

**SUBSTITUTE FOR
HOUSE BILL NO. 5231**

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending section 503 (MCL 380.503), as amended by 2023 PA 34.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 503. (1) An authorizing body is not required to issue a
2 contract to any person or entity. Subject to subsection (2), public
3 school academy contracts must be issued on a competitive basis. In
4 deciding whether to issue a contract for a proposed public school
5 academy, an authorizing body shall consider all of the following:
- 6 (a) The resources available for the proposed public school
7 academy.
- 8 (b) The population to be served by the proposed public school
9 academy.

1 (c) The educational goals to be achieved by the proposed
2 public school academy.

3 (d) The applicant's track record, if any, in organizing public
4 school academies or other public schools.

5 (e) The graduation rate of a school district in which the
6 proposed public school academy is proposed to be located.

7 (f) The population of a county in which the proposed public
8 school academy is proposed to be located.

9 (g) The number of schools in the proximity of a proposed
10 location of the proposed public school academy that are on the list
11 under federal accountability requirements as provided under the
12 every student succeeds act, Public Law 114-95, of the public
13 schools in this state determined to be among the lowest achieving
14 5% of public schools in this state.

15 (h) The number of pupils on waiting lists of public school
16 academies in the proximity of a proposed location of the proposed
17 public school academy.

18 (2) An authorizing body may give priority to a proposed public
19 school academy that is intended to replace a public school academy
20 that has been closed ~~pursuant to~~ **under** section 507(5), that will
21 operate all of the same grade levels as the public school academy
22 that has been closed, and that will work toward operating all of
23 grades 9 to 12 within 6 years after it begins operations unless a
24 matriculation agreement has been entered into with another public
25 school that provides grades 9 to 12.

26 (3) If a person or entity applies to the board of a school
27 district for a contract to organize and operate 1 or more public
28 school academies within the boundaries of the school district and
29 the board does not issue the contract, the person or entity may

1 petition the board to place the question of issuing the contract on
2 the ballot to be decided by the school electors of the school
3 district. The petition must contain all of the information required
4 to be in the contract application under section 502 and must be
5 signed by a number of school electors of the school district equal
6 to at least 5% of the total number of school electors of that
7 school district. The petition must be filed with the school
8 district filing official. If the board receives a petition meeting
9 the requirements of this subsection, the board shall have the
10 question of issuing the contract placed on the ballot at its next
11 regular school election held at least 60 days after receiving the
12 petition. If a majority of the school electors of the school
13 district voting on the question vote to issue the contract, the
14 board shall issue the contract.

15 (4) Within 10 days after issuing a contract for a public
16 school academy, the authorizing body shall submit to the
17 superintendent of public instruction a copy of the contract.

18 (5) An authorizing body shall adopt a resolution establishing
19 the method of selection, length of term, and number of members of
20 the board of directors of each public school academy subject to its
21 jurisdiction. The resolution must be written or amended as
22 necessary to include a requirement that each member of the board of
23 directors must be a citizen of the United States.

24 (6) A contract issued to organize and administer a public
25 school academy must contain at least all of the following:

26 (a) The educational goals the public school academy is to
27 achieve and the methods by which it will be held accountable. The
28 educational goals must include demonstrated improved pupil academic
29 achievement for all groups of pupils. To the extent applicable, the

1 pupil performance of a public school academy must be assessed using
2 at least the Michigan student test of educational progress (M-STEP)
3 or the Michigan merit examination under section 1279g, as
4 applicable.

5 (b) A description of the method to be used to monitor the
6 public school academy's compliance with applicable law and its
7 performance in meeting its targeted educational objectives.

8 (c) A description of the process for amending the contract
9 during the term of the contract.

10 (d) All of the matters set forth in the application for the
11 contract.

12 (e) Procedures for revoking the contract and grounds for
13 revoking the contract, including at least the grounds listed in
14 section 507.

15 (f) A description of and address for the proposed physical
16 plant in which the public school academy will be located. An
17 authorizing body may include a provision in the contract allowing
18 the board of directors of the public school academy to operate the
19 same configuration of age or grade levels at more than 1 site if
20 each configuration of age or grade levels and each site identified
21 in the contract are under the direction and control of the board of
22 directors.

23 (g) Requirements and procedures for financial audits. The
24 financial audits ~~shall~~**must** be conducted at least annually by a
25 certified public accountant in accordance with generally accepted
26 governmental auditing principles.

27 (h) The term of the contract and a description of the process
28 and standards for renewal of the contract at the end of the term.
29 The standards for renewal must include increases in academic

1 achievement for all groups of pupils as measured by assessments and
2 other objective criteria as the most important factor in the
3 decision of whether ~~or not~~ to renew the contract.

4 (i) A certification, signed by an authorized member of the
5 board of directors of the public school academy, that the public
6 school academy will comply with the contract and all applicable
7 law.

8 (j) A requirement that the board of directors of the public
9 school academy ~~shall~~ ensure compliance with the requirements of
10 1968 PA 317, MCL 15.321 to 15.330.

11 (k) A requirement that the board of directors of the public
12 school academy ~~shall~~ prohibit specifically identified family
13 relationships between members of the board of directors,
14 individuals who have an ownership interest in or who are officers
15 or employees of an educational management organization involved in
16 the operation of the public school academy, and employees of the
17 public school academy. The contract must identify the specific
18 prohibited relationships consistent with applicable law.

19 (l) A requirement that the board of directors of the public
20 school academy ~~shall~~ make information concerning its operation and
21 management available to the public and to the authorizing body in
22 the same manner as is required by state law for school districts.

23 (m) A requirement that the board of directors of the public
24 school academy ~~shall~~ collect, maintain, and make available to the
25 public and the authorizing body, in accordance with applicable law
26 and the contract, at least all of the following information
27 concerning the operation and management of the public school
28 academy:

29 (i) A copy of the contract issued by the authorizing body for

1 the public school academy.

2 (ii) A list of currently serving members of the board of
3 directors of the public school academy, including name, address,
4 and term of office; copies of policies approved by the board of
5 directors; board meeting agendas and minutes; a copy of the budget
6 approved by the board of directors and of any amendments to the
7 budget; and copies of bills paid for amounts of \$10,000.00 or more
8 as they were submitted to the board of directors.

9 (iii) Quarterly financial reports submitted to the authorizing
10 body.

11 (iv) A current list of teachers and school administrators
12 working at the public school academy that includes their individual
13 salaries as submitted to the registry of educational personnel;
14 copies of the teaching or school administrator's certificates or
15 permits of current teaching and administrative staff; and evidence
16 of compliance with the criminal background and records checks and
17 unprofessional conduct check required under sections 1230, 1230a,
18 and 1230b for all teachers and administrators working at the public
19 school academy.

20 (v) Curriculum documents and materials given to the
21 authorizing body.

22 (vi) Proof of insurance as required by the contract.

23 (vii) Copies of facility leases or deeds, or both, and of any
24 equipment leases.

25 (viii) Copies of any management contracts or services contracts
26 approved by the board of directors.

27 (ix) All health and safety reports and certificates, including
28 those relating to fire safety, environmental matters, asbestos
29 inspection, boiler inspection, and food service.

1 (x) Any management letters issued as part of the annual
2 financial audit under subdivision (g).

3 (xi) Any other information specifically required under this
4 act.

5 (n) A requirement that the authorizing body must review and
6 may disapprove any agreement between the board of directors of the
7 public school academy and an educational management organization
8 before the agreement is final and valid. An authorizing body may
9 disapprove an agreement described in this subdivision only if the
10 agreement is contrary to the contract or applicable law.

11 (o) A requirement that the board of directors of the public
12 school academy ~~shall~~ demonstrate all of the following to the
13 satisfaction of the authorizing body with regard to its pupil
14 admission process:

15 (i) That the public school academy has made a reasonable effort
16 to advertise its enrollment openings.

17 (ii) That the open enrollment period for the public school
18 academy is for a duration of at least 2 weeks and that the
19 enrollment times include some evening and weekend times.

20 (p) A requirement that the board of directors of the public
21 school academy ~~shall~~ prohibit any individual from being employed by
22 the public school academy in more than 1 full-time position and
23 simultaneously being compensated at a full-time rate for each of
24 those positions.

25 **(q) For a contract that is entered into, extended, renewed, or**
26 **modified on or after the effective date of the amendatory act that**
27 **added this subdivision, a requirement that the names of the**
28 **authorizing body and the primary educational management**
29 **organization, if applicable, must appear and be verbally provided,**

1 as applicable, on all of the following:

2 (i) Unless prohibited by a local ordinance or local zoning
3 authority, signage that is on the public school academy's property
4 and is erected, repaired, or installed on or after the effective
5 date of the amendatory act that added this subdivision.

6 (ii) Promotional material that is created, modified, or
7 distributed on or after the effective date of the amendatory act
8 that added this subdivision.

9 (iii) The footer of the public school academy's website pages.

10 (iv) The school application that a student must submit to
11 enroll in the public school academy.

12 (7) A public school academy shall comply with all applicable
13 law, including all of the following:

14 (a) The open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

15 (b) The freedom of information act, 1976 PA 442, MCL 15.231 to
16 15.246.

17 (c) 1947 PA 336, MCL 423.201 to 423.217.

18 (d) Sections 1134, 1135, 1146, 1153, 1263(3), 1267, and 1274.

19 (e) Laws concerning participation in state assessments, data
20 collection systems, state level student growth models, state
21 accountability and accreditation systems, and other public
22 comparative data collection required for public schools.

23 (8) A public school academy and its incorporators, board
24 members, officers, employees, and volunteers have governmental
25 immunity as provided in section 7 of 1964 PA 170, MCL 691.1407. An
26 authorizing body and its board members, officers, and employees are
27 immune from civil liability, both personally and professionally,
28 for an act or omission in authorizing a public school academy if
29 the authorizing body or the person acted or reasonably believed he

1 ~~or she~~ **the person** acted within the authorizing body's or the
2 person's scope of authority.

3 (9) A public school academy is exempt from all taxation on its
4 earnings and property. Instruments of conveyance to or from a
5 public school academy are exempt from all taxation including taxes
6 imposed by 1966 PA 134, MCL 207.501 to 207.513. Unless the property
7 is already fully exempt from real and personal property taxes under
8 the general property tax act, 1893 PA 206, MCL 211.1 to 211.155,
9 property occupied by a public school academy and used exclusively
10 for educational purposes is exempt from real and personal property
11 taxes levied for school operating purposes under section 1211, to
12 the extent exempted under that section, and from real and personal
13 property taxes levied under the state education tax act, 1993 PA
14 331, MCL 211.901 to 211.906. A public school academy may not levy
15 ad valorem property taxes or another tax for any purpose. However,
16 operation of 1 or more public school academies by a school district
17 or intermediate school district does not affect the ability of the
18 school district or intermediate school district to levy ad valorem
19 property taxes or another tax.

20 (10) A public school academy may acquire by purchase, gift,
21 devise, lease, sublease, installment purchase agreement, land
22 contract, option, or by any other means, hold and own in its own
23 name buildings and other property for school purposes, and
24 interests therein, and other real and personal property, including,
25 but not limited to, interests in property subject to mortgages,
26 security interests, or other liens, necessary or convenient to
27 fulfill its purposes. For the purposes of condemnation, a public
28 school academy may proceed under the uniform condemnation
29 procedures act, 1980 PA 87, MCL 213.51 to 213.75, excluding

1 sections 6 to 9 of ~~that act,~~ **the uniform condemnation procedures**
2 **act, 1980 PA 87**, MCL 213.56 to 213.59, or other applicable
3 statutes, but only with the express, written permission of the
4 authorizing body in each instance of condemnation and only after
5 just compensation has been determined and paid.

6 (11) A member of the board of directors of a public school
7 academy is a public officer and shall, before entering upon the
8 duties of the office, take the constitutional oath of office for
9 public officers under section 1 of article XI of the state
10 constitution of 1963.

11 (12) As used in this section:

12 (a) "Educational management organization" means that term as
13 defined in section 503c.

14 (b) "Primary educational management organization" means an
15 educational management organization that is responsible for both of
16 the following:

17 (i) Administrative services or staff.

18 (ii) Educational and instructional services or staff.

19 (c) "Promotional material" means any of the following:

20 (i) Billboards.

21 (ii) Internet advertisements.

22 (iii) Television advertisements.

23 (iv) Radio advertisements.