

HOUSE BILL No. 4644

May 26, 2015, Introduced by Reps. Kelly, Bumstead and Canfield and referred to the Committee on Appropriations.

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending sections 12 and 1260 (MCL 380.12 and 380.1260), section
12 as amended by 2013 PA 96 and section 1260 as amended by 1995 PA
289.

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

1 district.

2 (b) After consultation with the intermediate school district
3 in which the **SCHOOL** district is located, the superintendent of
4 public instruction and state treasurer jointly determine that all
5 of the following apply:

6 (i) The school district was required to submit a deficit
7 elimination plan under the state school aid act of 1979 and the
8 school district either has failed to submit a plan or lacks the
9 capability to both implement a deficit elimination plan and meet
10 the school district's obligations to provide public educational
11 services to pupils and other residents of the school district in a
12 manner that complies with this act, the state school aid act of
13 1979, and rules promulgated by the department.

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

24 (iii) The school district has at least 300 and not more than
25 2,400 pupils in membership.

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

1 than the number of pupils in membership in the school district for
2 the school year immediately preceding the most recently completed
3 school year.

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

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

14 (2) If a school district meets either or both of subsection
15 (1)(a) or (b), the intermediate school board of the intermediate
16 school district to which the school district is constituent, or the
17 superintendent of public instruction if that intermediate school
18 board requests the superintendent of public instruction to act in
19 its place, shall declare the school district dissolved and
20 immediately order attachment of the territory of the school
21 district, in whole or in part, to 1 or more other organized school
22 districts within the intermediate school district. In attaching the
23 territory of the dissolved school district to other school
24 districts, the intermediate school board or the superintendent of
25 public instruction shall take into account the number of pupils who
26 will become pupils of each of those other school districts relative
27 to the number of pupils already enrolled in the other school

1 district and the numbers of pupils who qualify for free and reduced
2 price lunch, special education services and at-risk funding among
3 the other school districts. ~~For a school district that is declared~~
4 ~~dissolved in 2013, within 21 days after the school district is~~
5 ~~declared dissolved, and for a school district that is declared~~
6 ~~dissolved after 2013, within~~ **WITHIN** 60 days after the school
7 district is declared dissolved, the dissolved school district shall
8 account to the intermediate school district for all records, funds,
9 and property of the school district and shall make an equitable
10 distribution of the records, funds, and property consistent with
11 the ordered attachment to each receiving school district. ~~A-SUBJECT~~
12 **TO SUBSECTION (10), A** school building or other real property owned
13 by and located in the dissolved **SCHOOL** district shall become part
14 of and owned by the receiving school district in which it is
15 located.

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

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

1 (b) Holding debt retirement funds of the dissolved school
2 district separately from the funds of the receiving school
3 district.

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

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

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

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

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

27 (7) To the extent permitted under federal law and any

1 applicable waiver approved by the United States ~~department of~~
2 ~~education,~~ **DEPARTMENT OF EDUCATION**, the department shall not
3 include the test scores of pupils from the dissolved school
4 district for determining adequate yearly progress status or for
5 "top-to-bottom" rankings of the receiving school districts for the
6 first 3 school years after dissolution.

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

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

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

24 (A) **FIRST, TO REPAY THIS STATE FOR ANY FUNDS RECEIVED BY THE**
25 **INTERMEDIATE SCHOOL DISTRICT UNDER SECTION 20G OF THE STATE SCHOOL**
26 **AID ACT OF 1979, MCL 388.1620G.**

27 (B) **SECOND, TO PAY OR REDUCE THE OUTSTANDING DEBT OF THE**

1 DISSOLVED SCHOOL DISTRICT.

2 (C) THIRD, IF THERE IS ANY BALANCE LEFT AFTER REPAYING THIS
3 STATE UNDER SUBDIVISION (A) AND PAYING OR REDUCING THE OUTSTANDING
4 DEBT UNDER SUBDIVISION (B), TO REMIT THAT BALANCE TO THE RECEIVING
5 SCHOOL DISTRICT. IF A RECEIVING SCHOOL DISTRICT THAT RECEIVES MONEY
6 UNDER THIS SUBDIVISION HAS OUTSTANDING DEBT, THE RECEIVING SCHOOL
7 DISTRICT SHALL FIRST USE MONEY RECEIVED UNDER THIS SUBDIVISION TO
8 PAY OR REDUCE THE OUTSTANDING DEBT OF THE RECEIVING SCHOOL DISTRICT
9 AND SHALL NOT USE MONEY RECEIVED UNDER THIS SUBDIVISION FOR ANY
10 OTHER PURPOSE AS LONG AS THE RECEIVING SCHOOL DISTRICT HAS
11 OUTSTANDING DEBT.

12 (11) ~~(10)~~ As used in this section:

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

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

22 Sec. 1260. (1) ~~Unless approved by the state board, a~~ A school
23 board or intermediate school board shall not impose any deed
24 restriction prohibiting, or otherwise prohibit, property sold or
25 transferred by the school board or intermediate school board from
26 being used for any lawful ~~public education~~ purpose. Any deed
27 restriction or other prohibition in effect as of ~~the effective date~~

1 ~~of this subsection~~ MARCH 30, 1995 is void.

2 (2) If a school board or intermediate school board offers
3 property of the school board or intermediate school board for **SALE,**
4 lease, or rent, the school board or intermediate school board shall
5 not refuse to **SELL,** lease, or rent the property to a person ~~solely~~
6 ~~because the person intends to use the property for an educational~~
7 ~~purpose,~~ if the intent of the person is to use the property for a
8 lawful ~~educational~~ purpose.

9 (3) A SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD SHALL NOT
10 CAUSE OR ALLOW A BUILDING OWNED BY OR UNDER THE CONTROL OF THE
11 SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT TO BE DEMOLISHED
12 UNLESS 1 OR MORE OF THE FOLLOWING ARE MET:

13 (A) THE SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD HAS AN
14 APPROVED SITE PLAN PROVIDING FOR THE REDEVELOPMENT OF THE SITE FOR
15 EDUCATIONAL USE WITHIN 12 MONTHS AFTER THE DEMOLITION.

16 (B) THE SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD HAS OFFERED
17 THE BUILDING FOR SALE, LEASE, OR RENT FOR AT LEAST 12 MONTHS BEFORE
18 THE DEMOLITION AND HAS NOT RECEIVED ANY FAIR MARKET VALUE OFFERS
19 FOR THE SALE OF THE BUILDING.

20 (4) IF A SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT
21 REFUSES A FAIR MARKET OFFER FOR THE SALE OF A BUILDING THAT IS
22 OWNED BY OR UNDER THE CONTROL OF THE SCHOOL DISTRICT OR
23 INTERMEDIATE SCHOOL DISTRICT AS A RESULT OF THE DISSOLUTION OF A
24 SCHOOL DISTRICT UNDER SECTION 12, THE SCHOOL DISTRICT OR
25 INTERMEDIATE SCHOOL DISTRICT SHALL NOT APPLY FOR OR ACCEPT A GRANT
26 COVERING TRANSITION COSTS FOR DEMOLITION OF THE BUILDING UNDER
27 SECTION 20G OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1620G.

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