

**SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 4369**

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 2012 PA 1 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  
8 payment of notes issued under this section. A pledge of state  
9 school aid by a school district or intermediate school district for

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

11 (2) A school district or intermediate school district for  
12 which an emergency manager has been appointed pursuant to the ~~local~~  
13 ~~government and school district fiscal accountability act, 2011 PA~~  
14 ~~4, MCL 141.1501 to 141.1531,~~ **LOCAL FINANCIAL STABILITY AND CHOICE**  
15 **ACT, 2012 PA 436, MCL 141.1541 TO 141.1575,** or a school district or  
16 intermediate school district that has an approved deficit  
17 elimination plan under section 102 of the state school aid act of  
18 1979, MCL 388.1702, may enter into an agreement with the Michigan  
19 finance authority in accordance with section 17a(4) of the state  
20 school aid act of 1979, MCL 388.1617a, providing for the direct  
21 payment on behalf of the school district or intermediate school  
22 district to the Michigan finance authority, or to a trustee  
23 designated by the Michigan finance authority, of state school aid  
24 pledged and to be used for the sole purpose of paying the principal  
25 of and interest on the notes issued pursuant to this section and  
26 secured by state school aid.

27 (3) Notes issued under this section shall become due not later

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

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

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

25 (6) Notes issued under this section are subject to the revised  
26 municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.  
27 Failure of a school district or intermediate school district to

1 receive state school aid does not affect the validity or  
2 enforceability of a note issued under this section.

3 (7) A school board or intermediate school board may make more  
4 than 1 borrowing under this section during a school year.

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

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1 application, the state treasurer shall include the reasons for  
2 disapproval in the notification to the school board or intermediate  
3 school board.

4 (9) AS USED IN THIS SECTION:

5 (A) "SCHOOL BOARD" INCLUDES THE GOVERNING BODY OF A PUBLIC  
6 BODY AUTHORIZED TO PERFORM THE FUNCTIONS AND RESPONSIBILITIES OF  
7 THE STATE SCHOOL REFORM/REDESIGN SCHOOL DISTRICT CREATED UNDER  
8 SECTION 1280C AND ELIGIBLE TO RECEIVE A PER-PUPIL ALLOCATION FOR  
9 PUPILS IN MEMBERSHIP IN A PUBLIC SCHOOL OPERATED OR AUTHORIZED BY  
10 THE PUBLIC BODY AS CALCULATED UNDER SECTION 20 OF THE STATE SCHOOL

11 AID ACT OF 1979, 1979 PA 94, MCL 388.1620 <<IF THE DEPARTMENT OF TREASURY  
DETERMINES THAT THE PUBLIC BODY IS SUBJECT TO THE FREEDOM OF INFORMATION  
ACT, 1976 PA 442, MCL 15.231 TO MCL 15.246, THE OPEN MEETINGS ACT, 1976  
PA 267, MCL 15.261 TO MCL 15.275, HAS A CONFLICT OF INTEREST POLICY IN  
PLACE FOR MEMBERS OF THE GOVERNING BODY AND SUPERVISORY EMPLOYEES OF THE  
PUBLIC BODY, IS REQUIRED TO PREPARE AN ANNUAL FINANCIAL AUDIT, FOLLOWS  
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR GOVERNMENTAL ENTITIES, AND  
MAINTAINS A PUBLIC WEBSITE ON WHICH IT DISCLOSED ITS ANNUAL BUDGET.>>

12 (B) "SCHOOL DISTRICT" INCLUDES A PUBLIC BODY AUTHORIZED TO  
13 PERFORM THE FUNCTIONS AND RESPONSIBILITIES OF THE STATE SCHOOL  
14 REFORM/REDESIGN SCHOOL DISTRICT CREATED UNDER SECTION 1280C AND  
15 ELIGIBLE TO RECEIVE A PER-PUPIL ALLOCATION FOR PUPILS IN MEMBERSHIP  
16 IN A PUBLIC SCHOOL OPERATED OR AUTHORIZED BY THE PUBLIC BODY AS  
17 CALCULATED UNDER SECTION 20 OF THE STATE SCHOOL AID ACT OF 1979,  
18 1979 PA 94, MCL 388.1620 <<IF THE DEPARTMENT OF TREASURY DETERMINES THAT  
THE PUBLIC BODY IS SUBJECT TO THE FREEDOM OF INFORMATION ACT, 1976 PA  
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EMPLOYEES OF THE PUBLIC BODY, IS REQUIRED TO PREPARE AN ANNUAL FINANCIAL  
AUDIT, FOLLOWS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR GOVERNMENTAL  
ENTITIES, AND MAINTAINS A PUBLIC WEBSITE ON WHICH IT DISCLOSES ITS ANNUAL  
BUDGET.>>

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

27 (2) Except as otherwise provided in subsection (16), the

1 superintendent of public instruction shall issue an order placing  
2 each public school that is included on the list under subsection  
3 (1) under the supervision of the state school reform/redesign  
4 officer described in subsection (9). Within 90 days after a public  
5 school is placed under the supervision of the state school  
6 reform/redesign officer under this section, the school board or  
7 board of directors operating the public school shall submit a  
8 redesign plan to the state school reform/redesign officer. For a  
9 public school operated by a school board, the redesign plan shall  
10 be developed with input from the local teacher bargaining unit and  
11 the local superintendent. The redesign plan shall require  
12 implementation of 1 of the 4 school intervention models that are  
13 provided for the lowest achieving schools under the federal  
14 incentive grant program created under sections 14005 and 14006 of  
15 title XIV of the American recovery and reinvestment act of 2009,  
16 Public Law 111-5, known as the "race to the top" grant program.  
17 These models are the turnaround model, restart model, school  
18 closure, and transformation model. The redesign plan shall include  
19 an executed addendum to each applicable collective bargaining  
20 agreement in effect for the public school that meets the  
21 requirements of subsection (8).

22 (3) Within 30 days after receipt of a redesign plan for a  
23 public school under subsection (2), the state school  
24 reform/redesign officer shall issue an order approving,  
25 disapproving, or making changes to the redesign plan. If the order  
26 makes changes to the redesign plan, the school board or board of  
27 directors has 30 days after the order to change the redesign plan

1 to incorporate those changes into the redesign plan and resubmit it  
2 to the state school reform/redesign officer for approval or  
3 disapproval.

4 (4) The state school reform/redesign officer shall not  
5 disapprove a redesign plan that includes all of the elements  
6 required under federal law for the school intervention model  
7 included in the redesign plan. A school board or board of directors  
8 may appeal disapproval of a redesign plan on this basis to the  
9 superintendent of public instruction. The decision of the  
10 superintendent of public instruction on the appeal is final.

11 (5) If the state school reform/redesign officer approves a  
12 redesign plan under this section, the school board or board of  
13 directors shall implement the redesign plan for the public school  
14 beginning with the beginning of the next school year that begins  
15 after the approval. The school board or board of directors shall  
16 regularly submit monitoring reports to the state school  
17 reform/redesign officer on the implementation and results of the  
18 plan in the form and manner, and according to a schedule, as  
19 determined by the state school reform/redesign officer.

20 (6) The state school reform/redesign school district is  
21 created. The state school reform/redesign school district is a  
22 school district for the purposes of section 11 of article IX of the  
23 state constitution of 1963 and for receiving state school aid under  
24 the state school aid act of 1979 and is subject to the leadership  
25 and general supervision of the state board over all public  
26 education under section 3 of article VIII of the state constitution  
27 of 1963. The state school reform/redesign school district is a body

1 corporate and is a governmental agency. Except as otherwise  
2 provided in subsection (7), if the state school reform/redesign  
3 officer does not approve the redesign plan, or if the state school  
4 reform/redesign officer determines that the redesign plan is not  
5 achieving satisfactory results, the state school reform/redesign  
6 officer shall issue an order placing the public school in the state  
7 school reform/redesign school district, imposing for the public  
8 school implementation of 1 of the 4 school intervention models  
9 described in subsection (2) beginning with the beginning of the  
10 next school year, and imposing an addendum to each applicable  
11 collective bargaining agreement in effect for the public school as  
12 necessary to implement the school intervention model and that meets  
13 the requirements of subsection (8). **WHEN DETERMINING WHETHER A**  
14 **REDESIGN PLAN IS ACHIEVING SATISFACTORY RESULTS UNDER THIS**  
15 **SUBSECTION, THE STATE SCHOOL REFORM/REDESIGN OFFICER SHALL PLACE**  
16 **THE HIGHEST PRIORITY ON ADDRESSING UNSATISFACTORY RESULTS AT PUBLIC**  
17 **SCHOOLS WITH PUPILS IN GRADES K TO 8. AN ORDER UNDER THIS SECTION**  
18 **PLACING A PUBLIC SCHOOL IN THE STATE SCHOOL REFORM/REDESIGN SCHOOL**  
19 **DISTRICT MAY NOT BE ISSUED BEFORE JANUARY 1, 2015, AND MAY NOT TAKE**  
20 **EFFECT BEFORE JULY 1, 2015.** All of the following apply to the state  
21 school reform/redesign school district:

22 (a) The state school reform/redesign school district shall  
23 consist of schools that are placed in the state school  
24 reform/redesign school district.

25 (b) The state school reform/redesign officer shall act as the  
26 superintendent of the state school reform/redesign school district.  
27 With respect to schools placed in the state school reform/redesign



1 school district, the state school reform/redesign officer has all  
2 of the powers and duties described in this section; all of the  
3 provisions of this act that would otherwise apply to the school  
4 board that previously operated a school placed in the state school  
5 reform/redesign school district apply to the state school  
6 reform/redesign officer with respect to that school, except those  
7 relating to taxation or borrowing; except as otherwise provided in  
8 this section, the state school reform/redesign officer may exercise  
9 all the powers and duties otherwise vested by law in the school  
10 board that previously operated a school placed in the state school  
11 reform/redesign school district and in its officers, except those  
12 relating to taxation or borrowing, and may exercise all additional  
13 powers and duties provided under this section; and, except as  
14 otherwise provided in this section, the state school  
15 reform/redesign officer accedes to all the rights, duties, and  
16 obligations of the school board with respect to that school. These  
17 powers, rights, duties, and obligations include, but are not  
18 limited to, all of the following:

19 (i) Authority over the expenditure of all funds attributable to  
20 pupils at that school, including that portion of proceeds from  
21 bonded indebtedness and other funds dedicated to capital projects  
22 that would otherwise be apportioned to that school by the school  
23 board that previously operated the school according to the terms of  
24 the bond issue or financing documents.

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

1 (iii) Rights to prosecute and defend litigation.

2 (iv) Rights and obligations under statute, rule, and common  
3 law.

4 (v) Authority to delegate any of the state school  
5 reform/redesign officer's powers and duties to 1 or more designees,  
6 with proper supervision by the state school reform/redesign  
7 officer.

8 (vi) Power to terminate any contract or portion of a contract  
9 entered into by the school board that applies to that school.

10 However, this subsection does not allow any termination or  
11 diminishment of obligations to pay debt service on legally  
12 authorized bonds and does not allow a collective bargaining  
13 agreement to be affected except as provided under subsection (8). A  
14 contract terminated by the state school reform/redesign officer  
15 under this subsection is void.

16 (7) If the state school reform/redesign officer determines  
17 that better educational results are likely to be achieved by  
18 appointing a chief executive officer to take control of multiple  
19 public schools, the state school reform/redesign officer may make a  
20 recommendation to the superintendent of public instruction for  
21 appointment of a chief executive officer to take control over those  
22 multiple schools. If the superintendent of public instruction  
23 appoints a chief executive officer to take control of multiple  
24 public schools under this subsection, the chief executive officer  
25 shall impose for those public schools implementation of 1 of the 4  
26 school intervention models described in subsection (2) and impose  
27 an addendum to each applicable collective bargaining agreement in

1 effect for those public schools as necessary to implement the  
2 school intervention model and that meets the requirements of  
3 subsection (8). With respect to those public schools, the chief  
4 executive officer has all of the same powers and duties that the  
5 state school reform/redesign officer has for public schools placed  
6 in the state school reform/redesign school district under  
7 subsection (6). The chief executive officer shall regularly submit  
8 monitoring reports to the state school reform/redesign officer on  
9 the implementation and results of the intervention model in the  
10 form and manner, and according to a schedule, as determined by the  
11 state school reform/redesign officer. The chief executive officer  
12 shall exercise any other powers or duties over the public schools  
13 as may be directed by the superintendent of public instruction.

14 (8) An addendum to a collective bargaining agreement under  
15 this section shall provide for any of the following that are  
16 necessary for the applicable school intervention model to be  
17 implemented at each affected public school:

18 (a) That any contractual or other seniority system that would  
19 otherwise be applicable shall not apply at the public school. This  
20 subdivision does not allow unilateral changes in pay scales or  
21 benefits.

22 (b) That any contractual or other work rules that are  
23 impediments to implementing the redesign plan shall not apply at  
24 the public school. This subdivision does not allow unilateral  
25 changes in pay scales or benefits.

26 (c) That the state school reform/redesign officer shall direct  
27 the expenditure of all funds attributable to pupils at the public

1 school and the principal or other school leader designated by the  
2 state school reform/redesign officer shall have full autonomy and  
3 control over curriculum and discretionary spending at the public  
4 school.

5 (9) The superintendent of public instruction shall hire a  
6 state school reform/redesign officer to carry out the functions  
7 under this section and as otherwise prescribed by law. The state  
8 school reform/redesign officer shall be chosen solely on the basis  
9 of his or her competence and experience in educational reform and  
10 redesign. The state school reform/redesign officer is exempt from  
11 civil service. The state school reform/redesign officer is  
12 responsible directly to the superintendent of public instruction to  
13 ensure that the purposes of this section are carried out, and  
14 accordingly the position of state school reform/redesign officer  
15 should be a position within the department that is exempt from the  
16 classified state civil service. The department shall request that  
17 the civil service commission establish the position of state school  
18 reform/redesign officer as a position that is exempt from the  
19 classified state civil service.

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

25 (a) The **PUBLIC SCHOOL SHALL BE OPERATED BY ANOTHER PUBLIC**  
26 **SCHOOL THAT IS AUTHORIZED TO PROVIDE PUBLIC EDUCATIONAL SERVICES**  
27 **UNDER A CONTRACT WITH THE STATE SCHOOL REFORM/REDESIGN SCHOOL**

1 **DISTRICT, OR THE** state school reform/redesign officer or chief  
2 executive officer shall enter into an agreement with an educational  
3 management organization to manage and operate the public school or  
4 schools. The state school reform/redesign officer or chief  
5 executive officer shall provide sufficient oversight to ensure that  
6 the public school or schools will be operated according to all of  
7 the requirements for a restart model.

8 (b) There shall be considered to be no collective bargaining  
9 agreement in effect that applies to employees working at the public  
10 school or schools under this model at the time of imposition of the  
11 model.

12 (11) If the state school reform/redesign officer imposes the  
13 turnaround model for a public school in the state school  
14 reform/redesign school district, or a chief executive officer under  
15 subsection (7) imposes the turnaround model for multiple public  
16 schools under that subsection, all of the following apply:

17 (a) A collective bargaining agreement that applies to  
18 employees working at the public school or schools under this model  
19 at the time of imposition of the model, and any successor  
20 collective bargaining agreement, continues to apply with respect to  
21 pay scales and benefits.

22 (b) Subject to any addendum to the collective bargaining  
23 agreement that applies to the public school or schools, an employee  
24 who is working at the public school or schools and who was  
25 previously employed in the same school district that previously  
26 operated that school shall continue to retain and accrue seniority  
27 rights in that school district according to the collective

1 bargaining agreement that applies to employees of that school  
2 district.

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

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

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

22 (15) As soon as practicable after the federal department of  
23 education has adopted the final work rules and formula for  
24 identifying the lowest achieving 5% of all public schools in this  
25 state for the purposes of the federal incentive grant program  
26 created under sections 14005 and 14006 of title XIV of the American  
27 recovery and reinvestment act of 2009, Public Law 111-5, known as

1 the "race to the top" grant program, the department shall post all  
2 of the following on its website:

3 (a) The federal work rules and formula.

4 (b) A list of the public schools in this state that have been  
5 identified for these purposes as being among the lowest achieving  
6 5% of all public schools in this state. The department shall update  
7 this list as it considers appropriate.

8 (16) If a school that is included on the list under subsection  
9 (1) is operated by a school district in which an emergency manager  
10 is in place under the ~~local government and school district fiscal~~  
11 ~~accountability act,~~ **LOCAL FINANCIAL STABILITY AND CHOICE ACT, 2012**  
12 **PA 436, MCL 141.1541 TO 141.1575,** then the superintendent of public  
13 instruction shall not issue an order placing the school under the  
14 supervision of the state school reform/redesign officer. **THIS**  
15 **SUBSECTION DOES NOT PREVENT A PUBLIC SCHOOL FROM ENTERING INTO AN**  
16 **AGREEMENT OR COOPERATIVE ARRANGEMENT WITH THE STATE SCHOOL**  
17 **REFORM/REDESIGN SCHOOL DISTRICT.**

18 Enacting section 1. This amendatory act shall not be construed  
19 or considered to supersede, alter, or terminate a contract for the  
20 transfer of functions and responsibilities under 1967 (Ex Sess) PA  
21 8, MCL 124.531 to 124.536, to which the state school  
22 reform/redesign school district is a party on the effective date of  
23 this amendatory act.