

SENATE BILL No. 356

June 3, 2015, Introduced by Senator HORN and referred to the Committee on Appropriations.

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending sections 12, 1211, and 1260 (MCL 380.12, 380.1211, and
380.1260), section 12 as amended by 2013 PA 96, section 1211 as
amended by 2012 PA 285, 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
7 district.

8 (b) After consultation with the intermediate school district
9 in which the district is located, the superintendent of public

1 instruction and state treasurer jointly determine that all of the
2 following apply:

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

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

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

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

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

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

11 (2) If a school district meets either or both of subsection
12 (1)(a) or (b), the intermediate school board of the intermediate
13 school district to which the school district is constituent, or the
14 superintendent of public instruction if that intermediate school
15 board requests the superintendent of public instruction to act in
16 its place, shall declare the school district dissolved and
17 immediately order attachment of the territory of the school
18 district, in whole or in part, to 1 or more other organized school
19 districts within the intermediate school district. In attaching the
20 territory of the dissolved school district to other school
21 districts, the intermediate school board or the superintendent of
22 public instruction shall take into account the number of pupils who
23 will become pupils of each of those other school districts relative
24 to the number of pupils already enrolled in the other school
25 district and the numbers of pupils who qualify for free and reduced
26 price lunch, special education services and at-risk funding among
27 the other school districts. ~~For a school district that is declared~~

1 ~~dissolved in 2013, within 21 days after the school district is~~
2 ~~declared dissolved, and for a school district that is declared~~
3 ~~dissolved after 2013, within~~ **WITHIN** 60 days after the school
4 district is declared dissolved, the dissolved school district shall
5 account to the intermediate school district for all records, funds,
6 and property of the school district and shall make an equitable
7 distribution of the records, funds, and property consistent with
8 the ordered attachment to each receiving school district. A school
9 building or other real property owned by and located in the
10 dissolved district shall become part of and owned by the receiving
11 school district in which it is located.

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

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

24 (b) Holding debt retirement funds of the dissolved school
25 district separately from the funds of the receiving school
26 district.

27 (c) Doing all other things relative to the outstanding debt of

1 the dissolved school district required by law and by the terms of
2 the debt, including, but not limited to, levying or renewing a
3 school operating tax under section 1211. The question of renewal of
4 a school operating tax pledged to the repayment of debt of the
5 dissolved school district shall be submitted only to school
6 electors residing within the geographic area of the dissolved
7 school district and does not require approval by electors of a
8 receiving school district not residing within the geographic area
9 of the dissolved school district.

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

21 (5) If a tax is authorized within a receiving school district
22 at a rate greater than the rate authorized within the dissolved
23 school district at the time of the dissolution, the tax may not be
24 levied within the geographic area of the dissolved school district
25 until approved by the school electors residing within the
26 geographic area of the dissolved school district or by all school
27 electors within the receiving school district, including any

1 expanded geographic area of the receiving school district resulting
2 from attachment under this section. **IF A DISSOLVED SCHOOL DISTRICT**
3 **IS NO LONGER AUTHORIZED TO LEVY A SCHOOL OPERATING TAX UNDER**
4 **SECTION 1211, THE RECEIVING SCHOOL DISTRICT MAY LEVY SCHOOL**
5 **OPERATING TAXES UNDER SECTION 1211 WITHIN THE GEOGRAPHIC AREA OF**
6 **THE DISSOLVED SCHOOL DISTRICT THAT HAS BEEN ATTACHED TO THE**
7 **RECEIVING SCHOOL DISTRICT AT A RATE THAT DOES NOT EXCEED THE RATE**
8 **AUTHORIZED BY THE SCHOOL ELECTORS OF THE RECEIVING DISTRICT TO BE**
9 **LEVIED UNDER SECTION 1211 WITHIN THE RECEIVING DISTRICT OR THE RATE**
10 **AUTHORIZED TO BE LEVIED UNDER SECTION 1211 WITHIN THE DISSOLVED**
11 **SCHOOL DISTRICT AT THE TIME OF DISSOLUTION, WHICHEVER IS LESS.**

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

1 geographic area of the dissolved school district for purposes
2 authorized under section 1212. A receiving school district may not
3 renew or authorize a new sinking fund tax that is levied only
4 within the geographic area of the dissolved school district.

5 (7) To the extent permitted under federal law and any
6 applicable waiver approved by the United States department of
7 education, the department shall not include the test scores of
8 pupils from the dissolved school district for determining adequate
9 yearly progress status or for "top-to-bottom" rankings of the
10 receiving school districts for the first 3 school years after
11 dissolution.

12 (8) For the same number of school years for which test scores
13 of pupils from the dissolved district are not used under subsection
14 (7), a receiving school district shall not use the test scores of
15 pupils from the dissolved school district as a factor in any
16 performance evaluation of an employee of the receiving school
17 district.

18 (9) The pupils formerly enrolled in the dissolved school
19 district have all the legal and constitutional rights and
20 privileges of the other pupils enrolled in the receiving school
21 districts.

22 (10) As used in this section:

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

1 to 38.1437.

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

5 Sec. 1211. (1) Except as otherwise provided in this section
6 and section 1211c, the board of a school district shall levy not
7 more than 18 mills for school operating purposes or the number of
8 mills levied in 1993 for school operating purposes, whichever is
9 less. A principal residence, qualified agricultural property,
10 qualified forest property, supportive housing property, property
11 occupied by a public school academy, and industrial personal
12 property are exempt from the mills levied under this subsection
13 except for the number of mills by which that exemption is reduced
14 under this subsection. Except as otherwise provided in subsection
15 (9), the board of a school district that had a foundation allowance
16 for the 1994-95 state fiscal year greater than \$6,500.00 may reduce
17 the number of mills from which a principal residence, qualified
18 agricultural property, qualified forest property, supportive
19 housing property, property occupied by a public school academy, and
20 industrial personal property are exempted under this subsection by
21 up to the number of mills, as certified under section 1211a,
22 required to be levied on a principal residence, qualified
23 agricultural property, qualified forest property, supportive
24 housing property, property occupied by a public school academy, and
25 industrial personal property for the school district's combined
26 state and local revenue per membership pupil for the school fiscal
27 year ending in 1995 to be equal to the school district's foundation

1 allowance for the state fiscal year ending in 1995, and the board
2 also may levy in 1994 or a succeeding year that number of mills for
3 school operating purposes on a principal residence, qualified
4 agricultural property, qualified forest property, supportive
5 housing property, property occupied by a public school academy, and
6 industrial personal property.

7 (2) Subject to subsection (3), if the department of treasury
8 determines that the maximum number of mills allowed to be levied
9 under subsection (1) on all classes of property was not sufficient
10 for a school district's combined state and local revenue per
11 membership pupil for the school fiscal year ending in 1995 to be
12 equal to the school district's foundation allowance for that school
13 fiscal year, the board of the school district may levy in 1994 or a
14 succeeding year additional mills uniformly on all property up to
15 the number of mills required for the school district's combined
16 state and local revenue per membership pupil for the school fiscal
17 year ending in 1995 to be equal to the school district's foundation
18 allowance for the state fiscal year ending in 1995. However, the
19 board of a school district described in this subsection, by board
20 resolution, may elect to exempt each principal residence and all
21 qualified agricultural property, qualified forest property,
22 supportive housing property, property occupied by a public school
23 academy, and industrial personal property located in the school
24 district from some or all of the mills that the board is authorized
25 to levy under this subsection.

26 (3) After 1994, the number of mills a school district may levy
27 under this section on any class of property shall not exceed the

1 lesser of the number of mills the school district was certified by
2 the department of treasury under section 1211a to levy on that
3 class of property under this section in 1994 or the number of mills
4 required to be levied on that class of property under this section
5 to ensure that the increase from the immediately preceding state
6 fiscal year in the school district's combined state and local
7 revenue per membership pupil, calculated as if the school district
8 had levied the maximum number of mills the school district was
9 allowed to levy under this section regardless of the number of
10 mills the school district actually levied, does not exceed the
11 lesser of the dollar amount of the increase in the basic foundation
12 allowance under section 20 of the state school aid act of 1979, MCL
13 388.1620, from the immediately preceding state fiscal year or the
14 percentage increase in the general price level in the immediately
15 preceding calendar year. If the number of mills a school district
16 is allowed to levy under this section in a year after 1994 is less
17 than the number of mills the school district was allowed to levy
18 under this section in the immediately preceding year, any reduction
19 required by this subsection in the school district's millage rate
20 shall be calculated by first reducing the number of mills the
21 school district is allowed to levy under subsection (2) and then
22 increasing the number of mills from which a principal residence,
23 qualified agricultural property, qualified forest property,
24 supportive housing property, property occupied by a public school
25 academy, and industrial personal property are exempted under
26 subsection (1).

27 (4) Commercial personal property is exempt from 12 of the

1 mills levied under this section. However, if the number of mills
2 from which industrial personal property is exempted for a specific
3 school district is reduced under this section, then the number of
4 mills from which commercial personal property is exempted for that
5 school district shall be reduced by that same number of mills.

6 (5) Except as otherwise provided under this subsection,
7 millage levied under this section must be approved by the school
8 electors. For the purposes of this section, millage approved by the
9 school electors before January 1, 1994 for which the authorization
10 has not expired is considered to be approved by the school
11 electors. With the approval of the state treasurer, a school
12 district may pledge millage levied under this section for the
13 repayment of a loan under the emergency municipal loan act, 1980 PA
14 243, MCL 141.931 to 141.942, money borrowed by the school district
15 under section 1225, or the repayment of advances, overpayments, or
16 other obligations of the school district to this state under
17 section 15 of the state school aid act of 1979, MCL 388.1615. **FOR**
18 **PURPOSES OF THIS SECTION, IF THE SCHOOL ELECTORS OF A SCHOOL**
19 **DISTRICT THAT IS A RECEIVING SCHOOL DISTRICT UNDER SECTION 12 HAVE**
20 **AUTHORIZED THE LEVY OF A MILLAGE UNDER THIS SECTION, IF TERRITORY**
21 **OF A SCHOOL DISTRICT THAT IS A DISSOLVED SCHOOL DISTRICT UNDER**
22 **SECTION 12 HAS BEEN ATTACHED TO THE RECEIVING SCHOOL DISTRICT, AND**
23 **IF THAT DISSOLVED SCHOOL DISTRICT IS NO LONGER AUTHORIZED TO LEVY**
24 **MILLAGE UNDER THIS SECTION, THEN THE RECEIVING SCHOOL DISTRICT MAY**
25 **LEVY MILLAGE UNDER THIS SECTION WITHIN THE GEOGRAPHIC AREA OF THE**
26 **DISSOLVED SCHOOL DISTRICT THAT HAS BEEN ATTACHED TO THE RECEIVING**
27 **SCHOOL DISTRICT AT A RATE THAT DOES NOT EXCEED THE RATE AUTHORIZED**

1 BY THE SCHOOL ELECTORS OF THE RECEIVING SCHOOL DISTRICT TO BE
2 LEVIED UNDER THIS SECTION WITHIN THE RECEIVING SCHOOL DISTRICT OR
3 THE RATE AUTHORIZED TO BE LEVIED UNDER THIS SECTION WITHIN THE
4 DISSOLVED SCHOOL DISTRICT AT THE TIME OF DISSOLUTION, WHICHEVER IS
5 LESS.

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

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

15 (8) A school district shall not levy mills allocated under the
16 property tax limitation act, 1933 PA 62, MCL 211.201 to 211.217a,
17 other than mills allocated to a school district of the first class
18 or a school district that was previously a school district of the
19 first class, for payment to a public library commission under
20 section 11(4) of the property tax limitation act, 1933 PA 62, MCL
21 211.211, after 1993.

22 (9) Beginning with taxes levied for 2011, if a school district
23 had a foundation allowance for the 1994-95 state fiscal year
24 greater than \$6,500.00 and if the school district's foundation
25 allowance for the 2009-2010 state fiscal year was less than the
26 basic foundation allowance prescribed for the 2009-2010 state
27 fiscal year under section 20 of the state school aid act of 1979,

1 MCL 388.1620, the school district may not reduce the number of
2 mills from which certain classes of property are exempted from the
3 levy of millage under subsection (1) and may not levy that number
4 of mills on those classes of property as would otherwise be allowed
5 under subsection (1).

6 (10) As used in this section:

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

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

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

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

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

19 (i) Except as otherwise provided in subparagraph (ii),
20 property classified as industrial personal property under section
21 34c of the general property tax act, 1893 PA 206, MCL 211.34c.

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

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

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

4 (h) "Property occupied by a public school academy" means
5 property occupied by a public school academy, urban high school
6 academy, or school of excellence that is used exclusively for
7 educational purposes.

8 (i) "Qualified forest property" means that term as defined in
9 section 7jj of the general property tax act, 1893 PA 206, MCL
10 211.7jj[1].

11 (j) "School operating purposes" includes expenditures for
12 furniture and equipment, for alterations necessary to maintain
13 school facilities in a safe and sanitary condition, for funding the
14 cost of energy conservation improvements in school facilities, for
15 deficiencies in operating expenses for the preceding year or
16 preceding years, including, but not limited to, repayment of an
17 emergency loan under the emergency municipal loan act, 1980 PA 243,
18 MCL 141.931 to 141.942, and for paying the operating allowance due
19 from the school district to a joint high school district in which
20 the school district is a participating school district under former
21 part 3a. Taxes levied for school operating purposes do not include
22 any of the following:

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

25 (ii) Taxes levied under section 1212.

26 (iii) Taxes levied under section 1356 for eliminating an
27 operating deficit.

1 (iv) Taxes levied for operation of a library under section
2 1451 or for operation of a library established pursuant to 1913 PA
3 261, MCL 397.261 to 397.262, that were not included in the
4 operating millage reported by the district to the department as of
5 April 1, 1993. However, a district may report to the department not
6 later than April 1, 1994 the number of mills it levied in 1993 for
7 a purpose described in this subparagraph that the school district
8 does not want considered as operating millage and then that number
9 of mills is excluded under this section from taxes levied for
10 school operating purposes.

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

15 (vi) Taxes levied under former section 1512 for operation of a
16 community swimming pool. In addition, if a school district included
17 the millage it levied in 1993 for operation of a community swimming
18 pool as part of its operating millage reported to the department
19 for 1993, the school district may report to the department not
20 later than June 17, 1994 the number of mills it levied in 1993 for
21 operation of a community swimming pool that the school district
22 does not want considered as operating millage and then that number
23 of mills is excluded under this section from taxes levied for
24 school operating purposes.

25 (k) "Supportive housing property" means real property
26 certified as supportive housing property under chapter 3B of the
27 state housing development authority act of 1966, 1966 PA 346, MCL

1 125.1459 to 125.1459a.

2 Sec. 1260. (1) ~~Unless approved by the state board, a~~ A school
3 board or intermediate school board shall not impose any deed
4 restriction prohibiting, or otherwise prohibit, property sold or
5 transferred by the school board or intermediate school board from
6 being used for any lawful public education purpose. Any deed
7 restriction or other prohibition in effect as of ~~the effective date~~
8 ~~of this subsection~~ **MARCH 30, 1995** is void.

9 (2) If a school board or intermediate school board offers
10 property of the school board or intermediate school board for **SALE,**
11 lease, or rent, the school board or intermediate school board shall
12 not refuse to **SELL,** lease, or rent the property to a person solely
13 because the person intends to use the property for an educational
14 purpose, if the intent of the person is to use the property for a
15 lawful educational purpose.

16 **(3) A SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD SHALL NOT**
17 **CAUSE OR ALLOW A BUILDING OWNED BY THE SCHOOL DISTRICT OR**
18 **INTERMEDIATE SCHOOL DISTRICT TO BE DEMOLISHED UNLESS 1 OF THE**
19 **FOLLOWING IS MET:**

20 **(A) THE SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD HAS AN**
21 **APPROVED SITE PLAN PROVIDING FOR THE REDEVELOPMENT OF THE SITE FOR**
22 **EDUCATIONAL USE WITHIN 12 MONTHS AFTER THE DEMOLITION.**

23 **(B) THE SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD HAS OFFERED**
24 **THE BUILDING FOR SALE, LEASE, OR RENT FOR AT LEAST 12 MONTHS BEFORE**
25 **THE DEMOLITION.**

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

1 law.