

**SUBSTITUTE FOR
HOUSE BILL NO. 4575**

A bill to amend 2008 PA 549, entitled
"Michigan promise zone authority act,"
by amending sections 3, 5, 7, 11, 15, and 17 (MCL 390.1663,
390.1665, 390.1667, 390.1671, 390.1675, and 390.1677).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. As used in this act:

2 (a) "Authority" means a promise zone authority created under
3 this act.

4 (b) "Board" means the governing body of an authority.

5 (c) "Eligible entity" means a city, township, county, local
6 school district, or intermediate school district, in which the
7 percentage of families with children under age 18 that are living
8 at or below the federal poverty level is greater than or equal to

1 the state average of families with children under age 18 living at
2 or below the federal poverty level, as determined by the department
3 of treasury.

4 (d) "Federal poverty level" means the poverty guidelines
5 published annually in the federal register by the United States
6 department of health and human services under its authority to
7 revise the poverty line under section 673(2) of subtitle B of title
8 VI of the omnibus budget reconciliation act of 1981, Public Law 97-
9 35, 42 USC 9902.

10 (e) "Governing body" means the elected body of an eligible
11 entity ~~having~~ **THAT HAS** legislative powers.

12 (f) "Nonpublic high school" means a high school operated by a
13 nonpublic school that includes grades 9 to 12 or 10 to 12 and that
14 awards a high school diploma. Nonpublic high school also includes a
15 general education development test.

16 (g) "Nonpublic school" means that term as defined in section 5
17 of the revised school code, 1976 PA 451, MCL 380.5.

18 (h) "Promise of financial assistance" means a commitment by an
19 eligible entity to provide financial resources for public or
20 private postsecondary education, **INCLUDING A VOCATIONAL PROGRAM**, to
21 eligible students living in a promise zone and who have graduated
22 from a public high school or nonpublic high school located within
23 that promise zone.

24 (i) "Promise zone" means that area created by a governing body
25 under this act.

26 (j) "Promise zone development plan" means that plan developed
27 by an authority under this act that will ensure that the financial

1 resources are available to adequately fund the promise of financial
2 assistance.

3 (k) "Public high school" means a public school that includes
4 grades 9 to 12 or 10 to 12 and that awards a high school diploma.

5 (l) "Public school" means that term as defined in section 5 of
6 the revised school code, 1976 PA 451, MCL 380.5.

7 (m) "School district" means that term as defined in the
8 revised school code, 1976 PA 451, MCL 380.1 to 380.1852.

9 (n) "State education tax" means the tax levied under the state
10 education tax act, 1993 PA 331, MCL 211.901 to 211.906.

11 (o) **"VOCATIONAL PROGRAM" MEANS AN EDUCATION OR TRAINING**
12 **PROGRAM INTENDED TO TEACH A TRADE, OCCUPATION, OR VOCATION AND**
13 **OFFERED BY A PUBLIC OR PRIVATE POSTSECONDARY INSTITUTION IN THIS**
14 **STATE.**

15 Sec. 5. (1) If the department of treasury certifies the
16 eligibility of a governing body to establish a promise zone and the
17 governing body, by resolution, establishes a promise zone under the
18 Michigan promise zone act, **2008 PA 550, MCL 390.1641 TO 390.1649,**
19 the governing body shall, by resolution, create a promise zone
20 authority.

21 (2) An authority is a public body corporate that may sue and
22 be sued in any court of this state. An authority possesses all the
23 powers necessary to carry out its purpose. The enumeration of a
24 power in this act shall not be construed as a limitation ~~upon~~**ON**
25 the general powers of an authority.

26 (3) An authority shall be under the supervision and control of
27 a board. ~~consisting of 11 members. Nine members shall be appointed~~

1 ~~by the~~ ALL OF THE FOLLOWING APPLY TO THE BOARD OF AN AUTHORITY:

2 (A) THE BOARD SHALL CONSIST OF 11 MEMBERS, AS FOLLOWS:

3 (i) NINE LOCALLY APPOINTED MEMBERS. THE chief executive officer
 4 of the eligible entity, with the advice and consent of the
 5 governing body, SHALL APPOINT THE 9 INITIAL LOCALLY APPOINTED
 6 MEMBERS OF THE BOARD DESCRIBED IN THIS SUBPARAGRAPH. IF A VACANCY
 7 OCCURS IN AN OFFICE OF A LOCALLY APPOINTED MEMBER APPOINTED UNDER
 8 THIS SUBPARAGRAPH, THE BOARD SHALL APPOINT A NEW MEMBER TO FILL
 9 THAT VACANCY. AS USED IN THIS SUBPARAGRAPH, FOR A LOCAL SCHOOL
 10 DISTRICT OR AN INTERMEDIATE SCHOOL DISTRICT, "CHIEF EXECUTIVE
 11 OFFICER" MEANS THE SUPERINTENDENT OF THAT LOCAL SCHOOL DISTRICT OR
 12 INTERMEDIATE SCHOOL DISTRICT.

13 (ii) One member ~~shall be~~ appointed by the senate majority
 14 leader.

15 (iii) One member ~~shall be~~ appointed by the speaker of the house
 16 of representatives.

17 (B) Not more than 3 members OF THE BOARD shall be government
 18 officials.

19 (C) One member OF THE BOARD shall be a representative of the
 20 public school community. ~~Of~~

21 (D) THE TERM OF OFFICE OF A MEMBER OF THE BOARD IS 4 YEARS.
 22 HOWEVER, OF the members first appointed, an equal number of the
 23 members, as near as is practicable, shall be appointed for 1 year,
 24 2 years, 3 years, and 4 years.

25 (E) A member OF THE BOARD shall hold office until the member's
 26 successor is appointed. ~~After the initial appointment, each member~~
 27 ~~shall serve for a term of 4 years. An appointment to fill a vacancy~~

1 ~~shall be made by the chief executive officer of the eligible entity~~
2 ~~for the unexpired term only.~~

3 (F) Members of the board shall serve without compensation, but
4 may be reimbursed for actual and necessary expenses.

5 (G) The chairperson of the board shall be elected by the
6 board. ~~As used in this subsection, for a local school district or~~
7 ~~an intermediate school district, "chief executive officer" means~~
8 ~~the superintendent of the local school district or intermediate~~
9 ~~school district.~~

10 (4) Before assuming the duties of office, a member shall
11 qualify by taking and subscribing to the constitutional oath of
12 office.

13 (5) The proceedings and rules of the board are subject to the
14 open meetings act, 1976 PA 267, MCL 15.261 to 15.275. The board
15 shall adopt rules governing its procedure and the holding of
16 regular meetings, subject to the approval of the governing body.
17 Special meetings may be held if called in the manner provided in
18 the rules of the board.

19 (6) After having been given notice and an opportunity to be
20 heard, a member of the board may be removed for cause by the
21 governing body.

22 (7) A writing prepared, owned, used, in the possession of, or
23 retained by the board in the performance of an official function is
24 subject to the freedom of information act, 1976 PA 442, MCL 15.231
25 to 15.246.

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

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

3 (a) A complete description of the proposed promise of
4 financial assistance. The proposed promise of financial assistance
5 shall include, but is not limited to, a promise of financial
6 assistance to all **ELIGIBLE** students residing within the promise
7 zone and who graduate from a public high school or nonpublic high
8 school located within that promise zone, **IN AN AMOUNT ESTABLISHED**
9 **BY THE BOARD TO REFLECT THE AMOUNT AVAILABLE FOR DISBURSEMENT TO**
10 **ELIGIBLE STUDENTS AND INCLUDED IN THE ANNUAL BUDGET UNDER SECTION**
11 **15.** The **AMOUNT OF** proposed promise of financial assistance shall,
12 at a minimum, ~~provide funding~~ **EQUAL OR EXCEED THE AMOUNT THE BOARD**
13 **DETERMINES IS** sufficient to ~~provide~~ **PAY FOR THE TUITION, MANDATORY**
14 **FEES, AND OTHER NECESSARY EXPENSES FOR** an eligible student ~~the~~
15 ~~tuition necessary to obtain an associate degree or its equivalent~~
16 ~~at a community or junior college in this state, or combination of~~
17 ~~community or junior colleges in this state and, at most, provide~~
18 ~~funding sufficient to provide an eligible student the tuition~~
19 ~~necessary~~ **AND SHALL NOT EXCEED THE AMOUNT THE BOARD DETERMINES IS**
20 **SUFFICIENT TO PAY FOR THE TUITION, MANDATORY FEES, AND OTHER**
21 **NECESSARY EXPENSES FOR AN ELIGIBLE STUDENT** to obtain a bachelor's
22 degree or its equivalent at a public postsecondary institution in
23 this state or combination of public postsecondary institutions in
24 this state, subject to any limitations authorized under this
25 section. The proposed promise of financial assistance may also, at
26 most, provide funding for an eligible student to attend a private
27 college in this state in an amount ~~not to~~ **THAT DOES NOT** exceed the

1 average tuition, ~~necessary~~ **MANDATORY FEES, AND OTHER NECESSARY**
2 **EXPENSES** to obtain a bachelor's degree at all public universities
3 in this state. The proposed promise of financial assistance may
4 also authorize the expenditure of funds for educational improvement
5 activities designed to increase readiness for postsecondary
6 education at public schools located in the promise zone.

7 (b) A complete description of any limitation on the promise of
8 financial assistance, ~~if~~ **INCLUDING, BUT NOT LIMITED TO, ANY OF**
9 **THE 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. ~~if~~

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. ~~if~~

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. ~~or if~~

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**

1 DEPARTMENT OF TREASURY AND IS NOT REQUIRED TO AMEND THE PLAN OR
2 OBTAIN APPROVAL FROM THE DEPARTMENT OF TREASURY FOR THAT CHANGE.

3 (vi) IF THE PROMISE OF FINANCIAL ASSISTANCE IS LIMITED TO
4 STUDENTS WHO COMPLY WITH REQUIREMENTS ESTABLISHED BY THE BOARD IN
5 ORDER TO IMPROVE STUDENT PROGRESS TOWARD DEGREE COMPLETION.

6 (vii) IF THE PROMISE OF FINANCIAL ASSISTANCE IN A PROMISE ZONE
7 THAT ENCOMPASSES MORE THAN 2 SCHOOL DISTRICTS IS LIMITED TO
8 STUDENTS WHO RESIDE IN AND GRADUATE FROM HIGH SCHOOLS LOCATED
9 WITHIN THE BOUNDARIES OF FEWER THAN ALL OF ITS CONSTITUENT SCHOOL
10 DISTRICTS.

11 (c) A requirement that graduates of a public high school or
12 nonpublic high school exhaust all other known and available
13 restricted grants for tuition, and ~~fees~~ **MANDATORY FEES, AND OTHER**
14 **NECESSARY EXPENSES** for postsecondary education provided by a
15 federal, state, or local governmental entity, as determined by the
16 board.

17 (d) How the funds necessary to accomplish the promise of
18 financial assistance will be raised. Any amount received under the
19 state school aid act of 1979, 1979 PA 94, MCL 388.1601 to ~~388.1772,~~
20 **388.1896**, shall not be included as a method of raising the
21 necessary funds. The promise zone development plan shall be
22 financed from 1 or more of the following sources:

23 (i) Donations.

24 (ii) Revenues.

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

27 (e) An actuarial model of how much the proposed plan is

1 estimated to cost, based on actuarial formulas developed by the
2 department of treasury.

3 (3) The proposed promise of financial assistance under
4 subsection (2) shall not include funding for attendance at a public
5 or private postsecondary institution not located in this state.

6 (4) The board shall submit the promise zone development plan
7 to the department of treasury promptly after its adoption. The
8 promise zone development plan shall be published on the website of
9 the eligible entity that established the promise zone.

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

22 (6) The department of treasury shall review any proposed
23 amendments to a promise zone development plan. Not more than 60
24 days after receipt of proposed amendments to a promise zone
25 development plan, the department of treasury shall either approve
26 the proposed amendments or provide a written notice of
27 deficiencies. If the department of treasury does not approve

1 proposed amendments or provide a written notice of deficiencies
 2 within 60 days, the proposed amendments shall be considered
 3 approved. If proposed amendments are approved, the department of
 4 treasury shall certify that the amendments meet all requirements
 5 under this act.

6 Sec. 11. (1) The board may employ ~~and fix the~~ **A DIRECTOR. ALL**
 7 **OF THE FOLLOWING APPLY TO A DIRECTOR EMPLOYED BY A BOARD UNDER THIS**
 8 **SUBSECTION:**

9 **(A) THE BOARD SHALL ESTABLISH THE DIRECTOR'S** compensation. ~~of~~
 10 ~~a director.~~

11 **(B)** The director ~~shall serve~~ **SERVES** at the pleasure of the
 12 board.

13 **(C)** A member of the board is not eligible to hold the position
 14 of director.

15 **(D)** Before beginning his or her duties, the director shall
 16 take and subscribe to the constitutional oath and furnish **A bond by**
 17 ~~posting a bond in the sum~~ **IN AN AMOUNT** determined in the resolution
 18 establishing the authority, payable to the authority for use and
 19 benefit of the authority, approved by the board, and filed with the
 20 clerk of the eligible entity. The premium on the bond shall be
 21 considered an operating expense of the authority, payable from
 22 ~~funds~~ **MONEY** available to the authority for expenses of operation.

23 **(E)** The director ~~shall be~~ **IS** the chief executive officer of
 24 the authority.

25 (2) Subject to the approval of the board, the director shall
 26 supervise and ~~be~~ **IS** responsible for implementing the promise zone
 27 development plan and the performance of the functions of the

1 authority in the manner authorized ~~by~~**UNDER** this act. The director
2 shall attend the meetings of the board and shall provide to the
3 board, the governing body, and the chief executive officer of the
4 eligible entity a regular report covering the activities and
5 financial condition of the authority. If the director is absent or
6 disabled, the board may designate a qualified person as acting
7 director to perform the duties of the office. Before beginning his
8 or her duties, the acting director shall take and subscribe to the
9 oath, and furnish **A** bond, as required of the director **UNDER**
10 **SUBSECTION (1) (D)**. The director shall furnish the board with **ANY**
11 information or reports governing the operation of the authority ~~as~~
12 **THAT** the board requires.

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

19 (4) The board may employ and fix the compensation of a
20 secretary, who shall maintain custody of the official seal and of
21 records, books, documents, or other papers **THE TREASURER IS** not
22 required to ~~be maintained by the treasurer.~~ **MAINTAIN**. The secretary
23 shall attend meetings of the board and keep a record of its
24 proceedings and shall perform other duties delegated by the board.

25 (5) The board may retain legal counsel to advise the board in
26 the proper performance of its duties.

27 (6) The board may employ **ANY** other personnel ~~considered~~**THAT**

1 ~~THE BOARD CONSIDERS~~ necessary. ~~by the board.~~

2 (7) ~~Money received by the~~ **THE** authority shall immediately be
3 ~~deposited~~ **DEPOSIT ANY MONEY IT RECEIVES** to the credit of the
4 authority, subject to disbursement under this act.

5 (8) ~~The authority shall not expend more than 15% of the~~
6 ~~proposed annual budget~~ **BEGINNING IN THE FIRST FISCAL YEAR IN WHICH**
7 **IT RECEIVES REVENUE FROM THE STATE FROM THE CAPTURE OF STATE**
8 **EDUCATION TAX REVENUE UNDER SECTION 17, THE AUTHORITY MAY USE NOT**
9 **MORE THAN 15% OF THE AMOUNT OF THAT REVENUE TO PAY** for
10 administrative costs.

11 (9) **WITHIN 120 DAYS AFTER THE END OF EACH FISCAL YEAR, THE**
12 **BOARD SHALL SUBMIT AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**
13 **FOR THAT FISCAL YEAR TO THE DEPARTMENT OF EDUCATION. THE BOARD**
14 **SHALL INCLUDE WITH THE FINANCIAL STATEMENTS A CERTIFICATION BY THE**
15 **BOARD THAT THE BOARD AND AUTHORITY ARE IN COMPLIANCE WITH THIS ACT,**
16 **WITH THE REQUIREMENTS OF THE MICHIGAN PROMISE ZONE ACT, 2008 PA**
17 **550, MCL 390.1641 TO 390.1649, AND WITH THE AUTHORITY'S APPROVED**
18 **PROMISE ZONE DEVELOPMENT PLAN.**

19 Sec. 15. (1) ~~The director of the authority shall submit~~ **BOARD**
20 **SHALL ADOPT** a budget ~~to the board~~ for the operation of the
21 authority for each fiscal year, before the beginning of ~~the~~ **THAT**
22 fiscal year, **BASED ON A BUDGET SUBMITTED TO IT BY THE DIRECTOR.** The
23 budget shall be prepared in the manner and contain the information
24 required of municipal departments. ~~After review by the board, the~~
25 ~~budget shall be submitted to the governing body. The governing body~~
26 ~~must approve the budget before the board may adopt the budget.~~
27 Unless authorized by the governing body, ~~funds~~ **THE BUDGET OF AN**

1 AUTHORITY SHALL NOT INCLUDE ANY MONEY of the eligible entity. shall
2 ~~not be included in the budget of the authority.~~

3 (2) THE BUDGET DESCRIBED IN SUBSECTION (1) SHALL INCLUDE THE
4 AMOUNT THE AUTHORITY INTENDS TO DISBURSE TO EACH ELIGIBLE STUDENT
5 IN THE FISCAL YEAR COVERED BY THE BUDGET. SUBJECT TO THE MAXIMUM
6 AMOUNTS DESCRIBED IN SECTION 7(2)(A), THE BOARD SHALL ESTABLISH THE
7 AMOUNT OF THE ANNUAL PAYMENT TO ELIGIBLE STUDENTS AND, IN MAKING
8 THAT DETERMINATION, SHALL CONSIDER THE FINANCIAL RESOURCES
9 AVAILABLE TO THE AUTHORITY FOR DISBURSEMENT TO THOSE STUDENTS.

10 Sec. 17. (1) The authority shall determine the base year for
11 calculating the amount of incremental growth for the capture of the
12 state education tax as provided in this section. The base year is
13 the amount of revenue received from the collection of the state
14 education tax in the promise zone in the year immediately preceding
15 the year in which an authority makes its initial ~~tuition payment~~
16 **PAYMENT OF TUITION, MANDATORY FEES, AND OTHER NECESSARY EXPENSES** in
17 accordance with the promise of financial assistance or the amount
18 of revenue received from the collection of the state education tax
19 in the promise zone in ~~any 1 of the 3 immediately~~ **A** succeeding
20 ~~years,~~ **YEAR,** whichever is less.

21 (2) If the authority continues to make annual payments in
22 accordance with the promise of financial assistance, in the year
23 immediately succeeding the base year determined in subsection (1)
24 and each year thereafter, this state shall capture 1/2 of the
25 increase in revenue, if any, from the collection of the state
26 education tax. This state shall not capture any revenue from the
27 collection of the state education tax under this act if that

1 revenue is subject to capture under any other law of this state.
2 Proceeds from the capture of the state education tax under this
3 section shall be deposited in the state treasury and credited to a
4 restricted fund to be used solely for the purposes of this act.

5 (3) If the authority continues to make annual ~~tuition payments~~

6 **PAYMENTS OF TUITION, MANDATORY FEES, AND OTHER NECESSARY EXPENSES**

7 in accordance with the promise of financial assistance, 2 years
8 after the authority's initial payment of financial assistance and
9 each year thereafter, this state shall pay to the authority the
10 state education tax captured under subsection (2). If the
11 boundaries of 2 or more promise zones created under this act
12 overlap, payments under this section shall only be made to the
13 first authority eligible for payment under this subsection.

14 (4) If at any time the authority does not make annual ~~tuition~~

15 ~~payments~~ **PAYMENTS OF TUITION, MANDATORY FEES, AND OTHER NECESSARY**

16 **EXPENSES** in accordance with the promise for financial assistance,
17 any amount captured from that promise zone in the restricted fund
18 created under subsection (2) shall be paid into the school aid fund
19 established in section 11 of article IX of the state constitution
20 of 1963.

21 (5) For purposes of this section, payments under this section
22 shall not be included in determining payments for financial
23 assistance in the immediately preceding year.