

HOUSE BILL NO. 6255

December 05, 2024, Introduced by Rep. Weiss and referred to the Committee on Education.

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending section 12b (MCL 380.12b), as added by 2016 PA 192.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 12b. (1) Beginning on ~~the effective date of the~~
2 ~~amendatory act that added this section, June 21, 2016,~~ if a school
3 district is or becomes a qualifying school district, the school
4 district shall lose its organization and be dissolved as provided
5 in this section.

6 (2) If a school district loses its organization under
7 subsection (1), except as otherwise provided in this section, all

1 records, funds, and property of the qualifying school district are
2 transferred on the transfer date to a community district created
3 with the same geographic boundaries of the qualifying school
4 district under part 5b. Except as otherwise provided in this
5 section, proceeds from bonds, notes, or emergency loans, taxes
6 levied by or payable to the qualifying school district, money
7 payable to the qualifying school district under the state school
8 aid act of 1979, and advances or other payments relating to any of
9 these, and all of the qualifying school district functions
10 described under subsection (3), ~~shall~~**must** be retained by the
11 qualifying school district and are not transferred to the community
12 district. A school building or other real property owned by the
13 qualifying school district becomes part of and owned by the
14 community district. If a qualifying school district has outstanding
15 debt on the transfer date, the qualifying school district shall
16 retain a limited separate identity as a school district and the
17 territory of the qualifying school district shall continue as a
18 separate taxing unit only for the limited public purposes of the
19 repayment of the debt until the debt is retired **and the community**
20 **district receives the written notice described in subsection (12),**
21 satisfying liability from legal claims filed before the transfer
22 date, and protecting the credit of this state and of its school
23 districts.

24 (3) Before the transfer date, the governor shall designate an
25 individual who is authorized by law to act for and in the place and
26 stead of the school board and superintendent of schools of the
27 qualifying school district as the transition manager for the
28 community district to perform functions and satisfy
29 responsibilities of the community district, of the school board and

1 superintendent of schools of the community district, and of the
2 transition manager under this section until the elected members of
3 the school board of the community district are elected and take
4 office under section 384. Until that time, the transition manager
5 shall exercise the powers, perform the functions, and satisfy the
6 responsibilities of the school board and superintendent of schools
7 of the community district, except that the transition manager shall
8 not negotiate or enter into any collective bargaining agreement
9 that would bind the elected school board of the community district.
10 Until that date, the transition manager also shall perform the
11 functions and satisfy the responsibilities of the school board and
12 superintendent of schools of the qualifying school district
13 relating to the repayment of debt and the dissolution of the
14 qualifying school district, including, but not limited to, all of
15 the following:

16 (a) Certifying and levying taxes for satisfaction of the debt
17 in the name of the qualifying school district.

18 (b) Doing all other things relative to the repayment of
19 outstanding debt of the qualifying school district required by law
20 and by the terms of the debt, including, but not limited to, filing
21 draw requests and borrowing from the revolving loan fund for debt
22 service on qualified bonds under the school bond qualification,
23 approval, and loan act, 2005 PA 92, MCL 388.1921 to 388.1939,
24 levying or seeking voter approval for a renewal of a school
25 operating tax under section 1211, or refunding or refinancing debt.

26 (c) Doing all other things relative to the dissolution of the
27 qualifying school district.

28 (4) An individual designated as a transition manager under
29 subsection (3) shall perform the functions and satisfy the

1 responsibilities of a transition manager under this section from
2 the time of the designation until the elected members of the school
3 board of the community district are elected and take office under
4 section 384. Officers, employees, agents, and contractors of the
5 community district are subject to direction and supervision by the
6 transition manager and shall actively cooperate with the transition
7 manager in the transition manager's performance of functions and
8 responsibilities under this section. The functions and
9 responsibilities of the transition manager under this section
10 include, but are not limited to, all of the following before, on,
11 and after the transfer date:

12 (a) Appointing an interim superintendent of schools for the
13 community district to perform the functions of the superintendent
14 of schools for the community district only until a superintendent
15 of schools is selected by the school board of the community
16 district and takes office.

17 (b) Subject to the control of the financial review commission
18 under section 387, adopting the initial budget and general
19 appropriations act for the community district for the first fiscal
20 year of the community district. The initial budget and general
21 appropriations act are subject to amendment by the school board of
22 the community district after the school board is elected and takes
23 office under section 384.

24 (c) Subject to the control of the financial review commission
25 under section 387, establishing financial and accounting systems
26 for the community district and transferring financial records from
27 the qualifying school district to the community district.

28 (d) Transferring student records from the qualifying school
29 district in a manner that complies with laws applicable to student

1 records.

2 (e) Taking action necessary to ensure that state or federal
3 grants payable and expendable by the qualifying school district
4 before the transfer date are payable and expendable by the
5 community district as a successor entity to the qualifying school
6 district after the transfer date.

7 (f) Taking action necessary to ensure that school buildings
8 and other school property transferred to the community district by
9 operation of law under this section are ready for use in the first
10 school year that begins after the transfer date and preparing a
11 schedule of all fixed assets transferred from the qualifying school
12 district to the community district.

13 (g) Taking action necessary to ensure the continuity of
14 ongoing educational programs operational both before and after the
15 transfer date and properly accounting for the funding of the
16 educational programs.

17 (h) Subject to the control of the financial review commission
18 under section 387, negotiating and approving amended or new
19 agreements with vendors of the qualifying school district to assure
20 that the necessary services are available to be provided to the
21 community district. This does not include a collective bargaining
22 agreement.

23 (i) Adopting on behalf of the community district any policy or
24 operating procedure required by law for a school district as
25 necessary to ensure the community district's compliance with this
26 act and other applicable law.

27 (5) As permitted under federal law, on the transfer date the
28 superintendent of public instruction shall allocate to a community
29 district receiving the functions and responsibilities of a

1 qualifying school district for a public school under subsection (2)
2 all applicable grants under 20 USC 6333, 20 USC 6334, 20 USC 6335,
3 and 20 USC 6337, and other federal funds that would otherwise be
4 made available for grants to or federal funding for the public
5 school or make other adjustments in the allocation of federal funds
6 to implement the transfer of functions and responsibilities for the
7 public school. The community district is the successor entity of
8 the qualifying school district for purposes of receiving and
9 expending federal grants.

10 (6) For a community district's first school year of operations
11 only, until the department is able to calculate the community
12 district's membership, the department shall use the membership of
13 the qualifying school district for the purposes of making state
14 school aid allocations to the community district under the state
15 school aid act of 1979.

16 (7) Effective on the transfer date for a qualifying school
17 district and the community district created with the same
18 geographic boundaries of the qualifying school district under part
19 5b, all of the following apply:

20 (a) The community district acquires, succeeds to, and assumes
21 the exclusive right, responsibility, and authority to own, occupy,
22 operate, control, use, lease, and convey the facilities of the
23 qualifying school district existing as of the transfer date,
24 including all lands, buildings, improvements, structures,
25 easements, rights of access, and all other privileges and
26 appurtenances. The officers of the qualifying school district shall
27 execute any instruments of conveyance, assignment, and transfer
28 that are necessary or appropriate to accomplish the acquisition and
29 succession under this subdivision. Occupancy of a facility by a

1 community district under this subdivision is not considered to be a
2 change in occupancy for any purpose under state or local law.

3 (b) Except as otherwise provided in this section, the
4 community district acquires, succeeds to, and assumes all rights,
5 title, and interests in and to the fixtures, equipment, materials,
6 furnishings, and other personal property owned and used by the
7 qualifying school district as of the transfer date. The officers of
8 the qualifying school district shall execute any instruments of
9 conveyance, assignment, and transfer that are necessary or
10 appropriate to accomplish the acquisition and succession under this
11 subdivision.

12 (c) Except as otherwise provided in this section, the
13 community district acquires, succeeds to, and assumes all of the
14 rights of the qualifying school district relating to the qualifying
15 school district under any ordinances, agreements, or other
16 instruments and under law. This includes, but is not limited to, a
17 contract issued by the qualifying school district under this act to
18 organize and operate a public school academy. This succession
19 includes, and there is transferred to the community district, all
20 licenses, permits, approvals, or awards related to the qualifying
21 school district along with all grant agreements, grant pre-
22 applications, and the right to receive the balance of any funds
23 payable under the agreements.

24 (d) The community district has the right and authority to own,
25 occupy, operate, control, use, lease, and convey the facilities
26 transferred by the qualifying school district, subject to any liens
27 on the real property.

28 (e) Except for debt or other obligations retained by the
29 qualifying school district under this section, the community

1 district has the qualifying school district's right, title, and
2 interest in and all of the qualifying school district's
3 responsibilities and authority arising under leases, concessions,
4 and other contracts for facilities.

5 (f) All records and files, software, and software licenses
6 required for financial management, personnel management, accounting
7 and inventory systems, or general administration of the qualifying
8 school district are transferred to the community district without
9 reversion or impairment to the maximum extent permitted by law.

10 (g) A community district acquires, succeeds to, and assumes
11 all of the rights, duties, and obligations under a collective
12 bargaining agreement applicable to the qualifying school district
13 on the transfer date. The terms and conditions of that collective
14 bargaining agreement applicable to employees of the qualifying
15 school district on the transfer date ~~shall~~**must** be the terms and
16 conditions applicable to employees of the community district and
17 except for the superintendent of schools, the community district
18 shall be the successor employer for employees of the qualifying
19 school district on the transfer date. Except for the superintendent
20 of schools, an individual who is entitled to employment by the
21 qualifying school district on the transfer date ~~shall be~~**is**
22 entitled to employment by the community district following the
23 transfer to the community district.

24 (h) For individuals who become employed by a community
25 district by the operation of subdivision (g), the transition
26 manager shall take all steps necessary to ensure that all personnel
27 records are transferred from the qualifying school district to the
28 community district. For an individual who becomes employed by a
29 community district by the operation of subdivision (g), the

1 community district is not required to obtain a criminal history
2 check under section 1230 or a criminal records check under section
3 1230a or to request information concerning unprofessional conduct
4 under section 1230b before employing the individual.

5 (i) On the transfer date, a pupil enrolled in the qualifying
6 school district in the immediately preceding school year other than
7 an individual who has completed grade 12 is automatically enrolled
8 by operation of law in the community district for the next school
9 year. The transition manager shall use best efforts to assign a
10 pupil to the appropriate grade at the school the pupil attended in
11 the preceding school year, or to another school that the pupil has
12 applied and been admitted to before the transfer date, unless the
13 appropriate grade is not offered at that school or that school is
14 closed. The transition manager shall ensure that all pupil records
15 are transferred from the qualifying school district to the
16 community district in accordance with sections 1134 and 1135. This
17 section does not diminish or limit the right of a pupil to attend a
18 school of ~~his or her~~ **the pupil's** choice.

19 (8) A transfer to a community district under this section does
20 not impair a contract with a party in privity with the qualifying
21 school district.

22 (9) ~~Upon~~ **On** the transfer to a community district, the
23 community district assumes and the qualifying school district is
24 relieved from all operational jurisdiction over the qualifying
25 school district and facilities and is relieved from all further
26 costs and responsibility arising from or associated with operating
27 a public school or providing public education services, except as
28 otherwise required under obligations retained by the qualifying
29 school district under this section, including, but not limited to,

1 debt.

2 (10) A qualifying school district shall do all of the
3 following:

4 (a) Refrain from any action that would impair a community
5 district's exercise of the powers granted to the community district
6 under this section or part 5b, or that would impair the efficient
7 operation and management of the community district.

8 (b) Take all action reasonably necessary to cure any defects
9 in title to property transferred from the qualifying school
10 district to the community district.

11 (c) ~~Upon~~**On** creation of a community district and before the
12 transfer date, conduct operations of the qualifying school district
13 in the ordinary and usual course of business.

14 (d) Comply with the terms and conditions of any loan agreement
15 between the qualifying school district and the local financial
16 emergency assistance loan board under the emergency municipal loan
17 act, 1980 PA 243, MCL 141.931 to 141.942, including, but not
18 limited to, any terms and conditions providing for the payment of
19 transitional operating costs incurred by a community district.

20 (e) Notify the state treasurer upon the repayment of all
21 outstanding operating obligations of the qualifying school
22 district.

23 (f) Notify the state treasurer upon the repayment of all
24 outstanding debt of the qualifying school district.

25 (11) ~~Upon~~**On** the election and assumption of duties by the
26 members of the initial elected school board of the community
27 district, the school board of the qualifying school district is
28 dissolved and the functions and responsibilities of the qualifying
29 school district shall be exercised by the community district on

1 behalf of the qualifying school district until the qualifying
2 school district is fully dissolved under subsection (14).

3 (12) If the state treasurer is notified that all outstanding
4 operating obligations of the qualifying school district have been
5 repaid, the state treasurer shall verify whether all outstanding
6 obligations of the qualifying school district have been repaid. The
7 state treasurer also may determine that the outstanding operating
8 obligations of a qualifying school district have been satisfied on
9 ~~his or her~~ **the state treasurer's** own without notice. If the state
10 treasurer determines that all outstanding operating obligations of
11 the qualifying school district have been repaid, the state
12 treasurer shall certify in a written notice to a community district
13 that has the same geographic boundaries as the qualifying school
14 district that the outstanding operating obligations of the
15 qualifying school district have been repaid.

16 (13) If the state treasurer is notified that all outstanding
17 debt of the qualifying school district has been repaid, the state
18 treasurer shall verify whether all of the outstanding debt of the
19 qualifying school district has been repaid. The state treasurer
20 also may determine that the outstanding debt of a qualifying school
21 district has been repaid on ~~his or her~~ **the state treasurer's** own
22 without notice. If the state treasurer determines that all of the
23 outstanding debt of the qualifying school district has been repaid,
24 the state treasurer shall certify in a written notice to a
25 community district that has the same geographic boundaries as the
26 qualifying district that all outstanding debt of the qualifying
27 school district has been repaid.

28 (14) ~~Upon~~ **On** certification by the state treasurer under
29 subsection (13), the qualifying school district is fully dissolved

1 and any remaining assets of the qualifying school district are
2 transferred to the community district.

3 (15) As used in this section:

4 (a) "Debt" means that term as defined in section 103 of the
5 revised municipal finance act, 2001 PA 34, MCL 141.2103, and also
6 includes any of the following:

7 (i) Obligations of the qualifying school district under an
8 energy installment purchase contract.

9 (ii) Obligations of the qualifying school district under a
10 capital lease.

11 (iii) Any unpaid amounts payable by the qualifying school
12 district to the Michigan public school employees' retirement board
13 under the public school employees retirement act of 1979, 1980 PA
14 300, MCL 38.1301 to 38.1437.

15 (iv) The repayment of any loan or obligations under any loan
16 agreement between the qualifying school district and the local
17 financial emergency assistance loan board under the emergency
18 municipal loan act, 1980 PA 243, MCL 141.931 to 141.942.

19 (v) The repayment of any school financing stability bonds
20 under section 1356.

21 (vi) Any other monetary obligations of the qualifying school
22 district.

23 (b) "Operating obligation" means debt of a school district
24 incurred for purposes of financing the operation of a school
25 district or public schools operated by a school district,
26 including, but not limited to, fiscal stability bonds under section
27 1356 and an emergency loan under the emergency municipal loan act,
28 1980 PA 243, MCL 141.931 to 141.942, ~~and~~ transitional operating
29 costs as defined in section 3 of the emergency municipal loan act,

1 1980 PA 243, MCL 141.933, and loans issued from the school loan
2 revolving fund established under section 16c of the shared credit
3 rating act, 1985 PA 227, MCL 141.1066c. Operating obligation does
4 not include **other** debt of a school district incurred for the
5 purpose of constructing, renovating, maintaining, or otherwise
6 improving school facilities unless the debt is incurred as
7 transitional operating costs as defined in section 3 of the
8 emergency municipal loan act, 1980 PA 243, MCL 141.933.

9 (c) "Transfer date" means the first July 1 after the date a
10 school district becomes a qualifying school district. For a school
11 district that became a qualifying school district on ~~the effective~~
12 ~~date of the amendatory act that added this subdivision,~~ **June 21,**
13 **2016,** the transfer date is July 1, 2016.