

# HOUSE BILL No. 6014

April 27, 2006, Introduced by Reps. Elsenheimer, Mortimer, Taub, Palmer, Hoogendyk, Hummel, Walker, Sheltroun, Emmons, Casperson and Marleau and referred to the Committee on Higher Education and Career Preparation.

A bill to amend 1931 PA 327, entitled

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

by amending sections 171, 172, and 185 (MCL 450.171, 450.172, and 450.185).

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1           Sec. 171. (1) For the purposes of this act, **AN** educational  
2 ~~corporations shall be~~ **CORPORATION IS** classified as ~~follows~~ **1 OF**  
3 **THE FOLLOWING:**

4           ~~-(w) Those having~~

(A) EXCEPT FOR AN EDUCATIONAL CORPORATION DESCRIBED IN  
SUBDIVISION (B), AN EDUCATIONAL CORPORATION THAT IS 1 OF THE  
FOLLOWING:

(i) CLASS W - HAS a capital of not less than \$500,000.00 ~~→~~  
AND LESS THAN \$1,000,000.00.

(ii) ~~-(x) These having~~ CLASS X - HAS a capital of not less  
than \$100,000.00 ~~—~~ and less than \$500,000.00, ~~—~~ OR IS AN  
INSTITUTION KNOWN AS A KINDERGARTEN INSTITUTION FORMED UNDER FORMER  
1913 PA 359.

(iii) ~~-(y) These having~~ CLASS Y - HAS a capital of AT LEAST  
\$1,000,000.00. ~~— or more—~~

(B) ~~-(z) These instituted and maintained~~ CLASS Z - AN  
EDUCATIONAL CORPORATION ORGANIZED AND OPERATED by any  
ecclesiastical or religious order, society, corporation, or  
corporations, ~~—retaining—~~ OR BY A CHURCH, THAT RETAINS control of  
~~such~~ THE institution for denominational purposes. CLASS Z  
INCLUDES, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING:

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

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

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

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

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

(vi) A SCHOOL, COLLEGE, INSTITUTION, OR EDUCATIONAL PROGRAM OF LIKE CHARACTER AND PURPOSE TO AN EDUCATIONAL CORPORATION, SCHOOL, ACADEMY, OR COLLEGE DESCRIBED IN THIS SUBDIVISION AND FORMED UNDER ANY LAW OF THIS STATE FOR EDUCATIONAL PURPOSES.

(2) ~~Every educational corporation, before~~ BEFORE being authorized to file its articles, ~~shall be~~ AN EDUCATIONAL CORPORATION CLASSIFIED AS CLASS W, X, OR Y UNDER SUBSECTION (1) IS required to present a statement IN WRITING to the ~~Michigan corporation and securities commission in writing~~ DEPARTMENT OF LABOR AND ECONOMIC GROWTH from the state board of education that ~~(1) the~~ CONFIRMS ALL OF THE FOLLOWING:

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

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

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

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

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

(3) In determining whether any educational corporation satisfies ~~conditions specified in classes (w), (x), (y) and (z) of this section~~ **THE CAPITAL REQUIREMENT FOR CLASSIFICATION AS CLASS W, X, OR Y UNDER SUBSECTION (1)**, the state board of education may treat as a credit to the capital of ~~such~~ **THE** corporation the guaranteed annual income of that corporation to the extent that it deems ~~such~~ **THE** guaranteed income the equivalent of all or any part of the required endowment.

(4) The use of the word "college" or "university" in the name of any group, organization, or association ~~hereafter~~ formed **AFTER THE EFFECTIVE DATE OF THIS ACT** in this state is limited to those educational corporations complying with the requirements for ~~class (w) or class (y) educational corporations or to such educational corporations of class (z) as shall satisfy the requirements set up for class (y) corporations: Provided, however, That the~~ **CLASSIFICATION AS CLASS W, Y, OR Z UNDER SUBSECTION (1). THE** words "junior college" may be used by **THOSE** educational corporations ~~of class (x). Whenever~~ **COMPLYING WITH THE REQUIREMENTS FOR CLASSIFICATION AS CLASS X UNDER SUBSECTION (1). IF** this ~~provision~~ **SUBSECTION** is violated, ~~it shall be the duty of~~ the prosecuting attorney ~~— in the county where the organization is located —, to~~ **SHALL** bring proceedings to enjoin the further use of ~~such~~ **A** name in violation of this ~~act~~ **SUBSECTION**.

(5) ~~No~~ **AN** educational corporation **CLASSIFIED AS CLASS W, Y, OR Z UNDER SUBSECTION (1)** shall ~~be permitted to~~ **NOT** expand its program beyond that specified in its articles of incorporation ~~until~~ **UNLESS** it has presented to the ~~Michigan corporation and~~

~~securities commission~~ **DEPARTMENT OF LABOR AND ECONOMIC GROWTH** a statement in writing from the state board of education approving the facilities, equipment, and staff or the proposed facilities, equipment, and staff as adequate for the offering of the additional educational program.

Sec. 172. **(1)** ~~-(a) Educational corporations of class (w) as defined in section 171 of this act shall have authority to~~ **AN EDUCATIONAL CORPORATION CLASSIFIED AS CLASS W UNDER SECTION 171(1) MAY** establish and conduct ~~general colleges~~ **A GENERAL COLLEGE** for furnishing higher learning and to confer ~~such~~ **ANY** degrees and honors ~~as shall be~~ approved by the state board of education prior to the filing of articles of incorporation. ~~;~~ **and FOR PURPOSES OF THIS SECTION,** the term "college" ~~as herein used shall be construed to include~~ **INCLUDES A PREPARATORY SCHOOL OR** any college, university, or other institution where the arts, sciences, professions, and higher learning are taught and degrees and honors ~~therein~~ **IN THOSE AREAS ARE** conferred. ~~Such colleges may also include preparatory schools as commonly understood;~~

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

**(3)** ~~-(c) Educational corporations of class (z) as defined in~~

~~1 said section 171 shall embrace such schools, academies, or colleges~~  
~~2 as have been heretofore founded under Act 135, Public Acts 1899,~~  
~~3 known thereunder as "Ursuline academies"; those founded under Act~~  
~~4 121, Public Acts 1915, and known thereunder as "ecclesiastical~~  
~~5 seminaries"; those founded under Act 28, Public Acts 1901, and~~  
~~6 known thereunder as "Evangelical Lutheran deaf mute institutions";~~  
~~7 those founded under Act 135, Public Acts 1867, known as "industrial~~  
~~8 and charitable schools"; those organized under paragraph (c),~~  
~~9 subdivision 1, chapter 2, part 4, of Act 84, Public Acts 1921, and~~  
~~10 such other schools, colleges and institutions of like character and~~  
~~11 purpose as may be formed under any law of this state for~~  
~~12 educational purposes shall have~~ **AN EDUCATIONAL CORPORATION**  
~~13 CLASSIFIED AS CLASS W, X, Y, OR Z UNDER SECTION 171(1) AND FORMED~~  
~~14 UNDER ANOTHER ACT OR FORMER ACT OF THIS STATE HAS~~ all the rights,  
~~15 powers, privileges, and immunities enjoyed under its act of~~  
~~16 incorporation and without regard to the classification made in this~~  
~~17 act, and upon complying with the provisions hereof shall have~~  
~~18 such~~ **OF THIS ACT HAS ANY** additional rights, powers, privileges,  
~~19 and immunities as are conferred hereunder~~ **UNDER THIS ACT**  
~~20 according to the classifications prescribed in this act: Provided~~  
~~21 further, That any corporation heretofore formed under Act 359,~~  
~~22 Public Acts 1913, and known thereunder as "kindergarten~~  
~~23 institutions" shall hereafter be classified under class (x) of~~  
~~24 sections 171 and 172 of this act: Provided further, That any~~  
~~25 corporation of class (z) hereafter organized under this act may~~  
~~26 enjoy~~ **ITS CLASSIFICATION UNDER SECTION 171(1).**

~~27~~ **(4) AN EDUCATIONAL CORPORATION CLASSIFIED AS CLASS Z UNDER**

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

6 (5) ~~(d) Educational corporations of class (y) as defined in~~  
7 ~~section 171 shall have authority to~~ AN EDUCATIONAL INSTITUTION  
8 CLASSIFIED AS CLASS Y UNDER SECTION 171(1) MAY establish and  
9 conduct ~~colleges or universities~~ A COLLEGE OR UNIVERSITY of a  
10 graduate rank with programs of studies of 5 years or more.

11 Sec. 185. ~~Same; powers of churches not restricted. Nothing in~~  
12 ~~this act contained shall be construed as limiting or restricting~~  
13 THIS ACT DOES NOT LIMIT OR RESTRICT the rights, powers, privileges,  
14 immunities, or ~~the~~ practices of any church ~~heretofore~~  
15 established or incorporated under any law of this state BEFORE THE  
16 EFFECTIVE DATE OF THIS SECTION; ~~nor as requiring any such~~ DOES  
17 NOT REQUIRE THAT A church ~~to~~ alter or change any rule of  
18 discipline, custom, or usage in respect of its church policy or  
19 government; ~~nor as interfering~~ AND DOES NOT INTERFERE with the  
20 lawful acquisition, use, OPERATION, or disposition of any property  
21 ~~now owned or held by any such church corporation~~ THAT CHURCH,  
22 INCLUDING, BUT NOT LIMITED TO, THE FORMATION AND OPERATION OF AN  
23 EDUCATIONAL INSTITUTION OR PROGRAM CLASSIFIED AS CLASS Z UNDER  
24 SECTION 171(1) OR THE GRANT OF A DEGREE, DIPLOMA, OR CERTIFICATE BY  
25 THAT EDUCATIONAL INSTITUTION. The provisions of this act relating  
26 to ecclesiastical corporations shall be liberally construed in the  
27 interests of religion and morality.

1       Enacting section 1. This amendatory act does not take effect  
2 unless all of the following bills of the 93rd Legislature are  
3 enacted into law:

4       (a) Senate Bill No.\_\_\_\_ or House Bill No. 6015(request no.  
5 05578'05).

6       (b) Senate Bill No.\_\_\_\_ or House Bill No. 6016(request no.  
7 05579'05).