



MICHIGAN
HOUSE OF REPRESENTATIVES
P.O. Box 30014
LANSING, MICHIGAN 48909-7514

THE MINUTES OF THE HOUSE STANDING COMMITTEE
ON
FINANCIAL LIABILITY REFORM

Wednesday, April 15, 2015

11:45 a.m.

Room 327 House Office Building

The House Standing Committee on Financial Liability Reform was called to order by **Representative Pat Somerville**, Chair.

MEMBERS PRESENT: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons, Poleski, Wittenberg, Faris and Chirkun.

MEMBERS ABSENT/EXCUSED: None.

Representative Farrington moved to adopt the minutes from the **March 25, 2015**, meeting. There being no objection, the motion prevailed by unanimous consent.

Chair Somerville laid **HB 4325, HB 4326, HB 4327, HB 4328, HB 4329** and **HB 4330** before the committee:

- | | |
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| HB 4325 (Poleski) | Education; school districts; preplanned financial reporting; require for school districts as part of early warning system. |
| HB 4326 (Poleski) | Education; financing; preliminary review to determine the existence of probable financial stress in school districts; require under certain conditions, and modify the state financial authority for certain school districts. |
| HB 4327 (Pscholka) | Education; school districts; deficit elimination plan; provide for enhancement. |
| HB 4328 (Lyons) | School aid; other; deficit elimination plan requirement; revise. |
| HB 4329 (Somerville) | Education; financing; school district placement under control of an emergency manager for failure to comply with enhanced deficit elimination plan; provide for. |
| HB 4330 (Kelly) | School aid; payments; reference to deficit elimination plan compliance in school aid act; update, include enhanced deficit elimination plans, and revise other reporting requirements. |

The substitutes (H-1) to HB 4325, (H-1) to HB 4327, (H-1) to HB 4328 and (H-1) to HB 4330 were adopted on March 25, 2015.

The representatives who offered amendments today explained them to the committee.

Chair Somerville placed the committee at ease @ 12:04 p.m.
The committee reconvened @ 12:12 p.m.

Representative Wittenberg offered and moved the following amendment to **HB 4325 (H-1)**:

1. Amend page 1, following "**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**" by inserting:

"Sec. 1212. (1) If approved by the school electors of the school district, the board of a school district may levy a tax of not to exceed 5 mills on the ~~state-equalized valuation~~ **TAXABLE VALUE OF THE REAL AND PERSONAL PROPERTY** of the school district each year for a period of not to exceed 20 years, for the purpose of creating a sinking fund to be used for ~~the purchase of real estate for sites for, and the construction or repair of, school buildings~~ **ANY PURPOSE FOR WHICH A SCHOOL DISTRICT MAY BORROW MONEY AND ISSUE BONDS UNDER SECTION 1351A.** The sinking fund tax levy is subject to the 15 mill tax limitation provisions of section 6 of article IX of the state constitution of 1963 and the property tax limitation act, 1933 PA 62, MCL 211.201 to 211.217a.

(2) A school district that levies a sinking fund tax under this section shall have an independent audit of its sinking fund conducted annually, including a review of the uses of the sinking fund, and shall submit the audit report to the department of treasury. If the department of treasury determines from the audit report that the sinking fund has been used for a purpose other than those authorized for the sinking fund under this section, the school district shall repay the misused funds to the sinking fund from the school district's operating funds and shall not levy a sinking fund tax under this section after the date the department of treasury makes that determination.

(3) ~~(2)~~ The proposition of levying a sinking fund tax shall be submitted to the school electors of the school district at a regular or special school election.

(4) ~~(3)~~ The question of levying taxes for the purpose of creating a sinking fund shall be by ballot in substantially the following form:

"Shall _____ levy _____ mills
(legal name of school district)

to create a sinking fund for the purpose of _____

_____ for a period of _____ years?

Yes ()
No ()".

(5) ~~(4)~~ For the purposes of this section, millage approved by the school electors before December 1, 1993 for which the authorization has not expired is considered to be approved by the school electors."

The motion did not prevail by a vote of **3-6-0**.

UNFAVORABLE ROLL CALL:

Yeas: Representatives Wittenberg, Faris and Chirkun,

Nays: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Pass: None.

Representative Faris offered and moved the following amendment to **HB 4325 (H-1)**:

1. Amend page 2, line 23, by striking out all of line 23 through all of line 8 on page 10 and inserting:

"(2) **IF A SCHOOL DISTRICT OR PUBLIC SCHOOL ACADEMY DETERMINES THAT CONDITIONS OF FISCAL STRESS OR CONDITIONS INDICATING A POTENTIAL FINANCIAL EMERGENCY HAVE ARISEN OR MAY ARISE FOR THE SCHOOL DISTRICT OR PUBLIC SCHOOL ACADEMY, THAT SCHOOL DISTRICT OR**

PUBLIC SCHOOL ACADEMY SHALL NOTIFY THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE STATE TREASURER. A SCHOOL DISTRICT DESCRIBED IN THIS SUBSECTION SHALL REQUEST TECHNICAL ASSISTANCE FROM THE INTERMEDIATE SCHOOL DISTRICT IN WHICH IT IS LOCATED. A PUBLIC SCHOOL ACADEMY DESCRIBED IN THIS SUBSECTION SHALL REQUEST TECHNICAL ASSISTANCE FROM ITS AUTHORIZING BODY.

(3) WITHIN 45 DAYS AFTER RECEIVING A REQUEST FOR TECHNICAL ASSISTANCE FROM A SCHOOL DISTRICT UNDER SUBSECTION (2), AN INTERMEDIATE SCHOOL DISTRICT SHALL REVIEW THE FINANCIAL CONDITION AND BUDGET OF THE SCHOOL DISTRICT AND, AFTER CONSULTATION WITH THE SCHOOL DISTRICT, PROVIDE TECHNICAL ASSISTANCE TO THE SCHOOL DISTRICT WITH THE OBJECTIVE OF ASSISTING THE SCHOOL DISTRICT IN REMEDYING OR AVOIDING CONDITIONS OF FISCAL STRESS, A DEFICIT, OR A POTENTIAL FINANCIAL EMERGENCY BEFORE FURTHER INTERVENTION IS NEEDED. THE INTERMEDIATE SCHOOL DISTRICT SHALL CREATE AND TRANSMIT A FINAL REPORT OF ITS FINDINGS AND RECOMMENDATIONS TO THE SCHOOL DISTRICT REQUESTING THE TECHNICAL ASSISTANCE, THE SUPERINTENDENT OF PUBLIC INSTRUCTION, AND THE STATE TREASURER. WITHIN 45 DAYS AFTER RECEIVING A REQUEST FOR TECHNICAL ASSISTANCE FROM A PUBLIC SCHOOL ACADEMY, THE PUBLIC SCHOOL ACADEMY'S AUTHORIZING BODY SHALL REVIEW THE FINANCIAL CONDITION AND BUDGET OF THE SCHOOL DISTRICT AND, AFTER CONSULTATION WITH THE PUBLIC SCHOOL ACADEMY, PROVIDE TECHNICAL ASSISTANCE, WITH THE OBJECTIVE OF ASSISTING THE PUBLIC SCHOOL ACADEMY IN REMEDYING OR AVOIDING CONDITIONS OF FISCAL STRESS, A DEFICIT, OR A POTENTIAL FINANCIAL EMERGENCY BEFORE FURTHER INTERVENTION IS NEEDED. THE AUTHORIZING BODY SHALL CREATE AND TRANSMIT A FINAL REPORT OF ITS FINDINGS AND RECOMMENDATIONS TO THE PUBLIC SCHOOL ACADEMY REQUESTING THE TECHNICAL ASSISTANCE, THE SUPERINTENDENT OF PUBLIC INSTRUCTION, AND THE STATE TREASURER.

(4) WITHIN 90 DAYS AFTER RECEIPT OF THE FINAL REPORT OF FINDINGS AND RECOMMENDATIONS UNDER SUBSECTION (3), A SCHOOL DISTRICT SHALL TRANSMIT A REPORT TO THE INTERMEDIATE SCHOOL DISTRICT, THE SUPERINTENDENT OF PUBLIC INSTRUCTION, AND THE STATE TREASURER INDICATING THE STEPS TAKEN TO ADDRESS THE CONDITIONS OF FISCAL STRESS OR FINANCIAL EMERGENCY, OR CONDITIONS OF POTENTIAL FISCAL STRESS OR POTENTIAL FINANCIAL EMERGENCY, THAT HAD ARISEN REQUIRING THE REQUEST FOR TECHNICAL ASSISTANCE UNDER THIS SECTION. WITHIN 90 DAYS OF RECEIPT OF THE FINAL REPORT OF FINDINGS AND RECOMMENDATIONS UNDER SUBSECTION (3), A PUBLIC SCHOOL ACADEMY SHALL TRANSMIT A REPORT TO ITS AUTHORIZING BODY, THE SUPERINTENDENT OF PUBLIC INSTRUCTION, AND THE STATE TREASURER INDICATING THE STEPS TAKEN TO ADDRESS THE CONDITIONS OF FISCAL STRESS OR FINANCIAL EMERGENCY, OR CONDITIONS OF POTENTIAL FISCAL STRESS OR POTENTIAL FINANCIAL EMERGENCY, THAT HAD ARISEN REQUIRING THE REQUEST FOR TECHNICAL ASSISTANCE UNDER THIS SECTION.

(5) IF AN INTERMEDIATE SCHOOL DISTRICT DETERMINES THAT CONDITIONS OF FISCAL STRESS OR CONDITIONS INDICATING A POTENTIAL FINANCIAL EMERGENCY HAVE ARISEN OR MAY ARISE FOR THE INTERMEDIATE SCHOOL DISTRICT, THE INTERMEDIATE SCHOOL DISTRICT SHALL NOTIFY THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE STATE TREASURER. THE INTERMEDIATE SCHOOL DISTRICT SHALL REQUEST TECHNICAL ASSISTANCE FROM THE SUPERINTENDENT OF PUBLIC INSTRUCTION.

(6) WITHIN 45 DAYS AFTER RECEIVING A REQUEST FOR TECHNICAL ASSISTANCE FROM AN INTERMEDIATE SCHOOL DISTRICT UNDER SUBSECTION (5), THE SUPERINTENDENT OF PUBLIC INSTRUCTION IN CONSULTATION WITH THE STATE TREASURER SHALL REVIEW THE FINANCIAL CONDITION AND BUDGET OF THE INTERMEDIATE SCHOOL DISTRICT AND, AFTER

CONSULTATION WITH THE INTERMEDIATE SCHOOL DISTRICT, PROVIDE TECHNICAL ASSISTANCE WITH THE OBJECTIVE OF ASSISTING THE INTERMEDIATE SCHOOL DISTRICT IN REMEDYING OR AVOIDING CONDITIONS OF FISCAL STRESS, A DEFICIT, OR A POTENTIAL FINANCIAL EMERGENCY BEFORE FURTHER INTERVENTION IS NEEDED.

(7) WITHIN 90 DAYS OF RECEIPT OF THE FINDINGS AND RECOMMENDATIONS FROM THE SUPERINTENDENT OF PUBLIC INSTRUCTION UNDER SUBSECTION (3), THE INTERMEDIATE SCHOOL DISTRICT SHALL TRANSMIT A REPORT TO THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE STATE TREASURER INDICATING THE STEPS TAKEN TO ADDRESS THE CONDITIONS OF FISCAL STRESS OR FINANCIAL EMERGENCY, OR CONDITIONS OF POTENTIAL FISCAL STRESS OR POTENTIAL FINANCIAL EMERGENCY, THAT HAD ARISEN REQUIRING THE REQUEST FOR TECHNICAL ASSISTANCE UNDER THIS SECTION.

(8) AS USED IN THIS SECTION:

(A) "AUTHORIZING BODY" MEANS AN AUTHORIZING BODY FOR A PUBLIC SCHOOL ACADEMY UNDER THIS ACT.

(B) "CEPI" MEANS THE CENTER FOR EDUCATIONAL PERFORMANCE AND INFORMATION CREATED IN SECTION 94A OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1694A.

(C) "DEFICIT" MEANS A CONDITION PROHIBITED UNDER SECTION 15(2) OF THE UNIFORM BUDGETING AND ACCOUNTING ACT, 1968 PA 2, MCL 141.435, OR UNDER SECTION 102(1) OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1702. DEFICIT ALSO INCLUDES 1 OR BOTH OF THE FOLLOWING CIRCUMSTANCES FOR A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY:

(i) THE TOTAL GENERAL FUND BALANCE OF THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY IS NEGATIVE OR IS PROJECTED TO BE NEGATIVE AT THE END OF THE CURRENT SCHOOL FISCAL YEAR.

(ii) ONE OR MORE OF THE FUNDS OF THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY OTHER THAN THE GENERAL FUND HAVE A NEGATIVE BALANCE OR PROJECTED NEGATIVE BALANCE THAT IS GREATER THAN THE TOTAL GENERAL FUND BALANCE.

(D) "FINANCIAL EMERGENCY" MEANS THAT 1 OR MORE OF THE CONDITIONS DESCRIBED IN SECTION 5(3)(A) TO (D), (F), (H), (J), OR (K) OF THE LOCAL FINANCIAL STABILITY AND CHOICE ACT, 2012 PA 436, MCL 141.1545, EXIST OR ARE LIKELY TO OCCUR WITHIN A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY IN THE CURRENT OR NEXT SCHOOL FISCAL YEAR.

(E) "FISCAL STRESS" MEANS THAT A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY IS UNABLE TO MEET ITS SHORT-TERM OR LONG-TERM FINANCIAL OBLIGATIONS AS THOSE OBLIGATIONS ARISE.

(F) "FOUNDATION ALLOWANCE" MEANS, FOR A SCHOOL DISTRICT, THE FOUNDATION ALLOWANCE FOR THE SCHOOL DISTRICT AS CALCULATED UNDER SECTION 20 OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1620, AND, FOR A PUBLIC SCHOOL ACADEMY, THE PER-PUPIL ALLOCATION FOR THE PUBLIC SCHOOL ACADEMY AS CALCULATED UNDER SECTION 20(6) OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1620.

(G) "GOVERNING BODY" MEANS, FOR A SCHOOL DISTRICT, THE SCHOOL BOARD OF THE SCHOOL DISTRICT AND, FOR A PUBLIC SCHOOL ACADEMY, THE BOARD OF DIRECTORS OF THE PUBLIC SCHOOL ACADEMY.

(H) "MEMBERSHIP" MEANS THAT TERM AS DEFINED IN SECTION 6 OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1606.

(I) "PUPIL" MEANS THAT TERM AS DEFINED IN SECTION 6 OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1606."

The motion did not prevail by a vote of **3-6-0**.

UNFAVORABLE ROLL CALL:

Yeas: Representatives Wittenberg, Faris and Chirkun,
Nays: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,
Pass: None.

Representative Faris offered and moved the following amendment to **HB 4325 (H-1)**:

1. Amend page 8, following line 11, by inserting:
"**(12) THE DEPARTMENT OF TREASURY SHALL REIMBURSE A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY FOR ANY ADDITIONAL EXPENSES INCURRED BY THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY IN COMPLYING WITH THE REQUIREMENTS OF THIS SECTION AND SECTION 1220.**"
and renumbering the remaining subsection.

The motion did not prevail by a vote of **3-6-0**.

UNFAVORABLE ROLL CALL:

Yeas: Representatives Wittenberg, Faris and Chirkun,
Nays: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,
Pass: None.

Representative Chirkun offered and moved the following amendments to **HB 4325 (H-1)**:

1. Amend page 1, line 1, after "**(1)**" by striking out "**EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2)**", and inserting "**BEFORE**".
2. Amend page 2, line 23, by striking out all of subsection **(2)** and renumbering the remaining subsections.
3. Amend page 3, line 15, after "**SUBSECTION**" by striking out "**(3)**" and inserting "**(2)**".
4. Amend page 3, line 18, after "**SUBSECTION**" by striking out "**(3)**" and inserting "**(2)**".
5. Amend page 3, line 21, after "**SUBSECTION**" by striking out "**(3)**" and inserting "**(2)**".
6. Amend page 5, line 13, after "**(1)**" by striking out "**OR (2)**".
7. Amend page 5, line 21, after "**(1)**" by striking out "**OR (2)**".
8. Amend page 6, line 2, after "**SUBSECTION**" by striking out "**(6)**" and inserting "**(5)**".
9. Amend page 8, line 9, after "**SUBSECTION**" by striking out "**(10)**" and inserting "**(9)**".

The motion did not prevail by a vote of **3-6-0**.

UNFAVORABLE ROLL CALL:

Yeas: Representatives Wittenberg, Faris and Chirkun,
Nays: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,
Pass: None.

Representative Poleski offered and moved the following amendment to **HB 4325 (H-1)**:

1. Amend page 8, following line 11, by inserting:

"(12) CEPI SHALL MAKE AVAILABLE TO THE PUBLIC ON ITS WEBSITE ALL OF THE BUDGETARY ASSUMPTIONS IT RECEIVES UNDER THIS SECTION AND ALL OF THE PERIODIC FINANCIAL STATUS REPORTS SUBMITTED TO THE STATE TREASURER UNDER THIS SECTION. THE STATE TREASURER SHALL TRANSMIT TO CEPI ANY DOCUMENTS NEEDED BY CEPI TO COMPLY WITH THIS SUBSECTION." and renumbering the remaining subsection.

The motion prevailed by a vote of **9-0-0**.

FAVORABLE ROLL CALL:

Yeas: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons, Poleski, Wittenberg, Faris and Chirkun,

Nays: None,

Pass: None.

Representative Farrington offered and moved the following amendment to **HB 4325 (H-1)**:

1. Amend page 4, line 8, after "(6) by inserting **"A SCHOOL DISTRICT OR PUBLIC SCHOOL ACADEMY IS NOT REQUIRED TO SUBMIT PERIODIC FINANCIAL STATUS REPORTS UNDER THIS SECTION UNLESS THE STATE TREASURER FIRST MAKES THE DETERMINATION REQUIRED BY THIS SUBSECTION BASED UPON ONE OR MORE OF THE FACTORS DESCRIBED IN SUBDIVISIONS (A) TO (G)."**

The motion prevailed by a vote of **8-1-0**.

FAVORABLE ROLL CALL:

Yeas: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons, Poleski, Wittenberg and Faris,

Nays: Representative Chirkun,

Pass: None.

Representative Farrington moved to report **HB 4325** with recommendation as substitute **(H-3)**.

The motion prevailed by a vote of **6-3-0**.

FAVORABLE ROLL CALL:

Yeas: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons, Poleski,

Nays: Representatives Wittenberg, Faris and Chirkun,

Pass: None.

Representative Chirkun offered and moved the following amendment to **HB 4326**:

1. Amend page 5, line 12, after "380.6," by inserting **"A PUBLIC SCHOOL ACADEMY AS THAT TERM IS DEFINED IN SECTION 5 OF THE REVISED SCHOOL CODE, 1976**

PA 451, MCL 380.5,".

The motion did not prevail by a vote of **3-6-0**.

UNFAVORABLE ROLL CALL:

Yeas: Representatives Wittenberg, Faris and Chirkun,

Nays: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Pass: None.

Representative Lyons moved to report **HB 4326** with recommendation.

The motion prevailed by a vote of **6-3-0**.

FAVORABLE ROLL CALL:

Yeas: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Nays: Representatives Wittenberg, Faris and Chirkun,

Pass: None.

Representative Wittenberg offered and moved the following amendments to **HB 4327 (H-1)**:

1. Amend page 3, line 1, after "**INSTRUCTION**" by striking out "**MAY**" and inserting "**SHALL**".

2. Amend page 6, line 3, after "**TREASURER.**" by inserting "**THE STATE TREASURER SHALL INCLUDE AS PART OF AN ENHANCED DEFICIT ELIMINATION PLAN AN ACADEMIC PLAN FOR THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY. THE STATE TREASURER SHALL SUBMIT THE ACADEMIC PLAN TO THE SUPERINTENDENT OF PUBLIC INSTRUCTION FOR REVIEW AND APPROVAL.**".

The motion did not prevail by a vote of **3-6-0**.

UNFAVORABLE ROLL CALL:

Yeas: Representatives Wittenberg, Faris and Chirkun,

Nays: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Pass: None.

Representative Faris offered and moved the following amendments to **HB 4327 (H-1)**:

1. Amend page 1, following "**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**" by inserting:

"Sec. 11a. (1) Beginning on July 1, 1996, each school district formerly organized as a primary school district or as a school district of the fourth class, third class, or second class shall be a general powers school district under this act.

(2) Beginning on July 1, 1996, a school district operating under a special or local act shall operate as a general powers school district under this act except to the extent that the special or local

act is inconsistent with this act. Upon repeal of a special or local act that governs a school district, that school district shall become a general powers school district under this act.

(3) A general powers school district has all of the rights, powers, and duties expressly stated in this act; may exercise a power implied or incident to a power expressly stated in this act; and, except as provided by law, may exercise a power incidental or appropriate to the performance of a function related to operation of the school district in the interests of public elementary and secondary education in the school district, including, but not limited to, all of the following:

(a) Educating pupils. In addition to educating pupils in grades K-12, this function may include operation of preschool, lifelong education, adult education, community education, training, enrichment, and recreation programs for other persons.

(b) Providing for the safety and welfare of pupils while at school or a school sponsored activity or while en route to or from school or a school sponsored activity.

(c) Acquiring, constructing, maintaining, repairing, renovating, disposing of, or conveying school property, facilities, equipment, technology, or furnishings.

(d) Hiring, contracting for, scheduling, supervising, or terminating employees, independent contractors, and others to carry out school district powers. A school district may indemnify its employees.

(e) Receiving, accounting for, investing, or expending school district money; borrowing money and pledging school district funds for repayment; and qualifying for state school aid and other public or private money from local, regional, state, or federal sources.

(4) A general powers school district may enter into agreements or cooperative arrangements with other entities, public or private, or join organizations as part of performing the functions of the school district. An agreement or cooperative arrangement that is entered into under this act is not required to comply with the provisions of the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512, as provided under section 503 of that act, MCL 124.503.

(5) A general powers school district is a body corporate and shall be governed by a school board. An act of a school board is not valid unless approved, at a meeting of the school board, by a majority vote of the members lawfully serving on the board.

(6) The board of a general powers school district shall adopt bylaws. These bylaws may establish or change board procedures, the number of board officers, titles and duties of board officers, and any other matter related to effective and efficient functioning of the board. Regular meetings of the board shall be held at least once each month, at the time and place fixed by the bylaws. Special meetings may be called and held in the manner and for the purposes specified in the bylaws. Board procedures, bylaws, and policies in effect on the effective date of this section shall continue in effect until changed by action of the board.

(7) The board of a school district shall be elected as provided under this act and the Michigan election law. The number of members of the board of a general powers school district shall remain the same as for that school district before July 1, 1996 unless changed by the school electors of the school district at a regular or special school election. A ballot question for changing the number of board members may be placed on the ballot by action of the board or by petition submitted by school electors as provided under chapter XIV of the Michigan election law, MCL 168.301 to 168.316.

(8) Members of the board of a general powers school district shall be elected by the school electors for terms of 4 or 6 years, as provided by the school district's bylaws. At each regular school election, members of the board shall be elected to fill the positions of those whose terms will expire. A term of office begins as provided in section 302 of the Michigan election law, MCL 168.302, and continues until a successor is elected and qualified.

(9) THE BOARD OF A GENERAL POWERS SCHOOL DISTRICT SHALL ENSURE THAT, WITHIN 120 DAYS AFTER TAKING OFFICE UPON INITIAL ELECTION, REELECTION, OR INITIAL APPOINTMENT TO THE BOARD, A MEMBER OF THE BOARD ATTENDS AND COMPLETES SCHOOL BOARD TRAINING. THE SCHOOL BOARD TRAINING SHALL ADDRESS AT LEAST SCHOOL BOARD GOVERNANCE, PUBLIC SCHOOL FINANCING, FISCAL RESPONSIBILITY, AND ETHICS.

(10) ~~(9)~~The board of a general powers school district may submit to the school electors of the school district a question that is within the scope of the powers of the school electors and that the board considers proper for the management of the school system or the advancement of education in the school district. Upon the adoption of a question by the board, the board shall submit the question to the school electors by complying with section 312 of the Michigan election law, MCL 168.312.

~~(11)~~ ~~(10)~~-A special election may be called by the board of a general powers school district as provided under chapter XIV of the Michigan election law, MCL 168.301 to 168.316.

~~(12)~~ ~~(11)~~-Unless expressly provided in 1995 PA 289, the powers of a school board or school district are not diminished by this section or by 1995 PA 289.

~~(13)~~ ~~(12)~~-A school district operating a public library, public museum, or community recreational facility as of July 1, 1996 may continue to operate the public library, public museum, or community recreational facility.

~~(14)~~ ~~(13)~~-A school district may establish and administer scholarships for its students or graduates to support their attendance at a postsecondary educational institution from funds the school district receives as a result of a compact entered into between this state and a federally recognized Indian tribe pursuant to the Indian gaming regulatory act, Public Law 100-497. A school district that establishes a scholarship program funded under this subsection shall ensure that the scholarship program provides for all of the following:

(a) That a student or graduate is not eligible to be awarded a scholarship unless the student or graduate is enrolled in the school district for all of grades 9 to 12 and meets 1 of the following:

(i) Is a resident of the school district for all of grades 9 to 12.

(ii) Was enrolled in the school district for the 2009-2010 school year but was not a resident of the school district for that school year, and is enrolled in the school district continuously after that school year until graduation.

(b) That the amount of a scholarship awarded to a student or graduate who was not enrolled in and a continuous resident of the school district for all of grades K to 12 shall be adjusted based on length of enrollment and continuous residency or, for a student or graduate described in subdivision (a)(ii), based on length of enrollment.

Sec. 503. (1) An authorizing body is not required to issue a contract to any person or entity. Subject to subsection (2), public school academy contracts shall be issued on a competitive basis. In deciding whether to issue a contract for a proposed public school academy, an authorizing body shall consider all of the following:

(a) The resources available for the proposed public school academy.

(b) The population to be served by the proposed public school academy.

(c) The educational goals to be achieved by the proposed public school academy.

(d) The applicant's track record, if any, in organizing public school academies or other public schools.

(e) The graduation rate of a school district in which the proposed public school academy is proposed to be located.

(f) The population of a county in which the proposed public school academy is proposed to be located.

(g) The number of schools in the proximity of a proposed location of the proposed public school academy that are on the list under section 1280c(1) of the public schools in this state that the department has determined to be among the lowest achieving 5% of all public schools in this state.

(h) The number of pupils on waiting lists of public school academies in the proximity of a proposed location of the proposed public school academy.

(2) An authorizing body may give priority to a proposed public school academy that is intended to replace a public school academy that has been closed pursuant to section 507(5), that will operate all of the same grade levels as the public school academy that has been closed, and that will work toward operating all of grades 9 to 12 within 6 years after it begins operations unless a matriculation agreement has been entered into with another public school that provides grades 9 to 12.

(3) If a person or entity applies to the board of a school district for a contract to organize and operate 1 or more public school academies within the boundaries of the school district and the board does not issue the contract, the person or entity may petition the board to place the question of issuing the contract on the ballot to be decided by the school electors of the school district. The petition shall contain all of the information required to be in the contract application under section 502 and shall be signed by a number of school electors of the school district equal to at least 5% of the total number of school electors of that school district. The petition shall be filed with the school district filing official. If the board receives a petition meeting the requirements of this subsection, the board shall have the question of issuing the contract placed on the ballot at its next regular school election held at least 60 days after receiving the petition. If a majority of the school electors of the school district voting on the question vote to issue the contract, the board shall issue the contract.

(4) Within 10 days after issuing a contract for a public school academy, the authorizing body shall submit to the superintendent of public instruction a copy of the contract.

(5) An authorizing body shall adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each public school academy subject to its jurisdiction. The resolution shall be written or amended as necessary to include a requirement that each member of the board of directors must be a citizen of the United States.

(6) A contract issued to organize and administer a public school academy shall contain at least all of the following:

(a) The educational goals the public school academy is to achieve and the methods by which it will be held accountable. The educational goals shall include demonstrated improved pupil academic achievement for all groups of pupils. To the extent applicable, the pupil performance of a public school academy shall be assessed using at least a Michigan education assessment program (MEAP) test or the Michigan merit examination under section 1279g, as applicable.

(b) A description of the method to be used to monitor the public school academy's compliance with applicable law and its performance in meeting its targeted educational objectives.

(c) A description of the process for amending the contract during the term of the contract.

(d) All of the matters set forth in the application for the contract.

(e) Procedures for revoking the contract and grounds for revoking the contract, including at least the grounds listed in section 507.

(f) A description of and address for the proposed physical plant in which the public school academy will be located. An authorizing body may include a provision in the contract allowing the board of directors of the public school academy to operate the same configuration of age or grade levels at more than 1 site if each configuration of age or grade levels and each site identified in the contract are under the direction and control of the board of directors.

(g) Requirements and procedures for financial audits. The financial audits shall be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles.

(h) The term of the contract and a description of the process and standards for renewal of the contract at the end of the term. The standards for renewal shall include increases in academic achievement for all groups of pupils as measured by assessments and other objective criteria as the most important factor in the decision of whether or not to renew the contract.

(i) A certification, signed by an authorized member of the board of directors of the public school academy, that the public school academy will comply with the contract and all applicable law.

(j) A requirement that the board of directors of the public school academy shall ensure compliance with the requirements of 1968 PA 317, MCL 15.321 to 15.330.

(k) A requirement that the board of directors of the public school academy shall prohibit specifically identified family relationships between members of the board of directors, individuals who have an ownership interest in or who are officers or employees of an educational management organization involved in the operation of the public school academy, and employees of the public school academy. The contract shall identify the specific prohibited relationships consistent with applicable law.

(l) A requirement that the board of directors of the public school academy shall make information concerning its operation and management available to the public and to the authorizing body in the same manner as is required by state law for school districts.

(m) A requirement that the board of directors of the public school academy shall collect, maintain, and make available to the public and the authorizing body, in accordance with applicable law and the contract, at least all of the following information concerning the operation and management of the public school academy:

(i) A copy of the contract issued by the authorizing body for the public school academy.

(ii) A list of currently serving members of the board of directors of the public school academy, including name, address, and term of office; copies of policies approved by the board of directors; board meeting agendas and minutes; a copy of the budget approved by the board of directors and of any amendments to the budget; and copies of bills paid for amounts of \$10,000.00 or more as they were submitted to the board of directors.

(iii) Quarterly financial reports submitted to the authorizing body.

(iv) A current list of teachers and school administrators working at the public school academy that includes their individual salaries as submitted to the registry of educational personnel; copies of the teaching or school administrator's certificates or permits of current teaching and administrative

staff; and evidence of compliance with the criminal background and records checks and unprofessional conduct check required under sections 1230, 1230a, and 1230b for all teachers and administrators working at the public school academy.

(v) Curriculum documents and materials given to the authorizing body.

(vi) Proof of insurance as required by the contract.

(vii) Copies of facility leases or deeds, or both, and of any equipment leases.

(viii) Copies of any management contracts or services contracts approved by the board of directors.

(ix) All health and safety reports and certificates, including those relating to fire safety, environmental matters, asbestos inspection, boiler inspection, and food service.

(x) Any management letters issued as part of the annual financial audit under subdivision (g).

(xi) Any other information specifically required under this act.

(n) A requirement that the authorizing body must review and may disapprove any agreement between the board of directors of the public school academy and an educational management organization before the agreement is final and valid. An authorizing body may disapprove an agreement described in this subdivision only if the agreement is contrary to the contract or applicable law.

(o) A requirement that the board of directors of the public school academy shall demonstrate all of the following to the satisfaction of the authorizing body with regard to its pupil admission process:

(i) That the public school academy has made a reasonable effort to advertise its enrollment openings.

(ii) That the open enrollment period for the public school academy is for a duration of at least 2 weeks and that the enrollment times include some evening and weekend times.

(p) A requirement that the board of directors of the public school academy shall prohibit any individual from being employed by the public school academy in more than 1 full-time position and simultaneously being compensated at a full-time rate for each of those positions.

(Q) A REQUIREMENT THAT, WITHIN 120 DAYS AFTER THE BEGINNING OF A TERM AS A MEMBER OF THE BOARD OF DIRECTORS, A MEMBER OF THE BOARD OF DIRECTORS MUST ATTEND AND COMPLETE SCHOOL BOARD TRAINING. THE SCHOOL BOARD TRAINING SHALL ADDRESS AT LEAST SCHOOL BOARD GOVERNANCE, PUBLIC SCHOOL FINANCING, FISCAL RESPONSIBILITY, AND ETHICS.

(7) A public school academy shall comply with all applicable law, including all of the following:

(a) The open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

(b) The freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

(c) 1947 PA 336, MCL 423.201 to 423.217.

(d) 1965 PA 166, MCL 408.551 to 408.558.

(e) Sections 1134, 1135, 1146, 1153, 1263(3), 1267, and 1274.

(f) Laws concerning participation in state assessments, data collection systems, state level student growth models, state accountability and accreditation systems, and other public comparative data collection required for public schools.

(8) A public school academy and its incorporators, board members, officers, employees, and volunteers have governmental immunity as provided in section 7 of 1964 PA 170, MCL 691.1407. An authorizing body and its board members, officers, and employees are immune from civil liability, both personally and professionally, for an act or omission in authorizing a public school academy if the authorizing body or the person acted or reasonably believed he or she acted within the authorizing body's or the person's scope of authority.

(9) A public school academy is exempt from all taxation on its earnings and property. Instruments of conveyance to or from a public school academy are exempt from all taxation including taxes imposed by 1966 PA 134, MCL 207.501 to 207.513. Unless the property is already fully exempt from real and personal property taxes under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155, property occupied by a public school academy and used exclusively for educational purposes is exempt from real and personal property taxes levied for school operating purposes under section 1211, to the extent exempted under that section, and from real and personal property taxes levied under the state education tax act, 1993 PA 331, MCL 211.901 to 211.906. A public school academy may not levy ad valorem property taxes or another tax for any purpose.

However, operation of 1 or more public school academies by a school district or intermediate school district does not affect the ability of the school district or intermediate school district to levy ad valorem property taxes or another tax.

(10) A public school academy may acquire by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or by any other means, hold and own in its own name buildings and other property for school purposes, and interests therein, and other real and personal property, including, but not limited to, interests in property subject to mortgages, security interests, or other liens, necessary or convenient to fulfill its purposes. For the purposes of condemnation, a public school academy may proceed under the uniform condemnation procedures act, 1980 PA 87, MCL 213.51 to 213.75, excluding sections 6 to 9 of that act, MCL 213.56 to 213.59, or other applicable statutes, but only with the express, written permission of the authorizing body in each instance of condemnation and only after just compensation has been determined and paid.

(11) A member of the board of directors of a public school academy is a public officer and shall, before entering upon the duties of the office, take the constitutional oath of office for public officers under section 1 of article XI of the state constitution of 1963.

Sec. 523. (1) An authorizing body is not required to issue a contract to any entity. Urban high school academy contracts shall be issued on a competitive basis taking into consideration the resources available for the proposed urban high school academy, the population to be served by the proposed urban high school academy, and the educational goals to be achieved by the proposed urban high school academy. In evaluating if an applicant is qualified, the authorizing body shall examine the proposed performance standards, proposed academic program, financial viability of the applicant, and the ability of the proposed board of directors to meet the contract goals and objectives. An authorizing body shall give priority to applicants that demonstrate all of the following:

(a) The proposed school will operate at least all of grades 9 through 12 within 5 years after beginning operation.

(b) The proposed school will occupy a building or buildings that are newly constructed or renovated after January 1, 2003.

(c) The proposed school has a stated goal of increasing high school graduation rates.

(d) The proposed school has received commitments for financial and educational support from the entity applying for the contract.

(e) The entity that submits the application for a contract has net assets of at least \$50,000,000.00.

(2) A contract issued to organize and administer an urban high school academy shall contain at least all of the following:

(a) The educational goals the urban high school academy is to achieve and the methods by which it will be held accountable. The educational goals shall include demonstrated improved pupil academic achievement for all groups of pupils. To the extent applicable, the pupil performance of an urban high school academy shall be assessed using at least a Michigan education assessment program (MEAP) test or the Michigan merit examination developed under section 1279g, as applicable.

(b) A description of the method to be used to monitor the urban high school academy's compliance with applicable law and its performance in meeting its targeted educational objectives.

(c) A description of the process for amending the contract during the term of the contract. An authorizing body may approve amendment of the contract with respect to any provision contained in the contract.

(d) A certification, signed by an authorized member of the urban high school academy board of directors, that the urban high school academy will comply with the contract and all applicable law.

(e) Procedures for revoking the contract and grounds for revoking the contract.

(f) A description of and address for the proposed building or buildings in which the urban high school academy will be located.

(g) Requirements and procedures for financial audits. The financial audits shall be conducted at least annually by an independent certified public accountant in accordance with generally accepted governmental auditing principles.

(h) A requirement that the board of directors shall ensure compliance with the requirements of 1968 PA 317, MCL 15.321 to 15.330.

(i) A requirement that the board of directors shall prohibit specifically identified family relationships between members of the board of directors, individuals who have an ownership interest in or who are officers or employees of an educational management company involved in the

operation of the urban high school academy, and employees of the urban high school academy. The contract shall identify the specific prohibited relationships consistent with applicable law.

(j) A requirement that the board of directors of the urban high school academy shall make information concerning its operation and management available to the public and to the authorizing body in the same manner as is required by state law for school districts.

(k) A requirement that the board of directors of the urban high school academy shall collect, maintain, and make available to the public and the authorizing body, in accordance with applicable law and the contract, at least all of the following information concerning the operation and management of the urban high school academy:

(i) A copy of the contract issued by the authorizing body for the urban high school academy.

(ii) A list of currently serving members of the board of directors of the urban high school academy, including name, address, and term of office; copies of policies approved by the board of directors; board meeting agendas and minutes; copy of the budget approved by the board of directors and of any amendments to the budget; and copies of bills paid for amounts of \$10,000.00 or more as they were submitted to the board of directors.

(iii) Quarterly financial reports submitted to the authorizing body.

(iv) A current list of teachers working at the urban high school academy that includes their individual salaries as submitted to the registry of educational personnel; copies of the teaching certificates or permits of current teaching staff; and evidence of compliance with the criminal background and records checks and unprofessional conduct check required under sections 1230, 1230a, and 1230b for all teachers and administrators working at the urban high school academy.

(v) Curriculum documents and materials given to the authorizing body.

(vi) Proof of insurance as required by the contract.

(vii) Copies of facility leases or deeds, or both, and of any equipment leases.

(viii) Copies of any management contracts or services contracts approved by the board of directors.

(ix) All health and safety reports and certificates, including those relating to fire safety, environmental matters, asbestos inspection, boiler inspection, and food service.

(x) Any management letters issued as part of the annual financial audit under subdivision (g).

(xi) Any other information specifically required under this act.

(l) A requirement that the authorizing body must review and may disapprove any agreement between the board of directors and an educational management company before the agreement is final and valid. An authorizing body may disapprove an agreement described in this subdivision only if the agreement is contrary to the contract or applicable law.

(m) A requirement that the board of directors shall demonstrate all of the following to the satisfaction of the authorizing body with regard to its pupil admission process:

(i) That the urban high school academy has made a reasonable effort to advertise its enrollment openings.

(ii) That the urban high school academy has made the following additional efforts to recruit pupils who are eligible for special education programs and services to apply for admission:

(A) Reasonable efforts to advertise all enrollment openings to organizations and media that regularly serve and advocate for individuals with disabilities within the boundaries of the intermediate school district in which the urban high school academy is located.

(B) Inclusion in all pupil recruitment materials of a statement that appropriate special education services will be made available to pupils attending the school as required by law.

(iii) That the open enrollment period for the urban high school academy is for a duration of at least 2 weeks and that the enrollment times include some evening and weekend times.

(n) A requirement that the board of directors shall prohibit any individual from being employed by the urban high school academy in more than 1 full-time position and simultaneously being compensated at a full-time rate for each of those positions.

(o) A requirement that, if requested, the board of directors shall report to the authorizing body the total compensation for each individual working at the urban high school academy.

(p) The term of the contract and a description of the process and standards for renewal of the contract at the end of the term. The standards for renewal shall include increases in academic achievement for all groups of pupils as measured by assessments and other objective criteria as the most important factor in the decision of whether or not to renew the contract.

(Q) A REQUIREMENT THAT, WITHIN 120 DAYS AFTER THE BEGINNING OF A TERM AS A MEMBER OF THE BOARD OF DIRECTORS, A MEMBER OF THE BOARD

OF DIRECTORS MUST ATTEND AND COMPLETE SCHOOL BOARD TRAINING. THE SCHOOL BOARD TRAINING SHALL ADDRESS AT LEAST SCHOOL BOARD GOVERNANCE, PUBLIC SCHOOL FINANCING, FISCAL RESPONSIBILITY, AND ETHICS.

(3) An urban high school academy shall comply with all applicable law, including all of the following:

- (a) The open meetings act, 1976 PA 267, MCL 15.261 to 15.275.
- (b) The freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.
- (c) 1947 PA 336, MCL 423.201 to 423.217.
- (d) 1965 PA 166, MCL 408.551 to 408.558.
- (e) 1978 PA 566, MCL 15.181 to 15.185.
- (f) 1968 PA 317, MCL 15.321 to 15.330.
- (g) The uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.
- (h) The revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.
- (i) The federal no child left behind act of 2001, Public Law 107-110, 115 Stat. 1425.
- (j) Sections 1134, 1135, 1146, 1153, 1263(3), 1267, 1274, and 1280.
- (k) Laws concerning participation in state assessments, data collection systems, state level student growth models, state accountability and accreditation systems, and other public comparative data collection required for public schools.

(4) An urban high school academy and its incorporators, board members, officers, employees, and volunteers have governmental immunity as provided in section 7 of 1964 PA 170, MCL 691.1407. An authorizing body and its board members, officers, and employees are immune from civil liability, both personally and professionally, for any acts or omissions in authorizing or oversight of an urban high school academy if the authorizing body or the person acted or reasonably believed he or she acted within the authorizing body's or the person's scope of authority.

(5) An urban high school academy is exempt from all taxation on its earnings and property. Unless the property is already fully exempt from real and personal property taxes under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155, property occupied by an urban high school academy and used exclusively for educational purposes is exempt from real and personal property taxes levied for school operating purposes under section 1211, to the extent exempted under that section, and from real and personal property taxes levied under the state education tax act, 1993 PA 331, MCL 211.901 to 211.906. Instruments of conveyance to or from an urban high school academy are exempt from all taxation, including taxes imposed by 1966 PA 134, MCL 207.501 to 207.513. An urban high school academy may not levy ad valorem property taxes or any other tax for any purpose.

(6) An urban high school academy may acquire by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or any other means, hold, and own in its own name buildings and other property for school purposes, and interests therein, and other real and personal property, including, but not limited to, interests in property subject to mortgages, security interests, or other liens, necessary or convenient to fulfill its purposes. For the purposes of condemnation, an urban high school academy may proceed under the uniform condemnation procedures act, 1980 PA 87, MCL 213.51 to 213.75, excluding sections 6 to 9 of that act, MCL 213.56 to 213.59, or other applicable statutes, but only with the express, written permission of the authorizing body in each instance of condemnation and only after just compensation has been determined and paid.

Sec. 553. (1) An authorizing body is not required to issue a contract to any person or entity. Schools of excellence contracts shall be issued on a competitive basis taking into consideration the resources available for the proposed school of excellence, the population to be served by the proposed school of excellence, the educational goals to be achieved by the proposed school of excellence, and the applicant's track record, if any, in operating public school academies or other public schools.

(2) If a person or entity applies to the board of a school district for a contract to organize and operate 1 or more schools of excellence within the boundaries of the school district and the board does not issue the contract, the person or entity may petition the board to place the question of issuing the contract on the ballot to be decided by the school electors of the school district. The petition shall contain all of the information required to be in the contract application under section 552 and shall be signed by a number of school electors of the school district equal to at least 5% of the total number of school electors of that school district. The petition shall be filed with the school

district filing official. If the board receives a petition meeting the requirements of this subsection, the board shall have the question of issuing the contract placed on the ballot at its next regular school election held at least 60 days after receiving the petition. If a majority of the school electors of the school district voting on the question vote to issue the contract, the board shall issue the contract.

(3) Within 10 days after issuing a contract for a school of excellence, the authorizing body shall submit to the superintendent of public instruction a copy of the contract.

(4) An authorizing body shall adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each school of excellence subject to its jurisdiction. The resolution shall be written or amended as necessary to include a requirement that each member of the board of directors must be a citizen of the United States.

(5) A contract issued to organize and administer a school of excellence shall contain at least all of the following:

(a) The educational goals the school of excellence is to achieve and the methods by which it will be held accountable. The educational goals shall include demonstrated improved pupil academic achievement for all groups of pupils. To the extent applicable, the pupil performance of a school of excellence shall be assessed using at least a Michigan education assessment program (MEAP) test or the Michigan merit examination under section 1279g, as applicable.

(b) A description of the method to be used to monitor the school of excellence's compliance with applicable law and its performance in meeting its targeted educational objectives.

(c) A description of the process for amending the contract during the term of the contract.

(d) All of the matters set forth in the application for the contract.

(e) Procedures for revoking the contract and grounds for revoking the contract, including at least the grounds listed in section 561.

(f) A description of and address for the proposed physical plant in which the school of excellence will be located. An authorizing body may include a provision in the contract allowing the board of directors of the school of excellence to operate the same configuration of age or grade levels at more than 1 site if each configuration of age or grade levels and each site identified in the contract are under the direction and control of the board of directors.

(g) Requirements and procedures for financial audits. The financial audits shall be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles.

(h) A certification, signed by an authorized member of the school of excellence board of directors, that the school of excellence will comply with the contract and all applicable law.

(i) A requirement that the board of directors shall ensure compliance with the requirements of 1968 PA 317, MCL 15.321 to 15.330.

(j) A requirement that the board of directors shall prohibit specifically identified family relationships between members of the board of directors, individuals who have an ownership interest in or who are officers or employees of an educational management organization involved in the operation of the school of excellence, and employees of the school of excellence. The contract shall identify the specific prohibited relationships consistent with applicable law.

(k) A requirement that the board of directors of the school of excellence shall make information concerning its operation and management available to the public and to the authorizing body in the same manner as is required by state law for school districts.

(l) A requirement that the board of directors of the school of excellence shall collect, maintain, and make available to the public and the authorizing body, in accordance with applicable law and the contract, at least all of the following information concerning the operation and management of the school of excellence:

(i) A copy of the contract issued by the authorizing body for the school of excellence.

(ii) A list of currently serving members of the board of directors of the school of excellence, including name, address, and term of office; copies of policies approved by the board of directors; board meeting agendas and minutes; copy of the budget approved by the board of directors and of any amendments to the budget; and copies of bills paid for amounts of \$10,000.00 or more as they were submitted to the board of directors.

(iii) Quarterly financial reports submitted to the authorizing body.

(iv) A current list of teachers and school administrators working at the school of excellence that includes their individual salaries as submitted to the registry of educational personnel; copies of the teaching or school administrator's certificates or permits of current teaching and administrative staff; and evidence of compliance with the criminal background and records checks and

unprofessional conduct check required under sections 1230, 1230a, and 1230b for all teachers and administrators working at the school of excellence.

(v) Curriculum documents and materials given to the authorizing body.

(vi) Proof of insurance as required by the contract.

(vii) Copies of facility leases or deeds, or both, and of any equipment leases.

(viii) Copies of any management contracts or services contracts approved by the board of directors.

(ix) All health and safety reports and certificates, including those relating to fire safety, environmental matters, asbestos inspection, boiler inspection, and food service.

(x) Any management letters issued as part of the annual financial audit under subdivision (g).

(xi) Any other information specifically required under this act.

(m) A requirement that the authorizing body must review and may disapprove any agreement between the board of directors and an educational management organization before the agreement is final and valid. An authorizing body may disapprove an agreement described in this subdivision only if the agreement is contrary to contract or applicable law.

(n) A requirement that the board of directors shall demonstrate all of the following to the satisfaction of the authorizing body with regard to its pupil admission process:

(i) That the school of excellence has made a reasonable effort to advertise its enrollment openings.

(ii) That the school of excellence has made the following additional efforts to recruit pupils who are eligible for special education programs and services or English as a second language services to apply for admission:

(A) Reasonable efforts to advertise all enrollment openings to organizations and media that regularly serve and advocate for individuals with disabilities or children with limited English-speaking ability within the boundaries of the intermediate school district in which the school of excellence is located.

(B) Inclusion in all pupil recruitment materials of a statement that appropriate special education services and English as a second language services will be made available to pupils attending the school as required by law.

(iii) That the open enrollment period for the school of excellence is for a duration of at least 2 weeks and that the enrollment times include some evening and weekend times.

(o) A requirement that the board of directors shall prohibit any individual from being employed by the school of excellence in more than 1 full-time position and simultaneously being compensated at a full-time rate for each of those positions.

(p) A requirement that, if requested, the board of directors shall report to the authorizing body the total compensation for each individual working at the school of excellence.

(Q) A REQUIREMENT THAT, WITHIN 120 DAYS AFTER THE BEGINNING OF A TERM AS A MEMBER OF THE BOARD OF DIRECTORS, A MEMBER OF THE BOARD OF DIRECTORS MUST ATTEND AND COMPLETE SCHOOL BOARD TRAINING. THE SCHOOL BOARD TRAINING SHALL ADDRESS AT LEAST SCHOOL BOARD GOVERNANCE, PUBLIC SCHOOL FINANCING, FISCAL RESPONSIBILITY, AND ETHICS.

(6) A school of excellence shall comply with all applicable law, including all of the following:

(a) The open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

(b) The freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

(c) 1947 PA 336, MCL 423.201 to 423.217.

(d) 1965 PA 166, MCL 408.551 to 408.558.

(e) Sections 1134, 1135, 1146, 1153, 1263(3), 1267, and 1274.

(f) Laws concerning participation in state assessments, data collection systems, state level student growth models, state accountability and accreditation systems, and other public comparative data collection required for public schools.

(7) A school of excellence and its incorporators, board members, officers, employees, and volunteers have governmental immunity as provided in section 7 of 1964 PA 170, MCL 691.1407. An authorizing body and its board members, officers, and employees are immune from civil liability, both personally and professionally, for an act or omission in authorizing a school of excellence if the authorizing body or the person acted or reasonably believed he or she acted within the authorizing body's or the person's scope of authority.

(8) A school of excellence is exempt from all taxation on its earnings and property. Unless the property is already fully exempt from real and personal property taxes under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155, property occupied by a school of excellence and used exclusively for educational purposes is exempt from real and personal property taxes levied for school operating purposes under section 1211, to the extent exempted under that section, and from real and personal property taxes levied under the state education tax act, 1993 PA 331, MCL 211.901 to 211.906. Instruments of conveyance to or from a school of excellence are exempt from all taxation including taxes imposed by 1966 PA 134, MCL 207.501 to 207.513. A school of excellence may not levy ad valorem property taxes or another tax for any purpose. However, operation of 1 or more schools of excellence by a school district or intermediate school district does not affect the ability of the school district or intermediate school district to levy ad valorem property taxes or another tax.

(9) A school of excellence may acquire by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or by any other means, hold, and own in its own name buildings and other property for school purposes, and interests therein, and other real and personal property, including, but not limited to, interests in property subject to mortgages, security interests, or other liens, necessary or convenient to fulfill its purposes. For the purposes of condemnation, a school of excellence may proceed under the uniform condemnation procedures act, 1980 PA 87, MCL 213.51 to 213.75, excluding sections 6 to 9 of that act, MCL 213.56 to 213.59, or other applicable statutes, but only with the express, written permission of the authorizing body in each instance of condemnation and only after just compensation has been determined and paid."

2. Amend page 9, following line 10, by inserting:

"Sec. 1311e. (1) An authorizing body is not required to issue a contract to any person or entity. Contracts for strict discipline academies shall be issued on a competitive basis taking into consideration the resources available for the proposed strict discipline academy, the population to be served by the proposed strict discipline academy, and the educational goals to be achieved by the proposed strict discipline academy.

(2) If a person or entity applies to the board of a school district for a contract to organize and operate 1 or more strict discipline academies within the boundaries of the school district and the board does not issue the contract, the person or entity may petition the board to place the question of issuing the contract on the ballot to be decided by the school electors of the school district. The petition shall contain all of the information required to be in the contract application under section 1311d and shall be signed by a number of school electors of the school district equal to at least 15% of the total number of school electors of that school district. The petition shall be filed with the secretary of the board. If the board receives a petition meeting the requirements of this subsection, the board shall place the question of issuing the contract on the ballot at its next annual school election held at least 60 days after receiving the petition. If a majority of the school electors of the school district voting on the question vote to issue the contract, the board shall issue the contract.

(3) Within 10 days after issuing a contract for a strict discipline academy, the board of the authorizing body shall submit to the state board a copy of the contract and of the application under section 1311d.

(4) An authorizing body shall adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each strict discipline academy subject to its jurisdiction.

(5) A contract issued to organize and administer a strict discipline academy shall contain at least all of the following:

(a) The educational goals the strict discipline academy is to achieve and the methods by which it will be held accountable. To the extent applicable, the pupil performance of a strict discipline academy shall be assessed using at least a Michigan education assessment program (MEAP) test or the Michigan merit examination developed under section 1279g, as applicable.

(b) A description of the method to be used to monitor the strict discipline academy's compliance with applicable law and its performance in meeting its targeted educational objectives.

(c) A description of the process for amending the contract during the term of the contract.

(d) All of the matters set forth in the application for the contract.

(e) For a strict discipline academy authorized by a school district, an agreement that employees of the strict discipline academy will be covered by the collective bargaining agreements that apply to employees of the school district employed in similar classifications in schools that are not strict discipline academies.

(f) Procedures for revoking the contract and grounds for revoking the contract, including at least the grounds listed in section 13111.

(g) A description of and address for the proposed physical plant in which the strict discipline academy will be located.

(h) Requirements and procedures for financial audits. The financial audits shall be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles.

(i) The term of the contract and a description of the process and standards for renewal of the contract at the end of the term. The standards for renewal shall include student growth as measured by assessments and other objective criteria as a significant factor in the decision of whether or not to renew the contract.

(J) A REQUIREMENT THAT, WITHIN 120 DAYS AFTER THE BEGINNING OF A TERM AS A MEMBER OF THE BOARD OF DIRECTORS, A MEMBER OF THE BOARD OF DIRECTORS MUST ATTEND AND COMPLETE SCHOOL BOARD TRAINING. THE SCHOOL BOARD TRAINING SHALL ADDRESS AT LEAST SCHOOL BOARD GOVERNANCE, PUBLIC SCHOOL FINANCING, FISCAL RESPONSIBILITY, AND ETHICS.

(6) A strict discipline academy shall comply with all applicable law, including all of the following:

(a) The open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

(b) The freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

(c) 1947 PA 336, MCL 423.201 to 423.217.

(d) 1965 PA 166, MCL 408.551 to 408.558.

(e) Sections 1134, 1135, 1146, 1153, 1263(3), 1267, and 1274.

(f) Except for part 6a, all provisions of this act that explicitly apply to public school academies established under part 6a.

(7) A strict discipline academy and its incorporators, board members, officers, employees, and volunteers have governmental immunity as provided in section 7 of 1964 PA 170, MCL 691.1407. An authorizing body and its board members, officers, and employees are immune from civil liability, both personally and professionally, for any acts or omissions in authorizing a strict discipline academy if the authorizing body or the person acted or reasonably believed he or she acted within the authorizing body's or the person's scope of authority.

(8) A strict discipline academy is exempt from all taxation on its earnings and property. Instruments of conveyance to or from a strict discipline academy are exempt from all taxation including taxes imposed by 1966 PA 134, MCL 207.501 to 207.513. A strict discipline academy may not levy ad valorem property taxes or any other tax for any purpose. However, operation of 1 or more strict discipline academies by a school district or intermediate school district does not affect the ability of the school district or intermediate school district to levy ad valorem property taxes or any other tax.

(9) A strict discipline academy may acquire by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or by any other means, hold and own in its own name buildings and other property for school purposes, and interests therein, and other real and personal property, including, but not limited to, interests in property subject to mortgages, security interests, or other liens, necessary or convenient to fulfill its purposes. For the purposes of condemnation, a strict discipline academy may proceed under the uniform condemnation procedures act, 1980 PA 87, MCL 213.51 to 213.75, excluding sections 6 to 9 of that act, MCL 213.56 to 213.59, or other applicable statutes, but only with the express, written permission of the authorizing body in each instance of condemnation and only after just compensation has been determined and paid."

The motion did not prevail by a vote of **3-6-0**.

UNFAVORABLE ROLL CALL:

Yeas: Representatives Wittenberg, Faris and Chirkun,

Nays: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Pass: None.

Representative Poleski offered and moved the following amendment to **HB 4327 (H-1)**:

1. Amend page 5, line 26, after "**TREASURY.**" by inserting "**IF THE DEFICIT FOR A SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY THAT IS SUBJECT TO A DEFICIT ELIMINATION PLAN HAS NOT BEEN COMPLETELY ELIMINATED WITHIN 5 YEARS AFTER IT SUBMITTED ITS INITIAL DEFICIT ELIMINATION PLAN, THE STATE TREASURER SHALL REQUIRE THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY TO SUBMIT AN ENHANCED DEFICIT ELIMINATION PLAN UNDER THIS SUBSECTION.**".

The motion prevailed by a vote of **6-3-0**.

FAVORABLE ROLL CALL:

Yeas: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Nays: Representatives Wittenberg, Faris and Chirkun,

Pass: None.

Representative Farrington moved to report **HB 4327** with recommendation as substitute (**H-3**).

The motion prevailed by a vote of **6-3-0**.

FAVORABLE ROLL CALL:

Yeas: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Nays: Representatives Wittenberg, Faris and Chirkun,

Pass: None.

Representative Farrington moved to report **HB 4328** with recommendation as substitute (**H-1**).

The motion prevailed by a vote of **6-3-0**.

FAVORABLE ROLL CALL:

Yeas: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Nays: Representatives Wittenberg, Faris and Chirkun,

Pass: None.

Representative Poleski moved to report **HB 4329** with recommendation.

The motion prevailed by a vote of **6-3-0**.

FAVORABLE ROLL CALL:

Yeas: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Nays: Representatives Wittenberg, Faris and Chirkun,

Pass: None.

Representative Lyons moved to report **HB 4330** with recommendation as substitute (**H-1**).

The motion prevailed by a vote of **6-3-0**.

FAVORABLE ROLL CALL:

Yeas: Representatives Somerville, Leutheuser, Farrington, LaFontaine, Lyons and Poleski,

Nays: Representatives Wittenberg, Faris and Chirkun,

Pass: None.

There being no further business to come before the committee, the Chair adjourned the meeting at 12:25 p.m.

Representative Pat Somerville, Chair
House Standing Committee on Financial Liability Reform
Malika Abdul-Basir
Committee Clerk
517-373-7256
40 Minutes