

**SUBSTITUTE FOR  
HOUSE BILL NO. 5232**

A bill to amend 1976 PA 451, entitled  
"The revised school code,"  
by amending section 553 (MCL 380.553), as amended by 2011 PA 277.

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

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

9           (2) If a person or entity applies to the board of a school

1 district for a contract to organize and operate 1 or more schools  
2 of excellence within the boundaries of the school district and the  
3 board does not issue the contract, the person or entity may  
4 petition the board to place the question of issuing the contract on  
5 the ballot to be decided by the school electors of the school  
6 district. The petition ~~shall~~**must** contain all of the information  
7 required to be in the contract application under section 552 and  
8 ~~shall~~**must** be signed by a number of school electors of the school  
9 district equal to at least 5% of the total number of school  
10 electors of that school district. The petition ~~shall~~**must** be filed  
11 with the school district filing official. If the board receives a  
12 petition meeting the requirements of this subsection, the board  
13 shall have the question of issuing the contract placed on the  
14 ballot at its next regular school election held at least 60 days  
15 after receiving the petition. If a majority of the school electors  
16 of the school district voting on the question vote to issue the  
17 contract, the board shall issue the contract.

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

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

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

29 (a) The educational goals the school of excellence is to

1 achieve and the methods by which it will be held accountable. The  
2 educational goals ~~shall~~**must** include demonstrated improved pupil  
3 academic achievement for all groups of pupils. To the extent  
4 applicable, the pupil performance of a school of excellence shall  
5 **must** be assessed using at least ~~a~~**the** Michigan ~~education assessment~~  
6 ~~program (MEAP) test~~**student test of educational progress (M-STEP)**  
7 or the Michigan merit examination under section 1279g, as  
8 applicable.

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

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

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

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

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

27 (g) Requirements and procedures for financial audits. The  
28 financial audits ~~shall~~**must** be conducted at least annually by a  
29 certified public accountant in accordance with generally accepted

1 governmental auditing principles.

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

5 (i) A requirement that the board of directors ~~shall~~ ensure  
6 compliance with the requirements of 1968 PA 317, MCL 15.321 to  
7 15.330.

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

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

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

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

28 (ii) A list of currently serving members of the board of  
29 directors of the school of excellence, including name, address, and

1 term of office; copies of policies approved by the board of  
2 directors; board meeting agendas and minutes; copy of the budget  
3 approved by the board of directors and of any amendments to the  
4 budget; and copies of bills paid for amounts of \$10,000.00 or more  
5 as they were submitted to the board of directors.

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

8 (iv) A current list of teachers and school administrators  
9 working at the school of excellence that includes their individual  
10 salaries as submitted to the registry of educational personnel;  
11 copies of the teaching or school administrator's certificates or  
12 permits of current teaching and administrative staff; and evidence  
13 of compliance with the criminal background and records checks and  
14 unprofessional conduct check required under sections 1230, 1230a,  
15 and 1230b for all teachers and administrators working at the school  
16 of excellence.

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

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

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

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

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

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

29 (xi) Any other information specifically required under this

1 act.

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

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

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

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

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

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

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

29 (o) A requirement that the board of directors ~~shall~~ prohibit

1 any individual from being employed by the school of excellence in  
2 more than 1 full-time position and simultaneously being compensated  
3 at a full-time rate for each of those positions.

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

7 (q) For a contract that is entered into, extended, renewed, or  
8 modified on or after the effective date of the amendatory act that  
9 added this subdivision, a requirement that the names of the  
10 authorizing body and the primary educational management  
11 organization, if applicable, must appear and be verbally provided,  
12 as applicable, on all of the following:

13 (i) Unless prohibited by a local ordinance or local zoning  
14 authority, signage that is on the school of excellence's property  
15 and is erected, repaired, or installed on or after the effective  
16 date of the amendatory act that added this subdivision. However,  
17 this requirement does not apply to a school of excellence that is a  
18 cyber school.

19 (ii) Promotional material that is created, modified, or  
20 distributed on or after the effective date of the amendatory act  
21 that added this subdivision.

22 (iii) The footer of the school of excellence's website pages.

23 (iv) The school application that a student must submit to  
24 enroll in the school of excellence.

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

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

28 (b) The freedom of information act, 1976 PA 442, MCL 15.231 to  
29 15.246.

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

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

3 (d) ~~(e)~~ Sections 1134, 1135, 1146, 1153, 1263(3), 1267, and  
4 1274.

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

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

18 (8) A school of excellence is exempt from all taxation on its  
19 earnings and property. Unless the property is already fully exempt  
20 from real and personal property taxes under the general property  
21 tax act, 1893 PA 206, MCL 211.1 to 211.155, property occupied by a  
22 school of excellence and used exclusively for educational purposes  
23 is exempt from real and personal property taxes levied for school  
24 operating purposes under section 1211, to the extent exempted under  
25 that section, and from real and personal property taxes levied  
26 under the state education tax act, 1993 PA 331, MCL 211.901 to  
27 211.906. Instruments of conveyance to or from a school of  
28 excellence are exempt from all taxation including taxes imposed by  
29 1966 PA 134, MCL 207.501 to 207.513. A school of excellence may not



1 levy ad valorem property taxes or another tax for any purpose.  
2 However, operation of 1 or more schools of excellence by a school  
3 district or intermediate school district does not affect the  
4 ability of the school district or intermediate school district to  
5 levy ad valorem property taxes or another tax.

6 (9) A school of excellence may acquire by purchase, gift,  
7 devise, lease, sublease, installment purchase agreement, land  
8 contract, option, or by any other means, hold, and own in its own  
9 name buildings and other property for school purposes, and  
10 interests therein, and other real and personal property, including,  
11 but not limited to, interests in property subject to mortgages,  
12 security interests, or other liens, necessary or convenient to  
13 fulfill its purposes. For the purposes of condemnation, a school of  
14 excellence may proceed under the uniform condemnation procedures  
15 act, 1980 PA 87, MCL 213.51 to 213.75, excluding sections 6 to 9 of  
16 ~~that act,~~ **the uniform condemnation procedures act, 1980 PA 87**, MCL  
17 213.56 to 213.59, or other applicable statutes, but only with the  
18 express, written permission of the authorizing body in each  
19 instance of condemnation and only after just compensation has been  
20 determined and paid.

21 (10) **As used in this section:**

22 (a) **"Educational management organization" means that term as**  
23 **defined in section 553c.**

24 (b) **"Primary educational management organization" means an**  
25 **educational management organization that is responsible for both of**  
26 **the following:**

27 (i) **Administrative services or staff.**

28 (ii) **Educational and instructional services or staff.**

29 (c) **"Promotional material" means any of the following:**

- 1        *(i)* Billboards.
- 2        *(ii)* Internet advertisements.
- 3        *(iii)* Television advertisements.
- 4        *(iv)* Radio advertisements.