

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 1051

A bill to amend 1976 PA 451, entitled
"The revised school code,"
(MCL 380.1 to 380.1852) by adding section 1203.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 1203. (1) A MEMBER OF THE BOARD OF A SCHOOL DISTRICT OR
2 INTERMEDIATE SCHOOL DISTRICT OR BOARD OF DIRECTORS OF A PUBLIC
3 SCHOOL ACADEMY WHO BELIEVES OR HAS REASON TO BELIEVE THAT HE OR SHE
4 HAS A CONFLICT OF INTEREST WITH REGARD TO A CONTRACT OR OTHER
5 FINANCIAL TRANSACTION THAT REQUIRES THE APPROVAL OF THE BOARD OR
6 BOARD OF DIRECTORS SHALL ABSTAIN FROM VOTING ON THE CONTRACT OR
7 OTHER FINANCIAL TRANSACTION AND SHALL DISCLOSE THE SPECIFIC
8 CONFLICT OF INTEREST. A MEMBER OF THE BOARD OF A SCHOOL DISTRICT OR
9 INTERMEDIATE SCHOOL DISTRICT OR BOARD OF DIRECTORS OF A PUBLIC
10 SCHOOL ACADEMY IS PRESUMED TO HAVE A CONFLICT OF INTEREST IF THE

1 MEMBER OR HIS OR HER FAMILY MEMBER HAS A FINANCIAL INTEREST, OR A
2 COMPETING FINANCIAL INTEREST, IN THE CONTRACT OR OTHER FINANCIAL
3 TRANSACTION OR IS AN EMPLOYEE OF THE SCHOOL DISTRICT, INTERMEDIATE
4 SCHOOL DISTRICT, OR PUBLIC SCHOOL ACADEMY.

5 (2) A PERSON SERVING AS THE LEGAL COUNSEL TO THE BOARD OF A
6 SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT OR BOARD OF
7 DIRECTORS OF A PUBLIC SCHOOL ACADEMY, OR OTHERWISE ACTING AS AN
8 ADVISOR OR CONSULTANT TO THE BOARD OR BOARD OF DIRECTORS, WHO
9 BELIEVES OR HAS REASON TO BELIEVE THAT THE PERSON HAS A CONFLICT OF
10 INTEREST WITH REGARD TO A CONTRACT OR OTHER FINANCIAL TRANSACTION
11 THAT REQUIRES THE APPROVAL OF THE BOARD OR BOARD OF DIRECTORS SHALL
12 DISCLOSE THE CONFLICT OF INTEREST TO THE BOARD OR BOARD OF
13 DIRECTORS BEFORE THE VOTE ON THE CONTRACT OR OTHER FINANCIAL
14 TRANSACTION. A PERSON SERVING AS THE LEGAL COUNSEL TO THE BOARD OF
15 A SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT OR BOARD OF
16 DIRECTORS OF A PUBLIC SCHOOL ACADEMY OR OTHERWISE ACTING AS AN
17 ADVISOR OR CONSULTANT TO THE BOARD OR BOARD OF DIRECTORS IS
18 PRESUMED TO HAVE A CONFLICT OF INTEREST IF THE PERSON OR HIS OR HER
19 FAMILY MEMBER HAS A FINANCIAL INTEREST, OR A COMPETING FINANCIAL
20 INTEREST, IN THE CONTRACT OR OTHER FINANCIAL TRANSACTION.

21 (3) FOR THE PURPOSES OF THIS SECTION, IF A MEMBER OF THE BOARD
22 OF A SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT OR BOARD OF
23 DIRECTORS OF A PUBLIC SCHOOL ACADEMY, OR A PERSON SERVING AS THE
24 LEGAL COUNSEL TO THE BOARD OR BOARD OF DIRECTORS, HAS A CHILD WHO
25 IS A PUPIL OF THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR
26 PUBLIC SCHOOL ACADEMY, THAT RELATIONSHIP ALONE DOES NOT CONSTITUTE
27 A CONFLICT OF INTEREST OR FINANCIAL INTEREST IN A CONTRACT OR OTHER

1 FINANCIAL TRANSACTION OF THE SCHOOL DISTRICT, INTERMEDIATE SCHOOL
2 DISTRICT, OR PUBLIC SCHOOL ACADEMY.

3 (4) FOR THE PURPOSES OF THIS SECTION, AN INDIVIDUAL IS NOT
4 CONSIDERED TO HAVE A FINANCIAL INTEREST IN ANY OF THE FOLLOWING
5 INSTANCES:

6 (A) A CONTRACT OR OTHER FINANCIAL TRANSACTION BETWEEN THE
7 SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL
8 ACADEMY AND ANY OF THE FOLLOWING:

9 (i) A CORPORATION IN WHICH THE INDIVIDUAL IS A STOCKHOLDER
10 OWNING 1% OR LESS OF THE TOTAL STOCK OUTSTANDING IN ANY CLASS IF
11 THE STOCK IS NOT LISTED ON A STOCK EXCHANGE OR OWNING STOCK THAT
12 HAS A PRESENT MARKET VALUE OF \$25,000.00 OR LESS IF THE STOCK IS
13 LISTED ON A STOCK EXCHANGE.

14 (ii) A CORPORATION IN WHICH A TRUST, IF THE INDIVIDUAL IS A
15 BENEFICIARY UNDER THE TRUST, OWNS 1% OR LESS OF THE TOTAL STOCK
16 OUTSTANDING IN ANY CLASS IF THE STOCK IS NOT LISTED ON A STOCK
17 EXCHANGE OR OWNS STOCK THAT HAS A PRESENT MARKET VALUE OF
18 \$25,000.00 OR LESS IF THE STOCK IS LISTED ON A STOCK EXCHANGE.

19 (iii) A PROFESSIONAL LIMITED LIABILITY COMPANY ORGANIZED
20 PURSUANT TO THE MICHIGAN LIMITED LIABILITY COMPANY ACT, 1993 PA 23,
21 MCL 450.4101 TO 450.5200, IF THE INDIVIDUAL IS AN EMPLOYEE BUT NOT
22 A MEMBER OF THE COMPANY.

23 (B) A CONTRACT OR OTHER FINANCIAL TRANSACTION BETWEEN THE
24 SCHOOL DISTRICT, INTERMEDIATE SCHOOL DISTRICT, OR PUBLIC SCHOOL
25 ACADEMY AND ANY OF THE FOLLOWING:

26 (i) A CORPORATION IN WHICH THE INDIVIDUAL IS NOT A DIRECTOR,
27 OFFICER, OR EMPLOYEE.

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1 (ii) A FIRM, PARTNERSHIP, OR OTHER UNINCORPORATED ASSOCIATION,
2 IN WHICH THE INDIVIDUAL IS NOT A PARTNER, MEMBER, OR EMPLOYEE.

3 (iii) A CORPORATION OR FIRM THAT HAS AN INDEBTEDNESS OWED TO THE
4 INDIVIDUAL.

5 (C) A CONTRACT BETWEEN AN INTERMEDIATE SCHOOL DISTRICT AND A
6 CONSTITUENT DISTRICT.

7 (D) A CONTRACT AWARDED TO THE LOWEST QUALIFIED BIDDER, UPON
8 RECEIPT OF SEALED BIDS PURSUANT TO A PUBLISHED NOTICE FOR BIDS IF
9 THE NOTICE DOES NOT BAR, EXCEPT AS AUTHORIZED BY LAW, ANY QUALIFIED
10 PERSON, FIRM, CORPORATION, OR TRUST FROM BIDDING. THIS SUBDIVISION
11 DOES NOT APPLY TO AMENDMENTS OR RENEGOTIATIONS OF A CONTRACT OR TO
12 ADDITIONAL PAYMENTS UNDER THE CONTRACT THAT WERE NOT AUTHORIZED BY
13 THE CONTRACT AT THE TIME OF AWARD.

14 [(5) IF A MAJORITY OF THE MEMBERS OF THE BOARD OF A SCHOOL DISTRICT
OR INTERMEDIATE SCHOOL DISTRICT OR OF THE BOARD OF DIRECTORS OF A PUBLIC
SCHOOL ACADEMY ARE REQUIRED TO ABSTAIN FROM VOTING ON A CONTRACT OR OTHER
FINANCIAL TRANSACTION DUE TO THE OPERATION OF THIS SECTION, THEN,
NOTWITHSTANDING ANY OTHER PROVISION OF LAW OR ANY BYLAW, FOR THE PURPOSES
OF THAT CONTRACT OR OTHER FINANCIAL TRANSACTION, THE MEMBERS WHO ARE NOT
REQUIRED TO ABSTAIN CONSTITUTE A QUORUM OF THE BOARD OR BOARD OF
DIRECTORS AND A MAJORITY OF THOSE MEMBERS ELIGIBLE TO VOTE IS REQUIRED
FOR APPROVAL OF THE QUESTION.]

15 [(6)] THE PROVISIONS OF THIS SECTION ARE IN ADDITION TO OTHER
16 PROVISIONS OF LAW CONCERNING CONFLICTS OF INTEREST THAT APPLY TO
17 SCHOOL DISTRICTS, INTERMEDIATE SCHOOL DISTRICTS, AND PUBLIC SCHOOL
ACADEMIES.

18 [(7)] AS USED IN THIS SECTION, "FAMILY MEMBER" MEANS A PERSON'S
19 SPOUSE OR SPOUSE'S SIBLING OR CHILD; A PERSON'S SIBLING OR
20 SIBLING'S SPOUSE OR CHILD; A PERSON'S CHILD OR CHILD'S SPOUSE; OR A
21 PERSON'S PARENT OR PARENT'S SPOUSE, AND INCLUDES THESE
22 RELATIONSHIPS AS CREATED BY ADOPTION OR MARRIAGE.