

**SUBSTITUTE FOR
SENATE BILL NO. 312**

A bill to amend 2008 PA 549, entitled
"Michigan promise zone authority act,"
by amending sections 3, 5, 7, 11, 15, and 17 (MCL 390.1663,
390.1665, 390.1667, 390.1671, 390.1675, and 390.1677).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. As used in this act:

2 (a) "Authority" means a promise zone authority created under
3 this act.

4 (b) "Board" means the governing body of an authority.

5 (c) "Eligible entity" means a city, township, county, local
6 school district, or intermediate school district, in which the
7 percentage of families with children under age 18 that are living
8 at or below the federal poverty level is greater than or equal to
9 the state average of families with children under age 18 living at

1 or below the federal poverty level, as determined by the department
2 of treasury.

3 (d) "Federal poverty level" means the poverty guidelines
4 published annually in the federal register by the United States
5 department of health and human services under its authority to
6 revise the poverty line under section 673(2) of subtitle B of title
7 VI of the omnibus budget reconciliation act of 1981, Public Law 97-
8 35, 42 USC 9902.

9 (e) "Governing body" means the elected body of an eligible
10 entity ~~having~~ **THAT HAS** legislative powers.

11 (f) "Nonpublic high school" means a high school operated by a
12 nonpublic school that includes grades 9 to 12 or 10 to 12 and that
13 awards a high school diploma. Nonpublic high school also includes a
14 general education development test.

15 (g) "Nonpublic school" means that term as defined in section 5
16 of the revised school code, 1976 PA 451, MCL 380.5.

17 (h) "Promise of financial assistance" means a commitment by an
18 eligible entity to provide financial resources for public or
19 private postsecondary education, **INCLUDING A VOCATIONAL PROGRAM**, to
20 eligible students living in a promise zone and who have graduated
21 from a public high school or nonpublic high school located within
22 that promise zone.

23 (i) "Promise zone" means that area created by a governing body
24 under this act.

25 (j) "Promise zone development plan" means that plan developed
26 by an authority under this act that will ensure that the financial
27 resources are available to adequately fund the promise of financial

1 assistance.

2 (k) "Public high school" means a public school that includes
3 grades 9 to 12 or 10 to 12 and that awards a high school diploma.

4 (l) "Public school" means that term as defined in section 5 of
5 the revised school code, 1976 PA 451, MCL 380.5.

6 (M) **"QUALIFIED EDUCATIONAL EXPENSES" MEANS TUITION AND FEES**
7 **REQUIRED FOR THE ENROLLMENT OR ATTENDANCE OF A STUDENT AT AN**
8 **EDUCATIONAL INSTITUTION AND EXPENSES FOR FEES, BOOKS, SUPPLIES, AND**
9 **EQUIPMENT REQUIRED FOR COURSES OF INSTRUCTION AT THAT EDUCATIONAL**
10 **INSTITUTION.**

11 (N) ~~(m)~~—"School district" means that term as defined in the
12 revised school code, 1976 PA 451, MCL 380.1 to 380.1852.

13 (O) ~~(n)~~—"State education tax" means the tax levied under the
14 state education tax act, 1993 PA 331, MCL 211.901 to 211.906.

15 (P) **"VOCATIONAL PROGRAM" MEANS AN EDUCATION OR TRAINING**
16 **PROGRAM INTENDED TO TEACH A TRADE, OCCUPATION, OR VOCATION AND**
17 **OFFERED BY A PUBLIC OR PRIVATE POSTSECONDARY INSTITUTION IN THIS**
18 **STATE.**

19 Sec. 5. (1) If the department of treasury certifies the
20 eligibility of a governing body to establish a promise zone and the
21 governing body, by resolution, establishes a promise zone under the
22 Michigan promise zone act, **2008 PA 550, MCL 390.1641 TO 390.1649,**
23 the governing body shall, by resolution, create a promise zone
24 authority.

25 (2) An authority is a public body corporate that may sue and
26 be sued in any court of this state. An authority possesses all the
27 powers necessary to carry out its purpose. The enumeration of a

1 power in this act shall not be construed as a limitation ~~upon~~ **ON**
 2 the general powers of an authority.

3 (3) An authority shall be under the supervision and control of
 4 a board. ~~consisting of 11 members. Nine members shall be appointed~~
 5 ~~by the~~ **ALL OF THE FOLLOWING APPLY TO THE BOARD OF AN AUTHORITY:**

6 (A) **THE BOARD SHALL CONSIST OF 11 MEMBERS, AS FOLLOWS:**

7 (i) **NINE LOCALLY APPOINTED MEMBERS. THE** chief executive officer
 8 of the eligible entity, with the advice and consent of the
 9 governing body, **SHALL APPOINT THE 9 INITIAL LOCALLY APPOINTED**
 10 **MEMBERS OF THE BOARD DESCRIBED IN THIS SUBPARAGRAPH. IF A VACANCY**
 11 **OCCURS IN AN OFFICE OF A LOCALLY APPOINTED MEMBER APPOINTED UNDER**
 12 **THIS SUBPARAGRAPH, THE BOARD SHALL APPOINT A NEW MEMBER TO FILL**
 13 **THAT VACANCY. AS USED IN THIS SUBPARAGRAPH, FOR A LOCAL SCHOOL**
 14 **DISTRICT OR AN INTERMEDIATE SCHOOL DISTRICT, "CHIEF EXECUTIVE**
 15 **OFFICER" MEANS THE SUPERINTENDENT OF THAT LOCAL SCHOOL DISTRICT OR**
 16 **INTERMEDIATE SCHOOL DISTRICT.**

17 (ii) One member ~~shall be appointed~~ by the senate majority
 18 leader.

19 (iii) One member ~~shall be appointed~~ by the speaker of the house
 20 of representatives.

21 (B) Not more than 3 members **OF THE BOARD** shall be government
 22 officials.

23 (C) One member **OF THE BOARD** shall be a representative of the
 24 public school community. ~~Of~~

25 (D) **THE TERM OF OFFICE OF A MEMBER OF THE BOARD IS 4 YEARS.**
 26 **HOWEVER, OF** the members first appointed, an equal number of the
 27 members, as near as is practicable, shall be appointed for 1 year,

1 2 years, 3 years, and 4 years.

2 (E) A member **OF THE BOARD** shall hold office until the member's
3 successor is appointed. ~~After the initial appointment, each member~~
4 ~~shall serve for a term of 4 years. An appointment to fill a vacancy~~
5 ~~shall be made by the chief executive officer of the eligible entity~~
6 ~~for the unexpired term only.~~

7 (F) Members of the board shall serve without compensation, but
8 may be reimbursed for actual and necessary expenses.

9 (G) The chairperson of the board shall be elected by the
10 board. ~~As used in this subsection, for a local school district or~~
11 ~~an intermediate school district, "chief executive officer" means~~
12 ~~the superintendent of the local school district or intermediate~~
13 ~~school district.~~

14 (4) Before assuming the duties of office, a member shall
15 qualify by taking and subscribing to the constitutional oath of
16 office.

17 (5) The proceedings and rules of the board are subject to the
18 open meetings act, 1976 PA 267, MCL 15.261 to 15.275. The board
19 shall adopt rules governing its procedure and the holding of
20 regular meetings, subject to the approval of the governing body.
21 Special meetings may be held if called in the manner provided in
22 the rules of the board.

23 (6) After having been given notice and an opportunity to be
24 heard, a member of the board may be removed for cause by the
25 governing body.

26 (7) A writing prepared, owned, used, in the possession of, or
27 retained by the board in the performance of an official function is

1 subject to the freedom of information act, 1976 PA 442, MCL 15.231
2 to 15.246.

3 Sec. 7. (1) A promise zone authority created under section 5
4 shall prepare a promise zone development plan.

5 (2) ~~The~~A promise zone development plan shall include, but is
6 not limited to, all of the following:

7 (a) A complete description of the proposed promise of
8 financial assistance. The proposed promise of financial assistance
9 shall include, but is not limited to, a promise of financial
10 assistance to all **ELIGIBLE** students residing within the promise
11 zone and who graduate from a public high school or nonpublic high
12 school located within that promise zone, **IN AN AMOUNT ESTABLISHED**
13 **BY THE BOARD TO REFLECT THE AMOUNT AVAILABLE FOR DISBURSEMENT TO**
14 **ELIGIBLE STUDENTS AND INCLUDED IN THE ANNUAL BUDGET UNDER SECTION**
15 **15.** The **AMOUNT OF** proposed promise of financial assistance shall,
16 at a minimum, ~~provide funding~~ **EQUAL OR EXCEED THE AMOUNT THE BOARD**
17 **DETERMINES IS** sufficient to ~~provide~~ **PAY FOR THE QUALIFIED**
18 **EDUCATIONAL EXPENSES FOR** an eligible student ~~the tuition necessary~~
19 to obtain an associate degree ~~or its equivalent~~ at a community or
20 junior college in this state, ~~or combination of community or junior~~
21 ~~colleges in this state and, at most, provide funding sufficient to~~
22 ~~provide an eligible student the tuition necessary~~ **AND SHALL NOT**
23 **EXCEED THE AMOUNT THE BOARD DETERMINES IS SUFFICIENT TO PAY FOR THE**
24 **QUALIFIED EDUCATIONAL EXPENSES FOR AN ELIGIBLE STUDENT** to obtain a
25 bachelor's degree or its equivalent at a public postsecondary
26 institution in this state or combination of public postsecondary
27 institutions in this state, subject to any limitations authorized

1 under this section. The proposed promise of financial assistance
 2 may also, at most, provide funding for an eligible student to
 3 attend a private college in this state in an amount ~~not to~~ **THAT**
 4 **DOES NOT** exceed the average ~~tuition necessary~~ **AMOUNT OF QUALIFIED**
 5 **EDUCATIONAL EXPENSES** to obtain a bachelor's degree at all public
 6 universities in this state. The proposed promise of financial
 7 assistance may also authorize the expenditure of funds for
 8 educational improvement activities designed to increase readiness
 9 for postsecondary education at public schools located in the
 10 promise zone.

11 (b) A complete description of any limitation on the promise of
 12 financial assistance, ~~if~~ **INCLUDING, BUT NOT LIMITED TO, ANY OF**
 13 **THE FOLLOWING:**

14 (i) **IF** the promise of financial assistance will be prorated
 15 based on the number of years the student has resided within the
 16 promise zone. ~~if~~

17 (ii) **IF** the promise of financial assistance will be restricted
 18 to students who have resided within or attended a public high
 19 school or nonpublic high school within the promise zone for a
 20 minimum number of years. ~~if~~

21 (iii) **IF** the promise of financial assistance is predicated on
 22 the student maintaining a minimum college grade point average and
 23 carrying a minimum college credit hour classload. ~~or if~~

24 (iv) **IF** the promise of financial assistance is restricted to
 25 attendance at 1 or more public or private postsecondary
 26 institutions in this state.

27 (v) **IF THE PROMISE OF FINANCIAL ASSISTANCE IS LIMITED TO**

1 STUDENTS WHOSE CUMULATIVE HIGH SCHOOL GRADE POINT AVERAGE EXCEEDS A
2 SPECIFIED MINIMUM. HOWEVER, A BOARD MAY REVISE, ESTABLISH, OR
3 ELIMINATE A HIGH SCHOOL GRADE POINT AVERAGE REQUIREMENT FOR
4 STUDENTS AFTER IT SUBMITS A PROMISE ZONE DEVELOPMENT PLAN TO THE
5 DEPARTMENT OF TREASURY AND IS NOT REQUIRED TO AMEND THE PLAN OR
6 OBTAIN APPROVAL FROM THE DEPARTMENT OF TREASURY FOR THAT CHANGE.

7 (vi) IF THE PROMISE OF FINANCIAL ASSISTANCE IS LIMITED TO
8 STUDENTS WHO COMPLY WITH REQUIREMENTS ESTABLISHED BY THE BOARD IN
9 ORDER TO IMPROVE STUDENT PROGRESS TOWARD DEGREE COMPLETION.

10 (vii) IF THE PROMISE OF FINANCIAL ASSISTANCE IN A PROMISE ZONE
11 THAT ENCOMPASSES MORE THAN 2 SCHOOL DISTRICTS IS LIMITED TO
12 STUDENTS WHO RESIDE IN AND GRADUATE FROM HIGH SCHOOLS LOCATED
13 WITHIN THE BOUNDARIES OF FEWER THAN ALL OF ITS CONSTITUENT SCHOOL
14 DISTRICTS.

15 (c) A requirement that graduates of a public high school or
16 nonpublic high school exhaust all other known and available
17 restricted grants for ~~tuition and fees~~ **QUALIFIED EDUCATIONAL**
18 **EXPENSES** for postsecondary education provided by a federal, state,
19 or local governmental entity, as determined by the board.

20 (d) How the funds necessary to accomplish the promise of
21 financial assistance will be raised. Any amount received under the
22 state school aid act of 1979, 1979 PA 94, MCL 388.1601 to ~~388.1772,~~
23 **388.1896**, shall not be included as a method of raising the
24 necessary funds. The promise zone development plan shall be
25 financed from 1 or more of the following sources:

26 (i) Donations.

27 (ii) Revenues.

1 (iii) Money obtained from other sources approved by the
2 governing body or otherwise authorized by law.

3 (e) An actuarial model of how much the proposed plan is
4 estimated to cost, based on actuarial formulas developed by the
5 department of treasury.

6 (3) The proposed promise of financial assistance under
7 subsection (2) shall not include funding for attendance at a public
8 or private postsecondary institution not located in this state.

9 (4) The board shall submit the promise zone development plan
10 to the department of treasury promptly after its adoption. The
11 promise zone development plan shall be published on the website of
12 the eligible entity that established the promise zone.

13 (5) The department of treasury shall review the promise zone
14 development plan submitted under subsection (4). Not more than 60
15 days after receipt of a promise zone development plan submitted
16 under subsection (4), the department of treasury shall either
17 approve the promise zone development plan or provide a written
18 notice of deficiencies. If the department of treasury does not
19 approve a promise zone development plan submitted under subsection
20 (4) or provide a written notice of deficiencies within 60 days, the
21 promise zone development plan shall be considered approved. If a
22 promise zone development plan is approved, the department of
23 treasury shall certify that the promise zone development plan meets
24 all requirements under this act and is sustainable.

25 (6) The department of treasury shall review any proposed
26 amendments to a promise zone development plan. Not more than 60
27 days after receipt of proposed amendments to a promise zone

1 development plan, the department of treasury shall either approve
2 the proposed amendments or provide a written notice of
3 deficiencies. If the department of treasury does not approve
4 proposed amendments or provide a written notice of deficiencies
5 within 60 days, the proposed amendments shall be considered
6 approved. If proposed amendments are approved, the department of
7 treasury shall certify that the amendments meet all requirements
8 under this act.

9 Sec. 11. (1) The board may employ ~~and fix the~~ **A DIRECTOR. ALL**
10 **OF THE FOLLOWING APPLY TO A DIRECTOR EMPLOYED BY A BOARD UNDER THIS**
11 **SUBSECTION:**

12 **(A) THE BOARD SHALL ESTABLISH THE DIRECTOR'S** compensation. ~~of~~
13 ~~a director.~~

14 **(B)** The director ~~shall serve~~ **SERVES** at the pleasure of the
15 board.

16 **(C)** A member of the board is not eligible to hold the position
17 of director.

18 **(D)** Before beginning his or her duties, the director shall
19 take and subscribe to the constitutional oath and furnish **A** bond ~~by~~
20 ~~posting a bond in the sum~~ **IN AN AMOUNT** determined in the resolution
21 establishing the authority, payable to the authority for use and
22 benefit of the authority, approved by the board, and filed with the
23 clerk of the eligible entity. The premium on the bond shall be
24 considered an operating expense of the authority, payable from
25 ~~funds~~ **MONEY** available to the authority for expenses of operation.

26 **(E)** The director ~~shall be~~ **IS** the chief executive officer of
27 the authority.

1 (2) Subject to the approval of the board, the director shall
2 supervise and ~~be~~**IS** responsible for implementing the promise zone
3 development plan and the performance of the functions of the
4 authority in the manner authorized ~~by~~**UNDER** this act. The director
5 shall attend the meetings of the board and shall provide to the
6 board, the governing body, and the chief executive officer of the
7 eligible entity a regular report covering the activities and
8 financial condition of the authority. If the director is absent or
9 disabled, the board may designate a qualified person as acting
10 director to perform the duties of the office. Before beginning his
11 or her duties, the acting director shall take and subscribe to the
12 oath, and furnish **A** bond, as required of the director **UNDER**
13 **SUBSECTION (1) (D)**. The director shall furnish the board with **ANY**
14 information or reports governing the operation of the authority ~~as~~
15 **THAT** the board requires.

16 (3) The board may employ and fix the compensation of a
17 treasurer, who shall keep the financial records of the authority
18 and who, together with the director, shall approve all vouchers for
19 the expenditure of ~~funds~~**MONEY** of the authority. The treasurer
20 shall perform all duties delegated to him or her by the board and
21 shall furnish a bond in an amount prescribed by the board.

22 (4) The board may employ and fix the compensation of a
23 secretary, who shall maintain custody of the official seal and of
24 records, books, documents, or other papers **THE TREASURER IS** not
25 required to ~~be maintained by the treasurer.~~ **MAINTAIN**. The secretary
26 shall attend meetings of the board and keep a record of its
27 proceedings and shall perform other duties delegated by the board.

1 (5) The board may retain legal counsel to advise the board in
2 the proper performance of its duties.

3 (6) The board may employ **ANY** other personnel ~~considered~~**THAT**
4 **THE BOARD CONSIDERS** necessary. ~~by the board.~~

5 (7) ~~Money received by the~~**THE** authority shall immediately be
6 ~~deposited~~**DEPOSIT ANY MONEY IT RECEIVES** to the credit of the
7 authority, subject to disbursement under this act.

8 (8) ~~The authority shall not expend more than 15% of the~~
9 ~~proposed annual budget~~**BEGINNING IN THE FIRST FISCAL YEAR IN WHICH**
10 **IT RECEIVES REVENUE FROM THE STATE FROM THE CAPTURE OF STATE**
11 **EDUCATION TAX REVENUE UNDER SECTION 17, THE AUTHORITY MAY USE NOT**
12 **MORE THAN 15% OF THE AMOUNT OF THAT REVENUE TO PAY** for
13 administrative costs.

14 (9) **WITHIN 120 DAYS AFTER THE END OF EACH FISCAL YEAR, THE**
15 **BOARD SHALL SUBMIT AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**
16 **FOR THAT FISCAL YEAR TO THE DEPARTMENT OF EDUCATION. THE BOARD**
17 **SHALL INCLUDE WITH THE FINANCIAL STATEMENTS A CERTIFICATION BY THE**
18 **BOARD THAT THE BOARD AND AUTHORITY ARE IN COMPLIANCE WITH THIS ACT,**
19 **WITH THE REQUIREMENTS OF THE MICHIGAN PROMISE ZONE ACT, 2008 PA**
20 **550, MCL 390.1641 TO 390.1649, AND WITH THE AUTHORITY'S APPROVED**
21 **PROMISE ZONE DEVELOPMENT PLAN.**

22 Sec. 15. (1) ~~The director of the authority shall submit~~**BOARD**
23 **SHALL ADOPT** a budget ~~to the board~~ for the operation of the
24 authority for each fiscal year, before the beginning of ~~the~~**THAT**
25 fiscal year, **BASED ON A BUDGET SUBMITTED TO IT BY THE DIRECTOR.** The
26 budget shall be prepared in the manner and contain the information
27 required of municipal departments. ~~After review by the board, the~~

1 ~~budget shall be submitted to the governing body. The governing body~~
2 ~~must approve the budget before the board may adopt the budget.~~

3 Unless authorized by the governing body, ~~funds~~ **THE BUDGET OF AN**
4 **AUTHORITY SHALL NOT INCLUDE ANY MONEY** of the eligible entity. ~~shall~~
5 ~~not be included in the budget of the authority.~~

6 (2) **THE BUDGET DESCRIBED IN SUBSECTION (1) SHALL INCLUDE THE**
7 **AMOUNT THE AUTHORITY INTENDS TO DISBURSE TO EACH ELIGIBLE STUDENT**
8 **IN THE FISCAL YEAR COVERED BY THE BUDGET. SUBJECT TO THE MAXIMUM**
9 **AMOUNTS DESCRIBED IN SECTION 7(2)(A), THE BOARD SHALL ESTABLISH THE**
10 **AMOUNT OF THE ANNUAL PAYMENT TO ELIGIBLE STUDENTS AND, IN MAKING**
11 **THAT DETERMINATION, SHALL CONSIDER THE FINANCIAL RESOURCES**
12 **AVAILABLE TO THE AUTHORITY FOR DISBURSEMENT TO THOSE STUDENTS.**

13 Sec. 17. (1) The authority shall determine the base year for
14 calculating the amount of incremental growth for the capture of the
15 state education tax as provided in this section. The base year is
16 the amount of revenue received from the collection of the state
17 education tax in the promise zone in the year immediately preceding
18 the year in which an authority makes its initial ~~tuition~~ payment **OF**
19 **QUALIFIED EDUCATIONAL EXPENSES** in accordance with the promise of
20 financial assistance or the amount of revenue received from the
21 collection of the state education tax in the promise zone in any 1
22 of the 3-5 immediately succeeding years, whichever is less.

23 (2) If the authority continues to make annual payments in
24 accordance with the promise of financial assistance, in the year
25 immediately succeeding the base year determined in subsection (1)
26 and each year thereafter, this state shall capture 1/2 of the
27 increase in revenue, if any, from the collection of the state

1 education tax. This state shall not capture any revenue from the
2 collection of the state education tax under this act if that
3 revenue is subject to capture under any other law of this state.
4 Proceeds from the capture of the state education tax under this
5 section shall be deposited in the state treasury and credited to a
6 restricted fund to be used solely for the purposes of this act.

7 (3) If the authority continues to make annual ~~tuition~~ payments
8 **OF QUALIFIED EDUCATIONAL EXPENSES** in accordance with the promise of
9 financial assistance, 2 years after the authority's initial payment
10 of financial assistance and each year thereafter, this state shall
11 pay to the authority the state education tax captured under
12 subsection (2). If the boundaries of 2 or more promise zones
13 created under this act overlap, payments under this section shall
14 only be made to the first authority eligible for payment under this
15 subsection.

16 (4) If at any time the authority does not make annual ~~tuition~~
17 payments **OF QUALIFIED EDUCATIONAL EXPENSES** in accordance with the
18 promise for financial assistance, any amount captured from that
19 promise zone in the restricted fund created under subsection (2)
20 shall be paid into the school aid fund established in section 11 of
21 article IX of the state constitution of 1963.

22 (5) For purposes of this section, payments under this section
23 shall not be included in determining payments for financial
24 assistance in the immediately preceding year.