

# HOUSE BILL No. 5912

April 16, 2002, Introduced by Rep. Bisbee and referred to the Committee on Employment Relations, Training and Safety.

A bill to amend 1931 PA 327, entitled

"An act to provide for the organization, regulation and classification of corporations; to provide their rights, powers and immunities; to prescribe the conditions on which corporations may exercise their powers; to provide for the inclusion of certain existing corporations within the provisions of this act; to prescribe the terms and conditions upon which foreign corporations may be admitted to do business within this state; to require certain annual reports to be filed by corporations; to prescribe penalties for the violations of the provisions of this act; and to repeal certain acts and parts of acts relating to corporations,"

by amending sections 171, 172, 173, and 177 (MCL 450.171, 450.172, 450.173, and 450.177).

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 171. For the purposes of this act, educational corpo-  
2 rations shall be classified as follows:

3       (w) Those having a capital of not less than \$500,000.00;

4       (x) Those having a capital of not less than \$100,000.00, and  
5 less than \$500,000.00;

1 (y) Those having a capital of \$1,000,000.00 or more;

2 (z) Those instituted and maintained by any ecclesiastical or  
3 religious order, society, corporation, or corporations, retaining  
4 control of ~~such~~ THE institution for denominational purposes.

5 Every educational corporation, before being authorized to  
6 file its articles, shall be required to present a statement to  
7 the Michigan corporation and securities commission in writing  
8 from the ~~state board of education~~ DEPARTMENT OF CAREER  
9 DEVELOPMENT that (1) the housing space and administration facili-  
10 ties ~~which~~ THAT it possesses or proposes to provide for its  
11 declared field or fields of education are adequate, (2) its pro-  
12 posed educational program leading to the diplomas or degrees  
13 ~~which~~ THAT it proposes to offer is adequate, (3) its laborato-  
14 ry, library, and other teaching facilities ~~which~~ THAT it pos-  
15 sesses or proposes to provide are adequate, (4) it has or pro-  
16 poses to employ an adequate staff, fully trained, for the  
17 instruction proposed, and (5) at least 50% of its capital,  
18 whether of stock or in gifts, devises, legacies, bequests, or  
19 other contributions of money or property, has been paid in or  
20 reduced to possession.

21 In determining whether any educational corporation satisfies  
22 conditions specified in classes (w), (x), (y) and (z) of this  
23 section, the ~~state board of education~~ DEPARTMENT OF CAREER  
24 DEVELOPMENT may treat as a credit to the capital of ~~such~~ THAT  
25 corporation the guaranteed annual income of that corporation to  
26 the extent that it deems ~~such~~ THE guaranteed income the  
27 equivalent of all or any part of the required endowment.

1 The use of the word "college" or "university" in the name of  
2 any group, organization, or association ~~hereafter~~ formed in  
3 this state is limited to those educational corporations complying  
4 with the requirements for class (w) or class (y) educational cor-  
5 porations or to ~~such~~ educational corporations of class (z) ~~as~~  
6 ~~shall~~ THAT satisfy the requirements set up for class (y)  
7 corporations. ~~Provided, however, That the~~ THE words "junior  
8 college" may be used by educational corporations of class (x).  
9 ~~Whenever~~ IF this provision is violated ~~it shall be the duty~~  
10 ~~of~~ the prosecuting attorney ~~,~~ in the county ~~where~~ IN WHICH  
11 the organization is located ~~,~~ to SHALL bring proceedings to  
12 enjoin the further use of ~~such~~ THAT name in violation of this  
13 act.

14 No educational corporation shall ~~be permitted to~~ expand  
15 its program beyond that specified in its articles of incorpora-  
16 tion until it has presented to the Michigan corporation and  
17 securities commission a statement in writing from the ~~state~~  
18 ~~board of education~~ DEPARTMENT OF CAREER DEVELOPMENT approving  
19 the facilities, equipment, and staff or the proposed facilities,  
20 equipment, and staff as adequate for the ~~offering of the~~ addi-  
21 tional educational program.

22 Sec. 172. (a) Educational corporations of class (w), as  
23 defined in section 171, ~~of this act~~ shall have authority to  
24 establish and conduct general colleges for furnishing higher  
25 learning and to confer ~~such~~ THE degrees and honors ~~as shall~~  
26 ~~be~~ approved by the ~~state board of education~~ DEPARTMENT OF  
27 CAREER DEVELOPMENT prior to ~~the~~ filing of articles of

1 incorporation; and the term "college" ~~as herein used~~ shall be  
2 construed to include any college, university, or other institu-  
3 tion ~~where~~ AT WHICH the arts, sciences, professions, and higher  
4 learning are taught and degrees and honors ~~therein~~ conferred.  
5 ~~Such colleges~~ COLLEGES may also include preparatory schools.  
6 ~~as commonly understood;~~

7 (b) Educational corporations of class (x), as defined in  
8 section 171, ~~shall have authority to~~ MAY establish and conduct  
9 junior colleges, seminaries, academies, or preparatory schools,  
10 as determined and approved by the ~~state board of education~~  
11 DEPARTMENT OF CAREER DEVELOPMENT, but not general colleges or  
12 universities as defined in subsection (a). ~~hereof;~~

13 (c) Educational corporations of class (z), as defined in  
14 ~~said~~ section 171, ~~shall embrace such~~ INCLUDE schools, acade-  
15 mies, or colleges ~~as have been heretofore~~ founded under ~~Act~~  
16 ~~135, Public Acts 1899~~ FORMER 1899 PA 135, AND known ~~thereunder~~  
17 as "Ursuline academies"; ~~those~~ SCHOOLS, ACADEMIES, OR COLLEGES  
18 founded under ~~Act 121, Public Acts 1915~~ FORMER 1915 PA 121, and  
19 known ~~thereunder~~ as "ecclesiastical seminaries"; ~~those~~  
20 SCHOOLS, ACADEMIES, OR COLLEGES founded under ~~Act 28, Public~~  
21 ~~Acts 1901~~ FORMER 1901 PA 28, and known ~~thereunder~~ as  
22 "Evangelical Lutheran deaf mute institutions"; ~~those~~ SCHOOLS,  
23 ACADEMIES, OR COLLEGES founded under ~~Act 135, Public Acts 1867~~  
24 FORMER 1867 PA 135, AND known as "industrial and charitable  
25 schools"; ~~those~~ SCHOOLS, ACADEMIES, OR COLLEGES organized under  
26 ~~paragraph (c), subdivision 1, chapter 2, part 4, of Act 84,~~  
27 ~~Public Acts 1921~~ FORMER 1921 PA 84, and ~~such~~ ANY other

1 schools, colleges, and institutions of like character and purpose  
 2 ~~as may be~~ formed under any law of this state for educational  
 3 purposes. AN EDUCATIONAL CORPORATION INCLUDED UNDER CLASS (Z)  
 4 shall have all the rights, powers, privileges, and immunities  
 5 enjoyed under its act of incorporation and without regard to the  
 6 classification made in this act, and upon complying with the pro-  
 7 visions ~~hereof~~ OF THIS ACT shall have ~~such~~ ANY additional  
 8 rights, powers, privileges, and immunities ~~as are~~ conferred  
 9 ~~hereunder~~ UNDER THIS ACT according to the classifications pre-  
 10 scribed in this act. ~~Provided further, That any~~ ANY corpora-  
 11 tion ~~heretofore~~ formed under ~~Act 359, Public Acts 1913~~ 1913  
 12 PA 359, and known ~~thereunder~~ as "kindergarten institutions"  
 13 shall ~~hereafter~~ be classified under class (x), ~~of sections~~ AS  
 14 DEFINED IN SECTION 171 and ~~172 of this act:~~ ~~Provided further,~~  
 15 ~~That any~~ THIS SECTION. ANY corporation of class (z) ~~hereafter~~  
 16 organized under this act ~~may enjoy~~ HAS the privileges provided  
 17 under classes (w), (x), and (y), ~~of~~ AS DEFINED IN section 171,  
 18 ~~on condition that it~~ IF THAT CORPORATION satisfies the require-  
 19 ments set up for corporations of ~~these~~ THOSE respective  
 20 classes.

21 (d) Educational corporations of class (y), as defined in  
 22 section 171, ~~shall have authority to~~ MAY establish and conduct  
 23 colleges or universities of a graduate rank with programs of  
 24 studies of 5 years or more.

25 Sec. 173. ~~Same; articles of incorporation.~~ The articles  
 26 of every educational corporation shall clearly set forth the  
 27 educational system of the institution to be founded and the

1 character of the degrees, honors, diplomas, or certificates  
2 ~~which~~ THAT it proposes to grant, ~~and same~~ WHICH shall be  
3 approved by the ~~state board of education~~ DEPARTMENT OF CAREER  
4 DEVELOPMENT prior to the filing of the articles of  
5 incorporation. If a college or university, the articles shall  
6 state the number and name of the faculties to be established. ~~→~~  
7 ~~and if~~ IF a denominational religious school or college, the name  
8 of ~~such~~ THE denomination and the body supporting or controlling  
9 the ~~same~~ SCHOOL OR COLLEGE. ~~Such articles shall be filed as~~  
10 ~~provided in section 5 of this act.~~ Any ~~such~~ corporation may,  
11 by increasing its capital to a higher class and amending its  
12 articles, assume the powers and privileges of ~~such~~ THAT higher  
13 classification. ~~as it may thereby be entitled to as defined in~~  
14 ~~this act.~~

15       Sec. 177. ~~Same; inspection by state board of education;~~  
16 ~~annual report.~~ Every ~~such~~ educational corporation shall be  
17 visited and inspected by the ~~state board of education, in person~~  
18 ~~or through visitors or inspectors appointed by them~~ DEPARTMENT  
19 OF CAREER DEVELOPMENT, at least once every 3 years. ~~Said state~~  
20 ~~board of education~~ THE DEPARTMENT OF CAREER DEVELOPMENT shall at  
21 the time of visitation ascertain and publish information upon all  
22 matters pertaining to the condition, management, instruction, and  
23 practices of ~~such corporations~~ THAT CORPORATION, and shall file  
24 a copy of ~~their~~ ITS report with the Michigan corporation and  
25 securities commission. Upon evidence that the property is at any  
26 time less than is required by law, or that any ~~such~~ educational  
27 corporation is not otherwise complying with the provisions of

1 this act, ~~they~~ THE DEPARTMENT OF CAREER DEVELOPMENT shall serve  
2 notice on ~~such~~ THAT corporation to remedy the defects within a  
3 reasonable time to be fixed in ~~such~~ THE notice, and in case the  
4 deficiency is not corrected within the time fixed, ~~by them,~~  
5 ~~they~~ THE DEPARTMENT OF CAREER DEVELOPMENT may institute proceed-  
6 ings at law for the dissolution of ~~such~~ THAT corporation.  
7 ~~Such~~ THE trustees shall ~~be required~~ ANNUALLY REPORT, on or  
8 before the first day of December, ~~annually, to report~~ to the  
9 ~~state board of education~~ DEPARTMENT OF CAREER DEVELOPMENT, a  
10 statement of the name of each trustee, officer, AND teacher and  
11 the number of students of ~~such~~ THE institution, with a state-  
12 ment of its property, the amount of stock subscribed, donated,  
13 and bequeathed, and the amount actually paid in, and ~~such~~ ANY  
14 other information ~~as~~ THAT will tend to exhibit its condition  
15 and operations.