

**SUBSTITUTE FOR
SENATE BILL NO. 555**

A bill to amend 2008 PA 549, entitled
"Michigan promise zone authority act,"
by amending sections 5, 7, and 11 (MCL 390.1665, 390.1667, and
390.1671), as amended by 2016 PA 9.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 5. (1) If a governing body, by resolution, establishes a
2 promise zone under section 4(5), the governing body shall, by
3 resolution, create a promise zone authority.

4 (2) An authority is a public body corporate that may sue and
5 be sued in any court of this state. An authority possesses all the
6 powers necessary to carry out its purpose. The enumeration of a
7 power in this act ~~shall~~**must** not be construed as a limitation on
8 the general powers of an authority.

1 (3) An authority shall be under the supervision and control of
2 a board. All of the following apply to the board of an authority:

3 (a) The board ~~shall consist~~ **consists** of 11 members, as
4 follows:

5 (i) Nine locally appointed members. The chief executive officer
6 of the eligible entity, with the advice and consent of the
7 governing body, shall appoint the 9 initial locally appointed
8 members of the board described in this subparagraph. If a vacancy
9 occurs in an office of a locally appointed member appointed under
10 this subparagraph, the board shall appoint a new member to fill
11 that vacancy. As used in this subparagraph, for a local school
12 district or an intermediate school district, "chief executive
13 officer" means the superintendent of that local school district or
14 intermediate school district.

15 (ii) ~~One~~ **Subject to subsection (4)**, 1 member appointed by the
16 senate majority leader.

17 (iii) ~~One~~ **Subject to subsection (4)**, 1 member appointed by the
18 speaker of the house of representatives.

19 (b) Not more than 3 members of the board ~~shall~~ **may** be
20 government officials.

21 (c) One member of the board ~~shall~~ **must** be a representative of
22 the public school community.

23 (d) The term of office of a member of the board is 4 years.
24 However, of the members first appointed, an equal number of the
25 members, as near as is practicable, ~~shall~~ **must** be appointed for 1
26 year, 2 years, 3 years, and 4 years.

27 (e) A member of the board shall hold office until the member's
28 successor is appointed.

29 (f) Members of the board shall serve without compensation, but

1 may be reimbursed for actual and necessary expenses.

2 (g) The **board shall elect the** chairperson of the board. ~~shall~~
3 ~~be elected by the board.~~

4 (4) Both of the following apply to any individual appointed to
5 the board under subsection (3) (a) (ii) or (iii) on or after the
6 effective date of the amendatory act that added this subsection:

7 (a) To be eligible for the appointment, the individual must
8 reside in the promise zone or within reasonable proximity of it.

9 (b) To continue serving as a member of the board, the
10 individual must continue to reside in the promise zone or within
11 reasonable proximity of it. For purposes of this subdivision and
12 subdivision (a), an individual resides within reasonable proximity
13 of a promise zone if the individual resides within a county
14 contiguous to the promise zone.

15 (5) ~~(4)~~—Before assuming the duties of office, a member shall
16 qualify by taking and subscribing to the constitutional oath of
17 office.

18 (6) ~~(5)~~—The proceedings and rules of the board are subject to
19 the open meetings act, 1976 PA 267, MCL 15.261 to 15.275. The board
20 shall adopt rules governing its procedure and the holding of
21 regular meetings, subject to the approval of the governing body.
22 Special meetings may be held if called in the manner provided in
23 the rules of the board.

24 (7) ~~(6)~~—After having been given notice and an opportunity to
25 be heard, a member of the board may be removed for cause by the
26 governing body.

27 (8) ~~(7)~~—A writing prepared, owned, used, in the possession of,
28 or retained by the board in the performance of an official function
29 is subject to the freedom of information act, 1976 PA 442, MCL

1 15.231 to 15.246.

2 Sec. 7. (1) A promise zone authority created under section 5
3 shall prepare a promise zone development plan.

4 (2) A promise zone development plan ~~shall~~**must** include, but is
5 not limited to, all of the following:

6 (a) A complete description of the proposed promise of
7 financial assistance. The proposed promise of financial assistance
8 ~~shall~~**must** include, but is not limited to, a promise of financial
9 assistance to all eligible students residing within the promise
10 zone and who graduate from a public high school or nonpublic high
11 school located within that promise zone, in an amount established
12 by the board to reflect the amount available for disbursement to
13 eligible students and included in the annual budget under section
14 15. The amount of **the** proposed promise of financial assistance
15 ~~shall~~**must**, at a minimum, equal or exceed the amount the board
16 determines is sufficient to pay for the qualified educational
17 expenses for an eligible student to obtain an associate degree at a
18 community or junior college in this state, and ~~shall~~**must** not
19 exceed the amount the board determines is sufficient to pay for the
20 qualified educational expenses for an eligible student to obtain a
21 bachelor's degree or its equivalent at a public postsecondary
22 institution in this state or combination of public postsecondary
23 institutions in this state, subject to any limitations authorized
24 under this section. The proposed promise of financial assistance
25 may also, at most, provide funding for an eligible student to
26 attend a private college in this state in an amount that does not
27 exceed the average amount of qualified educational expenses to
28 obtain a bachelor's degree at all public universities in this
29 state. The proposed promise of financial assistance may also

1 authorize the expenditure of funds for educational improvement
2 activities designed to increase **student** readiness for postsecondary
3 education at public schools located in the promise zone **or success**
4 **programming designed to increase student degree or certificate**
5 **attainment at postsecondary partner institutions and their entry**
6 **into the workforce.**

7 (b) A complete description of any limitation on the promise of
8 financial assistance, including, but not limited to, any of the
9 following:

10 (i) If the promise of financial assistance will be prorated
11 based on the number of years the student has resided within the
12 promise zone.

13 (ii) If the promise of financial assistance will be restricted
14 to students who have resided within or attended a public high
15 school or nonpublic high school within the promise zone for a
16 minimum number of years.

17 (iii) If the promise of financial assistance is predicated on
18 the student maintaining a minimum college grade point average and
19 carrying a minimum college credit hour classload.

20 (iv) If the promise of financial assistance is restricted to
21 attendance at 1 or more public or private postsecondary
22 institutions in this state.

23 (v) If the promise of financial assistance is limited to
24 students whose cumulative high school grade point average exceeds a
25 specified minimum. However, a board may revise, establish, or
26 eliminate a high school grade point average requirement for
27 students after it submits a promise zone development plan to the
28 department of treasury and is not required to amend the plan or
29 obtain approval from the department of treasury for that change.

1 (vi) If the promise of financial assistance is limited to
2 students who comply with requirements established by the board in
3 order to improve student progress toward degree completion.

4 (vii) If the promise of financial assistance in a promise zone
5 that encompasses more than 2 school districts is limited to
6 students who reside in and graduate from high schools located
7 within the boundaries of fewer than all of its constituent school
8 districts.

9 (c) A requirement that graduates of a public high school or
10 nonpublic high school exhaust all other known and available
11 restricted grants for qualified educational expenses for
12 postsecondary education provided by a federal, state, or local
13 governmental entity, as determined by the board.

14 (d) How the funds necessary to accomplish the promise of
15 financial assistance will be raised. Any amount received under the
16 state school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1896,
17 ~~shall~~**must** not be included as a method of raising the necessary
18 funds. The promise zone development plan ~~shall~~**must** be financed
19 from 1 or more of the following sources:

20 (i) Donations.

21 (ii) Revenues.

22 (iii) Money obtained from other sources approved by the
23 governing body or otherwise authorized by law.

24 (e) An actuarial model of how much the proposed plan is
25 estimated to cost, based on actuarial formulas developed by the
26 department of treasury.

27 (f) A complete description of the criteria and procedures by
28 which the performance of students receiving financial assistance
29 pursuant to the proposed plan will be assessed and reported. This

1 assessment and reporting methodology ~~shall~~**must** include, but is not
2 limited to, the submission of a written report by no later than
3 October 31 of each year to the department of treasury. This annual
4 report ~~shall~~**must** include the following information, which may be
5 obtained, in whole or in part, from any reliable source that
6 complies with applicable laws regarding student privacy:

7 (i) The number of students who received financial assistance
8 pursuant to the authority's approved promise zone development plan
9 during the prior academic year.

10 (ii) Of those students accounted for under subparagraph (i), the
11 number who successfully completed the following:

12 (A) A certificate or associate program.

13 (B) A bachelor's program.

14 (iii) Of those students accounted for under subparagraph (i),
15 the number who withdrew from classes during the prior academic
16 year.

17 (iv) Of those students accounted for under subparagraph (i) who
18 initially reached successful completion of more than the equivalent
19 of 23 semester credits during the prior academic year, the average
20 time to successfully complete the equivalent of 24 semester
21 credits.

22 (v) The 6-year graduation rate for recipients of financial
23 assistance pursuant to the authority's approved promise zone
24 development plan.

25 (3) The proposed promise of financial assistance under
26 subsection (2) ~~shall~~**must** not include funding for attendance at a
27 public or private postsecondary institution not located in this
28 state.

29 (4) The board shall submit the promise zone development plan

1 to the department of treasury within 5 years after the eligibility
2 to establish the promise zone was certified by the department of
3 treasury under section 4(4). If a promise zone development plan is
4 not submitted within this time frame, the department of treasury
5 may dissolve the promise zone. The promise zone development plan
6 ~~shall~~**must** be published on the website of the eligible entity that
7 established the promise zone.

8 (5) The department of treasury shall review the promise zone
9 development plan submitted under subsection (4). Not more than 60
10 days after receipt of a promise zone development plan submitted
11 under subsection (4), the department of treasury shall either
12 approve the promise zone development plan or provide a written
13 notice of deficiencies. If the department of treasury does not
14 approve a promise zone development plan submitted under subsection
15 (4) or provide a written notice of deficiencies within 60 days, the
16 promise zone development plan ~~shall~~**must** be considered approved. If
17 a promise zone development plan is approved, the department of
18 treasury shall certify that the promise zone development plan meets
19 all requirements under this act and is sustainable.

20 (6) The department of treasury shall review any proposed
21 amendments to a promise zone development plan. Not more than 60
22 days after receipt of proposed amendments to a promise zone
23 development plan, the department of treasury shall either approve
24 the proposed amendments or provide a written notice of
25 deficiencies. If the department of treasury does not approve
26 proposed amendments or provide a written notice of deficiencies
27 within 60 days, the proposed amendments ~~shall~~**must** be considered
28 approved. If proposed amendments are approved, the department of
29 treasury shall certify that the amendments meet all requirements

1 under this act.

2 (7) A promise zone development plan approved under this act
3 before ~~the effective date of the amendatory act that added this~~
4 ~~subsection shall~~ **February 16, 2016 must** be amended as necessary to
5 meet the assessment and reporting requirements described in
6 subsection (2) (f). ~~That~~ **The** amendment ~~shall~~ **must** include a first
7 annual reporting deadline not later than October 31, 2017. ~~That~~ **The**
8 **board shall submit the** amendment ~~shall be submitted by the board to~~
9 the department of treasury within 60 days after ~~the effective date~~
10 ~~of the amendatory act that added this subsection~~ **February 16, 2016**
11 and **the amendment** is subject to the review process set forth in
12 subsection (6).

13 Sec. 11. (1) The board may employ a director. All of the
14 following apply to a director employed by a board under this
15 subsection:

16 (a) The board shall establish the director's compensation.

17 (b) The director serves at the pleasure of the board.

18 (c) A member of the board is not eligible to hold the position
19 of director.

20 (d) Before beginning ~~his or her duties,~~ **the duties of office,**
21 the director shall take and subscribe to the constitutional oath
22 and furnish a bond in an amount determined in the resolution
23 establishing the authority, payable to the authority for use and
24 benefit of the authority, approved by the board, and filed with the
25 clerk of the eligible entity. The premium on the bond ~~shall~~ **must** be
26 considered an operating expense of the authority, payable from
27 money available to the authority for expenses of operation.

28 (e) The director is the chief executive officer of the
29 authority.

1 (2) Subject to the approval of the board, the director shall
2 supervise and is responsible for implementing the promise zone
3 development plan and the performance of the functions of the
4 authority in the manner authorized under this act. The director
5 shall attend the meetings of the board and shall provide to the
6 board, the governing body, and the chief executive officer of the
7 eligible entity a regular report covering the activities and
8 financial condition of the authority. If the director is absent or
9 disabled, the board may designate a qualified person as acting
10 director to perform the duties of the office. Before beginning ~~his~~
11 ~~or her~~ duties, **the duties of office**, the acting director shall take
12 and subscribe to the oath, and furnish a bond, as required of the
13 director under subsection (1)(d). The director shall furnish the
14 board with any information or reports governing the operation of
15 the authority that the board requires.

16 (3) The board may employ and fix the compensation of a
17 treasurer, who shall keep the financial records of the authority
18 and who, together with the director, shall approve all vouchers for
19 the expenditure of money of the authority. The treasurer shall
20 perform all duties delegated to ~~him or her~~ **the treasurer** by the
21 board and shall furnish a bond in an amount prescribed by the
22 board.

23 (4) The board may employ and fix the compensation of a
24 secretary, who shall maintain custody of the official seal and of
25 records, books, documents, or other papers the treasurer is not
26 required to maintain. The secretary shall attend meetings of the
27 board and keep a record of its proceedings and shall perform other
28 duties delegated by the board.

29 (5) The board may retain legal counsel to advise the board in

1 the proper performance of its duties.

2 (6) The board may employ any other personnel that the board
3 considers necessary.

4 (7) The authority shall immediately deposit any money it
5 receives to the credit of the authority, subject to disbursement
6 under this act.

7 (8) Beginning in the first fiscal year in which it receives
8 revenue from the state from the capture of state education tax
9 revenue under section 17, the authority may use not more than 15%
10 of the amount of that revenue to pay for administrative costs. **As**
11 **used in this subsection, "administrative costs" does not include**
12 **the cost of personnel who provide services to students or any**
13 **expenditure of funds for implementing and carrying out educational**
14 **improvement activities or success programming for students as**
15 **described in section 7(2)(a).**

16 (9) Within 120 days after the end of each fiscal year, the
17 board shall submit audited financial statements of the authority
18 for that fiscal year to the department of education. The board
19 shall include with the financial statements a certification by the
20 board that the board and authority are in compliance with this act
21 and with the authority's approved promise zone development plan.