

**SUBSTITUTE FOR
HOUSE BILL NO. 5234**

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending section 523 (MCL 380.523), as amended by 2011 PA 277.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 523. (1) An authorizing body is not required to issue a
2 contract to any entity. Urban high school academy contracts ~~shall~~
3 **must** be issued on a competitive basis taking into consideration the
4 resources available for the proposed urban high school academy, the
5 population to be served by the proposed urban high school academy,
6 and the educational goals to be achieved by the proposed urban high
7 school academy. In evaluating if an applicant is qualified, the
8 authorizing body shall examine the proposed performance standards,
9 proposed academic program, financial viability of the applicant,

1 and the ability of the proposed board of directors to meet the
 2 contract goals and objectives. An authorizing body shall give
 3 priority to applicants that demonstrate all of the following:

4 (a) The proposed school will operate at least all of grades 9
 5 through 12 within 5 years after beginning operation.

6 (b) The proposed school will occupy a building or buildings
 7 that are newly constructed or renovated after January 1, 2003.

8 (c) The proposed school has a stated goal of increasing high
 9 school graduation rates.

10 (d) The proposed school has received commitments for financial
 11 and educational support from the entity applying for the contract.

12 (e) The entity that submits the application for a contract has
 13 net assets of at least \$50,000,000.00.

14 (2) A contract issued to organize and administer an urban high
 15 school academy ~~shall~~**must** contain at least all of the following:

16 (a) The educational goals the urban high school academy is to
 17 achieve and the methods by which it will be held accountable. The
 18 educational goals ~~shall~~**must** include demonstrated improved pupil
 19 academic achievement for all groups of pupils. To the extent
 20 applicable, the pupil performance of an urban high school academy
 21 ~~shall~~**must** be assessed using at least ~~a~~**the** Michigan ~~education~~
 22 ~~assessment program (MEAP) test~~**student test of educational progress**
 23 **(M-STEP)** or the Michigan merit examination developed under section
 24 1279g, as applicable.

25 (b) A description of the method to be used to monitor the
 26 urban high school academy's compliance with applicable law and its
 27 performance in meeting its targeted educational objectives.

28 (c) A description of the process for amending the contract
 29 during the term of the contract. An authorizing body may approve

1 amendment of the contract with respect to any provision contained
2 in the contract.

3 (d) A certification, signed by an authorized member of the
4 urban high school academy board of directors, that the urban high
5 school academy will comply with the contract and all applicable
6 law.

7 (e) Procedures for revoking the contract and grounds for
8 revoking the contract.

9 (f) A description of and address for the proposed building or
10 buildings in which the urban high school academy will be located.

11 (g) Requirements and procedures for financial audits. The
12 financial audits ~~shall~~**must** be conducted at least annually by an
13 independent certified public accountant in accordance with
14 generally accepted governmental auditing principles.

15 (h) A requirement that the board of directors ~~shall~~ ensure
16 compliance with the requirements of 1968 PA 317, MCL 15.321 to
17 15.330.

18 (i) A requirement that the board of directors ~~shall~~ prohibit
19 specifically identified family relationships between members of the
20 board of directors, individuals who have an ownership interest in
21 or who are officers or employees of an educational management
22 company involved in the operation of the urban high school academy,
23 and employees of the urban high school academy. The contract ~~shall~~
24 **must** identify the specific prohibited relationships consistent with
25 applicable law.

26 (j) A requirement that the board of directors of the urban
27 high school academy ~~shall~~ make information concerning its operation
28 and management available to the public and to the authorizing body
29 in the same manner as is required by state law for school

1 districts.

2 (k) A requirement that the board of directors of the urban
3 high school academy ~~shall~~ collect, maintain, and make available to
4 the public and the authorizing body, in accordance with applicable
5 law and the contract, at least all of the following information
6 concerning the operation and management of the urban high school
7 academy:

8 (i) A copy of the contract issued by the authorizing body for
9 the urban high school academy.

10 (ii) A list of currently serving members of the board of
11 directors of the urban high school academy, including name,
12 address, and term of office; copies of policies approved by the
13 board of directors; board meeting agendas and minutes; copy of the
14 budget approved by the board of directors and of any amendments to
15 the budget; and copies of bills paid for amounts of \$10,000.00 or
16 more as they were submitted to the board of directors.

17 (iii) Quarterly financial reports submitted to the authorizing
18 body.

19 (iv) A current list of teachers working at the urban high
20 school academy that includes their individual salaries as submitted
21 to the registry of educational personnel; copies of the teaching
22 certificates or permits of current teaching staff; and evidence of
23 compliance with the criminal background and records checks and
24 unprofessional conduct check required under sections 1230, 1230a,
25 and 1230b for all teachers and administrators working at the urban
26 high school academy.

27 (v) Curriculum documents and materials given to the
28 authorizing body.

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

1 (vii) Copies of facility leases or deeds, or both, and of any
2 equipment leases.

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

5 (ix) All health and safety reports and certificates, including
6 those relating to fire safety, environmental matters, asbestos
7 inspection, boiler inspection, and food service.

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

10 (xi) Any other information specifically required under this
11 act.

12 (l) A requirement that the authorizing body must review and may
13 disapprove any agreement between the board of directors and an
14 educational management company before the agreement is final and
15 valid. An authorizing body may disapprove an agreement described in
16 this subdivision only if the agreement is contrary to the contract
17 or applicable law.

18 (m) A requirement that the board of directors ~~shall~~
19 demonstrate all of the following to the satisfaction of the
20 authorizing body with regard to its pupil admission process:

21 (i) That the urban high school academy has made a reasonable
22 effort to advertise its enrollment openings.

23 (ii) That the urban high school academy has made the following
24 additional efforts to recruit pupils who are eligible for special
25 education programs and services to apply for admission:

26 (A) Reasonable efforts to advertise all enrollment openings to
27 organizations and media that regularly serve and advocate for
28 individuals with disabilities within the boundaries of the
29 intermediate school district in which the urban high school academy

1 is located.

2 (B) Inclusion in all pupil recruitment materials of a
3 statement that appropriate special education services will be made
4 available to pupils attending the school as required by law.

5 (iii) That the open enrollment period for the urban high school
6 academy is for a duration of at least 2 weeks and that the
7 enrollment times include some evening and weekend times.

8 (n) A requirement that the board of directors ~~shall~~ prohibit
9 any individual from being employed by the urban high school academy
10 in more than 1 full-time position and simultaneously being
11 compensated at a full-time rate for each of those positions.

12 (o) A requirement that, if requested, the board of directors
13 ~~shall~~ report to the authorizing body the total compensation for
14 each individual working at the urban high school academy.

15 (p) The term of the contract and a description of the process
16 and standards for renewal of the contract at the end of the term.
17 The standards for renewal ~~shall~~ **must** include increases in academic
18 achievement for all groups of pupils as measured by assessments and
19 other objective criteria as the most important factor in the
20 decision of whether ~~or not~~ to renew the contract.

21 **(q) For a contract that is entered into, extended, renewed, or**
22 **modified on or after the effective date of the amendatory act that**
23 **added this subdivision, a requirement that the names of the**
24 **authorizing body and the primary educational management**
25 **organization, if applicable, must appear and be verbally provided,**
26 **as applicable, on all of the following:**

27 **(i) Unless prohibited by a local ordinance or local zoning**
28 **authority, signage that is on the urban high school academy's**
29 **property and is erected, repaired, or installed on or after the**

1 effective date of the amendatory act that added this subdivision.

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

5 (iii) The footer of the urban high school academy's website
6 pages.

7 (iv) The school application that a student must submit to
8 enroll in the urban high school academy.

9 (3) An urban high school academy shall comply with all
10 applicable law, including all of the following:

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

12 (b) The freedom of information act, 1976 PA 442, MCL 15.231 to
13 15.246.

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

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

16 ~~(d) (e) 1978 PA 566, MCL 15.181 to 15.185.~~

17 ~~(e) (f) 1968 PA 317, MCL 15.321 to 15.330.~~

18 ~~(f) (g) The uniform budgeting and accounting act, 1968 PA 2,~~
19 MCL 141.421 to 141.440a.

20 ~~(g) (h) The revised municipal finance act, 2001 PA 34, MCL~~
21 141.2101 to 141.2821.

22 ~~(h) (i) The federal no child left behind act of 2001, Public~~
23 Law 107-110, 115 Stat. 1425.

24 ~~(i) (j) Sections 1134, 1135, 1146, 1153, 1263(3), 1267, 1274,~~
25 and 1280.

26 ~~(j) (k) Laws concerning participation in state assessments,~~
27 data collection systems, state level student growth models, state
28 accountability and accreditation systems, and other public
29 comparative data collection required for public schools.

1 (4) An urban high school academy and its incorporators, board
2 members, officers, employees, and volunteers have governmental
3 immunity as provided in section 7 of 1964 PA 170, MCL 691.1407. An
4 authorizing body and its board members, officers, and employees are
5 immune from civil liability, both personally and professionally,
6 for any acts or omissions in authorizing or oversight of an urban
7 high school academy if the authorizing body or the person acted or
8 reasonably believed ~~he or she~~ **the person** acted within the
9 authorizing body's or the person's scope of authority.

10 (5) An urban high school academy is exempt from all taxation
11 on its earnings and property. Unless the property is already fully
12 exempt from real and personal property taxes under the general
13 property tax act, 1893 PA 206, MCL 211.1 to 211.155, property
14 occupied by an urban high school academy and used exclusively for
15 educational purposes is exempt from real and personal property
16 taxes levied for school operating purposes under section 1211, to
17 the extent exempted under that section, and from real and personal
18 property taxes levied under the state education tax act, 1993 PA
19 331, MCL 211.901 to 211.906. Instruments of conveyance to or from
20 an urban high school academy are exempt from all taxation,
21 including taxes imposed by 1966 PA 134, MCL 207.501 to 207.513. An
22 urban high school academy may not levy ad valorem property taxes or
23 any other tax for any purpose.

24 (6) An urban high school academy may acquire by purchase,
25 gift, devise, lease, sublease, installment purchase agreement, land
26 contract, option, or any other means, hold, and own in its own name
27 buildings and other property for school purposes, and interests
28 therein, and other real and personal property, including, but not
29 limited to, interests in property subject to mortgages, security

1 interests, or other liens, necessary or convenient to fulfill its
2 purposes. For the purposes of condemnation, an urban high school
3 academy may proceed under the uniform condemnation procedures act,
4 1980 PA 87, MCL 213.51 to 213.75, excluding sections 6 to 9 of ~~that~~
5 ~~act,~~ **the uniform condemnation procedures act, 1980 PA 87**, MCL
6 213.56 to 213.59, or other applicable statutes, but only with the
7 express, written permission of the authorizing body in each
8 instance of condemnation and only after just compensation has been
9 determined and paid.

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

11 (a) **"Educational management organization" means that term as**
12 **defined in section 523c.**

13 (b) **"Primary educational management organization" means an**
14 **educational management organization that is responsible for both of**
15 **the following:**

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

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

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

19 (i) **Billboards.**

20 (ii) **Internet advertisements.**

21 (iii) **Television advertisements.**

22 (iv) **Radio advertisements.**