

Act No. 192
Public Acts of 2016
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**STATE OF MICHIGAN
98TH LEGISLATURE
REGULAR SESSION OF 2016**

Introduced by Reps. Garcia, Poleski, Price and Pscholka

ENROLLED HOUSE BILL No. 5384

AN ACT to amend 1976 PA 451, entitled “An act to provide a system of public instruction and elementary and secondary schools; to revise, consolidate, and clarify the laws relating to elementary and secondary education; to provide for the organization, regulation, and maintenance of schools, school districts, public school academies, intermediate school districts, and other public school entities; to prescribe rights, powers, duties, and privileges of schools, school districts, public school academies, intermediate school districts, and other public school entities; to provide for the regulation of school teachers and certain other school employees; to provide for school elections and to prescribe powers and duties with respect thereto; to provide for the levy and collection of taxes; to provide for the borrowing of money and issuance of bonds and other evidences of indebtedness; to establish a fund and provide for expenditures from that fund; to provide for and prescribe the powers and duties of certain state departments, the state board of education, and certain other boards and officials; to provide for licensure of boarding schools; to prescribe penalties; and to repeal acts and parts of acts,” by amending the title and sections 3, 5, 6, 11, 11a, 501, 502, 507, 522, 528, 551, 552, 561, 654, 705, 921, 1147, 1225, 1229, 1231, 1233, 1237, 1240, 1250, 1351a, and 1356 (MCL 380.3, 380.5, 380.6, 380.11, 380.11a, 380.501, 380.502, 380.507, 380.522, 380.528, 380.551, 380.552, 380.561, 380.654, 380.705, 380.921, 380.1147, 380.1225, 380.1229, 380.1231, 380.1233, 380.1237, 380.1240, 380.1250, 380.1351a, and 380.1356), the title as amended by 2003 PA 179, section 3 as amended by 2007 PA 45, section 5 as amended by 2011 PA 232, sections 6 and 1250 as amended by 2009 PA 205, section 11 as amended by 1995 PA 289, section 11a as amended by 2010 PA 91, sections 501, 502, 507, 522, 528, 551, and 561 as amended by 2011 PA 277, section 552 as amended by 2012 PA 129, section 705 as amended by 2003 PA 299, section 1147 as amended by 2014 PA 479, section 1225 as amended by 2012 PA 1, section 1229 as amended by 2011 PA 105, section 1231 as amended by 2002 PA 735, section 1233 as amended by 2000 PA 288, section 1237 as added by 2000 PA 387, section 1240 as added by 2004 PA 380, section 1351a as amended by 2002 PA 65, and section 1356 as amended by 2002 PA 181, and by adding sections 12b and 1233c and part 5b; and to repeal acts and parts of acts.

The People of the State of Michigan enact:

TITLE

An act to provide a system of public instruction and elementary and secondary schools; to revise, consolidate, and clarify the laws relating to elementary and secondary education; to provide for the organization, regulation, and maintenance of schools, school districts, public school academies, intermediate school districts, and other public school entities; to prescribe rights, powers, duties, and privileges of schools, school districts, public school academies, intermediate school districts, and other public school entities; to provide for the regulation of school teachers and certain other school employees; to provide for school elections and to prescribe powers and duties with respect thereto; to provide for the levy and collection of taxes; to provide for the borrowing of money and issuance of bonds and other evidences of indebtedness; to establish a fund and provide for expenditures from that fund; to make appropriations for certain purposes; to provide for and prescribe the powers and duties of certain state departments, the state board of education, and certain other boards and officials; to provide for licensure of boarding schools; to prescribe penalties; and to repeal acts and parts of acts.

Sec. 3. (1) “Area” as used in the phrase “area vocational-technical education program” or “area career and technical education program” means the geographical territory, within the boundaries of a K to 12 school district, an intermediate school district, or a community college district, that is designated by the department as the service area for the operation of an area vocational-technical education program.

(2) “Area vocational-technical education program”, “area career and technical education program”, or “career and technical education program” means a program of organized, systematic instruction designed to prepare the following individuals for useful employment in recognized occupations:

(a) Individuals participating in career and technical education readiness activities that lead to enrollment in a career and technical education program in high school.

(b) Individuals enrolled in high school in a school district, intermediate school district, public school academy, or nonpublic school.

(c) Individuals who have completed or left high school and who are available for full-time study in preparation for entering the labor market.

(d) Individuals who have entered the labor market and who need training or retraining to achieve stability or advancement in employment.

(3) “Board” or “school board” means the governing body of a local school district unless clearly otherwise stated.

(4) “Boarding school” means a place accepting for board, care, and instruction 5 or more children under 16 years of age.

(5) “Community district” means a school district organized under part 5b.

(6) “Constituent district” means a local school district the territory of which is entirely within and is an integral part of an intermediate school district.

Sec. 5. (1) “Local act school district” means a district governed by a local act or chapter of a local act. “Local school district” and “local school district board” as used in article 3 include a local act school district and a local act school district board.

(2) “Membership” means the number of full-time equivalent pupils in a public school as determined by the number of pupils registered for attendance plus pupils received by transfer and minus pupils lost as defined by rules promulgated by the superintendent of public instruction.

(3) “Michigan election law” means the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

(4) “Nonpublic school” means a private, denominational, or parochial school.

(5) “Objectives” means measurable pupil academic skills and knowledge.

(6) “Public school” means a public elementary or secondary educational entity or agency that is established under this act or under other law of this state, has as its primary mission the teaching and learning of academic and vocational-technical skills and knowledge, and is operated by a school district, intermediate school district, school of excellence corporation, public school academy corporation, strict discipline academy corporation, urban high school academy corporation, or by the department, the state board, or another public body. Public school also includes a laboratory school or other elementary or secondary school that is controlled and operated by a state public university described in section 4, 5, or 6 of article VIII of the state constitution of 1963.

(7) “Public school academy” means a public school academy established under part 6a and, except as used in part 6a, also includes an urban high school academy established under part 6c, a school of excellence established under part 6e, and a strict discipline academy established under sections 1311b to 1311m.

(8) “Pupil membership count day” of a school district means that term as defined in section 6 of the state school aid act of 1979, MCL 388.1606.

(9) “Qualifying school district” means a school district that was previously organized and operated as a first class school district governed by part 6 that has a pupil membership of less than 100,000 enrolled on its most recent pupil membership count day, including, but not limited to, a school district that was previously organized and operated as a first class school district before the effective date of the amendatory act that added this subsection.

(10) “Regular school election” or “regular election” means the election held in a school district, local act school district, or intermediate school district to elect a school board member in the regular course of the terms of that office and held on the school district’s regular election date as determined under section 642c of the Michigan election law, MCL 168.642c.

(11) “Reorganized intermediate school district” means an intermediate school district formed by consolidation or annexation of 2 or more intermediate school districts under sections 701 and 702.

(12) “Rule” means a rule promulgated under the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

Sec. 6. (1) "School district" or "local school district" means a general powers school district organized under this act, regardless of previous classification, a community district, or a school district of the first class.

(2) "School district filing official" means the school district election coordinator as defined in section 4 of the Michigan election law, MCL 168.4, or an authorized agent of the school district election coordinator.

(3) "School elector" means a person qualified as an elector under section 492 of the Michigan election law, MCL 168.492, and resident of the school district or intermediate school district on or before the thirtieth day before the next ensuing regular or special school election.

(4) "School month" means a 4-week period of 5 days each unless otherwise specified in the teacher's contract.

(5) "School of excellence" means a school of excellence established under part 6e.

(6) "Special education building and equipment" means a structure or portion of a structure or personal property accepted, leased, purchased, or otherwise acquired, prepared, or used for special education programs and services.

(7) "Special education personnel" means persons engaged in and having professional responsibility for students with a disability in special education programs and services including, but not limited to, teachers, aides, school social workers, diagnostic personnel, physical therapists, occupational therapists, audiologists, teachers of speech and language, instructional media-curriculum specialists, mobility specialists, teacher consultants, supervisors, and directors.

(8) "Special education programs and services" means educational and training services designed for students with a disability and operated by a school district, intermediate school district, the Michigan schools for the deaf and blind, the department of health and human services, or a combination of these, and ancillary professional services for students with a disability rendered by agencies approved by the superintendent of public instruction. The programs shall include vocational training, but need not include academic programs of college or university level.

(9) "Special school election" or "special election" means a school district election to fill a vacancy on the school board or submit a ballot question to the school electors that is held on a regular election date established under section 641 of the Michigan election law, MCL 168.641.

(10) "State approved nonpublic school" means a nonpublic school that complies with 1921 PA 302, MCL 388.551 to 388.558.

(11) "State board" means the state board of education created by section 3 of article VIII of the state constitution of 1963 unless clearly otherwise stated.

(12) "Student with a disability" means that term as defined in R 340.1702 of the Michigan administrative code.

(13) "Department" means the department of education created under sections 300 to 305 of the executive organization act of 1965, 1965 PA 380, MCL 16.400 to 16.405.

(14) "State school aid" means allotments from the general appropriating act for the purpose of aiding in the support of the public schools of the state, including, but not limited to, appropriations from the state school aid fund under the state school aid act of 1979.

(15) "The state school aid act of 1979" means the state school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1896.

Sec. 11. Each school district, except a school district of the first class or a community district, shall be organized and conducted as a general powers school district regardless of previous classification.

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 otherwise provided by law, may exercise a power incidental or appropriate to the performance of a function related to operation of a public school and the provision of public education services 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. A school district may do either or both of the following:

(i) Educate pupils by directly operating 1 or more public schools on its own.

(ii) Cause public education services to be provided for pupils of the school district through an agreement, contract, or other cooperative agreement with another public entity, including, but not limited to, another school district or an intermediate school district.

- (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) Except as otherwise provided in this section, 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, including, but not limited to, another school district or an intermediate school district, to carry out school district powers. A school district may indemnify its employees.
- (e) Receiving, accounting for, investing, or expending public school money; borrowing money and pledging public school 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, contracts, or other cooperative arrangements with other entities, public or private, including, but not limited to, another school district or an intermediate school district, or join organizations as part of performing the functions of the school district. An agreement, contract, or other 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) Except as provided under part 5b, a community district shall be organized and conducted in the same manner as a general powers school district. As provided under part 5b, a community district has all of the powers of a general powers school district under section 11a and has all additional powers granted by law to a community district or the school board of a community district. The members of the board of a community district shall be elected by the school electors in the manner and for the terms as provided under part 5b and the Michigan election law.
- (10) 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) 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) 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) 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) 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. 12b. (1) Beginning on the effective date of the amendatory act that added this section, if a school district is or becomes a qualifying school district, the school district shall lose its organization and be dissolved as provided in this section.

(2) If a school district loses its organization under subsection (1), except as otherwise provided in this section, all records, funds, and property of the qualifying school district are transferred on the transfer date to a community district created with the same geographic boundaries of the qualifying school district under part 5b. Except as otherwise provided in this section, proceeds from bonds, notes, or emergency loans, taxes levied by or payable to the qualifying school district, money payable to the qualifying school district under the state school aid act of 1979, and advances or other payments relating to any of these, and all of the qualifying school district functions described under subsection (3), shall be retained by the qualifying school district and are not transferred to the community district. A school building or other real property owned by the qualifying school district becomes part of and owned by the community district. If a qualifying school district has outstanding debt on the transfer date, the qualifying school district shall retain a limited separate identity as a school district and the territory of the qualifying school district shall continue as a separate taxing unit only for the limited public purposes of the repayment of the debt until the debt is retired, satisfying liability from legal claims filed before the transfer date, and protecting the credit of this state and of its school districts.

(3) Before the transfer date, the governor shall designate an individual who is authorized by law to act for and in the place and stead of the school board and superintendent of schools of the qualifying school district as the transition manager for the community district to perform functions and satisfy responsibilities of the community district, of the school board and superintendent of schools of the community district, and of the transition manager under this section until the elected members of the school board of the community district are elected and take office under section 384. Until that time, the transition manager shall exercise the powers, perform the functions, and satisfy the responsibilities of the school board and superintendent of schools of the community district, except that the transition manager shall not negotiate or enter into any collective bargaining agreement that would bind the elected school board of the community district. Until that date, the transition manager also shall perform the functions and satisfy the responsibilities of the school board and superintendent of schools of the qualifying school district relating to the repayment of debt and the dissolution of the qualifying school district, including, but not limited to, all of the following:

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

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

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

(4) An individual designated as a transition manager under subsection (3) shall perform the functions and satisfy the responsibilities of a transition manager under this section from the time of the designation until the elected members of the school board of the community district are elected and take office under section 384. Officers, employees, agents, and contractors of the community district are subject to direction and supervision by the transition manager and shall actively cooperate with the transition manager in the transition manager's performance of functions and responsibilities under this section. The functions and responsibilities of the transition manager under this section include, but are not limited to, all of the following before, on, and after the transfer date:

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

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

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

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

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

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

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

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

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

(5) As permitted under federal law, on the transfer date the superintendent of public instruction shall allocate to a community district receiving the functions and responsibilities of a qualifying school district for a public school under subsection (2) all applicable grants under 20 USC 6333, 20 USC 6334, 20 USC 6335, and 20 USC 6337, and other federal funds that would otherwise be made available for grants to or federal funding for the public school or make other adjustments in the allocation of federal funds to implement the transfer of functions and responsibilities for the public school. The community district is the successor entity of the qualifying school district for purposes of receiving and expending federal grants.

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

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

(a) The community district acquires, succeeds to, and assumes the exclusive right, responsibility, and authority to own, occupy, operate, control, use, lease, and convey the facilities of the qualifying school district existing as of the transfer date, including all lands, buildings, improvements, structures, easements, rights of access, and all other privileges and appurtenances. The officers of the qualifying school district shall execute any instruments of conveyance, assignment, and transfer that are necessary or appropriate to accomplish the acquisition and succession under this subdivision. Occupancy of a facility by a community district under this subdivision is not considered to be a change in occupancy for any purpose under state or local law.

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

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

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

(e) Except for debt or other obligations retained by the qualifying school district under this section, the community district has the qualifying school district's right, title, and interest in and all of the qualifying school district's responsibilities and authority arising under leases, concessions, and other contracts for facilities.

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

(g) A community district acquires, succeeds to, and assumes all of the rights, duties, and obligations under a collective bargaining agreement applicable to the qualifying school district on the transfer date. The terms and conditions of that collective bargaining agreement applicable to employees of the qualifying school district on the transfer date shall be the terms and conditions applicable to employees of the community district and except for the superintendent of schools, the community district shall be the successor employer for employees of the qualifying school district on the transfer date. Except for the superintendent of schools, an individual who is entitled to employment by the qualifying school district on the transfer date shall be entitled to employment by the community district following the transfer to the community district.

(h) For individuals who become employed by a community district by the operation of subdivision (g), the transition manager shall take all steps necessary to ensure that all personnel records are transferred from the qualifying school district to the community district. For an individual who becomes employed by a community district by the operation of subdivision (g), the community district is not required to obtain a criminal history check under section 1230 or a criminal records check under section 1230a or to request information concerning unprofessional conduct under section 1230b before employing the individual.

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

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

(9) Upon the transfer to a community district, the community district assumes and the qualifying school district is relieved from all operational jurisdiction over the qualifying school district and facilities and is relieved from all further costs and responsibility arising from or associated with operating a public school or providing public education services, except as otherwise required under obligations retained by the qualifying school district under this section, including, but not limited to, debt.

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

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

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

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

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

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

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

(11) Upon the election and assumption of duties by the members of the initial elected school board of the community district, the school board of the qualifying school district is dissolved and the functions and responsibilities of the qualifying school district shall be exercised by the community district on behalf of the qualifying school district until the qualifying school district is fully dissolved under subsection (14).

(12) If the state treasurer is notified that all outstanding operating obligations of the qualifying school district have been repaid, the state treasurer shall verify whether all outstanding obligations of the qualifying school district have been repaid. The state treasurer also may determine that the outstanding operating obligations of a qualifying school district have been satisfied on his or her own without notice. If the state treasurer determines that all outstanding operating obligations of the qualifying school district have been repaid, the state treasurer shall certify in a written notice to a community district that has the same geographic boundaries as the qualifying school district that the outstanding operating obligations of the qualifying school district have been repaid.

(13) If the state treasurer is notified that all outstanding debt of the qualifying school district has been repaid, the state treasurer shall verify whether all of the outstanding debt of the qualifying school district has been repaid. The state treasurer also may determine that the outstanding debt of a qualifying school district has been repaid on his or

her own without notice. If the state treasurer determines that all of the outstanding debt of the qualifying school district has been repaid, the state treasurer shall certify in a written notice to a community district that has the same geographic boundaries as the qualifying district that all outstanding debt of the qualifying school district has been repaid.

(14) Upon certification by the state treasurer under subsection (13), the qualifying school district is fully dissolved and any remaining assets of the qualifying school district are transferred to the community district.

(15) As used in this section:

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

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

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

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

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

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

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

(b) “Operating obligation” means debt of a school district incurred for purposes of financing the operation of a school district or public schools operated by a school district, including, but not limited to, fiscal stability bonds under section 1356 and an emergency loan under the emergency municipal loan act, 1980 PA 243, MCL 141.931 to 141.942, and transitional operating costs as defined in section 3 of the emergency municipal loan act, 1980 PA 243, MCL 141.933. Operating obligation does not include debt of a school district incurred for the purpose of constructing, renovating, maintaining, or otherwise improving school facilities unless the debt is incurred as transitional operating costs as defined in section 3 of the emergency municipal loan act, 1980 PA 243, MCL 141.933.

(c) “Transfer date” means the first July 1 after the date a school district becomes a qualifying school district. For a school district that became a qualifying school district on the effective date of the amendatory act that added this subdivision, the transfer date is July 1, 2016.

PART 5B

COMMUNITY DISTRICTS

Sec. 381. (1) A school district organized as a community district shall be governed by this part, by the provisions of article 2 not inconsistent with this part, and by articles 3 and 4.

(2) A community district is a political subdivision and public body corporate separate and distinct from this state and other school districts in this state.

(3) The name of a school district governed by this part shall include the name of the city, village, or township with the greatest population located within the geographic boundaries of the community district, the word “school” or “schools”, and the word “community” or “district”, or both.

(4) Subject to section 12b, a school district governed by this part shall be under the jurisdiction of and governed by the school board of the community district provided for by section 384.

(5) As used in this part:

(a) “Authorizing body” means that term as defined in section 501, 521, or 551, as applicable.

(b) “State school reform/redesign officer” means that officer serving under section 1280c.

(c) “Transfer date” means that term as defined in section 12b.

Sec. 382. Except as otherwise provided in this part, a community district shall be organized and conducted in the same manner as a general powers school district. Except as otherwise provided by law, a community district has all of the powers of a general powers school district under section 11a and has all additional powers granted by law to a community district or the school board of a community district.

Sec. 383. Effective on the date a school district becomes a qualifying school district, a community district is created for the same geographic area of that qualifying school district to provide public education services for residents of that

geographic area and to otherwise exercise the powers of a community district for that geographic area beginning on the transfer date for that qualifying school district.

Sec. 384. (1) Until an initial school board for a community district is elected under this section, the transition manager designated under section 12b shall exercise the powers and duties with respect to governance of the community district as provided under that section.

(2) The initial school board for a community district shall consist of 7 members elected as provided in this section. The school district election coordinator for the community district shall conduct the election as provided for under this section and the Michigan election law.

(3) The school board for a community district shall consist of 7 school electors of the community district elected on a districtwide basis. Members elected to the initial elected school board shall be elected at the first November regular election date, as established under section 641 of the Michigan election law, MCL 168.641, that occurs at least 90 days after the transfer date.

(4) Except as otherwise provided in this subsection, for an individual's name to appear on the official ballot as a candidate for member of the initial elected school board of a community district, the candidate shall file a nominating petition and the affidavit required by section 558 of the Michigan election law, MCL 168.558, with the school district election coordinator not later than 4 p.m. on the fifteenth Tuesday before the election date. The nominating petition must be signed by a minimum of 40 and maximum of 100 school electors of the community district. The nominating petition shall be substantially in the form prescribed under section 303 of the Michigan election law, MCL 168.303. However, instead of filing nominating petitions, a candidate for school board member may pay a nonrefundable filing fee of \$100.00 to the school district election coordinator. If this fee is paid by the due date for a nominating petition, the payment has the same effect under this section as the filing of a nominating petition.

(5) The 2 members of the initial elected school board receiving the highest vote totals in that election among the 7 members elected shall be elected for a term of 6 years, the 3 members of the initial elected school board receiving the next highest vote totals in that election among the 7 members elected shall be elected for a term of 4 years, and the 2 members of the initial elected school board receiving the lowest vote totals in that election among the 7 members elected shall be elected for a term of 2 years. The term of a member of the initial elected school board shall begin on January 1 following the member's election.

(6) After the initial terms under subsection (5), each member of the school board of a community district shall be elected at the November regular election date for a term of 4 years beginning on January 1 following the member's election.

(7) The school board of a community district shall adopt bylaws as described in section 11a(6) for a general powers school district. These bylaws may establish or change board procedures; establish the number, titles, and duties of board officers; and address 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.

(8) A member of a school board for a qualifying school district under section 12b may not also serve as a member of a school board for a community district that has the same geographic boundaries as the qualifying school district. A member of a school board of a community district may not also serve as a member of a school board for a qualifying school district that has the same geographic boundaries as the community district.

(9) As used in this section, "school district election coordinator" means that term as defined under section 4 of the Michigan election law, MCL 168.4.

Sec. 385. (1) The school board of a community district shall employ a superintendent of schools. Within 90 days after the initial school board of a community district takes office, the school board of the community district shall appoint an initial superintendent of schools for the community district. The initial superintendent of schools shall be selected based upon his or her demonstrated ability, record of competence, experience in increasing academic achievement, experience with education reform and redesign, and expertise in the turnaround of academically underperforming urban schools.

(2) On an annual basis, the school board of a community district shall evaluate and issue a report on the performance of the community district based on the following factors:

(a) The proportion of pupils enrolled in the community district who achieve scores at least equivalent to proficient on state assessments.

(b) The proportion of pupils enrolled in the community district who achieve at least 1 year of academic growth in a school year.

(c) The proportion of graduates from or pupils enrolled in the community district who are enrolled in some form of postsecondary education or career and technical education.

(3) On at least an annual basis, the school board of a community district shall evaluate the performance of the superintendent of schools of the community district.

(4) For an individual who is the chief school administrator of a school operated by a community district and is employed by the community district as of the date the initial elected school board takes office under section 384, before making a decision on renewing or nonrenewal of the individual's employment contract as described under section 1229(2) and (3), the school board of the community district shall perform an individual review of each individual's school administrator employment contract and make an affirmative decision to renew the contract or to provide notice of nonrenewal. The school board of the community district shall comply with the time periods in section 1229(2) and (3). The review required under this section is in addition to any performance evaluation required under the performance evaluation system under section 1249b.

Sec. 386. If another school district is authorized to levy a school operating tax under section 1211 within the geographic boundaries of the community district during a tax year, the community district shall not levy a school operating tax under section 1211 during that tax year.

Sec. 387. A community district is subject to financial oversight by a financial review commission to the extent provided under the Michigan financial review commission act, 2014 PA 181, MCL 141.1631 to 141.1643. If a financial review commission is in place for a community district, all of the following apply:

(a) The appointment of a chief financial officer for the community district is subject to the approval of the financial review commission. Before the chief financial officer's appointment is final, the school board of the community district shall submit the proposed appointment in writing to the financial review commission for its approval. If the proposed appointment is not approved by the financial review commission within 45 days after it is submitted in writing to the financial review commission, the appointment is denied.

(b) The community district may not terminate the employment of the superintendent of schools or chief financial officer of the community district unless that action is approved by the financial review commission.

(c) The transition manager or school board of a community district shall ensure that the community district does not provide to a school board member, official, or employee of the community district any reimbursement from public funds for travel outside of this state unless the reimbursement is specifically approved by the financial review commission. The state treasurer shall monitor and verify compliance with this subdivision by obtaining the necessary information from the department and the community district at least annually. If the state treasurer determines that a community district is not in compliance with this subdivision, the state treasurer shall notify the community district, the department, and the legislature.

Sec. 388. This part does not repeal or affect a general law or local law governing the management and control of a public library established in a community district under this part or a first class school district under part 6. Any powers and duties of a qualifying school district under section 12b relating to the management and control of a public library are transferred to the community district on the transfer date for the qualifying school district under section 12b.

Sec. 389. The validity of the formation of a community district shall be conclusively presumed unless questioned in an original action filed in the court of appeals within 60 days after the community district is created under section 383. The court of appeals has original jurisdiction to hear an action under this section. The court shall hear the action in an expedited manner. The department of treasury is a necessary party in any action under this section.

Sec. 390. (1) Subject to subsection (2), the state school reform/redesign officer serving under section 1280c shall establish, implement, and administer a community district accountability system under this section for all public schools located within the boundaries of a community district, including all schools operated by the community district and all public school academies located within the boundaries of the community district. The accountability system shall meet all of the requirements of this section.

(2) The state school reform/redesign officer shall implement and administer the accountability system under this section beginning with the second full school year that starts after the transfer date. After the accountability system is implemented, the state school reform/redesign officer, not more frequently than annually, may make adjustments to the accountability system that are consistent with this section.

(3) A community district accountability system under this section shall meet all of the following:

(a) The accountability system annually shall assign a letter grade of A, B, C, D, or F to each public school located within the boundaries of the community district.

(b) The accountability system shall assign the letter grades under subdivision (a) based on a point scale from 0 to 100 points, using the total points achieved by a school to determine the letter grade. The state school reform/redesign officer shall determine how many points are necessary for each letter grade.

(c) The points under subdivision (b) shall be assigned based on a school's performance on proficiency measures, growth measures, and nonacademic measures, as prescribed under subsection (4).

(d) If possible, a school's performance on proficiency measures, growth measures, and nonacademic measures shall be based on the average of the results from the 2 most recent school years for which the data are available. If 2 years of data are not available for a particular measure, the school's performance for that measure shall be based on the results from the most recent school year for which the data are available.

(4) In determining the number of points to be assigned for each public school under subsection (3), the state school reform/redesign officer shall ensure that not less than 80% of the total points assigned are based on the combined weight given to proficiency measures and growth measures. Of the combined weight given to these 2 measures, growth measures shall account for at least 50% and not more than 70% of that combined weight. The balance that is not based on proficiency measures and growth measures shall be based on nonacademic measures. All of the following apply to these measures:

(a) Proficiency measures shall include all of the following:

(i) For a public school that operates any of grades K to 8, both of the following:

(A) Overall proficiency as measured on the English language arts and mathematics portions of the M-STEP.

(B) Proficiency for continuously enrolled pupils as measured on the English language arts and mathematics portions of the M-STEP. This shall be based on the percentage of pupils who have been enrolled in that school for 2 or more consecutive school years who achieve proficiency or advanced on these portions of the M-STEP, assigning equal weight to English language arts and mathematics results.

(ii) For a public school that operates any of grades 9 to 12, all of the following:

(A) The percentage of pupils who graduate within 4 years.

(B) Pupil scores on the college entrance examination component of the Michigan merit examination under section 1279g(2)(a).

(C) The percentage of pupils enrolled in that school in college level equivalent courses and the percentage of those pupils who pass the courses and achieve the score on a college level equivalent credit examination that must be achieved to qualify for college level equivalent credit for each of the courses. As used in this sub-subparagraph, "college level equivalent course" and "college level equivalent credit examination" mean those terms as defined in section 1471.

(D) Overall proficiency as measured on the social studies and science portions of the M-STEP.

(b) Growth measures shall include all of the following:

(i) For a public school that operates any of grades K to 8, all of the following:

(A) Overall growth among all pupils enrolled in that school for the full school year as measured by growth achieved from 1 school year to the next on the English language arts and mathematics portions of the M-STEP, assigning equal weight to English language arts and mathematics results.

(B) Growth among continuously enrolled pupils as measured on the English language arts and mathematics portions of the M-STEP. This shall be based on the average student growth achieved from 1 school year to the next among pupils who have been enrolled in that school for 2 or more consecutive school years on the English language arts and mathematics portions of the M-STEP, assigning equal weight to English language arts and mathematics results.

(C) Growth among the bottom 30% of pupils enrolled in that school as measured on the English language arts and mathematics portions of the M-STEP. This shall be based on the average student growth achieved from 1 school year to the next among pupils whose test scores for the first of the 2 school years were in the bottom 30% on the English language arts and mathematics portions of the M-STEP, assigning equal weight to English language arts and mathematics results.

(ii) For a public school that operates any of grades 9 to 12, both of the following:

(A) Progress made in improving the percentage of pupils who graduate within 4 years.

(B) Progress made in improving pupil scores on the college entrance examination component of the Michigan merit examination under section 1279g(2)(a).

(c) Nonacademic measures shall include all of the following for all public schools, regardless of grade level:

(i) Student survey results. The student survey shall be procured from a third-party vendor and must include measures of student engagement and pupils' perceptions of school safety and learning environment. There must be published evidence of the reliability and validity of the student survey instruments used, including evidence that the survey results are predictive of student growth results and that the survey results can be used to make meaningful distinctions in performance across schools.

(ii) Year-to-year reenrollment rates, as measured by the percentage of pupils who enrolled in that school in the current school year among all pupils who were enrolled in that school at the end of the immediately preceding school year, excluding those who moved residences or completed the terminal grade in the school.

(iii) Absenteeism rates, as measured by the percentage of pupils enrolled in that school for the full school year who miss more than 10% of school days.

(iv) Parent participation in school satisfaction surveys. In determining a school's performance on the nonacademic measures, this measure may not be given more than 1/4 weight among the measures listed in this subdivision.

(d) For public schools that operate a configuration of grade levels that includes pupils in both any of grades K to 8 and any of grades 9 to 12, the public school's performance on proficiency measures and growth measures shall be determined using a weighted average of the measurements under subdivisions (a) and (b).

(5) The accountability system under this section shall remain in effect until a state accountability system is established by the legislature for all public schools in this state and is designated as replacing the accountability system under this section. If such a state accountability system is established, the accountability system under this section is terminated and the public schools located within the boundaries of a community district are subject to that state accountability system as provided under that system.

(6) As used in this section, "M-STEP" means the Michigan student test of educational progress or a successor statewide assessment adopted and implemented by the department.

Sec. 391. (1) Notwithstanding section 1280c, except for a school that is an alternative school serving a special student population, and subject to subsections (2) and (3), until the accountability system under section 390 has been in effect in the community district for at least 3 full school years, if a school operated by a community district is among the lowest achieving 5% of all public schools in this state for the immediately preceding 3 school years, as determined under section 1280c, the state school reform/redesign officer shall order the community district to close the school effective no later than the end of the current school year.

(2) Notwithstanding section 1280c, except for a school that is an alternative school serving a special student population, and subject to subsection (3), after the accountability system under section 390 has been in effect in the community district for at least 3 full school years, if a school operated by a community district has been assigned a grade of "F" under section 390 for the immediately preceding 3 school years, the state school reform/redesign officer shall order the community district to close the school effective no later than the end of the current school year.

(3) For a public school that is subject to closure under this section, the state school reform/redesign officer shall consider other public school options available to pupils in the grade levels offered by the public school who reside in the geographic area served by the public school. If the state school reform/redesign officer determines that closure of the public school would result in an unreasonable hardship to these pupils because there are insufficient other public school options reasonably available for these pupils, the state school reform/redesign officer may rescind the order subjecting the public school to closure. If the state school reform/redesign officer rescinds an order subjecting a public school to closure, the state school reform/redesign officer shall do so before the end of the school year. If the state school reform/redesign officer rescinds an order subjecting a public school to closure, the state school reform/redesign officer shall require the public school to implement a school improvement plan that includes measures to increase pupil growth and improve pupil proficiency, with growth and proficiency measured by performance on state assessments.

(4) A community district may not open a new school at the same location as a public school that is closed under this section or section 507, 528, or 561 within 3 years after the closure of the school unless the new school has a substantially different leadership structure and substantially different curricular offerings than the previous school at that location and is approved by the state school reform/redesign officer. An authorizing body shall not issue a contract for a new public school academy site to be located at the same location as a public school that is closed under this section within 3 years after the closure of the school unless the new public school academy site has a substantially different leadership structure and substantially different curricular offerings than the previous school at that location and is approved by the state school reform/redesign officer.

Sec. 392. The board of a community district shall not open a new school if both of the following circumstances exist:

(a) Until the accountability system under section 390 has been in effect in the community district for at least 3 full school years, the proposed school would operate at the same location as a public school that currently is on the list under section 1280c(1) of the public schools in this state that the state school reform/redesign office has determined to be among the lowest achieving 5% of all public schools in this state or has been on that list during the immediately preceding 3-year period. Beginning after the accountability system under section 390 has been in effect in the community district for at least 3 full school years, the proposed school would operate at the same location as a public school that has been assigned a grade of "F" under section 390 for 3 of the preceding 5 school years.

(b) The proposed school would have substantially the same leadership and substantially the same curriculum offerings as the school that previously operated at that location.

Sec. 393. (1) A community district shall have, support, and maintain an advisory council as provided in this section.

(2) The advisory council shall consist of 6 members as follows:

(a) The superintendent of schools of the community district or his or her designee.

(b) The school board president of the community district or his or her designee.

(c) One member, appointed by the state school reform/redesign officer, who at the time of his or her appointment is the parent of at least 1 pupil who is currently enrolled, and who has been enrolled for at least 1 full school year, in a public school operated by the community district or operated by the qualifying school district with the same boundaries as the community district. If a member appointed under this subdivision ceases to have a child enrolled in a public school operated by the community district, that member shall be considered to have vacated the member's office.

(d) One member representing authorizing bodies that have authorized at least 3 public school academies located within the community district, appointed by the state school reform/redesign officer from among nominees submitted by a statewide organization representing authorizing bodies.

(e) One member who serves as a school administrator in, or on the board of directors of, a public school academy that is located within the community district and is authorized by the governing board of a state public university, appointed by the state school reform/redesign officer from among nominees submitted by a statewide organization representing public school academies.

(f) One member, appointed by the state school reform/redesign officer, who at the time of his or her appointment is the parent of at least 1 pupil who is currently enrolled, and who has been enrolled for at least 1 full school year, in a public school academy located within the community district. If a member appointed under this subdivision ceases to have a child enrolled in a public school academy located within the community district, that member shall be considered to have vacated the member's office.

(3) The advisory council members appointed under subsection (2)(c) to (f) shall serve for a term of 4 years. A vacancy in the office shall be filled in the same manner as the original appointment for the vacated seat.

(4) In carrying out its functions, an advisory council shall solicit input and consider recommendations from representatives of authorizing bodies for public school academies operating within the community district, community groups, and other interested parties with relevant experience.

(5) On an annual basis, an advisory council shall prepare and submit to the school board of the community district a report on the physical state of public school facilities located within the community district; the utilization of public school facilities located within the community district, considering efficiency of that utilization and possible consolidation or elimination of facilities; the siting of existing and future public schools within the community district, considering population, population density, and the efficient and equitable distribution of facilities; and transportation of pupils to and from public schools located within the community district. The school board of the community district shall provide a copy of this report to the state school reform/redesign officer, to the authorizing body of each public school academy located within the community district, and to the standing committees of the senate and house of representatives with responsibility for education legislation.

(6) In carrying out its functions and responsibilities, the school board of a community district shall consider the reports received from the advisory council under subsection (5).

Sec. 395. (1) If a qualifying school district is a party to a lease between the qualifying school district and an achievement authority, the community district shall not renew or extend the lease after June 30 following the transfer date.

(2) If a qualifying school district is a party to an interlocal agreement with a state public university creating an achievement authority, as soon as possible after the transfer date the community district shall take action to withdraw from that interlocal agreement to the extent permitted under that interlocal agreement.

(3) If a qualifying school district is a party to an interlocal agreement with a state public university creating an achievement authority, the community district is not authorized to jointly exercise any powers, privileges, or authorities under that interlocal agreement after the June 30 following the transfer date.

(4) As used in this section, "achievement authority" means that term as defined in section 3 of the state school aid act of 1979, MCL 388.1603.

Sec. 396. For the state fiscal year ending September 30, 2016, \$250,000.00 is appropriated from the general fund to the department of treasury for the purpose of providing financial support for the organization and administration of any community district formed under this part during the fiscal year ending September 30, 2016. The state treasurer shall ensure that a portion of this money is allocated as a grant to be used to provide school board training to the initial elected members of the school board of the community district. This training shall be provided to each of these board members no later than 30 days after he or she takes office and shall address at least school board governance, public school financing, fiscal responsibility, and ethics.

Sec. 501. (1) A public school academy is a public school under section 2 of article VIII of the state constitution of 1963, is a school district for the purposes of section 11 of article IX of the state constitution of 1963 and for the purposes of section 1225 and section 1351a, and is subject to the leadership and general supervision of the state board over all public education under section 3 of article VIII of the state constitution of 1963. A public school academy is a body

corporate and is a governmental agency. The powers granted to a public school academy under this part constitute the performance of essential public purposes and governmental functions of this state.

(2) As used in this part:

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

(i) The board of a school district.

(ii) An intermediate school board.

(iii) The board of a community college.

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

(v) Two or more of the public agencies described in subparagraphs (i) to (iv) exercising power, privilege, or authority jointly pursuant to an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

(b) "Certificated teacher" means an individual who holds a valid teaching certificate issued by the superintendent of public instruction under section 1531.

(c) "Community college" means a community college organized under the community college act of 1966, 1966 PA 331, MCL 389.1 to 389.195, or a federal tribally controlled community college that is recognized under the tribally controlled colleges and universities assistance act of 1978, 25 USC 1801 to 1864, and is determined by the department to meet the requirements for accreditation by a recognized regional accrediting body.

(d) "Contract" means the executive act taken by an authorizing body that evidences the authorization of a public school academy and that establishes, subject to the constitutional powers of the state board and applicable law, the written instrument executed by an authorizing body conferring certain rights, franchises, privileges, and obligations on a public school academy, as provided by this part, and confirming the status of a public school academy as a public school in this state.

(e) "Entity" means a partnership, nonprofit or business corporation, labor organization, or any other association, corporation, trust, or other legal entity.

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

Sec. 502. (1) A public school academy shall be organized and administered under the direction of a board of directors in accordance with this part and with bylaws adopted by the board of directors. A public school academy corporation shall be organized under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192, except that a public school academy corporation is not required to comply with sections 170 to 177 of 1931 PA 327, MCL 450.170 to 450.177. To the extent disqualified under the state or federal constitution, a public school academy shall not be organized by a church or other religious organization and shall not have any organizational or contractual affiliation with or constitute a church or other religious organization.

(2) Subject to subsection (9), any of the following may act as an authorizing body to issue a contract to organize and operate 1 or more public school academies under this part:

(a) The board of a school district. However, the board of a school district shall not issue a contract for a public school academy to operate outside the school district's boundaries, and a public school academy authorized by the board of a school district shall not operate outside that school district's boundaries.

(b) An intermediate school board. However, the board of an intermediate school district shall not issue a contract for a public school academy to operate outside the intermediate school district's boundaries, and a public school academy authorized by the board of an intermediate school district shall not operate outside that intermediate school district's boundaries.

(c) The board of a community college. However, except as otherwise provided in this subdivision, the board of a community college shall not issue a contract for a public school academy to operate in a school district organized as a school district of the first class, a public school academy authorized by the board of a community college shall not operate in a school district organized as a school district of the first class, the board of a community college shall not issue a contract for a public school academy to operate outside the boundaries of the community college district, and a public school academy authorized by the board of a community college shall not operate outside the boundaries of the community college district. The board of a community college also may issue a contract for not more than 1 public school academy to operate on the grounds of an active or closed federal military installation located outside the boundaries of the community college district, or may operate a public school academy itself on the grounds of such a federal military installation, if the federal military installation is not located within the boundaries of any community college district and the community college has previously offered courses on the grounds of the federal military installation for at least 10 years.

(d) The governing board of a state public university. However, the combined total number of contracts for public school academies issued by all state public universities shall not exceed 300 through December 31, 2012 and shall not

exceed 500 through December 31, 2014. After December 31, 2014, there is no limit on the combined total number of contracts for public school academies that may be issued by all state public universities.

(e) Two or more of the public agencies described in subdivisions (a) to (d) exercising power, privilege, or authority jointly pursuant to an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

(3) To obtain a contract to organize and operate 1 or more public school academies, 1 or more persons or an entity may apply to an authorizing body described in subsection (2). The application shall include at least all of the following:

(a) Identification of the applicant for the contract.

(b) Subject to the resolution adopted by the authorizing body under section 503(5), a list of the proposed members of the board of directors of the public school academy and a description of the qualifications and method for appointment or election of members of the board of directors.

(c) The proposed articles of incorporation, which shall include at least all of the following:

(i) The name of the proposed public school academy.

(ii) The purposes for the public school academy corporation. This language shall provide that the public school academy is incorporated pursuant to this part and that the public school academy corporation is a governmental entity.

(iii) The name of the authorizing body.

(iv) The proposed time when the articles of incorporation will be effective.

(v) Other matters considered expedient to be in the articles of incorporation.

(d) A copy of the proposed bylaws of the public school academy.

(e) Documentation meeting the application requirements of the authorizing body, including at least all of the following:

(i) The governance structure of the public school academy.

(ii) A copy of the educational goals of the public school academy and the curricula to be offered and methods of pupil assessment to be used by the public school academy. The educational goals shall include demonstrated improved pupil academic achievement for all groups of pupils. To the extent applicable, the progress of the pupils in the public school academy shall be assessed using both the mathematics and reading portions of the Michigan student test of educational progress (M-STEP) or the Michigan merit examination under section 1279g, as applicable.

(iii) The admission policy and criteria to be maintained by the public school academy. The admission policy and criteria shall comply with section 504. This part of the application also shall include a description of how the applicant will provide to the general public adequate notice that a public school academy is being created and adequate information on the admission policy, criteria, and process.

(iv) The school calendar and school day schedule.

(v) The age or grade range of pupils to be enrolled.

(f) Descriptions of staff responsibilities and of the public school academy's governance structure.

(g) For an application to the board of a school district, an intermediate school board, or board of a community college, identification of the local and intermediate school districts in which the public school academy will be located.

(h) An agreement that the public school academy will comply with the provisions of this part and, subject to the provisions of this part, with all other state law applicable to public bodies and with federal law applicable to public bodies or school districts.

(i) A description of and address for the proposed physical plant in which the public school academy will be located. An applicant may request the authorizing body to issue a contract allowing the public school academy board of directors to operate the same configuration of age or grade levels at more than 1 site.

(4) An authorizing body shall oversee, or shall contract with an intermediate school district, community college, or state public university to oversee, each public school academy operating under a contract issued by the authorizing body. The authorizing body is responsible for overseeing compliance by the board of directors with the contract and all applicable law. This subsection does not relieve any other government entity of its enforcement or supervisory responsibility.

(5) If the superintendent of public instruction finds that an authorizing body is not engaging in appropriate continuing oversight of 1 or more public school academies operating under a contract issued by the authorizing body, the superintendent of public instruction may suspend the power of the authorizing body to issue new contracts to organize and operate public school academies. A contract issued by the authorizing body during the suspension is void. A contract issued by the authorizing body before the suspension is not affected by the suspension.

(6) An authorizing body shall not charge a fee, or require reimbursement of expenses, for considering an application for a contract, for issuing a contract, or for providing oversight of a contract for a public school academy in an amount that exceeds a combined total of 3% of the total state school aid received by the public school academy in the school

year in which the fees or expenses are charged. An authorizing body may provide other services for a public school academy and charge a fee for those services, but shall not require such an arrangement as a condition to issuing the contract authorizing the public school academy.

(7) A public school academy shall be presumed to be legally organized if it has exercised the franchises and privileges of a public school academy for at least 2 years.

(8) An authorizing body may enter into an intergovernmental agreement with another authorizing body to issue public school academy contracts. At a minimum, the agreement shall further the purposes set forth in section 501, describe which authorizing body shall issue the contract, and set forth which authorizing body will be responsible for monitoring compliance by the board of directors of the public school academy with the contract and all applicable law.

(9) Both of the following apply to the issuance of a contract for a public school academy to be located within a community district:

(a) An authorizing body shall not issue a contract to organize and operate a new public school academy to be located in a community district unless, before issuing the contract, the governing board of the authorizing body has certified to the state school reform/redesign officer that the authorizing body has been accredited as an authorizing body by a nationally recognized accreditation body. For an authorizing body described in subsection (2)(e), the authorizing body shall not issue a contract to organize and operate a new public school academy to be located in a community district unless, before issuing the contract, the governing board of each of the public agencies that is party to the interlocal agreement has certified to the state school reform/redesign officer that the public agency has been accredited as an authorizing body by a nationally recognized accreditation body.

(b) An authorizing body shall not issue a contract for a new public school academy to be located in a community district if both of the following circumstances exist:

(i) Either of the following:

(A) Until the accountability system under section 390 has been in effect in the community district for at least 3 full school years, the proposed public school academy would operate at the same location as a public school that currently is on the list under section 1280c(1) of the public schools in this state that the state school reform/redesign office has determined to be among the lowest achieving 5% of all public schools in this state or has been on that list during the immediately preceding 3-year period. Beginning after the accountability system under section 390 has been in effect in the community district for at least 3 full school years, the proposed public school academy would operate at the same location as a public school that has been assigned a grade of "F" under section 390 for 3 of the preceding 5 school years.

(B) The proposed public school academy would operate at the same location as a public school academy, urban high school academy, school of excellence, or strict discipline academy that has had its contract revoked or terminated by an authorizing body under the applicable part or section.

(ii) The proposed public school academy would have substantially the same board of directors, substantially the same leadership, and substantially the same curriculum offerings as the public school that previously operated at that location.

(10) A public school academy that is located within a community district is subject to section 390.

Sec. 507. (1) An authorizing body that issues a contract for a public school academy under this part shall do all of the following:

(a) Ensure that the contract and the application for the contract comply with the requirements of this part.

(b) Within 10 days after issuing the contract, submit to the department a copy of the contract.

(c) Establish the method of selection, length of term, and number of members of the board of directors of each public school academy that it authorizes. The authorizing body shall ensure that the board of directors includes representation from the local community.

(d) Oversee each public school academy operating under a contract issued by the authorizing body. The oversight shall be sufficient to ensure that the board of directors is in compliance with the terms of the contract and with applicable law.

(e) Develop and implement a process for holding a public school academy accountable for meeting applicable academic performance standards set forth in the contract and for implementing corrective action for a public school academy that does not meet those standards.

(f) Take necessary measures to ensure that the board of directors of a public school academy operates independently of any educational management company involved in the operations of the public school academy.

(g) Oversee and ensure that the pupil admission process used by the public school academy is operated in a fair and open manner and is in compliance with the contract and this part.

(h) Ensure that the board of directors of the public school academy maintains and releases information as necessary to comply with applicable law.

(2) An authorizing body may enter into an agreement with 1 or more other authorizing bodies to carry out any function of an authorizing body under this act.

(3) The authorizing body for a public school academy is the fiscal agent for the public school academy. A state school aid payment for a public school academy shall be paid to the authorizing body that is the fiscal agent for that public school academy, and the authorizing body shall then forward the payment to the public school academy. Within 30 days after a contract is submitted to the department by an authorizing body under subsection (1), the department shall issue a district code to the public school academy for which the contract was issued. If the department does not issue a district code within 30 days after a contract is filed, the state treasurer shall assign a temporary district code in order for the public school academy to receive funding under the state school aid act of 1979.

(4) A contract issued under this part may be revoked by the authorizing body if the authorizing body determines that 1 or more of the following have occurred:

(a) Failure of the public school academy to demonstrate improved pupil academic achievement for all groups of pupils or meet the educational goals set forth in the contract.

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

(c) Failure of the public school academy to meet generally accepted public sector accounting principles and demonstrate sound fiscal stewardship.

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

(5) Except for a public school academy that is an alternative school serving a special student population, if the state school reform/redesign officer determines that a public school academy site that has been operating for at least 4 years is among the lowest achieving 5% of all public schools in this state for the immediately preceding 3 school years, as determined under section 1280c, not to include any individualized education plan subgroup, the state school reform/redesign officer shall notify the public school academy's authorizing body. Also, except for a public school academy that is an alternative school serving a special student population, after the accountability system under section 390 has been in effect in the community district for at least 3 full school years, if the state school reform/redesign officer determines that a public school academy site located in a community district has been assigned a grade of "F" under section 390 for the immediately preceding 3 school years, and is not currently undergoing reconstitution under this section, the state school reform/redesign officer shall notify the public school academy's authorizing body. Subject to subsection (6), if an authorizing body receives notice from the state school reform/redesign officer under this subsection, the authorizing body shall amend the public school academy's contract to eliminate the public school academy's authority to operate the existing age and grade levels at the site and the public school academy shall cease operating the existing age and grade levels at the site, effective at the end of the current school year. Subject to subsection (6), if the public school academy operates at only 1 site, and the authorizing body receives notice from the state school reform/redesign officer under this subsection, the authorizing body shall revoke the public school academy's contract, effective at the end of the current school year.

(6) For a public school academy or site that is subject to a notice to its authorizing body under this subsection, the state school reform/redesign officer shall consider other public school options available to pupils in the grade levels offered by the public school academy or site who reside in the geographic area served by the public school academy or site. If the state school reform/redesign officer determines that closure of the public school academy or site would result in an unreasonable hardship to these pupils because there are insufficient other public school options reasonably available for these pupils, the state school reform/redesign officer may rescind the notice. If the state school reform/redesign officer rescinds a notice subjecting a public school academy or site to closure, the state school reform/redesign officer shall do so before the end of the school year. If the state school reform/redesign officer rescinds a notice subjecting a public school academy or site to closure, the state school reform/redesign officer shall require the public school academy or site to implement a school improvement plan that includes measures to increase pupil growth and improve pupil proficiency, with growth and proficiency measured by performance on state assessments.

(7) Except as otherwise provided in section 502 or 503, the decision of an authorizing body to issue, not issue, or reconstitute a contract under this part, or to terminate or revoke a contract under this section, is solely within the discretion of the authorizing body, is final, and is not subject to review by a court or any state agency. An authorizing body that issues, does not issue, or reconstitutes a contract under this part, or that terminates or revokes a contract under this section, is not liable for that action to the public school academy, the public school academy corporation, a pupil of the public school academy, the parent or guardian of a pupil of the public school academy, or any other person.

(8) Except as otherwise provided in this section, before an authorizing body revokes a contract, the authorizing body may consider and take corrective measures to avoid revocation. An authorizing body may reconstitute the public school academy in a final attempt to improve student educational performance or to avoid interruption of the educational process. An authorizing body shall include a reconstituting provision in the contract that identifies these corrective measures, including, but not limited to, canceling a contract with an educational management organization, if any, withdrawing approval of a contract under section 506, or appointing a new board of directors or a trustee to take over operation of the public school academy.

(9) If an authorizing body revokes a contract, the authorizing body shall work with a school district or another public school, or with a combination of these entities, to ensure a smooth transition for the affected pupils. If the revocation occurs during the school year, the authorizing body, as the fiscal agent for the public school academy under this part, shall return any school aid funds held by the authorizing body that are attributable to the affected pupils to the state treasurer for deposit into the state school aid fund. The state treasurer shall distribute funds to the public school in which the pupils enroll after the revocation pursuant to a methodology established by the department and the center for educational performance and information.

(10) Not more than 10 days after a public school academy's contract terminates or is revoked, the authorizing body shall notify the superintendent of public instruction in writing of the name of the public school academy whose contract has terminated or been revoked and the date of contract termination or revocation.

Sec. 522. (1) An urban high school academy shall be organized and administered under the direction of a board of directors in accordance with this part and with bylaws adopted by the board of directors. An urban high school academy corporation shall be organized under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192, except that an urban high school academy corporation is not required to comply with sections 170 to 177 of 1931 PA 327, MCL 450.170 to 450.177. To the extent disqualified under the state or federal constitution, an urban high school academy shall not be organized by a church or other religious organization and shall not have any organizational or contractual affiliation with or constitute a church or other religious organization.

(2) Subject to subsection (9), the governing board of a state public university may act as an authorizing body to issue a contract for the organization and operation of an urban high school academy under this part.

(3) A contract issued under this part shall be issued for an initial term of 10 years. If the urban high school academy meets the educational goals set forth in the contract and operates in substantial compliance with this part, the authorizing body shall automatically renew the contract for a subsequent 10-year term.

(4) To obtain a contract to organize and operate 1 or more urban high school academies, an entity may apply to an authorizing body described in subsection (2). The contract shall be issued to an urban high school academy corporation designated by the entity applying for the contract. The application shall include at least all of the following:

(a) Name of the entity applying for the contract.

(b) Subject to the resolution adopted by the authorizing body under section 528, a list of the proposed members of the board of directors of the urban high school academy and a description of the qualifications and method for appointment or election of members of the board of directors.

(c) The proposed articles of incorporation, which shall include at least all of the following:

(i) The name of the proposed urban high school academy to which the contract will be issued.

(ii) The purposes for the urban high school academy corporation. This language shall provide that the urban high school academy is incorporated pursuant to this part and that the urban high school academy corporation is a governmental entity and political subdivision of this state.

(iii) The name of the authorizing body.

(iv) The proposed time when the articles of incorporation will be effective.

(v) Other matters considered expedient to be in the articles of incorporation.

(d) A copy of the proposed bylaws of the urban high school academy.

(e) Documentation meeting the application requirements of the authorizing body, including at least all of the following:

(i) The governance structure of the urban high school academy.

(ii) A copy of the educational goals of the urban high school academy and the curricula to be offered and methods of pupil assessment to be used by the urban high school academy. The educational goals shall include demonstrated improved pupil academic achievement for all groups of pupils. To the extent applicable, the progress of the pupils in the urban high school academy shall be assessed using both the mathematics and reading portions of the Michigan student test of educational progress (M-STEP) or the Michigan merit examination under section 1279g, as applicable.

(iii) The admission policy and criteria to be maintained by the urban high school academy. The admission policy and criteria shall comply with section 524. This part of the application also shall include a description of how the applicant will provide to the general public adequate notice that an urban high school academy is being created and adequate information on the admission policy, criteria, and process.

(iv) The school calendar and school day schedule.

(v) The age or grade range of pupils to be enrolled.

(f) Descriptions of staff responsibilities and of the urban high school academy's governance structure.

(g) A description of and address for the proposed building or buildings in which the urban high school academy will be located, and a financial commitment by the entity applying for the contract to construct or renovate the building or buildings that will be occupied by the urban high school academy that is issued the contract.

(5) If a particular state public university issues a contract that allows an urban high school academy to operate the same configuration of grades at more than 1 site, as provided in section 524(1), each of those sites shall be under the direction of the board of directors that is a party to the contract.

(6) If the superintendent of public instruction finds that an authorizing body is not engaging in appropriate continuing oversight of 1 or more urban high school academies operating under a contract issued by the authorizing body, the superintendent of public instruction may suspend the power of the authorizing body to issue new contracts to organize and operate urban high school academies. A contract issued by the authorizing body during the suspension is void. A contract issued by the authorizing body before the suspension is not affected by the suspension.

(7) An authorizing body shall not charge a fee, or require reimbursement of expenses, for considering an application for a contract, for issuing a contract, or for providing oversight of a contract for an urban high school academy in an amount that exceeds a combined total of 3% of the total state school aid received by the urban high school academy in the school year in which the fees or expenses are charged. All of the following apply to this fee:

(a) An authorizing body may use this fee only for the following purposes:

(i) Considering applications and issuing or administering contracts.

(ii) Compliance monitoring and oversight of urban high school academies.

(iii) Training for urban high school academy applicants, administrators, and boards of directors.

(iv) Technical assistance to urban high school academies.

(v) Academic support to urban high school academies or to pupils or graduates of urban high school academies.

(vi) Evaluation of urban high school academy performance.

(vii) Training of teachers, including supervision of teacher interns.

(viii) Other purposes that assist the urban high school academies or traditional public schools in achieving improved academic performance.

(b) An authorizing body may provide other services for an urban high school academy and charge a fee for those services, but shall not require such an arrangement as a condition to issuing the contract authorizing the urban high school academy.

(8) An urban high school academy shall be presumed to be legally organized if it has exercised the franchises and privileges of an urban high school academy for at least 2 years.

(9) Both of the following apply to the issuance of a contract for an urban high school academy to be located within a community district:

(a) An authorizing body shall not issue a contract to organize and operate a new urban high school academy to be located in a community district unless, before issuing the contract, the governing board of the authorizing body has certified to the state school reform/redesign officer that the authorizing body has been accredited as an authorizing body by a nationally recognized accreditation body.

(b) An authorizing body shall not issue a contract for a new urban high school academy to be located in a community district if both of the following circumstances exist:

(i) Either of the following:

(A) Until the accountability system under section 390 has been in effect in the community district for at least 3 full school years, the proposed urban high school academy would operate at the same location as a public school that currently is on the list under section 1280c(1) of the public schools in this state that the state school reform/redesign office has determined to be among the lowest achieving 5% of all public schools in this state or has been on that list during the immediately preceding 3-year period. Beginning after the accountability system under section 390 has been in effect in the community district for at least 3 full school years, the proposed urban high school academy would operate at the same location as a public school that has been assigned a grade of "F" under section 390 for 3 of the preceding 5 school years.

(B) The proposed urban high school academy would operate at the same location as a public school academy, urban high school academy, school of excellence, or strict discipline academy that has had its contract revoked or terminated by an authorizing body under the applicable part or section.

(ii) The proposed urban high school academy would have substantially the same board of directors, substantially the same leadership, and substantially the same curriculum offerings as the public school that previously operated at that location.

(10) An urban high school academy that is located within a community district is subject to section 390.

Sec. 528. (1) An authorizing body that issues a contract for an urban high school academy under this part shall do all of the following:

(a) Ensure that the contract and the application for the contract comply with the requirements of this part.

(b) Within 10 days after issuing the contract, submit to the department a copy of the contract.

(c) Adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each urban high school academy that it authorizes. 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.

(d) Oversee the operations of each urban high school academy operating under a contract issued by the authorizing body. The oversight shall be sufficient to ensure that the urban high school academy is in compliance with the terms of the contract and with applicable law. An authorizing body may enter into an agreement with 1 or more other authorizing bodies to oversee an urban high school academy operating under a contract issued by the authorizing body.

(e) Develop and implement a process for holding an urban high school academy board of directors accountable for meeting applicable academic performance standards set forth in the contract and for implementing corrective action for an urban high school academy that does not meet those standards.

(f) Take necessary measures to ensure that an urban high school academy board of directors operates independently of any educational management company involved in the operations of the urban high school academy.

(g) Oversee and ensure that the pupil admission process used by the urban high school academy is operated in a fair and open manner and is in compliance with the contract and this part.

(h) Ensure that the board of directors of the urban high school academy maintains and releases information as necessary to comply with applicable law.

(2) An authorizing body may enter into an agreement with 1 or more other authorizing bodies to carry out any function of an authorizing body under this act.

(3) The authorizing body for an urban high school academy is the fiscal agent for the urban high school academy. A state school aid payment for an urban high school academy shall be paid to the authorizing body that is the fiscal agent for that urban high school academy, which shall then forward the payment to the urban high school academy. Within 30 days after a contract is submitted to the department by an authorizing body under subsection (1), the department shall issue a district code to the urban high school academy for which the contract was issued. If the department does not issue a district code within 30 days after a contract is filed, the state treasurer shall assign a temporary district code in order for the urban high school academy to receive funding under the state school aid act of 1979.

(4) A contract issued under this part may be revoked by the authorizing body that issued the contract if the authorizing body determines that 1 or more of the following have occurred:

(a) Failure of the urban high school academy to demonstrate improved pupil academic achievement for all groups of pupils or meet the educational goals set forth in the contract.

(b) Failure of the urban high school academy to comply with all applicable law.

(c) Failure of the urban high school academy to meet generally accepted public sector accounting principles and demonstrate sound fiscal stewardship.

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

(5) Except for an urban high school academy that is an alternative school serving a special student population, if the state school reform/redesign officer determines that an urban high school academy site that has been operating for at least 4 years is among the lowest achieving 5% of all public schools in this state for the immediately preceding 3 school years, as determined under section 1280c, not to include any individualized education plan subgroup, the state school reform/redesign officer shall notify the urban high school academy's authorizing body. Also, except for an urban high school academy that is an alternative school serving a special student population, after the accountability system under section 390 has been in effect in the community district for at least 3 full school years, if the state school reform/redesign officer determines that an urban high school academy site located in a community district has been assigned a grade of "F" under section 390 for the immediately preceding 3 school years, and is not currently undergoing reconstitution under this section, the state school reform/redesign officer shall notify the urban high school academy's authorizing body. Subject to subsection (6), if an authorizing body receives notice from the state school reform/redesign officer under this subsection, the authorizing body shall amend the urban high school academy's contract to eliminate the urban high school academy's authority to operate the existing age and grade levels at the site and the urban high school academy shall cease operating the existing age and grade levels at the site, effective at the end of the current school year. Subject to subsection (6), if the urban high school academy operates at only 1 site, and the authorizing body receives notice from the state school reform/redesign officer under this subsection, the authorizing body shall revoke the urban high school academy's contract, effective at the end of the current school year.

(6) For an urban high school academy or site that is subject to a notice to its authorizing body under this subsection, the state school reform/redesign officer shall consider other public school options available to pupils in the grade levels

offered by the urban high school academy or site who reside in the geographic area served by the urban high school academy or site. If the state school reform/redesign officer determines that closure of the urban high school academy or site would result in an unreasonable hardship to these pupils because there are insufficient other public school options reasonably available for these pupils, the state school reform/redesign officer may rescind the notice. If the state school reform/redesign officer rescinds a notice subjecting an urban high school academy or site to closure, the state school reform/redesign officer shall do so before the end of the school year. If the state school reform/redesign officer rescinds a notice subjecting an urban high school academy or site to closure, the state school reform/redesign officer shall require the urban high school academy or site to implement a school improvement plan that includes measures to increase pupil growth and improve pupil proficiency, with growth and proficiency measured by performance on state assessments.

(7) Except as otherwise provided in section 522, the decision of an authorizing body to issue, not issue, or reconstitute a contract under this part, or to terminate or revoke a contract under this section, is solely within the discretion of the authorizing body, is final, and is not subject to review by a court or any state agency. An authorizing body that issues, does not issue, or reconstitutes a contract under this part, or that terminates or revokes a contract under this section, is not liable for that action to the urban high school academy, the urban high school academy corporation, a pupil of the urban high school academy, the parent or guardian of a pupil of the urban high school academy, or any other person.

(8) Except as otherwise provided in this section, before an authorizing body revokes a contract, the authorizing body may consider and take corrective measures to avoid revocation. An authorizing body may reconstitute the urban high school academy in a final attempt to improve student educational performance or to avoid interruption of the educational process. An authorizing body shall include a reconstituting provision in the contract that identifies these corrective measures, including, but not limited to, removing 1 or more members of the board of directors, withdrawing approval to contract under section 527, or appointing a new board of directors or a trustee to take over operation of the urban high school academy.

(9) If an authorizing body revokes a contract, the authorizing body shall work with a school district or another public school, or with a combination of these entities, to ensure a smooth transition for the affected pupils. If the revocation occurs during the school year, the authorizing body, as the fiscal agent for the urban high school academy under this part, shall return any school aid funds held by the authorizing body that are attributable to the affected pupils to the state treasurer for deposit into the state school aid fund. The state treasurer shall distribute funds to the public school in which the pupils enroll after the revocation pursuant to a methodology established by the department and the center for educational performance and information.

(10) Not more than 10 days after an urban high school academy's contract terminates or is revoked, the authorizing body shall notify the superintendent of public instruction in writing of the name of the urban high school academy whose contract has terminated or been revoked and the date of contract termination or revocation.

(11) If an urban high school academy's contract terminates or is revoked, title to all real and personal property, interest in real or personal property, and other assets owned by the urban high school academy shall revert to the state. This property shall be distributed in accordance with the following:

(a) Within 30 days following the termination or revocation, the board of directors of an urban high school academy shall hold a public meeting to adopt a plan of distribution of assets and to approve the dissolution of the urban high school academy corporation, all in accordance with chapter 8 of the nonprofit corporation act, 1982 PA 162, MCL 450.2801 to 450.2864.

(b) The urban high school academy shall file a certificate of dissolution with the department of licensing and regulatory affairs within 10 business days following board approval.

(c) Simultaneously with the filing of the certificate of dissolution under subdivision (b), the urban high school academy board of directors shall provide a copy of the board of directors' plan of distribution of assets to the state treasurer for approval. Within 30 days, the state treasurer, or his or her designee, shall review and approve the board of directors' plan of distribution of assets. If the proposed plan of distribution of assets is not approved within 30 days, the state treasurer, or his or her designee, shall provide the board of directors with an acceptable plan of distribution of assets.

(d) The state treasurer, or his or her designee, shall monitor the urban high school academy's winding up of the dissolved corporation in accordance with the plan of distribution of assets approved or provided under subdivision (c).

(e) As part of the plan of distribution of assets, the urban high school academy board of directors shall designate the director of the department of technology, management, and budget, or his or her designee, to dispose of all real property of the urban high school academy corporation in accordance with the directives developed for disposition of surplus land and facilities under section 251 of the management and budget act, 1984 PA 431, MCL 18.1251.

(f) If the board of directors of an urban high school academy fails to take any necessary action under this section, the state treasurer, or his or her designee, may suspend the urban high school academy board of directors and appoint a trustee to carry out the board's plan of distribution of assets. Upon appointment, the trustee shall have all the rights, powers, and privileges under law that the urban high school academy board of directors had before being suspended.

(g) Following the sale of the real or personal property or interests in the real or personal property, and after payment of any urban high school academy debt secured by the property or interest in property, whether real or personal, the urban high school academy board of directors, or a trustee appointed under this section, shall forward any remaining money to the state treasurer. Following receipt, the state treasurer, or his or her designee, shall deposit this remaining money in the state school aid fund.

Sec. 551. (1) A school of excellence is a public school under section 2 of article VIII of the state constitution of 1963, is a school district for the purposes of section 11 of article IX of the state constitution of 1963 and for the purposes of section 1225 and section 1351a, and is subject to the leadership and general supervision of the state board over all public education under section 3 of article VIII of the state constitution of 1963. A school of excellence is a body corporate and is a governmental agency. The powers granted to a school of excellence under this part constitute the performance of essential public purposes and governmental functions of this state.

(2) As used in this part:

(a) “Authorizing body” means any of the following that issues a contract as provided in this part:

(i) The board of a school district.

(ii) An intermediate school board.

(iii) The board of a community college.

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

(v) Two or more of the public agencies described in subparagraphs (i) to (iv) exercising power, privilege, or authority jointly pursuant to an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

(b) “Certificated teacher” means an individual who holds a valid teaching certificate issued by the superintendent of public instruction under section 1531.

(c) “Community college” means a community college organized under the community college act of 1966, 1966 PA 331, MCL 389.1 to 389.195, or a federal tribally controlled community college that is recognized under the tribally controlled colleges and universities assistance act of 1978, 25 USC 1801 to 1864, and is determined by the department to meet the requirements for accreditation by a recognized regional accrediting body.

(d) “Contract” means the executive act taken by an authorizing body that evidences the authorization of a school of excellence and that establishes, subject to the constitutional powers of the state board and applicable law, the written instrument executed by an authorizing body conferring certain rights, franchises, privileges, and obligations on a school of excellence, as provided by this part, and confirming the status of a school of excellence as a public school in this state.

(e) “Cyber school” means a school of excellence established under this part that has been issued a contract to be organized and operated as a cyber school under section 552(2) and that provides full-time instruction to pupils through online learning or otherwise on a computer or other technology, which instruction and learning may be remote from a school facility.

(f) “Educational management organization” means an entity that enters into an agreement with the governing board of a public school to provide comprehensive educational, administrative, management, or instructional services or staff to the public school.

(g) “Entity” means a partnership, nonprofit or business corporation, labor organization, or any other association, corporation, trust, or other legal entity.

(h) “State public university” means a state university described in section 4, 5, or 6 of article VIII of the state constitution of 1963.

Sec. 552. (1) An authorizing body may issue contracts under this subsection to organize and operate a school of excellence. All of the following apply to the issuance of a contract by an authorizing body under this subsection:

(a) The issuance of the contract must be approved by the superintendent of public instruction. The superintendent of public instruction shall approve issuance of a contract if he or she determines that the proposed school of excellence is modeled after a high-performing school or program.

(b) The first 5 contracts issued by all authorizing bodies under this subsection shall be for schools of excellence that offer 1 or more of high school grades 9 to 12, or any combination of those grades, as specified in the contract.

(c) A school of excellence authorized under this subsection shall not be located in a school district that has a graduation rate of over 75%, on average, for the most recent 3 school years for which the data are available, as determined by the department.

(2) Subject to the limitations in this subsection and subsections (14) and (15), an authorizing body may issue contracts under this subsection for 1 or more schools of excellence that are cyber schools. The combined total number of contracts issued by all statewide authorizing bodies under this subsection for schools of excellence that are cyber schools shall not

exceed 15. The board of a school district, an intermediate school board, the board of a community college that is not a statewide authorizing body, or 2 or more public agencies acting jointly as described in subsection (6)(e) may not act as the authorizing body for more than 1 school of excellence that is a cyber school. An authorizing body shall not issue a contract for a school of excellence that is a cyber school unless the school of excellence that is a cyber school meets all of the following requirements:

- (a) Is available for enrollment to all pupils in this state.
- (b) Offers some configuration of or all of grades K to 12.

(c) The entity applying for the school of excellence that is a cyber school demonstrates experience in delivering a quality education program that improves pupil academic achievement. In determining whether this requirement is met, an authorizing body shall refer to the standards for quality online learning established by the national association of charter school authorizers or other similar nationally recognized standards for quality online learning.

(d) The enrollment in the school of excellence that is a cyber school is limited to not more than 2,500 pupils in membership for the first school year of operation of the school of excellence that is a cyber school, not more than 5,000 pupils in membership for the second school year of operation of the school of excellence that is a cyber school, and not more than 10,000 pupils in membership for the third and subsequent school years of operation of the school of excellence that is a cyber school. As used in this subdivision, "membership" means that term as defined in section 6 of the state school aid act of 1979, MCL 388.1606.

(e) The school of excellence that is a cyber school offers each pupil's family a computer and subsidizes the cost of internet access.

(3) For a public school academy operating under part 6a that meets the requirements of subsection (4), with the approval of its authorizing body, the board of directors of the public school academy may adopt a resolution choosing to convert the public school academy to a school of excellence under this part. If the board of directors of a public school academy that meets the requirements of subsection (4) is issued a contract as a school of excellence under this subsection, all the following apply:

(a) The public school academy shall cease to operate as a public school academy under part 6a and shall operate as a school of excellence upon the issuance of a contract or at another time as determined by the authorizing body.

(b) The public school academy shall be considered to be a school of excellence for all purposes upon the issuance of a contract or at another time as determined by the authorizing body, but shall retain its corporate identity.

(c) The conversion of a public school academy under part 6a to a school of excellence operating under this part shall not impair any agreement, mortgage, loan, bond, note or other instrument of indebtedness, or any other agreement entered into by a public school academy while it was operating under part 6a.

(d) The contract issued to the public school academy under part 6a shall automatically terminate upon the issuance of a contract or at another time as determined by the authorizing body.

(4) Subsection (3) applies to a public school academy that is determined by the department to meet all of the following, as applicable:

- (a) If the public school academy operates only some or all of grades K to 8, meets at least 1 of the following:

(i) On average over a 3-year period, at least 90% of the pupils enrolled in the public school academy achieved a score of proficient or better on the Michigan education assessment program mathematics and reading tests or successor state assessment program.

(ii) On average over a 3-year period, at least 70% of the pupils enrolled in the public school academy achieved a score of proficient or better on the Michigan education assessment program mathematics and reading tests or successor state assessment program and at least 50% of the pupils enrolled in the public school academy met the income eligibility criteria for the federal free or reduced-price lunch program, as determined under the Richard B. Russell national school lunch act, 42 USC 1751 to 1769j, and reported to the department.

(b) If the public school academy operates grades 9 to 12, at least 80% of the school's pupils graduate from high school or are determined by the department to be on track to graduate from high school, the school has at least 80% average attendance, and the school has at least an 80% postsecondary enrollment rate.

(5) A school of excellence shall be organized and administered under the direction of a board of directors in accordance with this part and with bylaws adopted by the board of directors. A school of excellence shall be organized under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192, except that a school of excellence is not required to comply with sections 170 to 177 of 1931 PA 327, MCL 450.170 to 450.177. To the extent disqualified under the state or federal constitution, a school of excellence shall not be organized by a church or other religious organization and shall not have any organizational or contractual affiliation with or constitute a church or other religious organization.

(6) Any of the following may act as an authorizing body to issue a contract to organize and operate 1 or more schools of excellence under this part:

(a) The board of a school district. However, except as otherwise provided in this subdivision, the board of a school district shall not issue a contract for a school of excellence to operate outside the school district's boundaries, and a

school of excellence authorized by the board of a school district shall not operate outside that school district's boundaries. If the board of a school district issues a contract for a school of excellence that is a cyber school, the contract may authorize the school of excellence that is a cyber school to operate outside that school district's boundaries.

(b) An intermediate school board. However, except as otherwise provided in this subdivision, the board of an intermediate school district shall not issue a contract for a school of excellence to operate outside the intermediate school district's boundaries, and a school of excellence authorized by the board of an intermediate school district shall not operate outside that intermediate school district's boundaries. If the board of an intermediate school district issues a contract for a school of excellence that is a cyber school, the contract may authorize the school of excellence that is a cyber school to operate outside that intermediate school district's boundaries.

(c) The board of a community college. Except as otherwise provided in this subdivision, the board of a community college shall not issue a contract for a school of excellence to operate outside the boundaries of the community college district, and a school of excellence authorized by the board of a community college shall not operate outside the boundaries of the community college district. If the board of a community college issues a contract for a school of excellence that is a cyber school, the contract may authorize the school of excellence that is a cyber school to operate outside the boundaries of the community college district. The board of a community college also may issue a contract for not more than 1 school of excellence to operate on the grounds of an active or closed federal military installation located outside the boundaries of the community college district, or may operate a school of excellence itself on the grounds of such a federal military installation, if the federal military installation is not located within the boundaries of any community college district and the community college has previously offered courses on the grounds of the federal military installation for at least 10 years.

(d) The governing board of a state public university.

(e) Two or more of the public agencies described in subdivisions (a) to (d) exercising power, privilege, or authority jointly pursuant to an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

(7) To obtain a contract to organize and operate 1 or more schools of excellence, 1 or more persons or an entity may apply to an authorizing body described in this section. The application shall include at least all of the following:

(a) Identification of the applicant for the contract.

(b) Subject to the resolution adopted by the authorizing body under section 553(4), a list of the proposed members of the board of directors of the school of excellence and a description of the qualifications and method for appointment or election of members of the board of directors.

(c) The proposed articles of incorporation, which shall include at least all of the following:

(i) The name of the proposed school of excellence.

(ii) The purposes for the school of excellence corporation. This language shall provide that the school of excellence is incorporated pursuant to this part and that the school of excellence is a governmental entity.

(iii) The name of the authorizing body.

(iv) The proposed time when the articles of incorporation will be effective.

(v) Other matters considered expedient to be in the articles of incorporation.

(d) A copy of the proposed bylaws of the school of excellence.

(e) Documentation meeting the application requirements of the authorizing body, including at least all of the following:

(i) The governance structure of the school of excellence.

(ii) A copy of the educational goals of the school of excellence and the curricula to be offered and methods of pupil assessment to be used by the school of excellence. The educational goals shall include demonstrated improved pupil academic achievement for all groups of pupils. To the extent applicable, the progress of the pupils in the school of excellence shall be assessed using both the mathematics and reading portions of the Michigan student test of educational progress (M-STEP) or the Michigan merit examination under section 1279g, as applicable.

(iii) The admission policy and criteria to be maintained by the school of excellence. The admission policy and criteria shall comply with section 556. This part of the application also shall include a description of how the applicant will provide to the general public adequate notice that a school of excellence is being created and adequate information on the admission policy, criteria, and process.

(iv) Except for a school of excellence that is a cyber school, the school calendar and school day schedule.

(v) The age or grade range of pupils to be enrolled.

(f) Descriptions of staff responsibilities and of the school of excellence governance structure.

(g) For an application to the board of a school district, an intermediate school board, or board of a community college, identification of the school district and intermediate school district in which the school of excellence will be located.

(h) An agreement that the school of excellence will comply with the provisions of this part and, subject to the provisions of this part, with all other state law applicable to public bodies and with federal law applicable to public bodies or school districts.

(i) A description of and address for the proposed physical plant in which the school of excellence will be located. An applicant may request the authorizing body to issue a 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.

(8) An authorizing body shall oversee, or shall contract with an intermediate school district, community college, or state public university to oversee, each school of excellence operating under a contract issued by the authorizing body. The authorizing body is responsible for overseeing compliance by the board of directors with the contract and all applicable law. This subsection does not relieve any other government entity of its enforcement or supervisory responsibility.

(9) If the superintendent of public instruction finds that an authorizing body is not engaging in appropriate continuing oversight of 1 or more schools of excellence operating under a contract issued by the authorizing body, the superintendent of public instruction may suspend the power of the authorizing body to issue new contracts to organize and operate schools of excellence. A contract issued by the authorizing body during the suspension is void. A contract issued by the authorizing body before the suspension is not affected by the suspension.

(10) An authorizing body shall not charge a fee, or require reimbursement of expenses, for considering an application for a contract, for issuing a contract, or for providing oversight of a contract for a school of excellence in an amount that exceeds a combined total of 3% of the total state school aid received by the school of excellence in the school year in which the fees or expenses are charged. The authorizing body may provide other services for a school of excellence and charge a fee for those services, but shall not require such an arrangement as a condition to issuing the contract authorizing the school of excellence.

(11) A school of excellence shall be presumed to be legally organized if it has exercised the franchises and privileges of a public school academy for at least 2 years.

(12) A member of the board of directors of a school of excellence 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.

(13) A school of excellence that is a cyber school may make available to other public schools for purchase any of the course offerings that the cyber school offers to its own pupils.

(14) If the department determines that the combined total statewide final audited membership for all pupils in membership in schools of excellence that are cyber schools for the 2012-2013 state fiscal year exceeds a number equal to 1% of the combined total statewide final audited membership for all pupils in membership in public schools for the 2011-2012 state fiscal year, then all of the following apply:

(a) An authorizing body may not issue a new contract for a new school of excellence that is a cyber school to begin operations in the 2013-2014 school year.

(b) A school of excellence that is a cyber school may not enroll any new pupils in the school of excellence that is a cyber school in the 2013-2014 school year.

(15) Beginning July 1, 2013, if the department determines that the combined total statewide final audited membership for all pupils in membership in schools of excellence that are cyber schools for a state fiscal year exceeds a number equal to 2% of the combined total statewide final audited membership for all pupils in membership in public schools for the 2011-2012 state fiscal year, then all of the following apply:

(a) Subject to subdivision (c), an authorizing body may not issue a new contract for a new school of excellence that is a cyber school to begin operations in a school year that begins after that determination is made.

(b) Subject to subdivision (c), a school of excellence that is a cyber school may not enroll any new pupils in the school of excellence that is a cyber school in a school year that begins after that determination is made.

(c) If the department determines that the combined total statewide final audited membership for all pupils in membership in schools of excellence that are cyber schools for a state fiscal year does not exceed a number equal to 2% of the combined total statewide final audited membership for all pupils in membership in public schools for the 2011-2012 state fiscal year, then subdivisions (a) and (b) do not apply for a school year that begins after that determination is made unless the department makes a new determination that the membership limits under this subsection have been exceeded.

(16) For the purposes of subsections (14) and (15), not later than July 1 of each year, the department shall determine the percentage of the combined total statewide final audited membership for all pupils in membership in public schools that are pupils in membership in schools of excellence that are cyber schools for the state fiscal year that includes that July 1.

(17) As used in this section:

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

(b) "Statewide authorizing body" means the governing board of a state public university or the board of a federal tribally controlled community college that is recognized under the tribally controlled colleges and universities assistance act of 1978, 25 USC 1801 to 1864, and is determined by the department to meet the requirements for accreditation by a recognized regional accrediting body.

(18) Not later than October 1, 2012, if a district, an intermediate school district, a public school academy, or the education achievement system offers online learning, the board or board of directors of the district, intermediate school district, or public school academy, or the education achievement system, shall submit to the department a report that details the per-pupil costs of operating the online learning. The report shall include, on a per-pupil basis, at least all of the following costs:

- (a) Textbooks, instructional materials, and supplies, including electronic instructional material.
- (b) Computer and other electronic equipment, including internet and telephone access.
- (c) Salaries and benefits for the online learning employees.
- (d) Purchased courses and curricula.
- (e) Fees associated with oversight and regulation.
- (f) Travel costs associated with school activities and testing.
- (g) Facilities costs.
- (h) Costs associated with special education.

(19) Not later than December 31, 2012, the department shall issue a report to the legislature including the following:

- (a) A review of the data submitted under subsection (14).
- (b) A comparison with costs of substantially similar programs in other states and relevant national research on the costs of online learning.
- (c) Any conclusions concerning factors or characteristics of online learning programs that make a difference in the costs of operating the programs.

(20) The board of directors of a school of excellence that is a cyber school, or the board of a school district, intermediate school district, or public school academy that operates an online or other distance learning program, shall submit a monthly report to the department, in the form and manner prescribed by the department, that reports the number of pupils enrolled in the school of excellence that is a cyber school, or in the online or other distance learning program, during the immediately preceding month.

(21) The board of directors of a school of excellence that is a cyber school shall ensure that, when a pupil enrolls in the school of excellence that is a cyber school, the pupil and his or her parent or legal guardian are provided with a parent-student orientation. If the pupil is at least age 18 or is an emancipated minor, the orientation may be provided to just the pupil.

(22) Both of the following apply to the issuance of a contract for a school of excellence to be located within a community district:

(a) An authorizing body shall not issue a contract to organize and operate a new school of excellence to be located in a community district unless, before issuing the contract, the governing board of the authorizing body has certified to the state school reform/redesign officer that the authorizing body has been accredited as an authorizing body by a nationally recognized accreditation body. For an authorizing body described in subsection (6)(e), the authorizing body shall not issue a contract to organize and operate a new school of excellence to be located in a community district unless, before issuing the contract, the governing board of each of the public agencies that is party to the interlocal agreement has certified to the state school reform/redesign officer that the public agency has been accredited as an authorizing body by a nationally recognized accreditation body.

(b) An authorizing body shall not issue a contract for a new school of excellence to be located in a community district if both of the following circumstances exist:

(i) Either of the following:

(A) Until the accountability system under section 390 has been in effect in the community district for at least 3 full school years, the proposed school of excellence would operate at the same location as a public school that currently is on the list under section 1280c(1) of the public schools in this state that the state school reform/redesign office has determined to be among the lowest achieving 5% of all public schools in this state or has been on that list during the immediately preceding 3-year period. Beginning after the accountability system under section 390 has been in effect in the community district for at least 3 full school years, the proposed school of excellence would operate at the same location as a public school that has been assigned a grade of "F" under section 390 for 3 of the preceding 5 school years.

(B) The proposed school of excellence would operate at the same location as a public school academy, urban high school academy, school of excellence, or strict discipline academy that has had its contract revoked or terminated by an authorizing body under the applicable part or section.

(ii) The proposed school of excellence would have substantially the same board of directors, substantially the same leadership, and substantially the same curriculum offerings as the public school that previously operated at that location.

(23) A school of excellence that is located within a community district is subject to section 390.

Sec. 561. (1) If an authorizing body issues a contract for a school of excellence under this part, the authorizing body shall do all of the following:

(a) Ensure that the contract and the application for the contract comply with the requirements of this part.

(b) Within 10 days after issuing the contract, submit to the department a copy of the contract.

(c) Establish the method of selection, length of term, and number of members of the board of directors of each school of excellence that it authorizes. The authorizing body shall ensure that the board of directors includes representation from the local community.

(d) Oversee the operations of each school of excellence operating under a contract issued by the authorizing body. The oversight shall be sufficient to ensure that the school of excellence is in compliance with the terms of the contract and with applicable law. This subdivision does not relieve any other governmental entity of its enforcement or supervisory responsibility.

(e) Develop and implement a process for holding a school of excellence board of directors accountable for meeting applicable academic performance standards set forth in the contract and for implementing corrective action for a school of excellence that does not meet those standards.

(f) Take necessary measures to ensure that a school of excellence board of directors operates independently of any educational management organization involved in the operations of the school of excellence.

(g) Oversee and ensure that the pupil admission process used by the school of excellence is operated in a fair and open manner and is in compliance with the contract and this part.

(h) Ensure that the board of directors of the school of excellence maintains and releases information as necessary to comply with applicable law.

(2) The authorizing body may enter into an agreement with 1 or more authorizing bodies, as defined under part 6a, to carry out any function of the authorizing body under subsection (1)(a) to (h).

(3) The authorizing body for a school of excellence is the fiscal agent for the school of excellence. A state school aid payment for a school of excellence shall be paid to the authorizing body as the fiscal agent for that school of excellence, and the authorizing body shall then forward the payment to the school of excellence. Within 30 days after a contract is submitted to the department by the authorizing body under subsection (1), the department shall issue a district code to the school of excellence for which the contract was issued. If the department does not issue a district code within 30 days after a contract is filed, the state treasurer shall assign a temporary district code in order for the school of excellence to receive funding under the state school aid act of 1979.

(4) A contract issued under this part may be revoked by the authorizing body if the authorizing body determines that 1 or more of the following have occurred:

(a) Failure of the school of excellence to demonstrate improved pupil academic achievement for all groups of pupils or meet the educational goals set forth in the contract.

(b) Failure of the school of excellence to comply with all applicable law.

(c) Failure of the school of excellence to meet generally accepted public sector accounting principles and demonstrate sound fiscal stewardship.

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

(5) Except for a school of excellence that is an alternative school serving a special student population, if the state school reform/redesign officer determines that a school of excellence site that has been operating for at least 4 years is among the lowest achieving 5% of all public schools in this state for the immediately preceding 3 school years, as determined under section 1280c, not to include any individualized education plan subgroup, the state school reform/redesign officer shall notify the school of excellence's authorizing body. Also, except for a school of excellence that is an alternative school serving a special student population, after the accountability system under section 390 has been in effect in the community district for at least 3 full school years, if the state school reform/redesign officer determines that a school of excellence site located in a community district has been assigned a grade of "F" under section 390 for the immediately preceding 3 school years, and is not currently undergoing reconstitution under this section, the state school reform/redesign officer shall notify the school of excellence's authorizing body. Subject to subsection (6), if an authorizing body receives notice from the state school reform/redesign officer under this subsection, the authorizing body shall amend the school of excellence's contract to eliminate the school of excellence's authority to operate the existing age and grade levels at the site and the school of excellence shall cease operating the existing age and grade levels at the site, effective at the end of the current school year. Subject to subsection (6), if the school of excellence operates at only 1 site or is a cyber school, and the authorizing body receives notice from the state school reform/redesign officer under this subsection, the authorizing body shall revoke the school of excellence's contract, effective at the end of the current school year.

(6) For a school of excellence or site that is subject to a notice to its authorizing body under this subsection, the state school reform/redesign officer shall consider other public school options available to pupils in the grade levels offered by the school of excellence or site who reside in the geographic area served by the school of excellence or site. If the state school reform/redesign officer determines that closure of the school of excellence or site would result in an unreasonable hardship to these pupils because there are insufficient other public school options reasonably available for these pupils, the state school reform/redesign officer may rescind the notice. If the state school reform/redesign officer rescinds a notice subjecting a school of excellence or site to closure, the state school reform/redesign officer shall do so before the end of the school year. If the state school reform/redesign officer rescinds a notice subjecting a school of excellence or site to closure, the state school reform/redesign officer shall require the school of excellence or site to implement a school improvement plan that includes measures to increase pupil growth and improve pupil proficiency, with growth and proficiency measured by performance on state assessments.

(7) Except for a contract issued by a school district pursuant to a vote by the school electors on a ballot question under section 553(2), and except as otherwise provided in section 552, the decision of the authorizing body to issue, not issue, or reconstitute a contract under this part, or to terminate or revoke a contract under this section, is solely within the discretion of the authorizing body, is final, and is not subject to review by a court or any other state agency. If the authorizing body issues, does not issue, or reconstitutes a contract under this part, or terminates or revokes a contract under this section, the authorizing body is not liable for that action to the school of excellence, the school of excellence corporation, a pupil of the school of excellence, the parent or guardian of a pupil of the school of excellence, or any other person.

(8) Except as otherwise provided in this section, before the authorizing body revokes a contract, the authorizing body may consider and take corrective measures to avoid revocation. The authorizing body may reconstitute the school of excellence in a final attempt to improve student educational performance or to avoid interruption of the educational process. The authorizing body shall include a reconstituting provision in the contract that identifies these corrective measures, including, but not limited to, canceling a contract with an educational management organization, if any, withdrawing approval to contract under section 560, or appointing a new board of directors or a trustee to take over operation of the school of excellence.

(9) If the authorizing body revokes a contract, the authorizing body shall work with a school district or another public school, or with a combination of these entities, to ensure a smooth transition for the affected pupils. If the revocation occurs during the school year, the authorizing body, as the fiscal agent for the school of excellence under this part, shall return any school aid funds held by the authorizing body that are attributable to the affected pupils to the state treasurer for deposit into the state school aid fund. The state treasurer shall distribute funds to the public school in which the pupils enroll after the revocation pursuant to a methodology established by the department and the center for educational performance and information.

(10) Not more than 10 days after a school of excellence's contract terminates or is revoked, the authorizing body shall notify the superintendent of public instruction in writing of the name of the school of excellence whose contract has terminated or been revoked and the date of contract termination or revocation.

(11) If a school of excellence's contract terminates or is revoked, title to all real and personal property, interest in real or personal property, and other assets owned by the school of excellence shall revert to the state. This property shall be distributed in accordance with the following:

(a) Within 30 days following the termination or revocation, the board of directors of a school of excellence shall hold a public meeting to adopt a plan of distribution of assets and to approve the dissolution of the school of excellence corporation, all in accordance with chapter 8 of the nonprofit corporation act, 1982 PA 162, MCL 450.2801 to 450.2864.

(b) The school of excellence shall file a certificate of dissolution with the department of licensing and regulatory affairs within 10 business days following board approval.

(c) Simultaneously with the filing of the certificate of dissolution under subdivision (b), the school of excellence board of directors shall provide a copy of the board of directors' plan of distribution of assets to the state treasurer for approval. Within 30 days, the state treasurer, or his or her designee, shall review and approve the board of directors' plan of distribution of assets. If the proposed plan of distribution of assets is not approved within 30 days, the state treasurer, or his or her designee, shall provide the board of directors with an acceptable plan of distribution of assets.

(d) The state treasurer, or his or her designee, shall monitor the school of excellence's winding up of the dissolved corporation in accordance with the plan of distribution of assets approved or provided under subdivision (c).

(e) As part of the plan of distribution of assets, the school of excellence board of directors shall designate the director of the department of technology, management, and budget, or his or her designee, to dispose of all real property of the school of excellence corporation in accordance with the directives developed for disposition of surplus land and facilities under section 251 of the management and budget act, 1984 PA 431, MCL 18.1251.

(f) If the board of directors of a school of excellence fails to take any necessary action under this section, the state treasurer, or his or her designee, may suspend the school of excellence board of directors and appoint a trustee to carry out the board's plan of distribution of assets. Upon appointment, the trustee shall have all the rights, powers, and privileges under law that the school of excellence board of directors had before being suspended.

(g) Following the sale of the real or personal property or interests in the real or personal property, and after payment of any school of excellence debt secured by the property or interest in property, whether real or personal, the school of excellence board of directors, or a trustee appointed under this section, shall forward any remaining money to the state treasurer. Following receipt, the state treasurer, or his or her designee, shall deposit this remaining money in the state school aid fund.

Sec. 654. (1) Except as otherwise provided in subsection (2), in a constituent district not employing a superintendent the intermediate superintendent shall do all of the following:

(a) Recommend in writing all teachers to the school board of the constituent district.

(b) Suspend a teacher for cause until the school board of the constituent district employing the teacher considers the suspension.

(c) Supervise and direct the work of the teachers.

(d) Classify and control the promotion of pupils.

(2) Subsection (1) does not apply to a constituent district if any of the following apply:

(a) The constituent district is not required to employ a superintendent as an employee of the district under section 1229.

(b) All of the public schools within the constituent district have been transferred to 1 or more other school districts or public entities.

Sec. 705. (1) Beginning in 1997, and in each year after 1997, a regional enhancement property tax may be levied by an intermediate school district at a rate not to exceed 3 mills to enhance other state and local funding for local school district operations if approved by a majority of the intermediate school electors voting on the question.

(2) If a resolution requesting that the question of a regional enhancement property tax be submitted to the voters is adopted within a 180-day period and transmitted to the intermediate school board by 1 or more boards of its constituent districts representing a majority of the combined membership of the constituent districts as of the most recent pupil membership count day and if those resolutions all contain an identical specified number of mills to be levied under this section and an identical specified number of years for which the tax shall be levied, the question of levying a regional enhancement property tax by the intermediate school district shall be placed on the ballot by the intermediate school district at the next regular school election held in each of the constituent districts. If the question is to be submitted to the intermediate school electors of an intermediate school district having a population of more than 1,400,000, the intermediate school board shall call a special election to be held at the next state primary or general election. If the resolution requirement is met more than 180 days before the next regular school district elections, and if requested in the resolutions, the intermediate school board shall submit the question of levying a regional enhancement property tax within the intermediate school district on the ballot at a special election called by the intermediate school board for that purpose not earlier than 90 days after the resolution requirements are met.

(3) Not later than 10 days after receipt by the intermediate school district of the revenue from the regional enhancement property tax, the intermediate school district shall calculate and pay to each of its constituent districts an amount of the revenue calculated by dividing the total amount of the revenue by the combined membership of the constituent districts within the intermediate school district, as of the most recent pupil membership count day, and multiplying that quotient by the constituent district's membership, as of the most recent pupil membership count day for which a final department-audited pupil count is available. If a constituent district has entered into an agreement with another school district or public entity to perform the functions and responsibilities of the constituent district for operating a public school of the constituent district, then for the purposes of this subsection the pupils in membership in that public school shall be considered to be in membership in the constituent district and a proportionate share of the revenue payable to the constituent district under this section shall be transferred by the constituent district to the school district or public entity performing the functions and responsibilities of the constituent district for operating the public school. The proportionate share of that revenue to be paid to that school district or public entity shall be determined according to the percentage of the constituent district's membership that is enrolled in the particular public school for the state fiscal year corresponding to the tax year. Revenue from a regional enhancement property tax under this section shall not be allocated or paid to a constituent district that does not operate a public school directly but retains a limited separate identity for purposes of section 12, 12b, 863, 903, or 947.

(4) Regional enhancement property tax under this section may be levied for a term not to exceed 20 years, as specified in the ballot question, and may be renewed for the same term with the approval of a majority of the intermediate school electors voting on the question.

(5) The question of levying a regional enhancement property tax under this section shall be presented to the intermediate school electors as a separate question.

Sec. 921. (1) Subject to subsection (2), annually on June 1 each intermediate superintendent shall compile a list of constituent districts that did not operate school within the constituent district during the preceding 2 or more years. Before June 10, the intermediate superintendent shall direct in writing the board of each constituent district on this list to comply with this section and section 922. Within 1 year after issuance of this directive by the intermediate superintendent, the constituent district shall do 1 of the following:

(a) Attach itself either totally or in part to 1 or more operating school districts, including, but not limited to, a reorganization under section 12 or 12b.

(b) Transfer the functions and responsibilities of the constituent district relating to operating public schools to 1 or more other public entities authorized to operate public schools, including, but not limited to, another school district or an intermediate school district.

(c) Reopen and operate its own school.

(2) For the purposes of this section, a constituent district shall be considered to have operated a school within the school district if the constituent district did either or both of the following:

(a) Directly operated 1 or more schools on its own.

(b) Caused public education services to be provided within the school district to residents of the school district through an agreement, contract, or other cooperative agreement with another public entity, including, but not limited to, another school district or an intermediate school district.

Sec. 1147. (1) A child who is a resident of a school district that does not provide kindergarten and who is at least 5 years of age on the first day of enrollment of the school year may attend school in a public school operated by the school district or, for a community district or a school district that does not directly operate schools on its own, in another public school located within the geographic boundaries of the school district.

(2) Subject to subsection (3), beginning with the 2015-2016 school year, a child who is at least 5 years of age on September 1 of the school year of enrollment and who resides in the school district may enroll in kindergarten in a public school operated by the school district or, for a community district or a school district that does not directly operate schools on its own, in another public school located within the geographic boundaries of the school district.

(3) If a child residing in the school district or a child eligible to enroll in and be counted in membership in the school district under section 105 or 105c of the state school aid act of 1979, MCL 388.1705 and 388.1705c, is not 5 years of age on the enrollment eligibility date specified in subsection (2), but will be 5 years of age not later than December 1 of a school year, the parent or legal guardian of that child may enroll the child in kindergarten for that school year in a public school operated by the school district or, for a community district or a school district that does not directly operate schools on its own, in another public school located within the geographic boundaries of the school district if the parent or legal guardian notifies the public school in writing that he or she intends to enroll the child in kindergarten for that school year. A public school that receives this written notification may make a recommendation to the parent or legal guardian of a child described in this subsection that the child is not ready to enroll in kindergarten due to the child's age or other factors. However, regardless of this recommendation, the parent or legal guardian retains the sole discretion to determine whether or not to enroll the child in kindergarten under this subsection.

(4) The ages prescribed in this section for a child's eligibility for enrollment in a public school also apply to a child's eligibility to enroll in a public school academy.

(5) If a public school enrolls any children in kindergarten for a school year under subsection (3), the public school shall notify the department of the number of those children enrolled by not later than December 31 of that school year.

(6) This section does not require a school district to operate a public school directly on its own.

(7) This section does not apply to a school district that does not operate a public school directly but retains a limited separate identity for purposes of section 12, 12b, 863, 903, or 947.

(8) This section does not require a school district or public school academy that does not otherwise provide kindergarten to provide kindergarten.

Sec. 1225. (1) Subject to restrictions of this section, a school board or intermediate school board may borrow money and issue notes of the school district or intermediate school district for the borrowed money to secure funds for school operations or to pay previous loans obtained for school operations under this or any other statute. The school board or intermediate school board shall pledge money to be received by it from state school aid for the payment of notes issued under this section. A pledge of state school aid by a school district or intermediate school district for the payment of notes issued pursuant to this section is valid and binding from the time when the pledge is made. A pledge made pursuant to this section for the benefit of the holders of notes or for the benefit of others is perfected without delivery, recording, or notice. Notes issued pursuant to this section are full faith and credit obligations of the school district or intermediate school district and are payable from tax levies or from unencumbered funds of the school district or intermediate school district in event of the unavailability or insufficiency of state school aid for any reason.

(2) A school district or intermediate school district for which an emergency manager has been appointed pursuant to the local financial stability and choice act, 2012 PA 436, MCL 141.1541 to 141.1575, or a school district or intermediate school district that has an approved deficit elimination plan or an enhanced deficit elimination plan required under section 102 of the state school aid act of 1979, MCL 388.1702, may enter into an agreement with the Michigan finance authority in accordance with section 17a(4) of the state school aid act of 1979, MCL 388.1617a, providing for the direct payment on behalf of the school district or intermediate school district to the Michigan finance authority, or to a trustee designated by the Michigan finance authority, of state school aid pledged and to be used for the sole purpose of paying the principal of and interest on the notes issued pursuant to this section and secured by state school aid.

(3) Notes issued under this section shall become due not later than 372 days after the date on which they are issued, except as otherwise provided in this section. Notes issued within a fiscal year shall not exceed 70% of the difference between the total state aid funds apportioned to the school district or intermediate school district for that fiscal year and the portion already received or pledged, except secondary pledges made under section 1356.

(4) A school district or intermediate school district that is not able to redeem its notes within 372 days after the date on which the notes were issued may enter into a multi-year agreement with a lending institution to repay its obligation. A repayment agreement shall not be executed without the prior approval of an authorized representative of the state board or, for notes sold to the Michigan finance authority only, without the approval of an authorized representative of the department of treasury.

(5) During the last 4 months of a fiscal year, notes may be issued pledging state school aid for the next succeeding fiscal year. Except as otherwise provided in this subsection, the notes shall not exceed 50% of the state school aid apportioned to the school district or intermediate school district for the next succeeding fiscal year or, if the apportionment has not been made, 50% of the apportionment for the then current fiscal year. The notes shall mature not later than 372 days after the date of issuance.

(6) Notes issued under this section are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. Failure of a school district or intermediate school district to receive state school aid does not affect the validity or enforceability of a note issued under this section.

(7) A school board or intermediate school board, including, but not limited to, the school board of a community district, may make more than 1 borrowing under this section during a school year.

(8) In addition to other powers under this section, with the approval of the state treasurer, a school board or intermediate school board, including, but not limited to, the school board of a community district, may obtain a line of credit to secure funds for school operations or to pay previous loans obtained for school operations under this or any other statute. The school board or intermediate school board shall pledge not more than 30% of the state school aid apportioned to the school district or intermediate school district for that fiscal year for repayment of funds received pursuant to a line of credit obtained under this subsection. However, the school board or intermediate school board shall not borrow against the line of credit an amount greater than the difference, as of the date of the borrowing, between the total state school aid funds apportioned to the school district or intermediate school district for that fiscal year and the portion already received or pledged, except secondary pledges made under section 1356. To obtain approval for obtaining a line of credit under this subsection, a school board or intermediate school board shall apply to the state treasurer in the form and manner prescribed by the state treasurer, and shall provide information as requested by the state treasurer for evaluating the application. The state treasurer shall approve or disapprove an application and notify the school board or intermediate school board within 20 business days after receiving a proper application. If the state treasurer disapproves an application, the state treasurer shall include the reasons for disapproval in the notification to the school board or intermediate school board.

Sec. 1229. (1) Except as otherwise provided in subsection (4), the board of a school district, other than a school district that was organized as a primary school district during the 1995-1996 school year, or of an intermediate school district shall employ a superintendent of schools, who shall meet the requirements of section 1246. The superintendent shall not be a member of the board. Employment of a superintendent shall be by written contract. The term of the superintendent's contract shall be fixed by the board, not to exceed 5 years. If written notice of nonrenewal of the contract of a superintendent is not given at least 90 days before the termination of the contract, the contract is renewed for an additional 1-year period. However, for the superintendent of a community district, the minimum time period for the written notice required under this subsection is 30 days.

(2) The board of a school district or intermediate school district may employ assistant superintendents, principals, assistant principals, guidance directors, and other administrators who do not assume tenure in that position under 1937 (Ex Sess) PA 4, MCL 38.71 to 38.191. The employment shall be by written contract. The term of the employment contract shall be fixed by the board, not to exceed 3 years. The board shall prescribe the duties of an individual described in this subsection. If written notice of nonrenewal of the contract of an individual described in this subsection is not given at least 60 days before the termination date of the contract, the contract is renewed for an additional 1-year period. However, for an individual described in this subsection who is employed by a community district, the minimum time period for the written notice required under this subsection is 30 days.

(3) A notification of nonrenewal of contract of an individual described in subsection (2) may be given only for a reason that is not arbitrary or capricious. The board shall not issue a notice of nonrenewal under this section unless the affected individual has been provided with not less than 30 days' advance notice that the board is considering the nonrenewal together with a written statement of the reasons the board is considering the nonrenewal. However, for an individual described in subsection (2) who is employed by a community district, the minimum time period for the advance notice required under this subsection is 7 days. After the issuance of the written statement, but before the nonrenewal statement is issued, the affected individual shall be given the opportunity to meet with not less than a majority of the board to discuss the reasons stated in the written statement. The meeting shall be open to the public or a closed session, as the affected individual elects under section 8 of the open meetings act, 1976 PA 267, MCL 15.268. If the board fails to provide for a meeting with the board, or if a court finds that the reason for nonrenewal is arbitrary or capricious, the affected individual's contract is renewed for an additional 1-year period. This subsection does not apply to the nonrenewal of the contract of a superintendent of schools described in subsection (1).

(4) A school district, instead of directly employing a superintendent of schools, may contract with its intermediate school district for the intermediate superintendent to serve as the superintendent of schools for the school district or for the intermediate school district to provide another person to serve as superintendent of schools for the school district or may contract with another person, including, but not limited to, the superintendent of another school district, to serve as superintendent of schools for the school district. If a school district does not operate a public school directly on its own, the school district is not required to employ a superintendent.

Sec. 1231. (1) Except as otherwise provided in subsection (5), the board of a school district shall hire and contract with qualified teachers. Contracts with teachers shall be in writing and signed on behalf of the school district by a majority of the board, by the president and secretary of the board, or by the superintendent of schools or an authorized representative of the board. The contracts shall specify the wages agreed upon.

(2) A teacher's contract shall be filed with the secretary of the board and a duplicate copy of the contract shall be furnished to the teacher.

(3) Except as otherwise provided under this act, a contract with a teacher is not valid unless the individual holds a valid teaching certificate at the time the contractual period begins or the individual is engaged to teach in a community district under section 1233c. A contract shall terminate if the certificate expires by limitation and is not renewed immediately or if it is suspended or revoked by proper legal authority.

(4) The board of a school district, after a teacher has been employed at least 2 consecutive years by the board, may enter into a continuing contract with a certificated teacher or, for a community district, with an individual engaged to teach in a community district under section 1233c.

(5) The school board of a school district that is a community district may employ or contract for, or both, qualified teachers and other qualified instructional personnel at a public school that formerly operated as an achievement school, as defined in section 3 of the state school aid act of 1979, MCL 388.1603, as necessary to carry out the purposes of the community district.

(6) As used in this section, "teacher" does not include a substitute teacher.

Sec. 1233. (1) Except as otherwise provided by law, and subject to section 1233c, the board of a school district or intermediate school board of an intermediate school district shall not permit a teacher who does not hold a valid teaching certificate to teach in a grade or department of the school.

(2) The board of a school district or intermediate school board of an intermediate school district shall not allow an individual to serve in a counseling role in the school district or intermediate school district, as the role is defined by the superintendent of public instruction, unless the individual meets 1 or more of the following and the board or intermediate school board complies with subsection (7):

(a) The individual holds a valid teaching certificate with a school counseling endorsement.

(b) The individual meets all of the following:

(i) Holds a master's degree awarded after completion of an approved school counselor education program that includes at least all of the following skills and content areas or their equivalent:

(A) Guidance services—philosophy, principles, and practices.

(B) Individual and group analysis—nature and range of human characteristics and appraisal methods.

(C) Guidance information—vocational development theory, educational and occupational information.

(D) Counseling theory and practice—individual and group procedures, administration and coordination relationships, professional relationships, and ethics.

(E) Supervised experiences—laboratory, practicum, or internship.

(F) Evaluation—statistics and research methodology, follow-up evaluation, and measurement methods.

(ii) Has successfully completed the department's guidance counselor examination.

(iii) Has been recommended by an approved school counselor education program to provide services as a school counselor.

(c) The individual meets both of the following:

(i) Has at least 5 years of successful experience serving in a school counseling role in another state within the immediately preceding 7-year period.

(ii) Has successfully completed the department's guidance counselor examination.

(3) Except for teachers engaged to teach in a community district under section 1233c, the intermediate superintendent shall notify the superintendent of public instruction immediately of the names of noncertificated teachers teaching in violation of subsection (1) and the names of individuals serving in counseling roles in violation of subsection (2), the employing district, and the amount of time the noncertificated teachers or unqualified individuals were employed.

(4) A vocational teacher preparation institution shall utilize the employment experience of an annually authorized teacher for the purpose of waiving student teaching as a requirement for vocational certification if the annually authorized teacher is supervised by the teacher preparation institution.

(5) All vocational education teachers certified after June 1, 1995 shall pass a competency test.

(6) The board of a school district or intermediate school district may employ an individual without a teaching certificate as a substitute teacher if the individual has at least 90 semester hours of college credit from a college or university.

(7) If the board of a school district or intermediate school board of an intermediate school district chooses to employ an individual who does not hold a valid teaching certificate to serve in a counseling role, as permitted under subsection (2), the school board or intermediate school board shall comply with sections 1230 and 1230a with respect to that individual to the same extent as required for employing an individual with a teaching certificate to serve as a teacher.

Sec. 1233c. (1) Beginning after an initial elected school board for the community district has been elected and takes office under section 384, a community district may engage a full-time or part-time noncertificated, nonendorsed teacher to teach in its schools if the appropriate official of the community district determines that, due to the individual's combination of education and experience, it would be appropriate and in the best interests of the pupils of the community district.

(2) If a noncertificated, nonendorsed teacher engaged to teach under this section completes 3 years of successful classroom teaching, as determined by regular observation and review by school district and teacher preparation institution personnel, the department and a teacher preparation institution shall utilize the teaching experience of the noncertificated, nonendorsed teacher for the purpose of waiving student teaching as a condition for receiving a provisional teaching certificate.

Sec. 1237. Notwithstanding any other provision of this act or a rule to the contrary, a school district, local act school district, intermediate school district, or public school academy may employ an individual who does not hold a teaching certificate to provide speech and language services if the individual meets the requirements for speech-language certification by the American speech-language-hearing association. However, except for a teacher engaged to teach in a community district under section 1233c, an individual who does not hold a teaching certificate shall not be assigned to serve as a classroom teacher.

Sec. 1240. (1) Subject to subsection (3), the board of a school district that has a membership of at least 20,000 pupils and that includes in its territory a city with a population of at least 180,000 as of the most recent decennial census may create a law enforcement agency in accordance with and as provided under the public body law enforcement agency act, 2004 PA 378, MCL 28.581 to 28.590.

(2) Subject to subsection (3), if the board of a school district creates a law enforcement agency under subsection (1), the board may grant to law enforcement officers of that law enforcement agency the same powers, immunities, and authority as are granted by law to peace officers and police officers to detect crime and to enforce the criminal laws of this state and to enforce state laws, local ordinances, and the ordinances and regulations of the school district, as provided under the public body law enforcement agency act, 2004 PA 378, MCL 28.581 to 28.590. Law enforcement officers to whom the authority of peace officers and police officers is granted under that act are considered peace officers of this state and have the authority of police officers provided under the Michigan vehicle code, 1949 PA 300, MCL 257.1 to 257.923, and as provided under the code of criminal procedure, 1927 PA 175, MCL 760.1 to 777.69.

(3) If a school district operates a law enforcement agency under this section and becomes a qualifying school district under section 12b, the qualifying school district's law enforcement agency shall be transferred by operation of law on the transfer date to the community district created under part 5b. Beginning on the transfer date, the community district may operate a law enforcement agency in accordance with this section.

(4) For purposes of this section, a community district's membership is considered to be the same as the membership of the qualifying school district whose law enforcement agency is transferred under subsection (3).

(5) As used in this section, "transfer date" means that term as defined in section 12b.

Sec. 1250. (1) Except as otherwise provided in this section, a school district, public school academy, or intermediate school district shall implement and maintain a method of compensation for its teachers and school administrators that includes job performance and job accomplishments as a significant factor in determining compensation and additional compensation. The assessment of job performance shall incorporate a rigorous, transparent, and fair evaluation system that evaluates a teacher's or school administrator's performance at least in part based upon data on student growth as measured by assessments and other objective criteria.

(2) If a collective bargaining agreement is in effect for teachers or school administrators of a school district, public school academy, or intermediate school district as of January 4, 2010, and if that collective bargaining agreement prevents compliance with subsection (1), then subsection (1) does not apply to that school district, public school academy, or intermediate school district until after the expiration of that collective bargaining agreement.

(3) For teachers and school administrators who are hired by a community district after the accountability system under section 390 has been implemented, the community district shall implement and maintain a method of compensation that includes job performance and job accomplishments as the primary factor in determining compensation and additional compensation. A teacher's or school administrator's job performance shall be evaluated based on the teacher's annual evaluation under section 1249 or the school administrator's annual evaluation under section 1249b, as applicable.

(4) For teachers and school administrators who are hired by a community district after the accountability system under section 390 has been implemented, the community district shall not use length of service or achievement of an advanced degree as a factor in compensation levels or adjustments in compensation except as follows:

(a) For a teacher with a secondary level teaching certificate who has a subject area endorsement and who teaches in that subject area, an advanced degree achieved in that subject area may be considered as a factor in the teacher's base compensation.

(b) For a teacher with an elementary level teaching certificate who teaches in an elementary grade, an advanced degree in elementary education may be considered as a factor in the teacher's base compensation.

Sec. 1351a. (1) Beginning with bonds issued after May 1, 1994, a school district, including, but not limited to, a school district that is a community district or a qualifying school district, shall not borrow money and issue bonds of the district under section 1351(1). However, a school district, including, but not limited to, a school district that is a community district, may borrow money and issue bonds of the district to defray all or a part of the cost of purchasing, erecting, completing, remodeling, or equipping or reequipping, except for equipping or reequipping for technology, school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities, or parts of or additions to those facilities; furnishing or refurnishing new or remodeled school buildings; acquiring, preparing, developing, or improving sites, or parts of or additions to sites, for school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities; purchasing school buses; acquiring, installing, or equipping or reequipping school buildings for technology; or accomplishing a combination of the purposes set forth in this subsection. Section 1351(2) to (4) applies to bonds issued under this section.

(2) The proceeds of bonds issued under this section or under section 11i of the state school aid act of 1979, MCL 388.1611i, shall be used for capital expenditures and to pay costs of bond issuance, and shall not be used for maintenance costs. Except as otherwise provided in this subsection, a school district that issues bonds under this section or under section 11i of the state school aid act of 1979, MCL 388.1611i, shall have an independent audit, using generally accepted accounting principles, of its bonding activities under these sections conducted within 120 days after completion of all projects financed by the proceeds of the bonds and shall submit the audit report to the department of treasury. For bonds issued under section 11i of the state school aid act of 1979, MCL 388.1611i, the independent audit required under this subsection may be conducted and submitted with the annual report required under the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(3) A school district, including, but not limited to, a school district that is a community district, shall not borrow money and issue notes or bonds under this section to defray all or part of the costs of any of the following:

(a) Upgrades to operating system or application software.

(b) Media, including diskettes, compact discs, video tapes, and disks, unless used for the storage of initial operating system software or customized application software included in the definition of technology under this section.

(c) Training, consulting, maintenance, service contracts, software upgrades, troubleshooting, or software support.

(4) A resident of a school district, including, but not limited to, a school district that is a community district, has standing to bring suit against the school district to enforce the provisions of this section in a court having jurisdiction.

(5) As used in this section, "technology" means any of the following:

(a) Hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes.

(b) The initial purchase of operating system software or customized application software, or both, accompanying the purchase of hardware and communication devices under subdivision (a).

(c) The costs of design and installation of the hardware, communication devices, and initial operating system software or customized application software authorized under this subsection.

Sec. 1356. (1) Notwithstanding section 1351, a school district that has an operating or projected operating deficit or that has outstanding state aid anticipation notes issued under section 1225 through the Michigan finance authority may, with the approval of the state treasurer, borrow and issue notes or bonds for the purpose of eliminating the deficit or refunding or refinancing the state aid anticipation notes and related multiyear repayment obligations in accordance with this section. Notes or bonds issued under this section shall be known as school financing stability bonds. This authority is in addition to and not in derogation of any power granted to a school district by any other provision of this act.

(2) Before a school district issues notes or bonds under this section, the board of the school district shall provide by resolution for the submission of the following certified and substantiated information to the department of treasury:

(a) There exists or will exist an operating deficit in the school district or the school district has outstanding state aid anticipation notes issued under section 1225 through the Michigan finance authority.

(b) If the school district has a deficit, during or before the fiscal year in which the application is made, the school district has made every available effort to offset the deficit.

(c) The school district has a plan approved by the state treasurer that outlines actions to be taken to balance future expenditures with anticipated revenues and to repay any bonds or notes issued under this section. The state treasurer may recognize a deficit elimination plan or an enhanced deficit elimination plan authorized under section 102 of the state school aid act of 1979, MCL 388.1702, as satisfying the requirements for an approved plan under this subdivision.

(3) The existence of an operating or projected operating deficit, the amount of the operating or projected operating deficit, and the amount necessary to refund or refinance any school aid anticipation notes issued under section 1225 through the Michigan finance authority shall be determined by the department of treasury, using normal school accounting practices. If a financial audit is required to arrive at a conclusive determination as to the amount of a deficit, the state treasurer shall charge all necessary expenses for the audit, including per diem and travel expenses, to the school district, and the school district shall make payment to the state treasurer for these expenses. A determination by the department of treasury under this subsection is final and conclusive.

(4) The notes or bonds may be issued in 1 or more series by resolution adopted by the school board, which resolution in each case shall make reference to the determination of the department of treasury under subsection (3). The amount of a note or bond issued shall not exceed the amount determined by the department of treasury under subsection (3).

(5) The school district may pledge as security for the repayment of principal and interest on notes or bonds issued under this section money from state school aid payments paid or payable to the school district, revenue from taxes levied by the school district for school operating purposes under section 1211, and other tax revenue or money of the district legally available as security. A pledge under this subsection is valid and binding from the time the pledge is made. A pledge under this subsection for the benefit of the holders of notes or bonds or for the benefit of others is perfected without delivery, recording, or notice. A school district may enter into an agreement with the department of treasury or the Michigan finance authority, or both, providing for the direct payment on behalf of the school district to the Michigan finance authority or a designated trustee of state school aid pledged for the repayment of principal and interest on notes or bonds issued under this section in the same manner as an agreement under section 17a(4) of the state school aid act of 1979, MCL 388.1617a. A school district also may provide for the deposit of revenues pledged for the payment of notes or bonds issued under this section in a separate account to pay principal and interest on notes or bonds, associated administrative costs, and any other obligations issued by the school district secured by the revenues. If the school district enters into an agreement with a person with a duty or obligation to collect for, pay, remit, disburse, or distribute to the school district all or a portion of the revenues pledged by the school district under this section, then the agreement must also provide for the direct payment of the revenues that the person has a duty or obligation to collect for, pay, remit, disburse, or distribute to the school district, and that the school district has pledged for payment of the notes or bonds issued under this section, to a trustee to be deposited in a trust account and used only for paying principal of and interest on the notes or bonds and related administrative costs and any other obligations issued or owing by the school district and secured by the revenues. If a school district has entered into an agreement with a trustee for the deposit of revenues pledged by a school district into a trust account, then after the issuance of the notes or bonds and before the deposit of the revenues of the school district into that trust account, the revenues of the school district to be deposited are held in trust for the benefit of the trustee and the notes or bonds by any persons coming into possession of the revenues. The revenues are held in trust for the benefit of the trustee and the notes or bonds whether the school district directly collects the revenues, another person collects the revenues, or any other person comes into possession of the revenues, and the revenues remain subject to the trust regardless of any subsequent transfer of the revenues until the revenues are deposited into the trust account. If the school district or other person holds a residual or other interest in the revenues held in trust and to be deposited with the trustee in the trust account, the interest is subordinate to a lien on the revenues in favor of the trustee for the purpose of ensuring delivery of the revenues to the trust account. The lien arises by operation of law and without further act or notice of any kind at the earliest time that the school district has or acquires any rights in the revenues pledged under the agreement, is and will

remain paramount and superior to any other lien and interest of any kind, and is perfected without delivery, recording, or notice. The revenues held in trust and to be deposited into the trust account under this subsection are exempt from being levied upon, taken, sequestered, or applied toward paying the debts or liabilities of the school district other than those expressly specified in the agreement described in this subsection.

(6) The notes or bonds shall mature serially with annual maturities not more than 25 years from their date and shall bear interest, payable annually or semiannually, at a rate or rates not exceeding a rate determined by the school board in the school district's borrowing resolution. The first principal installment on the notes or bonds shall be due not more than 18 months from the date of the issuance of the notes or bonds. The notes or bonds may be made subject to redemption before maturity with or without premium in a manner and at times provided in the resolution authorizing the issuance of the notes or bonds.

(7) Notes or bonds issued under this section are valid and binding general obligations of the school district, it being the intent and purpose that the notes or bonds and the interest on the notes or bonds be promptly paid when due from the first money available to the school district not pledged for other indebtedness and except to the extent that the use is restricted by the state constitution of 1963 or the laws of the United States. If a school district does not receive state school aid, the validity of a note or bond issued under this section is not affected.

(8) Except as otherwise provided in this section, and unless the state treasurer approves an exception, bonds and notes issued under this section are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

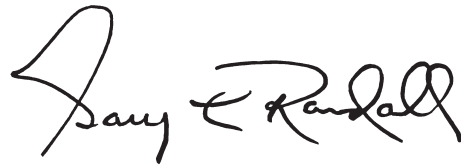
(9) The proceeds of the sale of notes or bonds authorized under this section, after payment of the costs of issuance of the notes or bonds and interest on the notes or bonds, shall be used solely for the purpose of paying necessary operating expenses of the school district, including the payment of principal of and interest on notes or bonds of the school district issued for operating purposes under this or any other act.

(10) A board of a school district that borrows under this section shall submit its budget for review and approval to the department of treasury. The department of treasury shall take necessary steps, subject to the school district's contracts and statutory obligations, to assure that the expenditures of a school district that receives money under this part shall not exceed revenues on an annual basis and that the school district maintains a balanced budget.

Enacting section 1. Part 5a and sections 403, 404, 412, 416a, 420, 421, 449, and 485 of the revised school code, 1976 PA 451, MCL 380.371 to 380.376, 380.403, 380.404, 380.412, 380.416a, 380.420, 380.421, 380.449, and 380.485, are repealed.

Enacting section 2. This amendatory act does not take effect unless Senate Bill No. 711 of the 98th Legislature is enacted into law.

This act is ordered to take immediate effect.



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Clerk of the House of Representatives



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Secretary of the Senate

Approved

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Governor