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House Bill 6014 (Substitute H-5 as reported without amendment)
House Bill 6016 (Substitute H-2 as reported without amendment)
Sponsor: Representative Kevin Elsenheimer (H.B. 6014)
Representative Brian Palmer (H.B. 6016)
House Committee: Higher Education and Career Preparation
Senate Committee: Education

Date Completed: 8-4-06

RATIONALE

The Office of Postsecondary Services within the Department of Labor and Economic Development (DLEG) is responsible for licensing or approving all postsecondary educational institutions in the State. Several statutes govern the operations of these institutions, which must undergo reviews by committees of scholars and meet certain requirements to gain approval to operate. Michigan law sets specific criteria for different types of postsecondary institutions, including educational corporations, nonincorporated private educational institutions, and proprietary schools. For instance, only a licensed educational corporation is permitted to use the term "college" in its name, and only certain types of institutions may award degrees under the law. Proprietary schools may issue certificates of completion only. (For more details on the approval of postsecondary institutions, please see **BACKGROUND.**)

Recently, the Office of Postsecondary Services became aware that Grace Baptist College is operating in Gaylord, Michigan, although the school has not received State approval and does not meet statutory requirements. The college was established by Grace Baptist Church, and offers bachelor's degrees in fields such as pastoral theology, evangelism, ministry of music, religious broadcasting, and elementary and secondary education, according to its website. The college also awards associate degrees in general studies and in church secretarial sciences. The stated aim of the

college is to prepare students to enter the ministry, to perform missionary work, or to serve churches in other capacities. As a religious school, some have questioned whether the college should be subject to regulation by the State, and it has been suggested that State law be amended to limit DLEG's oversight of this particular school.

CONTENT

House Bill 6014 (H-5) would amend Public Act 327 of 1931 (which governs various types of corporations) to do the following:

- **Permit an ecclesiastical corporation to establish and operate a religious college under certain conditions.**
- **Provide that the corporation would not have to obtain approval or a license from DLEG, and the college would not be subject to DLEG's supervision, but require the corporation to print a disclaimer on all of its publications.**
- **Require the ecclesiastical corporation to submit to DLEG a periodic affidavit verifying that the college was complying with the bill.**
- **Specify and place limitations on degrees that could be issued by the religious college.**

House Bill 6016 (H-2) would amend Act 142 of 1964 (which deals with unincorporated private institutions that

purport to offer postsecondary degrees or certificates) to specify that the Act would not apply to a religious college described in Section 177a of Public Act 327 of 1931 (which House Bill 6014 (H-5) would amend).

The bills are tie-barred to each other. House Bill 6014 (H-5) is described in detail below.

Authority to Operate a Religious College

The Act permits three or more people to incorporate an ecclesiastical corporation for the purpose of establishing any church organization to teach and spread their religious beliefs. Under the bill, an ecclesiastical corporation could organize and operate a postsecondary religious college, as described below. An ecclesiastical corporation operating a religious college that was in compliance with the bill would be authorized to conduct business as a religious college in Michigan.

Eligibility Requirements

To be eligible to organize and operate a postsecondary religious college under the bill, an ecclesiastical corporation would have to have been incorporated in 1986, and at that time, located in a county with a population of more than 22,500 and fewer than 25,000 residents.

Also, the religious college would have to be organized and operated by an ecclesiastical corporation as an unincorporated program of the corporation and begin operating before January 1, 2007. The ecclesiastical corporation would have to retain control of the college for denominational purposes.

The college would have to have an academic advisory board to assist it in the development of its educational programs. The board would have to consist of at least four individuals who were appointed by the ecclesiastical corporation, and who represented similar religious colleges.

The educational programs of the religious college would have to be solely designed for, directed toward, and attended by students seeking to learn the ecclesiastical corporation's particular religious faith or beliefs. The sole purpose of the educational programs would have to be to prepare

students for ordination or appointment as a member of the clergy. The religious college also could offer programs to prepare students to enter other vocations directly related to the particular faith of the ecclesiastical corporation. The religious college could not offer general or liberal arts educational programs or any other programs.

Permitted Degrees

Under the bill, if a student successfully completed the following courses of study, the religious college could award the corresponding degrees:

- For completion of a course of study requiring at least 60 semester hours or equivalent of study, the college could award an associate degree in biblical studies, religious studies, theology, or church secretarial sciences, or another substantially similar associate degree.
- For completion of a course of study requiring at least 120 semester hours or equivalent of study, the college could award a bachelor's degree in biblical studies, religious studies, or theology, or another substantially similar bachelor's degree.
- For completion of a course of study requiring a bachelor's degree and at least 30 additional semester hours or equivalent of study, the college could award a master of theology, biblical studies, or religious studies, or another substantially similar master's degree.
- For completion of a course of study requiring a bachelor's degree and at least 90 additional semester hours or equivalent of study, including dissertation or research study, the college could award a doctor of theology, biblical studies, or religious studies, or another substantially similar doctoral degree.

No permitted degree could include the word "arts" or "science".

The bill would require the college to state clearly and prominently the name of the degree, as well as the religious limitation on the degree, on a student's diploma, certificate of graduation, transcript, or any other document prepared or provided by the college to establish or verify that the student had attended the college or completed a course of study. A religious limitation would

have to precede immediately or be a part of the degree title wherever it appeared in the document. The document also would have to state clearly and prominently that the college was not licensed, approved, or otherwise endorsed by the State of Michigan and that the State did not guarantee that any of the degrees or credits granted by the religious college would be recognized by any organization for any purpose.

Additionally, when describing any of the degrees offered by the religious college in any document provided to DLEG or in any application materials, course catalogs, brochures, websites, or other publications, the college would have to include the religious limitation on that degree required under the bill wherever the degree title appeared in the document or publication.

Under the Act, the recipient of a diploma, certificate of graduation, or other evidence of attendance at an educational institution is entitled to all the privileges and immunities allowed to holders of similar diplomas or certificates granted by similar institutions in this country. The bill would extend those provisions to a diploma, certificate of graduation, or other evidence of attendance issued by an educational corporation or a religious college described in the bill.

Affidavit to DLEG

Under the bill, an ecclesiastical corporation would not have to obtain a license or approval from DLEG to operate a religious college, and the operation of the college and its educational programs would not be subject to supervision by that Department. If it did not obtain approval or a license from DLEG, however, the ecclesiastical corporation would have to print a disclaimer clearly and prominently on all of its application materials, course catalogs, brochures, websites, and other publications. The disclaimer would have to state that the college was an unincorporated division of the ecclesiastical corporation; the educational programs offered by the college were solely designed for, directed toward, and attended by students seeking to learn the particular religious faith or beliefs of the ecclesiastical corporation; and the college was not licensed, approved, or otherwise endorsed by the State and the State did not guarantee that any of the degrees or credits

granted by the college would be recognized by any organization for any purpose.

Every four years, the ecclesiastical corporation would have to submit to DLEG a sworn affidavit certifying that the college was complying with the bill's requirements, along with the following:

- The religious college's name.
- A statement that the college offered only educational programs to prepare students for religious vocations as ministers, professionals, or laypersons in the categories of ministry and theology.
- A statement that each degree awarded by the religious college complied with the bill's requirements for particular statements on a diploma, transcript, etc.
- A statement that each document provided or made available by the college complied with the requirement for inclusion of the religious limitations on a degree.
- A statement that the religious college did not accept State or Federal assistance for its educational programs and did not accept students who were receiving State or Federal financial aid under any higher education loan, grant, or scholarship program.

Use of the Term "College"

Under Public Act 327, educational corporations are classified as follows: Class W includes those having a capital of at least \$500,000; Class X includes those having between \$100,000 and \$500,000 in capital; and Class Y includes those having a capital of \$1.0 million or more. In addition, Class Z includes those educational corporations instituted and maintained by any ecclesiastical or religious order, society, or corporation retaining control of the institution for religious purposes.

Only educational corporations that comply with the requirements for Class W or Class Y, or any Class Z corporations that also satisfy the requirement for Class Y corporations are permitted to use the word "college" or "university" in the name of any group, organization, or association formed in the State. Class X educational corporations may use the term "junior college". The bill

would retain these provisions, subject to the following provisions.

Under the bill, an ecclesiastical corporation could use the word "college" in the religious college's name. Immediately following the name, however, the corporation would have to indicate clearly and prominently on any signs, publications, or other printed materials that the college was an unincorporated division of the ecclesiastical corporation. If the corporation used the word "college" in the religious college's name, it would have to file a certificate of assumed name for the religious college with DLEG.

MCL 450.171 et al. (H.B. 6014)
390.771 et al. (H.B. 6016)

BACKGROUND

Under Public Act 327 of 1931 (sometimes called the Michigan General Corporation Act), three or more people may form an educational corporation for the purpose of conducting a school, academy, seminary, college, or other institution of learning where preparatory subjects or the arts, sciences, professions, special occupations, and higher education may be taught. Every educational corporation must be reviewed and determined to have adequate housing space and administrative facilities; laboratory, library, and teaching facilities; appropriate educational programs for the degrees, certificates, or diplomas being offered; and qualified instructional staff to teach the offered courses. The corporation also must meet certain financial requirements. A committee of scholars from similar institutions is appointed to review the adequacy of the school in these areas before it can be approved to operate, and once every three years to verify that the condition, management, instruction and practices of the corporation meet the requirements under State law.

Nonincorporated educational institutions that purport to award degrees, certificates, or diplomas are subject to approval under Public Act 142 of 1964, and must meet the same criteria for facilities, qualified faculty, and curriculum. That Act does not authorize an institution to use the word "college" in its name.

In addition, a school may become licensed as a proprietary school under Public Act 148 of 1943, which governs schools that teach a trade, occupation, or vocation, usually to individuals beyond the high school level. The Act requires inspections, license renewal, and reporting. The Act does not permit the institution's name to not contain the word "college". Proprietary schools may issue certificates of completion, but not degrees.

Although the statutes described above assigned oversight of postsecondary institutions to the State Board of Education and the Department of Education, in the 1990s those duties were transferred by executive order to the Department of Career Development (DCD), which was brought under DLEG in 2003. Under those executive orders, DLEG currently is responsible for oversight of colleges, universities, proprietary schools, and other educational institutions in the State.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Grace Baptist College clearly states on its website and on application materials that it is a Bible college, that it is not accredited by the State of Michigan, and that the purpose of the college is to train students to serve in ministries, in churches, and as part of missionary efforts. Although the college offers a variety of courses, all of the subject matter is geared toward preparing students for religious service. Students attend Grace Baptist College for a particular purpose, and are fully aware of the limited mission and scope of the school. There have been no reported allegations that the college is awarding degrees under false pretenses or is acting as a diploma mill. The college simply wishes to instruct pupils according to a particular set of religious beliefs without State governance.

Grace Baptist College is unlike many other colleges and universities that operate in Michigan. As a religious school that receives no State or Federal funding, the Bible college should not be accountable to DLEG, and the State should not have access to its financial or other private information. The

school is fundamentally different from religious liberal arts colleges, which are accredited and have a broader scope. Such schools have a strong academic component in addition to the religious instruction. Graduates from schools such as Calvin College or Aquinas College are trained in a number of disciplines apart from religious studies and go on to work in many disparate fields. Graduates of the Grace Baptist College are trained to work in the missionary field, in churches, or in related areas. The college also is unlike rabbinical institutes or Jesuit schools, which focus on rigorous academic studies as well as religious teachings. Grace Baptist College is focused primarily on instructing students in the teachings of that church. The bills would recognize the school's unique status and exempt it from the requirements imposed on other colleges and universities.

The Department still would have some oversight, however. Grace Baptist Church would be required to submit an affidavit to the Department every four years to verify that the Bible college was complying with the terms of the bills, allowing DLEG to meet its obligations to monitor postsecondary institutions in the State and to protect consumers without interfering with the religious conduct of this institution.

Opposing Argument

Grace Baptist College's practice of awarding bachelor's and associate degrees could be confusing to potential employers or other individuals who were unaware of the school's limited focus on religious instruction, and who very easily could mistake the diploma for one from an accredited college or university. The bills would allow that practice to continue, permitting the college to issue associate, bachelor's, masters, and doctoral degrees, although the Bible college does not purport to offer the broad liberal arts education required at a traditional university. The college should not be allowed to issue these degrees to graduates without undergoing inspections and approval by DLEG, as is required of every other college and university in the State. Governmental oversight of this school would ensure that students were getting the education they were paying for and that potential employers could be confident in the credentials issued by the Bible college.

Furthermore, the college offers courses of study that appear to be very broad in nature, including secretarial sciences, media studies, basic computer science classes, and others that blur the line between religious instruction and traditional education. Specific courses offered by the Bible college include "History of Western Civilization", "United States History", "American Literature", and others that appear to be similar to courses offered by accredited schools. It is unclear why there should be two different standards for schools teaching similar content. The school should be subject to the same oversight as other similar colleges receive.

In addition, although House Bill 6014 (H-5) specifies that degrees issued by the school could not contain the words "arts" or "science", one of the permitted degrees would be an "associate of secretarial science", which would seem to conflict with that provision.

Opposing Argument

The school is using the term "college" improperly. Under Public Act 327 of 1931, only an educational corporation may call itself a college. That term has significant connotations that should not be appropriated by a school unless it undergoes scrutiny by and receives approval of DLEG. Students and parents have certain expectations that a college will adhere to a high standard of excellence and will offer a quality education. The bills would allow the school to continue to call itself a college, even though it would not have to undergo the rigorous review process required of all other colleges in the State. This exemption would be unfair to the other schools that have complied with the statutory requirements.

Grace Baptist College has argued that it should be exempt from oversight because it is a religious school. According to the Office of Postsecondary Services, however, many other religious schools in the State have been approved as proprietary schools, after undergoing review by a selected committee of peers. Such reviews are conducted by individuals from similar educational institutions, who are able to determine whether the proposed school meets the standards of adequacy. The purpose of the review process is not to judge the religious content of the curriculum or to interfere with

religious instruction, but to verify that the college has adequate facilities; that members of the faculty are qualified to teach in their subject areas; and that the degrees offered are consistent with the coursework being required. The approval process protects the institution from complaints or legal action from students, and increases public trust in the school.

The bills, however, would allow Grace Baptist College to continue to operate without oversight and continue to issue degrees that do not provide adequate distinctions between the credentials awarded by the college and those awarded by accredited colleges and institutions. The mere omission of the words "science" or "arts" from the degree title would not properly identify the limited scope of the credentials. To avoid confusion or potential misrepresentation, the Bible college could refrain from awarding degrees altogether, and instead seek to be licensed under the statute governing proprietary schools. Under that Act, the college could not award degrees, but could issue certificates of completion. Since the aim of the college is missionary and religious service, the particular titles or degrees seem to be unnecessary. Such a solution would allow the school to operate under current law without creating a special exemption for this particular school, and would clarify the status of the school.

Michigan law offers several clear options for schools to gain approval to operate within the State. Other institutions, including religious schools similar to the one in question, have gained certification and are operating according to the law. It would be unfair to those institutions and unfair to potential students of Grace Baptist College, to exempt the college from the basic legal requirements that all other postsecondary schools in the State follow.

Response: According to testimony before the Senate Education Committee, no other state has suggested that it is inappropriate for bible colleges to issue degrees. The diplomas issued by the college would have to state the religious limitation on the degree, including the student's field of study, such as religious studies or theology. Those provisions should eliminate any potential confusion regarding the nature of the degree.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

House Bill 6014 (H-5)

The bill would have no fiscal impact on State or local government.

House Bill 6016 (H-2)

The bill would not change the operating costs of the Department of Labor and Economic Growth (DLEG). The approval functions under this act were transferred from the Department of Education to the Department of Career Development by Executive Order 1999-12, and then into DLEG with the creation of that Department by Executive Order 2003-18.

The bill would have no fiscal impact on local government.

Fiscal Analyst: Elizabeth Pratt
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.