

HOUSE BILL No. 5351

December 12, 2017, Introduced by Rep. Yaroach and referred to the Committee on Local Government.

A bill to amend 1976 PA 451, entitled "The revised school code," by amending sections 1225 and 1280c (MCL 380.1225 and 380.1280c), section 1225 as amended by 2016 PA 192 and section 1280c as amended by 2011 PA 8.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1225. (1) Subject to restrictions of this section, a
2 school board or intermediate school board may borrow money and
3 issue notes of the school district or intermediate school district
4 for the borrowed money to secure funds for school operations or to
5 pay previous loans obtained for school operations under this or any
6 other statute. The school board or intermediate school board shall
7 pledge money to be received by it from state school aid for the

1 payment of notes issued under this section. A pledge of state
2 school aid by a school district or intermediate school district for
3 the payment of notes issued pursuant to this section is valid and
4 binding from the time when the pledge is made. A pledge made
5 pursuant to this section for the benefit of the holders of notes or
6 for the benefit of others is perfected without delivery, recording,
7 or notice. Notes issued pursuant to this section are full faith and
8 credit obligations of the school district or intermediate school
9 district and are payable from tax levies or from unencumbered funds
10 of the school district or intermediate school district in event of
11 the unavailability or insufficiency of state school aid for any
12 reason.

13 (2) A school district or intermediate school district for
14 which an emergency manager **OR A FINANCIAL MANAGEMENT TEAM** has been
15 appointed pursuant to the local financial stability and choice act,
16 2012 PA 436, MCL 141.1541 to 141.1575, or a school district or
17 intermediate school district that has an approved deficit
18 elimination plan or an enhanced deficit elimination plan required
19 under section 102 of the state school aid act of 1979, MCL
20 388.1702, may enter into an agreement with the Michigan finance
21 authority in accordance with section 17a(4) of the state school aid
22 act of 1979, MCL 388.1617a, providing for the direct payment on
23 behalf of the school district or intermediate school district to
24 the Michigan finance authority, or to a trustee designated by the
25 Michigan finance authority, of state school aid pledged and to be
26 used for the sole purpose of paying the principal of and interest
27 on the notes issued pursuant to this section and secured by state

1 school aid.

2 (3) Notes issued under this section ~~shall become~~ **ARE** due not
3 later than 372 days after the date on which they are issued, except
4 as otherwise provided in this section. Notes issued within a fiscal
5 year ~~shall~~ **MUST** not exceed 70% of the difference between the total
6 state aid funds apportioned to the school district or intermediate
7 school district for that fiscal year and the portion already
8 received or pledged, except secondary pledges made under section
9 1356.

10 (4) A school district or intermediate school district that is
11 not able to redeem its notes within 372 days after the date on
12 which the notes were issued may enter into a multi-year agreement
13 with a lending institution to repay its obligation. A repayment
14 agreement ~~shall~~ **MUST** not be executed without the prior approval of
15 an authorized representative of the state board or, for notes sold
16 to the Michigan finance authority only, without the approval of an
17 authorized representative of the department of treasury.

18 (5) During the last 4 months of a fiscal year, notes may be
19 issued pledging state school aid for the next succeeding fiscal
20 year. Except as otherwise provided in this subsection, the notes
21 ~~shall~~ **MUST** not exceed 50% of the state school aid apportioned to
22 the school district or intermediate school district for the next
23 succeeding fiscal year or, if the apportionment has not been made,
24 50% of the apportionment for the then current fiscal year. The
25 notes ~~shall~~ **MUST** mature not later than 372 days after the date of
26 issuance.

27 (6) Notes issued under this section are subject to the revised

1 municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.
2 Failure of a school district or intermediate school district to
3 receive state school aid does not affect the validity or
4 enforceability of a note issued under this section.

5 (7) A school board or intermediate school board, including,
6 but not limited to, the school board of a community district, may
7 make more than 1 borrowing under this section during a school year.

8 (8) In addition to other powers under this section, with the
9 approval of the state treasurer, a school board or intermediate
10 school board, including, but not limited to, the school board of a
11 community district, may obtain a line of credit to secure funds for
12 school operations or to pay previous loans obtained for school
13 operations under this or any other statute. The school board or
14 intermediate school board shall pledge not more than 30% of the
15 state school aid apportioned to the school district or intermediate
16 school district for that fiscal year for repayment of funds
17 received pursuant to a line of credit obtained under this
18 subsection. However, the school board or intermediate school board
19 shall not borrow against the line of credit an amount greater than
20 the difference, as of the date of the borrowing, between the total
21 state school aid funds apportioned to the school district or
22 intermediate school district for that fiscal year and the portion
23 already received or pledged, except secondary pledges made under
24 section 1356. To obtain approval for obtaining a line of credit
25 under this subsection, a school board or intermediate school board
26 shall apply to the state treasurer in the form and manner
27 prescribed by the state treasurer, and shall provide information as

1 requested by the state treasurer for evaluating the application.
2 The state treasurer shall approve or disapprove an application and
3 notify the school board or intermediate school board within 20
4 business days after receiving a proper application. If the state
5 treasurer disapproves an application, the state treasurer shall
6 include the reasons for disapproval in the notification to the
7 school board or intermediate school board.

8 Sec. 1280c. (1) Beginning in 2010, not later than September 1
9 of each year, the superintendent of public instruction shall
10 publish a list identifying the public schools in this state that
11 the department has determined to be among the lowest achieving 5%
12 of all public schools in this state, as defined for the purposes of
13 the federal incentive grant program created under sections 14005
14 and 14006 of title XIV of the American recovery and reinvestment
15 act of 2009, Public Law 111-5.

16 (2) Except as otherwise provided in subsection (16), the
17 superintendent of public instruction shall issue an order placing
18 each public school that is included on the list under subsection
19 (1) under the supervision of the state school reform/redesign
20 officer described in subsection (9). Within 90 days after a public
21 school is placed under the supervision of the state school
22 reform/redesign officer under this section, the school board or
23 board of directors operating the public school shall submit a
24 redesign plan to the state school reform/redesign officer. For a
25 public school operated by a school board, the redesign plan ~~shall~~
26 **MUST** be developed with input from the local teacher bargaining unit
27 and the local superintendent. The redesign plan ~~shall~~**MUST** require

1 implementation of 1 of the 4 school intervention models that are
2 provided for the lowest achieving schools under the federal
3 incentive grant program created under sections 14005 and 14006 of
4 title XIV of the American recovery and reinvestment act of 2009,
5 Public Law 111-5, known as the "race to the top" grant program.
6 These models are the turnaround model, restart model, school
7 closure, and transformation model. The redesign plan ~~shall~~**MUST**
8 include an executed addendum to each applicable collective
9 bargaining agreement in effect for the public school that meets the
10 requirements of subsection (8).

11 (3) Within 30 days after receipt of a redesign plan for a
12 public school under subsection (2), the state school
13 reform/redesign officer shall issue an order approving,
14 disapproving, or making changes to the redesign plan. If the order
15 makes changes to the redesign plan, the school board or board of
16 directors has 30 days after the order to change the redesign plan
17 to incorporate those changes into the redesign plan and resubmit it
18 to the state school reform/redesign officer for approval or
19 disapproval.

20 (4) The state school reform/redesign officer shall not
21 disapprove a redesign plan that includes all of the elements
22 required under federal law for the school intervention model
23 included in the redesign plan. A school board or board of directors
24 may appeal disapproval of a redesign plan on this basis to the
25 superintendent of public instruction. The decision of the
26 superintendent of public instruction on the appeal is final.

27 (5) If the state school reform/redesign officer approves a

1 redesign plan under this section, the school board or board of
2 directors shall implement the redesign plan for the public school
3 beginning with the beginning of the next school year that begins
4 after the approval. The school board or board of directors shall
5 regularly submit monitoring reports to the state school
6 reform/redesign officer on the implementation and results of the
7 plan in the form and manner, and according to a schedule, as
8 determined by the state school reform/redesign officer.

9 (6) The state school reform/redesign school district is
10 created. The state school reform/redesign school district is a
11 school district for the purposes of section 11 of article IX of the
12 state constitution of 1963 and for receiving state school aid under
13 the state school aid act of 1979 and is subject to the leadership
14 and general supervision of the state board over all public
15 education under section 3 of article VIII of the state constitution
16 of 1963. The state school reform/redesign school district is a body
17 corporate and is a governmental agency. Except as otherwise
18 provided in subsection (7), if the state school reform/redesign
19 officer does not approve the redesign plan, or if the state school
20 reform/redesign officer determines that the redesign plan is not
21 achieving satisfactory results, the state school reform/redesign
22 officer shall issue an order placing the public school in the state
23 school reform/redesign school district, imposing for the public
24 school implementation of 1 of the 4 school intervention models
25 described in subsection (2) beginning with the beginning of the
26 next school year, and imposing an addendum to each applicable
27 collective bargaining agreement in effect for the public school as

1 necessary to implement the school intervention model and that meets
2 the requirements of subsection (8). All of the following apply to
3 the state school reform/redesign school district:

4 (a) The state school reform/redesign school district ~~shall~~
5 ~~consist~~**CONSISTS** of schools that are placed in the state school
6 reform/redesign school district.

7 (b) The state school reform/redesign officer shall act as the
8 superintendent of the state school reform/redesign school district.
9 With respect to schools placed in the state school reform/redesign
10 school district, the state school reform/redesign officer has all
11 of the powers and duties described in this section; all of the
12 provisions of this act that would otherwise apply to the school
13 board that previously operated a school placed in the state school
14 reform/redesign school district apply to the state school
15 reform/redesign officer with respect to that school, except those
16 relating to taxation or borrowing; except as otherwise provided in
17 this section, the state school reform/redesign officer may exercise
18 all the powers and duties otherwise vested by law in the school
19 board that previously operated a school placed in the state school
20 reform/redesign school district and in its officers, except those
21 relating to taxation or borrowing, and may exercise all additional
22 powers and duties provided under this section; and, except as
23 otherwise provided in this section, the state school
24 reform/redesign officer accedes to all the rights, duties, and
25 obligations of the school board with respect to that school. These
26 powers, rights, duties, and obligations include, but are not
27 limited to, all of the following:

1 (i) Authority over the expenditure of all funds attributable
2 to pupils at that school, including that portion of proceeds from
3 bonded indebtedness and other funds dedicated to capital projects
4 that would otherwise be apportioned to that school by the school
5 board that previously operated the school according to the terms of
6 the bond issue or financing documents.

7 (ii) Subject to subsection (8), rights and obligations under
8 collective bargaining agreements and employment contracts entered
9 into by the school board for employees at the school.

10 (iii) Rights to prosecute and defend litigation.

11 (iv) Rights and obligations under statute, rule, and common
12 law.

13 (v) Authority to delegate any of the state school
14 reform/redesign officer's powers and duties to 1 or more designees,
15 with proper supervision by the state school reform/redesign
16 officer.

17 (vi) Power to terminate any contract or portion of a contract
18 entered into by the school board that applies to that school.
19 However, this subsection does not allow any termination or
20 diminishment of obligations to pay debt service on legally
21 authorized bonds and does not allow a collective bargaining
22 agreement to be affected except as provided under subsection (8). A
23 contract terminated by the state school reform/redesign officer
24 under this subsection is void.

25 (7) If the state school reform/redesign officer determines
26 that better educational results are likely to be achieved by
27 appointing a chief executive officer to take control of multiple

1 public schools, the state school reform/redesign officer may make a
2 recommendation to the superintendent of public instruction for
3 appointment of a chief executive officer to take control over those
4 multiple schools. If the superintendent of public instruction
5 appoints a chief executive officer to take control of multiple
6 public schools under this subsection, the chief executive officer
7 shall impose for those public schools implementation of 1 of the 4
8 school intervention models described in subsection (2) and impose
9 an addendum to each applicable collective bargaining agreement in
10 effect for those public schools as necessary to implement the
11 school intervention model and that meets the requirements of
12 subsection (8). With respect to those public schools, the chief
13 executive officer has all of the same powers and duties that the
14 state school reform/redesign officer has for public schools placed
15 in the state school reform/redesign school district under
16 subsection (6). The chief executive officer shall regularly submit
17 monitoring reports to the state school reform/redesign officer on
18 the implementation and results of the intervention model in the
19 form and manner, and according to a schedule, as determined by the
20 state school reform/redesign officer. The chief executive officer
21 shall exercise any other powers or duties over the public schools
22 as may be directed by the superintendent of public instruction.

23 (8) An addendum to a collective bargaining agreement under
24 this section ~~shall~~**MUST** provide for any of the following that are
25 necessary for the applicable school intervention model to be
26 implemented at each affected public school:

27 (a) That any contractual or other seniority system that would

1 otherwise be applicable ~~shall~~**DOES** not apply at the public school.
2 This subdivision does not allow unilateral changes in pay scales or
3 benefits.

4 (b) That any contractual or other work rules that are
5 impediments to implementing the redesign plan ~~shall~~**DO** not apply at
6 the public school. This subdivision does not allow unilateral
7 changes in pay scales or benefits.

8 (c) That the state school reform/redesign officer shall direct
9 the expenditure of all funds attributable to pupils at the public
10 school and the principal or other school leader designated by the
11 state school reform/redesign officer shall have full autonomy and
12 control over curriculum and discretionary spending at the public
13 school.

14 (9) The superintendent of public instruction shall hire a
15 state school reform/redesign officer to carry out the functions
16 under this section and as otherwise prescribed by law. The state
17 school reform/redesign officer ~~shall~~**MUST** be chosen solely on the
18 basis of his or her competence and experience in educational reform
19 and redesign. The state school reform/redesign officer is exempt
20 from civil service. The state school reform/redesign officer is
21 responsible directly to the superintendent of public instruction to
22 ensure that the purposes of this section are carried out, and
23 accordingly the position of state school reform/redesign officer
24 should be a position within the department that is exempt from the
25 classified state civil service. The department shall request that
26 the civil service commission establish the position of state school
27 reform/redesign officer as a position that is exempt from the

1 classified state civil service.

2 (10) If the state school reform/redesign officer imposes the
3 restart model for a public school in the state school
4 reform/redesign school district, or a chief executive officer under
5 subsection (7) imposes the restart model for multiple public
6 schools under that subsection, all of the following apply:

7 (a) The state school reform/redesign officer or chief
8 executive officer shall enter into an agreement with an educational
9 management organization to manage and operate the public school or
10 schools. The state school reform/redesign officer or chief
11 executive officer shall provide sufficient oversight to ensure that
12 the public school or schools will be operated according to all of
13 the requirements for a restart model.

14 (b) There shall be considered to be no collective bargaining
15 agreement in effect that applies to employees working at the public
16 school or schools under this model at the time of imposition of the
17 model.

18 (11) If the state school reform/redesign officer imposes the
19 turnaround model for a public school in the state school
20 reform/redesign school district, or a chief executive officer under
21 subsection (7) imposes the turnaround model for multiple public
22 schools under that subsection, all of the following apply:

23 (a) A collective bargaining agreement that applies to
24 employees working at the public school or schools under this model
25 at the time of imposition of the model, and any successor
26 collective bargaining agreement, continues to apply with respect to
27 pay scales and benefits.

1 (b) Subject to any addendum to the collective bargaining
2 agreement that applies to the public school or schools, an employee
3 who is working at the public school or schools and who was
4 previously employed in the same school district that previously
5 operated that school shall continue to retain and accrue seniority
6 rights in that school district according to the collective
7 bargaining agreement that applies to employees of that school
8 district.

9 (12) If more than 9 public schools operated by a school
10 district are on the list under subsection (1), the transformation
11 model may not be implemented for more than 50% of those schools.

12 (13) If the state school reform/redesign officer determines
13 that a public school that is subject to the measures under
14 subsection (6) or (7) has made significant improvement in pupil
15 achievement and should be released from the measures that have been
16 imposed under subsection (6) or (7), the state school
17 reform/redesign officer may recommend this to the superintendent of
18 public instruction. If the superintendent of public instruction
19 agrees with the determination and recommendation, the
20 superintendent of public instruction may release the public school
21 from the measures that have been imposed under subsection (6) or
22 (7).

23 (14) At least annually, the state school reform/redesign
24 officer shall submit a report to the standing committees of the
25 senate and house of representatives having jurisdiction over
26 education legislation on the progress being made in improving pupil
27 proficiency due to the measures under this section.

1 (15) As soon as practicable after the federal ~~department of~~
2 ~~education~~ **DEPARTMENT OF EDUCATION** has adopted the final work rules
3 and formula for identifying the lowest achieving 5% of all public
4 schools in this state for the purposes of the federal incentive
5 grant program created under sections 14005 and 14006 of title XIV
6 of the American recovery and reinvestment act of 2009, Public Law
7 111-5, known as the "race to the top" grant program, the department
8 shall post all of the following on its website:

9 (a) The federal work rules and formula.

10 (b) A list of the public schools in this state that have been
11 identified for these purposes as being among the lowest achieving
12 5% of all public schools in this state. The department shall update
13 this list as it considers appropriate.

14 (16) If a school that is included on the list under subsection
15 (1) is operated by a school district in which an emergency manager
16 **OR A FINANCIAL MANAGEMENT TEAM** is in place under the ~~local~~
17 ~~government and school district fiscal accountability act,~~ **LOCAL**
18 **FINANCIAL STABILITY AND CHOICE ACT, 2012 PA 436, MCL 141.1541 TO**
19 **141.1575**, then the superintendent of public instruction shall not
20 issue an order placing the school under the supervision of the
21 state school reform/redesign officer.

22 Enacting section 1. This amendatory act takes effect 90 days
23 after the date it is enacted into law.

24 Enacting section 2. This amendatory act does not take effect
25 unless Senate Bill No. ____ or House Bill No. 5337 (request no.
26 03826'17) of the 99th Legislature is enacted into law.