6 assure that those municipalities **AND SCHOOL DISTRICTS** provide for
7 the health, safety, and welfare of their ~~citizens~~; **RESIDENTS**; pay

1 principal and interest owed on debt obligations when due; meet
2 financial obligations to their existing and former employees,
3 vendors, and suppliers; and provide for proper financial planning
4 procedures and budgeting practices. The inability of a municipal
5 government to provide essential services to its citizens **OR A**
6 **SCHOOL DISTRICT TO PROVIDE PUBLIC EDUCATION SERVICES TO ITS**
7 **RESIDENTS** as a result of fiscal emergencies is determined to affect
8 adversely the health, safety, and welfare of not only that
9 municipality's citizens **AND A SCHOOL DISTRICT'S RESIDENTS**, but also
10 other citizens of this state.

11 (b) The police and fire retirement system of certain qualified
12 cities and the general retirement system of certain qualified
13 cities are currently underfunded, causing communities across the
14 state to face higher costs to borrow and invest funds, and have
15 caused bondholders, bond insurers, and financial institutions
16 anxiety over the financial health of not only certain qualified
17 cities, but communities across this state.

18 (c) Absent prospective state oversight over qualified cities
19 **AND SCHOOL DISTRICTS**, there exists a threat of increased costs in
20 borrowing, reductions in credit or bond ratings, reduced faith from
21 existing creditors of municipalities **OR SCHOOL DISTRICTS** and of
22 this state, and dire financial circumstances from which this state
23 and its political subdivisions may never fully recover.

24 (d) Qualified cities **AND SCHOOL DISTRICTS** have complex
25 budgetary and fiscal needs, significant and complicated debt
26 management issues, and financial assets and liabilities that
27 impact, both positively and negatively, every unit of local

1 government **AND SCHOOL DISTRICT** in this state and this state itself
2 such that reasonable and balanced state oversight over qualified
3 cities **AND SCHOOL DISTRICTS** is required as a reasonable exercise of
4 this state's power for the benefit of residents throughout this
5 state.

6 (e) There are numerous residents of this state who have
7 accrued pension benefits from a qualified city's pension systems,
8 and those pensioners may reside throughout this state. The
9 settlement of bankruptcy cases involving qualified cities is likely
10 to have a substantial positive impact statewide.

11 (f) Establishing a commission and execution by the commission
12 of its powers granted under this act fulfill in all respects a
13 public and governmental purpose for the benefit of the people of
14 this state.

15 (g) Ongoing fiscal oversight over qualified cities **AND SCHOOL**
16 **DISTRICTS** is a reasonable and sufficiently narrow regulation and
17 serves a significant and legitimate public purpose because it
18 inures to the benefit of all of this state's residents and aids in
19 the remedy of a broad and general social problem.

20 (h) Fiscal oversight over qualified cities **AND OVER SCHOOL**
21 **DISTRICTS** will ensure that those **QUALIFIED** cities **AND SCHOOL**
22 **DISTRICTS** do not engage in the financial practices that led to
23 financial emergencies and insolvency, and ultimately, entry into
24 receivership and bankruptcy, which will ensure that those cities
25 can provide basic and essential municipal services to their
26 residents **AND THAT THOSE SCHOOL DISTRICTS CAN PROVIDE PUBLIC**
27 **EDUCATION SERVICES TO THEIR RESIDENTS.**

1 Sec. 3. As used in this act:

2 (a) "Applicable contract" means a contract for goods or
3 services proposed or entered into by a qualified city **OR SCHOOL**
4 **DISTRICT** that either exceeds \$750,000.00, or a higher amount as
5 determined by the commission, or is for a term exceeding 2 years.
6 Applicable contract also includes multiple contracts for less than
7 \$750,000.00, or the higher amount determined by the commission,
8 with 1 entity that, in the aggregate, exceed \$750,000.00, or a
9 higher amount as determined by the commission, within a 12-month
10 period.

11 (b) "Federal bankruptcy code" means the federal bankruptcy
12 code, 11 USC 101 to 1532.

13 (c) "Financial review commission" or "commission" means a
14 financial review commission created in section 4.

15 (d) "Operating expenses" means the reasonable operating
16 expenses of the commission, including without limitation the cost
17 of preparing accounting and other reports, costs of commission
18 meetings or other required activities of the commission, counsel
19 fees, including fees of the attorney general, and fees and expenses
20 incurred for consultants and fiduciaries required to carry out the
21 purposes of this act.

22 (e) "Person" means an individual, corporation, limited or
23 general partnership, association, joint venture, limited liability
24 company, a governmental entity, including this state.

25 (f) "Plan for adjustment" means the plan for the adjustment of
26 debts of a qualified city approved and entered by a United States
27 bankruptcy court under chapter 9 of title 11 of the United States

1 Code, 11 USC 901 to 946.

2 (g) "Professional services" means services that require a high
3 degree of intellectual skill, an advanced degree, or professional
4 licensing or certification. Those providing the professional
5 services are distinguished based on their specialized knowledge,
6 experience, and expertise. Professional services include, but are
7 not limited to, accounting, actuarial, appraisal, auditing,
8 investment advisor, and legal services.

9 (h) "Qualified city" means a city with a population of more
10 than 600,000 that is subject to a plan for adjustment.

11 **(I) "QUALIFIED SCHOOL DISTRICT" MEANS A SCHOOL DISTRICT WITH**
12 **THE SAME BOUNDARIES AS A CITY WITH A POPULATION OF 600,000 OR MORE,**
13 **UNLESS THE FUNCTIONS AND RESPONSIBILITIES OF THAT SCHOOL DISTRICT**
14 **HAVE BEEN TRANSFERRED TO ANOTHER SCHOOL DISTRICT UNDER THE REVISED**
15 **SCHOOL CODE, 1976 PA 451, MCL 380.1 TO 380.1852.**

16 (J) ~~(i)~~—"State treasurer" means the treasurer of this state or
17 his or her designee who shall be designated by a written instrument
18 signed by the state treasurer and maintained in a permanent file
19 and whose signature shall have the same force and effect as the
20 signature of the state treasurer for all purposes under this act.

21 Sec. 4. (1) ~~A~~**EXCEPT AS PROVIDED IN SUBSECTION (2), A**
22 financial review commission is created within the department of
23 treasury for each qualified city **AND EACH QUALIFIED SCHOOL**
24 **DISTRICT**. Except as otherwise provided in this act, a commission
25 shall exercise its powers, duties, functions, and responsibilities
26 under this act independently of the state treasurer. The budgeting,
27 procurement, personnel, and related management functions of a

1 commission shall be performed under the direction and supervision
2 of the state treasurer.

3 (2) IF A QUALIFIED SCHOOL DISTRICT IS LOCATED WITHIN THE
4 GEOGRAPHIC BOUNDARIES OF A QUALIFIED CITY FOR WHICH A FINANCIAL
5 REVIEW COMMISSION IS OPERATING UNDER THIS ACT, BEGINNING ON THE
6 DATE THAT SCHOOL DISTRICT BECOMES A QUALIFIED SCHOOL DISTRICT, THE
7 FINANCIAL REVIEW COMMISSION FOR THAT QUALIFIED CITY ALSO SHALL BE
8 THE FINANCIAL REVIEW COMMISSION FOR THAT QUALIFIED SCHOOL DISTRICT,
9 AND NO SEPARATE OR ADDITIONAL FINANCIAL REVIEW COMMISSION FOR THAT
10 QUALIFIED SCHOOL DISTRICT IS CREATED UNDER THIS ACT.

11 Sec. 5. (1) ~~Each~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
12 (2), EACH commission shall consist of the following 9 members:

13 (a) The state treasurer, who shall serve for the duration of
14 his or her term of office.

15 (b) The director of the department of technology, management,
16 and budget or successor agency, or his or her designee, who shall
17 serve for the duration of his or her term of office.

18 (c) Three members appointed by the governor who have
19 knowledge, skill, or experience in the field of business or finance
20 and who shall possess knowledge, training, skill, or experience in
21 budgeting, revenue forecasting, debt management or borrowing,
22 actuarial science, law, or business operations, at least 1 of whom
23 is a resident of that qualified city OR QUALIFIED SCHOOL DISTRICT,
24 and at least 1 of whom is a resident of this state who is not a
25 resident of a qualified city OR QUALIFIED SCHOOL DISTRICT.

26 (d) The mayor or chief executive officer of that qualified
27 city OR QUALIFIED SCHOOL DISTRICT OTHER THAN A QUALIFIED SCHOOL

1 **DISTRICT DESCRIBED IN SECTION 4(2)**, or his or her designee, who
2 shall serve for the duration of the mayor's or chief executive
3 officer's term of office.

4 (e) One member appointed by the governor from a list of 3 or
5 more individuals nominated by the senate majority leader who have
6 knowledge, skill, or experience in the field of business or
7 finance, and who shall possess knowledge, training, skill, or
8 experience in budgeting, revenue forecasting, debt management or
9 borrowing, actuarial science, law, or business operations, and 1 of
10 whom is a resident of that qualified city **OR QUALIFIED SCHOOL**
11 **DISTRICT.**

12 (f) One member appointed by the governor from a list of 3 or
13 more individuals nominated by the speaker of the house of
14 representatives who have knowledge, skill, or experience in the
15 field of business or finance, and who shall possess knowledge,
16 training, skill, or experience in budgeting, revenue forecasting,
17 debt management or borrowing, actuarial science, law, or business
18 operations, and 1 of whom is a resident of that qualified city **OR**
19 **QUALIFIED SCHOOL DISTRICT.**

20 (g) The president or chairperson of the qualified city's
21 governing body or ~~his or her designee,~~ **QUALIFIED SCHOOL DISTRICT'S**
22 **SCHOOL BOARD OTHER THAN A QUALIFIED SCHOOL DISTRICT DESCRIBED IN**
23 **SECTION 4(2), OR HIS OR HER DESIGNEE,** who shall serve for the
24 duration of the president's or chairperson's term of office.

25 **(2) IF A FINANCIAL REVIEW COMMISSION IS THE FINANCIAL REVIEW**
26 **COMMISSION FOR BOTH A QUALIFIED CITY AND A QUALIFIED SCHOOL**
27 **DISTRICT UNDER SECTION 4(2), IN ADDITION TO THE MAYOR OR CHIEF**

1 EXECUTIVE OFFICER OF THE QUALIFIED CITY OR HIS OR HER DESIGNEE
2 UNDER SUBSECTION (1) (D) AND THE PRESIDENT OR CHAIRPERSON OF THE
3 QUALIFIED CITY'S GOVERNING BODY OR HIS OR HER DESIGNEE UNDER
4 SUBSECTION (1) (G), THE FINANCIAL REVIEW COMMISSION ALSO SHALL
5 INCLUDE AS MEMBERS THE SUPERINTENDENT OF THE QUALIFIED SCHOOL
6 DISTRICT AND THE CHAIRPERSON OF THE SCHOOL BOARD OF THE QUALIFIED
7 SCHOOL DISTRICT. THE SUPERINTENDENT OF THE QUALIFIED SCHOOL
8 DISTRICT AND THE CHAIRPERSON OF THE SCHOOL BOARD OF THE QUALIFIED
9 SCHOOL DISTRICT SHALL NOT HAVE A VOTE ON MATTERS RELATING TO THE
10 QUALIFIED CITY. THE MAYOR OR CHIEF EXECUTIVE OFFICER OF THE
11 QUALIFIED CITY, OR HIS OR HER DESIGNEE UNDER SUBSECTION (1) (D) AND
12 THE PRESIDENT OR CHAIRPERSON OF THE QUALIFIED CITY'S GOVERNING BODY
13 OR HIS OR HER DESIGNEE UNDER SUBSECTION (1) (G), SHALL NOT HAVE A
14 VOTE ON MATTERS RELATING TO THE QUALIFIED SCHOOL DISTRICT.

15 (3) ~~(2)~~—The appointed members shall serve for a term of 4
16 years, except that of the 5 members first appointed, the appointees
17 of the governor shall serve a term of 1, 2, and 4 years
18 respectively, the appointee of the governor who was nominated by
19 the speaker of the house of representatives shall serve a term of 2
20 years, and the appointee of the governor who was nominated by the
21 senate majority leader shall serve a term of 3 years. Appointed
22 members serve at the pleasure of, and may be removed by, their
23 respective appointing official.

24 (4) ~~(3)~~—Members of a commission shall serve without
25 compensation but may receive reasonable reimbursement for necessary
26 travel and expenses incurred in the discharge of their official
27 duties.

1 (5) ~~(4)~~—The state treasurer or his or her designee shall serve
2 as chairperson of a commission.

3 (6) ~~(5)~~—A majority of the **ELIGIBLE VOTING** members of the
4 commission shall constitute a quorum of the commission for the
5 transaction of business. The commission shall meet no less than
6 monthly and at times and places designated by the chairperson.
7 Actions of the commission shall be approved by a majority of the
8 members.

9 (7) ~~(6)~~—The commission shall conduct its business at public
10 meetings in compliance with the open meetings act, 1976 PA 267, MCL
11 15.261 to 15.275. However, members of the commission may attend and
12 participate in a meeting of the commission by the use of
13 telecommunication or other electronic equipment if their attendance
14 and participation by the use of telecommunication or other
15 electronic equipment is authorized by the bylaws of the commission
16 and that meeting is otherwise conducted in compliance with the open
17 meetings act, 1976 PA 267, MCL 15.261 to 15.275.

18 (8) ~~(7)~~—A writing prepared, owned, used, in the possession of,
19 or retained by the commission in the performance of an official
20 function is subject to the freedom of information act, 1976 PA 442,
21 MCL 15.231 to 15.246.

22 (9) ~~(8)~~—The commission shall adopt bylaws for governance of
23 the commission, which shall, at a minimum, address the procedures
24 for conducting meetings, including voting procedures, and the
25 requirements of its members to attend meetings. Procedural rules
26 required by this section are not subject to the administrative
27 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

1 (10) ~~(9)~~—The commission may contract for professional
2 services, as it requires, and shall determine the qualifications it
3 considers necessary.

4 (11) ~~(10)~~—The members of the commission and contractors or
5 agents of the commission are subject to 1968 PA 317, MCL 15.321 to
6 15.330, and 1968 PA 318, MCL 15.301 to 15.310.

7 (12) ~~(11)~~—A member of the commission, and any person the
8 commission contracts with, shall discharge the duties of his or her
9 position in a nonpartisan manner, with good faith, and with that
10 degree of diligence, care, and skill that an ordinarily prudent
11 person would exercise under similar circumstances in a like
12 position. The commission shall adopt an ethics policy governing the
13 conduct of commission members and officers and employees of the
14 commission.

15 (13) ~~(12)~~—Commission members shall take and subscribe to the
16 constitutional oath of office under section 1 of article XI of the
17 state constitution of 1963. The oath shall be filed with the
18 secretary of state.

19 Sec. 6. (1) The commission shall provide oversight for a
20 qualified city beginning on the effective date of the plan for
21 adjustment or of this act, whichever is later. **THE COMMISSION SHALL**
22 **PROVIDE OVERSIGHT FOR A QUALIFIED SCHOOL DISTRICT BEGINNING ON THE**
23 **DATE THE SCHOOL DISTRICT BECOMES A QUALIFIED SCHOOL DISTRICT.**

24 (2) The commission shall ensure that the qualified city **OR**
25 **QUALIFIED SCHOOL DISTRICT** is complying with the terms and
26 conditions of this act and of the plan for adjustment, if
27 applicable. Except as otherwise provided in section 8, the

1 commission shall by October 1 each year certify that the qualified
2 city **OR QUALIFIED SCHOOL DISTRICT** is in substantial compliance with
3 the provisions of this act.

4 (3) The commission shall ensure that, where applicable, a
5 qualified city **OR QUALIFIED SCHOOL DISTRICT** complies with the
6 provisions of all of the following, **AS APPLICABLE**, and may request
7 verification of compliance:

8 (a) Section 8 of the publicly funded health insurance
9 contribution act, 2011 PA 152, MCL 15.568.

10 (b) Sections 4i, 4p, 4s, and 4t of the home rule city act,
11 1909 PA 279, MCL 117.4i, 117.4p, 117.4s, and 117.4t.

12 (c) The revised municipal finance act, 2001 PA 34, MCL
13 141.2101 to 141.2821.

14 (d) The uniform budgeting and accounting act, 1968 PA 2, MCL
15 141.421 to 141.440a.

16 **(E) FOR A QUALIFIED SCHOOL DISTRICT, ALL OF THE FOLLOWING:**

17 **(i) THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1 TO**
18 **380.1852.**

19 **(ii) ARTICLE I OF THE STATE SCHOOL AID ACT OF 1979, 1979 PA**
20 **94, MCL 388.1601 TO 388.1772.**

21 **(iii) THE PUBLIC SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980**
22 **PA 300, MCL 38.1301 TO 38.1437.**

23 (4) During the period of oversight **FOR A QUALIFIED CITY**, the
24 commission shall review and approve that qualified city's 4-year
25 financial plan required by section 4t of the home rule city act,
26 1909 PA 279, MCL 117.4t. A 4-year financial plan described in this
27 subsection shall be submitted at least 100 days prior to the

1 commencement of a qualified city's fiscal year. The commission
2 shall approve or disapprove the 4-year financial plan within 30
3 days of receipt. If disapproved, the commission shall provide
4 rationale in writing for disapproval and a qualified city shall
5 submit a revised plan within 15 days that comports with the
6 commission's rationale for rejection. The commission shall approve
7 or disapprove that revised plan within 15 days. The commission may
8 also require adjustments to the financial plan to modify
9 expenditures to satisfy debt service, adjust projected revenues to
10 comply with financial controls or accounting practices, and reduce
11 expenditures to conform to consensus revenue estimates if required
12 in section 7 to comply with the provisions of section 4t of the
13 home rule city act, 1909 PA 279, MCL 117.4t. If the qualified city
14 fails to submit an acceptable financial plan, the commission may
15 adopt and impose upon the qualified city a financial plan
16 satisfying the requirements of this act and section 4t of the home
17 rule city act, 1909 PA 279, MCL 117.4t, until that time as the
18 qualified city submits an acceptable financial plan.

19 (5) Subject to a plan for adjustment and any collective
20 bargaining agreements still in effect, the commission shall
21 establish and maintain programs and requirements for the
22 responsible fiscal management of that qualified city **OR QUALIFIED**
23 **SCHOOL DISTRICT**. The commission's programs and requirements shall
24 include all of the following:

25 (a) Increased managerial accountability.

26 (b) The streamlining of the provision of city **OR QUALIFIED**
27 **SCHOOL DISTRICT** services.

1 (c) Improved collection of outstanding tax revenues.

2 (d) Review of the compensation and benefits of city **OR**
3 **QUALIFIED SCHOOL DISTRICT** employees and recommendation of
4 adjustments where necessary.

5 (6) Notwithstanding any charter provision or local ordinance
6 to the contrary, all applicable contracts are subject to review and
7 approval by the commission. The commission may consider a number of
8 factors when reviewing an applicable contract, including whether
9 the applicable contract was subject to a competitive bid process.
10 Only applicable contracts that are first approved by the governing
11 body and mayor **OR CHIEF EXECUTIVE OFFICER** of a qualified city **OR**
12 **QUALIFIED SCHOOL DISTRICT** as required by law, charter, ordinance,
13 or policy are subject to review by the commission. If an applicable
14 contract is not rejected by the commission within 30 days of its
15 submission, that applicable contract shall be considered approved
16 by the commission.

17 (7) A qualified city ~~—~~**OR QUALIFIED SCHOOL DISTRICT**, when
18 required by the commission, shall present written reports regarding
19 its financial stability and shall permit the commission to audit or
20 inspect financial statements, actuarial reports, revenue estimates,
21 and any and all other documents, data, reports, or findings that
22 the commission considers necessary to carry out its purpose under
23 this act. The commission may require that qualified city's **OR**
24 **QUALIFIED SCHOOL DISTRICT'S** chief financial officer to certify in
25 writing the accuracy of any documents the commission requests.

26 (8) The commission shall, on June 1 and December 1 of each
27 year in which the commission has oversight over a qualified city **OR**

1 **A QUALIFIED SCHOOL DISTRICT**, file a written report with the
2 governor. A copy of the report shall be submitted to the senate
3 majority leader and the speaker of the house of representatives and
4 posted on the department of treasury website. A copy of the report
5 shall be sent to the mayor **OR CHIEF EXECUTIVE OFFICER** and governing
6 body of the qualified city **OR QUALIFIED SCHOOL DISTRICT**.

7 (9) Except as otherwise provided in this subsection, the
8 commission shall approve all collective bargaining agreements,
9 including any addendums to those agreements, to which that
10 qualified city **OR QUALIFIED SCHOOL DISTRICT** is a party after
11 approval by the governing body and mayor **OR CHIEF EXECUTIVE OFFICER**
12 of the qualified city **OR QUALIFIED SCHOOL DISTRICT** as required by
13 charter or law. The commission shall approve or reject collective
14 bargaining agreements submitted to it within 45 days of submission.
15 Collective bargaining agreements submitted to the commission shall
16 not be executed unless and until the commission approves those
17 agreements. Collective bargaining agreements approved by an
18 emergency manager appointed under section 12 of the local financial
19 stability and choice act, 2012 PA 436, MCL 141.1552, shall not be
20 subject to commission approval under this subsection.

21 (10) ~~The~~ **FOR A QUALIFIED CITY, THE** commission may file
22 supplementary information relating to the financial condition of
23 the qualified city with an arbitration panel in arbitration
24 proceedings in which the qualified city is a party pursuant to 1969
25 PA 312, MCL 423.231 to 423.247.

26 (11) The mayor **OR CHIEF EXECUTIVE OFFICER**, governing body, and
27 chief financial officer of a qualified city **OR QUALIFIED SCHOOL**

1 **DISTRICT** shall, at least 45 days prior to the beginning of each
2 fiscal quarter, certify in writing to the commission the amount of
3 debt service due on bonds, leases, or other ~~municipal~~-debt. A
4 qualified city **OR QUALIFIED SCHOOL DISTRICT** shall specifically
5 report debt service requirements, calculated through final
6 maturity, and certify its ability to meet those requirements
7 through the end of the current fiscal year.

8 Sec. 7. A commission may do 1 or more of the following for its
9 qualified city **OR QUALIFIED SCHOOL DISTRICT**:

10 (a) ~~Review~~**FOR A QUALIFIED CITY, REVIEW** and approve that
11 qualified city's consensus revenue estimate under section 4t of the
12 home rule city act, 1909 PA 279, MCL 117.4t. The commission may
13 also, after consultation with the qualified city **OR QUALIFIED**
14 **SCHOOL DISTRICT**, revise a revenue estimate prepared in connection
15 with a budget, budget modification, financial plan, or financial
16 plan modification, if the commission determines that the revenue
17 estimate was not based on assumptions and methods of estimation
18 reasonable and appropriate under the circumstances and in view of
19 the objectives and purposes of this act. After consultation with
20 the qualified city **OR QUALIFIED SCHOOL DISTRICT**, the commission may
21 determine the estimated revenues for the qualified city **OR**
22 **QUALIFIED SCHOOL DISTRICT**, but any revenue estimate adopted by the
23 commission shall be based on the same requirements as the qualified
24 city's **OR QUALIFIED SCHOOL DISTRICT'S** initial revenue estimate.

25 (b) ~~Require a~~**FOR A QUALIFIED CITY, REQUIRE THE** qualified city
26 to submit the 4-year financial plan required in section 4t of the
27 home rule city act, 1909 PA 279, MCL 117.4t, in a form and manner

1 the commission considers appropriate. The requirement to submit a
2 4-year financial plan is not subject to waiver under section 8.

3 (c) Review, modify, and approve proposed and amended
4 operational budgets of a qualified city **OR QUALIFIED SCHOOL**
5 **DISTRICT**. A proposed budget or budget amendment does not take
6 effect unless approved by the commission.

7 (d) Require the chief financial officer of the qualified city
8 **OR QUALIFIED SCHOOL DISTRICT** to provide the commission with
9 information it requests related to the qualified city's **OR**
10 **QUALIFIED SCHOOL DISTRICT'S** finances. The commission may also
11 require the chief financial officer to attend commission meetings.
12 If the chief financial officer fails to comply with the provisions
13 of this subdivision, the commission may require the qualified city,
14 **OR QUALIFIED SCHOOL DISTRICT** to remove the chief financial officer
15 and appoint a successor.

16 (e) Review and approve requests by a qualified city **OR**
17 **QUALIFIED SCHOOL DISTRICT** to issue debt under the revised municipal
18 finance act, 2001 PA 34, MCL 141.2101 to 141.2821, or any other law
19 governing the issuance of bonds or notes. The commission may
20 develop rules for the issuance of debt, including limitations that
21 are greater than those provided in sections 401 to 405 of the
22 revised municipal finance act, 2001 PA 34, MCL 141.2401 to
23 141.2405. The debt described in this subdivision may not be issued
24 unless and until approved by the commission and the commission's
25 approval shall be in addition to any approval of the department of
26 treasury as required by law.

27 (f) Review compliance by a qualified city with a deficit

1 elimination plan submitted under section 21 of the Glenn Steil
2 state revenue sharing act of 1971, 1971 PA 140, MCL 141.921, **OR BY**
3 **A QUALIFIED SCHOOL DISTRICT WITH A DEFICIT ELIMINATION PLAN**
4 **SUBMITTED UNDER ARTICLE I OF THE STATE SCHOOL AID ACT OF 1979, 1979**
5 **PA 94, MCL 388.1601 TO 388.1772.**

6 (g) Approve the appointment of a qualified city's chief
7 financial officer. If that appointment is not approved by the
8 commission within 45 days of written submission of the appointment
9 by the qualified city, the appointment is denied. The commission
10 may require that any effort to terminate the chief financial
11 officer be subject to commission review and approval.

12 (H) **APPROVE THE APPOINTMENT OF THE QUALIFIED SCHOOL DISTRICT'S**
13 **CHIEF FINANCIAL OFFICER. IF THAT APPOINTMENT IS NOT APPROVED BY THE**
14 **COMMISSION WITHIN 45 DAYS OF WRITTEN SUBMISSION BY THE QUALIFIED**
15 **SCHOOL DISTRICT, THE APPOINTMENT IS DENIED. A QUALIFIED SCHOOL**
16 **DISTRICT MAY NOT TERMINATE ITS CHIEF FINANCIAL OFFICER WITHOUT THE**
17 **APPROVAL OF THE COMMISSION. THE SUPERINTENDENT AND THE CHAIRPERSON**
18 **OF THE SCHOOL BOARD OF THE QUALIFIED SCHOOL DISTRICT SHALL NOT HAVE**
19 **A VOTE ON AN APPROVAL UNDER THIS SUBDIVISION.**

20 (I) ~~(h)~~—Require the development and implementation of
21 financial best practices for a qualified city **OR QUALIFIED SCHOOL**
22 **DISTRICT.**

23 (J) ~~(i)~~—Recommend the adoption or amendment of certain charter
24 provisions, bylaws, ordinances, policies, or operating procedures
25 for the qualified city **OR QUALIFIED SCHOOL DISTRICT, AS APPLICABLE.**

26 (K) ~~(j)~~—Require the pursuit of financial or managerial
27 training to ensure the proper discharge of duties for the qualified

1 city **OR QUALIFIED SCHOOL DISTRICT**.

2 (I) ~~(k)~~—Make and execute contracts necessary to carry out the
3 purposes of this act.

4 (M) ~~(l)~~—Sue or be sued. The commission may retain legal
5 counsel to enforce any provisions of this act.

6 (N) ~~(m)~~—Require the qualified city **OR QUALIFIED SCHOOL**
7 **DISTRICT** and the employees or agents of the qualified city **OR**
8 **QUALIFIED SCHOOL DISTRICT** to timely produce and share all
9 information and documents, and provide access to all information on
10 assets, services, records, and any other materials or documents the
11 commission determines are necessary to carry out its
12 responsibilities under this act. The commission may require the
13 officers or employees of the qualified city **OR QUALIFIED SCHOOL**
14 **DISTRICT** to attend commission meetings for any purpose necessary to
15 carry out its responsibilities under this act.

16 (O) ~~(n)~~—Perform any duty provided by law that a receivership
17 transition advisory board as described in section 23 of the local
18 financial stability and choice act, 2012 PA 436, MCL 141.1563, may
19 perform.

20 (P) ~~(o)~~—Perform any other duties assigned by the governor that
21 are not inconsistent with the purposes of this act.

22 Sec. 8. (1) Notwithstanding section 6, for its qualified city
23 **OR QUALIFIED SCHOOL DISTRICT**, a commission shall, by resolution,
24 waive the requirements designated in sections 6 and 7 as provided
25 in subsection (2).

26 (2) The commission shall grant a waiver under this section for
27 its qualified city **OR QUALIFIED SCHOOL DISTRICT** if it certifies

1 that all of the following conditions are met:

2 (a) The commission certifies that a qualified city **OR**
3 **QUALIFIED SCHOOL DISTRICT** has adopted and adhered to deficit-free
4 budgets for 3 consecutive years that comply with generally accepted
5 accounting principles and are in accordance with the uniform
6 budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.

7 (b) The state treasurer and the qualified city's **OR QUALIFIED**
8 **SCHOOL DISTRICT'S** chief financial officer, if applicable, certify
9 that both of the following are met:

10 (i) All municipal securities or debt obligations sold by or
11 for the benefit of that qualified city **OR QUALIFIED SCHOOL DISTRICT**
12 in the general public market during the immediately preceding
13 fiscal year and current fiscal year satisfied the capital and other
14 financial requirements of the qualified city **OR QUALIFIED SCHOOL**
15 **DISTRICT** during that period.

16 (ii) There is a substantial likelihood that municipal
17 securities or debt obligations can be sold **BY THE QUALIFIED CITY OR**
18 **QUALIFIED SCHOOL DISTRICT** in the general public market during the
19 remainder of the current fiscal year and the immediately succeeding
20 fiscal year in amounts sufficient to substantially satisfy all of
21 the capital and other financial requirements of the qualified city
22 **OR QUALIFIED SCHOOL DISTRICT** during those periods in accordance
23 with the qualified city's **OR QUALIFIED SCHOOL DISTRICT'S** financial
24 plan, **AS APPLICABLE**.

25 (c) ~~The~~ **FOR A QUALIFIED CITY, THE** qualified city's financial
26 plan projects a balanced budget for the current and succeeding 3
27 fiscal years using generally accepted accounting principles and in

1 accordance with the uniform budgeting and accounting act, 1968 PA
2 2, MCL 141.421 to 141.440a, and section 4t of the home rule city
3 act, 1909 PA 279, MCL 117.4t.

4 (d) The qualified city **OR QUALIFIED SCHOOL DISTRICT** has
5 demonstrated to the commission's satisfaction that the qualified
6 city **OR QUALIFIED SCHOOL DISTRICT** has sufficient ability to borrow
7 in the municipal securities market **OR QUALIFIED SCHOOL DISTRICT**.

8 (e) The qualified city **OR QUALIFIED SCHOOL DISTRICT** did not
9 violate the plan for adjustment in the immediately preceding fiscal
10 year, **AS APPLICABLE**, and is not in violation in the current fiscal
11 year.

12 (f) The state treasurer certifies that the qualified city **OR**
13 **QUALIFIED SCHOOL DISTRICT** is in compliance with the uniform
14 budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.

15 (g) The commission certifies that the qualified city **OR**
16 **QUALIFIED SCHOOL DISTRICT** is in substantial compliance with this
17 act.

18 (h) ~~The~~**FOR A QUALIFIED CITY, THE** qualified city has
19 established as part of a system of compensation for employees
20 retirement plans in which the qualified city contributes no more
21 than 7% of an individual's base pay, excluding payment for overtime
22 services, 1-time lump-sum payments, and the cost of fringe
23 benefits, to an employee's retirement account, **AND, FOR A QUALIFIED**
24 **SCHOOL DISTRICT, THE QUALIFIED SCHOOL DISTRICT HAS FULLY SATISFIED**
25 **ALL OF ITS CURRENT OBLIGATIONS TO THE SYSTEM CREATED UNDER THE**
26 **PUBLIC SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980 PA 300, MCL**
27 **38.1301 TO 38.1437.**

1 (i) The qualified city OR **QUALIFIED SCHOOL DISTRICT** has
2 implemented a program in which all contracts awarded by the
3 qualified city OR **QUALIFIED SCHOOL DISTRICT** are posted on the
4 qualified city's OR **QUALIFIED SCHOOL DISTRICT'S** public website
5 within 30 days of the contract award, including the identity of the
6 parties to the contract, the dollar amount of the contract, and a
7 brief description of the goods or services provided by the
8 contract.

9 (3) The commission shall, by resolution, rescind its waiver
10 under subsection (2) if it certifies that any of the following,
11 where applicable, has occurred or that there is a substantial
12 likelihood that any of the following will imminently occur:

13 (a) The qualified city OR **QUALIFIED SCHOOL DISTRICT** fails to
14 pay principal of or interest on any municipal securities when due
15 or payable.

16 (b) The qualified city OR **QUALIFIED SCHOOL DISTRICT** incurs a
17 budget deficit in a fiscal year equal to or more than 5% of the
18 total expenditures in that year based on generally accepted
19 accounting principles.

20 (c) The qualified city OR **QUALIFIED SCHOOL DISTRICT** issues
21 municipal securities without the authorization of the commission or
22 in violation of the revised municipal finance act, 2001 PA 34, MCL
23 141.2101 to 141.2821.

24 (d) The qualified city OR **QUALIFIED SCHOOL DISTRICT** violates
25 this act or any mandatory financial controls in a manner that
26 substantially impairs that qualified city's OR **QUALIFIED SCHOOL**
27 **DISTRICT'S** ability to pay principal of and interest on municipal

1 securities **OR OTHER DEBT** when due and payable or its ability to
2 adhere to a balanced budget.

3 (e) The qualified city **OR QUALIFIED SCHOOL DISTRICT** violates
4 any provision of the plan for adjustment, if applicable.

5 (f) The state treasurer and the qualified city's **OR QUALIFIED**
6 **SCHOOL DISTRICT'S** chief financial officer, if applicable, fail to
7 certify that the criteria in subsection (2)(b) are met.

8 (g) ~~If the~~ **THE** qualified city's **OR QUALIFIED SCHOOL DISTRICT'S**
9 chief financial officer has resigned, been terminated, or been
10 removed, or the office has otherwise become vacant and a successor
11 has not been appointed within 180 days of that vacancy.

12 (h) The qualified city **OR QUALIFIED SCHOOL DISTRICT** has not
13 satisfied the requirements in subsection (2)(h).

14 (4) If the commission finds that the circumstances under which
15 it rescinded its waiver of the requirements of sections 6 and 7 as
16 provided in subsection (3) no longer exist, the commission shall
17 reverse the rescission as provided in subsection (2).

18 Sec. 12. (1) ~~IF~~ **SUBJECT TO SUBSECTIONS (2) AND (3), IF** a
19 commission has waived the requirements of sections 6 and 7 under
20 section 8 each year for the immediately preceding 10 consecutive
21 fiscal years, and the plan for adjustment, **IF APPLICABLE**, has
22 expired, the commission shall, by resolution, dissolve itself. All
23 property, funds, and assets of the commission, if any, shall be
24 transferred to and vested in this state.

25 (2) **THE COMMISSION FOR A QUALIFIED SCHOOL DISTRICT SHALL NOT**
26 **DISSOLVE ITSELF UNTIL THE STATE TREASURER CERTIFIES THAT ALL**
27 **OUTSTANDING DEBTS OF THAT QUALIFIED SCHOOL DISTRICT ARE PAID IN**

1 FULL.

2 (3) IF A COMMISSION IS IN PLACE FOR BOTH A QUALIFIED CITY AND
3 A QUALIFIED SCHOOL DISTRICT AND THE REQUIREMENTS OF SUBSECTION (1)
4 HAVE BEEN MET FOR A QUALIFIED CITY OR THE REQUIREMENTS OF
5 SUBSECTIONS (1) AND (2) HAVE BEEN MET FOR A QUALIFIED SCHOOL
6 DISTRICT, THAT QUALIFIED CITY OR THAT QUALIFIED SCHOOL DISTRICT
7 SHALL BE RELEASED FROM OVERSIGHT BY THE COMMISSION UNDER THIS ACT.

8 (4) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, IF A
9 QUALIFIED SCHOOL DISTRICT IS SUBJECT TO AN EMERGENCY MANAGER UNDER
10 THE LOCAL FINANCIAL STABILITY AND CHOICE ACT, 2012 PA 436, MCL
11 141.1541 TO 141.1575, THEN, FOR THE PERIOD OF TIME THAT THE
12 QUALIFIED SCHOOL DISTRICT IS SUBJECT TO AN EMERGENCY MANAGER, THAT
13 QUALIFIED SCHOOL DISTRICT IS NOT SUBJECT TO OVERSIGHT BY THE
14 COMMISSION UNDER THIS ACT.

15 Enacting section 1. This amendatory act does not take effect
16 unless House Bill No. 5296 of the 98th Legislature is enacted into
17 law.