



HOUSE BILL No. 5540

January 31, 1996, Introduced by Rep. Bryant and referred to the Committee on Education.

A bill to amend sections 501, 504a, 507, 511, 514a, and 517 of Act No. 451 of the Public Acts of 1976, entitled as amended "The revised school code," as amended by Act No. 289 of the Public Acts of 1995, being sections 380.501, 380.504a, 380.507, 380.511, 380.514a, and 380.517 of the Michigan Compiled Laws; and to add sections 504c and 514c.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 501, 504a, 507, 511, 514a, and 517 of
2 Act No. 451 of the Public Acts of 1976, as amended by Act No. 289
3 of the Public Acts of 1995, being sections 380.501, 380.504a,
4 380.507, 380.511, 380.514a, and 380.517 of the Michigan Compiled
5 Laws, are amended and sections 504c and 514c are added to read as
6 follows:

1 Sec. 501. (1) A public school academy is a public school
2 under section 2 of article VIII of the state constitution of
3 1963, is a school district for the purposes of section 11 of
4 article IX of the state constitution of 1963, ~~and for the pur-~~
5 ~~poses of section 1225,~~ and is subject to the leadership and gen-
6 eral supervision of the state board over all public education
7 under section 3 of article VIII of the state constitution of
8 1963. A public school academy is a body corporate and is a gov-
9 ernmental agency. The powers granted to a public school academy
10 under this part constitute the performance of essential public
11 purposes and governmental functions of this state.

12 (2) As used in this part:

13 (a) "Authorizing body" means any of the following that
14 issues a contract as provided in this part:

15 (i) The board of a school district that operates grades K to
16 12.

17 (ii) An intermediate school board.

18 (iii) The board of a community college.

19 (iv) The governing board of a state public university.

20 (b) "Certificated teacher" means an individual who holds a
21 valid teaching certificate issued by the state board under
22 section 1531.

23 (c) "Community college" means a community college organized
24 under the community college act of 1966, Act No. 331 of the
25 Public Acts of 1966, being sections 389.1 to 389.195 of the
26 Michigan Compiled Laws, or a federal tribally controlled
27 community college that is recognized under the tribally

1 controlled community college assistance act of 1978, Public Law
2 95-471, 92 Stat. 1325, and is determined by the department to
3 meet the requirements for accreditation by a recognized regional
4 accrediting body.

5 (d) "Contract" means the executive act taken by an authoriz-
6 ing body that evidences the authorization of a public school
7 academy and that establishes, subject to the constitutional
8 powers of the state board and applicable law, the written instru-
9 ment executed by an authorizing body conferring certain rights,
10 franchises, privileges, and obligations on a public school acade-
11 my, as provided by this part, and confirming the status of a
12 public school academy as a public school in this state.

13 (e) "Entity" means a partnership, nonprofit or business cor-
14 poration, labor organization, or any other association, corpora-
15 tion, trust, or other legal entity.

16 (f) "State public university" means a university described
17 in section 4, 5, or 6 of article VIII of the state constitution
18 of 1963.

19 Sec. 504a. In addition to other powers set forth in this
20 part, a public school academy may take action to carry out the
21 purposes for which it was incorporated under this part, includ-
22 ing, but not limited to, all of the following:

23 (a) To sue and be sued in its name.

24 (b) To acquire, hold, and own in its own name real and per-
25 sonal property, or interests in real or personal property, for
26 educational purposes by purchase, gift, grant, devise, bequest,
27 lease WITH OR WITHOUT OPTION TO PURCHASE, sublease, installment

1 purchase agreement, land contract, TITLE RETAINING CONTRACT,
2 option, or condemnation, and subject to mortgages, security
3 interests, or other liens; and to sell or convey the property as
4 the interests of the public school academy require. THE TERM OF
5 ANY LEASE OR INSTALLMENT CONTRACT SHALL NOT EXCEED 30 YEARS OR
6 THE USEFUL LIFE OF THE ASSET FINANCED, WHICHEVER IS LESS.

7 (c) To receive and disburse funds for lawful purposes.

8 (d) To enter into binding legal agreements with persons or
9 entities as necessary for the operation, management, and mainte-
10 nance of the public school academy.

11 (e) ~~To incur temporary debt in accordance with~~ SUBJECT TO
12 SECTION 504C, TO BORROW MONEY AND ISSUE BONDS OR NOTES FOR THE
13 SAME PURPOSES AND IN THE SAME MANNER AS A SCHOOL DISTRICT UNDER
14 section 1225, 1274A, OR 1351A.

15 (f) To solicit and accept any grants or gifts for educa-
16 tional purposes and to establish or permit to be established on
17 its behalf 1 or more nonprofit corporations the purpose of which
18 is to assist the public school academy in the furtherance of its
19 public purposes.

20 SEC. 504C. (1) A PUBLIC SCHOOL ACADEMY THAT ISSUES BONDS,
21 NOTES, OR OTHER OBLIGATIONS MAY PLEDGE STATE SCHOOL AID, THE GEN-
22 ERAL FUNDS OF THE PUBLIC SCHOOL ACADEMY, OR ANY OTHER FUNDS OR
23 REVENUE OF THE PUBLIC SCHOOL ACADEMY AS SECURITY FOR THE OBLIGA-
24 TIONS AND MAY USE THOSE SOURCES TO REPAY THE DEBT.

25 (2) WITH THE WRITTEN APPROVAL OF ITS AUTHORIZING BODY, A
26 PUBLIC SCHOOL ACADEMY MAY ENTER INTO AN AGREEMENT WITH A
27 PURCHASER OF ITS OBLIGATIONS, OR WITH A TRUSTEE, PROVIDING FOR

1 DIRECT PAYMENT TO THE PURCHASER OR TRUSTEE OF STATE SCHOOL AID
2 THAT IS LEGALLY DUE TO THE PUBLIC SCHOOL ACADEMY AND THAT HAS
3 BEEN PLEDGED AS DESCRIBED IN SUBSECTION (1). IF A PUBLIC SCHOOL
4 ACADEMY ENTERS INTO SUCH AN AGREEMENT AND THE STATE TREASURER HAS
5 NOTICE OF THE AGREEMENT, THE STATE TREASURER SHALL MAKE PAYMENTS
6 OF THE PLEDGED STATE SCHOOL AID IN ACCORDANCE WITH THE
7 AGREEMENT.

8 (3) A PUBLIC SCHOOL ACADEMY SHALL NOT BORROW MONEY OR ISSUE
9 BONDS FOR A SUM THAT, TOGETHER WITH THE TOTAL OUTSTANDING BONDED
10 AND INSTALLMENT INDEBTEDNESS OF THE PUBLIC SCHOOL ACADEMY, WOULD
11 RESULT IN THE MAXIMUM ANNUAL DEBT SERVICE ON THE COMBINED TOTAL
12 AMOUNT OF THE PUBLIC SCHOOL ACADEMY'S OUTSTANDING AND PROPOSED
13 OBLIGATIONS EXCEEDING EITHER 20% OF THE STATE SCHOOL AID RECEIVED
14 BY THE PUBLIC SCHOOL ACADEMY IN THE STATE FISCAL YEAR IMMEDIATELY
15 PRECEDING THE STATE FISCAL YEAR OF THE BORROWING OR 25% OF THE
16 STATE SCHOOL AID PROJECTED TO BE RECEIVED BY THE PUBLIC SCHOOL
17 ACADEMY IN THE STATE FISCAL YEAR OF THE BORROWING.

18 (4) BONDS, NOTES, OR OTHER OBLIGATIONS ISSUED BY A PUBLIC
19 SCHOOL ACADEMY ARE SUBJECT TO THE MUNICIPAL FINANCE ACT, ACT
20 NO. 202 OF THE PUBLIC ACTS OF 1943, BEING SECTIONS 131.1 TO 139.3
21 OF THE MICHIGAN COMPILED LAWS.

22 Sec. 507. (1) The authorizing body for a public school
23 academy is the fiscal agent for the public school academy. ~~A~~
24 EXCEPT AS OTHERWISE PROVIDED IN SECTION 504C, A state school aid
25 payment for a public school academy shall be paid to the autho-
26 rizing body that is the fiscal agent for that public school
27 academy, which shall then forward the payment to the public

1 school academy. An authorizing body has the responsibility to
2 oversee a public school academy's compliance with the contract
3 and all applicable law. A contract issued under this part may be
4 revoked by the authorizing body that issued the contract if the
5 authorizing body determines that 1 or more of the following has
6 occurred:

7 (a) Failure of the public school academy to abide by and
8 meet the educational goals set forth in the contract.

9 (b) Failure of the public school academy to comply with all
10 applicable law.

11 (c) Failure of the public school academy to meet generally
12 accepted public sector accounting principles.

13 (d) The existence of 1 or more other grounds for revocation
14 as specified in the contract.

15 (2) The decision of an authorizing body to revoke a contract
16 under this section is solely within the discretion of the autho-
17 rizing body, is final, and is not subject to review by a court or
18 any state agency. An authorizing body that revokes a contract
19 under this section is not liable for that action to the public
20 school academy, public school academy corporation, a pupil of the
21 public school academy, the parent or guardian of a pupil of the
22 public school academy, or any other person.

23 Sec. 511. (1) To improve the public elementary and second-
24 ary schools of this state, public school academies may be estab-
25 lished within this state's system of public schools, as provided
26 under this part, as a means of achieving the following purposes:

1 (a) To improve pupil achievement for all pupils, including,
2 but not limited to, educationally disadvantaged pupils, by
3 improving the learning environment.

4 (b) To stimulate innovative teaching methods.

5 (c) To create new professional opportunities for teachers in
6 a new type of public school in which the school structure and
7 educational program can be innovatively designed and managed by
8 teachers at the school site level.

9 (d) To achieve school accountability for pupil educational
10 performance by placing full responsibility for performance at the
11 school site level.

12 (e) To provide parents and pupils with greater choices among
13 public schools, both within and outside their existing school
14 districts.

15 (f) To determine whether state educational funds can be more
16 effectively, efficiently, and equitably utilized by allocating
17 funds on a per pupil basis directly to the school rather than
18 through school district administration.

19 (2) A public school academy is a public school under section
20 2 of article VIII of the state constitution of 1963, is a school
21 district for the purposes of section 11 of article IX of the
22 state constitution of 1963, ~~and for the purposes of~~
23 ~~section 1225,~~ and is subject to the leadership and general
24 supervision of the state board over all public education under
25 section 3 of article VIII of the state constitution of 1963. A
26 public school academy is a body corporate and is a governmental
27 agency. The powers granted to a public school academy under this

1 part constitute the performance of essential public purposes and
2 governmental functions of this state.

3 (3) As used in this part:

4 (a) "Authorizing body" means any of the following that
5 issues a contract as provided in this part:

6 (i) The board of a school district that operates grades K to
7 12.

8 (ii) An intermediate school board.

9 (iii) The board of a community college.

10 (iv) The governing board of a state public university.

11 (b) "Certificated teacher" means an individual who holds a
12 valid teaching certificate issued by the state board under this
13 act.

14 (c) "Community college" means a community college organized
15 under the community college act of 1966, Act No. 331 of the
16 Public Acts of 1966, being sections 389.1 to 389.195 of the
17 Michigan Compiled Laws, or a federal tribally controlled commu-
18 nity college that is recognized under the tribally controlled
19 community college assistance act of 1978, Public Law 95-471, 92
20 Stat. 1325, and is determined by the department to meet the
21 requirements for accreditation by a recognized regional accredit-
22 ing body.

23 (d) "Contract" means the executive act taken by an authoriz-
24 ing body that evidences the authorization of a public school
25 academy and that establishes, subject to the constitutional
26 powers of the state board and applicable law, the written
27 instrument executed by an authorizing body conferring certain

1 rights, franchises, privileges, and obligations on a public
2 school academy, as provided by this part, and confirming the
3 status of a public school academy as a public school in this
4 state.

5 (e) "Entity" means a partnership, nonprofit or business cor-
6 poration, labor organization, or any other association, corpora-
7 tion, trust, or other legal entity.

8 (f) "State public university" means a university described
9 in section 4, 5, or 6 of article VIII of the state constitution
10 of 1963.

11 Sec. 514a. In addition to other powers set forth in this
12 part, a public school academy may take action to carry out the
13 purposes for which it was incorporated under this part, includ-
14 ing, but not limited to, all of the following:

15 (a) To sue and be sued in its name.

16 (b) To acquire, hold, and own in its own name real and per-
17 sonal property, or interests in real or personal property, for
18 educational purposes by purchase, gift, grant, devise, bequest,
19 lease WITH OR WITHOUT OPTION TO PURCHASE, sublease, installment
20 purchase agreement, land contract, TITLE RETAINING CONTRACT,
21 option, or condemnation, and subject to mortgages, security
22 interests, or other liens; and to sell or convey the property as
23 the interests of the public school academy require. THE TERM OF
24 ANY LEASE OR INSTALLMENT CONTRACT SHALL NOT EXCEED 30 YEARS OR
25 THE USEFUL LIFE OF THE ASSET FINANCED, WHICHEVER IS LESS.

26 (c) To receive and disburse funds for lawful purposes.

1 (d) To enter into binding legal agreements with persons or
2 entities as necessary for the operation, management, and
3 maintenance of the public school academy.

4 (e) ~~To incur temporary debt in accordance with~~ SUBJECT TO
5 SECTION 514C, TO BORROW MONEY AND ISSUE BONDS OR NOTES FOR THE
6 SAME PURPOSES AND IN THE SAME MANNER AS A SCHOOL DISTRICT UNDER
7 section 1225, 1274A, OR 1351A.

8 (f) To solicit and accept any grants or gifts for educa-
9 tional purposes and to establish or permit to be established on
10 its behalf 1 or more nonprofit corporations the purpose of which
11 is to assist the public school academy in the furtherance of its
12 public purposes.

13 SEC. 514C. (1) A PUBLIC SCHOOL ACADEMY THAT ISSUES BONDS,
14 NOTES, OR OTHER OBLIGATIONS MAY PLEDGE STATE SCHOOL AID, THE GEN-
15 ERAL FUNDS OF THE PUBLIC SCHOOL ACADEMY, OR ANY OTHER FUNDS OR
16 REVENUE OF THE PUBLIC SCHOOL ACADEMY AS SECURITY FOR THE OBLIGA-
17 TIONS AND MAY USE THOSE SOURCES TO REPAY THE DEBT.

18 (2) WITH THE WRITTEN APPROVAL OF ITS AUTHORIZING BODY, A
19 PUBLIC SCHOOL ACADEMY MAY ENTER INTO AN AGREEMENT WITH A PUR-
20 CHASER OF ITS OBLIGATIONS, OR WITH A TRUSTEE, PROVIDING FOR
21 DIRECT PAYMENT TO THE PURCHASER OR TRUSTEE OF STATE SCHOOL AID
22 THAT IS LEGALLY DUE TO THE PUBLIC SCHOOL ACADEMY AND THAT HAS
23 BEEN PLEDGED AS DESCRIBED IN SUBSECTION (1). IF A PUBLIC SCHOOL
24 ACADEMY ENTERS INTO SUCH AN AGREEMENT AND THE STATE TREASURER HAS
25 NOTICE OF THE AGREEMENT, THE STATE TREASURER SHALL MAKE PAYMENTS
26 OF THE PLEDGED STATE SCHOOL AID IN ACCORDANCE WITH THE
27 AGREEMENT.

1 (3) A PUBLIC SCHOOL ACADEMY SHALL NOT BORROW MONEY OR ISSUE
2 BONDS FOR A SUM THAT, TOGETHER WITH THE TOTAL OUTSTANDING BONDED
3 AND INSTALLMENT INDEBTEDNESS OF THE PUBLIC SCHOOL ACADEMY, WOULD
4 RESULT IN THE MAXIMUM ANNUAL DEBT SERVICE ON THE COMBINED TOTAL
5 AMOUNT OF THE PUBLIC SCHOOL ACADEMY'S OUTSTANDING AND PROPOSED
6 OBLIGATIONS EXCEEDING EITHER 20% OF THE STATE SCHOOL AID RECEIVED
7 BY THE PUBLIC SCHOOL ACADEMY IN THE STATE FISCAL YEAR IMMEDIATELY
8 PRECEDING THE STATE FISCAL YEAR OF THE BORROWING OR 25% OF THE
9 STATE SCHOOL AID PROJECTED TO BE RECEIVED BY THE PUBLIC SCHOOL
10 ACADEMY IN THE STATE FISCAL YEAR OF THE BORROWING.

11 (4) BONDS, NOTES, OR OTHER OBLIGATIONS ISSUED BY A PUBLIC
12 SCHOOL ACADEMY ARE SUBJECT TO THE MUNICIPAL FINANCE ACT, ACT
13 NO. 202 OF THE PUBLIC ACTS OF 1943, BEING SECTIONS 131.1 TO 139.3
14 OF THE MICHIGAN COMPILED LAWS.

15 Sec. 517. (1) The authorizing body for a public school
16 academy is the fiscal agent for the public school academy.
17 Subject to the state school aid act of 1979 and applicable state
18 board rules, AND EXCEPT AS OTHERWISE PROVIDED IN SECTION 514C, a
19 state school aid payment for a public school academy shall be
20 paid to the authorizing body that is the fiscal agent for that
21 public school academy, which shall then forward the payment to
22 the public school academy.

23 (2) Subject to the leadership and general supervision of the
24 state board over all public education, an authorizing body has
25 the responsibility to oversee a public school academy's compli-
26 ance with the contract and all applicable law.

1 (3) In addition to other remedies available to the
2 authorizing body or state board under the contract or by law, a
3 contract issued under this part may be revoked by the authorizing
4 body that issued the contract or by the state board if the autho-
5 rizing body or state board determines that 1 or more of the fol-
6 lowing has occurred:

7 (a) Failure of the public school academy to abide by and
8 meet the educational goals set forth in the contract.

9 (b) Failure of the public school academy to comply with all
10 applicable law.

11 (c) Substantial failure to comply with applicable state
12 board rule.

13 (d) Failure of the public school academy to meet generally
14 accepted public sector accounting principles.

15 (e) The existence of 1 or more other grounds for revocation
16 as specified in the contract.

17 (f) Failure of the public school academy to pay for services
18 provided to the public school academy by a nonauthorizing local
19 or intermediate school district, if the public school academy
20 requested and contracted for the services.

21 (4) The decision of an authorizing body to revoke a contract
22 under this section is solely within the discretion of the autho-
23 rizing body, is final, and is not subject to review by a court or
24 any state agency. An authorizing body that revokes a contract
25 under this section is not liable for that action to the public
26 school academy, public school academy corporation, a pupil of the

1 public school academy, the parent or guardian of a pupil of the
2 public school academy, or any other person.