

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 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 OR~~ bankruptcy, which will ensure that those  
25 cities 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 EITHER OF THE FOLLOWING:**

12 **(i) A COMMUNITY DISTRICT ORGANIZED UNDER THE REVISED SCHOOL**  
13 **CODE, 1976 PA 451, MCL 380.1 TO 380.1852, TO WHICH THE FUNCTIONS**  
14 **AND RESPONSIBILITIES OF ANOTHER SCHOOL DISTRICT HAVE BEEN**  
15 **TRANSFERRED UNDER THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1**  
16 **TO 380.1852.**

17 **(ii) A SCHOOL DISTRICT WITH THE SAME BOUNDARIES AS A CITY WITH**  
18 **A POPULATION OF 600,000 OR MORE THAT IS NOT DESCRIBED IN**  
19 **SUBPARAGRAPH (i).**

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

25 **Sec. 4. (1) A—EXCEPT AS PROVIDED IN SUBSECTION (2), A**  
26 **financial review commission is created within the department of**  
27 **treasury for each qualified city AND EACH QUALIFIED SCHOOL**

1 **DISTRICT.** Except as otherwise provided in this act, a commission  
2 shall exercise its powers, duties, functions, and responsibilities  
3 under this act independently of the state treasurer. The budgeting,  
4 procurement, personnel, and related management functions of a  
5 commission shall be performed under the direction and supervision  
6 of the state treasurer.

7 (2) IF A COMMUNITY DISTRICT DESCRIBED IN SECTION 3(I) (i) IS  
8 LOCATED WITHIN THE GEOGRAPHIC BOUNDARIES OF A QUALIFIED CITY FOR  
9 WHICH A FINANCIAL REVIEW COMMISSION IS OPERATING UNDER THIS ACT,  
10 BEGINNING ON THE TRANSFER DATE, AS THAT TERM IS DEFINED UNDER  
11 SECTION 402 OF THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.402,  
12 THE FINANCIAL REVIEW COMMISSION FOR THAT QUALIFIED CITY ALSO SHALL  
13 BE THE FINANCIAL REVIEW COMMISSION FOR THAT QUALIFIED SCHOOL  
14 DISTRICT, AND NO SEPARATE OR ADDITIONAL FINANCIAL REVIEW COMMISSION  
15 FOR THAT QUALIFIED SCHOOL DISTRICT IS CREATED UNDER THIS ACT.

16 (3) IF A SCHOOL DISTRICT DESCRIBED IN SECTION 3(I) (ii) IS  
17 LOCATED WITHIN THE GEOGRAPHIC BOUNDARIES OF A QUALIFIED CITY FOR  
18 WHICH A FINANCIAL REVIEW COMMISSION IS OPERATING UNDER THIS ACT,  
19 BEGINNING ON THE EFFECTIVE DATE OF THIS ACT, THE FINANCIAL REVIEW  
20 COMMISSION FOR THAT QUALIFIED CITY ALSO SHALL BE THE FINANCIAL  
21 REVIEW COMMISSION FOR THAT QUALIFIED SCHOOL DISTRICT, AND NO  
22 SEPARATE OR ADDITIONAL FINANCIAL REVIEW COMMISSION FOR THAT  
23 QUALIFIED SCHOOL DISTRICT IS CREATED UNDER THIS ACT.

24 Sec. 5. (1) ~~Each~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION  
25 (2) OR (3), EACH commission shall consist of the following 9  
26 members:

27 (a) The state treasurer, who shall serve for the duration of

1 his or her term of office.

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

5 (c) Three members appointed by the governor who have  
6 knowledge, skill, or experience in the field of business or finance  
7 and who shall possess knowledge, training, skill, or experience in  
8 budgeting, revenue forecasting, debt management or borrowing,  
9 actuarial science, law, or business operations, at least 1 of whom  
10 is a resident of that qualified city **OR QUALIFIED SCHOOL DISTRICT**,  
11 and at least 1 of whom is a resident of this state who is not a  
12 resident of a qualified city **OR QUALIFIED SCHOOL DISTRICT**.

13 (d) The mayor or chief executive officer of that qualified  
14 city, or his or her designee, who shall serve for the duration of  
15 the mayor's or chief executive officer's term of office.

16 (e) One member appointed by the governor from a list of 3 or  
17 more individuals nominated by the senate majority leader who have  
18 knowledge, skill, or experience in the field of business or  
19 finance, and who shall possess knowledge, training, skill, or  
20 experience in budgeting, revenue forecasting, debt management or  
21 borrowing, actuarial science, law, or business operations, and 1 of  
22 whom is a resident of that qualified city **OR QUALIFIED SCHOOL**  
23 **DISTRICT**.

24 (f) One member appointed by the governor from a list of 3 or  
25 more individuals nominated by the speaker of the house of  
26 representatives who have knowledge, skill, or experience in the  
27 field of business or finance, and who shall possess knowledge,

1 training, skill, or experience in budgeting, revenue forecasting,  
2 debt management or borrowing, actuarial science, law, or business  
3 operations, and 1 of whom is a resident of that qualified city OR  
4 QUALIFIED SCHOOL DISTRICT.

5 (g) The president or chairperson of the qualified city's  
6 governing body, or his or her designee, who shall serve for the  
7 duration of the president's or chairperson's term of office.

8 (2) IF A FINANCIAL REVIEW COMMISSION IS THE FINANCIAL REVIEW  
9 COMMISSION FOR BOTH A QUALIFIED CITY AND A QUALIFIED SCHOOL  
10 DISTRICT UNDER SECTION 4(2), IN ADDITION TO THE MAYOR OR CHIEF  
11 EXECUTIVE OFFICER OF THE QUALIFIED CITY OR HIS OR HER DESIGNEE  
12 UNDER SUBSECTION (1)(D) AND THE PRESIDENT OR CHAIRPERSON OF THE  
13 QUALIFIED CITY'S GOVERNING BODY OR HIS OR HER DESIGNEE UNDER  
14 SUBSECTION (1)(G), THE FINANCIAL REVIEW COMMISSION ALSO SHALL  
15 INCLUDE AS MEMBERS THE SUPERINTENDENT OF THE QUALIFIED SCHOOL  
16 DISTRICT AND THE CHAIRPERSON OF THE SCHOOL BOARD OF THE QUALIFIED  
17 SCHOOL DISTRICT. THE SUPERINTENDENT OF THE QUALIFIED SCHOOL  
18 DISTRICT AND THE CHAIRPERSON OF THE SCHOOL BOARD OF THE QUALIFIED  
19 SCHOOL DISTRICT SHALL NOT HAVE A VOTE ON MATTERS RELATING TO THE  
20 QUALIFIED CITY. THE MAYOR OR CHIEF EXECUTIVE OFFICER OF THE  
21 QUALIFIED CITY, OR HIS OR HER DESIGNEE UNDER SUBSECTION (1)(D) AND  
22 THE PRESIDENT OR CHAIRPERSON OF THE QUALIFIED CITY'S GOVERNING BODY  
23 OR HIS OR HER DESIGNEE UNDER SUBSECTION (1)(G), SHALL NOT HAVE A  
24 VOTE ON MATTERS RELATING TO THE QUALIFIED SCHOOL DISTRICT.

25 (3) 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(3), 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. IF A  
15 FINANCIAL REVIEW COMMISSION UNDER THIS SUBSECTION BECOMES THE  
16 FINANCIAL REVIEW COMMISSION FOR BOTH A QUALIFIED CITY AND A  
17 QUALIFIED SCHOOL DISTRICT UNDER SECTION 4(2), THEN THE APPOINTMENT  
18 PROVISION IN SUBSECTION (2) SUPERSEDES THIS SUBSECTION.

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

1           (5) ~~(3)~~—Members of a commission shall serve without  
2 compensation but may receive reasonable reimbursement for necessary  
3 travel and expenses incurred in the discharge of their official  
4 duties.

5           (6) ~~(4)~~—The state treasurer or his or her designee shall serve  
6 as chairperson of a commission.

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

12           (8) ~~(6)~~—The commission shall conduct its business at public  
13 meetings in compliance with the open meetings act, 1976 PA 267, MCL  
14 15.261 to 15.275. However, members of the commission may attend and  
15 participate in a meeting of the commission by the use of  
16 telecommunication or other electronic equipment if their attendance  
17 and participation by the use of telecommunication or other  
18 electronic equipment is authorized by the bylaws of the commission  
19 and that meeting is otherwise conducted in compliance with the open  
20 meetings act, 1976 PA 267, MCL 15.261 to 15.275.

21           (9) ~~(7)~~—A writing prepared, owned, used, in the possession of,  
22 or retained by the commission in the performance of an official  
23 function is subject to the freedom of information act, 1976 PA 442,  
24 MCL 15.231 to 15.246.

25           (10) ~~(8)~~—The commission shall adopt bylaws for governance of  
26 the commission, which shall, at a minimum, address the procedures  
27 for conducting meetings, including voting procedures, and the

1 requirements of its members to attend meetings. Procedural rules  
2 required by this section are not subject to the administrative  
3 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

4 (11) ~~(9)~~—The commission may contract for professional  
5 services, as it requires, and shall determine the qualifications it  
6 considers necessary.

7 (12) ~~(10)~~—The members of the commission and contractors or  
8 agents of the commission are subject to 1968 PA 317, MCL 15.321 to  
9 15.330, and 1968 PA 318, MCL 15.301 to 15.310.

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

18 (14) ~~(12)~~—Commission members shall take and subscribe to the  
19 constitutional oath of office under section 1 of article XI of the  
20 state constitution of 1963. The oath shall be filed with the  
21 secretary of state.

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

27 (2) The commission shall ensure that the qualified city **OR**

1 **QUALIFIED SCHOOL DISTRICT** is complying with the terms and  
2 conditions of this act and of the plan for adjustment, if  
3 applicable. Except as otherwise provided in section 8, the  
4 commission shall by October 1 each year certify that the qualified  
5 city **OR QUALIFIED SCHOOL DISTRICT** is in substantial compliance with  
6 the provisions of this act.

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

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

13 (b) Sections 4i, 4p, 4s, and 4t of the home rule city act,  
14 1909 PA 279, MCL 117.4i, 117.4p, 117.4s, and 117.4t.

15 (c) The revised municipal finance act, 2001 PA 34, MCL  
16 141.2101 to 141.2821.

17 (d) The uniform budgeting and accounting act, 1968 PA 2, MCL  
18 141.421 to 141.440a.

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

20 **(i) THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1 TO**  
21 **380.1852.**

22 **(ii) ARTICLE I OF THE STATE SCHOOL AID ACT OF 1979, 1979 PA**  
23 **94, MCL 388.1601 TO 388.1772.**

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

26 (4) During the period of oversight **FOR A QUALIFIED CITY**, the  
27 commission shall review and approve that qualified city's 4-year

1 financial plan required by section 4t of the home rule city act,  
2 1909 PA 279, MCL 117.4t. A 4-year financial plan described in this  
3 subsection shall be submitted at least 100 days prior to the  
4 commencement of a qualified city's fiscal year. The commission  
5 shall approve or disapprove the 4-year financial plan within 30  
6 days of receipt. If disapproved, the commission shall provide  
7 rationale in writing for disapproval and a qualified city shall  
8 submit a revised plan within 15 days that comports with the  
9 commission's rationale for rejection. The commission shall approve  
10 or disapprove that revised plan within 15 days. The commission may  
11 also require adjustments to the financial plan to modify  
12 expenditures to satisfy debt service, adjust projected revenues to  
13 comply with financial controls or accounting practices, and reduce  
14 expenditures to conform to consensus revenue estimates if required  
15 in section 7 to comply with the provisions of section 4t of the  
16 home rule city act, 1909 PA 279, MCL 117.4t. If the qualified city  
17 fails to submit an acceptable financial plan, the commission may  
18 adopt and impose upon the qualified city a financial plan  
19 satisfying the requirements of this act and section 4t of the home  
20 rule city act, 1909 PA 279, MCL 117.4t, until that time as the  
21 qualified city submits an acceptable financial plan.

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

1 (a) Increased managerial accountability.

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

4 (c) Improved collection of outstanding tax revenues.

5 (d) Review of the compensation and benefits of city **OR**  
6 **QUALIFIED SCHOOL DISTRICT** employees and recommendation of  
7 adjustments where necessary.

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

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

1 writing the accuracy of any documents the commission requests.

2 (8) The commission shall, on June 1 and December 1 of each  
3 year in which the commission has oversight over a qualified city **OR**  
4 **A QUALIFIED SCHOOL DISTRICT**, file a written report with the  
5 governor. A copy of the report shall be submitted to the senate  
6 majority leader and the speaker of the house of representatives and  
7 posted on the department of treasury website. A copy of the report  
8 shall be sent to the mayor **OR CHIEF EXECUTIVE OFFICER** and governing  
9 body of the qualified city **OR QUALIFIED SCHOOL DISTRICT**.

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

24 (10) ~~The~~ **FOR A QUALIFIED CITY, THE** commission may file  
25 supplementary information relating to the financial condition of  
26 the qualified city with an arbitration panel in arbitration  
27 proceedings in which the qualified city is a party pursuant to 1969

1 PA 312, MCL 423.231 to 423.247.

2 (11) The mayor **OR CHIEF EXECUTIVE OFFICER**, governing body, and  
3 chief financial officer of a qualified city **OR QUALIFIED SCHOOL**  
4 **DISTRICT** shall, at least 45 days prior to the beginning of each  
5 fiscal quarter, certify in writing to the commission the amount of  
6 debt service due on bonds, leases, or other ~~municipal~~-debt. A  
7 qualified city **OR QUALIFIED SCHOOL DISTRICT** shall specifically  
8 report debt service requirements, calculated through final  
9 maturity, and certify its ability to meet those requirements  
10 through the end of the current fiscal year.

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

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

1           (b) ~~Require a~~ **FOR A QUALIFIED CITY, REQUIRE THE** qualified city  
2 to submit the 4-year financial plan required in section 4t of the  
3 home rule city act, 1909 PA 279, MCL 117.4t, in a form and manner  
4 the commission considers appropriate. The requirement to submit a  
5 4-year financial plan is not subject to waiver under section 8.

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

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

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

1 approval shall be in addition to any approval of the department of  
2 treasury as required by law.

3 (f) Review compliance by a qualified city with a deficit  
4 elimination plan submitted under section 21 of the Glenn Steil  
5 state revenue sharing act of 1971, 1971 PA 140, MCL 141.921, **OR BY**  
6 **A QUALIFIED SCHOOL DISTRICT WITH A DEFICIT ELIMINATION PLAN**  
7 **SUBMITTED UNDER ARTICLE I OF THE STATE SCHOOL AID ACT OF 1979, 1979**  
8 **PA 94, MCL 388.1601 TO 388.1772.**

9 (g) Approve the appointment of a qualified city's **OR QUALIFIED**  
10 **SCHOOL DISTRICT'S** chief financial officer. If that appointment is  
11 not approved by the commission within 45 days of written submission  
12 of the appointment by the qualified city **OR QUALIFIED SCHOOL**  
13 **DISTRICT**, the appointment is denied. The commission may require  
14 that any effort to terminate the chief financial officer be subject  
15 to commission review and approval.

16 (H) **FOR A QUALIFIED SCHOOL DISTRICT, APPROVE THE APPOINTMENT**  
17 **OF THE QUALIFIED SCHOOL DISTRICT'S SUPERINTENDENT. IF THAT**  
18 **APPOINTMENT IS NOT APPROVED BY THE COMMISSION WITHIN 45 DAYS OF**  
19 **WRITTEN SUBMISSION BY THE QUALIFIED SCHOOL DISTRICT, THE**  
20 **APPOINTMENT IS DENIED. A QUALIFIED SCHOOL DISTRICT MAY NOT ALTER**  
21 **THE TERMS AND CONDITIONS OF AN EMPLOYMENT CONTRACT WITH OR THE**  
22 **BENEFITS OF ITS SUPERINTENDENT OR TERMINATE ITS SUPERINTENDENT**  
23 **WITHOUT THE APPROVAL OF THE COMMISSION. THE SUPERINTENDENT AND THE**  
24 **CHAIRPERSON OF THE SCHOOL BOARD OF THE QUALIFIED SCHOOL DISTRICT**  
25 **SHALL NOT HAVE A VOTE ON AN APPROVAL UNDER THIS SUBDIVISION.**

26 (I) ~~(h)~~ Require the development and implementation of  
27 financial best practices for a qualified city **OR QUALIFIED SCHOOL**

1 **DISTRICT.**

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

5 (K) ~~(j)~~—Require the pursuit of financial or managerial  
6 training to ensure the proper discharge of duties for the qualified  
7 city **OR QUALIFIED SCHOOL DISTRICT.**

8 (L) ~~(k)~~—Make and execute contracts necessary to carry out the  
9 purposes of this act.

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

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

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

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

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

5           (2) The commission shall grant a waiver under this section for  
6 its qualified city **OR QUALIFIED SCHOOL DISTRICT** if it certifies  
7 that all of the following conditions are met:

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

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

16           (i) All municipal securities or debt obligations sold by or  
17 for the benefit of that qualified city **OR QUALIFIED SCHOOL DISTRICT**  
18 in the general public market during the immediately preceding  
19 fiscal year and current fiscal year satisfied the capital and other  
20 financial requirements of the qualified city **OR QUALIFIED SCHOOL**  
21 **DISTRICT** during that period.

22           (ii) There is a substantial likelihood that municipal  
23 securities or debt obligations can be sold **BY THE QUALIFIED CITY OR**  
24 **QUALIFIED SCHOOL DISTRICT** in the general public market during the  
25 remainder of the current fiscal year and the immediately succeeding  
26 fiscal year in amounts sufficient to substantially satisfy all of  
27 the capital and other financial requirements of the qualified city

1 **OR QUALIFIED SCHOOL DISTRICT** during those periods in accordance  
2 with the qualified city's **OR QUALIFIED SCHOOL DISTRICT'S** financial  
3 plan, **AS APPLICABLE**.

4 (c) ~~The~~**FOR A QUALIFIED CITY, THE** qualified city's financial  
5 plan projects a balanced budget for the current and succeeding 3  
6 fiscal years using generally accepted accounting principles and in  
7 accordance with the uniform budgeting and accounting act, 1968 PA  
8 2, MCL 141.421 to 141.440a, and section 4t of the home rule city  
9 act, 1909 PA 279, MCL 117.4t.

10 (d) The qualified city **OR QUALIFIED SCHOOL DISTRICT** has  
11 demonstrated to the commission's satisfaction that the qualified  
12 city **OR QUALIFIED SCHOOL DISTRICT** has sufficient ability to borrow  
13 in the municipal securities market.

14 (e) The qualified city **OR QUALIFIED SCHOOL DISTRICT** did not  
15 violate the plan for adjustment in the immediately preceding fiscal  
16 year, **AS APPLICABLE**, and is not in violation in the current fiscal  
17 year.

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

21 (g) The commission certifies that the qualified city **OR**  
22 **QUALIFIED SCHOOL DISTRICT** is in substantial compliance with this  
23 act.

24 (h) ~~The~~**FOR A QUALIFIED CITY, THE** qualified city has  
25 established as part of a system of compensation for employees  
26 retirement plans in which the qualified city contributes no more  
27 than 7% of an individual's base pay, excluding payment for overtime

House Bill No. 5385 as amended March 17, 2016

1 services, 1-time lump-sum payments, and the cost of fringe  
2 benefits, to an employee's retirement account. **FOR A QUALIFIED**  
3 **SCHOOL DISTRICT, THE QUALIFIED SCHOOL DISTRICT HAS FULLY SATISFIED**  
4 **ALL OF ITS [CURRENT] OBLIGATIONS TO THE SYSTEM CREATED UNDER THE PUBLIC**  
5 **SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980 PA 300, MCL 38.1301**  
6 **TO 38.1437, AND UNDER ANY SCHOOL IMPROVEMENT PLAN OR MEASURE**  
7 **APPLICABLE UNDER SECTION 1280C OF THE REVISED SCHOOL CODE, 1976 PA**  
8 **451, MCL 380.1280C.**

9 (i) The qualified city **OR QUALIFIED SCHOOL DISTRICT** has  
10 implemented a program in which all contracts awarded by the  
11 qualified city **OR QUALIFIED SCHOOL DISTRICT** are posted on the  
12 qualified city's **OR QUALIFIED SCHOOL DISTRICT'S** public website  
13 within 30 days of the contract award, including the identity of the  
14 parties to the contract, the dollar amount of the contract, and a  
15 brief description of the goods or services provided by the  
16 contract.

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

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

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

1 (c) The qualified city **OR QUALIFIED SCHOOL DISTRICT** issues  
2 municipal securities without the authorization of the commission or  
3 in violation of the revised municipal finance act, 2001 PA 34, MCL  
4 141.2101 to 141.2821.

5 (d) The qualified city **OR QUALIFIED SCHOOL DISTRICT** violates  
6 this act or any mandatory financial controls in a manner that  
7 substantially impairs that qualified city's **OR QUALIFIED SCHOOL**  
8 **DISTRICT'S** ability to pay principal of and interest on municipal  
9 securities **OR OTHER DEBT** when due and payable or its ability to  
10 adhere to a balanced budget.

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

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

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

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

22 **(I) FOR A QUALIFIED SCHOOL DISTRICT, THE QUALIFIED SCHOOL**  
23 **DISTRICT IS NOT IN COMPLIANCE WITH A SCHOOL IMPROVEMENT PLAN OR**  
24 **MEASURE APPLICABLE UNDER SECTION 1280C OF THE REVISED SCHOOL CODE,**  
25 **1976 PA 451, MCL 380.1280C.**

26 (4) If the commission **FOR A QUALIFIED CITY** finds that the  
27 circumstances under which it rescinded its waiver of the

House Bill No. 5385 as amended March 17, 2016

1 requirements of sections 6 and 7 as provided in subsection (3) no  
2 longer exist, the commission shall reverse the rescission as  
3 provided in subsection (2).

4       Sec. 12. (1) If a commission **FOR A QUALIFIED CITY** has waived  
5 the requirements of sections 6 and 7 under section 8 each year for  
6 the immediately preceding 10 consecutive fiscal years, and the plan  
7 for adjustment, **IF APPLICABLE**, has expired, the commission shall,  
8 by resolution, dissolve itself. All property, funds, and assets of  
9 the commission, if any, shall be transferred to and vested in this  
10 state.

11       (2) **THE COMMISSION FOR A QUALIFIED SCHOOL DISTRICT MAY NOT**  
12 **DISSOLVE ITSELF UNTIL BOTH OF THE FOLLOWING OCCUR:**

13       (A) **THE STATE TREASURER CERTIFIES UNDER SECTION 402 OF THE**  
14 **REVISED SCHOOL CODE, 1976 PA 451, MCL 380.402, THE PAYMENT IN FULL**  
15 **OF ALL OUTSTANDING [CURRENT] DEBT OF THE SCHOOL DISTRICT FROM WHICH**  
16 **FUNCTIONS AND RESPONSIBILITIES WERE TRANSFERRED TO THE QUALIFIED SCHOOL**  
17 **DISTRICT UNDER SECTION 402 OF THE REVISED SCHOOL CODE, 1976 PA 451,**  
18 **MCL 380.402.**

19       (B) **THE QUALIFIED SCHOOL DISTRICT HAS BEEN IN COMPLIANCE WITH**  
20 **THIS ACT FOR THE IMMEDIATELY PRECEDING 10 CONSECUTIVE FISCAL YEARS.**

21       (3) **IF A COMMISSION IS IN PLACE FOR BOTH A QUALIFIED CITY AND**  
22 **A QUALIFIED SCHOOL DISTRICT AND THE REQUIREMENTS OF SUBSECTION (1)**  
23 **HAVE BEEN MET FOR A QUALIFIED CITY OR THE REQUIREMENTS OF**  
24 **SUBSECTION (2) HAVE BEEN MET FOR A QUALIFIED SCHOOL DISTRICT, THAT**  
25 **QUALIFIED CITY OR THAT QUALIFIED SCHOOL DISTRICT SHALL BE RELEASED**  
26 **FROM OVERSIGHT BY THE COMMISSION UNDER THIS ACT.**

27       Enacting section 1. This amendatory act does not take effect

1 unless House Bill No. 5296 of the 98th Legislature is enacted into  
2 law.