

HOUSE BILL No. 6004

April 26, 2006, Introduced by Reps. Palmer, Hoogendyk, Ball, Mortimer, Gosselin, Robertson, Hildenbrand, Wenke, Meyer, Proos, Pearce, Vander Veen, Hopgood and Pastor and referred to the Committee on Education.

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending sections 614, 620, 622a, 623a, 1267, and 1274 (MCL 380.614, 380.620, 380.622a, 380.623a, 380.1267, and 380.1274), section 614 as amended 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:

1 Sec. 614. (1) Except as provided in section 615 and subject to
2 section 642 of the Michigan election law, MCL 168.642, the members
3 of the intermediate school board shall be elected biennially **AT A**
4 **MEETING** on the first Monday in June by an electoral body composed

1 of 1 person designated by the board of each constituent school
2 district.

3 (2) **ALL OF THE FOLLOWING APPLY TO THE ELECTION UNDER**
4 **SUBSECTION (1):**

5 (A) The board of a constituent district shall designate its
6 representative to this electoral body by resolution adopted not
7 earlier than 21 days before the date of this biennial election. The
8 board shall consider the resolution at not less than 1 public
9 meeting before adopting the resolution. **THIS PUBLIC MEETING SHALL**
10 **NOT BE HELD ON THE SAME DAY AS THE MEETING AT WHICH THE RESOLUTION**
11 **IS ADOPTED. THE PUBLIC MEETING MAY BE HELD AS PART OF A REGULARLY**
12 **SCHEDULED BOARD MEETING.** The resolution shall be adopted by
13 majority vote of the members serving on the board.

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

20 (C) **IF A MAJORITY OF THE CONSTITUENT DISTRICT BOARDS NAME THE**
21 **SAME CANDIDATE FOR A PARTICULAR POSITION IN THE RESOLUTION**
22 **DESCRIBED IN SUBDIVISION (B), THEN THAT CANDIDATE SHALL BE**
23 **CONSIDERED TO BE ELECTED TO THAT POSITION AS IF HE OR SHE WERE**
24 **ELECTED UNDER SUBSECTION (1) AND THE ELECTORAL BODY IS NOT REQUIRED**
25 **TO VOTE ON THAT POSITION AT THE MEETING OF THE ELECTORAL BODY. IF**
26 **THAT POSITION IS THE ONLY POSITION TO BE FILLED THAT YEAR, THE**
27 **ELECTION MEETING UNDER SUBSECTION (1) IS NOT REQUIRED.**

1 (D) The secretary of the intermediate school board shall send
2 a notice by certified mail of the hour and place of the meeting of
3 the electoral body described in subsection (1) to the secretary of
4 the board of each constituent school district at least 10 days
5 before the meeting. The president and secretary of the intermediate
6 school board shall act as chairperson and secretary at the meeting.
7 The meeting of the electoral body shall be an open meeting
8 conducted in the manner prescribed under the open meetings act,
9 1976 PA 267, MCL 15.261 to 15.275.

10 (E) IF THE ELECTION OF A CANDIDATE AT THE ELECTION WOULD
11 RESULT IN THE INTERMEDIATE SCHOOL BOARD INCLUDING MORE THAN 3
12 MEMBERS WHO ARE ALSO MEMBERS OF A CONSTITUENT DISTRICT BOARD IN
13 VIOLATION OF SECTION 612, THEN ALL OF THE FOLLOWING APPLY:

14 (i) THE INTERMEDIATE SCHOOL BOARD MEMBER-ELECT WHOSE ELECTION
15 CAUSES THE VIOLATION SHALL RESIGN EITHER THE SEAT ON THE
16 INTERMEDIATE SCHOOL BOARD OR THE SEAT ON THE CONSTITUENT DISTRICT
17 BOARD.

18 (ii) IF THE VIOLATION IS CAUSED BY THE ELECTION OF MORE THAN 1
19 MEMBER-ELECT, THEN THE MEMBER-ELECT WITH THE LOWEST NUMBER OF VOTES
20 SHALL RESIGN EITHER THE SEAT ON THE INTERMEDIATE SCHOOL BOARD OR
21 THE SEAT ON THE CONSTITUENT DISTRICT BOARD. IF THERE WAS A TIE IN
22 THE NUMBER OF VOTES, THEN THE MEMBER-ELECT WHO IS REQUIRED TO
23 RESIGN 1 OF THE SEATS SHALL BE DETERMINED BY A COIN TOSS.

24 (iii) IF A MEMBER-ELECT RESIGNS HIS OR HER SEAT ON THE
25 INTERMEDIATE SCHOOL BOARD AS A RESULT OF SUBPARAGRAPH (i) OR (ii),
26 THEN AT THE MEETING OF THE ELECTORAL BODY NOMINATIONS SHALL BE
27 TAKEN FROM THE FLOOR FOR ELECTION OF A NEW MEMBER-ELECT WHO IS NOT

1 ALSO A MEMBER OF A CONSTITUENT DISTRICT BOARD, AND A NEW MEMBER-
2 ELECT WHO IS NOT ALSO A MEMBER OF A CONSTITUENT DISTRICT BOARD
3 SHALL BE ELECTED AT THE MEETING. A CANDIDATE NOMINATED AT THE
4 MEETING UNDER THIS SUBPARAGRAPH IS NOT REQUIRED TO HAVE FILED
5 PETITIONS UNDER SUBSECTION (5) OR TO HAVE PAID A FILING FEE UNDER
6 SUBSECTION (7).

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

13 (4) A vacancy shall be filled by the remaining members of the
14 intermediate school board until the next biennial election at which
15 time the vacancy shall be filled for the balance of the unexpired
16 term. Notice of the vacancy shall be filed with the state board
17 within 5 days after the vacancy occurs. If the vacancy is not
18 filled within 30 days after it occurs, the vacancy shall be filled
19 by the state board. **THIS SUBSECTION DOES NOT APPLY TO A SITUATION**
20 **DESCRIBED IN SUBSECTION (2)(E).**

21 (5) Subject to ~~subsection~~ **SUBSECTIONS (2)(E) AND (7)**, a
22 candidate for election to the intermediate school board shall be
23 nominated by petitions that are signed by a number of school
24 electors of the combined constituent school districts of the
25 intermediate school district, as follows:

26 (a) If the population of the intermediate school district is
27 less than 10,000 according to the most recent federal census, a

1 minimum of 6 and a maximum of 20.

2 (b) If the population of the intermediate school district is
3 10,000 or more according to the most recent federal census, a
4 minimum of 40 and a maximum of 100.

5 (6) A school elector may sign as many petitions as there are
6 vacancies to fill. Nominating petitions and an affidavit as
7 provided in section 558 of the Michigan election law, 1954 PA 116,
8 MCL 168.558, shall be filed with the ~~school district filing~~
9 ~~official~~ **SECRETARY OF THE INTERMEDIATE SCHOOL BOARD** not later than
10 ~~30~~ 60 days before the date of the biennial election **MEETING** under
11 subsection (1). The ~~school district filing official~~ **SECRETARY OF**
12 **THE INTERMEDIATE SCHOOL BOARD** shall determine the sufficiency of
13 the petitions and the eligibility of the candidates nominated. The
14 ~~school district filing official~~ **SECRETARY OF THE INTERMEDIATE**
15 **SCHOOL BOARD** shall provide ballots for the biennial election,
16 listing on the ballots the names of all candidates properly
17 nominated. ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2)(E),**
18 **THE** chairperson of the biennial election meeting may accept
19 nominations for a vacancy from the floor only if no nominating
20 petitions have been filed for the vacancy.

21 (7) ~~Instead~~ **SUBJECT TO SUBSECTION (2)(E), INSTEAD** of filing
22 nominating petitions, a candidate for election to the intermediate
23 school board may pay a nonrefundable filing fee of \$100.00 to the
24 ~~school district filing official~~ **SECRETARY OF THE INTERMEDIATE**
25 **SCHOOL BOARD**. If this fee is paid by the due date for nominating
26 petitions, the payment has the same effect under this section as
27 the filing of nominating petitions.

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

6 (a) All of the following general information:

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

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

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

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

16 (b) Except as otherwise provided in subsection (2) and subject
17 to subsection (9), for each intermediate school board member or
18 school administrator of the intermediate school district who had
19 travel expenses during the school fiscal year that totaled more
20 than \$3,000.00 and that were paid for with intermediate school
21 district funds, all of the following information concerning that
22 travel:

23 (i) The total cost of air travel.

24 (ii) The total cost of overnight lodging.

25 (iii) The total cost of car rental.

26 (iv) The total cost of meals.

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

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

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

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

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

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

23 (d) Except as otherwise provided in subsection (3), if there
24 was a modification made during the school fiscal year to an
25 existing contract that resulted in an additional financial
26 obligation owed by the intermediate school district in excess of
27 \$100,000.00 or that resulted in the total financial obligation owed

1 by the intermediate school district from the existing contract
2 exceeding \$100,000.00, or was a modification to an existing
3 contract that was not competitively bid and the modification
4 resulted in an additional financial obligation owed by the
5 intermediate school district in excess of \$25,000.00 or resulted in
6 the total financial obligation owed by the intermediate school
7 district from the existing contract exceeding \$25,000.00, a
8 description of the modification and the total amount of the
9 additional and total financial obligation.

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

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

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

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

23 (f) Total costs incurred during the school fiscal year, and
24 the source or sources of the money expended during the school
25 fiscal year, for fiber optic or cable equipment and operating
26 system software for fiber optic or cable equipment networks. The
27 description of the source or sources of the money expended for

1 purposes described in this subdivision shall specify the amount
2 used from each of the separate funds maintained by the intermediate
3 school district and used from each other source.

4 (g) Payments made during the school fiscal year to persons who
5 were not employees of the intermediate school district for public
6 relations, polling, lobbying, or legal services and a description
7 of the services received by the intermediate school district in
8 return. **PAYMENTS FOR LEGAL SERVICES MAY BE REPORTED AS AN ANNUAL**
9 **AGGREGATE AMOUNT. OTHER PAYMENTS REQUIRED TO BE REPORTED UNDER THIS**
10 **SUBDIVISION SHALL BE REPORTED BY SPECIFYING EACH INDIVIDUAL**
11 **PAYMENT.**

12 (h) For each person not included under subdivision (e) or (g)
13 to whom the intermediate school district was required to issue a
14 federal income tax form 1099 that showed payments in excess of
15 \$25,000.00 during the school fiscal year, the total amount paid to
16 the individual, a description of the project or projects for which
17 the person was contracted, and the services provided by the person.

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

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

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

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

1 these motor vehicles was used.

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

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

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

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

13 (d) Mileage reimbursement.

14 (3) Subsection (1)(c) and (d) does not apply to a contract for
15 utilities or to a contract for an annuity or retirement benefit in
16 which all employees are eligible to participate unless the contract
17 is for payment of a commission to a third-party broker for securing
18 1 of those contracts.

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

1 the information under subsection (1)(e) for each intermediate
2 school district employee with a compensation package with a total
3 monetary value in the top 20 among the intermediate school
4 district's employees.

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

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

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

19 (ii) A corporation in which a trust, if an intermediate school
20 board member, intermediate school district administrator, or family
21 member is a beneficiary under the trust, owns 1% or less of the
22 total stock outstanding in any class if the stock is not listed on
23 a stock exchange or owning stock that has a present market value of
24 \$25,000.00 or less if the stock is listed on a stock exchange.

25 (iii) A professional limited liability company organized
26 pursuant to the Michigan limited liability company act, 1993 PA 23,
27 MCL 450.5101 to ~~450.6200~~ **450.5200**, if an intermediate school

1 board member, intermediate school district administrator, or family
2 member is an employee but not a member of the company.

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

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

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

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

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

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

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

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

27 (9) Beginning January 1, 2006, the monetary amount specified

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

15 (10) As used in this section:

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

26 (b) "Family member" means a person's spouse or spouse's
27 sibling or child; a person's sibling or sibling's spouse or child;

1 a person's child or child's spouse; or a person's parent or
2 parent's spouse, and includes these relationships as created by
3 adoption or marriage.

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

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

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

20 (b) Whether intermediate school board members, intermediate
21 school district administrators, and intermediate school district
22 employees are adhering to conflict of interest policies adopted by
23 the intermediate school board or required by state law. This
24 includes, but is not limited to, policies and practices with regard
25 to contracts in which an intermediate school board member, an
26 intermediate school district administrator, or an intermediate
27 school district employee who is involved in the contracting

1 process, or a family member of an intermediate school board member,
2 an intermediate school district administrator, or an intermediate
3 school district employee who is involved in the contracting
4 process, has a substantial conflict of interest; and policies and
5 practices with regard to an intermediate school district
6 administrator negotiating, handling, presenting, or recommending a
7 contract in which the administrator or a family member of the
8 administrator has a substantial conflict of interest. As used in
9 this subdivision, "substantial conflict of interest" means that
10 term as defined in section 634(5).

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

24 (d) Whether the intermediate school district's policies and
25 practices for responding to requests received under the freedom of
26 information act, 1976 PA 442, MCL 15.231 to 15.246, and the
27 intermediate school district's actual responses to requests made

1 during the audit period under that act, were in compliance with
2 that act. This part of the audit shall include, but is not limited
3 to, an examination of whether the costs charged for responding to
4 requests exceeded the costs permitted under that act.

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

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

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

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

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

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

27 (b) The department of treasury shall announce between July 1

1 and July 15 of each calendar year the intermediate school districts
2 that will be subject that year to an audit under this section for
3 the immediately preceding school fiscal year.

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

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

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

23 (f) The independent auditor shall submit an audit report of
24 the audit to the center for educational performance and information
25 in the form and manner prescribed by the center for educational
26 performance and information. The center for educational performance
27 and information shall submit a copy of the audit report of each

1 audit conducted under this section to the department of treasury,
2 to the applicable intermediate school board, to the senate and
3 house standing committees having jurisdiction over education
4 legislation, to the department, and, subject to subdivision (g), to
5 the attorney general if the department of treasury considers it
6 appropriate.

7 (g) If the department of treasury determines that an audit
8 conducted under this section has disclosed that the intermediate
9 school board or any intermediate school district official or
10 employee has violated any state law governing the financial
11 operations of an intermediate school district, the department of
12 treasury shall notify the intermediate school district of that
13 determination. If the intermediate school district disputes the
14 determination or claims that the situation has been corrected,
15 within 15 days after receipt of the determination the intermediate
16 school district may submit an appeal of the determination to the
17 department of treasury. Within 90 days after receipt of the appeal,
18 the department of treasury shall consider the appeal and make a
19 determination of whether the initial determination was correct or
20 incorrect and of whether the situation has been corrected. If the
21 department of treasury finds that the initial determination was
22 correct and that the situation has not been corrected, then the
23 department of treasury shall file a copy of the report with the
24 attorney general. The attorney general shall review the report and,
25 if the attorney general considers it appropriate, shall **EITHER**
26 commence **APPROPRIATE PROCEEDINGS AGAINST THE INTERMEDIATE SCHOOL**
27 **BOARD OR THE OFFICIAL OR EMPLOYEE** or ~~direct~~ **REFER THE MATTER TO**

1 the prosecuting attorney for the county in which the violations
2 occurred **AND ENCOURAGE THAT PROSECUTING ATTORNEY** to commence
3 appropriate proceedings against the intermediate school board or
4 the official or employee. These proceedings ~~shall~~ **SHOULD** include
5 at least a civil action in a court of competent jurisdiction for
6 the recovery of any public money determined by the audit to have
7 been illegally expended and for the recovery of any public property
8 determined by the audit to have been converted or misappropriated.

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

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

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

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

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

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

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

9 (2) Except as otherwise provided in subsection (3), an
10 intermediate school district shall not purchase an item or a group
11 of items purchased in a single transaction costing ~~-\$17,932.00~~
12 **\$18,490.00** or more unless competitive bids are obtained for those
13 items and the purchase of those items is approved by the
14 intermediate school board. The maximum amount specified in this
15 section shall be adjusted each year by multiplying the amount for
16 the immediately preceding year by the percentage by which the
17 average consumer price index for all items for the 12 months ending
18 August 31 of the year in which the adjustment is made differs from
19 that index's average for the 12 months ending on August 31 of the
20 immediately preceding year and adding that product to the maximum
21 amount that applied in the immediately preceding year, rounding to
22 the nearest whole dollar.

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

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

5 (2) Not later than July 1, 2005, each intermediate school
6 board shall adopt and implement a policy to prohibit use of
7 intermediate school district funds or other public funds under the
8 control of the intermediate school district for purchasing
9 alcoholic beverages, jewelry, gifts, fees for golf, or any item the
10 purchase or possession of which is illegal. Subject to subsection
11 (8), the policy may allow the use of public funds for the purchase
12 of a plaque, medal, trophy, or other award for the recognition of
13 an employee, volunteer, or pupil if the purchase does not exceed
14 \$100.00 per recipient. As used in this subsection, "public funds"
15 means funds generated from taxes levied under this act, state
16 appropriations of state or federal funds, or payments made to the
17 intermediate school district for services by a constituent district
18 or any other person, but does not include voluntary contributions
19 made for a specific purpose by an intermediate school board member,
20 an intermediate school district employee, another individual, or a
21 private entity.

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

26 (4) Subject to subsection (8), in any 1-month period, an
27 intermediate school board member or intermediate school district

1 administrator shall not accept from a person who does business or
 2 seeks to do business of any kind with the intermediate school
 3 district any money, goods, or services with a value in excess of
 4 \$44.00 if the board member or administrator does not provide goods
 5 or services of equal value in exchange. This subsection does not
 6 apply to ~~—a—~~ **EITHER OF THE FOLLOWING:**

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

8 (B) **A BREAKFAST, LUNCHEON, DINNER, OR OTHER REFRESHMENT**
 9 **CONSISTING OF FOOD OR BEVERAGE FOR IMMEDIATE CONSUMPTION.**

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

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

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

1 listed on a stock exchange.

2 (ii) A corporation in which a trust, if an intermediate school
3 board member or intermediate school district administrator is a
4 beneficiary under the trust, owns 1% or less of the total stock
5 outstanding in any class if the stock is not listed on a stock
6 exchange or owns stock that has a present market value of
7 \$25,000.00 or less if the stock is listed on a stock exchange.

8 (iii) A professional limited liability company organized
9 pursuant to the Michigan limited liability company act, 1993 PA 23,
10 MCL 450.5101 to ~~450.6200~~ **450.5200**, if an intermediate school
11 board member or intermediate school district administrator is an
12 employee but not a member of the company.

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

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

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

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

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

26 (d) A contract awarded to the lowest qualified bidder, upon
27 receipt of sealed bids pursuant to a published notice for bids if

1 the notice does not bar, except as authorized by law, any qualified
2 person, firm, corporation, or trust from bidding. This subdivision
3 does not apply to amendments or renegotiations of a contract or to
4 additional payments under the contract that were not authorized by
5 the contract at the time of award.

6 (6) If an intermediate school board member, intermediate
7 school district administrator, or an employee of an intermediate
8 school district who recommends, negotiates, or is authorized to
9 sign a contract on behalf of the intermediate school district
10 either is employed by or under contract with a business enterprise
11 with which the intermediate school district is considering entering
12 into a contract or knows that he or she has a family member who has
13 an ownership interest in or is employed by a business enterprise
14 with which the intermediate school district is considering entering
15 into a contract, the board member, administrator, or employee shall
16 disclose this fact to the intermediate school board at a public
17 meeting of the intermediate school board before the intermediate
18 school board enters into the contract. If the intermediate school
19 board receives a disclosure described in this subsection, the
20 intermediate school board shall vote at a public meeting of the
21 intermediate school board on whether or not it considers the
22 relationship described in the disclosure to be a conflict of
23 interest, and shall not enter into the contract without first
24 voting at a public meeting of the intermediate school board to
25 enter into the contract. As used in this subsection, "family
26 member" means a person's spouse or spouse's sibling or child; a
27 person's sibling or sibling's spouse or child; a person's child or

1 child's spouse; or a person's parent or parent's spouse, and
2 includes these relationships as created by adoption or marriage.

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

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

25 Sec. 1267. (1) Before commencing construction of a new school
26 building, or addition to or repair or renovation of an existing
27 school building, except repair in emergency situations, the board

1 of a school district or intermediate school district or board of
2 directors of a public school academy, shall obtain competitive bids
3 on all the material and labor required for the complete
4 construction of a proposed new building or addition to or repair or
5 renovation of an existing school building.

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

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

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

25 (b) State that the board, intermediate school board, or board
26 of directors will not consider or accept a bid received by the
27 board, intermediate school board, or board of directors after the

1 date and time specified for bid submission.

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

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

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

26 (5) The board, intermediate school board, or board of
27 directors shall not open, consider, or accept a bid that the board,

1 intermediate school board, or board of directors receives after the
2 date and time specified for bid submission in the advertisement for
3 bids described in subsection (3).

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

13 (7) This section does not apply to buildings, renovations, or
14 repairs costing less than ~~-\$17,932.00-~~ **\$18,490.00** or to repair work
15 normally performed by school district, intermediate school board,
16 or public school academy employees. The maximum amount specified in
17 this subsection shall be adjusted each year by multiplying the
18 amount for the immediately preceding year by the percentage by
19 which the average consumer price index for all items for the 12
20 months ending August 31 of the year in which the adjustment is made
21 differs from that index's average for the 12 months ending on
22 August 31 of the immediately preceding year and adding that product
23 to the maximum amount that applied in the immediately preceding
24 year, rounding to the nearest whole dollar.

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

1 (2) Except as otherwise provided in subsection (3), a school
2 district or public school academy shall not purchase an item or a
3 group of items in a single transaction costing ~~-\$17,932.00~~
4 **\$18,490.00** or more unless competitive bids are obtained for those
5 items and the purchase of those items is approved by the school
6 board or board of directors. The maximum amount specified in this
7 subsection shall be adjusted each year by multiplying the amount
8 for the immediately preceding year by the percentage by which the
9 average consumer price index for all items for the 12 months ending
10 August 31 of the year in which the adjustment is made differs from
11 that index's average for the 12 months ending on August 31 of the
12 immediately preceding year and adding that product to the maximum
13 amount that applied in the immediately preceding year, rounding to
14 the nearest whole dollar.

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

20 (4) The board of a school district or local act school
21 district or board of directors of a public school academy may
22 acquire by purchase, lease, or rental, with or without option to
23 purchase, equipment necessary for the operation of the school
24 program, including, but not limited to, heating, water heating, and
25 cooking equipment for school buildings, and may pay for the
26 equipment from operating funds of the district or public school
27 academy. Heating and cooking equipment may be purchased on a title

1 retaining contract or other form of agreement creating a security
2 interest and pledging in payment money in the general fund or funds
3 received from state school aid. The contracts may extend for not
4 more than 10 years.

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