

**STATE OF MICHIGAN  
93RD LEGISLATURE  
REGULAR SESSION OF 2006**

**Introduced by Reps. Palmer, Hoogendyk, Ball, Mortimer, Gosselin, Robertson, Hildenbrand, Wenke,  
Meyer, Proos, Pearce, Vander Veen, Hopgood and Pastor**

**ENROLLED HOUSE BILL No. 6004**

AN ACT to amend 1976 PA 451, entitled "An act to provide a system of public instruction and elementary and secondary schools; to revise, consolidate, and clarify the laws relating to elementary and secondary education; to provide for the organization, regulation, and maintenance of schools, school districts, public school academies, intermediate school districts, and other public school entities; to prescribe rights, powers, duties, and privileges of schools, school districts, public school academies, intermediate school districts, and other public school entities; to provide for the regulation of school teachers and certain other school employees; to provide for school elections and to prescribe powers and duties with respect thereto; to provide for the levy and collection of taxes; to provide for the borrowing of money and issuance of bonds and other evidences of indebtedness; to establish a fund and provide for expenditures from that fund; to provide for and prescribe the powers and duties of certain state departments, the state board of education, and certain other boards and officials; to provide for licensure of boarding schools; to prescribe penalties; and to repeal acts and parts of acts," by amending sections 504a, 524, 614, 620, 622a, 623a, 634, 686, 1267, and 1274 (MCL 380.504a, 380.524, 380.614, 380.620, 380.622a, 380.623a, 380.634, 380.686, 380.1267, and 380.1274), section 504a as amended and section 524 as added by 2003 PA 179, section 614 as amended and section 634 as added by 2004 PA 419, section 620 as added by 2004 PA 413, section 622a as added by 2004 PA 412, sections 623a and 1274 as amended by 2004 PA 588, and section 1267 as amended by 2004 PA 232.

*The People of the State of Michigan enact:*

Sec. 504a. In addition to other powers set forth in this part, a public school academy may take action to carry out the purposes for which it was incorporated under this part, including, but not limited to, all of the following:

(a) To sue and be sued in its name.

(b) Subject to section 503b, to acquire, hold, and own in its own name real and personal property, or interests in real or personal property, for educational purposes by purchase, gift, grant, devise, bequest, lease, sublease, installment purchase agreement, land contract, option, or condemnation, and subject to mortgages, security interests, or other liens; and to sell or convey the property as the interests of the public school academy require.

(c) To receive, disburse, and pledge funds for lawful purposes.

(d) To enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the public school academy.

(e) To incur temporary debt in accordance with section 1225.

(f) To solicit and accept any grants or gifts for educational purposes and to establish or permit to be established on its behalf 1 or more nonprofit corporations the purpose of which is to assist the public school academy in the furtherance of its public purposes.

(g) To borrow money and issue bonds in accordance with section 1351a and in accordance with part VI of the revised municipal finance act, 2001 PA 34, MCL 141.2601 to 141.2613, except that the borrowing of money and issuance of bonds by a public school academy is not subject to section 1351a(4) or section 1351(2) to (4). Bonds issued under this section shall be full faith and credit obligations of the public school academy, pledging the general funds or any other money available for such a purpose. Bonds issued under this section are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(h) With the approval of its authorizing body, to transfer its enrolled pupils to an urban high school academy organized under part 6c. The urban high school academy may give enrollment priority under section 524(4) to pupils who are transferred under this subdivision. A public school academy that transfers its pupils under this subdivision may also transfer its property, including, but not limited to, property described in section 18b of the state school aid act of 1979, MCL 388.1618b, to the urban high school academy that receives the transferred pupils.

Sec. 524. (1) An urban high school academy may be located in all or part of an existing public school building. Except as otherwise provided in this subsection, an urban high school academy shall not operate at a site other than the single site requested for the configuration of grades that will use the site, as specified in the contract. However, an authorizing body may include a provision in the contract allowing an urban high school academy to operate the same configuration of grades at more than 1 site. If an urban high school academy operates the same configuration of grades at more than 1 site, each of those sites shall be considered to be operated under a separate contract, and the operation shall be equivalent to the issuance of a contract, for the purposes of the limitation in section 522(2) on the number of contracts that may be issued under this part. For the purposes of this subsection, if an urban high school academy operates classes at more than 1 location, the urban high school academy shall be considered to be operating at a single site if all of the locations are within a 1-mile radius of the urban high school academy's central administrative office and if the total number of pupils enrolled in any particular grade at all of the locations does not exceed 125.

(2) An urban high school academy shall not charge tuition. Except as otherwise provided in this section, an urban high school academy shall not discriminate in its pupil admissions policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, or any other basis that would be illegal if used by a school district. However, an urban high school academy may limit admission to pupils who are within a particular range of age or grade level or on any other basis that would be legal if used by a school district and may give enrollment priority as provided in subsection (4).

(3) Except for a foreign exchange student who is not a United States citizen, an urban high school academy shall not enroll a pupil who is not a resident of this state. Enrollment in an urban high school academy shall be open to all pupils who reside in this state who meet the admission policy. Subject to subsection (4), if there are more applications to enroll in the urban high school academy than there are spaces available, pupils shall be selected to attend using a random selection process. An urban high school academy shall allow any pupil who was enrolled in the urban high school academy in the immediately preceding school year to enroll in the urban high school academy in the appropriate grade unless the appropriate grade is not offered at that urban high school academy.

(4) An urban high school academy may give enrollment priority to 1 or more of the following:

(a) A sibling of a pupil enrolled in the urban high school academy.

(b) A child of a person who is employed by or at the urban high school academy or who is on the board of directors of the urban high school academy. As used in this subdivision, "child" includes an adopted child or a legal ward.

(c) Pupils who were enrolled in the immediately preceding school year in a public school academy organized under part 6a and operating within the boundaries of a school district of the first class and who are transferred to the urban high school academy pursuant to section 504a(h).

(5) Subject to the terms of the contract authorizing the urban high school academy, an urban high school academy shall include at least grades 9 through 12 within 5 years after beginning operations and may include other grades or any configuration of those grades, including kindergarten and early childhood education, as specified in its contract. If specified in its contract, an urban high school academy may also operate an adult basic education program, adult high school completion program, or general education development testing preparation program.

Sec. 614. (1) Except as provided in section 615 and subject to section 642 of the Michigan election law, MCL 168.642, the members of the intermediate school board shall be elected biennially at a meeting on the first Monday in June by an electoral body composed of 1 person designated by the board of each constituent school district.

(2) All of the following apply to the election under subsection (1):

(a) The board of a constituent district shall designate its representative to this electoral body by resolution adopted not earlier than May 1 before the date of this biennial election. The board shall consider the resolution at not less than

1 public meeting before adopting the resolution. This public meeting shall not be held on the same day as the meeting at which the resolution is adopted. The public meeting may be held as part of a regularly scheduled board meeting. The resolution shall be adopted by majority vote of the members serving on the board.

(b) In its resolution designating its representative, the board of a constituent district shall identify the candidate the board supports for each position to be filled on the intermediate school board and shall direct its representative to vote for that individual or individuals at least on the first ballot taken by the electoral body.

(c) If a majority of the constituent district boards name the same candidate for a particular position in the resolution described in subdivision (b), then that candidate shall be considered to be elected to that position as if he or she were elected under subsection (1) and the electoral body is not required to vote on that position at the meeting of the electoral body. If that position is the only position to be filled that year, the election meeting under subsection (1) is not required.

(d) The secretary of the intermediate school board shall send a notice by certified mail of the hour and place of the meeting of the electoral body described in subsection (1) to the secretary of the board of each constituent school district at least 10 days before the meeting. The president and secretary of the intermediate school board shall act as chairperson and secretary at the meeting. The chairperson and the secretary shall canvass the votes at the meeting. The meeting of the electoral body shall be an open meeting conducted in the manner prescribed under the open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

(e) If the election of a candidate at the election would result in the intermediate school board including more than 3 members who are also members of a constituent district board in violation of section 612, then all of the following apply:

(i) The intermediate school board member-elect whose election causes the violation shall resign either the seat on the intermediate school board or the seat on the constituent district board.

(ii) If the violation is caused by the election of more than 1 member-elect, then the member-elect with the lowest number of votes shall resign either the seat on the intermediate school board or the seat on the constituent district board. If there was a tie in the number of votes, then the member-elect who is required to resign 1 of the seats shall be determined by a coin toss.

(iii) If a member-elect resigns his or her seat on the intermediate school board as a result of subparagraph (i) or (ii), then at the meeting of the electoral body nominations shall be taken from the floor for election of a new member-elect who is not also a member of a constituent district board, and a new member-elect who is not also a member of a constituent district board shall be elected at the meeting. A candidate nominated at the meeting under this subparagraph is not required to have filed petitions under subsection (5) or to have paid a filing fee under subsection (7).

(3) Except as provided in section 703, the term of office of each member elected to the intermediate school board is 6 years and begins on July 1 following election. Not more than 2 members of the intermediate school board shall be from the same school district unless there are fewer districts than there are positions to be filled.

(4) A vacancy shall be filled by the remaining members of the intermediate school board until the next biennial election at which time the vacancy shall be filled for the balance of the unexpired term. Notice of the vacancy shall be filed with the state board within 5 days after the vacancy occurs. If the vacancy is not filled within 30 days after it occurs, the vacancy shall be filled by the state board. This subsection does not apply to a situation described in subsection (2)(e).

(5) Subject to subsections (2)(e) and (7), a candidate for election to the intermediate school board shall be nominated by petitions that are signed by a number of school electors of the combined constituent school districts of the intermediate school district, as follows:

(a) If the population of the intermediate school district is less than 10,000 according to the most recent federal census, a minimum of 6 and a maximum of 20.

(b) If the population of the intermediate school district is 10,000 or more according to the most recent federal census, a minimum of 40 and a maximum of 100.

(6) A school elector may sign as many petitions as there are vacancies to fill. Nominating petitions and an affidavit as provided in section 558 of the Michigan election law, 1954 PA 116, MCL 168.558, shall be filed with the school district filing official not later than March 31 before the date of the biennial election meeting under subsection (1). The school district filing official shall determine the sufficiency of the petitions and the eligibility of the candidates nominated. The school district filing official shall provide ballots for the biennial election, listing on the ballots the names of all candidates properly nominated. Except as otherwise provided in subsection (2)(e), the chairperson of the biennial election meeting may accept nominations for a vacancy from the floor only if no nominating petitions have been filed for the vacancy.

(7) Subject to subsection (2)(e), instead of filing nominating petitions, a candidate for election to the intermediate school board may pay a nonrefundable filing fee of \$100.00 to the school district filing official. If this fee is paid by the due date for nominating petitions, the payment has the same effect under this section as the filing of nominating petitions.

Sec. 620. (1) Not later than December 31 of each year, each intermediate school district shall post on its website a report containing all of the following information for the immediately preceding school fiscal year in the form and manner prescribed by the department:

(a) All of the following general information:

(i) The amount of the intermediate school district's total budget.

(ii) The number of full-time equated pupils served by the intermediate school district.

(iii) The number of employees employed by the intermediate school district.

(iv) The number of constituent districts, public school academies, and nonpublic schools served by the intermediate school district.

(b) Except as otherwise provided in subsection (2) and subject to subsection (9), for each intermediate school board member or school administrator of the intermediate school district who had travel expenses during the school fiscal year that totaled more than \$3,214.00 and that were paid for with intermediate school district funds, all of the following information concerning that travel:

(i) The total cost of air travel.

(ii) The total cost of overnight lodging.

(iii) The total cost of car rental.

(iv) The total cost of meals.

(v) The dates, purpose, and locations of travel.

(vi) The name and position of the board member or administrator.

(c) Except as otherwise provided in subsection (3) and subject to subsection (5), for each contract, other than an employment contract or a contract that is reported under subdivision (f), that was entered into by the intermediate school district during the school fiscal year and that either obligated the intermediate school district for an amount in excess of \$100,000.00; was not competitively bid and obligated the intermediate school district for an amount in excess of \$25,000.00; or was entered into with an entity in which an intermediate school board member or school administrator of the intermediate school district, or a family member of an intermediate school board member or school administrator of the intermediate school district, was known by the intermediate school board to have a monetary interest, a description of the contract that includes at least all of the following:

(i) The subject matter and cost of the contract.

(ii) Whether the contract was competitively bid or was a single source contract.

(iii) The name and position of each individual who signed the contract on behalf of the intermediate school district.

(d) Except as otherwise provided in subsection (3), if there was a modification made during the school fiscal year to an existing contract that resulted in an additional financial obligation owed by the intermediate school district in excess of \$100,000.00 or that resulted in the total financial obligation owed by the intermediate school district from the existing contract exceeding \$100,000.00, or was a modification to an existing contract that was not competitively bid and the modification resulted in an additional financial obligation owed by the intermediate school district in excess of \$25,000.00 or resulted in the total financial obligation owed by the intermediate school district from the existing contract exceeding \$25,000.00, a description of the modification and the total amount of the additional and total financial obligation.

(e) Subject to subsection (4), for each intermediate school district employee with a compensation package with a total annual monetary value in the top 3% among the intermediate school district's employees, all of the following:

(i) The dollar value of his or her salary.

(ii) The dollar value of all expense accounts provided for the employee and the dollar value of all reimbursed expenses.

(iii) The dollar value of any bonus, stipend, or any other form of supplemental compensation. As used in this subparagraph, "supplemental compensation" means any payment or benefit made available to that employee that is not generally made available to all teaching, administrative, and executive-level employees of the intermediate school district.

(f) Total costs incurred during the school fiscal year, and the source or sources of the money expended during the school fiscal year, for fiber optic or cable equipment and operating system software for fiber optic or cable equipment networks. The description of the source or sources of the money expended for purposes described in this subdivision shall specify the amount used from each of the separate funds maintained by the intermediate school district and used from each other source.

(g) Payments made during the school fiscal year to persons who were not employees of the intermediate school district for public relations, polling, lobbying, or legal services and a description of the services received by the intermediate school district in return. Payments for legal services may be reported as an annual aggregate amount. Other payments required to be reported under this subdivision shall be reported by specifying each individual payment.

(h) For each person not included under subdivision (e) or (g) to whom the intermediate school district was required to issue a federal income tax form 1099 that showed payments in excess of \$25,000.00 during the school fiscal year, the total amount paid to the individual, a description of the project or projects for which the person was contracted, and the services provided by the person.

(i) The amount and percentage of the intermediate school district's total budget that was spent on each of the following:

(i) Administrative costs, as defined under the Michigan public school accounting manual.

(ii) Public relations, surveys, polling, lobbying, and legal services.

(j) A list of all motor vehicles weighing 7,500 pounds or less that were owned or leased by the intermediate school district during the school fiscal year and are not reported under subdivision (c) and a description of the purposes for which each of these motor vehicles was used.

(2) Subsection (1)(b) does not apply to any of the following:

(a) Round-trip air travel on a scheduled airline from a location in the Upper Peninsula to a location in the Lower Peninsula or chartered round-trip air travel from a location in the Upper Peninsula to a location in the Lower Peninsula if the cost of the chartered air travel is less than the published cost of the same air travel on a scheduled airline.

(b) Travel expenses for air or boat travel for work-related purposes within this state between an island and the mainland.

(c) Travel expenses for travel within the boundaries of the intermediate school district for work-related purposes.

(d) Mileage reimbursement.

(3) Subsection (1)(c) and (d) does not apply to a contract for utilities or to a contract for an annuity or retirement benefit in which all employees are eligible to participate unless the contract is for payment of a commission to a third-party broker for securing 1 of those contracts.

(4) If an intermediate school district has fewer than 3 employees in the top 3% of employees as described in subsection (1)(e), the intermediate school district shall include the information required under subsection (1)(e) for each intermediate school district employee with a compensation package with a total monetary value in the top 3 among the intermediate school district's employees. If an intermediate school district has more than 20 employees in the top 3% of employees as described in subsection (1)(e), the intermediate school district shall include the information under subsection (1)(e) for each intermediate school district employee with a compensation package with a total monetary value in the top 20 among the intermediate school district's employees.

(5) For the purposes of subsection (1)(c), an intermediate school board member or school administrator of an intermediate school district, or a family member of an intermediate school board member or school administrator of an intermediate school district, is not considered to have a monetary interest in any of the following contracts:

(a) A contract between the intermediate school district and any of the following:

(i) A corporation in which an intermediate school board member, intermediate school district administrator, or family member is a stockholder owning 1% or less of the total stock outstanding in any class if the stock is not listed on a stock exchange or owning stock that has a present market value of \$25,000.00 or less if the stock is listed on a stock exchange.

(ii) A corporation in which a trust, if an intermediate school board member, intermediate school district administrator, or family member is a beneficiary under the trust, owns 1% or less of the total stock outstanding in any class if the stock is not listed on a stock exchange or owning stock that has a present market value of \$25,000.00 or less if the stock is listed on a stock exchange.

(iii) A professional limited liability company organized pursuant to the Michigan limited liability company act, 1993 PA 23, MCL 450.5101 to 450.5200, if an intermediate school board member, intermediate school district administrator, or family member is an employee but not a member of the company.

(b) A contract between the intermediate school district and any of the following:

(i) A corporation in which an intermediate school board member, intermediate school district administrator, or family member is not a director, officer, or employee.

(ii) A firm, partnership, or other unincorporated association, in which an intermediate school board member, intermediate school district administrator, or family member is not a partner, member, or employee.

(iii) A corporation or firm that has an indebtedness owed to an intermediate school board member, intermediate school district administrator, or family member.

(c) A contract between the intermediate school district and a constituent district.

(6) The department shall include on its website a link to the page on each intermediate school district's website that includes the intermediate school district's report under subsection (1).

(7) The department shall work with intermediate school districts to determine the form and manner for the posting of the report under subsection (1).

(8) An intermediate school district shall maintain the report under subsection (1) on its website only for the most recent reporting period, but shall maintain paper copies of previous reports for at least 10 years.

(9) Beginning January 1, 2006, the monetary amount specified in subsection (1)(b) shall be adjusted each January 1 by multiplying the amount for the immediately preceding year by the percentage by which the average consumer price index for all items for the 12 months ending August 31 of the year in which the adjustment is made differs from that index's average for the 12 months ending on August 31 of the immediately preceding year and adding that product to the maximum amount that applied in the immediately preceding year, rounding to the nearest whole dollar. The adjustment shall apply only to expenditures or violations occurring after the date of the adjusting of the amount. The adjusted amount shall be determined and announced by the department on or before December 15 of each year and shall be provided to all persons requesting the adjusted amount. If the index is unavailable, the department shall make a reasonable approximation.

(10) As used in this section:

(a) "Competitively bid" means that a contract was entered into through a request for information, a request for proposal, or a formal competitive bid process that was advertised and open to the public, and includes a contract entered into on behalf of the intermediate school district by a federal, state, or local governmental entity that performed a request for information, request for proposal, or formal competitive bid process or by a nonprofit corporation or nonprofit association that performed a request for information, request for proposal, or formal competitive bid process.

(b) "Family member" means a person's spouse or spouse's sibling or child; a person's sibling or sibling's spouse or child; a person's child or child's spouse; or a person's parent or parent's spouse, and includes these relationships as created by adoption or marriage.

(c) "Total budget" means budget for all funds held by the intermediate school district.

Sec. 622a. (1) In addition to the annual financial audit required under section 622, an intermediate school district is subject to an audit of the matters described in this section conducted by an independent auditor under the direction of the department of treasury under this section. An audit conducted under this section shall be based in part on an examination of an intermediate school district's accounts, financial records, and accounting procedures and shall address at least 3 of the following aspects of the intermediate school district's operations, as directed by the department of treasury:

(a) Whether intermediate school board members, intermediate school district administrators, and intermediate school district employees are adhering to ethics policies adopted by the intermediate school board or required by state law.

(b) Whether intermediate school board members, intermediate school district administrators, and intermediate school district employees are adhering to conflict of interest policies adopted by the intermediate school board or required by state law. This includes, but is not limited to, policies and practices with regard to contracts in which an intermediate school board member, an intermediate school district administrator, or an intermediate school district employee who is involved in the contracting process, or a family member of an intermediate school board member, an intermediate school district administrator, or an intermediate school district employee who is involved in the contracting process, has a substantial conflict of interest; and policies and practices with regard to an intermediate school district administrator negotiating, handling, presenting, or recommending a contract in which the administrator or a family member of the administrator has a substantial conflict of interest. As used in this subdivision, "substantial conflict of interest" means that term as defined in section 634(5).

(c) Whether a modification to an existing contract was made during the audit period that resulted in an additional financial obligation to the intermediate school district and the modification was not competitively bid. As used in this subdivision, "competitively bid" means that a contract was entered into through a request for information, a request for proposal, or a formal competitive bid process that was advertised and open to the public, and includes a contract entered into on behalf of the intermediate school district by a federal, state, or local governmental entity that performed a request for information, request for proposal, or formal competitive bid process or by a nonprofit corporation or nonprofit association that performed a request for information, request for proposal, or formal competitive bid process.

(d) Whether the intermediate school district's policies and practices for responding to requests received under the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246, and the intermediate school district's actual responses to requests made during the audit period under that act, were in compliance with that act. This part of the audit shall include, but is not limited to, an examination of whether the costs charged for responding to requests exceeded the costs permitted under that act.

(e) Whether intermediate school board members, intermediate school district administrators, and intermediate school district employees are adhering to travel guidelines and practices adopted by the intermediate school board or required by state law.

(f) Whether the intermediate school district has accurately accounted for and reported all information relating to stipends, salaries, benefits, or other compensation paid to intermediate school district administrators.

(g) Whether the intermediate school district has used public funds in violation of law to pay for food, gifts, or other items that are not used for instructional purposes, as defined by the intermediate school board.

(h) Whether proceeds from a tax levied under section 681 for area vocational-technical education operating purposes or from a tax levied under section 1724a for special education operating purposes have been expended for a purpose other than the purpose for which the tax was levied.

(2) The department of treasury shall direct the random audits of intermediate school districts under this section as follows:

(a) The department of treasury shall select the intermediate school districts to be audited under this section on a random basis.

(b) The department of treasury shall announce between July 1 and July 15 of each calendar year the intermediate school districts that will be subject that year to an audit under this section for the immediately preceding school fiscal year.

(c) The department of treasury shall select 5 intermediate school districts for audit under this section every 2 years.

(d) Upon request by the department of treasury, the intermediate school district shall notify the department of treasury of the name, address, and contact person of the independent auditor selected by the intermediate school board to perform the annual financial audit for the intermediate school district. The department of treasury shall enter into an agreed-upon procedures agreement with the selected independent auditor, identifying the matters to be audited and establishing the rate of payment, which shall be no more than the rate the department would charge for the same type of audit. The department of treasury shall oversee the conduct of the audit by the independent auditor to the extent the department of treasury considers necessary to meet the purposes of this section.

(e) An intermediate school board and intermediate school district officials shall provide all information requested by the independent auditors or the department of treasury and shall cooperate with them to the fullest extent possible.

(f) The independent auditor shall submit an audit report of the audit to the center for educational performance and information in the form and manner prescribed by the center for educational performance and information. The center for educational performance and information shall submit a copy of the audit report of each audit conducted under this section to the department of treasury, to the applicable intermediate school board, to the senate and house standing committees having jurisdiction over education legislation, to the department, and, subject to subdivision (g), to the attorney general if the department of treasury considers it appropriate.

(g) If the department of treasury determines that an audit conducted under this section has disclosed that the intermediate school board or any intermediate school district official or employee has violated any state law governing the financial operations of an intermediate school district, the department of treasury shall notify the intermediate school district of that determination. If the intermediate school district disputes the determination or claims that the situation has been corrected, within 15 days after receipt of the determination the intermediate school district may submit an appeal of the determination to the department of treasury. Within 90 days after receipt of the appeal, the department of treasury shall consider the appeal and make a determination of whether the initial determination was correct or incorrect and of whether the situation has been corrected. If the department of treasury finds that the initial determination was correct and that the situation has not been corrected, then the department of treasury shall file a copy of the report with the attorney general. The attorney general shall review the report and, if the attorney general considers it appropriate, shall either commence appropriate proceedings against the intermediate school board or the official or employee or refer the matter to the prosecuting attorney for the county in which the violations occurred and encourage that prosecuting attorney to commence appropriate proceedings against the intermediate school board or the official or employee. These proceedings should include at least a civil action in a court of competent jurisdiction for the recovery of any public money determined by the audit to have been illegally expended and for the recovery of any public property determined by the audit to have been converted or misappropriated.

(3) In addition to the intermediate school districts selected for a random audit under subsection (2), the department of treasury may also direct an audit under this section of 1 or more additional intermediate school districts selected by the department of treasury if the department of treasury considers that additional audit or audits to be appropriate. Subsection (2)(d), (e), (f), and (g) applies to an audit under this subsection.

(4) The department and the department of treasury, in consultation with intermediate school districts, shall develop and make available to intermediate school districts the auditing criteria to be used for the purposes of this section.

(5) An audit under this section shall be performed in accordance with standards issued by the American institute of certified public accountants and with government audit standards issued by the United States general accounting office.

(6) The department of treasury shall pay the costs of the audit conducted under this section. The department of treasury's obligation under this section is limited to the amount of a separate line item appropriation identified for the

purpose of funding the department of treasury's duties under this section and included in the annual appropriations act making appropriations for the department of treasury.

(7) The department shall post on its website the audit reports it receives under subsection (2)(f).

Sec. 623a. (1) An intermediate school board shall adopt written policies governing the procurement of supplies, materials, and equipment.

(2) Except as otherwise provided in subsection (3), an intermediate school district shall not purchase an item or a group of items purchased in a single transaction costing \$19,653.00 or more unless competitive bids are obtained for those items and the purchase of those items is approved by the intermediate school board. The maximum amount specified in this section shall be adjusted each year by multiplying the amount for the immediately preceding year by the percentage by which the average consumer price index for all items for the 12 months ending August 31 of the year in which the adjustment is made differs from that index's average for the 12 months ending on August 31 of the immediately preceding year and adding that product to the maximum amount that applied in the immediately preceding year, rounding to the nearest whole dollar.

(3) An intermediate school district is not required to obtain competitive bids for items purchased through the cooperative bulk purchasing program operated by the department of management and budget under section 263(3) of the management and budget act, 1984 PA 431, MCL 18.1263.

(4) The intermediate school board of an intermediate school district may acquire by purchase, lease, or rental, with or without option to purchase, equipment necessary for the operation of intermediate school district programs, including, but not limited to, heating, water heating, and cooking equipment for school buildings, and may pay for the equipment from operating funds of the intermediate school district. Heating and cooking equipment may be purchased on a title retaining contract or other form of agreement creating a security interest and pledging in payment money in the general fund or funds received from state school aid. The contracts may extend for not more than 10 years.

Sec. 634. (1) Not later than July 1, 2005, each intermediate school board shall adopt and implement a conflict of interest policy designed to avoid conflicts of interest by intermediate school district officials and employees.

(2) Not later than July 1, 2005, each intermediate school board shall adopt and implement a policy to prohibit use of intermediate school district funds or other public funds under the control of the intermediate school district for purchasing alcoholic beverages, jewelry, gifts, fees for golf, or any item the purchase or possession of which is illegal. Subject to subsection (8), the policy may allow the use of public funds for the purchase of a plaque, medal, trophy, or other award for the recognition of an employee, volunteer, or pupil if the purchase does not exceed \$109.00 per recipient. As used in this subsection, "public funds" means funds generated from taxes levied under this act, state appropriations of state or federal funds, or payments made to the intermediate school district for services by a constituent district or any other person, but does not include voluntary contributions made for a specific purpose by an intermediate school board member, an intermediate school district employee, another individual, or a private entity.

(3) The department shall develop and distribute to intermediate school districts a model conflict of interest policy for the purposes of subsection (1) and a model policy meeting the requirements of subsection (2).

(4) Subject to subsection (8), in any 1-month period, an intermediate school board member or intermediate school district administrator shall not accept from a person who does business or seeks to do business of any kind with the intermediate school district any money, goods, or services with a value in excess of \$48.00 if the board member or administrator does not provide goods or services of equal value in exchange. This subsection does not apply to either of the following:

(a) A gift or reward already prohibited under section 1805.

(b) A breakfast, luncheon, dinner, or other refreshment consisting of food or beverage for immediate consumption.

(5) If an intermediate school board member or intermediate school district administrator has a substantial conflict of interest in a proposed contract, the intermediate school board shall not enter into that contract. As used in this subsection, "substantial conflict of interest" means a conflict of interest on the part of an intermediate school board member or intermediate school district administrator in respect to a contract with the intermediate school district that is of such substance as to induce action on his or her part to promote the contract for his or her own personal benefit. In the following cases, there is no substantial conflict of interest:

(a) A contract between the intermediate school district and any of the following:

(i) A corporation in which an intermediate school board member or intermediate school district administrator is a stockholder owning 1% or less of the total stock outstanding in any class if the stock is not listed on a stock exchange or owning stock that has a present market value of \$25,000.00 or less if the stock is listed on a stock exchange.

(ii) A corporation in which a trust, if an intermediate school board member or intermediate school district administrator is a beneficiary under the trust, owns 1% or less of the total stock outstanding in any class if the stock is not listed on a stock exchange or owns stock that has a present market value of \$25,000.00 or less if the stock is listed on a stock exchange.



(iii) A professional limited liability company organized pursuant to the Michigan limited liability company act, 1993 PA 23, MCL 450.5101 to 450.5200, if an intermediate school board member or intermediate school district administrator is an employee but not a member of the company.

(b) A contract between the intermediate school district and any of the following:

(i) A corporation in which an intermediate school board member or intermediate school district administrator is not a director, officer, or employee.

(ii) A firm, partnership, or other unincorporated association, in which an intermediate school board member or intermediate school district administrator is not a partner, member, or employee.

(iii) A corporation or firm that has an indebtedness owed to an intermediate school board member or intermediate school district administrator.

(c) A contract between the intermediate school district and a constituent district.

(d) A contract awarded to the lowest qualified bidder, upon receipt of sealed bids pursuant to a published notice for bids if the notice does not bar, except as authorized by law, any qualified person, firm, corporation, or trust from bidding. This subdivision does not apply to amendments or renegotiations of a contract or to additional payments under the contract that were not authorized by the contract at the time of award.

(6) If an intermediate school board member, intermediate school district administrator, or an employee of an intermediate school district who recommends, negotiates, or is authorized to sign a contract on behalf of the intermediate school district either is employed by or under contract with a business enterprise with which the intermediate school district is considering entering into a contract or knows that he or she has a family member who has an ownership interest in or is employed by a business enterprise with which the intermediate school district is considering entering into a contract, the board member, administrator, or employee shall disclose this fact to the intermediate school board at a public meeting of the intermediate school board before the intermediate school board enters into the contract. If the intermediate school board receives a disclosure described in this subsection, the intermediate school board shall vote at a public meeting of the intermediate school board on whether or not it considers the relationship described in the disclosure to be a conflict of interest, and shall not enter into the contract without first voting at a public meeting of the intermediate school board to enter into the contract. As used in this subsection, "family member" means a person's spouse or spouse's sibling or child; a person's sibling or sibling's spouse or child; a person's child or child's spouse; or a person's parent or parent's spouse, and includes these relationships as created by adoption or marriage.

(7) An intermediate school board shall ensure that each employment contract with a school administrator employed by the intermediate school district includes both a provision prohibiting the school administrator from engaging in conduct involving moral turpitude and a provision allowing the intermediate school board to void the contract if the school administrator violates the provision prohibiting conduct involving moral turpitude.

(8) Beginning January 1, 2005, the monetary amounts specified in subsections (2) and (4) shall be adjusted each January 1 by multiplying the amount for the immediately preceding year by the percentage by which the average consumer price index for all items for the 12 months ending August 31 of the year in which the adjustment is made differs from that index's average for the 12 months ending on August 31 of the immediately preceding year and adding that product to the maximum amount that applied in the immediately preceding year, rounding to the nearest whole dollar. The adjustment shall apply only to expenditures or violations occurring after the date of the adjusting of the amount. The adjusted amount shall be determined and announced by the department on or before December 15 of each year and shall be provided to all persons requesting the adjusted amount. If the index is unavailable, the department shall make a reasonable approximation.

Sec. 686. (1) An intermediate school board may make grants of money to constituent districts operating area vocational-technical education centers or to community colleges serving the intermediate district with area vocational-technical programs for the purpose of constructing area vocational-technical education buildings, for site acquisition, or for area vocational-technical education equipment, if before the grant is made the board of the constituent district in which the center is located contracts to receive nonresident children into the facility for a period of at least 15 years after the date of the contract, or if the board of trustees of the community college contracts to receive nonresident persons on a tuition basis into the facility for a period of at least 15 years after the date of the contract.

(2) The contracts described in subsection (1) shall provide that the constituent districts or community colleges are bound to accept nonpublic school pupils and nonresident pupils into designated area vocational-technical education facilities in return for and in consideration of grants-in-aid for the construction of area vocational-technical education buildings and for the purchase of area vocational-technical education buildings, sites, and equipment.

(3) If an intermediate school district has provided at least 90% of the financial consideration for the acquisition or construction of an area vocational-technical education facility, a constituent district may not dispose of the facility without the consent of the intermediate school board even if title to the facility is vested in the constituent district.

Sec. 1267. (1) Before commencing construction of a new school building, or addition to or repair or renovation of an existing school building, except repair in emergency situations, the board of a school district or intermediate school district or board of directors of a public school academy, shall obtain competitive bids on all the material and labor required for the complete construction of a proposed new building or addition to or repair or renovation of an existing school building.

(2) The board, intermediate school board, or board of directors shall advertise for the bids required under subsection (1) by placing an advertisement for bids at least once in a newspaper of general circulation in the area where the building or addition is to be constructed or where the repair or renovation of an existing building is to take place and by posting an advertisement for bids for at least 2 weeks on the department of management and budget website on a page on the website maintained for this purpose or on a website maintained by a school organization and designated by the department of management and budget for this purpose. If the department of management and budget designates a school organization website for this purpose, the department of management and budget shall indicate this fact on its website and include a link on its website to the school organization website.

(3) The advertisement for bids shall do all of the following:

(a) Specify the date and time by which all bids must be received by the board, intermediate school board, or board of directors.

(b) State that the board, intermediate school board, or board of directors will not consider or accept a bid received by the board, intermediate school board, or board of directors after the date and time specified for bid submission.

(c) Identify the time, date, and place of a public meeting at which the board, intermediate school board, or board of directors or its designee will open and read aloud each bid received by the board, intermediate school board, or board of directors by the date and time specified in subdivision (a).

(d) State that the bid shall be accompanied by a sworn and notarized statement disclosing any familial relationship that exists between the owner or any employee of the bidder and any member of the board, intermediate school board, or board of directors or the superintendent of the school district, intermediate superintendent of the intermediate school district, or chief executive officer of the public school academy. A board, intermediate school board, or board of directors shall not accept a bid that does not include this sworn and notarized disclosure statement.

(4) The board, intermediate school board, or board of directors shall require each bidder for a contract under this section to file with the board, intermediate school board, or board of directors security in an amount not less than 1/20 of the amount of the bid conditioned to secure the school district from loss or damage by reason of the withdrawal of the bid or by the failure of the bidder to enter a contract for performance, if the bid is accepted by the board, intermediate school board, or board of directors.

(5) The board, intermediate school board, or board of directors shall not open, consider, or accept a bid that the board, intermediate school board, or board of directors receives after the date and time specified for bid submission in the advertisement for bids described in subsection (3).

(6) At a public meeting identified in the advertisement for bids described in subsection (3), the board, intermediate school board, or board of directors or its designee shall open and read aloud each bid that the board, intermediate school board, or board of directors received at or before the time and date for bid submission specified in the advertisement for bids. The board, intermediate school board, or board of directors may reject any or all bids, and if all bids are rejected, shall readvertise in the manner required by this section.

(7) This section does not apply to buildings, renovations, or repairs costing less than \$19,653.00 or to repair work normally performed by school district, intermediate school board, or public school academy employees. The maximum amount specified in this subsection shall be adjusted each year by multiplying the amount for the immediately preceding year by the percentage by which the average consumer price index for all items for the 12 months ending August 31 of the year in which the adjustment is made differs from that index's average for the 12 months ending on August 31 of the immediately preceding year and adding that product to the maximum amount that applied in the immediately preceding year, rounding to the nearest whole dollar.

Sec. 1274. (1) The board of a school district or board of directors of a public school academy shall adopt written policies governing the procurement of supplies, materials, and equipment.

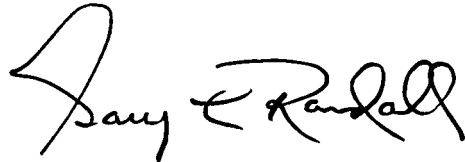
(2) Except as otherwise provided in subsection (3), a school district or public school academy shall not purchase an item or a group of items in a single transaction costing \$19,653.00 or more unless competitive bids are obtained for those items and the purchase of those items is approved by the school board or board of directors. The maximum amount specified in this subsection shall be adjusted each year by multiplying the amount for the immediately preceding year by the percentage by which the average consumer price index for all items for the 12 months ending August 31 of the year in which the adjustment is made differs from that index's average for the 12 months ending on August 31 of the immediately preceding year and adding that product to the maximum amount that applied in the immediately preceding year, rounding to the nearest whole dollar.

(3) A school district or public school academy is not required to obtain competitive bids for items purchased through the cooperative bulk purchasing program operated by the department of management and budget under section 263(3) of the management and budget act, 1984 PA 431, MCL 18.1263.

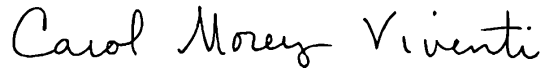
(4) The board of a school district or local act school district or board of directors of a public school academy may acquire by purchase, lease, or rental, with or without option to purchase, equipment necessary for the operation of the school program, including, but not limited to, heating, water heating, and cooking equipment for school buildings, and may pay for the equipment from operating funds of the district or public school academy. Heating and cooking equipment may be purchased on a title retaining contract or other form of agreement creating a security interest and pledging in payment money in the general fund or funds received from state school aid. The contracts may extend for not more than 10 years.

Enacting section 1. Sections 620 and 622a of the revised school code, 1976 PA 451, MCL 380.620 and 380.622a, as amended by this amendatory act, take effect July 1, 2006.

This act is ordered to take immediate effect.



.....  
Clerk of the House of Representatives



.....  
Secretary of the Senate

Approved .....

.....  
Governor