

**SUBSTITUTE FOR
SENATE BILL NO. 356**

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending sections 12 and 1211 (MCL 380.12 and 380.1211), section
12 as amended by 2013 PA 96 and section 1211 as amended by 2012 PA
285.

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

1 in which the **SCHOOL** district is located, the superintendent of
2 public instruction and state treasurer jointly determine that all
3 of the following apply:

4 (i) The school district was required to submit a deficit
5 elimination plan under the state school aid act of 1979 and the
6 school district either has failed to submit a plan or lacks the
7 capability to both implement a deficit elimination plan and meet
8 the school district's obligations to provide public educational
9 services to pupils and other residents of the school district in a
10 manner that complies with this act, the state school aid act of
11 1979, and rules promulgated by the department.

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

22 (iii) The school district has at least 300 and not more than
23 2,400 pupils in membership.

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

1 school year.

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

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

12 (2) If a school district meets either or both of subsection
13 (1)(a) or (b), the intermediate school board of the intermediate
14 school district to which the school district is constituent, or the
15 superintendent of public instruction if that intermediate school
16 board requests the superintendent of public instruction to act in
17 its place, shall declare the school district dissolved and
18 immediately order attachment of the territory of the school
19 district, in whole or in part, to 1 or more other organized school
20 districts within the intermediate school district. 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~~ **WITHIN** 60 days after the school
5 district is declared dissolved, the dissolved school district shall
6 account to the intermediate school district for all records, funds,
7 and property of the school district and shall make an equitable
8 distribution of the records, funds, and property consistent with
9 the ordered attachment to each receiving school district. A school
10 building or other real property owned by and located in the
11 dissolved **SCHOOL** district shall become part of and owned by the
12 receiving school district in which it is 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) **BOTH OF THE FOLLOWING APPLY WITH RESPECT TO TAXES UNDER**
23 **THIS SECTION:**

24 (A) 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 (B) IF A DISSOLVED SCHOOL DISTRICT IS NO LONGER AUTHORIZED TO
7 LEVY A SCHOOL OPERATING TAX UNDER SECTION 1211, THE RECEIVING
8 SCHOOL DISTRICT MAY LEVY SCHOOL OPERATING TAXES UNDER SECTION 1211
9 WITHIN THE GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT THAT
10 HAS BEEN ATTACHED TO THE RECEIVING SCHOOL DISTRICT AT A RATE THAT
11 DOES NOT EXCEED THE RATE AUTHORIZED BY THE SCHOOL ELECTORS OF THE
12 RECEIVING DISTRICT TO BE LEVIED UNDER SECTION 1211 WITHIN THE
13 RECEIVING DISTRICT OR THE RATE AUTHORIZED TO BE LEVIED UNDER
14 SECTION 1211 WITHIN THE DISSOLVED SCHOOL DISTRICT AT THE TIME OF
15 DISSOLUTION, WHICHEVER IS LESS. IF THE DISSOLVED SCHOOL DISTRICT
16 HAS OUTSTANDING DEBT, OTHER THAN BONDED DEBT, THE RECEIVING SCHOOL
17 DISTRICT SHALL USE TAX REVENUE RECEIVED FROM MILLAGE LEVIED UNDER
18 THIS SUBDIVISION TO PAY OFF OR REDUCE THAT PORTION OF THE
19 OUTSTANDING DEBT, OTHER THAN BONDED DEBT, THAT IS ATTRIBUTABLE TO
20 THE TERRITORY OF THE DISSOLVED SCHOOL DISTRICT THAT HAS BEEN
21 ATTACHED TO THE RECEIVING SCHOOL DISTRICT BEFORE USING THAT TAX
22 REVENUE FOR ANY OTHER PURPOSE. THE PORTION OF THE OUTSTANDING DEBT,
23 OTHER THAN BONDED DEBT, THAT IS ATTRIBUTABLE TO THE TERRITORY OF
24 THE DISSOLVED SCHOOL DISTRICT THAT HAS BEEN ATTACHED TO THE
25 RECEIVING SCHOOL DISTRICT IS CONSIDERED TO BE THE SAME PERCENTAGE
26 OF THE OUTSTANDING DEBT, OTHER THAN BONDED DEBT, AS THE PERCENTAGE
27 OF THE TAXABLE VALUE OF THE DISSOLVED SCHOOL DISTRICT AT THE TIME

1 OF DISSOLUTION THAT WAS TRANSFERRED TO THE RECEIVING SCHOOL
2 DISTRICT, AS DETERMINED BY THE DEPARTMENT.

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

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

1 "top-to-bottom" rankings of the receiving school districts for the
2 first 3 school years after dissolution.

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

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

13 (10) As used in this section:

14 (a) "Debt" means that term as defined in section 103 of the
15 revised municipal finance act, 2001 PA 34, MCL 141.2103, and any
16 unpaid amounts payable by a dissolved school district to the
17 Michigan public school employees' retirement board under the public
18 school employees retirement act of 1979, 1980 PA 300, MCL 38.1301
19 to 38.1437.

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

23 Sec. 1211. (1) Except as otherwise provided in this section
24 and section 1211c, the board of a school district shall levy not
25 more than 18 mills for school operating purposes or the number of
26 mills levied in 1993 for school operating purposes, whichever is
27 less. A principal residence, qualified agricultural property,

1 qualified forest property, supportive housing property, property
2 occupied by a public school academy, and industrial personal
3 property are exempt from the mills levied under this subsection
4 except for the number of mills by which that exemption is reduced
5 under this subsection. Except as otherwise provided in subsection
6 (9), the board of a school district that had a foundation allowance
7 for the 1994-95 state fiscal year greater than \$6,500.00 may reduce
8 the number of mills from which a principal residence, qualified
9 agricultural property, qualified forest property, supportive
10 housing property, property occupied by a public school academy, and
11 industrial personal property are exempted under this subsection by
12 up to the number of mills, as certified under section 1211a,
13 required to be levied on a principal residence, qualified
14 agricultural property, qualified forest property, supportive
15 housing property, property occupied by a public school academy, and
16 industrial personal property for the school district's combined
17 state and local revenue per membership pupil for the school fiscal
18 year ending in 1995 to be equal to the school district's foundation
19 allowance for the state fiscal year ending in 1995, and the board
20 also may levy in 1994 or a succeeding year that number of mills for
21 school operating purposes on a principal residence, qualified
22 agricultural property, qualified forest property, supportive
23 housing property, property occupied by a public school academy, and
24 industrial personal property.

25 (2) Subject to subsection (3), if the department of treasury
26 determines that the maximum number of mills allowed to be levied
27 under subsection (1) on all classes of property was not sufficient

1 for a school district's combined state and local revenue per
2 membership pupil for the school fiscal year ending in 1995 to be
3 equal to the school district's foundation allowance for that school
4 fiscal year, the board of the school district may levy in 1994 or a
5 succeeding year additional mills uniformly on all property up to
6 the number of mills required for the school district's combined
7 state and local revenue per membership pupil for the school fiscal
8 year ending in 1995 to be equal to the school district's foundation
9 allowance for the state fiscal year ending in 1995. However, the
10 board of a school district described in this subsection, by board
11 resolution, may elect to exempt each principal residence and all
12 qualified agricultural property, qualified forest property,
13 supportive housing property, property occupied by a public school
14 academy, and industrial personal property located in the school
15 district from some or all of the mills that the board is authorized
16 to levy under this subsection.

17 (3) After 1994, the number of mills a school district may levy
18 under this section on any class of property shall not exceed the
19 lesser of the number of mills the school district was certified by
20 the department of treasury under section 1211a to levy on that
21 class of property under this section in 1994 or the number of mills
22 required to be levied on that class of property under this section
23 to ensure that the increase from the immediately preceding state
24 fiscal year in the school district's combined state and local
25 revenue per membership pupil, calculated as if the school district
26 had levied the maximum number of mills the school district was
27 allowed to levy under this section regardless of the number of

1 mills the school district actually levied, does not exceed the
2 lesser of the dollar amount of the increase in the basic foundation
3 allowance under section 20 of the state school aid act of 1979, MCL
4 388.1620, from the immediately preceding state fiscal year or the
5 percentage increase in the general price level in the immediately
6 preceding calendar year. If the number of mills a school district
7 is allowed to levy under this section in a year after 1994 is less
8 than the number of mills the school district was allowed to levy
9 under this section in the immediately preceding year, any reduction
10 required by this subsection in the school district's millage rate
11 shall be calculated by first reducing the number of mills the
12 school district is allowed to levy under subsection (2) and then
13 increasing the number of mills from which a principal residence,
14 qualified agricultural property, qualified forest property,
15 supportive housing property, property occupied by a public school
16 academy, and industrial personal property are exempted under
17 subsection (1).

18 (4) Commercial personal property is exempt from 12 of the
19 mills levied under this section. However, if the number of mills
20 from which industrial personal property is exempted for a specific
21 school district is reduced under this section, then the number of
22 mills from which commercial personal property is exempted for that
23 school district shall be reduced by that same number of mills.

24 (5) Except as otherwise provided under this subsection,
25 millage levied under this section must be approved by the school
26 electors. ~~For~~ **BOTH OF THE FOLLOWING APPLY FOR** the purposes of this
27 section: ~~7~~-millage

1 (A) **MILLAGE** approved by the school electors before January 1,
2 1994 for which the authorization has not expired is considered to
3 be approved by the school electors. With the approval of the state
4 treasurer, a school district may pledge millage levied under this
5 section for the repayment of a loan under the emergency municipal
6 loan act, 1980 PA 243, MCL 141.931 to 141.942, money borrowed by
7 the school district under section 1225, or the repayment of
8 advances, overpayments, or other obligations of the school district
9 to this state under section 15 of the state school aid act of 1979,
10 MCL 388.1615.

11 (B) **IF THE SCHOOL ELECTORS OF A SCHOOL DISTRICT THAT IS A**
12 **RECEIVING SCHOOL DISTRICT UNDER SECTION 12 HAVE AUTHORIZED THE LEVY**
13 **OF A MILLAGE UNDER THIS SECTION, IF TERRITORY OF A SCHOOL DISTRICT**
14 **THAT IS A DISSOLVED SCHOOL DISTRICT UNDER SECTION 12 HAS BEEN**
15 **ATTACHED TO THE RECEIVING SCHOOL DISTRICT, AND IF THAT DISSOLVED**
16 **SCHOOL DISTRICT IS NO LONGER AUTHORIZED TO LEVY MILLAGE UNDER THIS**
17 **SECTION, THEN THE RECEIVING SCHOOL DISTRICT MAY LEVY MILLAGE UNDER**
18 **THIS SECTION WITHIN THE GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL**
19 **DISTRICT THAT HAS BEEN ATTACHED TO THE RECEIVING SCHOOL DISTRICT AT**
20 **A RATE THAT DOES NOT EXCEED THE RATE AUTHORIZED BY THE SCHOOL**
21 **ELECTORS OF THE RECEIVING SCHOOL DISTRICT TO BE LEVIED UNDER THIS**
22 **SECTION WITHIN THE RECEIVING SCHOOL DISTRICT OR THE RATE AUTHORIZED**
23 **TO BE LEVIED UNDER THIS SECTION WITHIN THE DISSOLVED SCHOOL**
24 **DISTRICT AT THE TIME OF DISSOLUTION, WHICHEVER IS LESS. IF THE**
25 **DISSOLVED SCHOOL DISTRICT HAS OUTSTANDING DEBT, OTHER THAN BONDED**
26 **DEBT, AS DEFINED UNDER SECTION 12, THE RECEIVING SCHOOL DISTRICT**
27 **SHALL USE TAX REVENUE RECEIVED FROM MILLAGE LEVIED UNDER THIS**

1 SUBDIVISION TO PAY OFF OR REDUCE THAT PORTION OF THE OUTSTANDING
2 DEBT, OTHER THAN BONDED DEBT, THAT IS ATTRIBUTABLE TO THE TERRITORY
3 OF THE DISSOLVED SCHOOL DISTRICT THAT HAS BEEN ATTACHED TO THE
4 RECEIVING SCHOOL DISTRICT BEFORE USING THAT TAX REVENUE FOR ANY
5 OTHER PURPOSE. THE PORTION OF THE OUTSTANDING DEBT, OTHER THAN
6 BONDED DEBT, THAT IS ATTRIBUTABLE TO THE TERRITORY OF THE DISSOLVED
7 SCHOOL DISTRICT THAT HAS BEEN ATTACHED TO THE RECEIVING SCHOOL
8 DISTRICT IS CONSIDERED TO BE THE SAME PERCENTAGE OF THE OUTSTANDING
9 DEBT, OTHER THAN BONDED DEBT, AS THE PERCENTAGE OF THE TAXABLE
10 VALUE OF THE DISSOLVED SCHOOL DISTRICT AT THE TIME OF DISSOLUTION
11 THAT WAS TRANSFERRED TO THE RECEIVING SCHOOL DISTRICT, AS
12 DETERMINED BY THE DEPARTMENT.

13 (6) If a school district levies millage for school operating
14 purposes that is in excess of the limits of this section, the
15 amount of the resulting excess tax revenue shall be deducted from
16 the school district's next regular tax levy.

17 (7) If a school district levies millage for school operating
18 purposes that is less than the limits of this section, the board of
19 the school district may levy at the school district's next regular
20 tax levy an additional number of mills not to exceed the additional
21 millage needed to make up the shortfall.

22 (8) A school district shall not levy mills allocated under the
23 property tax limitation act, 1933 PA 62, MCL 211.201 to 211.217a,
24 other than mills allocated to a school district of the first class
25 or a school district that was previously a school district of the
26 first class, for payment to a public library commission under
27 section 11(4) of the property tax limitation act, 1933 PA 62, MCL

1 211.211, after 1993.

2 (9) Beginning with taxes levied for 2011, if a school district
3 had a foundation allowance for the 1994-95 state fiscal year
4 greater than \$6,500.00 and if the school district's foundation
5 allowance for the 2009-2010 state fiscal year was less than the
6 basic foundation allowance prescribed for the 2009-2010 state
7 fiscal year under section 20 of the state school aid act of 1979,
8 MCL 388.1620, the school district may not reduce the number of
9 mills from which certain classes of property are exempted from the
10 levy of millage under subsection (1) and may not levy that number
11 of mills on those classes of property as would otherwise be allowed
12 under subsection (1).

13 (10) As used in this section:

14 (a) "Combined state and local revenue per membership pupil"
15 means that term as defined in section 20 of the state school aid
16 act of 1979, MCL 388.1620.

17 (b) "Commercial personal property" means property classified
18 as commercial personal property under section 34c of the general
19 property tax act, 1893 PA 206, MCL 211.34c.

20 (c) "Foundation allowance" means a school district's
21 foundation allowance as calculated under section 20 of the state
22 school aid act of 1979, MCL 388.1620.

23 (d) "General price level" means that term as defined in
24 section 33 of article IX of the state constitution of 1963.

25 (e) "Industrial personal property" means the following:

26 (i) Except as otherwise provided in subparagraph (ii),
27 property classified as industrial personal property under section

1 34c of the general property tax act, 1893 PA 206, MCL 211.34c.

2 (ii) Beginning December 31, 2011, industrial personal property
3 does not include a turbine powered by gas, steam, nuclear energy,
4 coal, or oil the primary purpose of which is the generation of
5 electricity for sale.

6 (f) "Membership" means that term as defined in section 6 of
7 the state school aid act of 1979, MCL 388.1606.

8 (g) "Owner", "person", "principal residence", and "qualified
9 agricultural property" mean those terms as defined in section 7dd
10 of the general property tax act, 1893 PA 206, MCL 211.7dd.

11 (h) "Property occupied by a public school academy" means
12 property occupied by a public school academy, urban high school
13 academy, or school of excellence that is used exclusively for
14 educational purposes.

15 (i) "Qualified forest property" means that term as defined in
16 section 7jj of the general property tax act, 1893 PA 206, MCL
17 211.7jj[1].

18 (j) "School operating purposes" includes expenditures for
19 furniture and equipment, for alterations necessary to maintain
20 school facilities in a safe and sanitary condition, for funding the
21 cost of energy conservation improvements in school facilities, for
22 deficiencies in operating expenses for the preceding year or
23 preceding years, including, but not limited to, repayment of an
24 emergency loan under the emergency municipal loan act, 1980 PA 243,
25 MCL 141.931 to 141.942, and for paying the operating allowance due
26 from the school district to a joint high school district in which
27 the school district is a participating school district under former

1 part 3a. Taxes levied for school operating purposes do not include
2 any of the following:

3 (i) Taxes levied by a school district for operating a
4 community college under part 25.

5 (ii) Taxes levied under section 1212.

6 (iii) Taxes levied under section 1356 for eliminating an
7 operating deficit.

8 (iv) Taxes levied for operation of a library under section
9 1451 or for operation of a library established pursuant to 1913 PA
10 261, MCL 397.261 to 397.262, that were not included in the
11 operating millage reported by the district to the department as of
12 April 1, 1993. However, a district may report to the department not
13 later than April 1, 1994 the number of mills it levied in 1993 for
14 a purpose described in this subparagraph that the school district
15 does not want considered as operating millage and then that number
16 of mills is excluded under this section from taxes levied for
17 school operating purposes.

18 (v) Taxes paid by a school district of the first class or a
19 school district that was previously a school district of the first
20 class to a public library commission pursuant to section 11(4) of
21 the property tax limitation act, 1933 PA 62, MCL 211.211.

22 (vi) Taxes levied under former section 1512 for operation of a
23 community swimming pool. In addition, if a school district included
24 the millage it levied in 1993 for operation of a community swimming
25 pool as part of its operating millage reported to the department
26 for 1993, the school district may report to the department not
27 later than June 17, 1994 the number of mills it levied in 1993 for

1 operation of a community swimming pool that the school district
2 does not want considered as operating millage and then that number
3 of mills is excluded under this section from taxes levied for
4 school operating purposes.

5 (k) "Supportive housing property" means real property
6 certified as supportive housing property under chapter 3B of the
7 state housing development authority act of 1966, 1966 PA 346, MCL
8 125.1459 to 125.1459a.

9 Enacting section 1. This amendatory act does not take effect
10 unless Senate Bill No. 173 of the 98th Legislature is enacted into
11 law.