

HOUSE BILL No. 6375

August 30, 2006, Introduced by Reps. Emmons, Farhat, Nitz, Mortimer and Moore and referred to the Committee on Higher Education and Career Preparation.

A bill to amend 1931 PA 327, entitled

"An act to provide for the organization, regulation and classification of corporations; to provide their rights, powers and immunities; to prescribe the conditions on which corporations may exercise their powers; to provide for the inclusion of certain existing corporations within the provisions of this act; to prescribe the terms and conditions upon which foreign corporations may be admitted to do business within this state; to require certain annual reports to be filed by corporations; to prescribe penalties for the violations of the provisions of this act; and to repeal certain acts and parts of acts relating to corporations,"

by amending sections 171, 172, 173, and 177 (MCL 450.171, 450.172, 450.173, and 450.177).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 171. **(1)** For the purposes of this act, educational
2 corporations ~~shall be~~ **ARE** classified as ~~follows~~ **1 OF THE**

1 FOLLOWING:

2 (A) ~~-(w) These~~ CLASS (W): THOSE having a capital of not less
3 than \$500,000.00. ~~—~~

4 (B) ~~-(x) These~~ CLASS (X): THOSE having a capital of not less
5 than \$100,000.00 ~~—~~ and less than \$500,000.00. ~~—~~ CLASS (X) ALSO
6 INCLUDES AN INSTITUTION KNOWN AS A KINDERGARTEN INSTITUTION FORMED
7 UNDER FORMER 1913 PA 359.

8 (C) ~~-(y) These~~ CLASS (Y): THOSE having a capital of
9 \$1,000,000.00 or more. ~~—~~

10 (D) ~~-(z) These~~ CLASS (Z): THOSE instituted and maintained by
11 ~~any~~ AN ecclesiastical or religious order, society, corporation, or
12 corporations ~~—, retaining~~ THAT RETAIN control of ~~such~~ THE
13 institution for denominational purposes. CLASS (Z) EDUCATIONAL
14 CORPORATIONS INCLUDE, BUT ARE NOT LIMITED TO, ALL OF THE FOLLOWING:

15 (i) A SCHOOL, ACADEMY, OR COLLEGE FOUNDED UNDER FORMER 1899 PA
16 135 AND KNOWN UNDER THAT ACT AS AN "URSULINE ACADEMY".

17 (ii) A SCHOOL, ACADEMY, OR COLLEGE FOUNDED UNDER FORMER 1915 PA
18 121 AND KNOWN UNDER THAT ACT AS AN "ECCLESIASTICAL SEMINARY".

19 (iii) A SCHOOL, ACADEMY, OR COLLEGE FOUNDED UNDER FORMER 1901 PA
20 28 AND KNOWN UNDER THAT ACT AS AN "EVANGELICAL LUTHERAN DEAF MUTE
21 INSTITUTION".

22 (iv) A SCHOOL, ACADEMY, OR COLLEGE FOUNDED UNDER FORMER 1867 PA
23 135 AND KNOWN UNDER THAT ACT AS AN "INDUSTRIAL AND CHARITABLE
24 SCHOOL".

25 (v) A SCHOOL, ACADEMY, OR COLLEGE ORGANIZED UNDER PARAGRAPH
26 (C), SUBDIVISION 1, CHAPTER 2, PART 4, OF FORMER 1921 PA 84.

27 (vi) A SCHOOL, COLLEGE, INSTITUTION, OR EDUCATIONAL PROGRAM OF

1 LIKE CHARACTER AND PURPOSE TO AN EDUCATIONAL CORPORATION, SCHOOL,
 2 ACADEMY, OR COLLEGE DESCRIBED IN THIS SUBDIVISION AND FORMED UNDER
 3 ANY LAW OF THIS STATE FOR EDUCATIONAL PURPOSES.

4 (2) Every educational corporation, before being authorized to
 5 file its articles **OF INCORPORATION**, ~~shall be~~ **IS** required to
 6 present a **WRITTEN** statement to the ~~Michigan corporation and~~
 7 ~~securities commission in writing~~ **DEPARTMENT OF LABOR AND ECONOMIC**
 8 **GROWTH**, from the state board of education that ~~(1) the~~ **APPROVES**
 9 **ALL OF THE FOLLOWING:**

10 (A) **THE** housing space and administration facilities ~~which~~
 11 **THAT** it possesses or proposes to provide for its declared field or
 12 fields of education are adequate. ~~—, (2) its~~

13 (B) **ITS** proposed educational program leading to the diplomas
 14 or degrees ~~which~~ **THAT** it proposes to offer is adequate. ~~—, (3)~~
 15 ~~its~~

16 (C) **THE** laboratory, library, and other teaching facilities
 17 ~~which~~ **THAT** it possesses or proposes to provide are adequate. ~~—~~
 18 ~~(4) it~~

19 (D) **IT** has or proposes to employ an adequate staff, fully
 20 trained, for the instruction proposed. ~~—, and (5) at~~

21 (E) **AT** least 50% of its capital, whether **CONSISTING** of stock
 22 or in gifts, devises, legacies, bequests or other contributions of
 23 money or property, has been paid in or ~~reduced to~~ **IS IN ITS**
 24 possession.

25 (3) In determining whether any educational corporation
 26 satisfies **THE** conditions specified in ~~classes (w), (x), (y) and~~
 27 ~~(z) of this section~~ **SUBSECTION (1)**, the state board of education

1 may treat as a credit to the capital of ~~such~~ **THE** corporation the
 2 guaranteed annual income of that corporation to the extent that it
 3 ~~deems such~~ **CONSIDERS THAT** guaranteed income the equivalent of all
 4 or any part of the required endowment.

5 **(4)** The use of the word "college" or "university" in the name
 6 of any group, organization, or association ~~hereafter~~ formed in
 7 this state **AFTER SEPTEMBER 18, 1931** is limited to those educational
 8 corporations complying with the requirements for class (w) or class
 9 (y) educational corporations or to ~~such~~ **ANY** educational
 10 corporations of class (z) ~~as shall~~ **THAT** satisfy the requirements
 11 ~~set up~~ **ESTABLISHED** for class (y) corporations. ~~Provided,~~
 12 ~~however, That the~~ **THE** words "junior college" may be used by
 13 educational corporations of class (x). ~~Whenever~~ **IF** this provision
 14 is violated, it ~~shall be~~ **IS** the duty of the prosecuting attorney,
 15 in the county where the ~~organization~~ **EDUCATIONAL CORPORATION** is
 16 located, to bring proceedings to enjoin the further use of ~~such~~ **A**
 17 name in violation of this ~~act~~ **SUBSECTION**.

18 **(5)** ~~No~~ **AN** educational corporation ~~shall be~~ **IS NOT**
 19 permitted to expand its program beyond that specified in its
 20 articles of incorporation until it ~~has presented to the Michigan~~
 21 ~~corporation and securities commission a statement in writing~~
 22 **PRESENTS A WRITTEN STATEMENT TO THE DEPARTMENT OF LABOR AND**
 23 **ECONOMIC GROWTH** from the state board of education approving the
 24 facilities, equipment, and staff or the proposed facilities,
 25 equipment, and staff as adequate for the offering of the additional
 26 educational program.

27 Sec. 172. **(1)** ~~(a) Educational corporations of class (w) as~~

1 ~~defined in section 171 of this act shall have authority to~~ **AN**
 2 **EDUCATIONAL CORPORATION CLASSIFIED AS CLASS (W) UNDER SECTION**
 3 **171(1) MAY** establish and conduct ~~general colleges~~ **A GENERAL**
 4 **COLLEGE** for furnishing higher learning and to confer ~~such~~ **ANY**
 5 degrees and honors ~~as shall be~~ approved by the state board of
 6 education prior to the filing of articles of incorporation. ~~;~~ and
 7 **FOR PURPOSES OF THIS SECTION**, the term "college" ~~as herein used~~
 8 ~~shall be construed to include~~ **INCLUDES A PREPARATORY SCHOOL OR** any
 9 college, university, or other institution where the arts, sciences,
 10 professions, and higher learning are taught and degrees and honors
 11 ~~therein~~ **IN THOSE AREAS ARE** conferred. ~~Such colleges may also~~
 12 ~~include preparatory schools as commonly understood;~~

13 (2) ~~(b) Educational corporations of class (x), as defined in~~
 14 ~~section 171, shall have authority to~~ **AN EDUCATIONAL CORPORATION**
 15 **CLASSIFIED AS CLASS (X) UNDER SECTION 171(1) MAY** establish and
 16 conduct **A** junior ~~colleges, seminaries, academies~~ **COLLEGE,**
 17 **SEMINARY, ACADEMY,** or preparatory ~~schools~~ **SCHOOL**, as determined
 18 and approved by the state board of education, but not **A** general
 19 ~~colleges or universities as defined~~ **COLLEGE OR UNIVERSITY**
 20 **DESCRIBED** in subsection ~~(a) hereof;~~ **(1).**

21 (3) ~~(c) Educational corporations of class (z) as defined in~~
 22 ~~said section 171 shall embrace such schools, academies, or colleges~~
 23 ~~as have been heretofore founded under Act 135, Public Acts 1899,~~
 24 ~~known thereunder as "Ursuline academies"; those founded under Act~~
 25 ~~121, Public Acts 1915, and known thereunder as "ecclesiastical~~
 26 ~~seminaries"; those founded under Act 28, Public Acts 1901, and~~
 27 ~~known thereunder as "Evangelical Lutheran deaf mute institutions";~~

~~1 those founded under Act 135, Public Acts 1867, known as "industrial~~
~~2 and charitable schools"; those organized under paragraph (c),~~
~~3 subdivision 1, chapter 2, part 4, of Act 84, Public Acts 1921, and~~
~~4 such other schools, colleges and institutions of like character and~~
~~5 purpose as may be formed under any law of this state for~~
~~6 educational purposes shall have~~ **AN EDUCATIONAL CORPORATION**
~~7 CLASSIFIED AS CLASS (W), (X), (Y), OR (Z) UNDER SECTION 171(1) AND~~
~~8 FORMED UNDER ANOTHER ACT OR FORMER ACT OF THIS STATE HAS~~ all the
~~9 rights, powers, privileges, and immunities enjoyed under its act of~~
~~10 incorporation and without regard to the classification made in this~~
~~11 act, and upon complying with the provisions hereof shall have~~
~~12 such~~ **OF THIS ACT HAS ANY** additional rights, powers, privileges,
~~13 and immunities as are conferred hereunder~~ **UNDER THIS ACT**
~~14 according to the classifications prescribed in this act: Provided~~
~~15 further, That any corporation heretofore formed under Act 359,~~
~~16 Public Acts 1913, and known thereunder as "kindergarten~~
~~17 institutions" shall hereafter be classified under class (x) of~~
~~18 sections 171 and 172 of this act: Provided further, That any~~
~~19 corporation of class (z) hereafter organized under this act may~~
~~20 enjoy~~ **ITS CLASSIFICATION UNDER SECTION 171(1).**

~~21 (4) AN EDUCATIONAL CORPORATION CLASSIFIED AS CLASS (Z) UNDER~~
~~22 SECTION 171(1) AND ORGANIZED UNDER THIS ACT HAS~~ the privileges
~~23 provided under classes (w), (x) and (y) of section 171, on~~
~~24 condition that it satisfies the requirements set up for~~
~~25 corporations of these respective classes~~ **TO AN EDUCATIONAL**
~~26 INSTITUTION CLASSIFIED AS CLASS (W), (X), OR (Y).~~

~~27 (5) (d) Educational corporations of class (y) as defined in~~

~~section 171 shall have authority to~~ **AN EDUCATIONAL INSTITUTION**
CLASSIFIED AS CLASS (Y) UNDER SECTION 171(1) MAY establish and
conduct ~~colleges or universities~~ **A COLLEGE OR UNIVERSITY** of a
graduate rank with programs of studies of 5 years or more.

Sec. 173. ~~Same; articles of incorporation.~~ The articles **OF**
INCORPORATION of every educational corporation shall clearly set
forth the educational system of the institution to be founded and
the character of the degrees, honors, diplomas, or certificates
which it proposes to grant. ~~, and same~~ **ARTICLES OF INCORPORATION**
OF AN EDUCATIONAL CORPORATION shall be approved by the state board
of education prior to the filing of the articles of incorporation.
~~If~~ **THE ARTICLES OF INCORPORATION OF** a college or university ~~, the~~
~~articles~~ shall state the number and name of the faculties to be
established. ~~; and if~~ **THE ARTICLES OF INCORPORATION OF** a
denominational religious school or college ~~, SHALL STATE~~ the name
of ~~such~~ **THE** denomination and the body supporting or controlling
the ~~same~~ **DENOMINATION**. ~~Such articles~~ **ARTICLES OF INCORPORATION**
shall be filed as provided in ~~section 5 of this act~~ **THE NONPROFIT**
CORPORATION ACT, 1982 PA 162, MCL 450.2101 TO 450.3192. ~~Any such~~
~~corporation may, by~~ **BY** increasing its capital to a higher class
and amending its articles, **AN EDUCATIONAL CORPORATION MAY** assume
the powers and privileges of ~~such~~ **THE** higher classification ~~as~~
~~it may thereby be~~ **IT IS** entitled to. ~~as defined in this act.~~

Sec. 177. **(1)** ~~Same; inspection by state board of education;~~
~~annual report.~~ Every ~~such~~ educational corporation shall be
visited and inspected by the ~~state board of education~~
SUPERINTENDENT OF PUBLIC INSTRUCTION, in person or through visitors

1 or inspectors appointed by ~~them~~ **THE SUPERINTENDENT OF PUBLIC**
 2 **INSTRUCTION**, at least once every 3 years. ~~Said state board of~~
 3 ~~education~~ **THE SUPERINTENDENT OF PUBLIC INSTRUCTION** shall at the
 4 time of visitation ascertain and publish information upon all
 5 matters pertaining to the condition, management, instruction, and
 6 practices of ~~such corporations~~ **THE EDUCATIONAL CORPORATION**, and
 7 shall file a copy of ~~their~~ **THE** report with the ~~Michigan~~
 8 ~~corporation and securities commission~~ **DEPARTMENT OF LABOR AND**
 9 **ECONOMIC GROWTH.**

10 (2) Upon evidence that the property is at any time less than
 11 is required by law, or that ~~any such~~ **AN** educational corporation
 12 is not otherwise complying with the provisions of this act, ~~they~~
 13 **THE SUPERINTENDENT OF PUBLIC INSTRUCTION** shall serve notice on
 14 ~~such~~ **THE** corporation to remedy the defects within a reasonable
 15 time ~~to be~~ fixed in ~~such~~ **THE** notice. ~~, and in case~~ **IF** the
 16 deficiency is not corrected within the time fixed by ~~them~~, ~~they~~
 17 **THE SUPERINTENDENT OF PUBLIC INSTRUCTION, HE OR SHE** may institute
 18 proceedings at law for the dissolution of ~~such~~ **THE EDUCATIONAL**
 19 corporation. ~~Such trustees shall be~~

20 (3) **THE TRUSTEES OF AN EDUCATIONAL CORPORATION ARE** required,
 21 on or before the first day of December, annually, to **PROVIDE A**
 22 report to the ~~state board of education, a statement of~~
 23 **SUPERINTENDENT OF PUBLIC INSTRUCTION THAT INCLUDES** the name of each
 24 trustee, officer, **AND** teacher and the number of students of ~~such~~
 25 **THE** institution; ~~, with~~ a statement of its property; ~~, the~~
 26 amount of stock subscribed, donated, ~~and~~ **OR** bequeathed; ~~, and~~
 27 the amount actually paid in; ~~, and such~~ **AND ANY** other information

1 as will tend to exhibit its condition and operations.

2 Enacting section 1. This amendatory act is intended to
3 transfer back to the state board of education and the
4 superintendent of public instruction certain powers, duties, and
5 functions that were transferred to the former department of career
6 development by Executive Reorganization Order No. 1999-7, MCL
7 388.995.