

SUBSTITUTE FOR
HOUSE BILL NO. 4813

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending section 12 (MCL 380.12) and by adding section 12a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 12. (1) A school district shall lose its organization ~~if~~
2 ~~there~~ **AND SHALL BE DECLARED DISSOLVED IF ANY OF THE FOLLOWING**
3 **CONDITIONS ARE MET:**

4 **(A) THERE** are not enough persons **RESIDING** in the **SCHOOL**
5 district **AND** qualified under ~~the~~ law to hold ~~district~~ **ALL OF THE**
6 **OFFICES OF THE SCHOOL DISTRICT** or who will accept the offices **OF**
7 **THE SCHOOL DISTRICT**. ~~Under either condition,~~

8 **(B) THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND STATE**
9 **TREASURER JOINTLY DETERMINE THAT ALL OF THE FOLLOWING APPLY:**

House Bill No. 4813 (H-4) as amended June 13, 2013

1 (i) THE SCHOOL DISTRICT WAS REQUIRED TO SUBMIT A DEFICIT
 2 ELIMINATION PLAN UNDER THE STATE SCHOOL AID ACT OF 1979 AND THE
 3 SCHOOL DISTRICT EITHER HAS FAILED TO SUBMIT A PLAN OR LACKS THE
 4 CAPABILITY TO BOTH IMPLEMENT A DEFICIT ELIMINATION PLAN AND MEET
 5 THE SCHOOL DISTRICT'S OBLIGATIONS TO PROVIDE PUBLIC EDUCATIONAL
 6 SERVICES TO PUPILS AND OTHER RESIDENTS OF THE SCHOOL DISTRICT IN A
 7 MANNER THAT COMPLIES WITH THIS ACT, THE STATE SCHOOL AID ACT OF
 8 1979, AND RULES PROMULGATED BY THE DEPARTMENT.

9 (ii) THE SCHOOL DISTRICT IS NOT FINANCIALLY VIABLE AND IS
 10 UNABLE TO EDUCATE PUPILS IN GRADES K-12 RESIDING IN THE SCHOOL
 11 DISTRICT BY OPERATING SCHOOLS FOR A FULL SCHOOL YEAR AND PROVIDING
 12 THE REQUIRED NUMBER OF INSTRUCTIONAL HOURS UNDER THIS ACT AND THE
 13 STATE SCHOOL AID ACT OF 1979. AS USED IN THIS SUBPARAGRAPH,
 14 "FINANCIALLY VIABLE" MEANS THAT A SCHOOL DISTRICT HAS THE FINANCIAL
 15 RESOURCES TO CARRY OUT AT LEAST THE EDUCATIONAL PROGRAM REQUIRED BY
 16 LAW AND PAY ITS EXISTING DEBTS AS THEY BECOME DUE TAKING INTO
 17 CONSIDERATION THE PROJECTED ENROLLMENT, CASH FLOW, REVENUES, AND
 18 BORROWING CAPABILITY OF THE SCHOOL DISTRICT.

19 (iii) THE SCHOOL DISTRICT HAS FEWER THAN 2,500 PUPILS IN
 20 MEMBERSHIP.

[(iv) THE NUMBER OF PUPILS IN MEMBERSHIP IN THE SCHOOL DISTRICT FOR
 THE MOST RECENTLY COMPLETED SCHOOL YEAR WAS AT LEAST 10% LESS THAN THE
 NUMBER OF PUPILS IN MEMBERSHIP IN THE SCHOOL DISTRICT FOR THE SCHOOL YEAR
 IMMEDIATELY PRECEDING THE MOST RECENTLY COMPLETED SCHOOL YEAR.]

21 (2) IF A SCHOOL DISTRICT MEETS EITHER OR BOTH OF SUBSECTION
 22 (1) (A) OR (B), the intermediate school board of the intermediate
 23 school district to which the SCHOOL district is constituent, OR THE
 24 SUPERINTENDENT OF PUBLIC INSTRUCTION IF THAT INTERMEDIATE SCHOOL
 25 BOARD REQUESTS THE SUPERINTENDENT OF PUBLIC INSTRUCTION TO ACT IN
 26 ITS PLACE, shall declare the SCHOOL district dissolved and
 27 immediately ~~shall attach~~ ORDER ATTACHMENT OF the territory OF THE

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1 SCHOOL DISTRICT, in whole or in part, to 1 OR MORE other organized
2 school districts and ~~WITHIN THE INTERMEDIATE SCHOOL DISTRICT. IN~~
3 ~~ATTACHING THE TERRITORY OF THE DISSOLVED SCHOOL DISTRICT TO OTHER~~
4 ~~SCHOOL DISTRICTS, THE INTERMEDIATE SCHOOL BOARD OR THE~~
5 ~~SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL TAKE INTO ACCOUNT THE~~
6 ~~NUMBER OF PUPILS WHO WILL BECOME PUPILS OF EACH OF THOSE OTHER~~
7 ~~SCHOOL DISTRICTS RELATIVE TO THE NUMBER OF PUPILS ALREADY ENROLLED~~
8 ~~IN THE OTHER SCHOOL DISTRICT AND THE NUMBERS OF PUPILS WHO QUALIFY~~
9 ~~FOR FREE AND REDUCED PRICE LUNCH AMONG THE OTHER SCHOOL DISTRICTS.~~
10 ~~FOR A SCHOOL DISTRICT THAT IS DECLARED DISSOLVED IN 2013, WITHIN 21~~
11 ~~DAYS AFTER THE SCHOOL DISTRICT IS DECLARED DISSOLVED, AND FOR A~~
12 ~~SCHOOL DISTRICT THAT IS DECLARED DISSOLVED AFTER 2013, WITHIN 60~~
13 ~~DAYS AFTER THE SCHOOL DISTRICT IS DECLARED DISSOLVED, THE DISSOLVED~~
14 ~~SCHOOL DISTRICT SHALL ACCOUNT TO THE INTERMEDIATE SCHOOL DISTRICT~~
15 ~~FOR ALL RECORDS, FUNDS, AND PROPERTY OF THE SCHOOL DISTRICT AND~~
16 ~~SHALL make an equitable distribution of the money, property, and~~
17 ~~other material belonging to the district among the districts to~~
18 ~~which the territory is attached. RECORDS, FUNDS, AND PROPERTY~~
19 ~~CONSISTENT WITH THE ORDERED ATTACHMENT TO EACH RECEIVING SCHOOL~~
20 ~~DISTRICT. [A SCHOOL BUILDING OR OTHER REAL PROPERTY OWNED BY AND LOCATED~~
21 ~~IN THE DISSOLVED DISTRICT SHALL BECOME PART OF AND OWNED BY THE~~
22 ~~RECEIVING SCHOOL DISTRICT IN WHICH IT IS LOCATED.]~~

21 ~~—— (2) The property of the disorganized district is subject to~~
22 ~~all increases in the constitutional limitation on taxes which have~~
23 ~~been voted by the school electors of the district to which it is~~
24 ~~attached. The disorganized district shall receive a credit in the~~
25 ~~amount of a levy remaining to be paid on an outstanding debt in the~~
26 ~~disorganized district, which shall be paid until debt is retired.~~
27 ~~The disorganized district shall pay an amount equal to the amount~~

1 ~~levied for debt retirement by the district to which it is attached~~
2 ~~not to exceed 5 mills on the state equalized valuation in the~~
3 ~~disorganized district. All other taxes levied for the purposes of~~
4 ~~the combined school district, including taxes for the retirement of~~
5 ~~bonded indebtedness, shall be spread over the entire area of the~~
6 ~~combined district.~~

7 ~~—— (3) A disorganized district having a bonded indebtedness shall~~
8 ~~be attached in whole to another school district by the intermediate~~
9 ~~school board. The identity of the district is not lost because of~~
10 ~~the attachment, and its territory remains as separate assessing~~
11 ~~unit for the purpose of the bonded indebtedness until the~~
12 ~~indebtedness is retired or refunded. The board of the district to~~
13 ~~which the disorganized district is attached shall constitute the~~
14 ~~board of trustees for the disorganized district having the bonded~~
15 ~~indebtedness. Its officers shall be the officers for the~~
16 ~~disorganized district. The board of the district to which the~~
17 ~~disorganized district is attached shall certify the levy of taxes~~
18 ~~for bonded indebtedness in the name of the disorganized district,~~
19 ~~shall not commingle the debt retirement funds of the disorganized~~
20 ~~district with those of the district to which it is attached, and~~
21 ~~shall do all things relative to the bonded indebtedness required by~~
22 ~~law and by the terms under which the issuance and sale of the bonds~~
23 ~~were originally authorized. All other taxes levied for the purposes~~
24 ~~of the combined school district, including taxes levied for the~~
25 ~~retirement of bonded indebtedness, shall be spread over the entire~~
26 ~~area of the combined school district.~~

27 **(3) IF A DISSOLVED SCHOOL DISTRICT HAS OUTSTANDING DEBT, THE**

1 DISSOLVED SCHOOL DISTRICT SHALL RETAIN A LIMITED SEPARATE IDENTITY
2 AND THE TERRITORY OF THE DISSOLVED SCHOOL DISTRICT SHALL CONTINUE
3 AS A SEPARATE TAXING UNIT FOR THE LIMITED PURPOSE OF THE DEBT UNTIL
4 THE DEBT IS RETIRED OR REFUNDED. THE BOARD AND OTHER OFFICERS OF
5 THE SCHOOL DISTRICT TO WHICH THE LARGEST SHARE OF THE STATE
6 EQUALIZED VALUE OF THE DISSOLVED SCHOOL DISTRICT IS ATTACHED SHALL
7 PERFORM THE FUNCTIONS AND SATISFY THE RESPONSIBILITIES OF THE BOARD
8 AND OTHER OFFICERS OF THE DISSOLVED SCHOOL DISTRICT RELATING TO THE
9 DEBT, INCLUDING, BUT NOT LIMITED TO, ALL OF THE FOLLOWING:

10 (A) CERTIFYING AND LEVYING TAXES FOR SATISFACTION OF THE DEBT
11 IN THE NAME OF THE DISSOLVED SCHOOL DISTRICT.

12 (B) HOLDING DEBT RETIREMENT FUNDS OF THE DISSOLVED SCHOOL
13 DISTRICT SEPARATELY FROM THE FUNDS OF THE RECEIVING SCHOOL
14 DISTRICT.

15 (C) DOING ALL OTHER THINGS RELATIVE TO THE OUTSTANDING DEBT OF
16 THE DISSOLVED SCHOOL DISTRICT REQUIRED BY LAW AND BY THE TERMS OF
17 THE DEBT, INCLUDING, BUT NOT LIMITED TO, LEVYING OR RENEWING A
18 SCHOOL OPERATING TAX UNDER SECTION 1211. THE QUESTION OF RENEWAL OF
19 A SCHOOL OPERATING TAX PLEDGED TO THE REPAYMENT OF DEBT OF THE
20 DISSOLVED SCHOOL DISTRICT SHALL BE SUBMITTED ONLY TO SCHOOL
21 ELECTORS RESIDING WITHIN THE GEOGRAPHIC AREA OF THE DISSOLVED
22 SCHOOL DISTRICT AND DOES NOT REQUIRE APPROVAL BY ELECTORS OF A
23 RECEIVING SCHOOL DISTRICT NOT RESIDING WITHIN THE GEOGRAPHIC AREA
24 OF THE DISSOLVED SCHOOL DISTRICT.

25 (4) Upon the attachment of a ~~disorganized~~ DISSOLVED SCHOOL
26 district to another school district, the intermediate school board
27 shall audit the assets and liabilities of the ~~disorganized~~

1 DISSOLVED SCHOOL district. If a considerable discrepancy is found,
2 the intermediate school board shall order the ~~receiving~~ DISSOLVED
3 SCHOOL district to pay the discrepancy TO 1 OR MORE APPROPRIATE
4 RECEIVING SCHOOL DISTRICTS. ~~The disorganized~~ AFTER FIRST SATISFYING
5 DEBT OBLIGATIONS, THE DISSOLVED SCHOOL district shall repay that
6 amount TO 1 OR MORE APPROPRIATE RECEIVING SCHOOL DISTRICTS from
7 ~~moneys~~ MONEY available TO THE DISSOLVED SCHOOL DISTRICT including
8 voted millage within a time to be determined by the intermediate
9 school board.

10 (5) IF A TAX IS AUTHORIZED WITHIN A RECEIVING SCHOOL DISTRICT
11 AT A RATE GREATER THAN THE RATE AUTHORIZED WITHIN THE DISSOLVED
12 SCHOOL DISTRICT AT THE TIME OF THE DISSOLUTION, THE TAX MAY NOT BE
13 LEVIED WITHIN THE GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT
14 UNTIL APPROVED BY THE SCHOOL ELECTORS RESIDING WITHIN THE
15 GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT OR BY ALL SCHOOL
16 ELECTORS WITHIN THE RECEIVING SCHOOL DISTRICT, INCLUDING ANY
17 EXPANDED GEOGRAPHIC AREA OF THE RECEIVING SCHOOL DISTRICT RESULTING
18 FROM ATTACHMENT UNDER THIS SECTION.

19 (6) IF A DISSOLVED SCHOOL DISTRICT WAS AUTHORIZED TO LEVY A
20 SINKING FUND TAX UNDER SECTION 1212 AT THE TIME OF DISSOLUTION, THE
21 IDENTITY OF THE DISSOLVING SCHOOL DISTRICT AS A LEGAL ENTITY SHALL
22 NOT BE LOST AND ITS TERRITORY SHALL REMAIN AS A TAXING UNIT FOR THE
23 LIMITED PURPOSE OF LEVYING A SINKING FUND TAX UNDER SECTION 1212
24 UNTIL THE AUTHORIZATION TO LEVY A SINKING FUND TAX WITHIN THE
25 DISSOLVED SCHOOL DISTRICT EXPIRES. FOR PURPOSES OF THIS SUBSECTION,
26 THE BOARD AND OTHER OFFICERS OF THE RECEIVING SCHOOL DISTRICT THAT
27 RECEIVED THE LARGEST SHARE OF THE STATE EQUALIZED VALUATION OF THE

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1 DISSOLVED SCHOOL DISTRICT SHALL PERFORM THE FUNCTIONS AND
 2 RESPONSIBILITIES OF THE BOARD AND OTHER OFFICERS OF THE DISSOLVED
 3 SCHOOL DISTRICT RELATING TO LEVYING THE SINKING FUND TAX AND SHALL
 4 DISTRIBUTE THE PROCEEDS OF THE LEVY TO EACH RECEIVING SCHOOL
 5 DISTRICT THAT OPERATES A SCHOOL BUILDING PREVIOUSLY OPERATED BY THE
 6 DISSOLVED SCHOOL DISTRICT. THE PROCEEDS OF A SINKING FUND TAX LEVY
 7 UNDER THIS SUBSECTION MAY BE USED ONLY WITHIN THE GEOGRAPHIC AREA
 8 OF THE DISSOLVED SCHOOL DISTRICT FOR PURPOSES AUTHORIZED UNDER
 9 SECTION 1212. A RECEIVING SCHOOL DISTRICT MAY NOT RENEW OR
 10 AUTHORIZE A NEW SINKING FUND TAX THAT IS LEVIED ONLY WITHIN THE
 11 GEOGRAPHIC AREA OF THE DISSOLVED SCHOOL DISTRICT.

12 (7) TO THE EXTENT PERMITTED UNDER FEDERAL LAW AND ANY
 13 APPLICABLE WAIVER APPROVED BY THE UNITED STATES DEPARTMENT OF
 14 EDUCATION, THE DEPARTMENT SHALL NOT INCLUDE THE TEST SCORES OF
 15 PUPILS FROM THE DISSOLVED SCHOOL DISTRICT FOR DETERMINING ADEQUATE
 16 YEARLY PROGRESS STATUS OR FOR "TOP-TO-BOTTOM" RANKINGS OF THE
 17 RECEIVING SCHOOL DISTRICTS FOR THE FIRST 3 SCHOOL YEARS AFTER
 18 DISSOLUTION.

[(8) FOR THE SAME NUMBER OF SCHOOL YEARS FOR WHICH TEST SCORES OF
 PUPILS FROM THE DISSOLVED DISTRICT ARE NOT USED UNDER SUBSECTION (7), A
 RECEIVING SCHOOL DISTRICT SHALL NOT USE THE TEST SCORES OF PUPILS FROM
 THE DISSOLVED SCHOOL DISTRICT AS A FACTOR IN ANY PERFORMANCE EVALUATION
 OF AN EMPLOYEE OF THE RECEIVING SCHOOL DISTRICT.

19 (9) THE PUPILS FORMERLY ENROLLED IN THE DISSOLVED SCHOOL
 20 DISTRICT HAVE ALL THE LEGAL AND CONSTITUTIONAL RIGHTS AND
 21 PRIVILEGES OF THE OTHER PUPILS ENROLLED IN THE RECEIVING SCHOOL
 22 DISTRICTS.

23 [(10)] AS USED IN THIS SECTION:

24 (A) "DEBT" MEANS THAT TERM AS DEFINED IN SECTION 103 OF THE
 25 REVISED MUNICIPAL FINANCE ACT, 2001 PA 34, MCL 141.2103[, AND ANY UNPAID
 AMOUNTS PAYABLE BY A DISSOLVED SCHOOL DISTRICT TO THE MICHIGAN PUBLIC
 SCHOOL EMPLOYEES' RETIREMENT BOARD UNDER THE PUBLIC SCHOOL EMPLOYEES
 RETIREMENT ACT OF 1979, 1980 PA 300, MCL 38.1301 TO 38.1437].

26 (B) "RECEIVING SCHOOL DISTRICT" MEANS A SCHOOL DISTRICT TO
 27 WHICH ALL OR PART OF THE TERRITORY OF A DISSOLVED SCHOOL DISTRICT

1 IS ATTACHED UNDER THIS SECTION.

2 SEC. 12A. (1) AS PERMITTED UNDER FEDERAL LAW, IF A SCHOOL
3 DISTRICT IS DISSOLVED UNDER SECTION 12 OR IF THE FUNCTIONS AND
4 RESPONSIBILITIES OF A SCHOOL DISTRICT FOR OPERATING A PUBLIC SCHOOL
5 ARE TRANSFERRED TO ANOTHER PUBLIC ENTITY, INCLUDING, BUT NOT
6 LIMITED TO, A TRANSFER TO ANOTHER PUBLIC ENTITY UNDER SECTION
7 1280C, THE SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL GRANT EACH
8 RECEIVING SCHOOL DISTRICT OR OTHER PUBLIC ENTITY ASSUMING THE
9 FUNCTIONS AND RESPONSIBILITIES FOR THE PUBLIC SCHOOL AN ALLOCATION
10 OF GRANTS UNDER 20 USC 6333, 6334, 6335, AND 6337 AND OF OTHER
11 FEDERAL FUNDS THAT WOULD OTHERWISE BE MADE AVAILABLE FOR GRANTS TO
12 OR FEDERAL FUNDING FOR THE PUBLIC SCHOOL OR MAKE OTHER ADJUSTMENTS
13 IN THE ALLOCATION OF FEDERAL FUNDS TO IMPLEMENT THE DISSOLUTION OF
14 THE SCHOOL DISTRICT OR OTHER TRANSFER OF FUNCTIONS AND
15 RESPONSIBILITIES.

16 (2) AS USED IN THIS SECTION, "RECEIVING SCHOOL DISTRICT" MEANS
17 THAT TERM AS DEFINED IN SECTION 12.

18 Enacting section 1. This amendatory act does not take effect
19 unless House Bill No. 4815 of the 97th Legislature is enacted into
20 law.